

The

NAAFA Report

Summer 2008

Contents

<u>Who We Are, Our Mission Statement</u>	<u>2</u>
<u>Are you Still “Thinking About” Joining NAAFA?</u>	<u>2</u>
<u>Company in Crises—American Family (Feature)</u>	<u>3</u>
<u>Do You Have a Winner’s Mind?</u>	<u>7</u>
<u>NAAFA President’s Musings</u>	<u>8</u>
<u>The 409A Questions</u>	<u>9</u>
<u>Here We Go Again!!!!!!!</u>	<u>10</u>
<u>The Shifting of Our Culture & Other Great Losses</u>	<u>11</u>
<u>Why JD Power and OSAT Work Against Your Agency</u>	<u>12</u>
<u>NAAFA BREAKS WITH TRADITION</u>	<u>15</u>
<u>LAST MINUTE NEWS</u>	<u>16</u>

[NAAFA has decided to return to their usual plan of sending the complete NAAFA Report to the whole agency force. We must always look at cost so this was a determining factor in our decision to do just one version. If you appreciate the newsletter, please support NAAFA by placing your membership with us immediately.]

CHANGE IS COMING! It is evident from what we read in the “Producer Lifecycle Program” that the agent incentive and compensation program will be changing. NAAFA has predicted this would happen. If a change is going to be made that affects agents’ termination benefits, then NAAFA believes agents should be told exactly what these changes will be BEFORE agents have to make a decision about the 409A benefit selections. (See Page 9 for more.)

NAAFA DISCLAIMER

Articles, opinions, and viewpoints contained in The NAAFA Report are not necessarily the opinions and viewpoints of NAAFA. The opinions expressed herein, are not those of American Family Insurance Company or any of its subsidiaries. The NAAFA Report’s express purpose is to provide a medium whereby people can express their opinions in written form for any interested parties to view. Therefore, NAAFA disclaims any liability for any harm that may be done as a result of these opinions being expressed herein. The NAAFA Report does not guarantee accuracy and correctness of such articles. No part of the NAAFA Report can be reproduced or copied **without prior written permission.**



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 American Family Agents and American Family Insurance Company, for whom the Agents supply the lifeline that enables American Family Insurance to exist. 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 the Company and Customer, as well.

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.

www.NAAFA.com

Summer 2008 NAAFA Report

ARE YOU STILL “THINKING ABOUT” JOINING NAAFA?

“Well,” we ask, “What in the world is stopping you?” Why in the world would an agent like you *not* see a need to support NAAFA? When agents are backed into a corner, the first place they come to is NAAFA. But when things are going well, why bother? It reminds us of the “ambitious” fellow who complained about getting wet when it was raining because his roof leaked. But when the sun shined, he never thought to fix it.

NAAFA hates to refuse to help anyone, especially when we know what many agents go through sometimes. But it is getting harder and harder to supply the man-hours without help to pay the wages. Do you get our point? You need to be supporting your professional organization....The National Association of American Family Agents. You need to do it TODAY! There’s not a one of you who doesn’t have \$20 a month. You can all afford that much. The EFT deduction can be made painlessly so there’s no excuse. **JOIN TODAY** by filling out the attached membership application and sending it along with your check to NAAFA, PO Box 578, Circle Pines, MN 55014. **Or at least you can give a donation of \$50 or so!!**

*NAAFA would like your opinion on raising the retired agent's membership to \$100 per year. Retired agents' membership fees are under discussion due to the additional time NAAFA is now spending supporting this particular group. Let us know your thoughts. Call: 800-567-9668 or email us at NAAFawest@comcast.net.

Company in Crisis – American Family

[Guest Editorial]

The year was 1927. The idea was simple: Start an insurance company using agents to provide needed coverage and great service to policyholders. Although, American Family celebrates that historical event and founding concept, the actions of the company have widely departed from the original formula and have resulted in a corporate structure that is strikingly dysfunctional and far adrift from the mission to support its captive agent force. Simply put, it is a company in crisis. Here are several current circumstances that indicate and support this conclusion.

1. Industry leadership has been replaced with empty sloganism.

Sadly, it is always a sign of rudderless leadership when any organization adopts sloganism to the degree shown by American Family. Proclaiming aspirations of being “Number 1” in customers’ minds for trust and service is significantly different than changing systems, processes and the mindset of employees and agents to actually achieve those lofty levels of esteem. The sloganism rings hollow as a result of technology that is sadly lacking, databases that fail to fully integrate and a billing system, widely promoted to policyholders as state of the art, yet can barely survive a seven-day period without suffering outages and apologetic emails to agents for the inconvenience.

The sloganism attempts to mask the threadbare fabric of the systems agencies are forced to use to quote prospects, enter new business and make policy changes. ADS, SIS, ANS, CIM, GIROS, policy viewers and LP2000 all operate with only a faint relationship to each other. For agents who do their own entry and/or CSRs and/or company service support staff, daily activities have turned into a crazy quilt of multiple systems that are constantly changing as bugs, flaws and just plain unworkable elements are discovered by the field and updated by the company designers who rushed the systems into service before adequate testing.

