

AMERICAN FAMILY FIRES TOP FINANCIAL OFFICER

In an earlier Compass Report, American Family stated that the top financial officer, Thomas King, resigned from American Family. It has been reported to us, however, that he was fired from American Family for poor performance.

The reason for this termination may be more clearly understood after you read a recent article that appeared in the January 11th, 2008, Insurance Journal article entitled "***Insurers Defend Profits; Deny They Overcharge, Under-deliver on Home, Auto Policies.***" Without quoting the entire article, it states

"From 1997 to 2006 insurers earned an average return on equity of 7.6 percent, compared to 13.6 percent for Fortune 500 companies, according to PCI."

This means that American Family, being a Fortune 500 company, [*showing a ROE at the end of 2007's third quarter of 2.6% (Compass Today 11/27/2007)*] has not performed as well as their Fortune 500 counter parts, or even, for that matter, as well as the *average* insurance company has.

Unbelievable is how one individual can be accountable for the entire ROE of a company as large as American Family. Even more unbelievable is how this poor performance has gone without notice and has been accepted by the Board of Directors for so many years. Isn't the Board of Directors supposed to be the financial watchdog for the overall financial operations of American Family?

Fortunately, a new board member did notice of the "lack luster" performance and took it upon himself to look into the matter. NAAFA says kudos to the board members who take their duties seriously by pointing out such poor performance and attempting to rectify the problem instead of simply rubber-stamping their approval on everything.

While the termination of the VP of Finance may have been justified, one has to wonder about the other checks and balances within the company? Shouldn't other corporate officers, such as the President/ CEO, also be held responsible for knowing American Family's portfolio was performing far below average, especially considering his financial background?

I hope the entire Board of Directors will consider the "lack luster" performance of all the top company officers in the upcoming annual board meeting when determining the officers' salaries and bonuses! Every individual in American Family needs to be held to some performance criteria and accountability, and management needs to be held to the *highest* degree of accountability.