

The NAAFA

REPORT

January 2020 Edition

SHATTERED DREAMS

Are your dreams really protected?

Featuring:

I Have a Dream and You Can't Shatter it by Editorial Staff ..P. 3

Making Jammal v AmFam Simple P. 15 *And Flying Under the Radar*, P. 6,

both by Guest Writer Kim Rich, UFAA.

Great contributions by three of our advertisers: AAI, ASNOA, and SIAA, to help you protect your own dreams.

NAAFA, Inc.

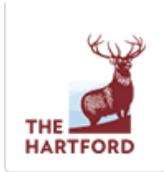
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NAAFA, Inc. is a non-profit organization whose goal is to educate, communicate, and assist in eradicating all potential Work place harm and danger for our members. Most members are active or former agents of American Family Insurance Company, but all have a common goal of attempting to better the relationship between themselves and the company.

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I HAVE A DREAM... AND YOU CAN'T SHATTER IT!

Anonymous

I HAVE A DREAM ...the famous August 28, 1963 speech by Dr. Martin Luther King, still rings in my ears. It still rings because many of the precious goals he fought for are still being fought for today. He had a dream, I've got a dream, too. Just take a look:

Martin Luther's Dream

"We can never be satisfied as long as the Negro is the victim of the unspeakable horrors of police brutality."



"We can never be satisfied as long as our bodies, heavy with the fatigue of travel, cannot gain lodging in the motels of the highways and the hotels of the cities."



"We cannot be satisfied as long as the Negro's basic mobility is from a smaller ghetto to a larger one."



"We can never be satisfied as long as our children are stripped of their selfhood and robbed of their dignity by signs stating, "for whites only."



"No, no, we are not satisfied, and we will not be satisfied until justice rolls down like waters and righteousness like a mighty stream."



"I say to you today, my friends, so even though we face the difficulties of today and tomorrow, I still have a dream. It is a dream deeply rooted in the American dream."



"I have a dream that one day this nation will rise up and live out the true meaning of its creed: "We hold these truths to be self-evident; that all men are created equal."



<http://www.let.rug.nl/usa/documents/1951-/martin-luther-kings-i-have-a-dream-speech-august-28-1963.php>

The Captive Agent's Dream

I can never be satisfied as long as I'm the victim of unspeakable horrors of captive company brutality, unfairness, invasion of my privacy and coercion.

I can never be satisfied as long as my body, heavy with the fatigue of trying to meet company goals forced upon me, cannot own the business I've nearly died trying to make a success.

I cannot be satisfied as long as my every move is observed and controlled, my sales success dependent on the rates of the whim of one company.

I can never be satisfied as long as my children are stripped of the opportunity to inherit a business I thought I owned. That privilege is for the company's "special sons only."

No, no, I am not satisfied, and will not be satisfied until justice rolls down from the US Supreme Court, like waters and righteousness like a mighty stream.

I say to you today, fellow agents, so even though I face the difficulties of today and tomorrow, I still have a dream. It is a dream that American Family cannot take away from me.

I have a dream that one day this company will rise up and stand for good, will reimburse for all my hurt, agony and financial loss it has caused, and will finally recognize that I "hold these truths to be self-evident; that all men, agents and AmFam management, are created equal."

Some people say you are who you are because of the choices you've made. That may be partly true, but there are many agents who did not choose to be the victim of having American Family attempt to totally destroy their dream. The rich and powerful feel they have a right to own people beneath them. Slaves were owned by powerful plantation owners. That ownership attitude still exists today. AmFam, it has been proven in court, feels they own the agents. With this attitude, AmFam may be protecting their own dream, but they are shattering mine.

[Continued Page 4]

But hear what AmFam's own motivational speaker, Jason Kotecki, says on AmFam's website, "*Dreams are impossible until they're not.*" (Isn't it odd AmFam would hire someone who says that??!!) One of his "3 Rules You Should Break to Achieve Your Dreams" is "Thou shalt be realistic." In other words, quit dreaming and make it happen. And don't have a plan...but do have actions because actions are better than any plan. And above all, he says, "Thou shalt not let others define your success." His final bit of 'wisdom' was, "If you're going to achieve your dream, you're probably going to have to break some rules along the way." Wow!!

I have come to the conclusion that perhaps it is time for me to break some rules. I've come to the conclusion that only I can shatter my dreams. And only I can protect my dreams. If I want to make it in insurance sales, I need to sell for companies that appreciate me. I need companies that will pay me fair commissions. I need to sell for companies whose ethics are at least as good and trustworthy as my own. And I really need to own my agency...not just manage it for American Family. Yes, my dream **has changed and I'm not going to let anybody shatter it, ever again!** ✂

"We are not always what we seem, and hardly ever what we dream." ~ Peter S. Beagle

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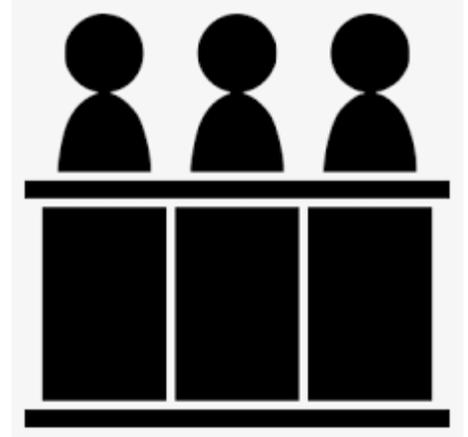
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The **President's** Message

First of all, let me say I hope you have all had a wonderful Christmas holiday and that this year brings you lots of happiness, prosperity, and contentment. We are so honored to have had a couple of our advertisers write some excellent and extremely helpful articles for this issue of The NAAFA Report. These advertisers are giving you some really good pointers on what to look for if you are thinking of going independent. Yes, NAAFA is getting lots of calls these days from agents who signed agreements to leave a year or even two years ago. Don't miss these articles, *Five Questions You Need to Ask*, *Considering Joining an Agency Network*, and *Confessions of an Ex-Farmers' Agent*.

Yes, we're deeply disappointed with the decision(s) regarding the Jammal v AmFam class action case. To think that this whole decision really was made by just one of the appellate judges. Had one of the two judges who voted against Jammal just turned the other way, we'd have won. It was that close. Although we all gave it our best, we all realize how hard it is to win over deep pockets, if you know what I mean. As we've mentioned before, when a court decides to ignore the evidence as these two appellate judges did, one begins to get a little suspicious.



