

The

NAAFA

REPORT

Spring

2012



*Pearls are the beautiful finished
product of a severe battle
against **irritation.***

Are you making pearls?

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NAAFA, Inc.
The National
Association of
American Family Agents



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PLANTED IN GOOD SOIL,
SUPPORTED WITH DEEP ROOTS AND
Really GROWING?”**



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Roger Collins, Principal - Homer Glen, IL
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The New NAAFA Report

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**If you resist reading what you disagree with,
how will you ever acquire deeper insights into what you believe?
The things most worth reading are precisely those that challenge our convictions.
~Author Unknown**



ARE YOU MAKING PEARLS?

A pearl is a beautiful thing. Someone once said that pearls were the ‘tears of the gods.’ Another described pearls as ‘dewdrops filled with moonlight that fell into the ocean and were swallowed by oysters.’ (<http://www.thepearlmarket.co.uk/pearl-formation.htm>) The smoothness and beauty of a well-formed pearl, *the finished product of a severe battle against irritation*, is a delight to behold! We would liken such beauty, if you will, to a rehabilitated terminated American Family agent.

Cultured pearls are produced by inserting an irritant such as a piece of shell, bone, coral or parasite inside the shell thus causing the production of *narcre*, better known as ‘mother-of-pearl.’ Right now, many AmFam agents are feeling the *irritant* from the pressures of the company. ASM’s (formerly called district managers) are *inserting* quotas that are nearly impossible to meet into the survival requirements of the 3-month and 6-month warning letters which are being given out right now. How is one to survive such irritation? Probably only by the grace of God.

These specifically chosen agents probably don’t realize it right now, but they could consider themselves as being transformed by the process of producing a beautiful costly pearl. Many agents who have gone through this metamorphosis have exclaimed that “it was the best thing that ever happened to me.” Others say their termination was a “godsend.” Still others remark that “perhaps it should have happened a long time ago.” In other words, the formation from the irritation turned out to be the most beautiful pearl, one extremely valued not only by themselves, but by the rest of society as well. These agents have become great producers, outstanding members of their community, better spouses and fathers, and have finally achieved contentment in their lives, next to none.

But reaching the state of a beautiful pearl is not going to be easy. It means getting mad, getting frustrated, struggling, fearing; it means overcoming all these anxieties and focusing on the ‘job of making pearls.’ Yes, “your own struggles can produce a treasure,” as Kendra Graham pointed out in a recent article she wrote in Decision 5/2012. And agents must not let anyone steal their battle... **that battle is the treasure.** It’s what you win at the end of the battle that is precious. The greater your irritation the more coats of narcre must be wrapped around the point of pain. Yes, you can do it. You can survive. You might have thought you have no more to give to this insurance business, but that’s not true and you must believe it.

NAAFA knows of many senior-aged agents who have either chosen or been forced to ‘start over.’ People are finding themselves working well into their seventies. Sometimes it is because of financial necessity, but for others it is by choice that they keep working well past the age of 65. People are finding that they enjoy helping others, they enjoy the communication with others in the field, and they enjoy keeping their minds active and focused. It is no secret that many of America’s most successful business people are still active and producing into their 70’s and even 80’s. In fact, a recent survey done by Wells Fargo found that 72% of Americans plan to work through retirement and 47% say they will do “similar work” to their pre-retired years! https://www.wellsfargo.com/press/2011/20111116_80IsTheNew65

The battle is yours. Don’t let these terminations destroy your string of pearls. Choose which way you are going to fight the battle. You have not reached the end of your trophy winning days. Begin each day with a new attitude, a new irritant to put mother-of-pearl around. Each of you has the ability to succeed....after all, you’ve come this far and your faith will not let you down. ☺

AMFAM EMPLOYEES---WE NEED TO HEAR FROM YOU, TOO.

NAAFA’s had it reported to them that many American Family employees regularly visit www.NAAFA.com. In fact, it was recently reported that someone printed the Officers’ Salaries off our website and posted it on a bulletin board in the Home Office. Reportedly, it was not discovered and removed for a day or two, but the chatter about officer salary increases continues. NAAFA encourages employees to contact us. (800-567-9668 or NAAFWest@comcast.net) Send us your thoughts and questions. Where else can your voices be heard? We promise to keep your identity confidential and your letters anonymous.



A QUESTION & COMMENTS FROM NAAFA'S PRESIDENT

DO YOU FEAR CHANGE?

One needs to really take the time to ponder the answer.....

DO YOU FEAR CHANGE?

Ponder deep down inside the fabric of your heart. Does it really matter who one works for? Does it really matter who did what to whom? Does it really matter where one started? What transcends the path one is walking depends measurably on one's ability to handle change. The change in families, change in professions, change in life-styles, change in commitment, change in relationships, change in belief systems, change within oneself.....CHANGE....it is all around usSo:

DO YOU FEAR CHANGE?

"One" may be dragged around by it, feet stomping, hands clenched, mouth erupting but the verdict is in and change will happen regardless.....WHAT A SHAME!

"One" may embrace it, thoughts of a new direction, a new opportunity, a needed reason to let go, a reason to grow, a long awaited freedom.....WHAT A RELIEF!

WHICH "ONE" ARE YOU?

I want to tell you that through the years, I, too, have felt the intimidation and threats from American Family. All these years I have had a little poem sitting on my desk. When things were bleak, I would sometimes pick it up and read it. It reminded me not to quit. I would like to share it with you.

DON'T QUIT!

Author Unknown

When things go wrong as they sometimes will,
When the road you are trudging seems all uphill;
When the funds are low, and the debts are high,
And you want to smile, but you have to sigh;
When care is pressing you down a bit -
Rest if you must, but don't quit.

Life is queer with its twists and turns,
As every one of us sometimes learns;
And many a fellow turns about
When he might have won, had he stuck it out;
Don't give up though the pace seems slow;
You may well succeed with another blow.

Often the goal is nearer than
It seems to a faint and faltering man;
Often the struggler has given up
When he might have captured the Victor's cup!
And he learned too late, when the night came down,
How close he was to the golden crown.

Success is failure turned inside out,
The silver tint of the clouds of doubt.
And you never can tell how close you are
It may be near, when it seems afar.
So stick to the fight when you are hardest hit,
It is when things seem worst you must not quit. ☺

NAAFA is proud to present to our readers, both in the NAAFA Report and at www.NAAFA.com, a new featured column by former American Family agent and top producer, Bob Korvas. Bob says he will be giving you hints for success whether you are captive or independent. What is the secret to his own success? How did he weather the storms of irritation? You won't want to miss his ideas to make you successful.

CONTROL YOUR DESTINY

By Bob Korvas

[NAAFA article #2 May 2012]

You are a commodity and every day is Ground Hog Day.

My first article gave you a brief introduction from my perspective and a bit of information about me. This month, just like every month since the beginning, NAAFA is going to discuss a lot of things relating to salaries, management, and management's treatment of their American Family Agents. It is wrong that mediocre people become upper management. But that is the culture in a lot of companies. It won't change because it doesn't have to. This is their little fiefdom. And yes, it is theirs. **YOU HAVE NOTHING TO DO WITH IT!** I have no doubt that almost every AmFam agent in and out of the NAAFA organization will think that it's unjust. And once again 99% of you will complain and say something like: "You ought to do 'x' (or) someone should do 'x.'" I will be surprised if even one person that reads this will do anything. The people that will do something are already doing it, but you don't know it because they're smarter, keeping a low profile, and understanding what needs to be done.

First and foremost, I've had the opinion beginning about 1989 that American Family's management is made up exclusively of mediocre producers, non-sales based and like-minded in-breeds. Otherwise, how can you explain why the management at American Family is out of touch, archaic in their management style and decisions? An article you need

to read for yourself is, "8 Core Beliefs of Extraordinary Bosses." It's on line in INC written by Geoffrey James, April 23, 2012. If you have a 'Linked In' account then you can see it there, too. Tell me if you don't think that it's right on the money. See which paragraph from all 8 items perfectly describes American Family's approach.

But, you have some blame in all this, too. Unless you're willing to look in the mirror and honestly evaluate yourself, where you are and where you expect to go, don't read any of what follows. Can you admit if you're complacent, afraid or ready to move on? Are you the 99% or 1%? Are you ready to accept responsibility now and tomorrow? Are you in control of your destiny or a rudderless ship in the ocean? For you in NAAFA's board rooms, you can't be your 'brother's keeper'. You may need to move on soon. Be prepared now.