2. Corporate leadership has vanished.

American Family lacks a coherent image and strategy. The firm is currently headed by a secretive man who spends much of his time below the waterline.

CEO David Anderson is a man of few words as evidenced by the more frequent appearances of lesser officers who attempt to fill the void of top-level credibility. At the company’s gatherings of the most-celebrated agents, the CEO has little to say and his minions’ have few words of insight and have little to share except platitudes. This leadership void has corrupted the entire enterprise.

Hardly a day goes by that an agent doesn’t receive emails announcing changes in process, products, underwriting and communication. This avalanche of constant change results from the disinterest of top management to maintain an overarching strategy that touches all sectors and the whims of low-level department managers to plod along with department-centric process.

Such lack of enterprise coordination results in chaotic environments at the agency and service level. A prime example of this disunity is American Family's communication to the field. Some information is carried in bundled messages to agents. This was developed to reduce the flood of emails to agents each day. Good idea in theory. Yet, department managers and some DSMs continue to send out their own emails (many times copying the first email) without regard to any other contact protocol. Add to the clutter the Agency Notification System and it becomes clear that agencies are spending huge amounts of time wading through constant one-off attempts to keep the field force informed about all the constant changes.

3. OSAT is used to rate the messenger and ignore the message.

Rating customer satisfaction can make wonderful sense. For example, knowing if a client likes the many aspects of a roll of toilet paper can be beneficial. But rating the store clerk who put the product on the shelf or the kid who put the roll in a shopping bag is getting carried away. To saddle agents with the current J.D. Power prescription is taking an ill-logical leap.

A side effect of American Family's corporate crisis is to judge the messengers (agents, who are held to an extremely high success score of 8.99 out of 10 in order to achieve sales qualifications and bonus) as if they were the message. When agents have full control over the numerous aspects of the clients' insurance experience, the analysis becomes sound.

Currently, American Family's use of OSAT miscalculates the agents' fragmented role across the many policyholder "touch points" and thereby serves to more frequently rate down agents for failures and negative experiences that result from the company's processes. OSATs inaccuracy is highlighted by many examples of agencies with high scores and low retention rates.

4. Corporate paranoia: trying to be all things to everyone.

Older agents will remember the famous television show opening, "Is it a bird? Is it a plane? No, it's Superman!" When you don't know who you want to be, you become everyone; mild mannered Clark Kent by day and Superman when trouble threatens.

American Family's crisis-driven paranoia is similar. Is the company an Agency-Driven Distribution System or is it a Direct Writer? It's becoming hard to tell. The company professes to be ever supportive of the agency system. But in a July 2008 All American magazine article, President and COO Jack Salzwedel talked of entering new territories, selling policies, then, when a quantity of policies were in force, "**back-filling**" the territory with agents. Aside from the poor use of words (back-filling refers to the construction process of adding dirt to excavated areas) this raises serious questions about the role of agents. Where were the agents on the front end? If they weren't needed to sell the policies, then why would they be needed at a later time in the relationship? And if a policyholder bought the product without an agent, why would they subsequently move from relating to the company to relating to an agent?

Further crisis-driven paranoia is presented in the form of American Family's zeal to promote 800 MYAMFAM and manipulate (their independent contractor) agent force into Access Direct. Both of these programs are being spun as advantages to agents. In reality, they are attempts to end-run the time, effort and financial investments agents have made in their agencies, their personal brand to clients and the agent's ownership of telephone numbers and lines.

The effect of American Family's crisis, in the form of agent defections and retirements, is being met with this ill-fated attempt to promote client satisfaction. Currently, every responsible agent has outgoing telephone messages that include numbers to call or immediate access to claims and billing. Clients are not lacking in connectivity to get bills paid and claims entered. Yet, American Family is trying to convince agents that 800 MYAMFAM and Access Direct, which can bypass your agency and record your client calls even during business hours when your office is open, will somehow make clients happier. The only true benefit will be to permit 800 MYAMFAM to end-run the agent's personal advantages and immediately take over the agent's phone number through Access Direct when the agent quits.

5. Marketing is in freefall.

The marketing support for agencies is a central player in the corporate crisis. From a revolving door of marketing vice presidents, to poorly managed outside vendors and a string of low-impact product campaigns, American Family's marketing remains moribund. Case in point is the Internet lead program. At first the company was using four sources for leads sold to agents. The results were mixed. Then the quality of the leads crashed and many agents cancelled their agreements. Agent complaints were met with little sympathy other than an occasional credit for leads that wasted agents' time and money. Life leads offered through the marketing program became so bad the marketing department cancelled that category of leads altogether. With so many agent complaints, the free lead program was offered, but again, the low quality produced such a poor conversion rate from lead to sale that the marketing department is saying little about the results. Despite this tragic track record, the freebies are over and leads are once again available...again for a healthy fee to agents.

