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Baby Boomers Need Dream Car Coverage

Niche market growing, as values rise for eight-to-10 million collector vehicles

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Growth in the collector vehicles insurance market is revving up, driven by the bulging pockets of nostalgic baby boomers, according to specialists in this sporty niche.

How big a market is this? Ford Heacock of the Heacock Classic agency, part of Heacock Insurance Group in Sebring, Fla., says registration lists are more difficult to come by, but by some estimates there are between "eight million and 10 million collector vehicles out there."

The collector vehicle typically has a stable or increasing value, and the niche market includes antique autos, aged tractors, motorcycles and "muscle cars"—the U.S.-manufactured, high-powered, high-performance coupes from the 1960s and 1970s.

Mark Plousis, vice president for diversified products at Philadelphia Insurance's office in Bala Cynwyd, Pa., said the company became the carrier for Grundy Worldwide last year because "for us it's a growth area, a place to diversify, a profitable niche."

The forces he sees behind the market's expansion are threefold:

- **Baby Boomers Rule:** Number one, he noted, "there are more baby boomers with disposable income, time and money who want to relive their youth" and buy the dream car of their teen years.
- **Cruising The Web:** Second, he mentioned the Internet—which he said has made parts and vehicles more accessible for people who want to restore classic cars to vintage condition. As more people can trade cars and parts, the overall market grows.

In addition, as the Internet spreads knowledge of the hobby, Mr. Plousis noted it has spawned television interest with the airing of big car auctions and shows, along with channels that deal with automotive topics.

- **Flexing Your Muscles:** Third, he cited vast growth in sales of the "muscle car" segment.

Donna Wares, senior manager of agent marketing at Hagerty Insurance in Traverse City, Mich., can attest to that. She said her specialty agency looked at its book last year and

found that 70 percent of its business involved cars in the 1966-to-1972 date range, which is the segment that embraces muscle cars.

Ms. Wares—who has worked for both independent agencies and insurance companies in her 20-year-plus career--manages more than 20,000 agency relationships for Hagerty, representing 55 percent of the agency's total book of business. Hagerty features electronic policy delivery, commission downloads and paperless application processes, she noted.

Mr. Heacock said the value of older cars, such as the Ford Model T, has not tracked upward as rapidly as prices for more recent vintage models between 25- and 40 years old, which have been soaring.

By example, he mentioned that the 1966 Shelby GT (pictured with this story) is now worth \$200,000. It originally sold for less than \$4,000.

Currently, the most insured brand of collector vehicle is the Chevrolet Corvette, numerous insurance players in the field note.

Mr. Heacock said that typically the demographic for a collector is a person in their forties, with 45 being the average age of policyholders at Heacock—"someone with disposable income to buy a toy they have always wanted."

Hagerty finds that collectors on average are good risks, with solid credit scores of over 800, noted Ms. Wares. Most are male, but she said a lot of couples are involved.

Indeed, Laura Bergan, marketing director for American Collectors Insurance in Cherry Hill, N.J., mentioned there are car clubs exclusively for women. She said at car auctions and shows, they will proudly point to a vehicle and "tell you it's their car, not their daddy's."

Generally the market is dominated by six-to-eight large national agencies.

"The bigger players are bigger because the companies they wrote for gave them millions of dollars to promote themselves," according to Dan Yagodnik, president of the Indianapolis-based Classic Automobile Insurance, which he described as a smaller but not insignificant player.

Once an agency gets a collector's business, they are likely to keep it, with market players citing retention rates ranging from 90-to-94 percent.

How does one get the business? Ms. Bergan explained that it involves a very personalized approach. "Collectors are a very tight-knit group. If an agent has a relationship with a car guy, that car guy is going to tell his buddies."

One marketing method that American Collectors uses, she said, is to connect agents with local car clubs.

"It's a little hard to break into. It's a hobby-type market. It takes time to establish visibility and reputation," explained Mr. Heacock. He said his operation advertises in hobby magazines and on the Internet, as well as participating and sponsoring car shows.

Mr. Yagodnik said Classic, as an incentive, is offering policyholders free 24-hour roadside assistance.

Insurance for a collector vehicle generally costs from 30-to-50 percent less than the price for standard auto, and generally includes mileage limits as low as 3,000. That's not a problem for owners who typically coddle their machines like babies, often limiting driving to a few parades and trailering their autos to events.

Rates are anything but volatile. Mr. Heacock said he hasn't seen a rate increase in the 15 years he has been in the business.

"Haven't needed one," he said, explaining that the older a policyholder's car becomes, the more valuable it is. As a result, the owner is likely to drive it less and insure it for more. "This is the only class that gets better with age," Mr. Heacock exulted.

One area within the niche that is seen as a growth sector is coverage for classic and customized motorcycles. Among these are old Harley-Davidsons, Indians and Triumphs, as well as custom "choppers."

A lot of the latter are "built from the ground up, with price tags in six figures. Typically the owners buy them just to look at. They are almost a work of art," according to Ms. Bergan.

Hagerty also writes classic motorcycles and scooters, as well as classic boats, as part of its portfolio of niche markets.

Mr. Yagodnik said his agency has decided to enter the motorcycle segment and will shortly start providing coverage.

Ms. Bergan at American Collectors said a lot of independent agents are a bit tentative about the collector market because they think they have to be experts, "but we as a provider are here to help them out."

For agents looking to break into this niche, she added, "It's easy once they've got their foot in the door and they see how easy it is to obtain other lines to round out the account."