It is difficult for me to believe the company is eager to maintain as many of the agents as they now have. It appears, from the calls we are getting, that the company still plans to lower its number of agents. The company claims to be serious about protecting our dreams, but we've seen too many shattered dreams to believe they really care. That's disappointing after we've given them so many years of faithful service and spent thousands of dollars trying to build up 'their' agencies.

But knowing the strength and perseverance of the American Family agents, at least the ones who are NAAFA members, I know they will succeed in spite of how AmFam treats them. These agents are strong, truthful, sincere and caring. They take great pride in providing the proper protection for their clients. Yes, they get frustrated when rates are inflated, when claims are handled poorly, when commissions are cut, when the company monitors every phone call, conversation, every move the agents make, but at least the agents are now aware. Knowing our members, they won't tolerate shattered dreams for long.

Have a wonderful **NEW YEAR**.

Your **NAAFA** President

Happy
New
Year

We are not always what we seem, and hardly ever what we dream. ~Peter S. Beagle

NAAFA is honored to have Kim Rich as a guest writer for our Winter NAAFA Report. Kim has, you might say, seen it all and done it all. He has been a successful Farmers' agent in Minneapolis for well over two decades, has served as Director of Legal Activities on the national UFAA Board, and also served for several years as the UFAA's Minnesota Chapter President. He is now an independent agent with his office in Edina, MN. Kim has been a guest speaker at several NAAFA Board meetings. He is the author of "Making Jammal v American Family Simple" and "Flying Under the Radar," both articles can be found in this issue.

FLYING UNDER THE RADAR

Kim Rich, Proud 20-year UFAA Member

We often hear this reason for not joining UFAA, "I don't want to attract attention" or "I'm just trying to stay under the radar." Literally, radar is used to track enemy airplanes, so, to avoid detection, pilots fly under the radar. The point is that by saying this, are you admitting you have an "enemy?" An enemy who you feel a need to avoid? Does this really describe the kind of business relationship you are in?

It isn't your fault that conflicts were written into your agreement. It isn't your fault that your business partner (enemy) has created even more conflicts outside of the agreement. You were sold on the idea of having a career as long as you want while being a business owner with sole discretion to set your own standards for your business.

Are Farmers' future agents just temp workers, doing everything they can to stay under the radar because of the constant risk of receiving three months written notice? This concept was referred to in the Jammal v American Family trial as a "gig economy." A gig economy is a free market system in which temporary positions are common and organizations contract with independent workers for short-term engagements. The term "gig" is a slang word meaning "a job for a specified period of time" and is typically used in referring to musicians.

FGI dictates how, when, and where you operate your "owned" business. FGI treats agents as independent contractors for tax purposes only. FGI uses its full and sole leverage to control agencies through the short term "at-will" appointment agreement. In other words, do it the Farmers' way or risk termination. While common law defines an employee or servant as a worker whose performance of the job is subject to the hiring

party's control or right to control. Common law also focuses on the hiring party's right to control the manner and means by which the product is accomplished. This describes your conflicts. You must understand how little control you're afforded.

When was the last time FGI came to you and asked you how to price your products? Or, what product qualities are necessary in order for you to retain and grow PIF? FGI expresses zero to little interest in your opinion of pricing or quality. If you even dare suggest the reason you're not growing PIF is due to pricing, that argument will fall on deaf ears. FGI may ask President Council agents (who, by the way, statistically have the highest PIF attrition) about pricing, but how objective are PC agents? FGI provides the product's price and quality to the Exchanges and then just expects customers to buy and agents to sell. Even with no quotas, successful agents in many ways are often labeled failures and terminated.

So, are you running your business in an anonymous manner to avoid detection? Ignorant of the reality that the enemy knows exactly where you are. Many agents who thought they were 'under the radar' have learned recently they can run, but they cannot hide.

Forcing the question: Would the Farmers Agent's career have ended differently had more been willing to stand up and be counted with UFAA? If you think you can go it alone, you are seriously mistaken. FGI is calculating when the gig is up, when your business ownership will end. Will you stand up and join the only association of agents which gives you some say in the matter? A Voice, if you will? Join UFAA today! 🐦

[As you read this article, try substituting NAAFA for UFAA, AmFam for FGI, and Policy Count for PIF.]

AMERICAN FAMILY CONNECT

Agents, it seems, are finally beginning to see what the new Enterprise is all about. And it's not about the agents. AmFam has been trying to tarnish the agent brand for years now. In fact, NAAFA has been warning of this for a long, long time. Remember the McKinsey Report of 2013? "Insurance agents are going the way of travel agents...GONE!"

What Cindy called a "New Issue!" is really just part of AmFam's plan to force their captive agents out. Wake up, everybody, and smell the roses. Of course, American Family Connect can take policies away from you. Of course, they can offer lower rates and market to anyone, and then rub it in your face. It's all part of their plan. Wake up!

AmFam agents are all tied up with a contract that locks them up so tight they can hardly move. Sure you're independent contractors according to the contract, but you're controlled worse than prisoners in the county jail. You're not business owners...you are department managers with no benefits. You had hopes for the Agency Council, but that petered out on you.

Now stop and think. What's the only organization that has always supported the agents? It's NAAFA. Why do you suppose AmFam has always told you to stay away from NAAFA? Years ago AmFam even terminated many of the NAAFA board members with trumped up excuses. NAAFA tells the truth. NAAFA supports agents. NAAFA CARES. JOIN TODAY.



NAAFA, INC. MEMBERSHIP APPLICATION 1-888-71-NAAFA

I, the undersigned, hereby apply for membership in NAAFA, Inc. (National Association of America's Finest Agents) and I certify that I will always uphold and support the mission and goals of the organization to the best of my ability.

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WHAT'S WITH THIS "AGENCY OWNER" LABEL??

~Board Member Contribution

Over and over we hear AmFam officials referring to agents as "agency owners." We hear it so often, as a matter of fact, that we almost feel like we are being brainwashed. But how stupid does AmFam think we are? If we were agency owners, we'd be able to sell what we own. Or we'd be able to pass our agencies on to our children, if we wished. Or we'd be able to keep running our agencies as long as we wished. But we all know we can't. Period!

What is an owner anyway?

www.USLegal.com defines ownership as "the legal right to the possession of a thing." Sometimes I wonder at my own stupidity. How did I ever sign my agent contract without realizing I wasn't really going to own anything?

If I'm not an agency owner, what am I then?

