



# The NAAFA Report.....

## 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.

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## 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 of people who are 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.**

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## The Independent Contractor: What American Family Doesn't Want You to Know!

Submitted by an American Family agent, who, for his own protection, chooses to remain anonymous.

Have you read your agent contract *literally*? Our contract states unequivocally that we are independent contractors. There is no ambiguity in the contract which states, "***It is the intent of the parties hereto that you are not an employee of the company for any purposes, but are an independent contractor for all purposes***".

However, in reality, once that contract is signed, sealed and delivered, the contractual language is all but forgotten.

Your district manager is NOT your boss, supervisor, foreman, or consultant. Your DM has no other relationship with you other than acting in the role of company representative and contact person as it relates to this contractual relationship. He or she does not have the power to hire or fire. They are

merely the message deliverers. Independent Contractors have NO bosses! ICs have no controlling managers. The agent with AmFam must set the goals that maximize profit for his/her agency. The primary concern should be the survival of the agency.

The performance of the district is, or should be, irrelevant in this relationship. There are no "teams" for ICs. There is nothing a team does that puts money in the pocket of an IC with AmFam. The agency manager is the agent who runs the business and is solely responsible for driving revenues in the agency. The district manager is an employee of AmFam whose position is to be a liaison between the company and its ICs, whoever they may be.

I was recently frustrated by a company survey I was urged to take. While completing it I came to realize that one of the primary roles performed by the district manager is to

perpetuate the hoax that we are somehow involved with our fellow agents as a "team". I don't care how my DM manages his other agents. It is not my concern and does nothing to promote my agency.

One job of the district manager is to be a district trainer. However, isn't that what field trainers are for? District managers conduct district meetings for communication purposes. But if American Family is really serious about leveraging technology and cutting costs, why not do training and IC communications through the company web site? After all, if the company can use online training to have agents certified to sell certain products or to comply with ethical training, then it certainly should be suitable enough for conducting district meetings. Am I questioning the usefulness and value of the DMs in the company's organizational structure? You bet I am.

The real role of district managers in American Family's system is much more sinister. It is to exert employee-like controls over the company's independent contractor agents without suffering the costs bore by having employee agents manage these positions. If we are truly independent contractors, as our contract authored and shoved down our throats by

American Family states, then there is neither a need for district managers nor any need to control agents.

American Family knows in both our personal lives and in our business lives that we all need to feel wanted, needed and part of a group. They use these feelings of 'wanting to belong' to lull us into believing we are part of a "team". As a "team member" agents will do anything to remain part of the "team". Without the "team" you will not be as successful as you will be with it. American Family is very much aware that this is all false and is psychologically used only as a means of control.

One need only to go back and read the contract to see that there is no contractual requirement to be part of a team, no requirement to attend a meeting unless it is to present new products or processes and certainly no requirement to report sales results to the DM.

The next time you sit looking at your production, paycheck or bills, ask yourself what part of it was the result of the "team" effort or how much is the "team" going to contribute to help pay your bills. You will then better understand that there is no "team" when you are an independent contractor.

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#### WHAT I WISH THE COMPANY KNEW.....

- **How badly I need a "1-800 customer billing number" so my clients could call the Company (instead of me!) when they have a billing question.**
- **That to make a simple address change, I have to enter it five (5) times!**
- **That our insureds are saying American Family is making it too hard to do business with them because of their "online billing practices."**
- **The Life Department's poor handling of new business has caused new customers to leave American Family!**
- **That the number of pages to a new life app is redundant, being many times greater with American Family than with most other companies.**
- **That we are losing customers due to high rates....not poorly run agencies!**

- **That most of the time when I call the Company, there are 10 to 25 calls ahead of me!**

(Please feel free to contribute to the column, "What I Wish the Company knew...." It is quite probable company officials will read it! Do so by Emailing your ideas or suggestions to [NAAFAwest@comcast.net](mailto:NAAFAwest@comcast.net))

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## LESSONS LEARNED BY TERMINATED VETERAN AGENTS

For various reasons, American Family Agents are often being terminated or forced to quit. NAAFA recognizes that there are two sides to every situation, and we covet the opportunity to present the other side should the Company decide to allow an interview with them concerning these matters.

