

The

# NAAFA Report

Winter 2009-10

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**MEMBERSHIP IS GROWING!** NAAFA is setting its goal at 2000 members. This is very achievable, we believe, because agents are beginning to realize some of the tools NAAFA has for helping agents in need. Membership and conversations with the NAAFA office are confidential. Do not let management insult your intelligence by advising you not to join. You have every right to become the professional you were meant to be and NAAFA should be part of your growth. JOIN NAAFA TODAY. HELP US REACH 2000 MEMBERS.

If you haven't visited our website, you should do so now. The center column of the Home Page contains interesting information you need to know about. Our website ([www.NAAFA.com](http://www.NAAFA.com)) is updated with new articles each Saturday, so search around at least once a week for new information. The number of people using the website has greatly increased and the website is our fastest means of communication. Members need passwords to enter the Member side so call if you have lost yours. 1-800-567-9668.

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# The NAAFA Report.....

## Who We Are

The National Association of American Family Agents (NAAFA) is a professional organization established to promote education and communication between both active and non-active American Family Agents and the American Family Insurance Company.

NAAFA also provides communication on issues affecting any insurance agent who supports our organization. Our desire is to be a vital, active group who is interested in sharing our experiences and knowledge with other agents, always encouraging, listening, and growing in ways that not only profit the agents, but their companies and customers, as well.

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## Our Mission Statement

The Association shall strive to provide professional fellowship by dedicating its activities to furthering the highest degree of ethical service to the insuring public. The Association will support the strictest adherence to the integrity of its members as professional insurance agents. We will promote professional conduct and protect the legislative interests of our members through awareness and understanding of the issues facing the independent contractor insurance agent in the American society.

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**CHANGE OF ADDRESS:** Call: 1-800-567-9668 Email: [ww.NAAFAwest@comcast.net](mailto:ww.NAAFAwest@comcast.net)  
By mail: NAAFA, PO Box 578, Circle Pines, MN 55014

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FOR MEMBERS WHO PAY THEIR DUES THROUGH EFT WITHDRAWALS,  
TO AVOID BANK CHARGES  
BE SURE TO NOTIFY NAAFA IF YOU CHANGE BANKS

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THE COST TO OBTAIN A SECA KIT AFTER AN AGENT HAS RETIRED FROM AMERICAN FAMILY WILL BE \$160, OR TWO YEARS' RETIRED MEMBERSHIP FEE.

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**The Agents Bulletin Board at [www.naafa.com](http://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](mailto:www.naafawest@comcast.net).**

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**YOU AREN'T REALLY A PROFESSIONAL  
TILL YOU JOIN NAAFA**



## The President's Corner

### **DOES IT HAVE TO BE, “GOODBYE, ADIOS, FARE-THEE-WELL?”**

Within two years 1/3<sup>rd</sup> of you reading this will probably no longer have an agency with American Family. I base this information on the fact that American Family has already stated their goal of reducing the sales force by 30% to 35%. The true number may actually be closer to the 35% because current managers will be going back into agency.

We have already witnessed the trend by managers of terminating 2 or 3 agencies and combining all these files into one larger agency for themselves. Agents have been placed into three tier groups with the third tier being told their future with American Family is in jeopardy. NAAFA continues to see more and more agents being terminated for improper computer usage, loyalty issues, indicator issues, compliance issues and just simply not being liked by their managers. Many of these terminations are wrongful yet most agents do not have the financial capability to fight the company's termination of their contracts. The question NAAFA is often asked is if American Family wants to reduce the sales force by 30% why don't they just do it and then leave the terminated agents alone?

The answer is sad and simple. American Family probably anticipated that they still needed all of their agents until the total transition from agent sales to direct selling is completed by the company. According to reports, call center results have been far worse than anticipated, so once again, one has to ask if the company really knows what they are doing. But if the call center internet lead program eventually becomes successful, they will need to retain some agents, so they are going through a one-by-one process to determine who will remain and who will be terminated. The agent's relationship with the client to help make the transition easier for the company is probably recognized as valuable, too. I also feel if a mass firing of agents occurred a class action law suite would likely develop and most certainly would damage American Family's name in the market place. Obviously, the strategy the company is using is to terminate one agent at a time until they have reached their goal.

The company feels an agent's indicator numbers directly correlate to an agent's worth to the company. Poor indicator numbers, the company feels, show an agent is not doing a good job, and therefore could be replaced. Little have they considered that many clients do not appreciate being transferred to another agent. Agents need to be aware that often rumors are spread telling clients that their agent was not doing his job or acting improperly and therefore had to be terminated. While the client may see the agent as being a very good agent, when the client hears that the company fired his agent, he invariably thinks, "If my agent was fired, he must have done something wrong." Of course, the company has it all figured out, they think, that it is difficult for a terminated agent to go back into the business as an independent agent if they can convince the clients their agent was terminated for improper behavior.

Remember, not only are agents threatened, but district managers are often threatened, also. When this happens, it's usually the agent that suffers, both with an attitude by the DM and also with the possibility that the agency might be taken away from him.

Reasons for termination should always be consistent with the agent contract. For any "undesirable performance" (whatever that is??? Remember, it's not defined in the contract!) by the agent, he must be given written notice of such and allowed 6 months to correct such action. The only reason for an immediate termination must be 4.I. in the contract (maintaining a good reputation, no competitive practice or prejudicial conduct toward the company,) or 6.h.2. dishonesty, disloyalty, or unlawful conduct.