My title says it all. Whether you are an employee or you're an agent treated like employees, as are captive direct agents, the result is the same. Day in and day out, it doesn't matter what AmFam writes in the latest contract or tells the IRS. **You agents are employees.** If you didn't believe it, **why would you spend your commission money running the agency you will never own?** Management needs you to think you aren't an employee. Management likes you believing you have control; ownership and you're independent. It's to their benefit. Once you accept this you're on the hook.

There are doers and doubters. Doers start sentences with "What can I do, How can I help, or Let's do this!" **Then join in and do what has to be done.** I'm sure all the agents from around the country on the NAAFA board recognize and agree with this observation. You're trying to be a doer. Don't blame NAAFA for not doing anything. I cringed and detested each time I heard something like: "You or someone ought to do xxxxx."

Every time I heard one of those typical "someone-else-do-it-for-me types," I would get closer and closer to leaving American Family. Until one day after nine years of trying to help others, I decided to leave. Sooner or later you'll understand that you can't do for others who won't do for themselves. Nor should you. Why do you think someone came up with: "You can lead a horse to water but you can't make him drink?!!" My advice to the NAAFA doers, prepare to leave today. When you do this as I did, you will automatically put yourself into a powerful position. You will be able to leave on your terms, your timetable or at worst, be able to quickly pick yourself up off the ground when the rug gets pulled out from under you.

From where 'we the 1%' (independent brokers) are, captive companies are pretty much vanilla and one in the same. **YOU, yes I do mean all of you...** are merely a 'commodity,' an interchangeable part of American Family, as are all direct writer captives. The Geico, Progressive, State Farm, Farmers, Allstate and AmFam-er's all

approach insurance as a commodity. Like buying a gallon of milk. Is there anything special about what is inside the policy contracts? (*Do you ever read them? I do, you should*) That's why all of 'you' compete on price alone. You are all basically the same. Of course, most captive directs like this type of system. Taking orders is always easier. What chance do you have to stand out? What can make you different? So why wouldn't you be cast away by AmFam at their whim? You're not special. They can give your accounts to another person next in line for less commission. Like it or not, in the system you are in, you're an employee, a caretaker or an assembly line worker selling one company every minute of every day. This is a harsh statement. But where am I wrong? What makes you worth keeping there?

I'm not saying you're not sincere in your desire to do the best, sell the most, and service

your clients. What I'm saying is that if you are the 'best' and you want all of these things, you can't do it until you become independent of American Family or step up and challenge management to become different from the other captive directs.

You see, on the independent side the insurance companies need us. We don't necessarily need them. Once we get clients, we do own our business. We never have to let them go elsewhere due to price; changes in their insurance needs, or due to cancellations. If you have a loyal group of clients at AmFam, and you want to be respected, own your business, and be able to deliver the best policies, you have to leave your side of the business. I'm here and able to help you prepare for now or tomorrow.

'Hope and Change' a familiar campaign slogan that didn't work for Americans, did it? Why will it work with American Family? Whether you get every AmFam agent to stand up at once and join

NAAFA, or help others prepare to be doers and leave, you will send a message. Doing neither and you're doomed to be in fear, despair and denial at American Family, just waiting and hoping you won't be terminated next. I think I'm right and so do you. Need proof? The articles in this issue and what they are about are the same as in the past. Look at past issues. The only difference is the names and the amounts paid. I remember the same subjects in the 80's, 90's before I left.

In closing, I'm happy to help you **stay** or **leave**. You can contact me at my office and all contact with me will be confidential. But, I have no patience for complainers that won't become doers. Lou DeLegge used to tell me this all the time, so I guess I've become a lot like Lou. ☺

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NAAFA.COM SURVEY RESULTS

NAAFA conducted an informal survey on our website earlier this year and we would like to highlight a few statistics here in this article. But if you would like to see complete results of the survey, we invite you to visit our website www.NAAFA.com

- **Of those taking the survey, 76% were American Family agents. And 72% of those AmFam agents have been with American Family for over 15 years.**
- **When asked if their commissions were less in 2011 than in 2010, 62% answered YES. 24% answered NO, and 14% gave no answer.**
- **46% of the responders said rates were the biggest factor affecting lower commissions. But others explained that they felt corporate greed and credit based scoring had negative effects, also.**
- **Do you feel your job is secure? 36% answered YES and 36% answered NO. 28% were afraid to answer. Check on line for their reasons.**
- **Only 9% of the responders had gotten 3 or 6 month warning letters at the time of the survey. This could have changed by now.**
- **22% of the responders say they intend to go independent.**
- **The biggest fear or concern seems to be "getting fired." (22%) Don't miss reading what others say are their biggest fears or concerns at our www.naafa.com website.**
- **And finally, "Knowing what you know about working for American Family, would you go to work for them again?" 24% said YES, and a whopping 76% said NO.**

NAAFA wishes to thank all of you who took the time to take our survey. ☺

Break the Shackles...



*Get
EXCITED
About
Insurance
Again!*

***Remember Why You
Became an Insurance Agent!***

***To Build and Run Your Own Independent Business
With Freedom, Autonomy and Without Limits
Yet With Support and Experienced Guidance***

AT PREMIER GROUP INSURANCE

More Than 100 PGI Partners Have it All!

- Strong National and Regional Property & Casualty Carriers
- Direct Carrier Access by You for Your Business Plan and Client Needs
- Business Ownership with Lucrative Bonus and Perpetuation Options
- Increased Close Ratios AND Higher Commissions with No Life Quotas
- Business Tools You Need - E&O, Comparative Rater, AMS, Web-SEO Options
- Unparalleled Support with Innovative Programs Dedicated to Your Success!

If you're feeling captive explore your options at
www.ThinkPremierFirst.com or
Contact Premier's President, Rex Hickling, CPCU, AIM directly at:
(303)818-6218 or via email at RexH@ThinkPremierFirst.com





Evaluating Independent Agency Options For Your P&C Business

By Rex Hickling, CPCU, AIM

So, you've decided to explore going independent.

Undoubtedly, there's no shortage of options these days. New groups, aggregators and clusters are sprouting up like weeds in a spring garden. However, it is a process that must be navigated very carefully and includes many considerations. After all, this will be one of the most important decisions of your professional life and one that will indeed carry over into your personal life. Hopefully, this article will serve as an informational roadmap as to what to look for as well as what to avoid as you research and weigh your options. Becoming independent is not for everyone, but if it is a path you are leaning toward, having additional information will assist you in making the right decisions and make your journey that much better. Remember President Reagan's signature phrase, "Trust but Verify".

Many agency owners begin their search wanting to know about commission splits, ownership, and all the financial aspects. The monetary piece is, of course, a fundamental and critical core consideration, which we will get to, but there are other important considerations as well.

Group stability

As noted, there are many options today for an agency owner desiring to become independent. Your evaluation in this area is critical. Like any business, there is a range of success in how a group does over time. There is overhead in running a group. Some groups manage their finances and are able to execute better than others. Some invest substantially back into the business of the group for the benefit of group members, while others do not. Some have gone through bankruptcy during these economically challenging times, while others have thrived. You want to get a handle on both the tangible and the intangible, which is why it is crucial that you assess the stability, character and integrity of the group(s) you are considering, as well as the gut-level impression that results from your research. Questions to ask include:

- How long has the group been in business? Look for a group that has been in the business of being a group for several years. There's an art and a science to running a group. Gaining an understanding of what the group's stakeholders needs are and how to best meet those needs is best learned by hands-on experience. A group should have enough years of experience to give you the confidence that the bugs have been worked out and that the foundation of their offering is solid. The best groups are never satisfied and constantly innovate to benefit their member agents.
- What is their reputation? Ask around. Not just of the agents they want you to talk to – ask other agents in and out of the group. There is often a close network of independent agents in most local markets. Try to tap into that network beyond trading the occasional referral.
- Can you access the group's agents on their website to randomly contact? Also inquire with carrier representatives. While "on the record" reps may be impartial, but "off the record" they may give you some

pretty telling insights. A group should be able to provide you with contact information for several carrier reps. Ask about things like support, training, whether or not commissions are paid on time, and about other special commission deals, etc. You may not get full details about commission arrangements, but you should be able to get a feeling whether extra compensation is shared or not. This information will say something about the transparency of the group as well.