When I signed my contract, I was actually agreeing to be a *manager of property and trade names owned by American Family*. That's right. You could say we're simply managers of sorts, working for the AmFam company. We're managers who are asked to foot the bill for doing the job of managing company owned agencies. We're told what to do, how to do it, where to do it, when to do it, and sometimes, told not to do it at all, if it isn't approved by AmFam. Sounds a little like we're still employees, a battle we've been fighting for years. And yet we continue to put up with being called "agency owners."

How many agents are believing it?

A law of propaganda often attributed to the Nazi Joseph Goebbels says, "Repeat a lie often enough and it becomes the truth."

<https://www.bbc.com/future/article/20161026-how-liars-create-the-illusion-of-truth>

Is that what you're doing, American Family?

Repeating it often so we'll believe it? It looks like it, but you can't fool all of us all the time. We're not buying it! WE ARE NOT AGENCY OWNERS. What in the world do we own? Maybe the furniture in our offices, but that's about it. And yet we've built up quite a debt promoting something we don't own because we trusted you. Sounds stupid, doesn't it? Well, we're not stupid. Just remember this: "Repetition makes a fact seem more true, regardless of whether it is or not. Understanding this effect can help you avoid falling for propaganda," says psychologist Tom Stafford.

<https://www.bbc.com/future/article/20161026-how-liars-create-the-illusion-of-truth>

Listen up, AmFam! We're not falling for your propaganda. We want to encourage younger agents to open their eyes. Think what's happening here. Pumping more money into the agency you are 'managing' probably will not make you richer. Realize that at any moment the company can take it all away from you. And if they really want to do you in, (as so often happens) they will try to find some tiny compliance violation and then try to have your license revoked by the insurance commissioner. Yes, we all make mistakes, but perhaps our biggest mistake was listening to the propaganda messages being put out by AmFam. Although we may appear to be temporarily beaten, we haven't given up hope. We're not only NOT swallowing your propaganda, but we're still believing that as long as we work for American Family, we will never be agency owners. ☘



IT'S PEOPLE WHO ARE COMMITTED TO ACHIEVING THEIR GOALS
NO MATTER WHAT, THAT ULTIMATELY WIN THE RACE.

<https://www.dreammanifesto.com/5-traits-worlds-successful-people-common.html>



The American Family Long Term Care Scandal

By anonymous NAAFA Member

NAAFA continues to hear from agents who themselves bought AmFam's Long Term Care policies, a product AmFam no longer sells. However, the company still has several hundred policies on the books. And, what a scandal it is! The company proclaims they are "protecting your dreams." What a farce!

One agent wrote us the following email:

"It's the Long-Term Care rider with a 5% inflation feature that is causing American Family to raise the premium some 82%. They are including a notice with the renewal that declares if you will remove that particular rider, the rate will go back down substantially.

In my case, it lowers the renewal from over \$200/month back down to less than the original premium would have been. (In my case, about \$55/ month) Of course that means the daily benefit will never again raise to keep up with inflation. Mine had increased from the original \$100/day benefit to about \$250/day. It would lock me into no more than \$250/day forever.

While today, a \$90,000/year limit sounds good, I'm not yet 60; so, by the time I need this, inflation will have outpaced what this \$90k/year or \$250/day benefit was original designed for. (Which was to help provide for my family's financial security.)

The key corruption here is that on that single rider, which cost no more than \$5/month and provided 5% compounding over the years. It has increased my benefit from \$100/day to \$250/day, or about 150% increase in benefit per day. But note that the premium they are charging for the rider has gone up over 3000%.

If I will remove that rider, they will lower my rate for the whole policy back down to about \$50/ month. It is a travesty that they are being allowed to force us into dropping that benefit. I believe they clearly expect to do this again next year, if we don't give up the rider. What keeps them next year from focusing on another rider? Nothing!"

This whole mess is yet another of American Family's failures. Failures that end up costing the insured

thousands of dollars. Why, why, oh why can't AmFam get things right before they put new products on the

[Continued Page 10]

market? Over the years we have seen this happen repeatedly. (Health insurance, securities, financial services, several life products, etc.) We must all learn to be very skeptical whenever this company comes out with a new policy. We shouldn't drag our customers into a policy till it has been tried and tested for several years, even if we suffer loss of awards for not pushing the new product. Pushing a loser causes both the company and the agent to lose credibility. We all know we can't afford that, can we?

Isn't there some kind of a message here that AmFam is trying to destroy our dream of having long term care coverage with riders that will help keep our families solvent in case a

nursing home becomes necessary? We know for certain that AmFam's behavior here appears very unethical. But the question that begs to be asked is: Is it unethical for us to be aware of this and not report it to the proper authorities...like the Insurance Commissioners?

Oh yes, we forgot to mention that AmFam says what they are doing is legal. (*"Please note that this premium increase complies with all regulatory requirements."*) Is the insurance company in bed with the commissioner?? And for that, the consumer suffers. Where's the Attorney General on things like this? ☹

YOU CANNOT SHATTER MY DREAM



- **You cannot help the poor by destroying the rich.**
- **You cannot strengthen the weak by weakening the strong.**
- **You cannot bring about prosperity by discouraging thrift.**
- **You cannot lift the wage earner up by pulling the wage payer down.**
- **You cannot further the brotherhood of man by inciting class hatred.**
- **You cannot build character and courage by taking away people's initiative and independence.**
- **You cannot help people permanently by doing for them, what they could and should do for themselves.**

The above quotes are by William John Henry Boetcker (1873-1962) who was an American religious leader and influential public speaker. Born in Hamburg, Germany, he was ordained a Presbyterian minister soon after his arrival in the United States as a young adult. The Rev. Boetcker was ordained in Brooklyn, NY. He quickly gained attention as an outspoken opponent of organized labor and was instrumental in the founding of the Citizens Industrial Association, later making a professional career of public speaking, and is sometimes considered the forerunner of such contemporary "success coaches" as Anthony Robbins.

SIX QUESTIONS YOU NEED TO ASK BEFORE JOINING AN INDEPENDENT INSURANCE AGENCY

GOING INDEPENDENT

We regularly hear from people who are interested in starting an independent insurance agency. These calls frequently come from insurance agents who are just starting the process of investigating ‘how to go independent.’ We hear things like, “What are the commission splits?” “What carriers do you have?” and “Who owns my Agency?” We are always glad to answer these questions by phone, from our website, or in person. While these questions are a great starting point, they barely scratch the surface.

