



NAAFA, Inc.

NAAFA, Inc. is a professional non-profit organization established over 25 years ago to promote education and communication for and between both the active and non-active American Family agents. NAAFA is the vehicle whereby agents can express their opinions openly and without judgment. Our desire is to be a vital active group who is interested in sharing experiences, knowledge, and recommendations with other agents, always encouraging, listening, and growing in ways that not only profit the agents, but their businesses and customers as well. The acronym 'NAAFA' stands for National Association of America's Finest Agents. Proudly we stand!

THE EAGLE IS A MAGNIFICENT BIRD

When a storm is imminent, other birds hide, but the eagle will fly to some high spot and wait for the winds to come. When the storm hits, the eagle sets its wings so the wind picks it up and lifts it above the storm. It doesn't escape the storm, but uses the storm to lift itself higher. NAAFA is like the eagle in that we brace for the storm by climbing together to heights that enable us to escape the storms that surround us. We have hope and faith that together we will succeed and soar on wings like the eagle. We will rise above adversity by setting our minds and hearts on helping one another and looking toward our goal.

NAAFA, Inc. Because We Care!!

The NAAFA Report

Fall-Winter 2014

FEATURES:

President's Message3

I Shake my Head at What Insurance Companies have Become4

Class Action Update.....5

My Opinion of the "American Family Ventures" Group5

Should My Spouse Work in My Agency?6

Who We Are, Our Mission7

You Can Only Go So Far Running Your Agency by the Seat of your Pants!9

Guest Editorial: Are Your Working Conditions Affecting Your Health?..... 10

The Tale of the AmFam Agent Bumble Bee 12

The Top 5 Warning Signs your Insurance Company is in Financial Trouble 12

Present Value "Leftovers" a Disgrace for Grieving AmFam Agent Survivors 13

NAAFA Mail Box (5 Letters from Agents) 16

Can Ins Company Employers Order their Agents to Insure with Them? 19

It's a New Year – Maybe Time for a Change? By Justin Hobick 20

More Americans Retiring Later Than They Expected 23

Some Thoughts on Leadership 24

NAAFA Membership App – SECA Kit Guidelines 25

What Lies Ahead? That's Entirely Up to You! By Michael A. Crafts 26

Advertiser Ads

Global Green Inside front cover

BGI Marketing 8

American Casualty..... 14

Freedom Insurance..... 15

Premier Group Insurance..... 21

Couri Insurance Associates 22

TWFG Insurance Services Inside back cover

ASNOA Outside back cover

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A MESSAGE FROM YOUR NAAFA PRESIDENT

Dear NAAFA Report Readers:

Every once in a while, someone complains about the independent broker advertisements we run in our magazine. Those very few (and I do mean few) people feel we're being disloyal to the American Family agents. Well, we're not. Let me explain why.

We are all in a very competitive field. We need all the help and ideas we can get to succeed. The NAAFA board often communicates with the other captive agent associations. We often print each other's articles. We share ideas. We learn new things. For instance, in this fall publication, we have a testimony [in the BGI Marketing Systems advertisement] by a former Allstate agency owner, Dean Day. He explains how by using some of the marketing ideas of Bill Gough (also a former Allstate agent) he was able to greatly increase his agency income. Do you suppose you might be able to do the same thing if you knew what ideas he put into practice? After all, Allstate agents are captive just like the AmFam agents.

Our NAAFA Report is here to help agents. Sometimes it's a marketing idea, sometimes it's tax information, sometimes it's health pointers, sometimes it's just general insurance information. But you all should appreciate the fact that NAAFA publishes a magazine like this because it is particularly focused on the AmFam agents' concerns.

WE INVITE ANY AGENT, SUCCESSFUL OR AVERAGE, TO SEND US YOUR MARKETING IDEAS. IF IT HAS WORKED FOR

YOU, MAYBE OTHERS COULD BENEFIT BY USING YOUR IDEAS, TOO. WE WOULD ALSO LIKE TO INVITE AMERICAN FAMILY TO PLACE AN AD IN OUR MAGAZINE. WOULDN'T IT BE WONDERFUL TO HAVE THE COMPANY SUPPORT YOU IN THIS LEARNING PROCESS? WE ARE ASKED TO SUPPORT THE COMPANY. NOW IT'S TIME WE ASKED THEM TO SUPPORT AGENTS BY ADVERTISING IN OUR MAGAZINE. YOU MIGHT SUGGEST IT TO THE POWERS THAT BE.

Meanwhile, from the calls and emails we've been getting, we know many, many agents are still being pushed out the door. Many are fired for production, some of compliance violations, some have simply decided to lessen their stress and either quit to go independent or actually took their shingle down and headed for the rocking chair. Whatever your reason for leaving AmFam, you will be missed. AmFam may think they are doing the right thing by terminating so many agents, but those of you who have chosen to start over must know that you will be the winners here.

Someone once said, "The real winners in life are the people who look at every situation with an expectation that they can make it work or make it better." And I believe it. Have a great holiday.

Your NAAFA President



THE BENEFITS OF NAAFA MEMBERSHIP

Sometimes agents ask themselves "Is it worth it to become a member of NAAFA? What will I get out of it?"

Let us remind you about what some of the benefits of NAAFA membership are:

- Access to a network of business professionals, ie board members, agents who've 'been through it before,' agents from other agent associations, accountants, etc.
- Access to industry information via our website (www.NAAFA.com)
- Opinions on agents' contracts
- Safety tips for agency transition (when and if it becomes necessary)
- Attorney referrals
- Access to updates on legal cases of Agents vs AmFam
- SECA Kit tax guide and access to accountants with experience. Just knowing how to properly file your termination benefits is worth thousands of dollars.
- Assistance at termination and guidance in getting started in the independent world, if you desire to do so.
- Information regarding "do I need legal assistance?"
- Access to NAAFA's document library
- Access to member-side of www.NAAFA.com
- Access to NAAFA's "shock and separation" counselor

Help us keep these valuable benefits going by JOINING or RENEWING your membership today. PLEASE SHARE THE FACT THAT YOU ARE A MEMBER OF NAAFA WITH OTHERS AND ENCOURAGE THEM TO JOIN.

NAAFA needs agents but agents need NAAFA more!! ✂

I SHAKE MY HEAD AT WHAT INSURANCE COMPANIES HAVE BECOME

Everyone should watch a documentary called *The Iron Lady*. This documentary will give you a better understanding of the real motives by insurance companies when they fight a claim in court.

<http://insurancebadbehavior.org/>
The Iron Lady refers to the experience of 83 year old Kay Shea who was hit broad side by a teenage boy. You will learn how the boy's insurance company plotted by using "delay" tactics in an effort *not* to have to pay out on her claim. Their hope was to delay long enough that the case would out last Kay Shea. In such a case, the insurance company would pay very little if she died.

Many of these same insurance company tactics are used in court cases against their own agents. An attempt to outlast the finances of the agent isn't very hard to do, in most cases. The deep pockets of the insurance companies go a long way in comparison. While the insurance

company is delaying the case, they are using the money [which they should have been paying out] to make even more money.

Is this the same insurance company environment that Harvey Pearce experienced back in 1989 when he was CEO of American Family? You will find an article he wrote at that time immediately following this article. He talked about the insurance business being an "honorable profession." He tooted the horn of insurance companies and even complimented the American Family employees and agents that are "*out there every day making a positive difference in people's lives. Whether it is offering professional financial advice to a young couple just starting their life together, or volunteering to serve in a community organization, or making a donation to United Way, American Family people are making the world a better place.*"

What I find interesting is that he didn't hesitate to compliment the

employees and agents but neglected to compliment the company management's accomplishments. What a difference 16 years makes in a company's attitude. Today, according to the company, it is the company that helps people....not the agents and employees. The company is tauting their brand and attempting to destroy the brand of the agents. No wonder agents are complaining. They have done all the work to make this company what it was at its peak, but they get little or no credit for it by today's management. Yes, the days of Harvey Pearce are gone.....not that they were perfect at the time. The problems of today were just beginning back in 1998 and they have gotten progressively worse as each successive leader puts his own personal twist on squeezing out the agents and ultimately, I feel, turning this once fine insurance company into a cold, calculating, corporation that very fewer and fewer people care to trust anymore.

YOUR HONORABLE PROFESSION

Written by Harvey Pearce in 1989

A number of years ago, Delores and I were in San Francisco attending an All American convention. During a stroll through the city, we wandered into a small shop run by an older Chinese gentleman. We struck up a conversation and he asked me what I did for a living. When I told him I was in the insurance business he smiled and nodded at me. "Most honorable profession," he said.

Those words have stuck with me ever since, and whenever I hear or read something negative about our industry I try to remember that there are still people out there who regard the work we do as not just important, but honorable. I thought of that older gentleman again recently after seeing all the political ads on television criticizing insurance companies. During the recent election campaign, it was almost impossible to avoid political commercials. They were everywhere, and if there was one common theme this year it was this: Insurance companies are out to get you, and if you vote for Joe or Jane Smith you can bet he or she won't let then get away with it. It didn't seem to matter whether the candidate was a Democrat or a Republican- this year insurance companies were everybody's favorite target.

