

The National Association of American Family Agents
PO Box 578
Circle Pines, MN 55014



The NAAFA Report

(Winter 2008)

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The

NAAFA Report

Winter 2008

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NAAFA encourages people to write to us. If you haven't visited our website, you should do so now. The Agents' Bulletin Board contains interesting letters and emails from agents, past and present. Our website (www.NAAFA.com) is updated with new articles each Saturday, so search around at least once a week for new information. The number of people using the website has greatly increased and the website is our fastest means of communication. Members need passwords so call if you have lost yours. 1-800-567-9668.

NAAFA DISCLAIMER

Articles, opinions, and viewpoints contained in The NAAFA Report are not necessarily the opinions and viewpoints of NAAFA. The opinions expressed herein, are not those of American Family Insurance Company or any of its subsidiaries. The NAAFA Report's express purpose is to provide a medium whereby people can express their opinions in written form for any interested parties to view. Therefore, NAAFA disclaims any liability for any harm that may be done as a result of these opinions being expressed herein. The NAAFA Report does not guarantee accuracy and correctness of such articles. No part of the NAAFA Report can be reproduced or copied **without prior written permission.**



The NAAFA Report.....

Who We Are

The National Association of American Family Agents (NAAFA) is a professional organization established to promote education and communication between American Family Agents and American Family Insurance Company, for whom the Agents supply the lifeline that enables American Family Insurance to exist. Our desire is to be a vital, active group who is interested in sharing our experiences and knowledge with other agents, always encouraging, listening, and growing in ways that not only profit the Agents, but the Company and Customer, as well.

Our Mission Statement

The Association shall strive to provide professional fellowship by dedicating its activities to furthering the highest degree of ethical service to the insuring public. The Association will support the strictest adherence to the integrity of its members as professional insurance agents. We will promote professional conduct and protect the legislative interests of our members through awareness and understanding of the issues facing the independent contractor insurance agent in the American society.

REMEMBER TO NOTIFY NAAFA IF YOUR MAILING ADDRESS CHANGES.

Call: 1-800-567-9668 By mail: NAAFA Email: www.NAAFAwest@comcast.net
PO Box 578
Circle Pines, MN 55014

**FOR MEMBERS WHO PAY THEIR DUES THROUGH EFT WITHDRAWALS,
TO AVOID BANK CHARGES
BE SURE TO NOTIFY NAAFA IF YOU CHANGE BANKS**

Notice:

It is always difficult for the NAAFA Board when we find it necessary to increase our dues. Although we are very happy to accommodate, we have found that our "retired" members are requiring the majority of our time. Therefore, beginning 1/1/2009, membership dues for inactive (retired or former) American Family agents will be \$80.00 a year.

**Now, sit down, kick up your feet,
and "absorb" the only publication written totally
for the benefit of our great NAAFA Report readers.**

www.NAAFA.com

FINAL THOUGHTS ON THE 409A ISSUE

--by a NAAFA Board Member

NAAFA has posted on our website (www.NAAFA.com) for members, the evaluation done by Attorney Connaway on behalf of the Capital Gain Legal Fund. NASFA (State Farm Agent Association) has also gotten another legal opinion on the 409A issue as it pertains to the State Farm captive agents. They have posted that opinion on their website.

http://www.nasfa.com/publications/nasfax/2008/nasfax148_supplement.pdf

As you can see, the opinion posted on the NASFA website for State Farm agents, in essence, says that the “amendment” proposed by State Farm is appropriate and probably could be signed by the agents.

The 409A rules require that deferred compensation be paid only upon the occurrence of specific events and the agent’s ability to change this timing is very restricted. The events when these payments would be permitted are:

1. Separation from service
2. Death
3. Disability
4. Unforeseeable emergency
5. Change in ownership of the service recipient (the company)

It would seem that even though someone changed his payment choice (after January 1, 2009) causing the 5-year delay to kick in, that #1 (separation from service) would re-qualify an agent to immediately receive his extended earnings the minute he quit or was fired. If this is so, then why would anyone have to sign their Agent Termination benefit Payment Form anyway? We imagine the answer to that question is so the Company can show the IRS by 12/31/2008 that their plan is in place. But agents are skeptical because explanations are vague.