- Does the group have experience in running an agency? This is very important. The more experience a group has in running an agency the better. Again, experience provides insight. The best groups have learned from years of hands-on experience and have built successful agencies of their own. In other words, they have walked the walk. Check their BBB rating.
- What is the experience level of the group's leadership? Successful groups meet not only the needs of their affiliated agency partners, but are in alignment with their carriers. Groups that have both agency and carrier backgrounds in their leadership ranks can offer unique insights and common solutions that can often result in a win-win for agents and carriers alike – an incredibly powerful and winning combination. Also, are you able to talk at length with the leaders in the group or is the person you are working with more focused on merely recruiting you?

During your exploratory phase, listen to your gut as well as your intellect. Avoid high pressure recruiters. Invite your spouse or a friend to meet the person you are working with. Since you should be evaluating the group as much or more than they are evaluating you, having a second opinion can be very beneficial. Inquire with the group about their requirements for affiliation. How do they screen agency applicants? A group taking all-comers may not be as agency-centric as they claim. Since no two agents are exactly alike, their needs and business models will differ. As such, it becomes tricky for a single group to be all things to all people. Therefore, is the group you are considering flexible enough in both offering and scale to accommodate your needs and will they allow some degree of customization to fit any particular needs? After all, most successful businesses have migrated to models of specialization these days. This may take the form of flexibility in various contractual options and/or terms. Avoid the "one size fits all" approach as it doesn't usually hold true...

Carrier Access

Carrier access is a primary reason for joining a group, aggregator or cluster. On your own, production requirements for carriers can be onerous, especially as you transition to a world of independence. The last thing you need is production pressure as you strive for autonomy and mastery in your new venture which, of course, takes time. Providing carrier access is an area where a group should demonstrate a full range of

carriers that meet your needs and the P&C needs of your prospective clients. Questions to ask include:

- What does direct access for personal lines mean? It should mean that you are able to have your own sub-code, your own login ID and be able to quote and issue policies whenever you like. If you must use the group's master code on a permanent basis, or submit personal lines applications through the group's central or online facility, you will find this problematic as consumers now demand real-time service and solutions. Anything but direct access will slow things down and put you at a disadvantage.
- What about production requirements for personal lines? Some groups may claim there are no production requirements. But think about it - why would a carrier invest resources and take on costs only to have you never submit any business? It doesn't work that way. While production requirements should be substantially reduced as part of a group, you will need to have "flow" and eventually have production coming in, especially for preferred carriers. The best groups are up front about what production you need and when. For some carriers, you may need to demonstrate flow before you obtain your own sub-code, which is perfectly normal. This gives you time to ramp up your business plan while allowing you to place business directly on a real-time basis.
- Which carriers should I consider? A well-run group will have insights into your market, supported by information from carriers, marketing reps, as well as their own data. By sharing your business plan with the group, the group representative should be able to help you discern close ratios and provide a carrier's competitive strengths for your type of clientele, product line, and zip code. Among other things, you should also consider the carrier's stability, compensation, ease of doing business, product reach, features and benefits and, of course, claim service.
- What about Commercial and Surplus Lines? Commercial is a huge ocean. Its breadth and depth in the independent world is much more vast than in the captive world. As such, you need to have varying levels of knowledge for commercial access. Access to Commercial Auto and BOPS, should be readily available if you can provide flow. Further access can be available for Workers Comp, Business Package Policies, larger accounts and more specialty and complex accounts, based on your level of commercial knowledge. Groups having expertise in this area should be able to show you a clear path to obtain that knowledge so you are able to acquire direct access over time, or have access to an alternate internal placement facility. Such an internal placement facility can do much of the work for you, often at a different commission level. This includes quoting, based on information provided by you, underwriting and the handling of underwriter questions, etc. This works fine for the occasional submission, but is not without its challenges, primarily because you are introducing an intermediary between you and the carrier. If you have the knowledge base and flow of business, the best groups can obtain direct access to larger commercial accounts and surplus lines for you. Ask and press the issue if you expect commercial to be a larger focus for you and your business plan over time.

- Will I have to do financial services? The answer should be an emphatic "NO". Many agents looking to go independent are looking for true independence, which means you focusing on your own business plan – which if you elect, does not have to include life, mutual funds, etc. The majority of P&C carriers do not require life or any other financial service production.

Support

Support can come in many forms in a group. Strong groups will provide you what you need to get up and running fast and provide ongoing support to enable you to go deeper into carrier programs to maximize your business. This is especially important given the "partnership" feel you will have with many of your independent carriers. That feeling is one of mutual understanding and support and is not adversarial in any way. Inquire about the following:

- What do you need to get up and going fast? Not unlike the many of the same things you did as a captive, there are some basic steps you will have to go through, such as establishing proper bank accounts, developing a business plan, have an understanding that you will be subject to background checks, your office space plans, the appointment process with each carrier, access to run MVRs, CLUE reports and insurance score reports, etc. It sounds like a lot, but a good group can make this a smooth, painless process and be instrumental in making your transition much easier.
- What is available from a group for the "must haves"? Your wish list should include things like Errors and Omissions coverage, a comparative rater, and an agency management system. Some groups provide attractive, discounted packaged programs on such items. Other groups may provide them, but with less of a discount. But be sure you ask to see the savings. If the savings aren't there, ask why. A reputable group should be able to show you the "street cost" and the advantage of the savings enjoyed by the group that is passed on to you.
- Inquire how training works. Will you be left on your own after a kick-start, or will you receive the necessary training to get you up and running with your initial carriers; from systems, to products, to underwriting, to marketing programs, document retention, etc.? Training will also be needed for the comparative rater and agency management system. Again, the strongest groups thrive in the support they offer to you, providing an "ease" factor that is crucial during the transition period.
- Once you are up and running, what support is available on an ongoing basis? Groups who excel in support can provide insight into best practices, producer contracts – as you expand and hire producers – compliance issues, human resources and other operational matters. The best groups will generally provide free expert consultation during the initial startup phase, the "up and running" stage, through expansion and again as you consider perpetuation options in the coming years. They are a partner whom you can rely on and trust – your "trusted advisor," if you will.
- What about marketing support from the group? As mentioned, groups who are agent-centric and who truly know your market will have insights into close ratios and

other important pricing trends for your locale. This is especially important as you consider which carriers to be appointed with and which of them will align best with your business plan. Many groups provide co-op marketing support in some form. Some provide advertising, sales and lead generation co-op programs that can help generate leads right away. Some are experts in digital marketing and search engine optimization (SEO) as well as web-design and even offer discounts on web products. Some offer marketing in the form of branding, especially if you co-brand with the group name and your individual name. Co branding can be a huge plus. Be careful though to not give up your individuality with a group. If a group is named after the owner and you must use that name, perhaps that says something about a more inward vs. outward focus; you will make that determination.

The All Important Money Piece

I believe it was Samuel Clemens (Mark Twain) who said “Figures don’t lie, but liars figure.” Consider this. The impact of commission differentials is significant over the life of your contract with a group. You will likely make a higher commission percentage in the independent world. Having more carriers should result in both a higher close ratio on new business sales and a higher retention on in-force business. Reasons for this are obvious as you and your customers will have more choices. The aforementioned scenario should result in greater gross and net revenue for you and more revenue per customer, resulting in a more efficient operation and greater return. However, that is not always the case.

Before getting too excited about your financial future, compare and contrast your present revenue inflow and drivers. Then forecast your likely case, best case, and worst case revenue (commission) flows in consideration of those drivers, which will likely include expected quotes, close ratios, your planned marketing budget and other large expenses, such as rent, payroll, etc. A good group can be a huge asset to you with this, providing easy to use financial modeling that allows YOU to do the input in scenarios of your choosing – past, present, and future.

What are the base commissions for the carriers – new and renewal – and what is the commission split between the agent and the group? Be sure to find out exactly how and when commissions are paid – and check with other agents on this.

What commission overrides are provided to the group and how are they shared or earned? At times, some groups are provided extra compensation due to strong performance. Find out how that extra compensation is shared. You may want to ask to see a carrier contract or two pertaining to the extra compensation. Inquire also about contests. Do you split that compensation with the group, too?

Same with bonuses, also known as profit sharing. Find out the details of how bonuses are earned and shared. How does the group you are considering provide you with equity in the book of business you have produced? What does equity mean and over what time period? All this should be spelled out in your contract. The strongest groups provide a guaranteed purchase option of your book of business at some point in the contract.