6. AFLIC remains a department divided against itself.

American Family Life Insurance Company occupies a prominent spot in the corporate landscape of crisis. While Jeff Bosco has managed to hold on to the controlling post, he has barely led his ship from the rocks. The introduction of Teleunderwriting has been widely touted by the company as a success while widely criticized by many for its faulty implementation and for being a solution in search of a problem.

By outsourcing elements of the underwriting process, long delays and service issues have been added to getting simple term applications issued causing frustration to agents and clients. Hailed as a benefit in a so-called test mode, the program crashed upon introduction to the field, a testament to the caliber of management charged

with designing the program. The plan, according to some life department employees in Madison, is designed to reduce the current crew of life underwriters.

Meanwhile, traditional life commissions remain an unaddressed sore spot. After reducing life commissions several years ago, the company is now attempting to revive agent life activity by offering the Life is Golden campaign. This campaign is another attempt to spin the negative. Term life commissions are simply too low, and unlike the real life companies, there is no annual multiplier effect of increasing app count.

The Life is Golden campaign is an admission that the commission structure is adverse and fails to properly compensate an agent for time and expense to place life policies.

To add insult to this program, agents will have to wait up to five months to get paid for the additional premium bonus on the policies they write. And for agents who write life now and quit or retire before December their extra bonus will not be paid.

In the March 2008 All American, Executive Vice President Al Meyer's said, "Our current percent of premium that goes to our sales force is very competitive with our peer group, and we have no intention of changing that." However, there was no documentation from the field compensation study to backup that claim. He went on to add, "External factors continue to impact our business...It takes more hustle and effort to get the same results we got only a few years ago."

7. Creating the perfect storm of financial crisis.

No corporate crisis would be complete without financial woes. American Family has sailed into the Bermuda Triangle of finance. The decision to spend many millions on corporate jets established the style of the current leadership. Such a financial compass heading has caused the expense ratio to head north aided by an employee to agent ratio that surpassed two-to-one even while more service functions are pushed back to agents.

Add to this the news that in the second quarter of this year American Family has suffered its worst quarterly net underwriting loss in eight years, more than \$501.6 million. But wait, there's more. Recently, a web-based presentation was made to all management that revealed many changes resulting from the Strategic Planning Team. Translation: more top level, expensive positions. Added are new Senior Vice Presidents and at least ten new jobs known as Associate Vice President.

In announcing these latest, costly changes, the comments of President and COO Jack Salzwedel were chilling. "We realize this is just the beginning, and these transitions won't be easy."

Enough said.

[NAAFA is honored to have such an outstanding guest editor as we see presenting in this article, *Company in Crisis*. We encourage other agents/managers to submit your thoughts. As always, authors remain anonymous to the readers. Send your thoughts &/or articles to NAAFAwest@comcast.net]

DO YOU HAVE A WINNER'S MIND?

[Submitted by an agent]

More than one motivator has said that “you are what you think about.” We even find such thinking in the Bible (Philippians 4:8) which paraphrased says something like this: “Fix your thoughts on what is true, honorable, right, pure, lovely and admirable. Think about things that are excellent and praiseworthy.” It’s true. We must visualize ourselves being winners.

Below I have listed several characteristics of a winner’s thinking, ideas I heard in a recent sermon. I want to share them because I think we need to focus more on the positives in our lives and less on the negatives. Thanks for letting me share.

Characteristic #1: You must first decide what you want. Believe it or not, there are some people who do not want to win. They are content to sit back and ride the waves, but often these people are waylaid by large waves that upset their surfboard. They lose focus of their goal because they are too busy trying to get back up on the surfboard. The *surfboard* becomes their goal....not winning the surfing race. Decide what you want and visualize it.

#2 Never be defeated by failures. Remember, failure can be the greatest of teachers. Most great people have failed, and failed miserably. But they manage to use their failure positively. Check it out. Learn from your mistakes and look at them as stepping stones to the goal in your visualized plan.

#3 Don’t let your fears control you. Often the thing(s) you fear most actually happens. Get over it. Put that fear aside or it will control you. Trust yourself (and God) to be bold and work toward that goal.

#4 Don’t let resentments get in your way. Often people become incapacitated because they focus on something unfair that has happened to them. Forget the past. Forgive. Again, focus on your dream of winning.

#5 If greed is your motivating factor, you probably can’t win fairly. Many people are consumed by greed. They are so afraid someone is going to take something away from them that they become distracted by that fear. Greed is powerful and those who wrap their fingers around what they selfishly *think* should be theirs, will soon lose sight of the joy of fairly winning what is theirs by way of hard work.