As the president of one of the nation's largest insurance companies, I don't need to tell you that I found these ads disturbing. For one thing, they rarely offered any specifics about what it is that insurance companies are doing that is so terrible. But what bothered me most was the fact that they painted such a distorted picture of our industry. Here are just a few points to consider:

- Insurance is a major player in the U.S. economy, providing an essential financial service pumping billions of dollars into credit and equity markets and funneling billions more into federal and state tax coffers.
- The industry also provides good-paying jobs to millions of American men and women, allowing them to own homes, raise families, send children to college, care for sick loved ones, and take vacations and travel, among other things.
- Without insurance, most people could not afford the risk of owning a home or a car. Most lenders could not afford the risk of making automobile or home loans, and most entrepreneurs could not afford the risk of investing in new business ventures.
- Insurance companies and trade organizations have consistently taken the lead in efforts to reduce deaths and injuries on our nation's highways. By pushing for improved automobile design and for safety devices like seat belts and air bags, insurers have saved literally thousands of lives and prevented millions of injuries.
- Insurance protection is often the only thing that stands between individuals or families and financial ruin. If a home or business burns down, or if the primary breadwinner in a family dies unexpectedly, insurance can enable those affected by the tragedy to pick up the pieces and rebuild their lives.

These are all reasons to be proud of your industry, your Company and your profession. But what makes me most proud is the knowledge that American Family employees and agents are out there every day making a positive difference in people's lives. Whether it is offering professional financial advice to a young couple just starting their life together, or volunteering to serve in a community organization, or making a donation to United Way, American Family people are making the world a better place.

The next time you see or hear something that casts the insurance industry in a negative light I hope you will remember this message. We should never be afraid to defend our industry to its critics. Remember the words of that elderly Chinese gentleman, and be proud of your "honorable profession."

Sincerely,
Harvey



CLASS ACTION UPDATE

The case is ongoing, although there is not much going on right now. Plaintiffs submitted briefing as to why their claims are timely and within the statute of limitations and American Family responded. American Family moved for summary judgment that the agents are independent contractors as a matter of law. Plaintiffs opposed that motion. The information we have received from various agents has been very valuable in both bringing and opposing these motions. The Court held a hearing on these various motions on November 25, 2014. The Court will now be considering the motions and arguments and will likely issue decisions early next year. If the case proceeds – and we expect it will – the Court will set a schedule to address issues such as class certification.

MY OPINION OF THE “AMERICAN FAMILY VENTURES” GROUP

[\(http://www.amfamventures.com/\)](http://www.amfamventures.com/)

Author Remains Anonymous

OK, maybe I am giving out some information here that I shouldn't have, but I wanted to show that I am authentic by also giving you the link to this 'wonderful venture capital arm' of American Family. What a slap in the face this is! The Journal Sentinel (Wisconsin newspaper) described this program as being one *“that is focused on supporting entrepreneurs—start-up firms with innovations and technology that can benefit the company and its policyholders.”* The article also said that American Family Ventures plans to invest \$50M over the next four or five years in these new start-up companies.

Think about this, my fellow agents. AmFam has been terminating the contracts of hundreds of agents in the past few years and some of these agencies have been outstanding in production. AmFam has also been pushing senior-aged agents to “retire” early. When I say “pushing” I mean either you quit or we will terminate your contract. I don't believe I am wrong in asking, “What is wrong with this picture?” Why can't American Family invest some of this \$50M in agencies that directly support the policyholders instead of investing it in some venture that *‘may’* support the policyholders? And just where is that \$50M coming from?

I have been told that AmFam took approximately \$10M from field force expense in 2013 and that they plan to take another \$25M in 2014. You do the math. It's coming right out of the pockets of the agents, people who have put this company on the map. But now we are seeing the company shove agents right out the door. No thanks!!

Even Paul Gores of the Journal Sentinel remarked that “A company with almost \$7B in annual revenue and 7500 employees might seem an unlikely choice to win an award for entrepreneurship.” Surprise, surprise. Doesn't this indicate yet another sign that the company has lost interest in its agents? Rumor has it that AmFam is down to about 2500 agents now. (AITs not included.) I remember when AmFam had about 4200 agents in the field. Agents worked and invested in their agencies believing they were establishing their own businesses. What a laugh! One has to wonder what *“innocent hidden requirements”* are written into the contracts AmFam has with these entrepreneurs. My advice is, “read it carefully.”

Fellow agents, this is why we all need NAAFA. This is why we need The NAAFA Report. We must be alert to the alternate possibilities of employment in insurance selling just in case our contract is terminated. Believe me....as secure as we might think we are, we're NOT. Many unsuspecting agents have been terminated for whatever reason AmFam chooses. If we'd had the support of this company like we used to have 10 or 15 years ago, we would all still be here and AmFam would be thriving. Well, I've learned that sometimes the grass really is greener on the other side of the fence.

<http://www.jsonline.com/business/american-family-insurance-fosters-start-ups-through-venture-capital-arm-b99358681z1-277887501.html>

SHOULD MY SPOUSE WORK IN MY AGENCY?



It would be interesting to know what percentage of AmFam agents have spouses who work in the agency with them. Over the years, we have seen many, many agents who chose to include their spouses in the business become very successful. It appears, from the surface anyway, that the family duo system has worked out just fine for them. But sometimes what looks good on the surface isn't really what it appears.

What are some of the reasons agents choose to make their agency a family project? Not necessarily in the order of importance would be the desire to "build something together." This is a noble reason for working together. And if the couple has a solid relationship, this working relationship can be quite blissful.

Another reason that a couple might choose to work together could be their desire to save on employee expense. Employee salaries can take quite a chunk out of the agency income. Then there is the various employee taxes and insurance the business must provide. It would seem logical that having the spouse working in the agency could save hundreds of dollars each year.

And then there is the subject of talent and ability. Most likely both people know what the other's strengths and weaknesses are. A couple with a solid marriage or relationship, especially if it has been a long-lasting relationship, know up front which one is most likely to have good salesmanship or which one is more expert on the computer, or which one is more detail oriented....all characteristics needed to run a successful agency. Hiring an outsider means not only allowing time for training but allowing time to find out this person's area(s) of expertise. Time is money, right?

But there can be pitfalls in a relationship where both family members work in the agency. Sometimes a slight personality conflict can grow into something fierce under the stresses of everyday working side by side. Jealousy can erupt very easily if it has been even slightly present before. Taking the tensions of the job home and rehashing them all over again is a problem many couples seem unable to avoid. It takes a very dedicated effort to turn off the work tensions when one enters the door of his/her home, but it must be done in order to have some semblance of peace.

But there is one extremely serious risk that a couple takes when they put all their eggs in one basket, so to speak. If the business fails, all income ceases. In the case of the insurance agent, if the captive agent is terminated, all income to the family ends. How are mortgage payments to be made with no income? And what about insurance premiums, food bills, car loans and credit card debt? How can the family avoid bankruptcy if the family income comes to a halt?

NAAFA, long ago, started suggesting to agents that perhaps their spouses should NOT work in their agencies. If the spouse has another job, possibly where health insurance is provided, the risks to the welfare of the family are cut drastically should the agent be terminated.

NAAFA, long ago, started suggesting to agents that perhaps their spouses should NOT work in their agencies. If the spouse has another job, possibly where health insurance is provided, the risks to the welfare of the family are cut drastically should the agent be terminated. At least one salary (although it might not be enough to cover all the bills) will go a long way toward meeting at least the majority of the family's expenses. Of course, good planning should allow for a substantial savings account before any agency venture is tackled. Get into the habit of saving hopefully 7 to 10% of your income each month. Your nest egg can mean the difference between sinking and surviving. Having every toy on the block cannot give you the security you need. Make wise decisions about how you spend your money so that you will be prepared for any disaster that comes along.

And NAAFA always recommends you have a back-up employment plan....just in case. Do some foot work by interviewing certain brokerages or employers you might consider working for should the axe come down. Learn to have a sense of how secure your agency job really is. Look for the signs. Are you being given deadlines or quotas that are impossible to hit? Learn when you can safely say *no* to your ASM and be ready to suffer the consequences should you decide to take the risk. If you are too outspoken, be prepared for the fact that you will undoubtedly tick off your boss sooner or later. This is deadly, usually. If you seem to be ignored....don't feel that you're safe. This could be the lull before the storm. Be visible positively...rather than invisibly negatively.

If NAAFA could give you any advice at all, it would be to tell you that changes are occurring at AmFam and they really aren't trying to hide these changes. You may not be able to put all the pieces of the puzzle together right now, but soon the picture will become clear. Why do you suppose the company developed the "Evolution of the Agency?" Why is there talk about 'killing the AIT program?' There's a rumor that *select* agents will be a part of a program where they are "allowed" to purchase transfer policies. Are Termination Benefits on their way out? What's with the store front idea? And why do you suppose select agents will be given \$5000 to spend on marketing but required to show growth and maintain a production level of 70% of the district average or else suffer immediate termination? Why do you suppose the agent count is now said to be down to around 2500 agents? It's pretty clear, isn't it?

