

The NAAFA Report

Fall/Winter 2015



**Merry Christmas
Happy New Year**
from the the NAAFA Board and Staff

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WE'RE HONORED TO PRESENT TO YOU THE 2015 FALL-WINTER NAAFA REPORT. PLEASE FIND TIME TO CURL UP IN YOUR EASY CHAIR, PERHAPS WITH A CUP OF HOT CHEER, AND READ THIS PERTINENT PUBLICATION FROM COVER TO COVER. WE'VE TRIED TO PRESENT THE THOUGHTS, IDEAS AND CONCERNS OF OUR MEMBERS AND READERS. MANY CONTRIBUTORS HAVE CHOSEN TO REMAIN ANONYMOUS, SOME HAVE NOT, BECAUSE THIS IS YOUR MAGAZINE TO CHOOSE.

NAAFA is presenting you with articles in this issue from three different agents who have now left American Family and established independent agencies. Each one is unique. Each one has had different goals. We hesitate to use the word *dream* because the infamous "dream" that American Family promotes has turned out to be nothing more than a nightmare for many agents. In these three articles by agents, we have one who successfully established his agency in a small town where he went independent with a cluster group. We have a second who has successfully gone with a cluster group but located his agency in a much larger city. The third agent (this writer chose to remain anonymous) wrote about having worked in his father's AmFam agency for several years before leaving and establishing an independent agency without joining a cluster group. All three are greatly exceeding their own personal goals, and we're giving you their stories hoping you can be encouraged should you decide to follow in their footsteps.

When Edmund Burke said, "*All that is necessary for the triumph of evil is for good men to do nothing*" he really said a mouth full. The American Family agents are brave and they are, indeed, overcoming the evil done to them.

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NAAFA, Inc.



The National Association
of
American's Finest Agents

A LETTER FROM OUR PRESIDENT



Dear NAAFA Readers:

It has been my honor and privilege for the past several years to sit in the NAAFA President's chair, overlooking the functions of what I believe to be one of the most important organizations ever to approach the task of truly supporting the American Family Insurance Agents, active and inactive. The direction and approach of this organization has changed or evolved over the years. As I have sat in this seat, I have tried to help grow this organization into one that is respected not only by the agents, but by the company as well. I pray that the days are gone when revenge seemed to be on our minds. We truly want what is best for our agents and we seek to establish that same attitude on the company's part. We should not be at odds with one another. What is good for the agents should be good for the company and vice-versa. It hasn't always been that way, I know.

Recently, the NAAFA Board met and had what I would call one of our most successful meetings. Of course, there were the regular items of business, but what really impressed our board were the agents who came and spoke to our board. These agents are heroes in my sight. Some of them were on 3-month notices, some on 6-month notices, some had already been fired, some had been pushed to resign, and some had been involved in lawsuits. What really stood out to me was the fact that all of them are still strong believers. In what, you might ask? Well, as one agent put it, I could never have made it without my faith, my family, and my friends! Needless to say, many of us had tears, but hearing that they were all determined to continue in the field of insurance selling, were committed to their families, were committed to their God, and committed to NAAFA made my heart leap for joy. What an outstanding bunch of people these NAAFA members are!!

Remember, NAAFA has been successful at changing the company's position on the interest paid by the company when they use the present value formula to determine how much to decrease the deceased agent's Termination Benefits the sum of which is then given to the widow (beneficiary). We have been successful with our SECA Kit even though there have been hundreds of inquiries by the IRS. We've been successful in helping many agents go on to work successfully under our advertiser brokerages. We've encouraged many agents not to give up, a task we don't take lightly. It is my opinion that as a group, the AmFam agents are about the best, most ethical, hardworking and trustworthy people around. I'd trust 99% of them with my checkbook.

I want to extend my congratulations to a really fine bunch. I want to thank you for your support. Our membership continues to grow because our members tell others about us. We believe we have earned your trust and it's showing by our numbers. What you tell NAAFA stays with NAAFA.

MERRY CHRISTMAS AND A GREAT NEW YEAR FROM THE NAAFA BOARD AND STAFF.

Your Friend and NAAFA President



***Good friends are like quilts - they age with you, and yet,
they never lose their warmth. Take good care of them!***

~unknown



JOB SECURITY

NAAFA Board Contribution

There's nothing worse than losing your job....especially, when you least expected it. Most agents at AmFam have lived the last few years with the expectation that they might be "here today, gone tomorrow." Many have done some long term planning for just such a day. Others have simply decided to 'cross that bridge when they get to it.' In either situation, there are probably some regrets.

It is always wise to have a backup plan. Perhaps your plan included having enough money in your savings account to allow you to live at your present level for at least a year until you could get re-established in another job. Or maybe you invested in some real estate that can provide you with some necessary income. Others of you have wisely started a second business. No matter which route you have taken, having a plan is always the best.

AmFam agents have for years seen the prudence in having a second source of income. Many have various kinds of real estate holdings, some have invested as partners in restaurants, car dealerships, or other retail stores, some have started accounting businesses, some have gotten creative and are manufacturing their own inventions. The types of second businesses are endless. Actually, NAAFA is proud of these people who are so ingenious and we love hearing about your experiences. But here's the kicker.


AmFam seems, in some states, to be objecting to an agent having another vocation. They claim the agent can't focus enough on selling insurance, so the ASM actually threatens to terminate the contract of the agent unless he gets rid of his second business. NAAFA has heard this several times. But it is interesting that for agents in other areas of the company, no one seems to object. Yes, we can understand that the company would object more if the agent isn't doing as well, but do they really have the right to object? Do they have the right to object especially if the agent is off base pay or off the ACP Plan?

Well, I think we all know the answer to that. Of course, they aren't supposed to be able to threaten your termination if you have a second job. That *is* against the contract! You are supposed to have control of your time and activities. **Having a second vocation is perfectly legal according to your contract.** Now we are not saying that you can start getting contracts with other insurance companies....that is not legal according to your contract. (Although we do hear of some who seem to be getting by with it.)

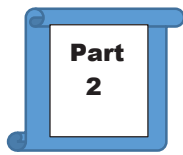
Rumor has it that the company is going to get rid of about 300 more agents within the year. Wow! That's tough. Predicting timing of a job loss is tricky. One article we saw gave a few warning signals and it does seem that a few might apply to us here at AmFam:

- Changes in the insurance industry
- Changes in the company's financial standing
- Changes in management
- Changes in the economy
- Changes in the behavior of managers and coworkers and even sometimes those who work for you
- Changes in the job responsibilities the ASM is putting on you
- Changes in your job performance feedback

We have all heard that the Company is terminating the lowest 2 or 3 in each district. Many have been around long enough to see themselves fall into that category. Or if you have been given the famous 3-month warning with a quota, you might as well know you're on their hit list. When the ASM comes to you urging you to retire, you *most certainly* know your days at AmFam are numbered. This has been happening a lot because the Company would rather see you resign than to have to terminate you. Resigning means you have left peacefully and of your own free will so of course, you can't sue them for wrongfully terminating you. There may be something said for letting them fire you. And by all means, know that it is not disgraceful to be terminated by this Company. Many agents have gone on to be very successful not only in the area of insurance selling, but in other fields, also.

NAAFA believes it is wise to have a second line of business. NAAFA has been saying this for years. If you are being threatened for having a second business, we'd like to hear about it. Know your rights. Be prepared. Increase your JOB SECURITY!! 

**Social Security retirement benefits represent at least 90% of the income for 28% of US seniors.
For 65% of US seniors, at least 50% of their income is from Social Security (source: JEC).**



JOB SECURITY

NAAFA Board Contribution

Now that we've established that it is legal, according to your contract, to have another vocation besides your insurance agency, let's talk for a bit about these working vocations. Really, there are two types of jobs: either you are an employee or you are an independent contractor. Either you work for someone else or you work for yourself. Either you pay your own withholding taxes or your employer withholds them. Some people choose to have both kinds of jobs. Why would someone do this? It's called Job Security 101. In today's world, no job is completely safe. None...zip! Get used to it. If you think you can trust your employer not to lay you off, you should think again. If you think that because you are the owner of your own business (self-employed) that your business is safe, think again. Any turn in the market could wipe you out.

Statistics tell us that 50% of businesses fail within the first 4 years of being in business.

<http://www.ask.com/business-finance/percentage-new-businesses-fail-ffee3c053d8548d1> At 6 years, less than 40% of new businesses were still open. There were two different studies done, one in 1989 and another in 2008, both showing the same results. And guess what, 95% of those entering the insurance selling business ultimately fail!

<http://www.producersweb.com/r/pwebmc/d/contentFocus/?pclD=e25a5b9c8bfd31781e35865a6521e69b>

These are difficult statistics to swallow, especially if you didn't do your homework before you went into the insurance field. Perhaps, however, you knew these rates of failure, but thought because you loved selling, you could overcome the odds and be successful. A really wise novice would go one step further and either have a second vocation before going into the insurance field or would get one started quickly thereafter. Sound far-fetched? Think again.