What about ownership? One of the most important questions you need to ask is, “Who owns your book of

business?” Most agents want the control and freedom that ownership provides. Ultimately, ownership means having options to maximize your sale when you decide to sell or pass the business on to your heirs. Look for contracts that provide this maximization either through a purchase guarantee or a first right of refusal to purchase. One must ask why, after fifteen years, would you not deserve to have full ownership of your book? Read the fine print. Do the math yourself. Generally, a little more money up front is well worth spending to assure full ownership and/ or a guaranteed sell option. Beware of clauses that have you paying an exit fee. Also, proceed with caution if your only option for financial gain is to sell back to the group. Additionally, you may want to avoid long-term contracts that provide the group with a still sizeable 20%+ equity position even after 10-15 years. It may not seem like a lot today, but it can cost you hundreds of thousands of dollars down the road.

As you learn about all the revenue components, plot them into a spreadsheet and compare for both total annual compensation as well as total agency valuation year by year. You might be surprised in what you see. Generally, the differences are significant – often hundreds of thousands of dollars or more, depending on the size of your book of business and term of contract. As previously noted, monetary considerations are not the end-all components, but are certainly near and dear to any agency owner’s heart and wallet! You will decide how important.

What About Me, the Agency Owner?

Ultimately, making the decision to go independent is squarely on your shoulders. It should be a decision that you will feel nervous about, but eventually you will settle into over time. After all, you are going from a place of mastery – even if you don’t like your present situation – to a place of having to learn anew again. It is change and it’s not a walk in the park. Know this though; it is not that hard if you are with the right group. Your learning curve will be exponentially faster this time around. Most agents who have made the change look back and ask why they didn’t go independent sooner. Your analysis of which group to join should only be exceeded by an analysis of your present situation. Take pen to paper and conduct a SWOT (strength, weaknesses, opportunities, threats) analysis of yourself and your present situation. Objectively, have you given it your all? What have you learned and what will you change this time around? Is your carrier giving you the stability, support, compensation, and overall value and respect that you need and deserve? Do you feel a long-term partnership with them makes sense? Can you see the carrier’s vision and feel like they have your best interest at heart? All tough questions. The best drivers in life check both the rear view mirror as well as the road ahead. Best wishes to you in your journey! ☺

Rex Hickling is President of Premier Group Insurance, based in Denver, Colorado. Premier owns and operates five agencies and has more than 100 P&C agency affiliates across the United States. To contact the author, call (303)818-6218 or e-mail: rexh@thinkpremierfirst.com.

Information about becoming a PGI Agency Affiliate is available at: <http://www.ThinkPremierFirst.com>.



**AMERICAN FAMILY CORPORATE OFFICERS
HAVE DONE IT AGAIN!**

Below you will find a comparison (2010 vs 2011) of the salaries of the top ten highest paid officers in the company. With the exception of Dave Anderson who left in the 11th month of 2011, all the others found themselves with rather hefty increases.

In a time when we're told the company is trying to cut expenses, one would think a cut in corporate salaries would be in order. It appears, however, that overall salary expenses went up some 14% in 2011 for top management. Salaries provided were for those officers and employees receiving over \$250,000 in compensation. [Our figures are taken from the document American Family filed with the Wisconsin Insurance Commissioner's office.]

NAME	2010 salary + bonus	2011 salary + bonus	% of change
Dave Anderson	\$5,505,595.63	\$5,210,937.92	-5.65%
Jack Salzwedel	2,430,052.26	3,190,154.58	+31.3%
Brad Gleason	1,120,196.45	2,537,331.91	+126.5%
Dan Schultz	1,314,571.08	1,813,783.69	+38%
Jerry Rekowski	1,072,230.40	1,178,395.57	+9.9%
Peter Gunder	961,332.35	1,170,299.56	+21.7%
Mark Afable	989,646.17	1,146,995.13	+15.9%
Al Meyer	1,036,151.90	1,099,559.32	+6%
Mary Schmoeger	938,107.01	1,071,640.61	+14.2%
Joseph Zwettler	645,708.86	973,101.98	+50.7%

Regarding the American Family Board of Directors, it appears the board has grown from 11 to 15. Again, this seems like an extravagance in a time when the company claims to be trying to cut expenses. Board salaries went from a total in 2010 of \$770,000 to \$1,058,911 in 2011.

Please visit www.NAAFA.com (Home Page under Agent/Company Issues) to see the CORPORATE SALARIES list of who made over \$250,000 in 2011 and also to see the individual salaries for board members.

A WORD ABOUT OUR ADVERTISERS

NAAFA appreciates its advertisers. The businesses who have purchased ads from us are selling something that we feel might be of interest to our readers. As you know, our readers are made up of not only American Family agents, but former AmFam agents who are now independent. We also know that many company employees read the NAAFA Report and visit www.NAAFA.com. At this point, it is evident that most of our ads are by companies in the independent world, but NAAFA would welcome advertisers from the captive world, too. Perhaps someday even American Family or Farmers, or State Farm will decide to advertise in the NAAFA Report. Yes, we'd welcome both captive and independent resources for our readers.

NAAFA does not allow unethical, negative advertising. We ask that ads not be misleading. We often encourage our advertisers to write articles which are helpful to our readers. Topics have included marketing tips and other business tips which many agents have indicated they appreciate.

For information about advertising either in The NAAFA Report or on our website (www.NAAFA.com) contact NAAFA at 800-567-9668 or email at NAAFAwest@comcast.net.

Sometimes NAAFA receives anonymous letters such as the following document which we have decided to publish exactly as we received it. This contributor evidently is someone who spent some time with American Family although we don't know whether this person was an agent, employee, or management. The opinions put forth here are not necessarily a reflection of the NAAFA Board, but we do appreciate all input from our readers.

Corporate Ladder

I have repeatedly said "in breeding" only leads to more inbreeding and a diminished gene pool! This is exactly what has occurred within American Family management! On the surface the formula is simple. You take a successful agent out of the field and promote them to a district manger. Later you take the successful district manager and make them a state director, then a regional V.P and eventually the cream rises to the top and the person becomes the president or C.E.O. In the 50's, 60's, 70's and even into the early 80's, this is the way American Family defined itself. If you adhered to the principles and morals set forth by the founding fathers not only would you succeed, but you would flourish and your corporate future was unlimited. Of course this is an over simplification, but in principle, this is the way it worked. So what happened, why did things change? I personally blame it on two factors, greed and inbreeding!

Starting in the 80's American Family broke into "tribes". Agents continued to be successful. Aspiring agents became district mangers and those managers began jostling for position. One of the most powerful "tribes" was known as the Rockford connection. These were agents, managers and state directors that had similar connections to having agencies, districts or within the regional territory of Rockford Illinois. They formed an unwritten "pact" of watching out for one another and helping each other up the corporate ladder. Unlike the previous theory of the cream rising to the top, it became who you knew and where your localities lied that determined your upwards mobility within the company. Within the Rockford connection there came an individual who did not fit the normal mold of being successful. In fact it was a succession of embarrassing circumstances that enacted the "peter principle of management" to begin. I have another saying that usually holds true and that is "never give stupid people power!" I am not saying this individual was stupid .On the contrary, he realized he had not earned the position he found himself in, but his position had given him power... lots and lots of power. He rapidly hand picked his cronies promising each with power and position. His power turned into ultimate control and greed. He eliminated anyone who could have challenged him, especially anyone without similar "tribe" connections, but he was never fearful of eliminating even those who had been loyal who could have become threats to his power and control, by eliminating them too.

While many successful agents still fill the agents' ranks within American Family, they are not the ones you see being promoted! The people who you see being promoted today are the ones management can control. They have little or limited sales experience and most have not paid their dues to earn their position! They have little or no concern for the agents they are managing. They can not think independently and are true company puppets. Most of all, they are expendable and they KNOW it! It is no longer the most qualified or deserving person who is being promoted. The person being promoted is the person who is most loyal or willing to sacrifice their own morals and principles to advance within the ranks. By promoting the "peter principle" the corporate officers have isolated themselves from being overthrown by anyone who would be qualified to replace them. Corporate officers are not concerned with the everyday working and operation of American Family. They are only concerned with managing the people under them in eliminating any potential threat to their ability to live the good life. Their jobs are making people think they are smart and know what is best for American Family when in reality they are only watching out for themselves and padding their own pockets. No one wants to upset the apple cart! The Board of Directors does not want to challenge the operations of American Family knowing their \$45,000+ board salaries would be at risk. They are "team players and "yes" people. I am not saying they are bad people, but would anyone want to jeopardize the cushy life?