It is definite that the IRS tax and penalties are very severe for the agent if the 409A rules are not adhered to. We’ve been told that the “selection” the Company is requiring of agents by 12/31/2008 (or they make it for you) is **not** information they are passing on to the IRS, as has been implied. We can only guess then that the Company must comply by informing the IRS that *they* have a specific plan in place by that date. So why is it critical for the agent to sign the form if the agent would be happy with the selection the Company made for them anyway? The problem here is the agents and the Company just don’t trust one another!

A greater issue is whether signing the Termination Benefit Payment Election Form will obligate you to the IRS’s view of payments being made to you AFTER separation from the company. The IRS calls these payments “deferred compensation” in the 409A rules, and refers to them as being liable to SECA Tax (if an independent contractor) and FICA if an employee. As you know, the IRS has not obligated agents’ termination benefits to SECA Tax for many years now and NAAFA would not want you to jeopardize that situation.

NAAFA certainly agrees with Attorney Connaway (the lawyer the Capital Gain Legal Fund enlisted to evaluate this) that the 409A as it pertains to captive agents will most certainly be brought before the courts before too long. When the IRS can change “termination benefits” into “deferred compensation,” they are messing around with legal precedents. (Milligan, Gump, and Jackson cases.) This very well could cause some future problems with our SECA Tax issue.

Many agents have contacted their attorneys about signing this form. Each of you will have to decide what is right for you. Please make sure Agency Services is straight on which contracts you have previously signed. We have heard of several mistakes. Remember, you are supposed to have had the “best of all worlds” if you’ve signed several contracts. Whether you sign or don’t sign, **KEEP RECORDS OF EVERYTHING YOU’VE GOTTEN FROM THE COMPANY, ESPECIALLY WHAT YOU’VE SIGNED.** (End)

YOU MAY DELAY, BUT TIME WILL NOT (-Benjamin Franklin) JOIN NAAFA TODAY

DO YOU OWN YOUR AGENCY?

By a NAAFA Board Member

Do you own your agency “book of business?” You know that you suffer consequences if that book of business (your retention) suffers. You know your income goes up or down depending upon your book of business. You know you marketed at great expense to bring in new customers, but are they really *your* customers? You know that you spend hundreds of dollars a year servicing people but they might NOT actually be your customers? You know that before you signed on the dotted line with American Family that you were promised the excitement of “establishing your own agency” and “owning your own business.” **But still American Family is telling the agents they do not own a “book of business.”** “No business exists,” they say. Period!

Well, that may not be quite true. Exactly what is going on with the status of captive agents? Here’s the conflict NAAFA is observing:

The courts say captive agents cannot claim their retirement benefits (extended earnings) as **capital gains** because “*they don’t own their businesses*”.....

Yet they are **considered independent contractors by the IRS.**

If agents are independent contractors, then they must **own** their businesses.

[Isn’t it about time the courts and the IRS (And American Family) got together and cleared this mess up?]

Either agents **own their businesses**, are **independent contractors**, **own the rights to their customers’ names, addresses, phone numbers, and personal data**

**(Which is readily and publically available through any insurance quoting device be it via the Internet or through any independent agent)
And thus can claim their extended earnings as capital gains,**

OR

**They do NOT own their businesses because no businesses exist and therefore,
ALL AGENTS ARE EMPLOYEES!**

THE COURTS AND THE IRS CANNOT HAVE IT BOTH WAYS!!

When will this mess ever be settled? We are watching the Rich Pyorre case in California (unjustly terminated State Farm agent) which promises to get the Trade Secret issue settled, perhaps sometime in March of 2009. We are watching the State Farm Agents' Association (www.NASFA.com) which promises to pursue the franchise and capital gain issue. Mean while, NAAFA advises all members to go to our website before you make any moves. We are trying to keep you up-to-date about what we know. We do not advise, we inform. Like FOX news says, "We report, you decide." (End)

DID YOU KNOW YOUR EXTENDED EARNINGS ARE NOT PROTECTED?

"DEAR NAAFA"NAAFA HEARS FROM AGENTS PAST AND PRESENT

[The following letter was posted on our Agent Bulletin Board, but we have decided to include it in our NAAFA Report because it contains such good advice. Selling can be fun and this agent figured that out early.]

LETTER #1

Dear NAAFA,

When I first started in the insurance business my DM went with me on calls. On the way to the appointment he would give me a pep talk, "if you sell these folks 2 autos and a home owner policy you will make X number of dollars. With him it was always about money, contests and All American Points.