Finally, the last thing American Family does not want is to go into competition with their former agents as independent agents. American Family recognizes that client loyalty is powerful. They know that no matter what they do, they will still lose a substantial number of their client base to the new independent agent. American Family picks and chooses certain visible agents in various parts of the country to make examples of by suing the heck out of them, but the potential exodus of agents presents a dilemma I don't believe American Family really knows how to deal with. Until they do, they are progressing slowly terminating one agent at a time.

NAAFA continues to support and encourage both the active and inactive American Family agents. After termination, an agent's life changes, but the agent friendships you developed at American Family don't. We will never say "Goodbye, Adios, or Fare-Thee-Well" to our friends regardless of what this company does. We must support one another. JOIN NAAFA TODAY!!!!

Very Sincerely,

Your NAAFA President

[End]

Bumper Sticker: Be nice to new agents....

Chances are you'll end up working for one.

## ON CHASING YOUR DREAM.....WE DARE YOU!!

By Editorial Staff

From this writer's perspective, it seems that *less creativity* occurs by agents working as captive agents than it does by agents working in the independent world of insurance selling. The NAAFA office has had the privilege of monitoring the success of both types of agents over the past few years and what we have found is quite interesting. Before we give you the specifics of what we are talking about, we would like to give you a few suggestions we've come across about **what might tend to stifle an agent's creativity.**

[<http://www.lifehack.org/articles/lifehack/how-to-stifle-your-creativity-in-10-easy-steps.html>.]

- Thinking that you should always try to "fit in" by always being a team player. (Creative people risk criticism in order to put forth new ideas.)
- Fear or being afraid of getting it wrong. (Fearing that any move you make might cause your termination stifles any possible creativity.)
- Thinking you shouldn't ask a stupid question. (Creative people aren't afraid to ask questions, even if they upset the status quo.)
- Thinking it's easier to stay in your comfort zone. (Creative people are constantly changing and therefore are constantly taking the risk required to get ahead of the average.)
- Remembering all the times you failed before. (Get over it if you want to be creative. Forget the pain and the shame if you want creative gain!)

- Always thinking the people in authority know what is best for you. (Creative people know up front that rules must be challenged before creative positive change can occur.) [Continued P. 5]
- Thinking that you must never waste time. (Creative people know that time is not necessarily money. Dreaming must occur before living out the dream of success can occur. Creative people ponder, reflect and dream about “what if.”)
- Thinking you must leave the thinking to the experts. (Following industry’s ‘best practice’ is a good way to have someone else to blame if success fails you.)
- Listening to your inner critic. (The creative person does NOT listen to that part of his being which says, “That’s a stupid idea,” “you’re bound to fail,” “what makes you think you, of all people, can do that?” The creative person is not afraid of making a fool of himself, nor does he really believe it will happen.)
- Believing you should KISS [keep it simple, stupid] (The truly creative person already knows that his creativity causes his life to become complicated and he is willing to tolerate that complexity.)

Most of you realize by now that life as a captive agent with American Family has not been easy lately. Agents are concerned about their futures, especially those who have found themselves placed in the Tier 3 category. Perhaps after you read this article, you will have a new hope. There is life after American Family and it can be a good life. Now that isn’t to say life can’t be good here at American Family, but right now, most are beginning to wonder.

Within the last 15 years, many fine agents have been terminated. In fact, it was probably the most creative agents who were fired because they were the ones who were asking questions, were taking risks in order to make a better life, were standing up for the rights they felt were theirs. One such agent at the age of 50 and 28 years with American Family was terminated for being “disloyal” [a very easy accusation because the AF agent contract does not define disloyalty] and found himself suddenly flung into the independent world...not by choice, but by the necessity to make a living. Not to be out done by fate, this agent focused on an area of insurance he loved...the sale of commercial insurance. Recognizing a great need of his commercial customers, he developed a web-based program for his customers that enabled them to greatly lower their premiums. This program became such a success that his competitors finally realized that the only way to win against this very successful former American Family agent was to buy him out. That is exactly what happened. This agent could never have created such a degree of success had he still been with American Family.

Another agent was terminated about 4 years ago after being falsely accused. The stress and humiliation of being unjustly accused did not deter this agent’s success in the independent world. Even though this agent had been told it was nearly impossible to get his own contracts with independent companies, this agent was successful in landing several contracts and was back in business within a couple of months. This agent was able to develop an internet marketing plan that far exceeded anything he found possible at American Family. Even though side-

tracked by the hassles of being involved in lawsuits with American Family, his agency has grown in about 3 ½ years to double what it was after 10 years at American Family.

[Continued P. 6]

Many agents who were terminated by American Family have gone on to establish brokerages where they have many producers working for them. Some brokers claim to have 150-200 agents working for them. It doesn't take a rocket scientist to figure out that a percentage of the commission from that number of producers puts a big chunk in the agent's pocket each year.

Several former American Family agents established independent agencies only to find that after a few years their health began to fail. One such case was an agent who quit American Family because rates were so high he couldn't sell, he couldn't stand the constant harassment from his district manager, and the pressure to constantly produce for contests. After about 6 years in the independent agency as a producer under a large broker, this agent succumbed to cancer; however, his son has been able to successfully continue running his agency and every last policy went to his son. This would not have been possible had he stayed with American Family.