Everyone knows agent's jobs are constantly at risk. Everyone knows district managers come and go like fleas on a dead dog. Everyone knows upper management is a group of good old boys that developed out of the ineffective management style which began as the Rockford connection. And everyone knows management will not do anything to resolve the issues plaguing American Family because they know it will expose them for what they are... a bunch of in-breeders! ☹

***The world suffers a lot. Not because of the violence of bad people,
but because of the silence of good people! - Napoleon.***



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THE GOOD OLD BOY'S HIERARCHY

[A co-operative effort by several authors]

In this day of political correctness, harassment and discrimination awareness, and obvious interest in such by the EEOC (Equal Employment Opportunity Commission) one would think that companies and corporations would be making an obvious effort to avoid accusations in these areas. From what we are hearing from our readers, that just isn't so at American Family. One could almost conclude that such companies really feel they are above reproach or else we must conclude that they feel the consequences of running the risk (of being accused of EEOC violations) are not serious enough to cause them not to commit such violations. After all, what's a few million dollars to fight what they consider a frivolous lawsuit when they feel they'll probably either win or simply have to pay what to them is a small fine. The decision to remain a "Good Old Boy's Hierarchy" is a conscious one the company seems to have made. Yet this decision is hurting many people who work for this company, and no one seems to care!

<http://www.eeoc.gov/laws/types/sex.cfm>

As one contributor pointed out to NAAFA, "the majority of all executive management are men, and the vast majority of all ASM's are men. Only 2 of the 21 members of the Agency Council are women. And it appears that women ASM's don't get the support that men ASM's do, and they seem to have a higher turn over rate."

But this discriminatory behavior doesn't end with management. It filters on down to the agents, too. A very common complaint NAAFA hears today is about unfairness in distributing transfer policies. Agents have heard every excuse and distribution "plan" or "company policy" in the book for how transfer policies are distributed. The rule seems to change with the wind. One time an agent is told that if she makes All-American, she'll get policies transferred to her. She makes All-American and whammo....no policies transferred. Another agent is told to bring up her profitability or make JD Powers and she'll get transfer policies, but the transfer never happen. One agent said that in her district the transfer of policies to men is blatant. The men get 4 to 5 times as many transfer policies as women do. Across the company it is becoming quite obvious the policies go to the ASM's "buddies." It should be noted that most of the ASM's and their buddies are men.

Now NAAFA must tell you that we probably hear just as often from male agents who feel they are being discriminated against as far as transfer policies are concerned, too. Some say they *never* receive transfers, for whatever reason. Some say they were promised transfers and then it never happened, for whatever reason.

Some agents argue that they don't want to receive transfer policies because of the reduced commissions associated with transfers, but the bottom line is, *transfers do increase your business*. Transfers mean more service expense for the agent but at the same time they mean more referral business and more renewals after one year. Yes, transfers are a means for agents to make more money via the *graciousness* of their 'special' friend, the ASM!! Incidentally, the last time I checked, *grace* meant "getting the kindness you don't deserve!"

Wouldn't it be wonderful to work for a company where concerns like this could be discussed and solutions worked out that were amicable to everyone? We suspect that even those making the complaints would be willing to compromise if the company showed the least bit of interest in working out a *fair* compromise. Very few people want to steal from others or want to cheat others, but conversely, very few people want to have things stolen from them or want to be cheated out of something. We see a lot of "takers" in management. We see very few "givers." At least the givers are not visible to most.

Our world seems to have become one of "It's all about me!" For those agents who remember the early days when things weren't like that, a feeling of nostalgia overcomes us. Reminds us of the old hit which was sung by Peter, Paul and Mary called

*"Where have all the flowers gone, long time passing?
Where have all the flowers gone, long time ago.....
Oh, when will they ever learn?
Oh, when will they ever learn?"*

We wish it could be like it was back then. A world of fairness, concern, encouragement, security, and a united effort to make this company one we could ALL be proud of. Oh, when will they ever learn? 🙏

"There comes a point when a man must refuse to answer to his leader if he is also to answer to his own conscience."

--Lord Hartley William Shawcross

Which are you? AN “AVERAGE” OR AN “EXTRAORDINARY” BOSS?

(Submitted by NAAFA Board Member)

Author Geoffrey James spent some time interviewing the most successful CEOs in the world and has come up with what he considers their “management secrets.” In his article from Inc. Magazine entitled “8 Core Beliefs of Extraordinary Bosses,” he outlines the character of the “average boss” compared to the “extraordinary boss.” One might ask, “What difference does it make?” As workers for the company, we have to accomplish what they ask whether the boss is good or bad, right?

Well, the world is not all that simple. The reputation of each company depends a lot on what the company’s workers think about the company they work for. Customers soon sense whether the company worker is happy or disgruntled and this attitude is definitely reflected in production.

In our present American Family environment, we are just beginning to see and experience the “flavor,” if you will, of the new CEO. He is taking some very serious steps right now to cut costs. Employees are being laid off, agents are being terminated, and certain areas of waste are being eliminated.....all steps that are painful, but perhaps necessary. In the long run, if the tightening of the belt causes the company to become successful and competitive once again, then we have to agree that the actions of the new CEO might be warranted.

Now these same steps for curtailing expenses being taken by the CEO might also have to be taken by each agent in his field agency. When the company numbers show they have brought in less....we know each agency has brought in less.

After all, sales start with the agent, therefore, both the agent and the company CEO need to look at whether they are being fair and extraordinary in their approach to dealing with the issue of the *cost* of having employees and workers (be they employees or independent contractors.) Remember, the attitude of the workers directly affects the overall income of the company.

Following are this writer’s thoughts on each of James’ 8 Core Beliefs of Extraordinary Bosses:

1. BUSINESS IS AN ECOSYSTEM, NOT A BATTLEFIELD.

Jeffrey James says that the average boss sees business as a “conflict between companies, departments and groups. They build armies of “troops” to order about, demonize competitors as “enemies,” and treat customers as “territory” to be conquered.” It is quite evident that ‘customers are territory to be conquered’ here at American Family. And once conquered, the company believes these customers become company property. Agents are terminated for even referring a departing customer to an independent, totally disregarding the moral obligation of always doing what is best for the customer. Some ASMs (formerly called DMs) have even referred to the agents as troops. Agents resent being called troops. They are independent contractors who should be allowed to call the shots as their contract says, and as the law provides.

James says that “extraordinary bosses see business as a symbiosis (FYI-symbiosis is defined as the living together of two dissimilar

organisms) where the most diverse firm is most likely to survive and thrive.” He says that teams are created that adapt easily, can form partnerships with other companies, customers and yes, even competitors. NAAFA has sensed hostility from American Family for decades. It would seem logical that an extraordinary boss (CEO) would want to reach out to any organization that promotes the welfare of its workers. After all, aren’t we both on the same side? Don’t we both want what is best for the company we work for?

2. A COMPANY IS A COMMUNITY, NOT A MACHINE.

Average bosses consider their company to be a machine with employees as cogs. They create rigid structures with rigid rules and then try to maintain control by “pulling levers” and “steering the ship.” Talk with any AmFam agent of 20 to 30 years and you will hear them exclaim how much more the company controls the agents today compared to years ago. Naturally, production and attitude do not thrive in a controlled environment...in fact, it dies.

Extraordinary bosses see their company as a collection of individual hopes and dreams, all connected to a higher purpose. They inspire employees to dedicate themselves to the success of their peers and therefore to the community---and company---at large. From this writer’s view, it’s hard to know whether in-house employees are dedicated to the success of their peers or not, but in the agents’ world, often hopes and dreams are shattered by managers compelled by the

company to drive certain agents out.

3. MANAGEMENT IS SERVICE, NOT CONTROL.

Average bosses want employees to do exactly what they're told.

They're hyper-aware of anything that smacks of insubordination and create environments where individual initiative is squelched by the "wait and see what the boss says" mentality. American

Family seems hell-bent on only hiring yes-people to be ASMs. These managers must do exactly as they are told. NAAFA has had a suspicion that perhaps each ASM has a quota of agents he must terminate. What great new productive idea has come out of management lately? James is apparently right when he says individual initiative is squelched by controlling companies.

Extraordinary bosses set a general direction and then commit themselves to obtaining the resources their employees need to get the job done. They push decision making downward, allowing teams to form their own rules and intervening only in emergencies. So often it feels like AmFam is going in so many directions that it's floundering. Decision making is never pushed downward because the quality of people being hired nowadays would not be able to make good decisions. And those few who could make good decisions are ignored. NAAFA has seen top producing agents get terminated for what the company calls *disloyalty*. An extraordinary boss would have asked the agent why, listened to his reason, and then tried to change the environment that caused him to want to be disloyal in the first place. Of course, we all know that the company defines *disloyalty* any way it wants to so it's very hard for an agent to

really know when he's being disloyal.