Consider carefully why you must be ready to support your family in an alternate way. Most insurance agents are very talented. Agents would have to be talented to succeed in a field where you have to sell something you can't see, hear, smell or touch. Insurance is only an idea until a disaster happens. And now days the customer's struggle just begins should he have the misfortune of insuring with an unreliable insurance company.....one who doesn't want to pay! NAAFA members are fair-minded, conscientious, hard-working and ethical and we believe you're the cream of the crop. We know the odds are that you will make it no matter what happens because you are the agents who are informed. ☞

The NAAFA Report.....



WHO WE ARE

NAAFA, Inc. is a professional organization established to promote education and communication for and between both active and non-active American Family agents. NAAFA is the vehicle whereby agents can express their opinions openly and without judgment. Our desire is to be a vital active group who is interested in sharing experiences, knowledge, and recommendations with other agents, always encouraging, listening, and growing in ways that not only profit the agents, but their businesses and customers as well.

OUR MISSION STATEMENT

NAAFA, Inc. shall strive to provide professional fellowship by dedicating its activities to encouraging the highest degree of ethical service both to our members and to the insuring public. NAAFA, Inc. will support the strictest adherence to the integrity of its members as professional insurance agents. We will promote professional conduct, protect confidentiality, 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.



SUPPORT NAAFA PAINLESSLY

The most painless way you can pay NAAFA membership dues is by the monthly EFT method. Most people do not miss the \$20 a month that NAAFA deducts from the account of your choice around the 20th of the month. Some agents add an extra \$5 or \$10 a month to be donated to the Legal Defense Fund or other contribution.

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Tell us your thoughts and opinions. NAAFA never identifies you unless you ask to be identified, but we must know your identity or we will not post your message. Our website gets an extreme number of hits so if you want your message heard, send it to naafawest@comcast.net. This is your VOICE!

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www.NAAFA.com

EXPOSED:

Insurance Agency Owner Speaks Out And Reveals The Raw Truth About That Marketing Guy Bill Gough, Who Advertises In This Magazine All The Time ...

That guy, Bill Gough, promises all sorts of things to us agency owners. Advertising ideas that pay off. How to put your agency marketing on auto-pilot. Ways to sell based on service, not price. And so on. Every time I read one of his ads, I thought, "Who could be dumb enough to fall for that crap?" Now I'm going to tell you the raw truth about this guy and his "marketing systems."

My name is Dean Day. I've worked for Allstate since 1987. About 3 years ago, I opened a new agency in Louisiana.

Last year, I finally broke down and got some of Bill's stuff, the same things he offers in this magazine all the time. I had every intention of sending it back for a refund, because after 27 years in the insurance game, I thought I knew pretty much everything.

What I found in Bill's materials actually scared me. Most of it was totally different from what I'd ever seen, been taught, or believed would work. As I reviewed the information, I saw a whole different way to develop an agency that worked for me, instead of me slaving over it. I saw some very smart marketing, freedom from worrying about having the lowest quotes all the time, and simple ideas I knew I could use.

So, a bit skeptical and hopeful at the same time, I decided to try some of Bill's "secrets" to improve just one part of my agency -- retention.

To my surprise, within 6 months, retention shot up by 3 points. I would have never believed such an increase possible, that quickly, for an agency of my size. When I did the math, that 3% retention in my book of business meant \$18,000 to me.

Now, I'm in a city of about 75,000 people. I'm practically battling with one strike against me every day, because hurricanes and other factors restrict the kinds of policies I can write. But I'm hitting home runs because of what I learned from Bill.

Anyway, I got so excited by the change in my agency that I decided to try



**Dean Day, Allstate Agency Owner
Lake Charles, LA**

one of his ideas for hiring a sales specialist to work on commission-only. I followed Bill's system to the letter. I didn't have to reinvent the wheel or anything. In less than one month, my new guy helped me sell 59 items -- that's 20 more than we do in an average month. I don't see why we can't sell 100 policies a month, but just figuring production from 20 new policies, that's an extra \$12,280 in new premium every month. Multiply it by 12 months and that's an extra \$147,360 from only one of Bill Gough's ideas.

Just like anyone in this business, I always worry about getting new customers, retaining the ones I have, and maximizing my profits. I hate wasting money on marketing ideas that don't work.

My point is, I'm no rookie. I'm experienced, I'm successful, and I know what I'm talking about. And I can tell you from personal experience that Bill Gough has more real, proven, practical systems for this business than I've ever seen in my 27 years. He's a bona fide marketing and money-making genius and, in my opinion, you'd be foolish to ignore him.

You've seen Bill's ads in this magazine for months. If you haven't responded, I don't know why. Maybe you think you're too smart and know it all, like I used to, but if you're so smart, how come you aren't rich and happy? Maybe you're

doing well now, but you could do better (some of Bill's students do over \$3 million in new premium and one of them is the #1 Allstate Agency Owner in America). Maybe you just don't want to be "sold" something that will waste your time and money. Well, you can relax about that. Bill guarantees all his stuff.

I've got more than 147,360 reasons why you ought to investigate what Bill has to offer. What reason do you have NOT to look at this?

Here's how easy it is: Bill has prepared a sampler of his marketing strategies and systems. It's called, *The Most Fantastic Free Gift Ever* -- a big box of stuff delivered to your door: 3 Audio CDs, two issues of his newsletter, two sales training DVDs, a copy of his book, and a Quick Start Guide to put you on the fast track. Get it. Read, watch, listen, and decide for yourself. It's that simple. To claim your copy of *The Most Fantastic Free Gift Ever*, just visit this web site -- www.BillFreeGift.com/NAAFA. Or you can pick up the phone and call Danielle in Bill's office at 256-246-2150.

By the way, I wasn't paid a penny or given anything to write this story about Bill. I'm the real deal. I did this just as a way of saying thanks to Bill for everything he's done for me. And I'm not the only agency owner who feels this way. When you get *The Most Fantastic Free Gift Ever*, you'll see stories of agency owners Bill has helped all over the country. For many, like me, business is booming. We've got more referrals, quotes, and customers flowing in every day. We never worry about money or finding time for family. All I can say is, don't envy me. Join me.

Dean Day, Allstate Agency Owner

P.S. -- Please don't look up my number and call me. I can't handle a zillion phone calls asking about Bill. I've said everything I have to say right here. What else do you possibly need to know?

P.P.S -- **Get your free gift today at www.BGIFreeGift.com/NAAFA or call Danielle at 256-246-2150**

You Can Only Go So Far.....

“Running Your Agency by the Seat of Your Pants!”

By Bill Gough

If you've been in business for any length of time, you've undoubtedly heard people talk about 'SYSTEMS and/or PROCESSES,' and how important they are to your business, however...

Most People Don't Understand What A 'SYSTEM' Really Is

A quick and dirty definition of a "system" is a **repeatable** plan or a process (anything from a simple 3-step process to a complex multi-person procedure). Ideally, these systems have maximum efficiency and profitability outcomes. These can be anything from a 3-step 2-person customer follow-up system designed to uncover more policies to write in the household like Bill Eggar's Green Sheet Process™ to how you make coffee in the morning. (Get details now on Green Sheet Process™ at www.GreenSheetSuccess.com.)

Early in my career when I was selling primarily auto, home, and life insurance, I had no idea what a system was. When I'd meet with a client, I'd just "wing it." My business is *much* different today. We leave NOTHING to chance. Every part of our sales, service, and administrative process is scripted. My entire business is built on systems.

The big 'eye-opener' for me occurred in the mid-1990s when I picked up a copy of Michael Gerber's book, *E Myth Revisited*. I wore that book out.

McDonalds Has Perfected the Art of Systems

Gerber's book talks a lot about *McDonalds*, the most successful franchise business in the world -- not because McDonald's has the best burgers. It's because of their systems. Go into *any* McDonalds and one of the first things you'll see is teenagers. There's generally a middle-aged manager in the back somewhere that started on fries early in his teenage years. But, one thing you'll seldom see in a McDonalds is the owner. They're in

an office at another location somewhere else counting their money, figuring out a way to get their next McDonalds franchise opened.

Every Business Repeats Many of the Same Tasks Every Day

You may *think* your business is different -- but it isn't. There are plenty of things you do on a regular basis. I have identified 47 routine processes we do in our agency regularly, that is, at least once per quarter. Even if you only have one employee, everything you do in your agency should be documented. Also, and this is critical, someone needs to own each task, and be responsible for making changes to that system and report those updates to a supervisor and Agency Owner. I would also suggest that you empower each employee and reward them if they can suggest changes to their processes that will make the agency more efficient, profitable, and able to provide better service to our clients. This creates confidence and boosts morale, which will lead to better results.