#6 Don’t let success cripple you. Remember, satisfaction builds stagnation. When you sit back and say, “I’ve finally arrived at the point I want to be, the winner,” you’re on your way to destruction. It is better to be a humble winner than a bragging loser. That’s right, some people actually set their goals at being a loser and then brag about it. Remember, an unhealthy attitude toward either success or failure can ruin you.

#7 Great winners find ways to serve. Again the Bible comes to mind. Romans 15:1 says “We who are strong have an obligation to bear with the failings of the weak, and not to please ourselves. Let each of us please his neighbor for his good, to build him up.” Focusing on the needs of others, being humble and kind are characteristics of *real* winners.

Change is so important. Many of us are afraid of change. I know I am. Remember, we cannot change what we don’t confront. Let’s take a look at ourselves and ask, “Am I accomplishing what I want to accomplish?” “Am I the person I really want to be?” If I feel it’s too late to reprogram and start over, then I’m probably visualizing failure. Isn’t it best to turn my life around and live a dream of winning? I say, “Go for it!”



NAAFA PRESIDENT'S MUSINGS

I spent part of the weekend recently, thinking about all the things happening at AmFam these days. It has always been apparent AmFam wants to get rid of veteran agents. The commission difference on the transfer is a windfall profit for the company. AmFam wants to retain their client base and are suing agents under the terms of the computer contract for violation of trade secrets. It costs AmFam management nothing to sue an agent for they are using policyholder money. With each case they win, they become better and more knowledgeable at suing. They are using AIM to fine-tune marketing strategy for future use while the agents contribute the man hours to supporting the program. Having to submit all client information into the CIM system will add to the trade secret data they can claim as being *their property*. In short, get rid of any veteran agent or agent close to receiving their termination benefits, and presto! A great profit for the company has just been created.

Their goal: Retain client base by suing retired agents for violating trade secret information. Fine-tuning AIM and CIM in order to go with direct sales or with company employee agents while current agents pay for the research done through both AIM and CIM development. Last but not least, AmFam feels invincible!

I see only three scenarios that would change the dilemma current agents are facing. **One:** The Company is bought out, buys or merges with another company. **Two:** Agents are made employees or the company goes full steam into direct sales similar to Progressive Insurance, with agent-based rates and company-direct rates, which are lower. **Three:** The current management topples due to mismanagement and a new set of officers goes back to the original way Amfam made money which was based on the principal of God first, family second and then American Family.

It is also my observation that AmFam is indecisive about what to do. Shouldn't every agent be concerned about supporting such a management group without knowing which of the scenarios is going to play out? AmFam used to have a 5-year and a 10-year plan which they used to share with agents. The fact that they have not shared any type of credible plan for several years should be an indication that there *is* no longer a meaningful 5 or 10-year strategic plan in place. What we do get is a lot of rhetoric which tells the agents nothing. *The company appears to have punched themselves in the nose and they can't stop the bleeding.* They simply cannot expect the agents to bail them out again this time. Rates are impossibly high, the actuaries' credit scoring plan is out of whack, and retention is constantly dropping. Of course AmFam is indecisive. Who wouldn't be with the problems facing this company!

Abraham Lincoln lost all but one of his political campaigns before becoming elected President of the United States. Ben Franklin failed at business 7 times and even filed bankruptcy, yet he prevailed in the end. There is nothing wrong with failure, but *there is something very wrong with failing due to pride and taking the whole ship down with you.*

Obviously, being paid the "big bucks" does not correlate with how intelligent one is. Share the problems of what American Family is facing with the agents. Level with us.

If we are really a team, then perhaps together we can help provide the solutions. Maybe before destroying this company, it might be wise to step aside and let some other management team try to solve AmFam's problems. It appears that the consulting firms that have been hired are expensive and ineffective. Outsourcing sometimes enhances profitability but also diminishes quality of workmanship. Perhaps it *is* time to outsource for real experts in the field of insurance who may have possible solutions because it is apparent that solutions are not forthcoming from within.

While management struggles about what to do, over 4,000 agents and many thousands more company employees are also struggling to maintain their jobs, wondering whether they should stay on a sinking ship waiting for a miracle to happen or jump over board where at least they have an opportunity to reach some safe harbor. Do I invest more money in staff or cut back? Do I make improvements to my building or save the money for some rainy days which I can see are in the not-too-distant future?

Don't let thousands of lives, urgent business decisions, and families hang in limbo as you contemplate what needs to be done. Make the decisions you are being paid the big bucks to make, even if it means admitting failure and turning over the reigns. Everyone would understand if management admits to being "in over their heads," but no one will forgive them for ruining this company and thousands of lives!!!!!!!!!!!!!!
Till next time,Your NAAFA President

[See the next message from NAAFA's President at www.NAAFA.com.]

THE JET: If it's important for Governor Sarah to save money for Alaska by selling their \$2.6 million jet, isn't it also important for Dave to sell AmFam's \$22 million jet?

THE 409A QUESTIONS.....