WHAT’S IMPORTANT

Many years ago, I was a captive agent for a well-known national carrier. I was happy with the relationship I had with the carrier and my agency was considered successful. However, I took my clients very seriously, whose loyalty to me and my agency made it possible for me to provide for my family and life in general. Not representing other insurance companies became an internal conflict for me. When the carrier I represented decided not to write certain classifications or increased rates dramatically, I was not able to help the people for which I cared so deeply. That is the main reason I decided to become independent.

I started looking from ground zero, like many of you, not knowing where to begin. During my research, I discovered that some assumptions I had made were not correct. I also realized that even though some groups offered me a fast start track, there was no longevity in the platform they offered. I needed an environment that would help me start but then provide the tools to help me achieve my goals.

Before we cover some of the important questions, it’s pivotal to understand that the decision of going independent, alone or with a group, is a very delicate transition. Before asking detailed questions, it is essential to find out how long the group has been in the business, what is the reputation of that group in the industry and with the insurance carriers, and what services and tools will the group provide other than access to carriers.

When it comes to “what’s important,” many people get misled by fast-talking sales reps who promise them the world, only to find out the agent

is left holding the bag when the rubber meets the road. So, we thought we’d offer a list of questions when you are talking to groups. Here are some questions to ask that you may not have considered.

Question 1: Should I go with a group or on my own?

Some insurance carriers will offer you a direct code. Some things to consider if you decide not to join a group: 1. What are the minimum requirements that each carrier needs the first year and second year in order to keep the appointment. 2. How many carriers do I need to provide options for my clients. 3. How much business can I generate on my own and would that be enough to satisfy the requirements?

Typically, a new independent agent would need five commercial and five personal carriers to build a good practice. As you know, each carrier goes through cycles where this year they are very competitive and next year they are not. A group should provide stability with the ups and downs of the industry, as well as some shelter when it comes to production requirements. If the new agent doesn’t have the pressure from production quotas from a carrier, the agent can find the best product and carrier that truly fits the client’s needs.

Question 2: Do I own my book?

When I hear a “YES” to this question from a group, I want to find their definition of ownership. Ownership is building an asset that can be sold at a fair market value at the time of sale or transfer. If you don’t own your book, then you might as well go with a captive carrier. Make sure to look for a

[Continued on Page 12]

group where you own your book of business so that you can choose to transfer the book to a relative or sell it at a fair market value.

Question 3: Will my name be on my client's declaration page?

If a carrier gives you a direct code (within a group or individually), your name and the address of your agency should be on the declarations page. Some carriers require that you produce under a "shared house code" owned by the group and promise a direct code once a certain production requirement has been met. In that case, your agency name will not appear on the declarations page. From experience, clients do not mind what name appears on the declaration page if you explain it at the point of sale. Eventually as your agency grows, you will have enough production with all or most of the carriers that you represent to have your own codes.

Question 4: What is the commission split?

This is an important question that often gets missed when joining a group, but it is also a two-part question. This is because it is not just about the commission you as the agent receive but about the commission split to the group from the carrier. This can drastically affect your bottom line. You want to find a group that has a good commission split from the carrier.

Another point to consider is that a group may advertise a very attractive commission split but it only applies to a shared house code. If this is the case it may not motivate the group to give the new agent a direct code. As I interviewed different groups, I discovered that some groups offered a higher commission split with higher new business

If you haven't asked these questions yourself and are considering joining an independent agency group (cluster group or insurance aggregator), be sure to ask them these questions and you will be better prepared to make the right decision for you.

Tony Fernandez, CEO, Affordable American Insurance. 🐦

production premiums. Those premiums seem reasonable but as the new agent starts, it takes a long while before achieving those levels of production.

Question 5: What tools do you provide the agencies?

A strong platform is needed in order to continue to grow so that the agent can reach his or her maximum potential. System tools that would assist with increasing retention, evaluation of the performance of the book of business, marketing assistance, online tools and online exposure, are key, only to name a few. If the tools provided by the group are successful, they can give you names of agents that you can call that started from nothing and have passed five million dollars in active premium. A group that cannot prove that their system can help you achieve your long-term goals should be questioned.

Question 6: Are there any exit fees or carrier restrictions if I choose to leave?

When I interviewed groups in order to become independent, I found all kinds of contracts. Some of them required that the new agents stay with the group for a number of years (five years is the norm), others require large amounts of money to be released from the group, others require you be incorporated and the group shares 50% of your business. Other contracts have physical restrictions of where you want to grow your practice.

All those things should be considered before selecting the right group and platform so that you can achieve your short-term and long-term business goals.

NAAFA Member Enhancement Fund--NMEF

Did you know that hundreds of agents donate to the NMEF fund? But just what is the NMEF fund? Donations to the fund are only used for purposes that benefit *all* our NAAFA members. NAAFA has used NMEF monies to get legal opinions when needed. Recently, we used monies from the fund to hire NAAFA's own accountant to handle a very difficult SECA tax issue. A member had used the letter in the kit to respond to an IRS inquiry and it failed. Of course, this was serious, so Mary Kate, our accountant who also has a law degree, handled the case for our member and ultimately won. The letter she used to respond to the IRS is now included in our SECA Kit. Everyone profits from your NMEF donations. Thanks to each of you for your donations.

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MAKING JAMMAL V AMERICAN FAMILY SIMPLE

By Kim Rich*

The ERISA trials are not as complicated as they may seem. They are simply trials for breach of contract. In Jammal v AmFam, attorneys representing American Family and the Court of Appeals successfully shifted the decision and debate from “the breach” to “qualifiers for employee status.” The District Court correctly ruled on the breach itself by determining a misclassification which ultimately determined the status.

I’m sure attorneys and judges who disagree will argue it is not that simple. But, many states and now some courts are desperately trying to simplify the process, while others wish to continue the confusion as a means to an end. Continuing to misclassify allows them to maintain full control of independent contractor workers.

The independent contractor v employee for the captive insurance agent is an age-old debate. Agents sign a contract. They agree to be independent contractors. But what options are available when the contract is breached by the company? There are no contract police. No one gives a company a ticket for breaching agreements. The agents’ only option is the legal system.

With the correct understanding, it is not difficult to support these trials from the plaintiffs’ perspective. Attorneys and judges have more than enough case law to support a decision either way. Depending on the focus, courts can go with the flow and defeat the agent by arguing that since the agent agreed to be an independent contractor, they are. Or, courts can rule against the status quo and understand it is not the lack of employee classification that denies benefits. It is the misclassification that awards benefits.