We Have Five 'SYSTEMS Manuals' in My Agency



Operations or Process Manual: Our operations manual includes 47 business tasks we do on an ongoing basis. Here's a secret ... 44 of those routine tasks can be performed by a smart entry-level unlicensed employee. Also, each employee is responsible for certain tasks, and has their own personal process manual. Essentially they own the task or process, and are rewarded for improving performance of these tasks.

Sales Manual: This manual includes everything to do with our sales process; including how we hire 'sales superstars' paid strictly on production-- something very few businesses know how to do. Too many small agencies have everybody doing everything, and that's not the best and most profitable way to utilize employee skills. Specialization is the key to the fastest growth.

Employee Handbook: This systems manual outlines employee job descriptions, what to do when someone gets sick, takes vacation, etc. If you have as little as one employee -- you should have an employee handbook. It will keep you out of trouble and cause less stress.

New Hire Manual: We're always hiring new people, or employees moving to a different department. This manual includes checklists and shortcuts to get new employees productive to process ownership ASAP.

Marketing Systems Manual: Includes all of our sales letters, ads, and marketing pieces and campaigns we've done for over a decade. Most examples are direct-response driven to measure performance, especially ROI.

All of our manuals are updated regularly, with an 'owner' responsible for making all changes. **If they see a better way to do something -- we implement it and employees are rewarded for their efforts.** You should have noticed, I have mentioned this last statement 3 times now in this article ... it is the key to great systems management and tons of profit for you.

Bill Gough is an Allstate Hall of Fame Agency Owner and has trained, coached, and consulted over 2,500 Insurance Agency Owners in North America. His coaching clubs provide 'Done-For-You' services, and his marketing conferences are among the best in the industry. For more info go to: www.BGIMarketing.com or call Darlene Wallace at 256-246-2182.

✍

“Systems fail when people with ability don't have authority
And people with authority don't have ability.” ~Amit Kalantri

ARE YOUR WORKING CONDITIONS AFFECTING YOUR HEALTH?

Guest Editorial



The NAAFA phone rings often. And often it is an agent who is under a lot of stress. We try to listen carefully because we have come to realize that there are very few people who recognize and understand the amount of stress AmFam

agents are under these days. We listen closely for signs of depression or futility. Discouragement is common. Fear is also a major emotion we hear expressed. At times we wonder how much more these agents can endure. We try to help these agents realize that there is, in fact, life after American Family. We know that because we have seen many, many agents leave and blossom into happy, productive independent agents. Many find that without the stress they end up making as much money in 3 or 4 years as they made in 30 or 40 at American Family. And they have done it under happy working conditions.

Just what is American Family (management usually requires the ASMs to do their dirty work) doing to the agents they apparently want to get rid of? From what we hear, the tactics vary. We have heard of agents who have been told, "You're useless so why don't you give up now?" We've heard of agents being accused of violating compliance rules....often trumped up accusations. Agents report that they are accused of mishandling their premium trust accounts and then the company insists on doing an audit of not only their premium trust account but also the agent's agency account, which we all know is a personal account. Agents become frustrated when certain favors are extended to company favorites and not others. Agents wait nervously, never knowing when the axe will fall. Agents feel stressed when they are told they must hire staff they know they can't afford or risk being terminated. ASMs are often inconsistent in their orders and requests causing terrible frustration and concern for the agents. Agents are often frustrated when promised transfer policies that never come. Add to all this the fact that most agents have sales quotas that must be met and you have a boiling pot ready to run over!

Why does American Family choose to treat their agents the way they do? It is obvious they have been advised to strengthen their own 'brand' and to try to destroy the 'brand' of the agent, all in an effort to convince consumers that agents are not necessary to satisfactorily insure their assets. And how does American Family choose to accomplish this goal? By continuously announcing to their insureds that their agent is gone!! The more people realize they can get along without their life-long, beloved agent, the more likely they are to seek insurance directly through company employees.

It is time agents realized that American Family doesn't give a hoot about its agents. Estimates are that the AmFam agent count is somewhere between 2500 and 2800

now. Just how low do they want to go? As more and more agents are "constructively discharged" we may find out. What is constructive discharge? The Gale Encyclopedia of Small Business defines it this way: "The term *constructive discharge*" describes a situation in which an employee (agent!) is forced to quit a job because the employer has made working conditions intolerable. Working conditions may be considered intolerable if, for example, the employee is discriminated against or harassed, or if he or she suffers a negative change in pay, benefits, or workload for reasons that are not performance-related."

<http://www.answers.com/topic/constructive-discharge>

The article goes on to say that in most cases, when an employee leaves a company voluntarily (as opposed to those who are terminated against their will) he or she loses the right to sue the company for wrongful termination. But, the article says, "The law recognizes *constructive discharge* as an exception to this rule." "In an increasing number of cases, employees are quitting their jobs, filing wrongful discharge suits against their former employers, and—here's the kicker—coming out a winner," J.D. Thorne wrote in an article for *Small Business Reports*. "The courts have reasoned in these cases that the employers made the workers' jobs so unbearable that they would rather quit than suffer more abuse. Being compelled to quit was much the same as being unfairly discharged. This claim, commonly known as *constructive discharge*, essentially excuses the employee from being the one to sever the employment relationship."

Agents are encouraged to fervently document, keep records, even record if it is legal in your state (NAAFA members click on "Tape Recording Laws by State" under Members Only Info at www.naafa.com) because you will need to prove in court that your working conditions were intolerable and that these intolerable conditions were caused by the employer. Perhaps it will take a joint effort by agents to prove the intolerable working conditions now present. That is the reason agents need to work together to achieve documentation. If you know another agent is being pressured by the ASM, communicate with that agent and devise a system of documentation. If several agents approached an attorney with outstanding documentation, they are more likely to achieve success in their effort to win in court.

So, are your working conditions affecting your health? NAAFA recently received a very sad letter from the children of a recently deceased former AmFam agent. The children sadly stated that they believed the unjust termination (for impossible production quotas) of their mother by American Family was responsible for shortening their mother's life. (You can read their touching letter in the NAAFA mailbox.) We often hear from agents who feel their illnesses are a result of stress caused by constant pressure from the company.

Here are a few of the most significant health problems related to stress:

- 1) Heart disease. Although stress can cause many problems, we know that stress can directly increase heart rate and blood flow and that, in turn, causes the release of cholesterol and triglycerides into the blood stream. Sudden emotional stress can often trigger heart attacks. We hear from agents quite often who have suffered heart attacks but don't seem to be able to convince the company to leave them alone to recover.
- 2) Asthma. If you have it, stress can make it much worse.
- 3) Obesity. People with high stress seem to store fat in the belly area which poses a greater health risk than fat on legs and hips.
- 4) Diabetes. Stress can cause unhealthy eating and drinking patterns and this, in turn, can directly raise the glucose levels of people with type 2 diabetes.
- 5) Headaches. Stress is the most common trigger not only for tension headaches but also for migraines.
- 6) Depression and anxiety. A recent study showed that people with stress related to their jobs had an 80% higher chance of developing depression.
- 7) Gastrointestinal problems. Although stress doesn't cause ulcers, it can make them worse.
- 8) Alzheimer's disease. Although as yet this is speculation, some researchers suggest that reducing stress could possibly slow down the progression of the disease.
- 9) Accelerated aging. There is actual evidence that stress can affect how you age. It seems to accelerate aging by about 9 to 17 additional years.
- 10) Premature death. A study looked at stress effects of elderly caregivers looking after their spouses and found that caregivers had a 63% higher rate of death than people their age who were not caregivers.
<http://www.webmd.com/balance/stress-management/features/10-fixable-stress-related-health-problems>

Some people might want to argue that it isn't the stress that causes the problem, but it's the way the individual *responds* to stress. So whose fault is it anyway that so many agents are developing health problems? We would have to argue that if these agents who were the recipients of so many unkept promises were not backed into a corner the way they are, that if there were some way to avoid all of AmFam's stressors, then agents might once again find themselves enjoying selling insurance for this once fine company. ✂

HAVE YOU NOTICED?



Several agents have commented that AmFam is moving more and more business over to brokerage. A lot of commercial business that was once allowed in American Family is now *only* allowed to be written in Brokerage. And now, any houses over \$1.5M have to be insured in brokerage. To some, this might not be a concern, but there are a lot of houses in that price bracket nowadays. If you insure a house in brokerage, you must also insure the cars and other business from that customer there, too. What a direct and clever way to take more money from the agents. Brokerage pays the agent 50% of the new business commission when writing something in brokerage, and then the agent gets no renewal commission. Oh sure, in a 9/8/14 post to agents, AmFam said they will pay at retirement to the agent, B and A (AmFam's Brokerage & Alliance Department) commissions written during the past 12 months of the agent's career with AmFam. Big deal! Anything written in brokerage never affects one's Termination Benefits. And BTW, the agent must qualify for Termination Benefits, leave on good terms (that would be debatable, of course) and the agent must not be competing with AmFam....in other words, the agent cannot go independent!! And AmFam doesn't pin down when they will pay the B & A commission....they just say "payment will be made as soon as practicable." That could be in a week or in a year! Yes, agents must adjust to making less money if they continue to work for AmFam. It's part of their plan for the Agency of the Future, evidently. ✂


The Tale of the AmFam Agent Bumble Bee



Over and over the NAAFA office hears from agents who are surprised at their present circumstance. They just didn't see it coming, they say. They remark at how they were always so happy at American Family, but "out of the blue" the pressure they find themselves under since they got terminated is nothing less than catastrophic.