I hated it! I didn't like the way he pressured people, etc. When I started going on appointments by myself I would hope that the people would "forget" the appointment and not be home. After awhile I felt more comfortable and started being myself instead of a salesperson. My wife would ask how I did on an appointment and I would say, "I didn't sell anything, but I had a nice conversation."

I would leave people's home knowing that I had helped them by telling them that "now is not a good time for you to change companies. Wait a couple years. You've been with State Farm for 40 years and now you are 75. I think you should stay where you are because they owe you and we wouldn't." Or "Your wood burner is unsafe. Here's a brochure about proper installation and do yourself a favor and call the fire department and have them inspect it", or "These are the coverages I think you should have. Call your current agent and see how little it would cost you to have good coverage until you are able to make the switch."

A funny thing happened. I had an Epiphany! All of a sudden I wasn't just a step above a used car salesman (no harm intended). I wasn't a salesman! I was in the business of helping

people. And my phone rang! “My Dad said I should call you ‘because you’re a good honest guy. I got my wood burner fixed, come on over and check it out and give me a price and my sister wants you to call her.”

All of a sudden I was having fun! I was helping people! I was making money! The more people I helped, the more money I made! People are very smart. They can smell if you are there for the wrong reason! Greed has no place in the insurance business.

Retired 13 years, but still in “**the business of helping people!**”

LETTER #2

Dear NAAFA,

Having just read that AmFam is getting rid of some employees because they are “over staffed” and need to trim down in various departments, I wonder, “Is this possible?”

I have often wondered why they have so many employees in certain departments who:

- (1) never answer their phone.
- (2) never return a phone call after I have left a message asking for help with something.
- (3) never return an answer to an email that I have sent.

I often wonder what they do to earn a paycheck.

Just thinking out loud

An AF Agent

(End)

<p>THE NUMBER OF VISITS AND PAGE VIEWS TO THE WWW.NAAFA.COM WEBSITE HAS DOUBLED IN THE PAST 6 MONTHS. WE URGE AGENTS TO JOIN NAAFA TO AVAIL THEMSELVES OF THE PRIVILEGE OF ALSO VISITING THE “MEMBERS-ONLY” SECTION. BE INFORMED!</p>

CUTTING EMPLOYEES USUALLY COMES BECAUSE A COMPANY IS LOSING MONEY AND NEEDS TO CUT EXPENSES.

In September, 2008, agents received a message from Peter Gunder and Rick Fetherston that “all is well at American Family.” Agents were encouraged in this message to tell customers with questions about the stability of AF, that they should not be concerned because AF “has a strategy of investing in quality assets.”

Then on November 21, 2008, a message went out preparing agents for a Wisconsin State Journal article that was about to appear regarding AF’s “focus to control expenses while continuing to improve and grow the company.” This message explained that reporters were told of staff cutting, but also were told that American Family remains a strong and stable insurance company.

It was interesting to note that the Wisconsin State Journal (November 21, 2008) article really never mentioned AF’s stability and wise investing strategies, but instead, emphasized the cutting of employees. The article left the reader wide open to question just how secure AF really is since the company has found it necessary to

cut employee positions by 377 so far in 2008 and has plans to cut even more in 2009.

Isn't it interesting that cutting expenses always starts with either cutting employees/agents or cutting their wages? Why doesn't upper management at American Family realize that if they first started cutting at the top, that attitudes would be much better among those who work for AF?

AIG has learned the hard way about cutting expenses. Isn't it too bad they couldn't have realized that this should have been done years ago in order to perhaps have avoided the mess they are in today? Finally, however, they have come to realize that they must limit the pay of its top executives. In fact, only a \$1 salary will be granted for 2008 and the same for 2009 to its Chief executive Edward Liddy. And, AIG says there will be no 2008 annual bonuses and no salary increases through 2009 for AIG's top seven officers. Also, there will be no salary increases through 2009 for the 50 next-highest AIG executives. AIG also ended some of its "deferred compensation" programs which will, they anticipate, result in about \$500 million of payouts due in the first quarter of 2009.