What totally amazes this writer is the fact that agents can equal their financial success at American Family in the independent world in about two or three years even though tides might be against them in a big way. Many agents are involved in lawsuits after being accused of violating their non-compete or trade secret violations, but still, these agents tell this writer that the **happiness they feel at not being browbeaten by management any longer is worth what they are going through to re-establish.** One agent said that "if AmFam agents could experience life as an independent agent and a true "independent contractor" for just one month, you would see an exodus of agents that would be leaving American Family that would be unbelievable." "Funny thing," one agent said, "In the past year I wrote more life insurance by accident than I ever did on purpose at American Family." Then this agent told this writer that he had just figured out his life premium (for his first year in the independent business) for the year and he would have made Life Diamond easily with that volume at American Family, but in 26 years he'd never made it while with AF. "Selling has become fun," he says. Once again, this creative agent has turned something bad into something good.

We often hear agents say they are too old to start over. We'd like to remind you that many successful people have been late bloomers. Think about Grandma Moses who began her painting career in her 70's. Or Colonel Sanders who began his Kentucky Fried Chicken franchises in his 60's. Or Ronald Reagan, a former actor, who began his political career at age 55. Or George Burns who didn't become really successful till in his 80's. Believe it or not, there are some American Family agents nearing the 80's. How have they avoided the axe, we don't know, but our hats are off to them.

People who are turned on by their work often work creatively. American Family, we believe, has a long way to go to remove barriers to creativity. Research shows that money is NOT a creativity motivator. Creative people put far more value on an environment that lets them be creative than on the bonus they might get for being creative.

[Continued P. 7]

Remember the old TV series, *The Jeffersons*, and their “Movin’ on Up” theme song?

**“Well, we're movin’ on up,  
To the east side.  
To a deluxe apartment in the sky.  
Movin’ on up,  
To the east side.  
We finally got a piece of the pie.”**

They had a dream. The lyrics also said:

**“Fish don’t fry in the kitchen;  
Beans don’t burn on the grill.  
Took a whole lotta tryin’,  
Just to get up that hill.”**

**How creative are you going to be when you quit or are terminated? American Family agents are the most talented agents in the world. They just don’t know it yet. Don’t be afraid to stand up for what you believe. Dare to ask questions. Dare to make a career move. Dare to make things better at American Family. Whatever you decide to do, it’ll take a “whole lotta tryin’ just to get up that hill” but it’ll be worth it. You may think you’re tired, but you’re really bored. We challenge you to get on fire for whatever your dream is. Climb that hill!**

[End]

JOIN NAAFA TODAY.....HELP US HIT THAT 2000 MARK.....JOIN NAAFA TODAY



## **TRUST AND THE TIER PROGRAM**

By editorial staff

Never have we seen such a *lack of trust* than what we are experiencing at American Family today. It has been said that an organization without trust is going nowhere. Trust is vitally important if we are to rely upon a person. Trust is important if any kind of teamwork is expected. Trust is required before anyone will take any risks. And trust is vitally important before any meaningful communication can occur.

Why are we concerned about trust right now? Because of the introduction of the infamous Tier Program. Agents are readily admitting they don’t trust the company right now. Why has the Tier Program been instituted?

At first glance, it appears to be a method developed to identify underwriting problems in an agency. But agents fear it is much more than that. District managers are either ill-informed about the program or they

have been warned not to explain it. Why is there a reluctance to explain what criteria has been used to determine each indicator? Agents need to

[Continued on P. 8]

know which policies were used to determine certain counts. For instance, which policies does the company say were entered after **30** days? Or what customer had a claim before entering the policy? Agents know there are mistakes on their indicator reports, but the company has refused to make the corrections. Is it fair to evaluate the agent's indicators quarterly and only allow a downward re-adjustment? Why won't they allow an agent to *improve* on a quarterly basis? Agents are only allowed to show their improvement at the annual review. It's almost as if they want the agent to fail.

And so the questions continue. Agents don't know what the company is up to and the company isn't sharing. No wonder there is this lack of trust. Is this a healthy thing for American Family's public image? If the company thinks this message of lack-of-trust doesn't get around, they are sadly mistaken.

Word comes in that agents who have always been extremely red, white and blue American Family, high producers, and non-NAAFA people are very upset at being placed in Tier 3. Many are questioning whether their loyalty to American Family has been worthwhile or not. In other words, their trust in the company has been destroyed.

What's an agent to do? Of course, the answer is to 'turn around your indicators!' But just how is one to do that? Some agents have been told to "manipulate the numbers." In other words, agents have been told to rate high mileage even though the customer claims to drive low mileage. Agents have been told never to rate a person as an occasional youthful driver...always make them principal even if they actually are occasional. Agents have been told to 'just add on endorsements if you see a renewal drop.' Now if these reports are true, and we have no reason to believe they are not, then what agents are being told to do is unethical and probably in violation of state insurance laws. Strong agents will not give in to these suggestions, but weaker ones may. And will better agent indicators really make this company more profitable?

Warren Buffett said, "The really good business manager doesn't wake up in the morning and say, '*This is the day that I am going to cut costs, any more than he wakes up and decides to practice breathing.*'" But it seems like 'waking up one morning and deciding to cut costs' is exactly what AmFam did. Cost cutting should have been a lifelong, well established pattern, but instead this company has shown extravagance and waste for

too many years. [Example: the home office mausoleum, the jet air planes and fancy hangars, the unwarranted salaries and bonuses.] And who has

[Continued on P. 9]

suffered? The policyholders and the agents have paid, of course, because they have had to 'pay the bill' for all the waste and extravagance. Why else do you suppose this company wants to have fewer agents? Could it be because the company makes a huge profit off any agent it gets rid of? If integrity were a policy of the board, wouldn't they be making changes in management? Who is accepting responsibility for the situation as it stands today?