The information in the following article is a collection of thoughts and concerns submitted by recently terminated agents who wanted to pass on to you some of the lessons they learned from their not-so-pleasant experiences. NAAFA recognizes the termination process as being a negative situation for all involved, so it is understandable that the lessons presented here might sound somewhat negative and biased. We hope you will look closely at these lessons, however, as they might alert you to some possibilities you hadn't thought existed.

**Lesson #1** *The person in the Company to whom you report is more important than the Company for which you work.*

If your District Manager and/or State Director are honest, ethical and caring, you can probably function successfully for that Company. Although most Company personnel are ethical, it only takes one person with the right connections and wrong motives to make your life miserable. There are people (including agents and Company personnel) who only know how to climb the success ladder by stomping on someone else. American Family (Home Office) is probably not even aware of the wicked games some of the people play, but even if the Home Office did know, would they shut their eyes to the matter anyway?

**Lesson #2** *Be very cautious. Churning is rampant in American Family Land.* Occasionally, a District Manager has a mission to "make a certain agent very successful at another agent's expense." In other words, someone wants your files. If you quit or are terminated, your policies are transferred to other agents or to ACP agents. The Company has now added tremendous profit to the bottom line because they pay no commission on those policies for at least a year. They may

**never** pay commission if they keep churning the policies through ACP agents. Be aware!

**Lesson #3** *Sometimes the amount of harassment an agent receives is contingent upon how badly someone wants that agent to be GONE!* Remember, life is not fair. Agents need to ask themselves if they are doing anything to instigate harassment. Have you met the "Company's production, profitability and service requirements" according to your contract? The termination process is long and difficult, but the contract spells out the process of termination. The agent should not tolerate harassment of any kind from anyone. Harassment can be unbelievably time-consuming and distracting. It can continue for many years. It is much better for American Family if the agent quits. They realize that quitting puts the agent at a disadvantage to pursue legal action. Some states are beginning to allow independent contractors to sue for harassment under employee-type laws. You may read about two of these cases at the following websites:  
<http://www.ghlaw.com/alertsDetails.cfm?alertID=57>  
<http://www.tht.com/pubs/SearchMatchPub.asp?ArticleID=380>

Being informed and knowing what to look for puts you in a much stronger position to force the harassment to stop.

**Lesson #4** *If you are having trouble getting a licensed assistant approved, and you know that assistant has a clean history, you may want to evaluate the relationship you have with your District Manager. Think it over! Look at the experience of recently terminated veteran agents. We have had reports from agents who have experienced great delays in getting applications back for licensed assistants' approval. The whole process should not take longer than two or three weeks. If you get a report back in 6 to 8 weeks, something is askew!*

**Lesson #5** *Just because you're profitable, have excellent retention, have a high number of policies per household, have good reviews, are in the upper one third of your district for production, does NOT mean your DM thinks you're worth keeping. As a matter of fact, the more profitable your agency is, the more you may become a target.*

**We received a report about a newly appointed District Manager who joked (with some agents at a district function) about recently receiving a 6-month letter of termination for profitability, "but" the DM said, "look, a month later, I'm a DM, HA, HA!"**

Terminated agents expressed concern about the quality of training and experience of some of the District Managers hired by the Company. Inexperienced DMs often make poor decisions and lack good judgment which can ultimately affect you.

**Lesson #6** *Listen closely to what others are saying. People love to talk. Nothing can be kept secret when it pertains to someone else's downfall! Recently, several agents overheard another agent*

comment that "soon heads were going to roll." Sure enough, they did. Rumors start somewhere. So listen up! What you hear might not be all rumor....there might be an element of truth to it!!