The NAAFA office has many opportunities to talk to lots and lots of agents who, in our estimation, are absolutely brilliant. Some of the second vocations reported to us would surprise and amaze you. Let's talk about a few we've heard about.

- 1) One of the nicest second businesses is the kind that keeps bringing in money without much work or time on your part. After an initial investment to purchase the building, the rental storage business proved to be a good source of steady income. The same could be true of rental homes/apartments. Several agents have mentioned owning rentals of some kind. Many eventually hire management companies to take care of the apartment rentals.
- 2) An agent mentioned recently that he was a part owner in a car dealership. The partner more or less runs the business.
- 3) Another said he was a partner in a fast food restaurant.
- 4) An agent recently said he owned a trucking firm.
- 5) Several agents have mentioned that they own continuing education class businesses.
- 6) Several own farms. Some rent out their land.
- 7) Another agent bought an accounting franchise and has hired accountants to run it.
- 8) An agent mentioned that he builds and sells log homes.
- 9) Another agent runs a billing service for a professional organization
- 10) An agent mentioned that his wife makes quite a lot of money selling things on Ebay. They pick up items very cheaply at garage sales, flea markets, etc. and then turn around and advertise them on Ebay, often making 100- 200% over what they paid.
- 11) Another agent produces boats that he sells on the Internet. He was responsible for the design, for finding a manufacturer to build them for him, and he has found marinas to display and sell them, too. He developed a website, takes calls, answers questions and takes orders so the boats can be shipped from the manufacturer. This agent said he will **never ever be caught with only one source of income again, ever.**

The ideas for a second vocation are endless. A lot depends on your level of ambition and creativeness. It is not good to 'put all your eggs in one basket', so to speak. NAAFA has been suggesting to agents for a long time that the spouse/partner should not work in the agency. You need the security of income from that outside job. We have also warned about taking a home equity loan out to finance your agency. Could there be a chance that you'd lose both if the agency went down? Of course. Don't risk your home.

A final warning: Don't feel you have to have every toy in the neighborhood. The trend these days for some is to leave a smaller footprint. Boats, snowmobiles, jet skis, country club membership, and expensive vacation are things that you may have to pass up if you want to someday have your home paid for, your children educated, and a healthy retirement fund. Do get into the habit of saving. Do you know how many people approach age 65 and still have several years to pay on their mortgage? In 2010, 40% of households 65 and up still were paying on their mortgages. In 1992

that number was at 18%. And listen to this: The average American family has \$16,140 in credit card debt. If you are one of those, you are in deep doo-do. Cut those credit cards up if you find you can't pay them off (And I mean every penny) each month. (<https://www.nerdwallet.com/blog/credit-card-data/average-credit-card-debt-household/>)

In Conclusion:

One of the reasons that the AmFam terminations are so rough on agents is because many of the agents still have large amounts of debt. It does appear to us that by far the majority of agents being pushed out the door today are over 50. Many are frantic because they see that they have to either start over or starve. This is not a pretty picture. Family relationships suffer under the stress of losing the family's sole source of income. Don't let it happen to you. Diversification should be an important aspect of your planning. Diversify your *sources* of income. But also diversify your investments. By diversifying what comes in as well as what goes out, you'll stand a much better chance of beating this company at their game. 🍷

MANAGEMENT INDICATORS

(Or don't try assigning me a seat!)

Anonymous



Wow, we heard a good one the other day. An ASM had to assign seats to the agents in (his/her) district to accomplish order and the attention needed to conduct a district meeting. We could hardly believe it. Reminds us of our grade school days, doesn't it? Teachers can find lots of hints at the NEA website on how to control their students. Perhaps a few ASMs should visit that site.

Although we didn't observe this ASM's manner's and approach in the meeting, it's easy to guess what was happening. The ASM was out of his league. What he had to say was of no interest to the agents. The agents had no respect for the ASM's experience or ability to teach them anything. Perhaps, out of respect, the agents should have quieted down, but the key word here is "respect." Agents have been whispering for quite a while that AmFam has been putting people in the ASM positions who have little or no experience in selling, let alone experience in 'managing' others.

However, agents should not have to be managed; that's our point. Agents will allow themselves to be motivated and encouraged, but try to 'control' or 'manage' them and you are stepping outside the realm of the definition of an independent contractor. Agents have complained for ages that having a monthly district meeting just because that's what the company recommends is redundant. A meeting should not be called unless there is new marketing or underwriting information the agents need to know. And even then, an email would be faster and more efficient.

Some ASMs argue that the meeting provides some good comradery time. Agents will argue that they meet and/or talk to the agents they can relate to anyway...and they argue that they don't need a district meeting to do that.

Most agents realize AmFam is having a hard time finding Type B persons (the personality of their choice) they can hire to be ASMs. They love the Type B personality because they can tell the Type Bs what to do, and when and how to do it. We all know Type A persons make the best agents, don't we? It's harder to tell Type As what to do, and when and how to do it.

[Type B's=moderately ambitious and moderately driven, accommodating attitude, cooperative, focuses on quality over quantity, easy going, easily convinced. Type A's=excessively ambitious, aggressive, competitive, driven, impatient, focuses on quantity over quality, has a sense of urgency.] See why Type Bs are hired as ASM.

If you are a Type B and find yourself in the position of an agent, you will probably have an uphill battle trying to turn the tide on your more placid personality. Please don't assign me a seat while I am an agent....and you just might find it difficult to assign me a seat when I'm in the nursing home because old Type A geezers can get pretty sassy. Wouldn't it be nice if we could be a Type A during our careers as an agent, but then morph into a Type B when we retired?

Now the bottom line is this: If the ASM had something interesting to say, the agents would listen. If you are an ASM and the agents aren't allowing you the attention you think you deserve, then it's time to re-evaluate your worth and effect as an ASM. Perhaps you are in the wrong field. Maybe you are a follower instead of a leader. Here's a hint, just in case you do decide to visit the NEA website: Don't try the "6 Classroom Management Tips Every Teacher Can Use" (<http://www.nea.org/tools/51721.htm>) on these agents.....**you might just get run out of the room. After all, agents are not your little students!!** 🍷

THINGS I FELT LIKE SAYING BUT DIDN'T!!

- I don't mind you talking so much, as long as you don't mind me not listening.
- What's wrong, don't you get any attention back home?
- You have an inferiority complex and it is fully justified.
- You're a habit I'd like to kick - with both feet.
- Whatever it is that is eating you, it must be suffering horribly.

STOP “Redistributing my Wealth!”

[Submitted by NAAFA member]

Redistribution of wealth has become a household word during the last administration’s term of office. Some seem to agree with it, especially if one is at the receiving end of the distribution line, but many others fear it is the beginning of the end of America’s capitalistic system. A system under which our country has thrived for many years.

What is “redistribution of wealth?” Well, it could easily be defined as the *transfer of wealth, property or income from one individual to another.*

<http://www.debate.org/redistribution/>

It can be the transfer of wealth from the rich to the poor, but some argue it can work in reverse with wealth flowing from the poor to the rich. Some also argue that it is wealth that flows from workers who have earned it to non-workers who have simply had it given to them. **And that’s where the rub is here at American Family.**

Agents, as you all know, are being driven out of the company by production requirements that are just impossible to meet. Yes, it appears that the ’93 agent contract does allow the company to put production requirements on the agent. Section 4.h, of the contract states: *You agree to meet the Company’s production, profitability and service requirements.* Of course the contract is purposely vague in that it does not define any of these terms. And you all know we have never seen parity among agents who have had production requirements forced upon them.

The scenario we have seen time and time again is that when the agent fails to meet the production requirement, he is terminated. Years and years of work at building an agency and a business he thought he owned (yes, agents are still being told they “own” their own businesses!) have been a waste because they are forced to watch all their policies being redistributed to someone else who never worked or earned a single one of them. Personally, this author believes agents who are “gifted”

policies without working for them should feel just as guilty as people should who don’t work but expect free government handouts.

What we have here is a company that obviously believes in *redistribution of wealth.* Only here the rich (at the top) get richer and the poor (at the bottom) get poorer. The “poor” are being forced to give away what they have. Sad!

But back to redistribution: Now just why this fine company we’ve all worked for at one time or another wants to destroy agency businesses seems unclear, but there does seem to be a system (so-called) in place to determine who should get transfer policies when the company decides to eliminate an agency. It appears to be part of their Evolution of Agency plan. If an agent is interested in being chosen to receive a hand-out of policies (at some poor agent’s expense) then he must go through some preparatory steps to ‘prove he qualifies.’ We’re told he needs a financial plan, documented proof of at least \$15,000 in the bank, and a good presentation before a panel of company officials. We’re told this process is jokingly termed the “Shark Tank.”