Agents, it is up to you to take a stand for what is right, what is fair to your customers, and what is ethical even at the cost of being terminated for bad indicators. You will leave with a clean conscience and will be able to stand proud. Do not jeopardize your integrity by giving in to the pressures being applied to you in order to satisfy the need for this company to be profitable.

From ***View from the Mountain***

[[http://viewfromthemountain.typepad.com/david\\_sobotta\\_weblog/2005/01/integrity\\_in\\_ma.html](http://viewfromthemountain.typepad.com/david_sobotta_weblog/2005/01/integrity_in_ma.html)] **"Remember companies rise and fall, they may leave their mark on you, but only you can give away your integrity. Stand tall for what you believe, and leave behind in the mud those who are willing to sell you or your ideals out for a commission check, a promotion, or just to please some higher-up manager."**

**It's up to you!**

[End]

Bumper Sticker: Those who can, do  
Those who can do more, quit!

## **American Family 3-Tier Cake Recipe**

Submitted by Agent



### **Ingredients**

**4000 agents**, separated

**100 cups**, each of arrogance, lies, deceit and dishonesty

**1000 teaspoons**, extracted promises, dreams and achievements mix

- 25 cups, chopped BOD nuts (Can only be found in Madison, WI board room)
- 25 tablespoons, Executive Brand Fruitcake Mix (Also, only found in Madison, WI and is quite expensive) [Continued P. 10]
- 65 individual Packets of DM Brand All Purpose Sweet and Sour Sauce, condensed
- 59 ounces, equal parts of decreased commissions, watered down awards and Pipe Dream bonuses
- 40 cups, Bittersweet Promises, sugar coated with unattainable goals
- 10 cans, Regional VP Brand frosting

### Instructions

Lightly grease the bottoms and sides of 3 round cake pans with promises, dreams and achievement mix. Preheat the oven to 350 degrees.

Separate the agents into three groups. Take one group of agents and spread them evenly on a hard surface, add the DM Brand Sweet and Sour Sauce and beat them until they are stiff. In a separate bowl slowly add in the decreased commissions, the watered down awards and the pipe dream bonuses. This will keep the agents from burning out while they are in the oven baking. Add equal amounts of arrogance, lies, deceit and dishonesty, the Executive Brand Fruitcake Mix and the Bittersweet promises, sugar-coated with unattainable goals into the bowl. Stir with a wooden spoon until all ingredients look like one totally mixed up Mutual unit. Now, take this first group of agents, previously beaten to a pulp after adding the DM Brand All Purpose Sweet and Sour Sauce, and place them in one of the round cake pans. We will call these **layer #3 agents the lowest layer of agents**. Grease a spatula with DX Brand Spinning Solution, and scoop up 35% of the mixed up Mutual batter and spread it somewhat evenly over the backs of the lowest layer of agents using a sharp dagger. Place the cake pan containing the lowest layer of agents in the oven *closest to the heat* source because we want to make sure this layer absorbs the bulk of the heat.

Now, continue by placing the next group of agents, we'll call them the middle or **layer #2** agents, into one of the two remaining round cake pans. This group of agents should also be beaten somewhat, but not as much as the lowest layer #3 agents. Just beat them until they are limp, but don't beat

them until they are stiff. You can always beat them more later on, if needed. Add about two thirds of the remaining batter to the cake pan with the spatula previously greased with the DX

[Continued P. 11]

Brand Spinning Solution. It is not necessary to use a sharp dagger to spread the Mixed up Mutual batter on this middle layer of agents, but a veiled threat should be placed over this group of agents to protect the mixed up Mutual batter from damage. Place this #2 cake pan in the oven directly *over* the lowest level of agents' cake pan #3 and turn up the heat to 400 degrees. We want this middle layer of agents' cake to receive enough heat to form it into the consistency desired, but not as much heat as the lower layer of agents' cake pan.

Now, we are ready for the final layer of our cake. Take the remaining agents, we'll call them the top layer **#1 agents**, and gently, and I mean *very* gently, put them in the **third** round cake pan. Very slowly and very carefully, using a silver spoon, add the remaining mixed-up Mutual batter to the oven pan. Turn up the heat in the oven to 450 degrees, open the oven and move the oven pan containing the middle layer #2 of agents to the *top* shelf and *quickly* close the oven door. Then place the #1 top layer of agent's pan on *top of the stove* where it will get minimal heat, but because of its small content, will turn out just fine.

From time to time, open the oven and stick a JD Brand toothpick into the lowest level of agent's cake to make sure it is conforming to the desired expectations. Because of the variance in oven temperatures it is very possible that the lowest layer of agents cake may get fired or burn out prematurely because of the extreme heat. This is not only acceptable, but actually is sometimes advisable because that leaves more frosting for the other two layers.

When the cake is finished baking (again use the JD Brand toothpick and/or other proven indicators to determine consistency and palatability) remove what's left of the first layer of agents cake and place it on an Anderson Brand cake plate.

Remove the middle #2 layer of agents' cake from the oven, and place it directly on top of the #3 bottom layer. Then gently, oh please be careful, place the top layer of agent's cake on top of the second layer. Next, take the Regional VP Brand frosting and spread it evenly over the entire cake making sure

to cover up any defects in the structure of the cake. Now all that is left to do is take the chopped BOD nuts and sprinkle

[Continued P. 12]

them on the cake. Make sure, and I repeat, **make sure** the cake is not hot when you put the BOD nuts on. Even though they are the most expensive BOD nuts in Madison, they cannot tolerate heat of any kind.