(http://www.insurancenewsnet.com/article.asp?n=1&neid=20081125140.6.6_7ce30009bacc9714)

NAAFA mentions all this because we believe agents should watch with an eagle eye what is going on at American Family. This is very hard to do when officers are not really forthcoming with us. We need to be aware of how AF's losses have affected its stability. Many a company has touted its own "financial security" only to have to announce total financial disaster sometimes just a month later.

Of greatest concern to agents should be the *security of agents' termination benefits*. There is NO security for your termination benefits.....not even for those who are already receiving them. As mentioned above, AIG ended its "deferred compensation" plans. It could happen here, too. Perhaps we should not alarm you, but NAAFA feels it is our obligation to tell you how we feel and then let you make your own decision regarding what may determine your retirement future. (End)

=====www.NAAFA.com=====

ATTENTION ALL PEOPLE DRAWING EXTENDED EARNINGS!

Several times a year, NAAFA gets calls from agents who have retired or left American Family, are drawing their extended earnings and are paying SECA TAX. Just today the NAAFA office talked to an agent who had retired 5 years ago and has been paying the 15+% tax to the IRS. What a shame! Isn't it about time you learned about this tax? You are wasting thousands of dollars by not joining NAAFA and becoming informed about the SECA TAX rules. SECA Kits are available only to members. JOIN NAAFA TODAY!

=====

**A liberal is someone who feels a great debt to his fellow man,
which debt he proposes to pay off with your money. -G Gordon Liddy**

A REMINDER ABOUT ACCESS DIRECT

NAAFA hears quite often from agents who are being pressured to sign up for Access Direct. We need to stress with you that if you feel Access Direct would not be a benefit to your agency, or if you simply do not want to sign up for Access Direct, you certainly should not do so. But you may want to instruct your district manager to put the request in a formal letter or email so you may share the letter with the IRS. American Family is VERY aware of your independent contractor status, but they continuously try to treat you as employees. Many believe the Access Direct phone monitoring system allows American Family to monitor and control your agency activities. Some agents have actually been told that once you give them your phone numbers, you can't get them back very easily. What ever your reason for not wanting to sign up for Access Direct, you, as an independent contract, have that right to refuse. Regretfully, not all district managers honor that fact. You do not have to sign or agree to anything you feel is not beneficial to your agency or to your clients. (And yes, NAAFA believes they are your clients, not American Family's clients!)

Agents should not be terminated for not signing agreements which are not part of the agent/company contract. If an agent is terminated for not signing something like the Access Direct agreement, this would constitute a wrongful termination. However, your agent contract does allow American Family to terminate at will which basically states they can terminate you for almost any reason and determine it to be a justifiable. We should note, however, that agents have won in wrongful termination suits.

Your recourse at that point is very simple. All an agent has to do is to file their tax return using the SS-8 form claiming you are an employee of American Family. It will not take many of these filings before the IRS contacts American Family to see why agents, independent contractors, are filing their taxes as employees.

Many agents or even a group of agents would find it difficult to afford litigation against American Family for wrongful termination; however, the IRS will determine if you are an independent contractor or an employee. If the IRS would determine you were an employee of American Family, they would owe you all the benefits offered to an employee plus they would most likely be fined and owe taxes for not claiming agents as employees. If the IRS would determine you were *not* an employee and thus, you are

an independent contractor, then *you can show you were wrongfully terminated for not violating your agent contract.* In either case the ruling would not be favorable to American Family, a fact American Family is very aware of.

Be sure any threats based on not signing the Access Direct agreement or any other agreement which are not part of your agent's agreement are documented, preferably in written form from your district, state, regional or any company officer of American Family. They know the rules and we need to let them know *we know them*, too! You should NOT be forced or threatened to sign anything that is not part of your agent's agreement.

Article submitted by NAAFA Board Member
(End)

SURVEY MANIPULATION

NAAFA has found it quite interesting that the company (Rich Steffen) has finally found it necessary to establish a corporate position on 'survey manipulation.' NAAFA has often been notified of district managers who have made what we would call unethical suggestions to agents regarding what to do to "get higher scores on their surveys."

When will the Company realize that they are most often the CAUSE of unethical behavior not only because they have suggested it in the first place, but because of the undue pressure they apply on agents? Let's put the blame where it belongs.

The timing of the announcement of the Company's "position" on survey manipulation is interesting, too, because it comes just *after* the JD Power "first-ever Insurance Customer Contact Study" was released. Shouldn't the Company have established a corporate position BEFORE the first survey ever went out? Such timing sort of implies the Company doesn't really believe the agents actually deserved the No. 1 rating they received.

