

ON ELIMINATING PERKS, BUT CONTINUING TO INCREASE COMPENSATION PACKAGES DOES NOT EQUAL 'CUTTING EXPENSES.' Anonymous letter received by NAAFA 6/4/2012.

How many times have you heard, "every time a client contacts you it is an opportunity to make Another sale"? Agents are being contacted more frequently by their clients, but it is to request the Cancellation of their Am Fam policies. Agents are asking, "how can I turn that into a sales opportunity"? The fact is, most clients have already made the decision or have already switched Companies by the time they request their policies to be canceled. Clients are telling agents "you are like A family member and we have been insured by American Family for years, but we can no longer afford To pay the high premiums! It could be explained away if these clients were switching to on line carriers, but many are switching to our competitors like Allstate and State Farm.

Agents do not set the rates! Homes and buildings are stationary objects. When a storm comes Through and damages property every company insuring in that area have similar exposure and are affected equally. Yes, there are some exceptions, but in general this is the case. Am Fam can say premiums are higher or need to be increased due to storm losses, but why are Am Fam's premiums higher or raised higher than our competitors insuring in the same neighborhoods who have experienced similar losses? After a major storm clients automatically expect premiums will increase and they usually do increase however, it still does not explain why Am Fam increases their premiums higher than their competitors. Is it simply because they can inflate their rates, poor actuarial input or just greed?

American Family claims to be cutting expenses including compensation for executive officers. Some of the perks have gone away like the golf course memberships. Am Fam probably saves \$6,000 a year per executive by taking away their golf memberships and then compensate the officers by increasing their compensation by an average of 38%. Now the executive officer can pay for the memberships out of their increased compensation, take the personal tax deduction for the membership and still have thousands of dollars in their pockets. Over the past decade officer compensations have increased annually by an average between 33% and 38%. Don't fool yourselves by believing officers are having their perks eliminated or cut to save operating costs when their compensations continue to increase each and every year!

Almost every employee drives their personal vehicle to work. Agents not only drive their own vehicles, but they pay ALL their own expenses, office rent, postage, staff, electricity and the list goes on and on. Agent compensation continues to go down as premiums increase making any profit margin almost impossible. Agents are worse off today than they were 5, 10, 15 and 20 years ago. The only perk an agent receives is what they provide for themselves.

American Family continues to maximize profits on the backs of the policy holder. They maximize premiums instead of attempting to maximize the amount of business that can be written. American Family uses to dominate the auto and homeowners market. What happened? Am Fam rates used to be unbeatable....what happened?

Whatever change(s) occurred, it was not initiated by agents. American Family continues to treat agents as expendable pawns to market and sell their overpriced products. A large portion of agents have expressed concern about their diminishing incomes and increased expenses with little control over either. American Family continues to rely on agents to market their products however, the time is nearing when something has to give.

Agents will soon be forced out of the business. Some will become independent agents taking many Am Fam policy holders with them. Others may retire while they still have extended earnings to draw upon. Others will just find other work. The result for American Family will be a limited number of agents to sell and service their policies. American Family will not have any agents left to sell their overpriced products. When will American Family realize in order to retain agents, their premiums have to be competitive! Eliminating perks while continuing to increase compensation packages by 30%+ is not cutting expenses! The problems are many, but until Am Fam is willing to address the real problems, nothing will ever change. Clients will continue to leave. Agents will continue to leave. Am Fam officers will continue to be over compensated.