**Enjoy your 'delicious' dessert before it's snatched away from you!**

Submitted by Chef Jack

[End]

**Bumper Sticker:** Annoy a DM. Work hard and be happy!

### **AMFAM'S CUSTOMER GROWTH PROGRAM**

By editorial staff

In looking over the 3<sup>rd</sup> quarter reports, it would seem that growth at American Family is a difficult thing. When one reads such statements as "*Immediately prior to the growth programs, Property & Casualty new business applications were projected to be 205,600 below plan in 2009. This gap is now (end of 3<sup>rd</sup> Q) projected to be 171,100. In other words, a total lift of 34,500 new business applications above baseline, from July 2009 through the end of 2009*" one is tempted to think things must not be as bad as one thought. But just how great is it to be 24,500 apps closer (rather than 58,800) to the BELOW plan projection? The point is the company is still far below their own projected plan. **How healthy is it to rationalize failure by degrees?**

The Internet Lead Program now apparently has 69% agent participation. The cost to the company for this program is over \$1.7M and the cost per app is roughly \$125. This cost per app is \$19 *above* the planned cost, but once again, rationalization of failure-by-degree allows the company to claim success, evidently.

Let's compare these numbers to the call center program...now that's something else! The actual **cost per app is well over \$2000** (yes, that's right!) and the actual close ratio was 0.8% (High Plan was 3.9%). Now compare the company *employee licensed agent* cost-per-app to the *independent contractor agent* cost-per-app (in the internet lead program) of \$125+ and a close ratio of 2.5% and it won't take you long to figure out how much less expensive it is to have "real" agents selling insurance than to have those in-house employee agents attempting to do it!!!

[End]

Bumper Sticker: Next time you think you're perfect...

**Try walking on water!**

***Insurance Professionals***  
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## THE FEAR FACTOR



On 1/4/2010, you all received a “Welcome Back” on Compass from Dave Anderson and Jack Salzwedel, part of which went like this:

**“And we know we must continue to look for ways to make sure this is a great place for people to work. American Family’s culture has long valued *caring, fairness and integrity*. With all the necessary changes under way, we need to make sure those values remain genuine and true in our corporate and agent offices. We must care for one another particularly in these times when most people are working harder than ever.”**

What a warm fuzzy feeling I get in my heart when I hear from our leaders that they value me, that they are caring, fair, and that American Family is a company that is long on showing integrity. What do I have to worry about? I feel so fortunate to work for a company with such high moral and ethical standards.

**Wait a minute!** Something is wrong with this picture. Is this company showing how much they *care* for me when they have set up a Tier system designed specifically to terminate my agency? Have they always treated agents with *fairness* when they keep setting goals higher and higher, but never provide rates that are marketable? Does it show *integrity* to specifically target an agent for termination in order to give his agency to a district manager who is being asked to step down?

As I ponder the events of the past few years, I see a company that has changed drastically from its earlier days when indeed, caring, fairness and integrity were a part of its corporate culture. But how many agents and employees actually feel the company is caring, fair and exhibits integrity today? In fact, ask the policyholders what they think about this company. A survey done by FreeAdvice.com (<http://insurance.freeadvice.com/reviews/24/survey/American+Family+Insurance/>) indicates that 17% of American Family’s customers are extremely satisfied with American Family, 12% are very satisfied, 15% are somewhat satisfied, 11% are unsatisfied and a whopping **44% are very unsatisfied**. JD Power surveys show a huge percentage of customers are very satisfied with their agents. What does this tell you? In case you can’t figure it out, policyholders love their agents, but aren’t so fond of the company.

From the agents I talk to, I hear Dave’s and Jack’s words are not very reassuring. In fact, many agents tell me that they are so **afraid** for their jobs they just don’t know what to do. District managers don’t seem to really know (or at least pretend not to know) the real ramifications of the Tier System. The agencies of many top producers seem to be as much in jeopardy as smaller agencies. Years of loyalty to the company don’t seem to mean a thing.

At the same time, many district managers seem to be warning agents to “stay away from NAAFA.” They warn agents (those fragile enough to listen) not to even read the NAAFA Report. The company does not want you to know what is going

(Continued on P. 15)

on with or to other agents throughout the company. Communication between agents has always bugged management. Newer agents are told to stay away from older agents. Ever wonder why?

Communication between agencies always strengthens the agencies. Take a look at recent events where communication broke down between the CIA, TIA and other governmental agencies. Because of this breakdown in communication, the 'underwear bomber' was nearly able to kill a plane load of passengers. If communication between NAAFA and the agents breaks down, a similar disaster is likely to happen. Terrorists do NOT like it when governmental agencies are well informed. They try to waylay or break down the line of communication between the agencies. Likewise, AmFam does NOT like it when there is an open line of communication between agents and NAAFA. Figure it out. Who gets hurt by not being informed? Of course, the uninformed get hurt. That would be you, the agent!

If you think you will save your job by *not* joining NAAFA, you're crazy. If you continue to let this company frighten you, only you will lose. You can be as loyal to AmFam as you possibly can, but when they want you gone, you'll be gone. Your loyalty won't matter a whit to them.

**When, oh when, will agents wake up to the fact that they must join NAAFA? When did ignorance ever help anybody? Why should this company be able to tell its independent contractors what organizations they can join? You can better prepare when you know what's coming. Your wisest move is to JOIN NAAFA.**

Submitted by board member

Bumper Sticker: God promises a safe landing, not a calm passage!