NAAFA assumes American Family will keep you all posted on what you are to do regarding this IRS Code. However, until AF tells agents what the new compensation plan will be, we doubt we can make a wise selection. So far, here's what it appears they want agent to know:

- You must make a selection before December 31, 2008, about how you want to receive your termination benefits.
- If you don't make the selection by then, the company will make it for you and it will be the longest term of your contract.....probably 5 years.
- If you change your mind about the selection you have made, you will have to wait 5 years before termination benefits begin.

Evidently, there is some kind of a 20% tax (plus possible penalties) under the 409A on "deferred" compensation which is subject to taxation and which fails to satisfy the 409A requirements. We are not just sure what this means, so it might be a **good idea to make sure it doesn't apply to agents.**

Another question we have is regarding the 5- year wait if you change your payout selection. An IRS agent recently told NAAFA that school teachers only need to wait 1 year if they

change their payout selection. You might **ask for an explanation of why American Family's rule is 5 years** and then ask for documentation from the 409A rule itself.

AF says that if you don't choose, they will do it for you. If they choose "the longest term available to you under your 1993 contract," **will they choose the 5 year payout or will they choose the life-time payout?** Life-time is longer, of course. But if you had to retire before the age of 60, the life-time is not available to you. Would your retirement before 60 require a 5 year wait when the life-time selection wasn't even an option yet? Or should you choose the life-time option now and hope and pray you aren't fired or forced to quit because of health or some other unforeseen reason before the age of 60? Lot's of questions here!

A couple of the best explanations of the 409A tax code we could find are found at the following websites:

<http://www.rothgerber.com/showarticle.aspx?Show=774&PrintPage=True>

<http://www.mcguirewoods.com/news-resources/item.asp?item=2536>

You may want to check it out and pay particular attention to the mention of independent contractors.

Here We Go Again!!!!!!!!!!!!

[Submitted by a NAAFA Board Member.]

The article in the July issue of the *All-American* publication called "Executive Perspective" by Jack Salzwedel and Al Meyer reminds me of a story about a politician who was giving a speech on an Indian reservation. Every time the politician spoke on one of his key points the Indians would stand up and shout, "Hoya, Hoya!!!" The enthusiastic response encouraged the politician to elaborate by going into more detail on each of his points, and each time, the Indians became more and more vocal with continued shouts of "Hoya, Hoya."

After the speech concluded the Indian chief proceeded to take the politician on a tour of the reservation including a visit to the pen where the very rare white bull was kept. As the Indian chief and politician entered the pen, the chief quickly grabbed the politician, pointing to the ground, and instructing the politician to be careful not to step in the Hoya, Hoya!

In the very first question, Jack is asked to respond to the question of how American Family compares to the industry in terms of growth and agent incomes. His response is "growth is not where we want it, but we were ahead of our peer group and the industry in terms of pure premium growth in 2007". This makes no sense. If AmFam is not selling as much as their peers, then they must be *charging clients more* in order to have premium growth. Right?

Al responds to the portion of the question about agent incomes by reporting that "about half the agents are seeing some solid, bottom-line results, and half of them are not where they want to be." This is somewhat consistent with the agent survey NAAFA did earlier this year; however, **our survey showed the amount of income being lost by half of the agents was significantly lower than the amount of increase by the half that reported their incomes were higher.** On average our survey showed incomes were down by about 20% with only a 5% gain in incomes for the remaining agents. This is perhaps a truer picture.

Al talks more about the ineffectiveness of the current agent bonus program. The current agent bonus program is based on three factors, profit, grow and retention. If these three factors are

truly the goal of AmFam, then why not base *everyone's* bonus, including ALL corporate officers and employees, on the same criteria?????? With everyone's bonus based on the same criteria, perhaps foolish decisions such as purchasing a \$22,000,000 air plane and leasing others would not have occurred. Speaking about the "plane" how about posting the flight-log on AmFam's Compass page so everyone can see when, where, by whom and for what purpose the "plane" was used?

Al also comments on their desire to somehow tie the agent's OSAT scores into the bonus program. Could the same principal apply whereby the corporate officers are given a SCORE generated by the results of a survey to agents and employees regarding the quality and effectiveness of the corporate officers' work? What is good for the goose should be good for the gander, one would think.... I mean we are all on the same team aren't we?

There is just too much fodder or should I say 'Hoya, Hoya' in the *All-American* article to respond to in one sitting, so this will be the first part of a three part series. Stay tuned!!

BETTER JOIN NAAFA NOW!

THE "SHIFTING OF OUR CULTURE" AND OTHER GREAT LOSSES

[Guest Editorial #2]

Jack Salzwedel, American Family President and CEO, stated in the Compass Today 8/26/2008 that "We continue to shift our culture to a customer-focused one and it is beginning to show."

This is an extremely troubling statement to make! One must certainly ask "shifting from where?" How did American Family get so far away from a customer-based company that it is necessary to focus on a huge culture shift back again? Under whose watch did this straying happen?