Time and time again, we’ve heard that the decision of this panel seems rigged. Sometimes there’s a bit of nepotism involved. Others have said the whole process is just a formality because the “winner” had already been chosen before the process began. One has to wonder why the company even goes through such a process because fairness has never been a concern before.

We hear complaints that ‘nothing matters except production.’ An agent’s losses can be greater than the

premium he writes, but as long as he’s writing policies, he’s their chosen child. For years, an agent’s indicators were important. Evidently, not now.

One has to ask how effective and fair the company’s system of elimination is. The company is beginning to get quite a negative reputation nationwide. Those of us who have been around for decades hate to see this happen. This used to be a company we were proud to work for. We had great rates, we handled claims well, our response time was great, we had leaders who were fair and who promoted that attitude down through the ranks. And to top all these good characteristics, we had an outstanding bunch of agents. Agents who would go the last mile to protect and service their customers and the customers knew it. They were faithful to the agent to the very end. Today, the company complains that when an agent leaves, we can expect sometimes 40 to 50% of his customers to leave, too. Again, it’s clear to see that things have changed.

Well, keep redistributing the wealth, guys, and you will see more and more deterioration of this once fine company. Don’t tell me that losing your business is good for you. Don’t tell me that your reputation will be improved when you destroy the lives of so many people. Agents you’ve terminated and/or forced to resign have gone through hell to survive. Well, the Good Book tells us not to be revengeful, so we won’t be. We must leave that action up to our Creator. What we want you to know is that we are fighters and we’re finding out that perhaps the grass is greener on the other side of the fence after all. ☺

EXACTLY WHAT IS THE FUTURE OF CAPTIVE AGENCIES?

We captives keep hearing that our futures as captive agencies are limited due to changing buying behaviors of the public. Indeed, it has frightened all of us a bit. But a recent study commissioned by Safeco Insurance shows that 31% of Generation Y consumers (born between 1980-2000 and the only *growing* generation among US adult consumers) prefer *choice* among insurance companies, they want an *expert advocate*, and they appreciate having someone *explain their options* in a way they can understand..aka.. the independent insurance agent. <http://www.insurancejournal.com/news/national/2015/11/04/387355.htm>

You might question such optimism when only 31% of the Generation Y consumers would represent a successful and future need for independent agents. Well, actually, that percentage is higher than is found among Generation X (born mid 1960's to early 1980's) which is at 24%. Seniors drop to only about 18%. So a growing segment of the population which really wants ease, choice and advice most likely means you, as an independent agent, have a bright future.

FUTURE

We agents at American Family keep hearing about "Evolution of Agency" and many of us are finally figuring it out, sort of. The company thinks they have figured out a way to "combine" our agencies in a fair and equitable way thus cutting their expenses, I suppose, and paving the way for more of their consumers to buy insurance packages directly from the company. They have proposed direct marketing will happen more and more and they are helping it along with their Evolution of Agency plan.

But how do we, the agents, feel about the company combining our agencies? We feel it is nothing more than a "hostile takeover" where we see that we are losing thousands of dollars. And now with this current research/survey proving that we are indeed going to be needed even more in the future.....well, we can't help but think that once again, the company has failed on their projections and guestimates.

When we sit here and consider all the failed projections of this company, we begin to wonder how qualified the captain of this ship is.

Here are a few examples: Financial Services, Securities Program, AIT Program, just to name a few. A wise agent needs to constantly be evaluating the circumstances with this company. Ask yourself whether you are presently one of the chosen favorites. By that, I mean are you being given lots of files? Do you think this favorability will last? Are you sure? What do you have to offer customers when they are unhappy with their rates and/or claim service? If your own service is all you can offer, then it would appear as if you are treading on very thin ice. The company seems to be doing all it can to de-escalate the importance and good image of agents. Have you noticed?

Yes, we all want to tread lightly...not rock the boat...stay just under the wire, so to speak. But I have seen many such agents totally miss the boat. When your time comes, the company will get rid of you without batting an eye. There seems to be no loyalty on their part. It appears the company has their favorites and really, they may pat you on the back today, but tomorrow they may decide to pick your pocket. Be aware and be ready!

[Co-authored by NAAFA members] ✂

"Nostalgia isn't what it used to be. Nor is there any future in it." ~Winston Churchill

Did you know.....?

Companies Must Report CEO-to-Worker Pay Ratio under New SEC Rule

The Insurance Journal reported that on Wednesday, August 5, 2015, the US Securities and Exchange Commission had approved a rule requiring companies to reveal the pay gap between the chief executive officer and their typical worker, handing a new weapon to groups protesting rising income inequality. The commission voted 3 to 2 to mandate the disclosure. The agency had delayed progress on the rule for years, with SEC Chair Mary Jo White facing attacks from unions and Democratic lawmakers in recent months for failing to get it done.

<http://www.insurancejournal.com/news/national/2015/08/05/377569.htm>

AUTO INSURANCE MARKET TO SHRINK BY 60%.....SO WHAT!!

If the trend in auto safety is fewer accidents and fatalities due to “radically safer” vehicles, you can bet your bottom dollar insurance companies are going to find another way to keep the private passenger automobile insurance industry running even more successfully. Ever heard of *Price Optimization*? Well, if you haven’t, you should have.



Price Optimization is the practice of charging premiums based on what the insurance company expects the consumer is willing to pay rather than on the traditional method of basing premiums on projected costs such as claims, overhead and profit. Talk about discrimination! Wow...just because you have been faithful to the company for many years, just because you happen to live in a big house, just because your credit score is at the top....are these reasons to charge that customer more? NOT!



Many insurance companies, indeed, are already paving the way for dealing with the projected 60% shrink in the automobile insurance industry being spewed out by research at KPMG (an international audit, advisory and tax firm). And one of the ways they are doing it is by charging much higher premiums to those they think will pay it. Other captive agent associations seem to be taking a stand against such practices, but we all know insurance companies don’t like to listen to us very much.

<http://www.insurancejournal.com/news/national/2015/10/23/385779.htm>.

By far the majority of insurance companies have survived other traumatic events throughout their history and this writer would wager a bet that they will survive this one....and probably unscathed. **If they don’t make money one way, they will another.** Remember, they have the money to lobby. Many elected officials are beholden to insurance companies. Look at the games that have been played by insurance companies regarding “Obamacare.” Insurance companies are the big winners, according to ‘The Donald.’ <http://thegrio.com/2013/11/15/insurance-companies-are-the-big-winners-in-the-obamacare-media-wars/> And here is another article about the influence of insurance company lobbyists.

http://www.realclearpolitics.com/video/2015/08/06/trump_on_obamacare_insurance_companies_are_making_a_fortune_because_they_have_control_of_politicians.html



So keep an eye on your company. A few agents have blogged that perhaps they should get out of the industry. Some have even accused their companies of lying to them about the security of their company. From our observation, the insurance company is mighty safe, but your job may not be. And it’s not because you’re doing a bad job. Many insurance companies have just figured out a cheaper way to market the products agents have been selling for them. With insensitive and so-called progressive companies, we are seeing agency positions disappearing by the scores.

But there are insurance companies who won’t go with this progressive flow. These are mutuals that actually return a portion of their profit to the policyholders. These are companies who actually still value an ethical and conscientious agent whose goal is to provide the best service and products possible to his customers. These are companies that don’t price their customers out the door, but value loyalty and longevity. These are companies that care about not only the customers they have insured, but still value agents and actually tell them so. How long has it been since you’ve been told you’re the reason American Family is even on the map? Maybe it’s time to find out what independent companies might think of you while the door is still open.

Anonymous



I like thinking big. If you’re going to be thinking anything, you might as well think big. – Donald Trump

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POWER, WHAT IS IT?

The Stages of Power

Past: Those who **had** it and let it go, are honorable

Present: Those who have it **are** usually corrupt.

Future: Those who want it, **face** corruption.

Those who never desired it are content and my friend!

THE POWER OF A GOOD LEADER



Today at American Family, whether you are an agent or an employee, you are feeling the effects of someone's power. In most cases, you are

powerless to do anything about the other person's power unless perhaps (and this is rare) you also have some power (influence) because of your outstanding production capabilities. The negative effects of the power suffered here have been devastating. What is the worst negative that can happen to a worker? To lose one's job or position. Being fired brings on all sorts of problems. The mortgage can't get paid, children's education is interrupted. You fall behind on health care bills, food, clothing, utility expenses, car payments and other credit card expenses. Plus, if the terminated agent has work related expenses such as an office building loan and/or office equipment payments, he (she) is really headed for trouble, all of which was caused by some powerful person who felt his decision to fire his workers was justified. With the strong rumor that some 300+ more agents will be terminated (or forced out) by year's end, we're left with more storms on the horizon.