So what does an agent have to do with a bumble bee? Let me explain. Did you know that if a bumble bee is dropped into an open tumbler, it will be there until it dies, unless it is taken out? It never sees a way to escape out the top, but it keeps trying to find a way out through the sides near the bottom. It will seek a way where none exists until it completely destroys itself.

Agents sometimes appear just as backed into a corner as the poor trapped bumble bee in the bottom of the jar. They know things aren't right in the 'tumbler' into which they've been thrown, but they can't figure out how to lift themselves out of their quagmire. They realize they aren't selling much because the rates are too high. Most new apps coming into their agencies are vehicles added by current customers or other additions made by faithful insureds. But bringing in new business is difficult. The agent keeps trying, whacking his head against the sides and bottom of his 'tumbler.' It's futile but the agent just doesn't realize it.....or does he?

There is a way out but it requires looking up and exerting a new type of energy, something the bumble bee can't do. One must be willing to take a risk by taking control of his (her) circumstance or else soon, AmFam will beat him to it. There is nothing more debilitating than to suddenly find yourself without a job. Don't be blind to what is happening these days. Always have a backup plan for earning a living. There's nothing more exhilarating than to know you can beat them at their game. Be ready to fly up and out at any time. You can succeed by exercising your wings. BEE ready!! 

If you haven't watched this youtube presentation, perhaps you should. Brian Hannigan gives his 5 red flag ideas for recognizing when an insurance company could be in trouble financially. Many of us have thousands of dollars of built up cash value in life insurance policies while others are trusting their insurance companies to be able to replace their homes and/or cars should a terrible disaster occur. Perhaps more people worry about their banks than worry about their insurance companies, but according to Brian Hannigan, you should be alert to problems with either. The link for Hannigan's YouTube presentation is found below.

The Top 5 Warning Signs your Insurance Company is in Financial Trouble

By Brian Hannigan

Your insurance company could be in trouble if:

- 1) **~you have trouble trying to speak with someone at your insurance company.** If they put you on hold for 8 or 10 minutes, this could be a sign that the company is decreasing their staffing. This is one of the first places a troubled company cuts if it is having financial trouble.
- 2) **~the AM Best rating of your insurance company has been decreased.** Anything lower than an A- is risky. If it's a B....run fast.
- 3) **~your rates go up by 20% to 30% be careful.** If you see a 40% increase run as fast as you can. When a company's reserves are low, they hit their policyholders for more money.
- 4) **~your claim payment is delayed....watch out.** A 30 to 60 day delay in getting your claim paid could mean your company is in trouble financially.
- 5) **~your company asks for a government bailout....run, run, run. (think AIG)**

Since 1976 some 600 insurance companies have failed. Did you know that? Having just one of these signs might not be so serious, but having several of them could really be telling. Be alert.

www.rateElert.com

<http://www.youtube.com/watch?v=LEMjcODrkHs>





PRESENT VALUE
“LEFTOVERS”
A DISGRACE FOR GRIEVING
AMFAM AGENT SURVIVORS

Several widows have contacted the NAAFA office when they learned they were not going to receive the *balance* of their deceased spouse’s Termination Benefits. The reason? American Family is still using the 5.9% interest rate in their “present value” formula. The agent contract says that the agent’s beneficiary will receive the *present value* of the balance of the agent’s Termination Benefits. Many agents believe “present value” means the sum that is left when the agent dies. We urge all agents to explain to their beneficiaries that “present value” involves a rather complicated mathematical formula which centers around an interest rate that determines how much the Termination Benefit payout amount will be. Because it will be paid out in a lump sum at the time of the agent’s death, the company has no chance to ‘use’ the money to make more money, so as it turns out, the higher the interest rate, the less the beneficiary receives. This unreasonable interest rate causes the deceased agent’s beneficiary to receive thousands of dollars less than what was expected. Several accountants have reported to NAAFA that this interest rate should be no higher than 2% by today’s standards. Add to this the fact that ordinary income taxes have to be paid on what is left of the Termination Benefit distribution.....well, death is hard enough on a family, but to add an unexpected financial burden is reprehensible.

NAAFA had suggested earlier that you *politely ask* AmFam, but now we are suggesting you *start persistently yelling* at AmFam to *change their formula interest rate* (Remember, 2% is a more appropriate interest rate) and also ask AmFam to give the beneficiary the opportunity to *choose to have the Term Benefits distributed over a 2 or 3 year period* thus lessening the tax burden. It just seems that if this company really cared about people (they claim they do, but their actions speak louder than their words) they would do all they could to encourage and comfort a deceased agent’s spouse or beneficiary. ☘



JUST THINK ABOUT THIS.....

SCARY THOUGHT - 45% of US households headed by individuals of “working age” have not set aside any funds for their future retirement (source: National Institute on Retirement Security).

RAINY DAY FUNDS - Less than half of Americans surveyed (49%) have set aside funds that would cover expenses for 3 months that would be needed in the event of a financial emergency (source: FINRA).

THIS IS A NO BRAINER - The elimination of Saturday delivery of mail would save the US Postal System an estimated \$2 billion a year (source: Postmaster General Patrick Donahoe).

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NAAFA Mail Box

NAAFA encourages you to send us your concerns and opinions. We will withhold your identity unless you specifically tell us to publish your name. We will always edit your comments, send it back to you and wait for your approval or corrections before we publish. The NAAFA Mail Box is your voice, your chance to express your opinions, your chance to let others know what your feelings are. Send your emails to: NAAFAwest@comcast.net

Letter #1

“A lie told often enough becomes the truth.”Vladimir Lenin

Hi NAAFA,

When I came across this quote, I thought about the Kool-Aid I was given when I worked for American Family, and I used to drink it!! Go ahead and publish this email. Only trouble is those that need to take heed will not even consider it. Hope all is well for you. [Name withheld by request]

Letter #2

The following is an unedited email from one we will call “Wet Behind the Ears” because it seems obvious that this agent is totally inexperienced and uninformed. This type of an email comes in very rarely to NAAFA. We hesitate to give any credence to his message, but printing it gives other agents a chance to respond. One of our members asked to respond to his email and we have included it here, also. Please let us hear from you if you have anything to say about either this email or the response.

From: Williams, Travis J [mailto:TWILLIA3@amfam.com]

Sent: Tuesday, July 29, 2014 6:02 PM

To: 'naafawest@comcast.net'

Subject: Please remove me from your mailing list

To whom it concerns,

My name is Travis Williams and I am 2 yr agent with AmFam. I have been blessed to be an agent with AmFam and have recently returned from a trip to Banff Canada to celebrate being an All American agent. I have received your newsletters and magazines that continuously and repeatedly validate and excuse mediocrity and I am quite frankly tired of them. Every person who comes into the company has an opportunity, a great opportunity to find success and become very successful as the years go by. If an agent fails, it is their own fault for doing so, nobody else's. I read in your last publication of a 20 year agent that couldn't keep up with the quota requirement, that is absurd. The natural additions that come from having a book after 20 years would satisfy the quota requirement by itself. We have brand new agents with no books of business blowing quota requirements out of the water. Why you ask? Because they are hungry to make money and succeed. That 20 yr agent failed because they failed to get off their butts and go out and find more business. They were more content counting the money they lost than replacing it. I know of an agent that has been with AmFam for nearly 20 years and he has lost nearly the same amount of business as your 20 year agent. What does he do? He gets up every morning to go and replace it and he does just that. He looks forward, not backwards. Prices go up and down with every company, even independent companies. AmFam doesn't cause anyone to fail, rather it invests thousands and thousands of dollars into new agents to promote a higher success rate. What interest would AmFam have in hiring anyone, investing at least \$36k per year in them, only to get rid of them shortly after that? That doesn't pencil out and no company would do it just to do it. It is very obvious your magazine is supported and heavily funded by independent companies seeking to recruit sub-par, underperforming agents that are led to believe they are oppressed by AmFam because they aren't successful. None of those companies advertise, invest, and reward their agents like AmFam does. It is not my intent to disparage what NAAFA is but your magazine is a public platform for disgruntled ex-agents to whine and moan about what they feel the company did to them. In reality if they were to have worked hard, they would still be with AmFam and enjoying a very successful career filled with benefits and rewards. I am not ignoring that some very good agents have left AmFam to pursue other options, I know some who have. I also know that they profited greatly from their time as an agent with American Family, they were able to live a comfortable life because of the company they were aligned with for so long. It is fair to say that many of them would not have had the same quality of life without AmFam.