## Nacirema Ylimaf Ecnarusni

[Submitted by Agent]

There is a *magician* out of Madison, WI called **Nacirema Ylimaf Ecnarusni** who is unbelievable. You have to see him to believe it. Actually, when he first started out decades ago, he wasn't a magician at all, but a hard working blue collar type guy. He started a small company that offered an above-average product and he hired select people to sell these products for him. He called these people '*stnega*' which stood for "Sales Technicians Never Ever Going Away" because they were happy salespeople that loved working for Nacirema Ylimaf Ecnarusni and were proud to sell his products.

The *stnega* worked very hard and were always rewarded for their efforts not only with a fair wage, but also with jewelry and trips and bonuses if they exceeded expectations. Nacirema Ylimaf Ecnarusni was very proud of his *stnega* and continued to add more and more *stnega* as he grew his company and expanded his operating territory. He developed new products for his *stnega* to sell, and these products were always above average products and they were sold at a fair price. Nacirema Ylimaf Ecnarusni was happy, the *stnega* were happy and for a long, long, time, life was good.

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The stnega realized that if they gave the best service possible to their clients, their clients were very loyal to them, and would refer their friends and neighbors to the stnega to buy their products. The stnega built up strong relationships with their clients and this did not go unnoticed by Nacirema Ylimaf Ecnarusni. He had become greedy and had an idea.

First he decided to cut the stnega wages 10%, but thinking he was smarter than the stnega, he said it was only a 1% decrease from 10% to 9%. He then introduced new products to replace existing products and paid the stnega less to sell these products. He told the stnega that this was not a wage cut but just a different wage for a different product.

Then it was time to take advantage of the client's loyalty to the stnega. Nacirema Ylimaf Ecnarusni kept raising the price of his products because he knew the clients were loyal to the stnega and would keep buying the products no matter what the cost was. He also took advantage of the stnega loyalty to his company and transferred more and more of the work that he was doing to the stnega. He assumed the stnega would gladly do this for the privilege of being associated with Nacirema Ylimaf Ecnarusni. The stnega were forced to hire additional staff to do this work, or sacrifice much of their valuable selling time to do it themselves.

Nacirema Ylimaf Ecnarusni was ecstatic! He was making more money than ever because his products were overpriced, his stnega were underpaid, and no one was shopping elsewhere for their products because of their extreme loyalty to the stnega. Nacirema Ylimaf Ecnarusni was so proud of his brilliance at outsmarting the dumb stnega and their clients that he awarded himself millions of dollars in bonuses.

Now the stnega had a dilemma. Not only were they spending more and more money on hiring staff to do Nacirema Ylimaf Ecnarusni's work and receiving less compensation for their efforts, they were dealing constantly with disgruntled clients that were tired of being gouged on the cost of their products. On the little time they had left for selling, the stnega were embarrassed by Nacirema Ylimaf Ecnarusni's uncompetitive prices compared to their competitors, and their production dropped. The stnega quit asking their clients to refer business to them because they knew they would not be able to offer a favorable price, and they did not want their clients to find out how high Nacirema Ylimaf Ecnarusni's product was. The stnega's income plummeted, their growth declined and their morale was at an all time low all because of Nacirema Ylimaf Ecnarusni's greed and mismanagement!

By this time Nacirema Ylimaf Ecnarusni was so far removed from his blue collar roots that he couldn't understand why his company was regressing at such a rapid rate. He didn't realize that loyalty only goes so far with the stnega and the marketplace. He just knew that whatever was going on, *it wasn't his fault*.

[Continued on P. 17]

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

**Remember the goal.....2000 members!!!**

This is when he became a magician.....he turned backward things forward, forward things backward, and right side up things upside down, all with a secretive spin that only he understood. Sound familiar?

Meet:  **"Nacirema Ylimaf Ecnarusni"**  
(American Family Insurance)  
and  
**"Stnega"**  
(Agents).

**"Spin it Baby, It's Magic"**

"Good, profitable, ethical career agents that leave American Family and go Independent, instantly become bad, unprofitable, unethical losers."

"The drop from A+ to A with an outlook of 'negative' is nothing to worry about; it's just a sign of these hard times all companies are going through."

"The J.D. Powers survey rates agents higher than the company only because most people don't see the *behind the scenes* service and thus the agents receive all the credit."

"Our rates are 30% higher than everyone else's but don't worry, we are going to be #1 in customer satisfaction someday."

"This new phone system will be a great asset for the agents, and when you leave we'll keep the phone number so you won't be bothered with unnecessary calls."

"Our goal is to have larger agencies, and since you don't have competitive rates to grow your own agencies, we will help you by getting rid of the 35% *slacker* agents and give you their policies. Yes, your commission will be less, but don't forget they are freebies!"

"The new call-in centers will provide another sector of the population a means of buying insurance direct...a great service to the agents because you'll get \$10 per policy and a chance to cross-sell!"

"We certainly don't have all the answers right now...but the integrated channels strategy is consistent with AmFam's 2010-2014 strategic plan that we strive to wrap around (choke??) our agency force!!!!"

*And the spin goes on and on and on and on.....*

**Dettimbus Ylsuomynona**  
(Submitted Anonymously)

[End]

# American Family, Why'd you do this to Me?

(Sung to the tune of the popular song "American Woman")

[Submitted by Agent]

What do you do when you're stabbed by the man, you worked for and made look so good?  
Why do I cry when I know I've done right, and have always worked as hard as I could?  
It's because I do care and want to always do right, for my friends who look up to me.  
And who ask my advice and give me their trust, no matter what the outcome may be.