To help us better understand the kind of "power" that corrupts (Yes, corruption is what we are experiencing here at AmFam!) let's look at what some of the psychologists are saying. Katherine A. DeCelles, professor of management at the University of Toronto, (<http://www.smithsonianmag.com/science-nature/why-power-corrupts-37165345/?no-ist>) points out that really, there are some good people who win elections and who run corporations. But again there are some who are 'not so good.'

Professor DeCelles asks the question, "What happens when you give good people power?" Her findings were published in the Journal of Applied Psychology. Basically, what she found was that the person with a good sense of moral identity, people who were caring, compassionate, fair, generous and perhaps humble in the first place, tended to respond to their acquired power in ways that enhanced the lives of those they achieved power over. So, in conclusion, the

professor found that **power doesn't corrupt but it heightens pre-existing ethical tendencies.** It was Abraham Lincoln who wisely said: "*Nearly all men can stand adversity, but if you want to test a man's character, give him power.*"

This should make us all the more aware that looking at someone's background is extremely important before giving that person power. Is there evidence that this person was ever *mean* or *unfair* to others? Is this person *selfish*? (How much presidential candidates give to charity is always exposed because it's a real good indication of their selfishness.) Is this person *patient*? Is he moral? Are there rumors about his lifestyle that are questionable? Does this person have a belief in God and practice his religious faith? (Whoops! Sometimes we think it's politically incorrect to ask about one's faith, but trust this writer...it is significant!) Is this person threatened by the intelligence of others? In other words, is he afraid to say, "I don't know?" Is he sensitive to the other person's needs and feelings?

Is he too boastful? Is he humble? Remember, modesty is NOT a sign of weakness. A humble person is one who recognizes his own strengths and weaknesses. The humble person doesn't think less of himself...he thinks just of others more. This frees him up to take more risks because he's not afraid of failure or 'looking bad in the eyes of others.' Humble people tend to think about their own values when they make a choice.

So, in conclusion, do we have an arrogant, self-centered CEO in the board room, or do we have a person with a softer strength who has the ability to really shine in a professional setting because he praises where praise is due and recognizes that "we" accomplished this....not "I" accomplished this. Reward should go to all equally, not just the top CEO and his board. These characteristics can apply not only to the workplace or corporate board room, but also to family relationships, sports teams, or any other corporate or political alliances.

[Member contribution] ✍

"I didn't say it was your fault. I said I was blaming you."

~Winston Churchill

INDEPENDENT SUCCESS! I DID IT ON MY OWN, WITH MY FATHER'S BLESSING



In early 2000, I was getting ready to graduate from college. I was busy contemplating careers and seriously considering what I wanted to do, possibly, for the rest of my adult life. My father, at the time, had a small successful captive insurance agency with American Family and was interested in hiring a producer(s) to grow his current book of business. I saw my father's joy first hand as I was growing up of how happy he was as he built relationships through insurance business. He was able to help his clients protect their families from financial loss through his guidance and sound advice. There was satisfaction on both sides. I appreciated and admired this relationship. That was when I decided to get licensed in insurance and take the opportunity to work in my father's agency.

When I started with my dad, we had a profitable book of about \$1.5 million in premium. I worked with my father for about 10+ years. Upon my father's retirement after being with American Family for nearly 30 years, we had a total book of business of about \$3M, mostly in personal lines.

At the beginning of my career with my father, I was able to write a substantial amount of business as American Family's rates were very competitive compared to other insurance carriers in my area. In about 2007 or 2008 American Family introduced pricing based on credit and that's when premiums started to substantially increase. I remember in some instances that many of our insureds' premiums actually doubled. As you can probably guess, our loyal customers began to question why.

It became more and more difficult to compete with other carriers as time went on. I saw relationships that we had built over the years with our clients begin to fade because they were unwilling to pay the exorbitant increases. My dad was looking to retire and I was dealing with a very tough decision. Do I stay and try and take over an existing captive book or do I look at becoming an independent agent where I knew I could provide choices for my customers. That was my dilemma.

I had many conversations with current American Family agents at that time to get their view on what was happening with their agencies. I learned that very seldom does a child inherit an agency from his American Family agent parent. I also spoke with many independent agents who were writing substantially more business and getting much higher compensations and contingencies.

It soon became obvious that if I were to succeed in this field in which I had chosen to have a career that I needed to make a change.

I chose to start a scratch independent agency, but I decided to refrain from going with an established broker group. Instead, I sought my own contracts. I wanted to be in control of my destiny, so to speak. In just five years I have grown my book to over \$2.5 M. I have been fortunate enough to grow with carefully chosen carriers which I feel is the key when looking at establishing an independent agency. Having the flexibility of not being with just one carrier and being able to choose companies that best fit my agency profile along with being able to choose companies which have a positive reputation have meant everything.

I chose to start a scratch independent agency, but I decided to refrain from going with an established broker group. Instead, I sought my own contracts. I wanted to be in control of my destiny, so to speak.

When clients are shopping for insurance, they always look at the bottom line...the dollar, but I was taught by my dad to sell insurance to individual needs as every prospect has different coverage needs, separate from the next. I became an insurance agent because I love taking the time to listen to my clients and helping them choose the proper coverages to prevent a financial hardship. I believe I have become quite proficient in this area, and my clients respect that expertise. I perform annual reviews in my agency with all my clients no

When clients are shopping for insurance, they always look at the bottom line...the dollar, but I was taught by my dad to sell insurance to individual needs as every prospect has different coverage needs, separate from the next.

matter how big or small the account may be. It allows me to review and assess their risks on an annual basis. Many times clients tell me they have not had such reviews in previous years. I point out that households are ever changing and contact them simply just to say “Hi” shows I care. This is huge in retaining clients as a lot of new prospects shop their insurance when agencies have that disconnect. Clients can easily feel the agent doesn’t care or is too busy to follow up. I vow not to let that happen to my clients!

My father had a great career with American Family. I learned a lot from him and was honored to have worked in his agency for so many years. Recognizing that the company would not allow me to assume his files when he left, I now feel I made the right choice. With such a competitive industry which is changing all the time, I felt flexibility was instrumental if I was going to grow an agency. I have become acquainted with many independent

agencies and their principal agents range from \$1M to \$200 M in premium. I feel the Independent model gives a person numerous options to grow faster because of higher compensations & profitable growth contingencies.

I have been able to receive bonuses near or over the six figure mark for the last two years. This is way beyond my expectations so I feel fortunate. I have chosen to do this with very little overhead. I recognized early on that less overhead meant more money in my pocket. After all, that’s why I work. I have one service person in my office and I do the rest. Yes, as I grow, I will adapt to the needs of my agency, but making wise decisions at the appropriate time, I believe, will get me there sooner. I thank my father for the fine example he has been to me. My success has come because he instilled in me the importance of being an ethical agent and what it means to be caring and concerned for my clients. He taught me the importance of building honest relationships. He always said the other stuff is just icing on the cake for my hard work and attention to detail that each and every client deserves. And I believe him!

Anonymously submitted 

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If you want to be kept up to date on what is happening at NAAFA, you’ll have to visit our new ‘MEMBER-ONLY’ column on the www.NAAFA.com website.

This column replaces the Email Blasts we used to send out to our members. Because time is of the essence, we found that communicating with our members through the website was much quicker. You must have a password to enter this column on the member-side. Visit it often and then call if you have questions. [800-567-9665]

THE SUCCESSFUL SMALL TOWN AGENT

By Tom Wallace



I was a small town agent for American Family for about 20 years. For about the first 10 or 12 years I was one of my state's top producers. But then things started going downhill. The company had consistently put one type of a quota or another on us agents, but when they also began raising their rates, I found my income beginning to dwindle. How was I to survive?

My office is in an Indiana rural farming community called Corydon. Our town boasts of a population of about 3000 people. We all know one another or at least have heard of each other.

News spreads pretty fast here and my high rates more or less closed my door to many of my present customers and certainly to new customers. It was very hard to see my business going backward, believe me, but I was backed into a corner because I had only one company I could sell for.

After praying for several years that the captive insurance world would change for the better, I finally decided it was time for a change. The idea of starting over at my age was frightening. I researched about a half dozen ways I could stay in the insurance business that I love. I decided to join ASNOA. After 3 or 4 months, I didn't know if I had made a good decision by leaving my captive carrier. However, at the 6 month mark it really started to click, with the support of ASNOA.

The variety of companies that ASNOA provides allows me the ability to quote and write just about any type of business that walks in the door. With the great resources provided through ASNOA, I have greater flexibility to work as an agent and meet my customer's insurance needs.

My monthly production has drastically jumped and as my 5 year anniversary approaches, it remains consistently high. With ASNOA's low threshold for profit

bonuses, I will have earned over \$20,000 in bonuses by the end of 2015.