Ultimately, the saying rings true, “the grass is not greener on the other side, it is only green where it gets watered”. If these ex-agents put in as much effort to build and grow their agencies as they do into bitching and moaning about what the company didn't do for them, they would be successful. You have no problems pointing out what your negative viewpoints are of AmFam, but never state the obvious benefits of the things it is doing to succeed in the marketplace. Why? Oh yes, the advertisers wouldn't advertise if you did that. It is on every person to make the best out of the situation they are given. Nothing is free and nothing is promised. You reap what you sow, that is how the sales world goes round, it has nothing to do with AmFam or any other company. I am proud to be an AmFam agent and associate myself with a cutting edge, growing company. In the end, I am responsible for everything that happens to me, not AmFam.

I respectfully ask that you take me off your mailing list as it offers me no beneficial value. Your opinions are slanted and many times lacking truth. You would do better to promote a neutral publication that allows everyone to see opposing sides and form their own opinion, but we know the advertisers wouldn't allow that. The "communication and education between active and non-active agents" that you emphasize is one sided and one directional. Very proudly an AmFam agent,

Travis Williams

p.s. I challenge you to publish this email in your next publication, consider this my permission to do so. If you do decide to publish it, please send me one more copy, I have got to see it to believe it.

Editorial comments: Over the years, NAAFA has gotten a few requests from agents to have their names removed from the mailing list, but it is interesting how often those who ask to be removed eventually request membership again. NAAFA has many former district managers who are members.....what does that tell you? NAAFA does not turn agents away because after all, we are here to help and support agents. And Mr. Williams, we don't hold grudges. Yes, your name has been removed from our mailing list. NAAFA needs agents, but agents need NAAFA more. Sometimes it's good not to burn your bridges!!!

Letter #3

This is the response from one of our members to (Wet Behind the Ears) Travis Williams' email.

First of all, let me just state that I was an AF agent probably longer than Mr. Williams is old. I qualified for enough All Americans that you'd need both hands and toes to count them all. I qualified for Life Diamond many times and even made Company Agent of the Month. So, I guess it would be fair to say I wasn't an agent that failed to get off my butt. I admit at one time, my thoughts were exactly similar to those of Mr. Williams. I wondered, "What was wrong with these agents who thought the grass was greener on the other side of the fence?" But, as the years went by, I started to see things like commission cuts, increased agent expenses, more company control and demands, and new contracts that you were obligated to sign which took away originally promised benefits. If you refused to sign them, they took away benefits anyway.

When I left AF, I had over 4,000 policies. I was never transferred a policy. I started my own agency from scratch. Mr. Williams states that when you have a book of policies that are 20 years old, natural additions will satisfy a quota requirement. Not when the quota requirements are higher for the larger agent, includes a minimum amount of life, and maybe even requires qualifying for All-American. When one of these larger agents fails to meet this quota, AF hasn't hesitated to terminate them. There are many cases of agents being terminated just months before they qualify for termination benefits. Coincidence?

Mr. Williams asked what interest AF would have in hiring anyone and investing 36K per year in them. It's not as big of an investment as it seems. If the agent doesn't do well, they can be terminated. All renewals are retained by the company until the agent is off company-funded income. If there has been a book of business transferred to the agent, the agent services it without compensation for their efforts. Even after the agent starts getting the renewals, it will be at a reduced rate other than the

commission you would have gotten had you originally written the policy. Independent agents, on the other hand, receive full normal renewal benefit/commissions on transferred business.

The NAAFA magazine has only been funded by the advertising of independent companies for a few years. Prior to that it was funded by agent's dues. But, having been an agent only 2 years, Mr. Williams would be ignorant to that fact.

It is true that independent companies' rates go up and down. But, when you have access to over a dozen companies, you can move an insured (without losing them) to a more competitive company resulting in a much lower lapse ratio. There are some disadvantages as an independent agent, but as I speak with some of my friends who are still with AF, I realize there aren't as many disadvantages as there used to be. When you are paid 15% to 20% on auto, home and all other personal lines, new and renewal, business policies 20% new and renewal, life insurance 75% to 110% on the first year's premium for term insurance versus 25% that AF pays, you quickly realize that you only need half of the insureds you had with AF to equal independent-world income.

I left AF some years ago. I admit I don't work as hard as I did when I became an independent, but my income is at least double what it was with AF. Yet, I have spent less than 1/4 of my years in insurance as an independent. Mr. Williams is partially correct in saying if you work really hard, you can make a living as an AF agent, you can. But, if you put in that same kind of effort as an independent representing a good number of companies like I have, you will be a lot richer. I speak from many years of experience and having been on both sides of the fence. Mr. Williams does not.

You can print my article, just not my name. AF has proven to be a very vindictive company; I don't know if you're ever really safe from them.

Letter #4

The following email was referenced in an article in this issue called "ARE YOUR WORKING CONDITIONS AFFECTING YOUR HEALTH?" NAAFA has extended our sympathies to deceased former agent Judy Santoro's family. We know she is deeply missed. Here is the letter we received from her two children.

Dear NAAFA,

Our mother, Judy Santoro, was 62 when American Family terminated her for lack of (an impossible) production requirement. She was eligible for retirement within a few years. She received the J.D. Power Award that year as well. She ended up applying for her Social Security early (reduced benefit), lost her home, had to file bankruptcy, and was never the same.

It really appalls us, that a company can tell you how to run your business, how and where to advertise and force you to pay for it, tell you where your office can be located, sweep your bank accounts and have the gall to say you're independent. Oh, and take YOUR book of business. If you are truly independent, none of these things would happen. It's either one way or the other. It CAN NOT be both.

We personally believe that this company shortened my mother's life; being terminated at an age that caused her to have to go through such life changing stress is unconscionable, especially when she was producing and they were obviously looking for a way to not pay retirement as agreed.

Thank you for your kind words about my mother. She is missed and what happened to her is tragic. We took her off life support August 27th, it was the hardest thing we have ever had to do. We cannot convey enough the role that this company has had in her downward spiral that led to the end of her life. Stress is unforgiving.

Please keep my brother and me in the loop. If this happened to my mother, I am positive similar treatment has been occurring and is as devastating to others as it was to her. God bless you.

Respectfully,

Kimberly Edwards
3384 Leawood Drive
Beavercreek, OH 45434
937-313-9078

Tony Santoro
895 Creek Road
Clarksville, OH 45113
937-477-9940

Letter # 5

In the past 2 years, NAAFA has seen a drastic increase in the number of agents that have been audited by the IRS. In fact, 5 or 6 years ago, it was normal for only 1 or 2 agents to contact us about being audited. In the past two years, we would estimate about 40 agents have used our SECA Kit when they were audited. We are pleased to say that every single agent was relieved of any social security tax due on their Termination Benefits by using the Kit.

Dear NAAFA,

I am enclosing a copy of the letter I got back from the IRS telling me that my Amount due was \$0.00. They stated that "We're pleased to tell you that the information provided resolved the tax issue in question and that our inquiry is now closed." The SECA Kit worked for me. I could not be more thrilled. Please feel free to use my name, email address and/or telephone number to encourage other NAAFA members to call or email me if they have any questions about the value of NAAFA membership and the SECA Kit.

Lane Smith
913-649-1515
Lane@Smithinsurancegroupinc.com



It is at this time of the year that we begin to miss our families who live far away from us. It is also the time of year that we eagerly look forward to having them all home for the Christmas holidays. The NAAFA Board wishes to extend a warm and Merry Christmas to all our friends who have supported NAAFA throughout the year. We are blessed to know such an outstanding group of people...the agents affiliated with our group. May you be blessed with much PEACE as you relax and enjoy the upcoming season with friends and family. And don't forget the reason for the season...the birth of the Christ child.

Merry Christmas and Happy New Year

The NAAFA Board of Directors

CAN INSURANCE COMPANY EMPLOYERS ORDER THEIR AGENTS TO INSURE THEIR ASSETS WITH THEM?

Recently, many American Family agents received the following email message:

“As a result of our Quarterly review of underwriting profit, vehicle usage is one of our top areas for conversation. It was decided by product management and state director to conduct a review of our agent’s personal auto policies.”

If the agent does not have a business use rate (C2) on at least one vehicle, the agent must provide an explanation of why. If the agent has his (her) vehicle insured on a commercial policy, he must provide the policy number.

NAAFA finds this quite startling and once again, a violation of the agent contract. Nowhere in the agent contract does it say the agent must provide this personal information. Nowhere does it say the agent must insure his property with American Family.

It is understandable that if the AmFam agent has (foolishly) agreed to insure his property with American Family that underwriting could most certainly review how this property is rated on an American Family policy. **But** if the agent has his property insured with another company, American Family has no right to inquire about how his vehicles are rated. It is simply none of their business.

Oh yes, NAAFA is aware that some ASMs have attempted to throw a guilt trip on agents and AITs telling them that they should have all their insurance with AmFam for after all, how can you expect your customers to insure with AmFam if you won’t? This is a shameful tactic and certainly not a

behavior that is considered ethical. Recognizing that many agents are struggling to make ends meet, it seems like a wise decision to insure where rates are most competitive. It’s a matter of survival, after all.