4. MY EMPLOYEES ARE MY PEERS, NOT MY CHILDREN.

Average bosses see employees as inferior, immature beings who simply can't be trusted if not overseen by a patriarchal management. Employees take their cues from this attitude, expend energy on looking busy and covering their behinds. The whole philosophy behind the new ASM position is to get the ASM out to the agent's office more. What a mistake this is. Creativity is definitely stifled with an ASM looking over your shoulder, especially one who has had less experience than the agent has!

Extraordinary bosses treat every employee as if he or she were the most important person in the firm. Excellence is expected everywhere, from the loading dock to the boardroom. As a result, employees at all levels take charge of their own destinies. Is this a dream world or what? Agents tell of being treated with disrespect on a regular basis. Agents are lied to, experience broken promises, treated condescendingly, and certainly not treated as if they were important. It's a general feeling among agents that they are not considered a favored group by the company. Sad.

5. MOTIVATION COMES FROM VISION, NOT FROM FEAR.

Average bosses see fear---of getting fired, of ridicule, of loss of privilege---as a crucial way to motivate people. As a result, employees and managers alike become paralyzed and unable to make risky decisions. Agents often tell NAAFA they think certain top agents are fired to "set an example." By that they mean, "Scare the heck out of the rest of them." Yes, AmFam uses the fear tactic often, it seems.

Extraordinary bosses inspire people to see a better future and how they'll be a part of it. As a result, employees work harder because they believe in the organization's goals, truly enjoy what they're doing and (of course) know they'll share in the rewards. Agents have had promises made to them over and over, only to find the promises broken over and over. After awhile, agents tend to give up. Case in point, look at the morale of the agents in Ohio. Promises made about potential earnings never materialized evidently because the company has never been able to provide competitive rates. When an agent is contracted to only one company, you can only make a living if you can sell that company's products.

6. CHANGE EQUALS GROWTH, NOT PAIN.

Average bosses see change as both complicated and threatening, something to be endured only when a firm is in desperate shape. They subconsciously torpedo change...until it's too late. NAAFA agrees, change is unavoidable, especially if the wheels of success are slowing. It is in times of slow growth that businesses need to take a close look at just what is going wrong. And figuring that out is the key. Then there has to be careful and accurate planning to execute the proper method of recovery. Change just for change's sake is futile. Change without expert evaluation is futile. And change without the support of the whole working staff is also futile. Time and time again, it appears to us that the powers that be at AmFam recognize the problems, but never seem to get the proper recovery plans put in place. Is it lack of expertise? Is it lack of communication? To get the support of all workers (and you must have that!!) an explanation

of the problem, an explanation of the plan of recovery, and a gracious and humble solicitation of every single worker is needed before a complete turnaround and solution to the problem is achieved.

***Extraordinary bosses** see change as an inevitable part of life. While they don't value change for its own sake, they know that success is only possible if employees and organization embrace new ideas and new ways of doing business.*

Yes, extraordinary bosses know how to present change and solicit the help of their workers to make changes work. Where are our extraordinary bosses?

7. TECHNOLOGY OFFERS EMPOWERMENT, NOT AUTOMATION.

***Average bosses** adhere to the old IT-centric view that technology is primarily a way to strengthen management control and increase predictability. They install centralized computer systems that dehumanize and antagonize employees. Indeed, nothing could describe the situation at American Family better than this! AmFam, we're told, has spent millions of dollars on computer programs and systems that monitor agents so closely that agents are afraid to make a move. They know they are being monitored, watched, evaluated, tracked, and recorded. If an agent calls someone the company thinks he shouldn't be talking to, the agent is fired immediately. Their proof is in the monitoring via the computer/phone system.*

ASMs are told not to commit anything in writing and therefore, are hesitant to answer emails from agents. Agents are recording conversations (and rightly so) in order to document what is being said. Do you think this creates a feeling of trust?

Do you think this kind of scrutiny allows for creativity and productivity? Absolutely not. It does nothing but stifle!

***Extraordinary bosses** see technology as a way to free human beings to be creative and to build better relationships. They adapt their back-office systems to the tools, like smartphones and tablets that people actually want to use.*

Complete trust must come from both parties. Agents are hesitant to use the technology systems as widely as they could be used because of their fear of making a mistake. Trust is lacking and that attitude goes right up the ladder.

8. WORK SHOULD BE FUN, NOT MERE TOIL.

***Average bosses** buy into the notion that work is, at best, a necessary evil. They fully expect employees to resent having to work, and therefore tend to subconsciously define themselves as oppressors and their employees as victims.*

Everyone then behaves accordingly. ASMs have often expressed to agents that they hate having to do what they do.

But they feel they must do whatever they are asked to do (without complaint or questioning) in order to keep their jobs. It is job environ-

ments like this that are 'necessarily evil' as the article implies. Stress takes its toll after awhile. The job is not fun. Health issues begin to develop. Anger and frustration become a part of every day life. Everyone is affected and unhappy.

***Extraordinary bosses** see work as something that should be inherently enjoyable—and believe therefore that the most important job of manager is, as far as possible, to put people in jobs that can and will make them truly happy. Are you, as boss, tuned in to when your employees/workers are happy? Are you able to detect when your subordinate is putting on a false front just to please you? As managers, are you sure you are working for a company that will allow you to 'put people into jobs that will truly make them happy?' Some companies really don't care about the *happiness* of their workers. Such companies say, "If you don't like what's going on here, then move on." And do you know what? Sometimes that is the best solution because some companies, once they have gotten into such a rut, never change. ☹*

*Link to Geoffrey James' article:
<http://www.inc.com/geoffrey-james/8-core-beliefs-of-extraordinary-bosses.html>

Link to "Workplace Discrimination and How to Address it"
<http://www.legalcorner.com/guides/12497292.html?keyword=workplace-harassment>



THE NAAFA MAILBOX

LETTER #1

2/24/2012

Dear NAAFA,

I just want to compliment you folks on the new paper version of the NAAFA publication. Much better layout, easier to read and very professional looking.

(Name withheld)

[Continued on Page 20]

LETTER #2

3/1/2012

NAAFA: I want to thank you for the great job you did on the winter newsletter. The new format is great; the content was sterling, informative and thought provoking as usual.

You've asked if our organization is still viable and should continue as "the voice breaking the darkness?" We must continue, because without NAAFA there is certainly no hope that unfiltered information would ever reach the sales force.

Forge on Joan d'Arc....we need and appreciate you.

Sincerest regards, (Name withheld)

LETTER #3

Sometime between 2/1/2012 & 3/31/2012 this person responded with the following to the question on the NAAFA Survey on www.NAAFA.com "What is your biggest fear or concern?"

I've been an agent for 8 years with a decent level of "success" by company standards. It's hard enough to deal with angry customers every day, and try to explain rate increases year after year; defending this company with every lie we can think of. But it just never stops from upper management. Nothing is ever good enough for them, and never will be (no matter how many plaques you have on your wall or trips you've made). You see good agents being terminated left and right, and this is a company I'm supposed to pour my hard work and sweat into for 20 more years? No thank you! When agents make mistakes that might cost the company a few hundred or few thousand dollars, they're thought of as the worst people in the world, and their jobs they devoted themselves to are at risk (living a life in constant fear). When executives or upper management make mistakes and cost the company millions upon millions of dollars, it's no big deal and they get annual raises. Why fight for people or a company that could care less about us agents or our livelihood? I used to love this company, but now I despise it with all of my heart. Mind you I've never been threatened or received a performance letter. But seeing so many of my friends and fellow agents have their lives ripped apart, it makes me feel like I'm right there with them. I could only imagine what kind of anxiety they have every day.

LETTER #4

[NAAFA CONTINUES TO HEAR FROM AGENTS WHO HAVE SUCCESSFULLY USED THE SECA KIT WHEN FILING THEIR TERMINATION BENEFITS WITH THE IRS. HERE'S ONE OF ABOUT 8 AGENTS IN THE PAST YEAR WHO WON THEIR CASES WITH THE IRS WHEN AUDITED. AGENTS SHOULD KNOW THAT THE BOARD IS DISCUSSING WITHHOLDING THE SECA KIT UNTIL MEMBERSHIP HAS REACHED THE TWO YEAR POINT. TOO MANY AGENTS JOIN ONLY TO GET THE KIT RATHER THAN TO TRULY SUPPORT NAAFA. REMEMBER, THE SECA KIT IS JUST ONE OF THE BENEFITS OF NAAFA MEMBERSHIP.]