I have often wondered if I lived in a larger city, would I be able to sell more. I really doubt it. There are about 40,000 people in my county....about the same as in a good sized town...and I reach out to all these people. I personally have found that products are basically the same from company to company, but it's the price that enables me to sell. Oh there might be a few policy characteristics that make a particular policy sparkle, but if basic coverages are there, the customer will actually be looking for price savings and good service. I can give them all that now that I sell for many companies.

With the outstanding help of ASNOA, I have already met my five year goal of *exceeding* my highest annual income as a 20 year captive agent; and my new independent agency has already topped the \$1,000,000 in premium volume mark, over \$100,000 more than when I left my captive carrier. I feel I am a better agent today because my independent affiliation with ASNOA allows me to focus on my clients' needs rather than on meeting the unrealistic goals of my captive district manager. 🐷

***I learned long ago, never to wrestle with a pig.
You get dirty, and besides, the pig likes it." ~George Bernard Shaw***

MY SUCCESS WAS A BUSINESS DECISION

By Stephen Gebhardt



To the untrained eye, I suppose one would wonder why a successful 3-year American Family agent with \$3.5M in premium would ever consider leaving the company. An astute business person is one who has a discerning eye for making wise business decisions. Sometimes these are difficult decisions to make, but in my case, I knew I had to make a change.

After being Arizona State's Line Leader in both home and auto for several years, I had a rude awakening when Amfam switched platforms and began credit scoring all clients, existing and new. The change was needed as Amfam was really the last major carrier to make the change. The reports were being generated, some with client increases and some with client decreases. But in many cases, rates were set to double! **This is the day I realized that I was in trouble because I had failed to diversify my book of business.** It was a choice I could not have made as long as I was a captive agent.

After reviewing my options, it was clear; if I was going to be able to both *maintain* my book and *grow* at the rate I wanted to grow by, I would have to become an independent agent where there were options and choices. However, the issues I had seen with other independent (non-captive) agents in my area were that they were way behind the times when it came to automation and policy management. These are things I took for granted as Amfam provided them to me. I knew I would have to have a top notch management system in place in

order for my growth trend to continue. I also knew I would need recognized carriers to align with my agency's goals for growth.

I started my agency with ASNOA in 2008 and was able to replace the income generated at AMFAM in *less than 24 months*. IN JUST 7 YEARS, and starting

THIS IS THE DAY I REALIZED THAT I WAS IN TROUBLE BECAUSE I HAD FAILED TO DIVERSIFY MY BOOK OF BUSINESS. IT WAS A CHOICE I COULD NOT HAVE MADE AS LONG AS I WAS A CAPTIVE AGENT

ASNOA (Agent Support Network of America) had spoken to me regarding joining their network to go independent. I reviewed and compared their advantages vs other groups' advantages and **the choice was clear.** With ASNOA I received Epic, Applied Systems' flagship management system. This is a management system used by the biggest insurance agencies in the world. ASNOA also handles all the "tech" on the management system allowing me time to focus on selling insurance and not trying to become a computer programmer. I also have direct appointments to over 40 insurance carriers. As a result, I have been able to grow my business to levels that I had previously only dreamed of.

over from scratch, I am now over \$10 Million in premium. This is premium that I *own* and that *holds true value*. This year alone I am anticipating a bonus from one carrier for over \$50,000. Again, *that is from one carrier* and I have over 40! My office staff has also grown from just me to a staff of 13 today. As far as growth and success, I can't say the same for the Amfam agents in my community. Since leaving Amfam, I have seen several agencies in my small town dwindle away and several others struggle to make a living. I am thankful for what my agency has become and I'm proud of my staff. I recognize that much of our success can be attributed to the wise decision I made to join ASNOA.



If you have questions, please contact Stephen V. Gebhardt at his Office: 520-836-3244
Email: Steve@gebins.com or write him at 719 E. Cottonwood Lane, Ste 1, Casa Grande, AZ 85122

**"WHENEVER YOU SEE A SUCCESSFUL BUSINESS,
SOMEONE ONCE MADE A COURAGEOUS DECISION."**

~ Peter F. Drucker



Who's Policing the Mutuals?

Writer to remain anonymous

Most of the NAAFA Report readers probably know the definition of a mutual insurance company, but for the sake of a few who might not, we'll begin this article by giving it to you. A mutual insurance company, according to Wikipedia, "is *an insurance company owned entirely by its policyholders. Any profits earned by a mutual insurance company are rebated to policyholders in the form of dividend distributions or reduced future premiums.*"

Now as most of you know, Wikipedia cannot always be trusted. So let's take another look at that definition. To *own*, in actuality, means the policyholders have relinquished control to a CEO and board of directors. The word "own" might be a misnomer in this case. Policyholders are actually *the funders* of the business supposedly established for their own benefit, but often, it seems, the policyholders are the losers. More about this in a minute.

Let's take the next part of the definition: 'Any profits earned are rebated to the policyholders.' Not sure how this works. Evidently, the board of directors has the right to decide on the use of profit or surplus and it doesn't necessarily have to come back to the policyholders in the form of lower premiums or premium refunds. If the board wants to add profits to the surplus, it can.

So we can probably conclude here that in a mutual insurance company, policyholders probably don't own anything more than the policy they bought and they won't receive any annual refund of profit if the board, ie CEO, decides to sink it into surplus.

Now yes, it could be argued that profits should always go into policyholder surplus in order to fairly pay claims, (is this the fund they use to pay claims from??) but when we often hear that justified claims are not paid, one has to wonder who is actually getting the surplus.

This writer spent quite a bit of time talking with different insurance commissioner offices in an attempt to determine whether they might be the entity who polices mutual insurance companies to determine whether they returned profit to their policyholders. We pretty much hit a brick wall. All we were told, in most cases, was that the insurance commissioner's job was to check to see that the mutual insurance company appeared solvent. And evidently, that decision was based on figures submitted to them by that particular company. There didn't appear to be any type of an audit by the insurance departments.

The University of Wisconsin Center for Cooperatives states, "Policy holders have the right to vote for the board of directors. State laws vary on voting rights and rights to vote on fundamental transactions (merger, dissolution, etc.). In most states, policy holders have rights to distribution of the assets on dissolution. In Minnesota and Wisconsin, these rights are limited, with some assets considered to be in the public interest. The board of directors has the right to decide on use of profit/surplus. The board may add to the surplus or distribute the surplus to members in the form of policy dividends (also called capital distributions). Policyholders can benefit from their economic participation in the firm in other ways, including premium reductions and premium credits."

<http://reic.uwcc.wisc.edu/mutualinsurance/>

Assuredly, we recognize there are certain insurance regulations the companies are supposed to abide by, but do they? Who makes sure? At issue is always whether the policyholder is being treated fairly or not. But who is really monitoring what goes on inside the company? There are scandalous reports about Liberty Mutual's CEO Edmund F. "Ted" Kelly who received about \$200 M during the past four years. (Boston Globe, 4/20/2012) More here, too: <https://www.bostonglobe.com/metro/2012/04/24/brian-mcgrory-there-more-lots-more-liberty-mutual-compensation-story/hbzbaX4WfcZG6BypJf8uRK/story.html>

Many have written about how some insurance companies have chosen to make more money simply by paying out less in claims. Has anyone who has been around for 15 or 20+ years seen a difference in how AmFam pays claims today? Has anyone who has been around a while seen premiums go up? Has anyone who has been around a while seen the company cut back on expenses by terminating agents and/or employees?

If you are truthful, you'd have to say yes to all three questions. So here we have the company increasing their bottom line by: **Not paying out on claims, by increasing their savings by terminating agents and company workers, by lowering agents' commissions, and by increasing company income by raising premiums.** No wonder the company has seen a "profit!" But let's follow the money stream out for a minute. Executive compensation has gone up while nothing has gone back to the policyholders. Is this really the way a mutual insurance company should be run? With no one policing and no one questioning, such behavior will just continue. Perhaps it's time policyholders started complaining to their state insurance commissioners. Yes, policyholders should be able to benefit somehow if they are part owners in a mutual insurance company. If enough consumers complain, we're told, it would definitely motivate the insurance commissioners to investigate. We'll let the readers take it from there.



5 Systems You Can Put On Autopilot to Maximize Your Profits

By Bill Gough

Most agents make the mistake of only concentrating on new business. This is only one piece of the marketing puzzle. The problem is compounded due to the fact that this is the most expensive part of doing business due to all the media clutter by the mega-sized advertising budgets of others in our industry. Of course there is the noise of all of the other advertisers outside our industry... our clients and prospects are seeing thousands of messages daily.

Imagine what it would feel like if you had a FULLY maximized and automated business system that...

... is so predictable that you knew there was no prospect left behind, every client transaction maximized, every client turned into a raving fan to skyrocket your referrals and testimonials to help attract more new clients. What will your life look like when you accomplish this? I can tell you, it's a freedom only achieved in the entrepreneurial world you and I live and play in every day.