This man is American Family, and we that are old, remember the way it was back then.  
But the only thing left is the name, nothing else, and we long for the good times again.  
When did the Ivory Towers start to fade, and when did the pain become strong?  
It happened one day when we looked away, and our leaders said we didn't belong.

***American Family why'd you do this to me,  
American Family why can't you just see?***

***Every time I forge ahead, you're always messing with my head, and doing it with glee.  
We made you what you are today, all we ask and all we pray, is for a chance to earn our pay  
With dignity and respect we've earned, that's all we want from you, please just say, okay'.***

You look for the agents to keep charging ahead and weather the storms that you cause.  
But we have no armor to ward off the swords, and the stones that are thrown by your laws.  
We put out the fires, we conquer the hills, and we fight hard to get to the top.  
And when we crest the hill at the end of each day, The Man warns us, "Don't Stop".

We say we can't go on, we're exhausted and dry, we beg for some water en masse  
But He kicked us down the hill with a smile on his face, as we licked the dew off the grass.  
We tumbled on down and tried to stifle our screams, as we neared the bottom of the slope  
We were about to fall over the cliff up ahead, and we begged him to please throw us a rope.

***American Family why'd you do this to me,  
American Family why can't you just see?***

***Every time I forge ahead, you're always messing with my head, and doing it with glee.  
We made you what you are today, all we ask and all we pray, is for a chance to earn our pay  
With dignity and respect we've earned, that's all we want from you, please just say, 'okay'.***

The rope never came from the man up above, and for awhile it seemed eerily still.  
The ones that survived the fall looked around to see, who again would march up the hill.  
Most went back to the man up above though they knew, it would be a life of disdain.  
Though the risk was great, some of us went over the cliff, to gain respect for our name.

We survived the great fall, started over anew, to adjust to the new life we chose.  
It was fun again and our spirits rose high, as we finally heard yes's instead of no's.  
But he hunted us down and marched us back, to the hill where we first decided to jump.  
And he told us we lied and cheated and stole, as he gave us a swift kick in the rump.

***American Family why'd you do this to me,  
American Family why can't you just see?***

***Every time I forge ahead, you're always messing with my head, and doing it with glee.***

[Continued on P. 19]

***We made you what you are today, all we ask and all we pray, is for a chance to earn our pay  
With dignity and respect we've earned, that's all we want from you, please just say, 'okay'.***

He paraded us through the courts that he owned, and took all the money we earned.  
He was ruthless and evil and laughed in our faces, when we told him what we had learned.  
We learned that greed and threats are not here in this land, where we now choose to live.  
That was in our past with the people we left, the ones who always take and not give.

We'll continue to fight and we'll never give up 'cause we know, our hearts are ethically right.  
He will try to knock us down and strike fear in our hearts, much like a viper's venomous bite  
But in the end we'll prevail because God's on our side, and we know that this suffering is good.  
It forces us to have faith and continue to serve others, with pride as only a good agent would.

***American Family why'd you do this to me,  
American Family why can't you just see?***

***Every time I forge ahead, you're always messing with my head, and doing it with glee.  
We made you what you are today, all we ask and all we pray, is for a chance to earn our pay  
With dignity and respect we've earned, that's all we want from you, please just say, 'okay'.***

[End]

NOTE:

**In this issue of The NAAFA Report, we have presented you with some songs/poetry/stories written by agents who have felt the misery and pain in a way not unlike the early American slaves must have felt when, from their hearts, they sang their beautiful but mournful spirituals. This stolen race was deprived of their languages, families, and cultures; yet, their *masters could not take away their art form*. Their songs were also used to communicate with one another without the knowledge of their masters. Some of our agents, due to the persecution of American Family and their attorneys, have lost nearly everything, but these "slave masters" cannot take away the agents' joy of music, poetry and their love of life in general. NAAFA is thrilled to be able to publish these poems and articles, and we know that agents will relate to what is being said just as did the slaves who communicated with one another through singing their heartfelt spirituals.**



## **MERGERS AND ACQUISITIONS**

[Some observations by an agent]

It would seem that the process of merging insurance companies (which doesn't seem to be happening as fast these days as the merger of banks) would be in many ways, similar to the merging of banks. If branding is important to banks, it most certainly is important to insurance companies. When insurance companies merge, their brands must in some way balance. But what most often happens is that one brand is allowed to survive and grow while the other is left to die. Brand is very important because brand is why people choose to do business with a certain company. Choosing which brand two merging companies will keep is critical to the continuation and success of the merger.

Why would an insurance company want to merge? Only one reason seems logical...to increase its value. And the need to increase its value comes because management

sees that its future is a bit shaky. Let's take a look at four different strategies in the merger scene. There's the...

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- 1) **Union** of two companies where each keeps its own identity or branding. This happens when a life company acquires a P & C company, for instance. Customers still maintain their love for the brand they originally placed their faith in.
- 2) **Invisible** approach where the weaker brand company is quickly absorbed and just disappears. The stronger brand survives and thrives, hopefully.
- 3) **Select-elect** approach that occurs when all the good qualities of one company are selected to be moved over to the other in a time frame that gives customers (and workers) time to adapt.
- 4) **Fresh-face** mergers when both companies decide neither of their brands is worth saving and so they agree to build a whole new face or brand.