**Lesson #7** *If you are reaching a spontaneous level of frustration (anger) because of harassment, be consciously careful of what you say, to whom you say it, what you write, and to whom you send it. You're more apt to get angry and slip up when you're at the end of your rope.*

**Lesson #8** *If what you interpret as an "important meeting" is called by Company officials, NEVER GO ALONE! Take a witness. It can be a lawyer, a secretary who takes good notes, a spouse with a recorder, or a friend. **Document, document, document!** Follow up every such meeting with a letter to the officials in attendance stating your impression of what was said. Ask them to sign it and return it to you. If they don't, keep your hard copy in a safe place. Again, never resign. Make them fire you.*

**Lesson #9** *It sometimes takes only one malicious agent who dislikes you to ruin your career. Don't be naïve by thinking everyone likes you. Jealousy is a powerful emotion. Is this agent the district "snitch"? (The snitch is the one who tattles for personal gain.) Would this malicious agent receive some of your policies if you were gone?*

**Lesson #10** *If you are caught off guard by a surprise visit of your District Manager and/or State Director (or any Company officials), always insist your office door be left open so your assistant can hear and witness what's being said. Insist, if possible, that all such meetings be on your turf. Keep that recorder handy.*

**Lesson #11** *Own your own phone number, lines and service. DO NOT use the AmFam service even if it might be less*

*expensive. The Company has already been known to obtain agents' privately owned cell phone records!* Put passwords on your phone numbers.

**Lesson #12** *Be aware of what your contract says regarding how long you have after termination before you have to turn over your files.* One District Manager tried to hire an agent's assistant on the 2<sup>nd</sup> day after the agent's termination, 8 days before files had to be turned over to the Company.

Another District Manager tried to get the terminated agent's office partner to open the office so as to gain access to the terminated agent's files before the 10 day contractual agreement was up.

Keep your office staff on the payroll at least 2 weeks after your computers are shut off by American Family. Your staff **must** remain loyal to **you**, their employer.

**Lesson #13** *Because terminations are not pleasant situations, be very alert to the possibility of the Company sending armed guards to retrieve your files. The Company has every right to take your files by the 10<sup>th</sup> day after your termination, but you should be quite comfortable while they do this. If this is not the case, you should immediately call 911. Do not allow any more files to be removed till the police arrive. Explain that you feared for your life.*

**The moral of this story is: You need to be ready, keep good records, document or tape conversations, and do follow-up letters to Company officials when a meeting is called or a phone conversation occurs. Realize that no one chooses to be harassed, but it does happen. And when it does, it can be difficult. Learn what you should do before it happens. Again, always be ready by being informed. Support NAAFA today!!**

[www.NAAFFA.com](http://www.NAAFFA.com)

**[Agent comments are always welcome and can be made by contacting NAAFA at 1-800-567-9668 or emailing us at [NAAFAwest@comcast.net](mailto:NAAFAwest@comcast.net)]**

## EMPIRE BUILDING

On 3/07/2006, American Family's Jeff Burke, announced the "next level in structure," adding eight departments, 18 new managers, and 17 non management positions to the Company's structure.

My first question is this. **How will this benefit agents in the field?**

Secondly, **whatever happened to the Company's commitment to lower their expense ratio?** And why am I concerned about these issues? Read on!

Several years ago there was an independent study done which listed the best insurance companies to work for. The study was done on management effectiveness in running the company.

The most interesting part of the study was the revelation of the number of home office employees compared to the number of agents in the field. Remember, it is the agent that brings the money into the company. Investment personnel within the Company do invest Company money to, hopefully, produce more income. However, if it weren't for the agents who first bring money into the Company, there simply would be no money to invest. All remaining home office people are just a drain on the Company assets, adding to the overall expense ratio.