#1 Lead Magnet: There are many ways to do this. Two of them used in combination are an attractive offer with promise of free gift. We need a direct response piece, usually a mail piece or ad with all of the best techniques to boost the response. A powerful headline is needed that stops our prospect for just a second so they can pay attention to our offer followed by a clear message how and when to respond.

#2 Sales Conversion Process: The very best marketing and advertising in the world for new business is useless unless you have a system for **converting these prospects into new clients**. This starts with having the RIGHT PEOPLE in the RIGHT SEATS. One of the big steps is personality profiling, and I recommend Ideal Traits, Self-Management, and Omnia. These companies will tell you exactly how your employee will perform, and best ways to manage them.

Next, your sales superstars must be equipped with an easy to follow SCRIPTED fact-finder and relationship building tool ... internally called a "quote sheet".

Finally, you are responsible for these stars' performance, so now you practice and role-play with them daily. This can be accomplished in about 15 minutes. That means EVERY DAY. Early on it should be two-a-day.

#3 Launch Your Clients to Next Level: There is an old saying, "A buyer is a buyer is a buyer." Buyers enjoy the process of buying. I am a buyer, most likely you are as well. We understand that when value exceeds price, we buy. There is a sense of satisfaction and happiness and even euphoria at the end of a successful sales transaction. That is the absolute BEST time to introduce your Life Specialist and/or get referrals. Done correctly, up to 35% will take you up on it immediately. Sure you've cross-sold the home and auto, and if you listen to my May Platinum Power Call with Allstate Hall of Fame Member Barry Hasson and learn his "backdoor selling" for the umbrella policy, you've added umbrella, too.

What I'm specifically talking about here is introducing your Life Specialist as your "partner" and new clients are "expected" to meet with him. When we add the life insurance product into the home, it drives retention through the roof. Even when most say no to the meet, it sets the tone that we have this service in-house with more to come later in the welcome kits (#4 below).

#4 Retention: As soon as we acquire a new client, the nurturing, as well as building trust and loyalty, begin. This is best done using different media to "welcome" each new client. We've done it for 9 years now with welcome phone calls, new client welcome kits delivered by multiple direct mailers and multiple emails via the BGI AEMS (Auto Email Marketing System).

You cannot over communicate unless you are boring or a sales pest. Pesky or boring behavior is mostly only talking about insurance. For example, if every time you email or mail your clients you're talking about policy reviews for missing discounts, meet my EFS partner, or you're missing a big discount because you do not have your auto with me, **you become predictable, boring, too sales-ey, and therefore ignored**. You know that look you get from people you first meet and they ask what you do for a living and your reply is something like, "I'm an Insurance Agent." This is because most of those agents that came before you and me only knew to talk about was the thing they did, i.e. Insurance ... that equals boring.

I suggest the following for ongoing marketing communication for your existing clients:

- a. Monthly printed client newsletter (no wimping here wanting to do email only...bad idea...you can do both, but not just email),
- b. ART voice broadcast calls thanking for business, a quick tip, nothing insurance unless we're doing a campaign, then it's a curiosity device,
- c. Bi-Weekly emails via BGI AEMS to your clients completely written with new content created every month for you,
- d. Special Emails via BGI AEMS, we have 17 templates built for your use on everything from happy birthday, moved your office, introduce staff or EFS.

#5 Referrals: This can be the lifeblood of any small business, especially in the Insurance industry. Establishing a referral culture in the agency is essential to maximizing profit. I created this 10 years ago and centered it all around a REAL Referral Reward Program. This is not the same thing as a \$10 gift card with quote ... NO WAY JOSÉ... far, far from it.

Scripting is critical to both your sales superstars and your customer service reps, and the timing is essential on when to best ask. Two of the best times are right after the new business sale and happy customer service. We use 8 effective strategies to maximize referrals. You can have all of this fully explained by getting a Free DVD on the homepage at www.BGISystems.com.

How many of these Profit Maximizers are you currently using in a *strong* way in your shop? Would you like more information or to schedule a strategy session with one of our senior advisers? Visit www.BGISystems.com

NEW GUIDELINES FOR SECA KIT AVAILABILITY

The SECA Kit has been updated as of August 2015. The success of this kit has been invaluable. You should contact the NAAFA office to check on your ability to qualify for the updated kit.

As most of you know, the SECA Kit is just one of the benefits of being a NAAFA member. Any members who leave American Family (and qualify for Termination Benefits) should have the Kit *before* filing their taxes the first time. Understanding how and why you file as you do could save you thousands of dollars in penalties and fines by the IRS.

At issue with NAAFA has been the fact that some agents wait until after they retire to join NAAFA and ask for the Kit. NAAFA feels that members deserve the benefits of the Kit only if they have supported NAAFA for a number of years. We want to encourage agents to support NAAFA during their active years with the company. We need your support. It costs NAAFA hundreds of dollars and hours of time to produce and update the kit. It is only fair that NAAFA be reimbursed for this expense.

As a result, NAAFA is now asking for a donation of \$400 for the 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 the donation of \$400. Or the new member who pays dues either *monthly* or *semi-annually* would have to wait until the beginning of the second year to become eligible to receive the Kit after donating \$400.

As before, you must have a personal Email to receive the SECA Kit. NAAFA asks that you **honor confidentiality** regarding the Kit. **Do not share it with non-members.** As a member, you deserve *all* the benefits of being a member and the Kit is just one of them. **JOIN NAAFA TODAY! BE PREPARED!!**



SECA Kit

If we don't do something to simplify the tax system, we're going to end up with a national police force of internal revenue agents.~ Leon Panetta

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THE NAAFA MAIL BOX

The NAAFA Mail Box is your voice. Our readers who contribute can rest assured that we will keep the sender's name anonymous. It is a benefit to you that you are able to express your opinions because how else can you safely make your voices heard? We encourage others to write to us. Our NAAFA office must know the identity of the letter writer before we publish, but as you very well know, we protect your identity. To each one who has contributed, we thank you.

Letter #1 MY OPINION ON HOW TO KNOW WHAT OUR INSURANCE CUSTOMERS WANT

Dear NAAFA,

I recently read an article entitled "How to Know What Insurance Customers Want" and I was quite impressed. Maybe you'd like to read it so here is the link. <http://www.carriermanagement.com/features/2015/09/01/144757.htm>
This article seems to be contrary to what we hear from AmFam who says that it's *all about social media interaction instead of personal relationships*. Sometimes I think we at American Family are our own worst enemy because of some of our cumbersome uses of technology. We need to make it easy for customers to do business with us. But what has AmFam done....made it easier to go direct to Amfam without the agent so they can avoid paying a commission. The problem is, I think, that they run off more business than they get. I wouldn't be surprised if the two sad cases at the start of this article were our own. We need simplified processes and it is just not in the AmFam DNA.

Just my opinion, thanks.

Note from Editor: Members can access the article "How to Know What Insurance Customers Want" by signing in on the Member Side of www.NAAFA.com and looking under Agent/Company Issues.

Letter #2 EVEN THOUGH CLASSIC RENEWALS ARE FROZEN AT 13%, WE'RE STILL GETTING RENEWAL CUTS

NAAFA,

It was nice to hear that AmFam froze the homeowner renewal cuts at 13%.....or was it? The new Advance homeowner sale gives us 15% new business but only 10% renewal. My opinion is that even though AF froze classic renewals at 13%, if we can't any longer sell the classic, eventually all renewals will be 10%. We're still getting commission cuts, aren't we??

Things aren't always what they appear.

Letter #3 "BEST \$400 I EVER SPENT"

Dear NAAFA Friends,

Let me tell you, membership in NAAFA is definitely worth every penny. I retired about 5 years ago and received a inquiry from the IRS for my tax year 2012 but after using NAAFA's SECA Kit, I didn't have to pay social security (SECA Tax) on my Termination Benefits for that year. I thought that would be the end of the IRS inquiries, but no, I received another inquiry for 2013 where I responded exactly as I had the year before, but this time, the IRS rejected my plea and suggested I petition the court for a hearing date or just pay the tax. When I contacted NAAFA again, I was told that their SECA Kit had been updated and that I should get it and show it to my accountant, which I did. This time our answer to the IRS was a little different, but evidently it satisfied them as I quickly got a letter from them saying that once again, I owed nothing. NAAFA, the \$400 I spent on the SECA Kit is the best \$400 I have ever spent. It saved me thousands of dollars. My advice to all agents is...Join NAAFA and keep up your membership.

A Happy Retired Agent

Editor's note: Most people don't even know what SECA stands for, let alone understand why they need the kit. The Self Employed Contributions Act (SECA) is the self-employed version of FICA which is the tax employees must pay. This money goes to fund social security, old age survivors and disability insurance, and Medicare programs. The self-employed pay 15.3% while employees pay only half (7.65%) as their employer pays the other half.