American Family clearly and blatantly breached the contract. That action defines the misclassification. It was never in the interest of the agent to become an employee. The agents’ interest has always been, and still is, to be allowed to operate their agencies within the sole discretions afforded them in the agreement without ultimate hinderance and controls by the carrier. And the ultimate lever and control is the at will, short term nature of the agreement. The agents conform and run their agencies as instructed and controlled by the carrier or they will be terminated on short notice. In AmFam’s case it was far more egregious than that. AmFam “employed” many agents (people) for many years only to terminate them merely to

avoid paying benefits.

The irony is that carriers are more than willing to spend billions defending their behavior rather than stopping the breaching of the contracts and relinquishing control.

The United States Supreme Court denied to hear Jammal. but there are still several ERISA trials on the table including Perry/O’Sullivan v Farmers in California by the same attorneys who represented Jammal. Two questions must be asked: Was the contract breached? And if so, what is the remedy? It is really that simple. And the courts must begin to recognize the monkey business debating whether a worker qualifies to be an employee when the only real qualification necessary is a misclassification resulting from a breach of contract.

Maybe, rather than continue the debate we should consider another classification? *The contractor?* Not to be confused with the independent contractor which only implies, at this point, independence?

The refraining of support of the plaintiffs in any of these trials promotes the status quo and fuels the continuation of captive carriers breaching agent appointment agreements. 🙄

*Kim Rich is the outgoing Director of Legal Activities from the United Farmers Agents Association (UFAA). He was a Farmers agent for 26 years, but recently became a truly independent agent. Thank you, Kim, for this insightful contribution.

ACCORDING TO THE MOYNAHAN LAW FIRM: It’s sad that the insurance company you trust to “have your back,” often turns to shady tactics to avoid paying legitimate claims. Unfortunately, per the AAJ, this is what some major insurers do, regardless of their expensive advertising to the contrary. Insurers get excited when policy owners do *not* hire lawyers to manage their claims. Experienced attorneys are aware of the dirty tricks insurers play on policyholders who do not have legal representation. Good lawyers, not subject to insurer intimidation, will fight for your rights to get paid for valid injuries. <https://moynahanlaw.com/contact-us/southbury-connecticut-office/>



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CONSIDERING JOINING AN AGENCY NETWORK??

How to evaluate options to grow your independent agency By Matt Masiello, AAI, Chief Executive Officer of SIAA

It's a great time to be an independent agent. With the ability to offer a range of products, and in-depth knowledge of various product lines, independent agents are still chosen as the trusted advisor for many insurance clients. More and more clients need professional advisors to understand what insurance products they should buy to secure their family, their business, and accomplish their financial goals. Now, technology is making it easier to engage clients and solve problems faster. Independent agents are encouraged to evolve with technology to stay competitive and provide everything clients want.

Running an independent agency, however, is not easy. Without an understanding of how the industry is evolving, and immersing yourself in ongoing training and education, you may not be ready for the future. If you are too busy handling day-to-day business so there is no time to work on growth simultaneously, you could lose your current and potential clients in a hurry.

You may be a captive or independent agent looking for a solid foundation to start your business. Are you well-known in your community? Do you have access to carriers that meet your clients' needs? Do you know the latest technological advances and have a fully automated office? How about a year or two from now? How will you drive growth and profitable results in the long term and, with the prevalence of innovation and technology impacting the industry, how will your agency evolve as the industry does?

For these reasons, you may do better as part of a larger team. Many independent agents are joining larger groups with national impact to generate more revenue, while experienced producers may join a larger group to follow their dreams of opening their own independent agency. Before affiliating with anyone else, take the time to thoroughly research the differences between the options you're considering. Choosing the right partnership can help you lay the foundation to build or strengthen your own office.

Change can be beneficial

Knowing your goals and understanding your Strengths, Weaknesses, Opportunities, and Threats (SWOT) to your business is the first step. Do a SWOT analysis for today and for the potential life-cycle of your agency.

You will then be ready to start your research. After comparing your options, you will be able to pair yourself with a larger, suitable organization which can offer the clearest path to reach your goals faster.

Insurance has changed significantly from the one-person office where clients once walked in and discussed annual home and auto policies. Insurance now runs the gamut of personal insurance and commercial insurance products, business owners' policies to stand-alone cyber insurance, all available remotely or in person. The world is evolving around the latest advances in technology – and independent agents are evolving with the industry as well to keep up with competition.

If your business needs more access to carriers to attract more clients, become stable and competitive, know what the basic differences are first and research each option extensively. There are three membership models that can help you grow your business: insurance aggregators, clusters, and networks.

What are the differences between aggregators, clusters and networks?

- Insurance aggregators: Provide market access to insurance carriers' contracts, and aggregate premium, sometimes with additional compensation but without any support services or tools. This relationship can be very transaction-oriented and simply based on writing or placing policies.
- Clusters: A group of agents from a joint venture or with a loose affiliation to place their individual books of business as part of a larger book in order to receive higher commissions or profit sharing. Members maintain independent ownership of accounts and an agency and continue to operate individually. Generally, clusters are formed to increase income by combining carrier volumes. With a lack of organic growth, many clusters are struggling, especially as some larger agents sell or exit the group.

[Continued Page 18]

- Networks: A more complete solution for agents, networks are growing overall, and the volume of business being handled through the channel is increasing. Recently, Insurance Journal reported in its [Agency Networks Profile](#) article, that “today’s networks offer value and benefits that go far beyond markets — independence, growth, profit sharing, perpetuation, relationships, technology, staff support, errors and omissions coverage, and more. They are very much part of the fabric of today’s independent agency system.”

Whatever road you choose, do your research thoroughly before deciding your path. If you decide on a model above, review their carriers to ensure they are going to meet the markets you are looking to target. Ask yourself what else will benefit your decision. Review websites and look for agency testimonials which share the benefits of membership and how they apply directly to a smaller insurance agency. Here are some questions to ask an organization (and broaden transparency) before making your decision:

- Will the organization help you obtain your goals in the short and long term? Simply having access to insurance companies and aggregating premiums will not make an independent agency successful.
- Will the organization help the independent agent and the independent agency distribution system grow?
- What are the other services offered; how are they delivered?
- If a national organization, will you receive help regionally if you need it? Does the model have professionals ready to work with your agency onsite to define and customize your path to growth?
- How are companies accessed and commissions paid?
- Do they have a proven track record of helping successful insurance professionals establish an independent insurance agency?
- Does the contract take into account the short and long term; does it include the ability to leave with clients AND carriers?
- How has the organization traditionally performed financially, with carriers, member agencies and profitability (loss-ratios)?