Come on, American Family, isn't it about time you work on getting your own ratings up? Being No. 4 in **Web Site** ranking stinks. But being No. 7 in overall **Call Center** satisfaction is absolutely deplorable. The American Family agents have always done an outstanding job of servicing their customers. You just never realized it before. Sad!! (End)

Submitted by a NAAFA Board member 12-8-2008

www.NAAFA.com

If you have enjoyed The NAAFA Report, show your appreciation by joining. Then invite others to join. All donations help, also.

Many agents find it quite painless to pay their NAAFA dues by EFT withdrawals. Why not sign up today by sending a voided check along with two months (\$40) dues to:

**NAAFA
PO Box 578
Circle Pines, MN 55304**

COUNTDOWN TO GEORGIA

Comments on Compass 12-9-2008 article.

Is committing to a "significant financial investment" a good idea at this time of economic downturn? Apparently, American Family Corporate thinks so. But from the sounds of the article, "Countdown to Georgia," they really are a bit worried because at least seven times they mention the "**dedicated substantial company resources,**" the "**significant financial investment,**" "**while this investment is significant,**" "**a major investment,**" "**a huge commitment,**" and once again, "**major investment**" and the "**huge commitment**" in the article. One must assume this "huge investment" is on their minds!!

Well, it's on our minds, too. How can they justify the start-up costs when American Family is losing so much money? The few companies today who are expanding seem to be showing accounting profitability, but American Family has had several years of non-profit. Just who, we ask, is going to be hurt if this Company does not succeed? Most certainly it will be the insureds. Most certainly it will be the agents. Lower level employees are being affected. But just how are top management being affected? Will they be willing to take the blame if they fail? We wouldn't count on it because so far we haven't seen much accountability. Will the corporate board step forward and suggest some changes? Probably not.

We're promised future articles on this Georgia adventure. That's good as we are wondering about these 30 new agents. Are they employees? Is the Company paying for office expenses, customer service reps and receptionists? Do they get to actually establish their own agencies or are they there to just service 8000 policies between two agents? Are these new "agents" aware that they won't be receiving the same termination benefits as the "older" agents get? Will they be working for reduced commissions as agents in Nevada have had to do? Is this "aggressive goal" for Georgia going to mean a lot of pressure on these agents?

Rumors were flying at one time that American Family was buying another small insurance company in Georgia. We've not heard whether this is true or not, but with the information we've received, we hear it'd be next to impossible to combine AmFam's computer system with anyone else's system.

The Compass article states that they believe the 750 people who applied for the 30 agent positions is a “testament to our company’s strong reputation.” But we would suggest it is more likely a testament to the fact that there are a lot of people looking for jobs who are willing to take anything. One has to think that unless American Family really undercuts rates in Georgia that the numbers of unemployed people are going to greatly affect the numbers who can purchase policies. In today’s market, it’s all about cost.

NAAFA believes American Family should be cautiously optimistic about growth in Georgia. If this is, indeed, the huge commitment they say it is, hopefully, the bean counters have done their numbers. (End)

BOOK REVIEW

Title: **How to Sell at Prices Higher than your Competitors**

Author: Lawrence L. Steinmetz

Available at Amazon.com

There are dozens of checklists, step-by-step processes, reminders, dos and don'ts, cautions, and value affirmations throughout the book as well as hundreds of examples of real-world sales situations. Problems and complications are inevitable. Steinmetz identifies the most recurrent ones and explains how to resolve them. Implicit is Steinmetz's pride in what he views as the **profession of sales**. He is wholeheartedly committed to quality of product and service. He understands the importance of making prudent promises and then keeping every one of them. He has little (if any) patience with whiners, chiselers, corner cutters, liars, and hypocrites. He views providing service to customers as a privilege, indeed as a moral obligation.

Why **avoid those who buy only on price**? Steinmetz offers nine reasons:

1. Price-buyers take all of your sales time.
2. They do all the complaining.
3. They "forget" to pay you.
4. They tell your other customers how little they paid you.

5. They drive off your good customers.
6. There's not going to buy from you again anyhow.
7. They'll require you to "invest up" to supply their needs -- and then they'll blackmail you for a better price.
8. They'll destroy the credibility of your price and your product in the eyes of your customers.
9. They will steal any ideas, designs, drawings, information, and knowledge they can get their hands on.