Jack, American Family is a mutual company, a company established for the mutual good of the policy holders. Shouldn't a mutual company always have been "focused" on its customers? How could this "culture" have shifted? It certainly never shifted in the eyes of the agents, so it had to have shifted in the eyes of your corporate officers. This is shameful, to say the least. Is this what power and control does to officers when they find themselves responsible for billions of dollars of other people's money?

Reports are beginning to surface regarding American Family's second quarter losses. **With storm losses over \$800 million through the second quarter and with AF's combined loss ratio being at 124.1%, things are NOT looking good!** Perhaps the shift in culture should be toward better underwriting practices. Agents continually express concern about the effects credit scoring is having on their customers. For example, one Midwestern agent reported to NAAFA that his single-60-year-old-female customer (with a clean driving record) found her mutual auto premium at over \$1400 per year. She switched companies saving some \$500 per year on just her one vehicle. Something's wrong with this scenario.

Agents are feeling everything is out of whack. **Shifting American Family's culture needs to include a shift of corporate attitudes and planning.** Customers have been well-served *forever* by the agents. Your "customer-satisfaction" campaign is nothing new to agents. It is only new to you, the company. Might we suggest that you incorporate a **cultural shift toward agent-satisfaction?** Get past this attitude of revenge, making an example of, or quieting agents who don't agree with you. Listen to what the more vocal agents are telling

you. Rating customer satisfaction by a JD Power survey is a waste of time. What is needed is a rating of corporate behavior and business policy by agents. How about an ongoing survey by agents whereby agents rate corporate managers' work, actuarial, and underwriting practices? It's like "if agents aren't happy, ain't nobody happy!!"

**Advice is what we ask for when we already know the answer
but wish we didn't.**

WHY J.D. POWER AND OSAT WORK AGAINST YOUR AGENCY

It sounds like the perfect formula for success. Just call all your clients, greet them cheerfully, cater to their needs, provide outstanding service, and ask them to rate you with a survey score of ten (10). Then, you'll reap the benefits of outstanding retention, profitability and growth and fly off to the next reward trip. According to district sales managers, state sales directors and AMFAM magazine articles, follow this plan and you'll think you died and went to American Family heaven.

Meanwhile, down here on earth, reality paints a more sobering picture of the effects of striving to achieve high Overall Satisfaction (OSAT) scores and the chance to wear the label of "J.D. Power Distinguished Agency." In fact, thinking through the process and outcomes of this current corporate obsession with OSAT reveals several reasons why the current structure of J.D. Power surveys and application of OSAT scoring to agents work against the business interests of American Family agents. Here are three to consider.

1. The OSAT paranoia is at odds with your long-range business interests.

According to the zealously promoted formula by your sales management hierarchy, there is the implication that there's "no downside" to your frantic efforts to win the hearts and scores of your clients, every one of them. However, as anyone who has been in the sales business for any length of time knows, your book of business is not a homogeneous block of currently happy or even potentially happy people. Many factors that directly affect your clients are out of your control. For example, you don't send the bills, apply pricing models based on credit, settle the claims, make many of the system changes and set the rules of underwriting that directly impact the client in many ways. Simply put, every day you are offered an infinite number of relationship-limiting opportunities. To survive some days with your client list intact is a feat worthy of dinner table conversation.

In addition, as any sales professional knows, there are some clients you regret bringing into your agency. You have your share either because you wrote them directly or you inherited them through transfers. Some of these clients don't know you because they refuse your Personal Insurance Review (PIR) offers, they pay late, they lapse out, and they hate insurance. They feel it's a rip off and don't hold you or the industry in high regard. This is the segment of your client list that costs you the most money, time and anxiety. And there are those few who cannot and will not be pleased or even grateful for your time and effort. But to your district sales manager and sales director, you should be calling these people and asking for their highest survey rating.

Don't underestimate your business experience and feelings. You know it's wrong to throw away valuable time and effort trying to breathe vitality into a client relationship that is on life support. Bury the dead with respect and spend your time helping the living. Many sales training experts charge high fees to teach the skills of ridding your business of people who are toxic to your agency and your long-term business interests. Get rid of those who drive up

your service load, hate paying their bills, won't return your phone calls, and show disdain for what you do all day. To call those clients and pander for a high OSAT survey score of (10) is a fool's errand.

The quest for OSAT, as it's currently employed at American Family, entices you into the delusion that every client could regard your efforts with a "Top 10" survey score. Even with the short history of American Family's use of J.D. Power surveys, we know this is not true. Many an American Family agent has already been shocked to find low survey ratings from clients who are still simmering over past difficulties and even the shortcomings of a *former* agent, even though the current agent is named on the survey form. And there are a number of veteran agents with substantial production who were dealt out of the most recent All Lines trip to Hawaii because of OSAT scores. Based on the current formula, many agents will be ruled out from Rome and Cancun for the same reason. In reality, you will best serve your agency by encouraging that troublesome sector of your client list to take their business elsewhere, thereby improving your agency's efficiency, long-range business interests and your state of mind.