Letter #4 "THANKS FOR BEING THERE FOR US"

Hello NAAFA,

I want to thank you for being there for all American Family Agents and apologize for not supporting NAAFA longer. I have been an agent for nearly 30 years and during much of that time management made it clear that agents who supported you were all malcontents and if anyone from our district did we would be blackballed. Over time I began to "quit drinking the Kool Aid" and came to understand I could trust you more than management. The company I worked for was no longer a company I trusted or respected.

I am blessed that I have been with the company long enough to reap the benefits of my work. With the new "Agent Segmentation Program" it is clear that unless I hire additional staff (which makes no financial sense for me) I will be shown the door. I have made the personal decision it is in my best interest to retire. This has actually been a huge relief as I can no longer in good conscience continue to defend corporate decisions to my clients. How can I continue to see jobs lost, rates increase, commissions cut, and claims practice/service/payments poorly effect my clients while our leadership is accepting 30% plus increases in salaries that are already at an embarrassing level? Our leadership has gotten jets, luxury boxes, golf tournaments, plays guitar with musicians, and spends time rubbing elbows with celebrities all while we are canceling 40 year clients with 2 claims.

Sorry for the rant. Further proof it is time for me to go. The purpose of my letter is that I will be giving my one year notice of retirement and I am wondering if there are other suggestions/concerns I should be preparing for. I will need to prepare accounting-wise and not sure when to request SECA assistance.

Once again thank you for what you do. I worry about the future of my fellow agents that I will be leaving behind.

Sincerely,

Dear NAAFA,

I keep thinking there must be a more opportune time for American Family to terminate agents. According to EoA, agents are terminated only for production. But what is the real reason behind the terminations? My opinion is that it is to eliminate expense for the company. Outside of taking commissions and renewals for policies sold, the other big expense of the field force is the Termination Benefit expense. I have seen several agents get fired just before they qualify for Termination Benefits. What a savings that is for the company. Not only does the company get to keep the renewal commission for the first year after the agent is terminated, but then the commission is reduced for 10 years. On top of that, the company never pays the terminated agent any Term Benefits. Profit, profit, profit. Also, I've heard that agents are being terminated just before they qualify for lifetime benefits at age 60. This is another great savings for AmFam....probably a lot greater than terminating at year twelve. I think we need to expose this practice more in an effort to slow corporate down. Agents are on to it and it's not right. Let's open Corporate's eyes.



EVOLUTION of AGENCY

(Whoops, or is it Elimination of Agency?)

Author's Name withheld by request

So... have you drunk Jack Salzewedel's Kool Aid about "agents are still a valuable, useful, integral part of American Family?" If so, then Bill O'Reilly would call you a "pinhead,"



OPEN YOUR EYES, AGENTS. This letter is not for the large policy agents, nor for agents in larger towns, although they all need to be reminded. This letter is for agents that have either smaller agencies with under 2,500 policies, or especially for agents in towns under 2,500 in population. Please note:

EVEN IF YOU ARE AFLIC AND ALL AMERICAN, YOUR DAYS ARE NUMBERED.

Over a year ago, the theory of the "Evolution of Agency" was introduced to the agency force. It was presented to us as a teleconference with a slide show, narrated by upper management, with carefully chosen dialogue as the slide show was running. As I recall, there were about 70 slides, and it lasted about an hour. My district Manager had required us to watch it, as we would discuss it at the next district meeting. So I approached the session with an open mind, fully aware that I must "read between the lines", which has become customary with AMFAM presentations.

I listened to the information, and the further it went, I started to become comfortable with the presentation.....FOOL!! Somewhere toward the middle of the presentation, they presented 1 or 2 slides about "small town agents, and small agencies". They came right out and said that AMFAM doesn't want agencies in towns under 2,500 population, and they don't want agencies with policy counts less than 2,500 policies. Both of these describe my agency. I am now very mad that AMFAM doesn't want what it has taken me a career to build.

Within a week, we had our district meeting. Our District Manager left the room, as our Agency Council rep gave us a brief overview of the plan for those that didn't bother to watch the session. It took about 10 minutes. Then he asked if there were any questions. I raised my hand and asked "Did I hear it correctly that small agencies will be gone?" The rep answered "Yes, when you retire, then your agency will either be dissolved, or it will become a satellite office for another agent. The Company will not put a new agent in there".

I gave that some thought, and decided that it would be ok, as I was planning on retiring in 3 or 4 years anyway, and what would I care about what American Family did with my agency that I took my entire career to build??? Wrong. I felt betrayed by the very company that I had been loyal to for all these years. I was hurt beyond words. Since then, I have had heavy pressure put on me to retire right now, not when I wanted to. They want my agency....NOW.... So much for sailing off into the sunset drinking Pina Colada's.



Five years ago, I'm told that American Family had about 4,500 agents nationwide. Today there are about half that many, and rumor has it that 1,800 is Madison's goal. For every agent terminated, the company's profit goes up. The 1st year after the termination, the company pays the new agent *no* renewal commission....profit for Madison....Reduced commissions are paid forever thereafter....profit for Madison.

Yes, American Family wants and needs agents. But only large agents will survive under their Evolution of Agency. There will be no need for District Managers either. Madison doesn't care how many small agent's careers they destroy. Maybe Jack, and the boys in Madison will give themselves another raise. But for me, and hundreds of other small agents like me in small towns the

Evolution of Agency has actually become the Elimination of Agency. 

ANOTHER VIEW OF “EVOLUTION OF AGENCY”

We would like to address this article to agents who have been around for 15+ years. It seems AmFam has been trying for several years to change their “brand.” In their attempt to improve their own brand, somehow, it seems, they have found it necessary to discredit the agents’ brand. When agents appeared to drag their feet, the company came up with a program to force them to change. The program is called “Evolution of Agency.” The expectation presented by the company was that with this program your agency would ‘morph’ into the most spectacular distribution medium in the market place. This ‘morph’ was to put AmFam on the map, they thought.

Evolution of Agency has been around a couple of years. There may be some controversy about what the Evolution of Agency was supposed to accomplish. Some probably drank the Kool-Aid and believed it would help them succeed. Others (most) were skeptical as with many new programs promoted by the Company. What aspects of the program have you instituted into your agency operation? Have you seen improvement in how you sell, how you reach clients, how they reach you? Has the Evolution of Agency enabled you to increase your sales production? How does your agency differ from a captive agency over at Farmers, State Farm, or Allstate?

From our perspective, the AmFam agency is operating pretty much as it always has. Oh yes, the company software programs have changed and some of the other mechanics have ‘evolved,’ but the bottom line is, to sell a policy the agent has to know the product, present the product, show a need for the product and then close the salethe very same procedure the agent has used for years and years.

One has to ask what new business management tools AmFam has provided you with that have made the sale flow more smoothly. The fact is, new systems (Advance, etc.) have actually slowed the sales process down. Learning a new tool takes a lot of study and time, especially when it wasn’t created to be user-friendly in the first place. Couple this with the fact that rates are not competitive....well, evolving actually seems to be slowing down to a crawl.

Another thing we’ve heard is that the company is either closing agencies in smaller towns or is making those agencies into satellite offices. Many agents have had small town agencies for years. They are well known and respected in their communities, but now that it has become known that American Family is closing these agencies, the true brand of this company is becoming obvious. They no longer want to insure people in the lessor populated areas, quite contrary to the principles upon which this company was founded.

We have heard also that agents are sometimes told that they must hire someone to work in their agencies to increase and expand their sales. We’ve also heard that in parts of the country AmFam is offering no-

interest loans to finance these additional workers. We’ve also heard that agents are being encouraged to find sponsors or business/partner investors who are willing to lend the agent money for these agency expansions.

Many agents say their overhead costs are running about 50% and that’s usually *before* they decide to hire extra agents to sell for them. Suddenly that cost of labor percentage goes higher and higher till the agent/owner finds he is not making enough to actually pay the overhead bill plus his own taxes and living expenses.

Yes, the secret is to sell more to make more. But when you have only one product to sell and that product is overpriced, you are really backed into a corner. It becomes extremely difficult for your agency to evolve into anything more profitable. And then it suddenly dawns on you that you’ve been investing in a business that you don’t really own and one this captive company can easily jerk right out from under you. The picture going around in your head is not pretty. Was the goal of the Evolution of Agency actually to get rid of the agents the company no longer wants? And was it also to make sure the policies of terminated agents were transferred to the “chosen” ones enabling just those few to ‘evolve’ into the monster agencies the Company pictured? Somehow, that picture keeps going around and around in my head.

Indeed, the agency has evolved. So has the Company. And from our viewpoint, the evolution is not good. You’re no longer independent. You really don’t own your own business. You’re being pressured to make changes that are actually detrimental to you and your family. You ask, “Just *who* is profiting from this Evolution of Agency?” As you ponder the situation, you come to a conclusion. It’s not necessary to state what that conclusion is because most agents already know. After all, you didn’t believe in evolution in the first place, did you??!!