Transparency is key to building a relationship of trust within a new partnership. If you do your homework and are strategic with your decision, a new membership can be there for you and your agency when you need it most. Being a part of a larger team can not only result in accessing a larger pool of carriers, but also in meeting your goals, training your staff, and becoming a sustainable business for years to come.

Matt Masiello, AAI, is the Chief Executive Officer of SIAA (Strategic Insurance Agency Alliance), the largest alliance of independent insurance agencies in the country. He can be reached at mattm@siaa.net.

WHO IS THE HIGHEST EARNING INSURANCE AGENT IN THE WORLD?

Gideon du Plessis, based in Cape Town, South Africa, makes annual commissions of about \$70 million in US dollars and has done this for the last 12-14 years. Since the age of 10, Plessis wanted to earn money with his mouth. He failed in the 10th standard (probably 10th grade) and never went to college. He aimed to be a teacher but failed in English. Plessis decided that salesmanship was where his talent was, however, he started out as a postman, then a bank clerk visiting farms to sell products. Later he was ‘picked up’ by Old Mutual to sell insurance policies. Since then, he never looked back.

Plessis’ secret to success? He says he lives by the following 12 mantras:

- See at least 6-8 people daily
- Selling is not telling: ask a lot of questions & go back with a solution
- Attend to details
- Go soft in life
- Delegate staff
- People buy people, not policies
- Educate yourself properly
- Time management
- Wake up to achieve what you want
- Elephants don’t bite, mosquitoes do
- Desire
- Enthusiasm

<https://www.rediff.com/money/2003/nov/12insure.htm>

THE MYSTERY OF CAPTIVES REVEALED

NAAFA Staff Contribution

We have been saying for some time that our days are limited as captive American Family agents. It is hard to know precisely what AmFam upper management has in mind, but the evidence shows that the company has, and still is, lowering its number of captive agents. Even faithful, long-time agents are being shoved out the door. If the company can't terminate you for production (which they usually can't with the larger agencies) then the company goes after compliance violations or even, it seems, ill health reasons. It's a sad day when an agent can't get sick without having also to worry about being terminated because he can't be in the office. After all, the company requires agents to hire sufficient staff, don't they? But when it comes right down to it, these staff members, who were also approved by the company, are apparently not qualified to run the agency when an agent is ill. Many of you know from personal experience what we are talking about.

Well, we have also said for some time that the direction of one captive company is often the direction of most of the others. Here is what UFAA, the Farmers agent association, said in their recent direct mail message (July 25, 2019) to their members: (bold accents by NAAFA)

*“Attorneys that have worked with UFAA have all stated that in deposing Farmers CEOs, their future intention is to change the distribution system and that the Agency Force was not going to be the primary distribution system. Practically speaking, FGI understands that they need to **maintain the Agency Force until they get the new distribution platforms in place**. With the acquisition of 21st Century and its online distribution program and the launching of Toggle, this new distribution system is getting closer and closer to being in place. Did you know that there are nearly 3 times as many Independent Agents representing the Companies as Farmers Captive Agents?”*

The pattern is established. The need to eliminate agents exists. The contract allows only certain reasons for termination. Production being one of them, and in order to create an environment where many agents will fail in production requirements, the company raises rates to impossible levels. This is all a win-win situation for the company. Increased rates produce more income even when new business drops. We often hear agents say, “But my termination benefits have not dropped so I'm still doing ok.” Right? WRONG! Your drop in production will ultimately affect you, no matter how large your agency is.

The UFAA direct mail message also mentions that Farmers feels that perhaps “one of the reasons their fire rates are uncompetitive is because the agency force is making too much money.” Ever heard that before? Of course, you have. We have been told for years that ‘agents make too much money.’ But it's just not so for average agents who don't get the company's ‘*special privilege benes.*’ Why do you suppose so many district managers enjoy going back into agency? Even though it is a positional demotion, they know they can make more money in agency. They're lucky simply because **it's given to them**. Don't we nearly always see former DMs getting certain benefits we regular agents never get?

Is this an eye-opener? At least for our NAAFA members, it's not. We have been warning you for several years now....**have a back-up plan for making a living**. How would you make a living if suddenly your agency were jerked out from under you? Do you have all your eggs in one basket by having both you and your spouse (significant other) working in the agency? Do you have enough in savings that you could meet your living expenses for a year if you lost your AmFam agency? Have you researched which independent broker you might join up with if you got terminated by AmFam? Do you have all your pertinent records in a safe place? NAAFA makes it a point to go over these and many other retirement preparation issues with each agent who calls to report that they are leaving AmFam.

There are many things to think about if you are a captive agent. NAAFA is here to keep you informed, but still, you must do your homework. BE READY! 🍷

The NAAFA Mailbox



Our NAAFA Mailbox has been full and running over lately....and we love it. We're connecting! As you will see below, many agents are commenting on the class action outcome. But there are other issues, of course. Feel free to email us anytime, always knowing that we will protect your identity.

SECTION I: THE JAMMAL CASE

Letter #1 Does AmFam really just get to walk away?

NAAFA, hi. Merry Christmas.

In response to the failure to secure compensation.

I understand it is over as far as the legal team we had. Does that mean because they weren't good enough to get the job done, there is no legal team better than they were that can get it done? If done on pay if win only basis which I hope that is how the last team was paid. I guess what I'm asking is does Am Fam really, really just get to walk away from this? They owe us and they need to pay. And a new approach by a new legal team needs to get the job done for us.

For all you and anyone did to try to make it happen, THANK YOU. If there is anything we can do to help. Ask away.

Thank you. Peace

Letter # 2 If the Tables were Turned

Hi NAAFA,

All I can say is if the tables were turned and Jammal lost the first ruling and that ruling was overturned on appeal, I am quite confident the US Supreme Court would absolutely not deny AmFam's petition. It wouldn't even be a debate if these carriers were honest. They admit agents are independent contractors for tax purposes only. And the IRS affirms that?

The way of our world. Sad

Name withheld

Letter # 3 Simply put, "It's Pure Politics!"

Response to NAAFA notice of Supreme Court Denial: 12/10/2019

Simply put, it is pure politics. Right or wrong never enters the equation, only the vision of the powers in Government, their perceived bosses. They MUST protect their money lenders/givers.

I see this daily in local politics. You are correct, evil controls too much. It has learned to hide who it really is. Try to get a politician to speak to you in a group, when it is not an election meet, basically will not happen. Why, because they cannot lie to a crowd. Their learned skill is lie to 1, then hide from that lie by never speaking to it in a group. I call the local folks, to their face at every opportunity, incompetent, mediocre, liars, and cowards. For some reason I am known as the guy whose name flips them all out whenever it is mentioned. I smile every time I hear that.