From: NAME WITHHELD

Sent: Tuesday, May 01, 2012 3:05 PM

To: NAAFA

Subject: Re: SECA KIT

Just wanted you to know that after 9 months, many exchanges, contract copies sent etc, and the help of our accountant and your information we were able to win the argument with the IRS. They have now corrected back to our amended return of ordinary income and withdrawn charging the SS. Thanks for your help.

Name withheld ☹



BACK UP YOUR COMPUTER **BEFORE YOU WISH YOU HAD!!!!**

Perhaps some of you have experienced the inconvenience and panic of having your computer crash. All your files are gone. All your hours of work just disappear without a trace. Horrors!

The good news is, it need never happen again. Have your files backed up instantly and painlessly while you work. The cost is minimal (\$95 for 2 years!!!!) so why not protect yourself right now. NAAFA has been advertising www.backblaze.com for several months now and we would encourage everyone to go to our website (www.naafa.com) and click on the back-up-your-computer banner right now. And the best part of this is, NAAFA gets a small commission every time someone signs up. So help us out by helping yourself out. Never lose files again!! And support NAAFA while protecting your files!



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A UNIQUE NEW RETAIL MARKET ACCESS PROGRAM
DEVELOPED BY AND FOR INDEPENDENT AGENTS

Welcome to INSUREZONE DIRECT. Whether you're a new agent looking for carrier appointments or an established agency, we're all looking for the best coverage options for the Clients we serve. InsureZone producers have access to a roster of national carriers. InsureZone offers producers a range of access options that allows them to establish or enhance their independent agency.

GET UP AND RUNNING WITH:

- Instant access to over 20 national and regional P&C carriers
- Aggressive commission and bonus structure
- Freedom to run your independent agency on your terms
- e-Mail, VoIP phones, and marketing support available
- Comparative Rater with ACORD® form feature, client management system with Microsoft® Outlook Integration **INCLUDED!**

LEVERAGE YOUR FREEDOM

FOR MORE INFORMATION

e-mail jlopez@insurezone.com
visit InsureZoneDirect.com
call 817-704-2250



REFERRALS



STILL THE #1 SOURCE OF BUSINESS FOR MOST AGENTS

By Jeannie Lopez, Vice President of InsureZone

At InsureZone we make a point to poll our 2200+ member agent base on a regular basis to see what is working and what is not. As both a wholesale and retail solution for agents across the country, we find this feedback to be instrumental to our success. Time and time again, many of our agents let us know that referrals are still the leading source of new business in their agency.

All referrals may not be created equally but you will find that they are still obtained in the same manner – good, old fashioned customer service. If you take good care of your customers they will take good care of you! Here are some helpful tips for generating referrals within your agency:

- **The “3 Business Card” Rule** - At the close of each sale, give your customer 3 business cards: 1 to keep and 2 to give away. Everyone loves the opportunity to be “in the know” and ready with a reliable resource.
- **A Personal Touch** - Birthday, condolence, and thank you cards are cost effective and these informal greetings are sure to let your customers know that you care.
- **Get to Know Your Neighborhood** - Join the local chamber of commerce, sponsor a youth sporting event, or host an information booth at a local function. Other small business owners will help create a network of customers in your area. People still want an insurance professional. Make sure you are that person!
- **Drip Marketing** - Continuous touch efforts such as direct mailings, online newsletters, monthly email blasts, and blogs are a good way to keep in touch with your customers. Placing your name in front of your customers is a sure way to help them remember you and the valuable products you offer.
- **Bring Goodies** - Take baked treats or gourmet coffee to local businesses in your community. Introduce yourself and ask for the opportunity to quote the needs of the business as well as the needs of the owner and their employees. Many folks simply do not shop their insurance needs once in place. Give them a good reason to try your agency!
- **Build Friendships** - By leveraging yourself as a friend to your community, you position yourself to be an expert resource and person of influence. Stay up to date on the products you offer and be quick to suggest a comprehensive suite of products to protect the things your customer base values the most. Knowledge is power and the deciding factor as to where the customer will ultimately place their business.

Many of the simple, helpful hints are cost effective and foster of sense of community. You will find that when you take care of people, they will ultimately take care of you and the by-product of that effort is a referral.

Questions? Contact jlopez@insurezone.com. 🐦

THE BENEFITS OF NAAFA MEMBERSHIP

Sometimes agents ask themselves “Is it worth it to remain a member of NAAFA? What am I getting out of it?” Let us remind you what about some of the benefits of NAAFA membership:

- 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
- Subscription to The NAAFA Report

- Access to updates on legal cases of agents vs AmFam
- SECA Kit tax guide and access to accountants with experience
- Assistance at termination and the guidance in getting started in the independent world
- 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. The rumor that you might get fired if you join is absurd. More non-members get fired than members. If you don’t encourage others to join, we can’t grow. Besides, letting others know about our services is a kindness you need to share. NAAFA needs agents but agents need NAAFA more!!

IS EXCELLENCE REALLY A FORM OF DEVIANCE? Your Performance and the Law of Averages


In the daily course of our work here in the NAAFA office, we talk with many different kinds of people. Some are hesitant to talk. Some never stop talking about themselves. Some have been hurt. Some have hurt others. Some are low performers. Some are top performers. Some are insightful. Some are blind to reality. One has to wonder how the inexperienced manager ever succeeds at “managing” with such a variation in people. To manage must require a lot of insight into just what makes a person tick. Most managers don’t recognize that often the most troublesome agent in his district just might be the one with the most talent.

Bret L. Simmons (April 12, 2009) in his article, “Excellence is a Form of Deviance” explains his view of why excellence is a form of deviance. “You become excellent because you’re doing things normal people do not want to do,” he says. If an agent out-performs the ‘norms’ in production, that agent disrupts the averages. And then guess what? The system re-adjusts to make the deviant production average again. And of course, that affects the whole district. Why is this such an issue? Because agents who have received either the 3 month or 6 month production notices have been told they *must* sell enough policies to reach a minimum of 70% of the district average or face termination.

Since the company began passing out these warning letters a few months ago, the district average has become a very important number. Which direction do you suppose the manager wants the district average to go? Up, of course. Which direction do you suppose the 3-month letter recipients want the average to go? Down, of course. And so we have a game of tug-of-war.

One has to ask, what is the manager’s reward in all this? Is it being able to reward agents for achieving top production, or is it being able to report to the manager’s boss that he was successful in shoving someone out the door? Well, I am not really sure what the ASM’s manager rewards these days at AmFam, but

in the real world of success, a good manager should be rewarding deviant behaviors, according to Simmons. What do I mean by that? I mean that agents who ask a lot of questions might have something to tell you. “Why is it that claims can’t be settled in less than a month?” might be a way of actually saying, “Our claims service stinks and it’s time we did something about it.” Or agents who complain a lot might also be trying to tell management something. “It is next to impossible to sell anything these days. All we ever get is rejection, rejection,” might be another way of saying our rates are simply too high. When an agent is willing to share his own mistakes, don’t kick him in the mouth for making them. Congratulate him for recognizing the problem and for sharing so others can learn from it.