We were reminded of a recently discontinued underwriting program where certain agents got cheaper rates on commercial quotes depending on certain agent rating factors i.e. how close the risk was to the agent’s office, the longevity of the agent’s career with AmFam, and loss experience of the agency, to name a few. Several insurance commissioners expressed that this was unfair to the consumer.let alone unfair to the agents. Wonder what they would say if they knew that certain *chosen* agents receive underwriting favors which, again, directly affect the consumers and the agents.

Where do these crazy ideas come from? We’re told that often they come from underwriting, but they are always approved and then endorsed by management before put into practice, so really, who’s to blame? We would like to know how wide spread this auto audit practice is. Please notify NAAFA if any of the following pertain to you:

- 1) You have received a notice from your state director or district manager that your vehicle usage is being audited.***
- 2) If you have been told you must (should) insure your property with AmFam.***
- 3) If you have refused to share this info with your ASM or state director.***

Email: NAAFAwest@comcast.net Please also enclose your cell phone number, a brief explanation of your own situation, how long this has been going on, and whether you have complied or not. 🐦

LAUGHTER...IT’S GOOD FOR THE SOUL

- He who laughs last, thinks slowest.
- Light travels faster than sound. This is why some people appear bright until you hear them speak.
- A fine is a tax for doing wrong. A tax is a fine for doing well.
- Those who live by the sword get shot by those who don’t.
- When you go into court, you are putting yourself in the hands of twelve people who weren’t smart enough to get out of jury duty.



It's a New Year – Maybe Time for a Change?

By Justin Hobick

A new year is upon us and as we enjoy the hustle and bustle of the holidays, we often reflect over the past year. As an insurance agency owner, it is a good time to take inventory and review your plans, production, aspirations and ask yourself if you are on track with where you planned to be. How has 2014 been for you? Is your business growing, or has it leveled off but still requiring you to work ever so hard to just stay even? Still worse, is your business shrinking? Are you satisfied with your current carrier offerings and deliverables? If you conclude that things aren't so rosy with your current situation, maybe it is time for a change in 2015.

Nowadays, buying insurance can be done in various mediums. No longer does one even have to speak to a human being! Buying online has become an increasingly popular choice, especially amongst the younger generations – industry data shows that. You can dial an 800 number to purchase coverage. There are direct mail offerings to buy through banks, credit unions, alumni associations, warehouse memberships, etc. And last but not least, the brick-and-mortar retail insurance agency still exists. Definitely not least, and let me tell you why.

Last year, McKinsey & Company published a white paper depicting the future of the distribution of property & casualty insurance. In a nutshell, the article implies that the life of a brick-and-mortar agency is changing with technology and consumer buying habits. Agencies must plan and act to keep up with these changes. If you don't, you will fail over time, per McKinsey. And let me add, being an independent agent puts you a step ahead of the competition (more to come).

The article addresses the commoditization of insurance, in particular auto insurance. However, representing multiple carriers will often give an independent agent the advantage over direct carriers and exclusive agents. Certainly, there is the pricing aspect and the advantage of having multiple options, but there is also the true and factual value that one can build upon. For example, an independent agent can proudly say "I quoted your insurance with 8 companies, all of which are very financially sound. Based on my coverage analysis it appears that this company is the best fit for you and your family to give you protection for your unique needs." Omit the cheapest price verbiage...you are a professional consultant. Exclusive agents do not have

this advantage. The same applies to commercial lines coverage where the product breadth of independent carriers is an ocean as compared to a bubbling brook with most captive carriers.

So let's talk about the process and analysis of going independent. The math is there – typically higher closing ratios, higher commissions per customer, and better agency retention. The latter is a result of having carriers that are competitive, even with the market cycles that eventually impact just about all carriers at some point in time. Beyond the math, you need to be careful of *how* you go to market. Generally, it is very difficult to obtain independent contracts on your own. As such, you need to search out groups. But making a quick decision and signing a contract with a group on a whim can come back to haunt you for years to come. Partnering with a group that provides guidance, training & support is critical. Yes, you know how to sell and run your business, but there is, indeed, a transition and learning curve to being independent. The support needed the first 12 months can make all the difference in the world in your success or failure. In addition, seek out a group that works with you to develop a business plan and align you with companies that suit the business plan and direction of the agency. And most importantly, partner with a group that offers a very strong contract.

Let's look deeper at one of the most important considerations, the contract. Contracts run the gamut and you need to read and review them thoroughly. Look for a group that offers full transparency and is very open about its contract. It is recommended to seek an attorney's advice so you understand fully what you are signing. Next up, make sure that you are going to get paid well. How is the commission split on new business and renewal, and by product lines? What about any extra commission the group is paid by companies in the form of commission overrides or growth bonuses? Will you participate in profit-sharing and if so, how much? Is there a cost in joining the group and any ongoing expenses? Be very careful in ruling out a group because there may be an initial joining fee. The old saying "you get what you pay for" can ring true when selecting a group. The very best groups will also provide guaranteed buy-back provisions for your book of business. This ownership-equity component is huge! Consider that 10,000 baby boomers are

turning 65 every day for the next 15 years and likely retiring. Who will buy your agency is an important concern. Independent agents belonging to such groups that provide these provisions sleep very well knowing they have a plan for this!

Another key consideration as you prepare to open your independent agency is the group's experience in tandem with training & support. No matter where you are in your insurance career, there will definitely be a learning curve. It can be a silent killer for you to decide you will figure out everything on your own. You might be able to, but that takes time and why wouldn't you partner with a group that provides training and prepares you to hit the ground running – a group that has a proven track record for many years versus a start-up? Time is money. The best groups can have you ready to write business on day one of opening your doors. You close your prior business (captive) doors on Friday and enter the independent world writing business the following Monday. Yes, it can be done!

Lastly, look for a group that can be your safety net, your consultant, one whose expertise you value as second to none in Property and Casualty. Your business will grow over time. Can they help you with that lifecycle, including location expansion versus centralization, cost-benefit analysis, acquisitions and due diligence, perpetuation options and how to stay on with your business but manage it with proper controls from afar (perhaps your condo at the ocean)? Most groups will have the carriers you need, but don't get hung up on having every carrier in the world. You had only 1 primary offering in the past. Having 10 times more than that serves most independent agencies extremely well!

The insurance business is changing and it is time to adapt. Perhaps the best way to do so is to reposition yourself with another organization – open a new chapter in your professional life! At Premier, we give straight talk with unsurpassed deliverables and execution for your success. As your take inventory of 2014 and consider exploring the Independent Agency channel, please give us a call. You will be glad you did, guaranteed!

Justin Hobick is the State Executive| Manager of Business Development for PREMIER GROUP INS. He can be reached at: Cell 317-989-0735
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MORE AMERICANS RETIRING LATER THAN THEY EXPECTED



It is entirely possible that the AmFam agents who found themselves terminated before they'd planned or agents who were forced to resign have added to these statistics. According to research by the Employee Benefit Research Institute (EBRI), there has been a big increase in later-than-expected retirements following the 2008-2009 recession. EBRI found that people who have a retirement plan tend to retire closer to when they expected, compared with those without a plan. NAAFA always recommends that agents develop a plan to retire. As self-employed workers, we have no formal pension or 401K, but many have set up SEP/IRAs which, if faithfully funded to the fullest, can really help lessen the need to continue working past what you'd expected.

What is the average life expectancy for Americans? The following Social Security Administration link shows you your expected number of remaining years. This chart might be useful in determining how much money you should save during your working years. <http://www.ssa.gov/OACT/STATS/table4c6.html>

We would like to remind our readers about a recent press release where it was announced that the U.S. Treasury is now recognizing deferred income annuities as an important option to protect against longevity risks. Most of you have SEP/IRAs and so you might be interested in some of the following information.



The Treasury is now giving special tax status to certain longevity annuities they call QLACs. QLAC stands for "qualified longevity annuity contract." The money in a QLAC has an expanded "required minimum distribution (RMD) period that has been pushed out from 70 ½ to as far as 85 years. You must start your RMDs no later than the first day of the month following your 85th birthday. The US Treasury hopes that this change will provide you with a tool that can be a help in protecting you from outliving your retirement savings. These QLAC will be accessible to SEP/IRA owners. This should be a great benefit to any self-employed insurance agent.

The new rules say that IRS/SEP owners can use as much as 25% of their account balance to buy a longevity annuity. The cap has been set at \$125,000 and the purchase can now be made without complying with the age 70 ½ RMD requirements. The new annuity product must include a Return of Premium option so that those who fear they might die before they receive their QLAC distributions will know they will be reimbursed at least for what they paid for their annuity product. [<http://www qlacs.net/> This link gives interesting info on QLACs.]

We would like to add that estate planning attorneys are pointing out the availability of **annuities with Long Term Care endorsements**. As self-employed insurance agents, we need to do some well-informed planning. Many, many agents are reporting that their renewals have dropped drastically in the past couple of years and such news as this is not good when it comes to funding your Termination Benefits. Perhaps it's difficult to save with today's cost of living rising as it has, but it is really necessary if one wants to have a comfortable retirement. ☺

I don't make jokes. I just watch the government and report the facts.