Name withheld



SECTION II: UFAA AND AMFAM'S TREATMENT OF AGENTS

Letter # 1 It's their Philosophy of Greed

Hello NAAFA,

It is obvious that "Corporate America" only cares about the bottom line, and stuffing their own pockets with unearned cash, off the sweat of the underpaid, and overworked pawns below them. The name on the brand doesn't matter, it is the philosophy of greed that was generated long ago.

Anonymous

Letter #2 The Oncoming Train

This letter and editorial reads like it came exactly out of the Am Fam play book. The "light at the end of the tunnel" is not the salvation of the Farmer's Agent but an oncoming train 😞.

Anonymous

Letter #3 Are they cut from the same mold?

Sounds like socialists, democrats and corp executives are all cut from the same mold and basically use the same play book. Why do you think corporations are leaning more and more to the left? Corporations get special treatment and favors by playing the game. One of the best examples is AmFam (Nike, etc.) promoting their liberal causes, hoping they get special treatment as opposed to corporations like Chick-Fil-A and Hobby Lobby. Just my thoughts...

Anonymous

SECTION III: THE SECA KIT

Letter # 1 I will NEVER share this information

Dear NAAFA,

Thank you so much for the updated SECA Tax information. I will never share this with anyone. I did have someone ask me a year ago if I would and I told her no. I thought, "Why should I do this when she could have joined NAAFA herself." Just another example of someone wanting something without paying. Thanks again,

Name Withheld

Letter # 2 My IRS Inquiry has been resolved: I owe \$0.00.

NAAFA,

Got a call this morn from my tax guy. IRS sent collection letters in Sept. 2019. We used the letters from the package from you to respond, and after 2 contacts they sent him a contact letter stating my new balance is ZERO \$! Another satisfied customer. 😊

Following are some of the questions and comments NAAFA gets from agents regarding SECA Tax issues:

- When should I get a SECA Kit?
- What should I do about my corporation when I retire?
- I didn't get the SECA Kit and now the IRS wants me to pay \$8000. Will the kit help now?
- My accountant wants to run my Termination Benefits through my S-Corp. Should I let him?
- Help! My accountant filed my Term Benes/Life Extended Earnings on Line 11..what now?
- NAAFA loves the emails that say, "I owe the IRS nothing!"
- Can I have my accountant call NAAFA?
- This is the 3rd time I've had an IRS inquiry on my Termination Benefits. How do I stop it?

As always, NAAFA emphasizes that we are not accountants and so we cannot give out tax advice. All we and our SECA Kit do is give you examples of what we have learned over the years from other agents and their accountants, and we pass that info on to our members. No one wants to pay 15+ percent of their Termination Benefits to the IRS for social security tax....and by law, we shouldn't have to. Up to this point, the SECA Kit has been 100% successful. We appreciate the fact that most agents and their accountants honor the confidentiality of the kit. It just might be fair if the agent who shared the kit did get taxed! Be ethical. JOIN NAAFA and get the kit.

IRS INQUIRIES, YIKES!!

We just had to share this with you all. About 4 or 5 months ago, NAAFA had two agents call who were having trouble with the IRS regarding their Termination Benefits. The first one was the simpler of the two, but we did hire Mary Kate, our NAAFA accountant, to handle that one. In that case, the agent waited till the IRS was already sending him threatening letters before he contacted us. But still, Mary Kate was able to get that one cleared in about 6 weeks.

The second one was extremely complicated. Complications included the fact that AmFam had sent the wrong amount on a 1099. Then the agent's accountant was totally deficient in his ability to do taxes (if you want our opinion!!) so had actually completed his tax forms wrong. We turned that one over to Mary Kate, too. She actually had to refile his taxes, pointing out AmFam's error. Sadly, the IRS turned her down. (Believe it when we say we were scared about this one!!) But Mary Kate hit them again with more concise arguments and this time, they conceded that the agent owed nothing. Now she had to charge the agent about \$1200 for all her work, but when we talked to the agent today, he felt that wasn't much for what she saved him.

On particularly difficult cases, NAAFA sometimes refers agents to our accountant. She has been successful 100% of the time. We often update our SECA Kit based on her successful letters to the IRS. We are proud to say that our kit has never failed. Our advice is not to retire unless you get one. Three successive years of NAAFA membership gets you a SECA Kit for free.

Following is an 'anonymous letter NAAFA received. We are presenting it here, unedited.

Postmarked May 5, 2019

Dear NAAFA,

I am extremely pleased to inform you that my income tax return concerning self-employment tax on my termination benefits has finally been resolved in my favor. I owe \$0.00. Without the support of NAAFA and the SECA Kit I would have undoubtedly paid thousands of dollars to the IRS which they are not entitled. Thank you NAAFA for your unwavering support during this lengthy ordeal.

To my fellow agents, speaking from experience, JOIN NAAFA! It will definitely be one of the best investments you ever make for many reasons. I have no doubt before, or unexpectedly when, your career ends, you are going to wish you had. Does your DM have your best interests at heart? They are no more than corporate puppets looking to move up the "good old boy" corporate ladder as rapidly as possible without regard to you and your family's well-being. It has been proven time and again, corporate has little to no regard for its agents. How competitive are you in your marketplace? How about the never-ending commission cuts, the constant changing of production requirements and the erosion of good claim service your clients so well deserve for the outrageous price paid? Their major concern is the multi-million-dollar compensation they definitely don't earn or deserve.

I am so thankful I will never have to deal with such a group of ruthless unethical individuals again. For those who continue to drink the company Kool-Aid, GOOD LUCK! Life is so good on the other side!!!

Name withheld by request.



DO YOU HAVE A GOOD ACCOUNTANT?

A question NAAFA gets often is "Can you recommend an accountant in my state?" Would you be willing to give the NAAFA office the name and contact number of your accountant? We will call your accountant asking if we can list him (her) on our website in the accountant list. This list is for members-only, but we do not charge the accountants for this advertising. Please send us an email at NAAFAwest@comcast.net if you'd like to share your accountant's name.

GUIDELINES FOR SECA KIT AVAILABILITY

**To all members and their accountants:
THE CONTENTS OF THE SECA KIT ARE CONFIDENTIAL!**

The SECA Kit was updated in March 2019. Those with active memberships who have received kits in the past should contact the NAAFA office to receive the updated kit. The success of this kit has been invaluable. As most of you know, the SECA Kit is just one of the benefits of being a NAAFA member. Any members who leave American Family (and qualify for Termination Benefits) should have the Kit before filing their taxes the first time. Understanding how and why you file as you do could save you thousands of dollars in penalties and fines by the IRS.