What is the success rate of mergers? Research shows that about 60% of mergers fail. Some people think that failures are probably due to lack of capital, but research shows this not to be true. Surveys show that about 81% of the problems have to do with "people who work there." Most CEOs who were surveyed said they wished they had spent more time evaluating the "people issues." They reported that what they forgot was that they weren't acquiring a business as much as they were acquiring a whole culture of people.

One can only imagine the clash in identities among employees and agents of two merged companies. Fears of losing benefits, positions, feelings of impending doom and fear the company is changing its focus seem to rise to the surface. All these fears and feelings can cause great hostility. Many times these feelings are present well before the merger occurs because there are always rumors before hand. Company leaders need to recognize the warning signals. Are employees preoccupied with the merger? Is there lack of communication between the management, board and employees? Do workers exhibit the "we vs they" syndrome?

A wise company will keep the workers well informed and reassured. A merger needs to be a happy and wise move in the eyes of the workforces of both companies, or the move will not succeed. A recent merger between two very large companies found upper management, before the merger, repeatedly stating that their plans included goals of keeping all employees...that is, no layoffs. This merger was successful because their promises were kept. Never underestimate the negative effects on a business from an unhappy workforce! Is American Family interested in a merger or acquisition? We don't know for sure, but they have alluded to it via management and their compass page. Rumors say that home office has hired an attorney with expertise in that area. Rumors also say that talks have occurred between American Family and other companies.

What will such a move mean to employees and agents? It's hard to say. If this company had a history of being employee/agent friendly, then the outlook might be better. Agents ask us all the time what we think will happen to Termination Benefits if there were a merger. Again, we aren't sure, of course, but we do know that very often employees lose benefits in a merger or acquisition. Retirement plans can disappear. Vacation time can disappear. Rules can change. Leadership will definitely change. Your working environment would also change.

**Agents, how do you prepare for this? NAAFA has often suggested agents always be ready with an alternative plan. You are independent contractors. Companies trying to downsize often let their subs go first. Do your networking. How else could you make a living? Are there two incomes in the family? Make an effort to eliminate debt. In other words, make plans. For more information, call NAAFA.**

[End]

## **TRADE SECRETS....**

### **What the heck are they anyway?**

**Captive insurance companies have stated (but seem to be afraid to fight in court) that policyholder information such as names, addresses, and other personal information, is information that once entered into their database systems, automatically becomes their Trade Secret. Note that non-captive insurance companies do NOT agree with this view.**

One area where all insurance companies agree is on the use of **Clue Reports**. CLUE stands for Comprehensive Loss Underwriting Exchange and is a huge national database of personal information on nearly every policyholder in America. It was designed to provide loss history information to property/casualty insurance companies of their applicants during the underwriting and rating process. By having one database of information available to ALL insurance companies (and to all agents who write for these companies) This process allows consumers to benefit by enabling increased competition, more accurate pricing because the customer's true history is readily available. It allows for streamlined processing and increased availability of coverage.

**So what is the problem? In a nutshell, when captive insurance companies claim that a customer's name, address, and personal insurance information is a Trade Secret once it has been entered into their system, they are limiting the consumer's ability to get the best possible rate available, something that is definitely a violation of the McCarran-Ferguson Act and most likely violates anti-trust laws.**

**First of all, because all information in a CLUE Report is available to all insurance companies and their agents, client information CANNOT be a Trade Secret as this would violate the most basic rule of Trade Secrets....information that is not readily available to the public. Judges and juries should be challenged to view the input of their own names into a CLUE database and see what personal information on themselves comes up. An immediate decision would have to be made that customer data is NOT a Trade Secret.**

How is the consumer hurt by the decision of captive insurance companies to declare customer information a Trade Secret? If a

captive insurance agent decides to leave the captive company and sell for the independents, his clients, most of whom want to follow him, cannot do so for as long as the agent's non-compete clause is in existence. In some cases it is one to three years. ***Because the customer cannot follow the agent of his choice, the customer most likely will end up paying higher premiums and dealing with an agent he doesn't know until he is free to switch to the agent he had been with (for perhaps many years) under the captive company. In essence, the captive insurance company is keeping the customer captive, too.***

**In conclusion:**

- 1) **Policyholder information is placed by every insurance company into a national database exchange called CLUE.**
- 2) **This information is readily available to all insurance agents and companies.**
- 3) **Every policyholder has access to his CLUE information. This is information that is used to determine his premium.**  
<http://www.privacyrights.org/fs/fs26-CLUE.htm>
- 4) **Customers have a right to choose what ever agent they want and when ever they want. If you are denied this right by anyone, contact your state's attorney general and/or state insurance commissioner immediately to place a complaint.**
- 5) **Judges should be challenged to look at the facts about customer information. *Readily available* customer information is NOT a Trade Secret.**

So, what the heck is a Trade Secret? Well, now you have it. Captive insurance companies have coined their own definition of a Trade Secret and judges in our courts are too blinded to see it. What are you going to do with this information? Start educating your clients, your attorneys, your lawyers, your legislators, your newspapers, and your fellow agents. This has become not only an issue for agents, but a consumer issue...one that is about to burst wide open. [End]



The National Association of American Family Agents  
PO Box 578  
Circle Pines, MN 55014



# The NAAFA Report

(Winter 2009-10)

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**NAAFA MEMBERSHIP/ DONATION APPLICATION\*\***

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<b>MEMBERSHIPS:</b> (Circle one)	<b>Annual</b>	<b>\$240</b>
	<b>Semi-Annual</b>	<b>130</b>
	<b>EFT (Monthly)</b>	<b>20</b>
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**\*Membership included with Gold or Platinum annual donations.**

**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](http://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.