~Will Rogers

No man's life, liberty, or property is safe while the legislature is in session.

~Mark Twain

A government big enough to give you everything you want, is strong enough to take everything you have.

~Thomas Jefferson

SOME THOUGHTS ON LEADERSHIP (From some leaders you may have heard of)



Larry Checco, President of Checco Communications says, “The bottom line is that those who find themselves in leadership positions, regardless of whether or not leadership was bestowed on them as a natural birthright or they came upon it as an acquired skill—or simply by accident—must manifest certain leadership skills if they hope to succeed. And the most essential leadership skill I can think of is the **importance of creating healthy environments in which the people a leader is responsible for leading can feel safe, creative, productive and appreciated.** Don’t confuse power with leadership. Just because you can tell people what to do doesn’t mean you’re leading them. It could mean that **they are doing what you tell them to do out of fear of reprisal**, which is a push-pull mechanism that may work in the short term but over the long haul inevitably leads to a dispirited, lifeless, and often disgruntled and unproductive workforce.
<http://www.guidestar.org/rxa/news/articles/2012/what-does-it-mean-to-be-a-good-leader.aspx>

Editorial comment:

Interesting how the opinions of these leaders differ, especially those of John Stumpf and Jack Salzwedel. Has AmFam’s purchase of these direct marketing companies caused this company to grow? Stumpf recognizes the importance of the employees Wells Fargo hires. He values them and he lets them know it. Happy employees are the first and most important element in achieving his #1 ‘way to make a company grow.’ At AmFam, it would have to be the agents who earn more business from current customers to make this company grow. Do the AmFam agents feel that by forging on ahead with direct channel selling (where the agent is bypassed) that Salzwedel’s approach is going to work and be profitable for the company or the agents? Most do not! But most are smart enough to realize that they must keep their mouths shut or suffer reprisal, namely agent termination. Evidently, agents are not considered team members as it appears AmFam looks at them as just an expense.

Alan Hall, Forbes.com Contributor, gives this warning: Don’t say, “We’ve got to cut costs” (at the same time the manager is buying a new desk.) When times are difficult, employees respect supervisors who are empathetic to the challenges employees must face. They resent any leader who lives a different standard. In challenging times, managers should lead by example.
<http://www.forbes.com/sites/alanhall/2012/11/24/9-things-a-boss-should-never-say-to-an-employee/>

Wells Fargo CEO **John Stumpf**, who spins out the kind of corny, homespun sayings you might find embroidered and framed on the wall of Aunt Tilly’s lake cabin says, “When we hire somebody around here, we want to know how much you care, before we care how much you know,” he says, without the slightest hint of irony as we sit with him at his San Francisco office. “We call our employees team members, not employees. Employees denote an expense to be managed. Team members are an asset to be invested in.” And as Stumpf’s bible puts it: “There are only three ways a

company can grow. First, earn more business from your current customers. Second, attract customers from your competitors. Or third, buy another company. If you can’t do the first, what makes you think you can earn more business from your competitors’ customers or from customers you buy through acquisition?”
<http://www.forbes.com/forbes/2012/02/13/feature-john-stumpf-wells-fargo-bank-that-works.html>

Speaking of leaders, this quote came in recently from one of our NAAFA Report readers: “American Family Chairman and Chief Executive Officer **Jack Salzwedel** said The General’s involvement with Walmart and AutoInsurance.com is a promising move for the American Family enterprise. We plan to win by reaching consumers who want the personal service and advice of our agents, particularly those with multiline needs, and those who prefer direct channels,” Jack says. “This additional distribution channel offers great potential for The General to reach new customers on the direct channel side.”

Leadership is the art of getting someone else to do something you want done because he wants to do it.
~~ Dwight D. Eisenhower

If your actions inspire others to dream more, learn more, and do more, you are a leader.
~~ John Quincy Adams

Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.
~~ George Patton

NAAFA, INC. MEMBERSHIP APPLICATION

I, the undersigned, hereby apply for membership in NAAFA, Inc. (National Association of America's Finest Agents) and I certify that I will always uphold and support the mission and goals of the organization to the best of my ability.

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PERSONAL EMAIL _____

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(Signature of Applicant)

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	Non-AmFam Agent Annual	80		

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

SECA KIT GUIDELINES AVAILABILITY



The SECA Kit is just one of the benefits of being a NAAFA member. Any member who leaves American Family and qualifies for Termination Benefits should have the Kit before filing taxes the first time. Understanding how and why you file as you do could save you thousands of dollars in IRS penalties and fines.

NAAFA asks for a donation of \$400 for a SECA Kit unless a person has had 3 full years of continuous (no lapse) membership. After the three full years of membership, the Kit is free. A new member would pay the first year's membership up front and then the kit would immediately be available for a donation of \$400. Or the new member who pays either monthly or semi-annually would have to wait until the beginning of the second year to become eligible for the Kit. You must have a personal Email address to receive the Kit. NAAFA asks that you honor confidentiality regarding the Kit by not sharing it with non-members. Remember, the SECA Kit is a benefit of NAAFA membership!

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What Lies Ahead? That's Entirely Up to You!

Michael A. Crafts, CLF, LUTCF
Vice President Sales and Marketing
The Woodlands Financial Group

“What lies *behind us* and what lies *before us* are tiny matters compared to what lies *within us*.”

Ralph Waldo Emerson, (attributed)

US essayist & poet (1803 - 1882)

Today I want to talk about moving forward in life and managing through adversity and change as it relates to being an insurance agent. It is difficult for any one of us to consider having to start over, when we have spent a long time building something up and are receiving the benefits of our hard work. It's human nature to want to be comfortable in our work and personal lives.

When we work hard and put in time, money and energy, then we feel that we have earned what we have. Once we get there, we all strive to maintain whatever level income and creature comforts we have attained, and feel a great sense of loss when we lose what we have worked to attain. If it gets taken away, then our immediate reaction is that it's not fair and then we look to blame whoever or whatever caused our loss. That reaction may be 100% accurate, but I have to ask you a question: then what?

Life has a way of giving us endless waves that wipe even our most elaborate sand castles out in an instant, forcing us to begin anew, or choose to take another direction. There is no such thing as fair, there is only the situation and how you respond to it. Gary Kinder, a long time Equitable (AXA Equitable today) Life insurance General Agent, manager, speaker and author says “the situation is the boss.” That is partially true. The rest of the equation is what you choose to do as a result of the situation. All we ever have is now and what we choose to do with it.

With respect to insurance agencies, we all have learned that the captive single company property and casualty model, with its nice, steady, residual income stream can slowly lull you into a false sense of security, until something changes and it is taken away. As I mentioned in my last article, companies change contracts and there are a multitude of factors that come into play in our industry that makes it dynamic and ever changing.

This can be good and this can be bad, depending on your situation and your perspective. What remains true, is that we really don't benefit from staying focused on what we are losing,

or what we used to have because things change and you cannot go back, you are only ever allowed to move forward.

I gave up having regrets a long time ago. We are all products of the decisions we make and the experiences we have. My belief is that you would not be who you are without them and that you are prepared for exactly the next step you are supposed to take in life as you take it. Remaining open to change and believing that you will succeed are the most important aspects of overcoming adversity and managing through it.

Money and security that you think you have, when you spend most of your time looking over your shoulder or worrying about when you will lose them are not worth having. It is much like putting your hand in a bucket of water and trying to pull the water out. Most of the water you are able to grab will quickly run through your fingers and you will be left with nothing in the end but frustration and a wet hand.

You may be about to lose your contract with your current company, or are considering whether you should make a change to becoming an independent agent. Maybe you feel it is in your best interest long term, but you are afraid to have to “start over.” **In my estimation, you need to remember that you really are not starting over, you are simply moving forward at this time in your career with a different set of options. You still have the knowledge and ability to sell insurance, offer your client's value and build your business stronger than before.**

It is true that an independent agency is a more complicated model than a captive exclusive contract with one carrier. For many that is a difficult transition to make. What I know after almost five years in this space, is that becoming independent will allow you to have a little more diversification and stability if you can successfully make the change. I also know that you will have a much higher likelihood of success by working with a group that can offer you support and a good long term business arrangement instead of trying to put it together by yourself.

Consider this. Each month, we start new independent agents or exclusive independent Branch owners out in their relationship with TWFG. There are other companies that do similar work. I am always amazed at the stories of agents who come from so many different areas of the country and have been affiliated with all of the different major captive companies. Each agent has to go through a process of shock, anger, loss and acceptance. Then they all pick themselves up and make the decision to move forward with a positive mental outlook. They believe they will be successful and have joined our company, putting their trust in us to help support and guide them as they build a new business here. It is a great feeling to address each new class of agents and listen to how excited they are about finding another opportunity to carry them forward. I hope you find your solution and wish you the best in 2015. 🙏



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