For a bit of encouragement, we recommend this book to you.

(End)

TOP 20 AMERICAN FAMILY CHRISTMAS GIFT GUIDE

(All available on Amazon.com)

1. **Board of Directors**—DVDs: "The Dirty Dozen"
2. **David Anderson**, CEO, Book: "Diary of a Wimpy Kid"
3. **Jack Salzwedel**, President, DVD: "Body of Lies"
4. **Dan Schultz**, CFO, Book: "Panic: The Story of Modern Financial Insanity"
5. **James Eldridge**, Chief Legal Secretary, Book: "Divine Justice"
6. **Rick Fetherston**, VP PR, Book: "Big Words for Little People"
7. **Al Meyer**, EVP, DVD: "Clueless"
8. **Paulette Siebers**, VP Broker/Dealer, DVD: "Lil Shop of Horrors"
9. **Mark Afbale**, VP Claims, Game: "Jeopardy"
10. **Lisa Bacus**, VP, Marketing, Game: "Wheel of Fortune"
11. **DSMs**, DVD: "Killer Clowns from Outer Space"
12. **Sales Vice Presidents**, Books: "The Brain Dead Megaphone"
13. **Agents**, Books: "Nickel & Dimed On (Not) Getting By in America"
14. **Mary Schmoeger**, EVP, Book: "Where the Wild Things Are"
15. **Betty Berkquist**, VP Education, Book: "In Incomplete Education: 3,684 Things You Should Have Learned but Probably Didn't"
16. **Dan Kelly**, VP Human Resources, DVD: "The Terminator"
17. **Jeff Bosco**, VP Life, DVD: "Live and Let Die"
18. **Jerry Rekowski**, EVP, DVDs: "Chain Saw Massacre"
19. **Joe Zwettler**, VP Personal Lines, CD: "Devil Went Down to Georgia"
20. **Carolyn Gilb**, VP Channel Development, Book: "I Hope They Serve Beer in Hell"

[We love the humor of our agents. We just had to pass this on. Have fun!]

REGISTERED REPS, DO YOU NEED TO PROTECT YOUR CAREERS?

What happens when a firm terminates your registered rep agreement?

A Firm must update their registered persons' Central Registration Depository (CRD) records when customers file certain types of complaints or when a registered person's employment terminates.

American Family does this by filing a U5 and stating the reasons for the termination. A few examples we've found on U5's filed by American Family against its agents are listed below:

1. Customer alleges agent submitted app & premium for non-variable life product with out his consent.
2. Undisclosed and unapproved outside business activities.
3. Reg. Rep did not deposit timely contributions into employee's Simple IRA Annuity.
4. Unauthorized email correspondence with variable product customers and prospects.
5. Failure to provide honest statement to the Firm during its internal investigation.
6. Reg Rep falsified coverage information regarding two homeowner policies.
7. Questionable Business Practices
8. Irregularities were found with the handling of customer funds regarding insurance products (not securities).
9. Signing a document as witness without in fact seeing the customer sign.
10. Unsolicited mass email mailings (spamming).

Lets look at Example #2 – Did you know that not listing or inadvertently neglecting to list your membership in the Chamber of Commerce could cause AF to terminate your contract?

Let's say that you have a book of business containing 3000 policies and AF wants that book of business to support their ACP Agent Financing Business Plan. (You all know AF feels these new agents need transfer policies to succeed! Or a district manager needs to go back into agency and wants your policies!) If you are a registered rep, AF does not have to look or search very hard to find a (trumped up) reason to terminate your registered rep agreement. They can simply "accuse" you of being "dishonest," file a U5 and then terminate your insurance agreement without the 6-month warning letter required in the contract. No proof necessary. You have just lost your attractiveness to any other broker/dealer.

In most cases AF terminates both your securities and your personal lines licenses. Some people feel the registered rep should immediately file a U5 to dispute “alleged” allegations. (<http://www.finra.org/index.htm>) FINRA may or may not investigate this. It appears to some that the FINRA investigation process assumes the registered rep is guilty until proven innocent. What a democratic process! Even if a registered rep is cleared by FINRA, there is no requirement by FINRA that the Broker Dealer remove “unfounded allegations” from a U5 filing. These “unfounded allegations” remain on your U5 for all brokers/dealers (and general public) to view for 2 years and then the record is unavailable for public viewing. It is almost impossible to find a broker who will hire you with this blemish on your record. This is similar to a corporation comparing one clean resume to a resume that has a blemish. Common sense prevails. The employer will select the “squeaky clean” applicant over the applicant with the blemish any day. And you’re doomed.