2. AMFAM's system prevents agents from challenging OSAT scores.

Ever try boxing with your shadow? The outcome is always the same: you'll never win. Ditto for any attempt to challenge the structure of American Family's OSAT process.

No system in business is perfect. There are always exceptions, special circumstances and parts that just don't work right. Yet, American Family's OSAT system masquerades as perfection itself. Why? Because the system is kept secret. Agents have never been told the details of the secret formula that determines which clients get a survey form. Does a claim trigger a survey? Does a new policy trigger a survey? Is a single-line client just as likely to get a survey as a household with multiple lines? Does the client who was involuntarily transferred to you last month have the same chance of being asked to rate you as a long-term client? It's hard to tell.

In America, even a criminal trial or an Internal Revenue Service audit allows for challenge and investigation of relevant facts. However, the American Family OSAT process offers you no such avenue for review. This can have disastrous effects on your agency. Consider the case of one American Family agent who had a couple of overly playful friends receive J.D. Power surveys. As a joke, these clients rated their agent and good friend a score of one (1). After the agent learned that his overall score was trashed by his friends, the clients quickly offered to re-rate him fairly. American Family and J.D. Power nixed the redo, claiming that all survey data is relevant and can't be revised.

Despite the pretense of perfection, we know the survey process and scoring is flawed. Consider the efforts of Glen Westlake, American Family's marketing research and development direct. He's laboring over five different versions of survey information—three surveys with different language and a fourth print version with larger font size. The company is also tinkering with the idea of calling your clients by telephone. This would probably be outsourced to a company using minimum-wage clerks who call clients to rate you. With a development like this, it would be hard to remember that you are an independent contractor and business owner. This sounds a lot like the definition of dysfunctional marketing: **READY...FIRE...AIM.**

Until American Family's OSAT process operates with total transparency and honors agents with the details of the system that is becoming increasingly significant to the financial

interests of an agency, a serious question of credibility will continue to undermine any benefits of this secret process.

3. AMFAM's OSAT surveys encourage "sniper fire" from your clients.

Remember this number: 26. It's the number for the question in the J.D. Power survey that may distinguish your clients as honest critics of your services or pot-shooting snipers. Unfortunately, American Family is unconcerned about which lifestyle the survey respondent chooses. Question 26 states: "AGENT NOTIFICATION. Please let us know if we may share your name and specific responses with your agent." It is followed with a box to indicate *yes* or *no*.

So far, American Family has endorsed surveys that give survey respondents this option, with all responses treated in the same way—absolute and valid. The company also has hidden behind the position that clients need to be free to express their opinions without fear of repercussions from agents. As a result, such survey responses now appear as "anonymous" entries in online results available to agents. This practice by American Family presents two fundamental problems that work to the disadvantage of agents.

First, survey respondents who are offered anonymity are being encouraged to push the envelope, so to speak. Rather than tell it like it is and be proud of their honesty, the chance to go stealth elicits a "what the hell, let's blow off some steam" response in some people. These folks come home from a tough day at work feeling a bit undervalued and abused. Unfortunately, for you, the agent, the J.D. Power survey is waiting in their mailbox, anxious to soak up some black marks. For a few, the survey is a welcome outlet, a catharsis, a way to say, "Take that, world" with absolutely no chance of blowback or cost. There is a cost to the agent, of course. That cost is a less-than-fair evaluation that may cost you an OSAT score level sufficient to be properly rewarded for your long-term efforts.

When agents have complained about "sniper fire," which is usually accompanied by low ratings, many district sales managers and state sales directors have trivialized the practice. They have told agents not to worry about it because the volume of survey responses will outweigh the negative, anonymous surveys. Such responses by sales managers fail to address the underlying problem by implying that volume counts and quality is unimportant. Such responses also beg the question of what value are sales managers, but that consideration is best left for another article.

Second, American Family's tolerance of the anonymous respondent robs the agent of the ability to learn and benefit from the evaluation process. Imagine the value of being able to call every client and ask, "How can I help you and earn a higher OSAT score in the future?" Any agent operating in the spirit of client service would have a mechanism to listen, understand and resolve issues for the client who provided a poor score. The beneficial outcomes are a win-win-win to the client, the agent and the company.

Companies in a variety of industries are using surveys. Just about everyone has gotten a survey after buying some product or service. How often were you offered the chance to rate a person or company and then hide your identity? Probably not very often, or never. Yet, American Family defends this practice!

American Family's reported concerns about angry agents calling and blasting clients for giving low scores is a different problem. In these rare instances, American Family's problem is not with the OSAT survey process, but rather with the agent, who should then be dealt with

as a separate issue. It makes little sense to keep all agents in the dark with anonymous surveys because a very few agents might mismanage the potentially valuable feedback clients could provide.