[Co-authored by NAAFA members]



MISCLASSIFIED AS INDEPENDENT CONTRACTORS

We hear more and more often about various independent contractor groups who are found by the courts to actually be employees. As most of you know, that is the basis of the ERISA case filed on 2/28/2013 in the US District Court, Northern District of Ohio, Eastern Division, on behalf of the American Family agents. On January 27, 2014 it was announced that The San Diego Union Tribune was ordered by a state court judge in California to pay some \$11M in damages to 1200 paper carriers who had been misclassified as independent contractors. You may read about it at the following link:

<http://www.mondaq.com/unitedstates/x/288384/Outsourcing/11+Million+Verdict+Against+Latest+Newspaper+Found+to+Have+Misclassified+Paper+Carriers+as+Independent+Contractors>

Another large suit settlement of the same nature was announced on June 16, 2015 against FedEx on behalf of their independent contractor drivers. The settlement just for the 2300 California drivers was settled for \$228M. Similar cases by FedEx drivers are being filed in other states. You may read about this case at this link:

<http://www.forbes.com/sites/robertwood/2015/06/16/fedex-settles-driver-mislabeling-case-for-228-million/>

You can see that perhaps at long last, independent contractors are beginning to have their voices heard. Up until now, the independent contractor was like a “man without a country.” There were simply no laws on the books to protect him as there were for employees. There was no enforcing body to pursue the inequities against the so-called business owner who believed he truly owned his own businesses, but actually was an employee because of company control. Somehow, the IC was talked into investing his time and money into the businesses he’d started, only to have it rudely jerked away from him, leaving him and his family vulnerable to great loss, stress, debt and anguish.

Note: you may read the Motion for Class Certification document filed on 10/07/2015 on behalf of agents in the Jammal vs American Family class action case by going to this link:

http://naafa-com.securec59.ezhostingserver.com/NaafaMiscFiles/NAAFADirect/Doc%20119_MotionforClassCertification_10-7-15.pdf



SEATTLE EMPLOYEES ASK FOR REDUCED HOURS....WANT TO KNOW WHY?

By jacking up minimum wages, Seattle has provided a valuable lesson in liberal economics. The plan has now backfired. *

Nora Gibson, who is the executive director of Full Life Care, a non-profit that serves elderly people in various homes and nursing facilities, told KIRO 7 she saw a sudden reaction from workers when Seattle’s phased minimum-wage ordinance took effect in April, bringing minimum wages to \$11 an hour. She said, anecdotally, some people feared they would lose their subsidized housing so they have asked that their work hours be reduced to remain eligible for all government subsidies.

It doesn’t stop at \$11/hour. The law puts it up to \$15 starting January 1, 2017 when they will have to reduce their work hours even more to remain eligible for handouts. Good thing the minimum wage wasn’t raised even higher as most would not work at all. They prefer to be spoon fed and remain on the government plantation. Remember free market capitalism? Under that system, the harder and smarter you worked, the higher your standard of living. But that was found to result in *income inequality*, so now we have a system where wealth is bestowed by bureaucrats, and working harder doesn’t always make sense!!

<http://www.tomtayloronline.org/seattle-employees-ask-for-reduced-hours-so-that-jacked-up-minimum-wage-wont-cost-them-subsidized-housing/>



WHY ISN'T AGE DISCRIMINATION *REAL* FOR INDEPENDENT CONTRACTORS?

Many AmFam agents have expressed to us that they feel age discrimination is alive and well when it comes to the current flush of agent terminations/forced retirements. Although the June 2015 article we are going to refer to here is discussing age discrimination for *employees*, we think you might find it interesting just the same. After all, with the current class action case against American Family waiting a certification decision, who knows but what someday agents will be deemed employees. If so, the agents' claims of age discrimination just might become valid.

The Nickels v. Staples case is about Bob Nickels who was hired by Corporate Express as a manager at age 55 and for several years always received good performance ratings. Then Staples bought the company and Nickels found that he became the butt of "old coot" and "old goat" jokes. His manager asked him to resign but he refused. The harassment levels increased and finally he was suspended for allegedly stealing a 68-cent bell pepper. A receptionist testified that management ordered her to make a false statement about the incident, but she refused. To make a long story short, the jury found in favor of Nickels and ordered Staples to pay a total of \$26.1 million in compensatory and punitive damages.

The message came through loud and clear from this jury. Age discrimination /name calling will not be tolerated and the award, if pursued successfully in court, most certainly will sting. The Equal Employment Opportunity Commission (EEOC) recognizes that age discrimination is a growing problem as the 55+ workforce grew by 40% since 2001.

http://www.bankrate.com/financing/retirement/old-coots-need-not-apply/?ec_id=cmct_01_comm_PF_mainlink

The biggest problem for independent contractors has been that they have no current laws or legal body to protect them such as the EEOC and most corporate legal departments know and depend on this! As we've said before, an independent contractor is in a land with very little protection. The fact that the public doesn't realize this is probably one of the biggest deterrents in getting the independent contractor protection problem solved. **No segment of the American population should have to suffer because there are no laws that apply to protect them. People need to approach and inform their legislators in order to motivate them to pass laws for protection. After all, isn't that the American way?** 🐦



WHAT 25 YEARS IN INSURANCE HAS TAUGHT ME!!

Christopher J. Boggs is VP of Education for *Insurance Journal's Academy of Insurance*. On his 25th anniversary, he made a list of the things he had learned about people during his 25-year career. We thought you might need a laugh or two to brighten your day, so we are going to give you just a few of his brilliant deductions!!

- Crazy people don't know they are crazy. Stupid people don't know they are stupid. And crazy stupid people are really messed up (they are usually the "know-it-all" in the office).
- Only good lawyers realize they don't know everything about the law – and nothing about insurance.
- There is ALWAYS more than one possible answer to a coverage question. One is just more correct than the others based on the particular situation.
- Only "newbies" know everything about insurance.
- If it's not in the manual, it ain't gonna get written.
- Insurance is a business, not a charity.
- The last truly great generation of insurance professionals has retired or will soon.
- You can never spend too much time with a client.
- Claims and underwriting need to spend more time together.
- Agents and underwriters don't use the same dictionary.
- Either you are ethical or you aren't. No class will turn an unethical person around.

Read the rest of what Boggs learned here: <http://www.insurancejournal.com/blogs/academy-journal/2015/09/04/380157.htm>





NAAFA, INC. MEMBERSHIP APPLICATION

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MAKING BUYING AND SELLING HEALTH INSURANCE EASY

BY Jim Ericson, GBL, Inc.

The Affordable Care Act (ACA) remains controversial and has impacted the health insurance market in countless ways. One such way, and one almost everyone agrees on is this: the ACA has made the life of health insurance agents more complicated than ever before.

Since I started in the industry, the ACA has made it exponentially harder for agents to become experts on the PC side, along with life and health," explained former AmFam agent Mark Hill of Windmill Insurance in Missouri. "Without the help of GBL, it would be nearly impossible for me to stay on top of all of the ACA health changes. GBL provides endless resources which make remaining a PC, life, and health expert possible."

The healthcare reform law is over 2,000 pages long, but federal guidelines required to regulate the law bring the total number of pages to over 50,000 and growing. In addition, each state may have a different approach to the Marketplace - the online shopping experience where Americans must shop in order to claim premium tax subsidies.

With all of these challenges, a growing number of agents is taking advantage of an innovative program that enables them to take care of their clients' needs and earn more commissions, all while focusing on their primary lines. The program, referred to as "Level 2," is offered by Group Benefits, Ltd. (GBL) in Urbandale and Cedar Rapids, Iowa, and is making a huge difference to agents throughout the Midwest.

"More and more agents were telling us that they did not want to write health insurance," explained GBL President and CEO Brian Hewitt. "However, they still wanted to ensure their clients had access

to expert support and that their clients did not end up working with their competition. That is how Level 2 was born."

Through the Level 2 program, GBL-affiliated agents can refer their health insurance leads to GBL's in-house team of experts, who will then contact the clients, shop the market, and secure the health insurance coverage. In exchange for the lead, the referring agent receives 50% of the commission—not just for the first year, but for as long as the coverage is on the books. In fact, if in later years the GBL staff shops the coverage and moves it, the original referring agent continues to get paid.

"Moving to Level 2 has been a life saver for us," explained agent Joe Weinman of Weinman Insurance in Indianola. "We are actually making more money on health insurance today than we were when we tried to do it ourselves. Plus we take great satisfaction in knowing our clients are protected from the competition and are getting the expert service they deserve."

Contact: Jim Ericson is a Group Employee Benefit Specialist For GBL, Inc. and can be reached at 515-251-1591 or jericson@grpbenltd.com.



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.



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