My suspicion is we don’t have as many outstanding producers at AmFam as we used to have years ago. Is it because the company has raised the bar so high no one can achieve the honors? Or is it that managers have stopped rewarding outstanding performance? Are managers encouraging people to just be quiet and keep quoting? If the averages in your district are dropping, something’s really wrong. Take a look at averages today versus 5 years ago. If that average is down, ask why. It’s time managers began to recognize that the differences in agents is healthy. And managers need to know how to tap into the resourceful talents of each agent. Don’t try to shut up the ones asking the questions. Don’t try to cut off the complainers. Let the whole group learn from these questions and complaints. And agents, if it seems the ball is not in your lap (because you know you’re really not lazy and you know the rates really are too high) then it’s time to point a finger at the company. The American Family agents are really the successful part of the company. Why do you suppose customer satisfaction is as high as it is? It’s because of you, the agents. 
<http://www.bretsimmons.com/2009-04/excellence-is-a-form-of-deviance/>

WHEN IT'S GOOD TO KEEP YOUR MOUTH SHUT



NAAFA acknowledged in the article “Is Excellence REALLY a Form of Deviance?” that agents need to speak out, praying that ASMs can recognize the ability of agents to know what the problems are. Well, there are times that you need to keep your mouth shut. Many people have written articles (Google “What not to say to your Boss”) on this topic and most of them give you some pretty good advice. But here’s the other side of the story from my perspective:

- 1) Don’t just burst into your manager’s office....set up an appointment and have an agenda. Likewise, when your manager wants to meet with you, ask for an appointment and an agenda.
- 2) Don’t disagree with your manager’s decision *in front of other people* or send a heated email. Wait until you have the privacy and just the right moment to bring such topics up. And wait until your temper has settled.
- 3) Don’t start a conversation with a negative. Start off by complimenting some situation that is working. Then lead into what you feel is a problem. Set the tone.
- 4) Keep your communication with your manager about business....avoid discussing personal things like problems with your kids or spouse.
- 5) Get along with your manager. Someone once said that merit has little to do with why agents are kept. A lot of the time whether or not your boss likes you can determine whether you get fired or not.
- 6) Don’t be high maintenance. Being a constant complainer or someone who always has a problem to work out puts you in the lime light in a negative way.
- 7) Sweat the small stuff: Always return phone calls, emails, be on time for meetings, all little things that keep you off the manager’s agitation list.
- 8) Is your car always gone from your office when your manager’s likely to check? It’s surprising how “putting in the hours” can send a positive message to your boss.
- 9) If you have an incompetent manager, don’t discuss it with others. Invariably, such comments will get back to your manager no matter who you think you can really trust.
- 10) Never discuss other agents with your manager!!
- 11) Recognize that a *micromanaging manager* usually has a personal insecurity problem. It is good to first determine whether or not you need micromanaging, however. If you are getting your work done promptly, then you probably need to deal with your manager’s insecurity. From your end, encourage your boss to let you complete certain tasks on an agreed upon time frame without his/her help. Then repeat the process.....it a matter of you training your manager....get it?
- 12) Respect your manager’s time and encourage him to honor your time by not overextending any appointments. Be clear, concise, and timely with your comments in all meetings. Get to every point and then leave. Lingering can promote edginess. Leave on a good note. ☺

Ever wonder why?

- ~American Family says they own your “friends” on Facebook?
- ~American Family can monitor your calls when you have Access Direct?
- ~Corporate officers can take raises when the company they run is losing?
- ~If customer service is so good, why aren’t sales?
- ~American Family gets by with treating agents like employees?

WHAT'S THE FUTURE FOR CAPTIVE AGENTS/COMPANIES?

Sometimes I get real discouraged when I read articles on the future of selling insurance. Want to know why? Read this:

Captive Insurance Agents Cannot Shop around for New Insurance for You.

A captive insurance agent is legally handcuffed by his insurance company. Even if he wanted to try to find a lower price for you, he is forbidden by his company to shop around for new rates with other companies. (If an insurance agent is a captive agent and it is discovered that he is selling insurance through other companies that are not authorized they can be terminated by that company.) Even if you really like your insurance agent, but he sells insurance through a captive company he cannot shop the market for you. So you either need to pay the higher insurance premium, or you take your business elsewhere. That's a big disadvantage to you as the insurance buyer. <http://www.pathwayinsurance.net/tag/captive-insurance-agents/>

But when I visit the US Bureau of Statistics (www.bls.gov) I find that "Employment of insurance sales agents is projected to grow 22 percent from 2010 to 2020." Now I ask, "How can that be when captive companies seem to be cutting back on their numbers of agents?" Here's a direct quote from the Bureau: <http://www.insureme.com/insurance-agent/captive-vs-noncaptive>

" According to the U.S. Department of Labor, many insurance carriers are trying to contain business costs by shedding their captive agents and relying more on independent agents or direct marketing through the mail, by phone and on the Internet."

Are captive insurance companies really in trouble? Let's take a look at what the Fortune 500 says about captives. [Note: *the higher the number, the lower the company has dropped in the successful line-up of companies.*]

	<u>2012</u>	<u>2011</u>	<u>2010</u>
American Family	382	358	344
Allstate	93	89	68
State Farm	43	37	34
Nationwide	100	127	118

When you combine the fact that for the most part, the captives have gone backwards in the last three years with the fact the even the US Bureau of Statistics has noted that captive insurance companies are 'trying to contain business costs' by shedding their agents, well then, one probably has a right to be concerned about one's future with a captive company. The whole idea makes me sick!

A 4th Quarter 2011 summary by American Family seems to indicate that they are aware of their problems and are definitely attempting to turn their problem around. Underwriting losses were worse than they planned. All lines had underwriting losses. Their expense ratio was worse than planned. 2011 was the 5th straight year showing a decline in the numbers of policies in force. New business production was over 5% below what they had anticipated. Now the company has seen some growth in the first quarter of 2012....mainly due to you agents. Congratulations on your efforts. Were these sales made by "non-agency sales channels?" Probably not. We know the company has been struggling with lack of success in that area. Yes, it's the well-seasoned agents who are keeping this company afloat. NAAFA praises you for your efforts. We all would like to see this company succeed. The only way it's going to do that is if they provide competitive rates. AmFam agents really know how to sell when they have a good, competitive product.

Well, it's obvious that growth is probably going to keep occurring in the independent world. But let's not give up on American Family. Is the battle worth fighting? Yes. Can we win? Yes, but only with wise leadership and a lot of support. Let's just hope we have it or things could get even darker. ☹



NAAFA MEMBERSHIP APPLICATION

I, the undersigned, hereby apply for membership in the National Association of American Family Agents, and I certify that I will always *uphold* and *support* the mission and goals of the organization to the best of my ability.

Name _____ Address: _____

City _____ State: _____ Zip Code: _____

Office Phone: _____ Cell _____ Fax _____

Personal Email: _____

<u>MEMBERSHIPS</u> (Circle one)	Annual	\$240
	Semi-Annual	130
	EFT (Monthly)	20
	Retired Annual	80
	ACP Annual	120
	ACP Semi-Ann	70
	ACP (EFT)	10

DONATIONS:

Silver _____ (under \$99)
 Gold _____ (\$100-\$199)
 *Platinum _____ (\$200-up)
 [*Membership included with Platinum annual donations.]

LEGAL DEFENSE FUND DONATION \$ _____

PAYMENT OPTIONS:

CHECK:

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

**NAAFA
PO Box 578
Circle Pines, MN 55014**

EFT:

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

CREDIT CARD:

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

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



The NAAFA Report.....

Who We Are

The **National Association of American Family Agents (NAAFA)** 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

The Association 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. The Association 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. It's all so easy. Open your account now by sending your check for \$20 to NAAFA, PO Box 578, Circle Pines, MN 55014.

JOIN NAAFA painlessly

Do you have a
CHANGE OF ADDRESS:



Call us at: 1-800-567-9668

Email us at: NAAFAwest@comcast.net

Tell us by mail: NAAFA, PO Box 578, Circle Pines, MN 55014



SECA KITS ARE AVAILABLE IMMEDIATELY FOR \$240 TO NEW MEMBERS WHO JOIN **AFTER** RETIREMENT. OR, THE KIT BECOMES AVAILABLE **AFTER THE SECOND YEAR'S RETIRED RENEWALS DUES ARE RECEIVED.**

You must have a personal email to receive a SECA Kit.

The Agents Bulletin Board at www.naafa.com is your channel for expression. Tell us your thoughts and opinions. Our website gets an extreme amount of hits from Madison so if you want your message heard, send it anonymously to www.naafawest@comcast.net.

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“ANNUAL” MEMBERSHIP DUES

[How NAAFA membership dues compare to other captive agent associations’ dues:]

Allstate (NAPAA) Gold=\$350 Elite=\$475

State Farm (NASFA) Reg=\$300 Gold=\$348 Platinum=\$540

Farmers (UFAA) Reg=\$360

Nationwide (NIICA) Reg=\$254

American Family (NAAFA) Reg \$240

NAAFA’s membership dues are the most competitive among the network of captive agent associations. We feel that the true professional insurance agent should not hesitate to join and support an organization that supports and defends his/her interests. Although memberships are strictly **confidential**, your choice to join shows who you truly are!

*“There’s no abiding success
without commitment.” ~Anthony Robbins*

*“It’s not whether you get knocked down,
It’s whether you get back up.” ~Vince Lombardi*

JOIN NAAFA TODAY at WWW.NAAFA.COM!