A final aspect of anonymous survey responses is the potential for manipulation of the scoring process. While this writer has no direct evidence of intentional manipulation of any agent's OSAT score, it is not hard to imagine the advantages to a company of such unethical and secretive actions. If such manipulations occurred, *it might reduce costs for the business enterprise and lower the number of agent campaign qualifiers*. These outcomes could be achieved far more easily in a system that remains secretive and without recourse from agents.

[Although this article is posted on our www.NAAFA.com website, we felt its message was pertinent to all agents so we decided to include it here in our newsletter, also.]

NAAFA BREAKS WITH TRADITION...AUTHOR IS NAMED.

Rumors always fly when an agent is terminated. For some unknown reason, the agent usually is "the bad guy" in the eyes of his cohorts and definitely in the eyes of the company. Often only the company's side is told and, of course, the company makes itself look good. If an out-of-court settlement is made, there's usually a gag order.

Isn't it time you heard the agent's side of the story? You must decide whom you choose to believe. We suspect that after you read Connie Roth's article about her termination and the termination (at the same time) of her twin sister, Bonnie Roth, you will begin to have your eyes opened.

The Roths are presenting a **three part series** for members-only on our www.NAAFA.com website. Obviously, Part 3 is not history yet. It has been over three years since the battle started for the Roth agents. They are to be commended for standing for truth, for trying to make things better for all agents, and for doing this at such a great cost to them.

- 1) **History and Events Leading to Our Termination at American Family.**
(Available now at www.NAAFA.com)
- 2) **The FINRA Investigation and Succeeding Court Events** (Soon to be posted.)
- 3) **The Outcome of Roth's Legal Pursuit of Fairness and Equity**

*Please note that NAAFA is making an exception to their rule of never divulging the names of contributors to our website or newsletter. The Roths have requested we use their name in an effort to lend credibility to their story. We salute them and wish them well in their endeavor to stand up for what is right. If you would like to contact Connie and/or Bonnie Roth, they can be reached at 630-907-0611 or Email them at: croth@rothinsurance.net.

NOTICE TO MEMBERS: YOU MUST LOG IN TO READ THIS ARTICLE.

AFTER LOGGING IN, LOOK FOR THE TITLE:

"HISTORY AND EVENTS LEADING TO OUR TERMINATION AT AMERICAN FAMILY"

by Connie Roth

Can you live with your conscience if you don't join NAAFA?

Can you at least make a donation?

Most agents turn to NAAFA after things go wrong and expect help for free.

NAAFA needs YOUR support so we can keep SUPPORTING YOU!!

LAST MINUTE NEWS!! IT APPEARS NAAFA IS RIGHT AGAIN

Recently, NAAFA received pretty reliable documentation that the sales compensation review (for agents) is at a point where the plan(s) are waiting “final approval.” The areas studied include commissions, bonuses, financing, and termination benefits. NAAFA believes the time is close when we will all be informed, perhaps in the form of a new contract, and perhaps late this year or very early January, 2009. The changes are anticipated to reduce costs and “bring American Family in line with their peers.”

Did you ever have any doubt?? With the company having a goal of saving nearly half a billion dollars a year, just where do you think that money is going to come from when agents aren't able to sell much because rates are so high? You're right; it'll probably come out of your own pocket in the form of:

1. Possibly no commission on transfer policies.
2. Reduced commission to possibly 6%.
3. Huge cuts in bonuses.
4. Money saved by delaying payout of termination benefits should agent make a choice change.

Of course, we are speculating, but we believe the writing is on the wall. We know of state directors who informed agents that the RPM rollout would probably cause agents to lose some 30% of their business. Well, that has happened in some states. These same agents who are losing so much business cannot replace it with new business because American Family's rates are so high. The only place an agent even dares market is to his own customers, and if that customer is motivated to shop after being quoted by his own AF agent, the agent most likely loses ALL the policies he had with that customer in the first place. Obviously, the larger agency you have, the more apt you are to survive these bad times. Not many people are bringing in fresh, new, raw business these days.

To make matters even worse, we are seeing district managers once again applying quotas on agents. They are being told if they don't improve their retention rate and sell the “district average” in apps, they'll be history! Of course, we project there's an even greater need for policies because the district managers are stepping back into agency like crazy.

Another possibility that has come to our attention is this. With the implementation of Access Direct, we believe the company will NOT tolerate customer complaints such as “the agent won't return my call” or “the agent's line is always busy” or absolutely no complaints to the insurance division of the state commerce department. It is very likely that not taking Access Direct and thus (the company believes) avoiding customer complaints is good enough reason to terminate an agent. We're just speculating, but this sounds quite reasonable after receiving this current documentation.

This is a heads-up, agents! NAAFA is trying to keep you informed.

WHAT ON EARTH IS KEEPING YOU FROM JOINING NAAFA NOW???

www.NAAFA.com