

Case Studies in Agency Financing

Case #2: John Rost Finds Adventure in the Huge Hispanic Market

Summary: *Reaching the summit of Mt. Everest in 2004 was a peak experience for John Rost. Returning to the insurance business, he took on a new challenge: building a national insurance brand in the 45-million-strong Hispanic marketplace.*



“Adventure Guy.” That’s the nickname John Rost took with him to the summit of Mt. Everest in 2004. When he reached the peak, he became only the 35th American to climb the Seven Summits—the tallest mountain on each of the seven continents.

Returning to sea level in southern California, Rost resumed his life as a successful agency owner. Starting in 1999, he had built an agency from scratch—Fiesta Auto Insurance—serving the expanding Hispanic marketplace in his adopted hometown of Los Angeles.

But the entrepreneur in this adventurer dreamed of more: he wanted to build a franchise that would reach well beyond his locations in southern California to serve the nationwide Hispanic market of 45 million people. More fond of marketing and sales than of agency management, Rost longed to empower people in agencies by getting them to own a piece of the business.

Rost—who admired food franchise firms such as Subway—decided to apply the concepts of turn-key franchising to Fiesta Auto Insurance. He had the idea—plus the market, the carrier relationships, the paperless agency management system, and years of success on an agency level.

But he needed time and money to establish his company as a franchisor.

‘Significant Investment’ Required

“California has very high standards for franchisors,” Rost explained. “We are required to meet certain capital requirements and also required to have audited financial statements. This process required a significant financial investment.”

That’s where InsurBanc came in. Few banks or potential investors understood his agency’s operations, and fewer understood his dream of franchising an insurance retail storefront. Based on Rost’s success in the independent agency business, InsurBanc stepped in to provide a line of credit to give Fiesta the working capital to build out the franchise concept and start up its first franchised locations.



Without InsurBanc, Rost recalled, he would have been forced to “look at private investment or grow at a slower rate.” Why did he decide to work with InsurBanc? Rost answered simply: “They



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Owner's Profile

Who: John Rost, President, Fiesta Insurance Franchise Corp.

What: Launching Fiesta Auto Insurance and Tax Service as a new franchised insurance brand serving the Hispanic marketplace throughout the U.S.

How: Rost wanted to launch an insurance and income tax franchise system to serve the growing Hispanic marketplace. Equipped with the dream, he needed the working capital to fund it.

understand the insurance industry. It is beneficial having a bank that actually understands the uniqueness of the insurance business.”

Owner Eyes Growth

After securing his initial franchise approval in California in 2006, Rost added individual franchisees in 32 locations around the state. Later gaining Federal Trade Commission approval as a franchisor, he added locations in Texas, New York, Missouri, Michigan, Florida and Pennsylvania. And with the aim of a national presence, Fiesta has secured franchise approvals in 42 states.

Each Fiesta Auto Insurance franchise is locally operated, and offers auto, home, business, rental property, boat, and motorcycle coverages from as many as 55 carriers. In addition every franchise location operates as an income tax preparation site in the tax season. Fiesta offers customers instant refunds and electronic filing just like other tax only franchises. And the part that Rost likes most is that owners are running every location. “We want them to operate as independently as possible,” commented Rost. “This is true business ownership.”

Each new franchisee pays an upfront fee for

licensing, and pays a commission split on sales. Each location gets an exclusive territory. Fiesta gives each location its proprietary Web-based agency management system, access to insurance carriers, errors and omissions coverage, franchise branding resources and full time accounting support. Fiesta holds franchisees to written standards for production, procedures, and customer service.

Rost's adventurous lifetime also has included automobile racing, surfing, yachting, tennis, hunting, fishing, and scuba diving. An avid private pilot, he has owned and piloted a sport aerobatic airplane. In 2006 -2007 he built his own high performance aircraft in his garage. And in June 2009 he set a new world speed record in the aircraft that he built. Extreme sports aren't for everyone—but Rost has learned there's something that is: insurance and income tax preparation.

“These are financial products that truly every adult in the United States needs to have,” Rost explained. And he's ready to serve a huge piece of the market through his Fiesta Auto Insurance franchise. And the insurance professionals in the Hispanic market like it: Fiesta was named the Latin American Agents Association “Agency of the Year” for 2007.

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