The study showed Farmers Insurance Group at the top of the list with just over one home office employee to every agent in the field. **American Family came in almost at**

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**the bottom of the list with over two (2) home office employees to every agent in the field.** In short, a Farmers' agent is supporting one home office employee while an American Family agent is supporting over two home office employees. Today that number seems to be increasing. Even with American Family expanding into new states, over the past 10 years the number of American Family agents has remained about the same while the growth of home office employees has increased dramatically.

Those agents who were around 10 years ago can remember that the reason given for the commission cut was to reduce the Company's expense ratio in order to remain competitive in the market place. Up to that time, American Family boasted that the highest paid people in the company were the agents while the CEO was earning a mere \$384,000.

It was also stated that the entire Company would do their share of "belt tightening" to reduce the expense ratio. At the same time, however, that the "national headquarters" was being built, executive furniture was bought with one board table costing in excess of \$10,000. There was even a special room built so houseplants could acclimate for a year and make the adjustment to their new home in the headquarters.

Although agents' incomes have increased slightly, the work-load and overhead expenses have increased dramatically. The agent is no longer the highest paid person in the company. One would have to make somewhere between \$2,000,000 and \$3,600,000 in order to match the top two executive officers' incomes at American Family. In fact, the top 20 management employees are making in excess of \$500,000 a year.

No wonder not much is said any more about expense ratios or belt tightening! Top executives may be able to justify their incomes, but the money is still coming out of policyholder premiums generated from products which were sold by the agents.

While the company continues building its "empire", the financial burden falls directly on the shoulders of the agent. Agents will be required to sell more and possibly be asked to accept lower commissions again just to support the two-plus (and growing) home office employees. There is probably nothing that can be done to stop or change the "empire building" within the Company, but agents do need to be aware of the truth.

Empire Building was submitted by a NAAFA member who has chosen to remain anonymous.

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**YOU TELL US.....**

**NAAFA is interested in hearing from agents in every state. We need to know what your issues are. We need to hear how American Family is treating you, whether it is positive or negative. If you have advice for other agents or company personnel, let us know. We promise to protect your identity.**

**Email questions, articles, and information to:**  
[naafawest@comcast.net](mailto:naafawest@comcast.net)

**Or address letters to: NAAFA**  
**PO Box 431**  
**Oscoda, MI 48750**

**Other questions, please call NAAFA at:**

1-800-567-9668

Membership questions only: 1-866-623-5223  
**ATTENTION!!!!**

NAAFA would like to hear from any agents who have received letters from their Sales Directors regarding "Life Sales Expectations" and a "threat of termination if you do not meet the expectation."

Please fax your copy of the letter to:  
**1-866-623-5224**

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1-800-567-9668

**Know someone who didn't get  
The NAAFA Report? Let us know.  
ISN'T IT TIME TO WAKE UP?**

**Historically, Americans have always united to have clout. Think about AARP, AMA, NRA, PCIA (Property Casualty Insurers Assoc.) NEA and many others. Have they been effective? You bet they have! So why don't exclusive agents wake up? We need a strong organization, too.**

**Join NAAFA today!!!**

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**NAAFA DISCLAIMER**

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**DONATION:** Silver \_\_\_\_\_ (under \$99)  
Gold \_\_\_\_\_ (\$100-\$199)  
Platinum \_\_\_\_\_ (\$200-up)

**MEMBERSHIP:** Annual            \$240  
                  EFT (Monthly)    \$20  
                  Retired                \$60  
                  Retired EFT          \$10

**PAYMENT OPTIONS:**

**CHECK:**

Please send the above applications along with your check (made payable to NAAFA) to:

**NAAFA  
PO Box 431  
Oscoda, MI 48750**

**EFT:**

Attach voided check and check for two months (\$20) to the application. Mail to above address.

**CREDIT CARD:**

Card types accepted:    **VISA    MasterCard**

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Account Number \_\_\_\_\_

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**Suggestions or comments:**

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(Applications may be faxed to (866)623-5224)

\*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.