Should the investigation process lead to arbitration, the agent will find that an arbitration panel of 3 judges will decide his fate. One of these judges is from the industry. We know of cases where we believe there were conflicts of interest on the part of certain judges...a conflict that was not properly divulged.

Recently, there have been some attempts made to solve problems with the arbitration process. There is presently a 2-year ongoing test pilot whereby if a registered rep does go to arbitration that he may request NOT to have an industry standard person on the arbitration panel. Senator Russ Feingold and Congressman Hank Johnson have fought hard for the “Arbitration Fairness Act of 2007”. When Congress enacted the Federal Arbitration Act (“FAA”), its goal was to allow an alternative forum for parties on equal footing to resolve their disputes. Yet a series of court decisions seems to have moved the law away from its original intent. The arbitration process today is looked upon by many to be very prejudiced, favoring the industry and not favorable at all toward the registered rep or the consumer.

As registered reps, you need to consider what seems to be a very hostile environment. An existing registered rep needs to consider the serious collusion of insurance and securities related activities displayed by a captive company which utilizes the same management structure to administer both the insurance side of the business and the securities side of the business. Perhaps AF is using the securities industry as a “license to steal”. It would seem this greatly benefits them, because now you are permanently out of the business and once your one year non-solicit clause is up, it does not matter because you have just been “blackballed” out of the securities business.

Because American Family’s compliance manuals are much more stringent than Finra’s own rules, every registered rep, it appears, could be terminated immediately for something as ridiculous or petty as forgetting to update your

U4 form when you “joined the Chamber of Commerce.” The humane thing for a District Manager to do would be to say, “Agent Jones, I noticed you did not report on your U4 that you are a member of the Chamber of Commerce. Would you please update it?” However, if the Company needs your policies, AF’s agenda would be to report allegations on a U5 and also mark “termination” on the form which then allows them to terminate you immediately.

NAAFA never recommends.....we only inform as we see it. We tell you so you will know. (End)



Our Christmas Wish For You

Our Christmas wish for you, our friends
Is not a simple one
For we wish you hope and joy and peace
Days filled with warmth and sun

We wish you love and friendship, too
Throughout the coming year
Lots of laughter and happiness
To fill your world with cheer

May you count your blessings, one by one
And when totaled by the lot
May you find all you've been given
To be more than what you sought

May your journeys be short, your burdens light
May your spirit never grow old
May all your clouds have silver linings
And your rainbows pots of gold.

-Author unknown

**NAAFA WISHES ALL OF YOU
A BEAUTIFUL HOLIDAY SEASON!
MAY 2009 BE THE BEST
YEAR OF YOUR CAREER!**

-----CUT ALONG HERE & RETURN WITH YOUR CHECK-----
NAAFA MEMBERSHIP/ DONATION APPLICATION**

Name _____

Address _____

City _____ State ____ Zip _____

Phone (_____) _____ - _____

Email _____

MEMBERSHIPS: *Annual \$240
 (Circle one) Semi-Annual 130
 EFT (Monthly) 20

Retired Annual 80 (Effective 1/1/09)

ACP Annual 120

ACP Semi-Annual 70

ACP (Monthly EFT) 10

DONATIONS:

Silver _____ (under \$99)

Gold _____ (\$100-\$199)

Platinum _____ (\$200-up)

PAYMENT OPTIONS:

CHECK:

Please send this application along with your check (made payable to NAAFA) to:

NAAFA
 PO Box 578
 Circle Pines, MN 55014

EFT:

Please send a check for two months (\$40) with the application. ACP please send (\$20). Mail to above address.

CREDIT CARD:

Please go to www.NAAFA.com and enter your credit card information by clicking on the PayPal icon under the "Enroll Now" tab.

**Membership and contribution records are kept strictly confidential. Dues and contributions are not deductible as a charitable contribution. Annual dues may be deductible as a business expense. Questions: 1-800-567-9668