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

As a result, NAAFA asks for a donation of \$500 for the Kit unless a member has had 3 full years of continuous (no lapse) membership. After the three full years of membership, the Kit is free. A *new member* would pay the first year's active membership rate (\$264) up front and then the kit would immediately be available for the donation of \$500. Or the new member who pays dues either *monthly* or *semi-annually* would have to wait until the beginning of the second year to become eligible to receive the Kit after donating \$500.

As before, you must have a personal Email to receive the SECA Kit. NAAFA asks that you **honor confidentiality** regarding the Kit. **Do not share it with non-members. And be sure to tell your accountant that this kit must remain confidential and only used for your own tax preparation.** As a member, you deserve *all* the benefits of being a member and the Kit is just one of them. **JOIN NAAFA TODAY! BE PREPARED!!**



SECA Kit

**“I offer my opponents a bargain:
If they will stop telling LIES about us,
I will stop telling the TRUTH about them.”**
~Adlai Stevenson, campaign speech, 1952

A REAL LOOK AT OUR FUTURE

NAAFA MEMBER CONTRIBUTION*



Is the future of insurance agents really so grim? The way a few insurance companies are treating their agents, one would think so. But according to Andrea Wells who authored an article recently in the Insurance Journal, it just isn't so.

In her article, *Agent, Brokers and the Future of Insurance Distribution*, <https://www.carriermanagement.com/features/2019/07/10/195281.htm> she says that things are shifting as a result of the behaviors, attitudes, and expectations of consumers. She says that insurance carriers are now relying much more heavily on distribution which eats some 40 to 50 percent of profitability of an insurance transaction today. Underwriting takes a 30 to 40 percent chunk out of profitability and guess what? Commissions have risen some 5 percent, to a level of 10 to 15 percent. Forty to fifty years ago, carriers got most of their profitability from positive underwriting results.

Dennis Chookaszian, University of Chicago professor and the former CEO of CNA, says the following:

"What's happened is that the carrier has been unable to sustain the margins that they once were able to achieve, and those margins have gone to both distribution and service," he said. "In the end, the profitability of an insurance transaction is controlled by core competencies."

Today, brokers are valued more highly, according to Chookaszian, because they are able to achieve a higher return on equity.

"While distribution in the past was kind of sleepy and the insurance agents would make a little bit of money, industry competition for customers has fueled a 'fundamental shift toward distribution,'" he said. "It's become so competitive that the carriers basically are always out looking for new accounts and, in their efforts to capture new business, they've got to pay more in commissions."

Now one just has to ask, then, why are the captive companies cutting commissions? Perhaps Matt Masiello, CEO of SIAA, may have an answer. Take a look at what he says:

"Not only are traditional captive carriers reducing their captive agent pool, but they are also opening their doors to independent agents, Masiello added. "In many instances we're now representing those same brands...Independent agencies now represent Liberty, Nationwide and Allstate, all these brands. Where there's a captive vacuum created in some of these communities, independent agencies not only have the ability to fill the gap but also the ability to fill it with the same brands that the consumers had before," he said. "Consumers don't know whether their insurance is represented by a captive agent or an independent agent. That's a huge opportunity for independent agencies to get out in their marketplace, raise their hand and say, 'Hey, we're here, and we have choice.'"

Sometimes one wonders whether the captives know what's going on. They seem like the frog placed in a pan of cool water on top of the gas burner. Consumers are dictating the direction of distribution and it's not all via the Internet. The article mentions that much research is done on the Internet but then consumers are making in-person purchases. Agents are adapting as consumers needs and wants change.

Professor Chookaszian actually believes some insurance carriers are a bit scared because agents seem to be in a very strong position. There are some agencies that are so large, says Chris Burand, CEO of Burand & Associates, that we now see "15 distributors of insurance that are bigger than all but say 40 insurance companies out of 900 insurance companies in total." Burand continues, "And the insurance companies are pretty nervous about this." He admits that some insurance companies are smart and will make it work, but then he goes on to say that "a whole lot of companies out there are pretty scared because they never run their company in a fashion that wasn't dependent on being able to tell their agents exactly what to do. And now agents, the top agents, whether it's an aggregator [group] or whether it's a consolidator...they're in a position to absolutely tell those companies what to do."

Don't you just love it? So even though we lost our battle in the courts, we have not really lost the war. Set your eyes on your goal of developing a great relationship with your customers. Perhaps you'll have to join the ranks of the truly independent world by joining a cluster group. After all, if you can serve your customers better by having competitive rates, super claims service, loyal carriers, and outstanding products, why wouldn't you do it? And you can do it by maintaining a presence in your community, a dream you've always had anyway. 🦋

***Note: Not all NAAFA members are captive AmFam agents. In fact, quite a sizable percentage of NAAFA's members are independent agents who have left AmFam and are now experiencing the freedom of choice in picking the company that is just right for their customers. They claim to have the freedom spoken about in this article to adapt to the needs of their clients.**

Confessions of an Ex-Farmers Agent

Why I Ended My Partnership with a Farmers Insurance Agency

Name withheld by request

For almost 15 years, I gave my Farmers Insurance agency everything that I could—my financial investment, energy, and most importantly, the majority of my time. In return, I received an incredible education, met some of the most skillful salespeople in the industry, and enjoyed a good amount of success.

I started my career as a telemarketer, then became an agency producer (*Vice President of Sales on the business card as a “pat on the back”*), and ultimately became an equity partner; earning “ownership” in a growing percentage of my book of business. I was in a position to purchase, thus own/operate the remainder of the most successful agency in the history of Farmers Insurance – *by their metrics, not mine, for the record*. I attended *Topper Club and Championship* every year I was eligible, and the agency never missed a Presidents Council (or MDRT, for that matter).

So if all was well, why would I leave?

When I made the decision to leave Farmers to become an independent agent, I was 34 years old. I had built a book of business that was over three times the premium of the average Farmers agent, and I knew I'd have to leave that behind due to contractual restrictions. But I had to think about what the next 25 years were going to look like. No one can argue that there have been massive shifts in the insurance marketplace. Companies are more consumer-direct than ever. I don't believe the value of a real, live agent will ever entirely vanish, but in order to thrive in this rapidly changing landscape, I knew I had to dramatically expand my ability to serve a wider variety of risks.

In the simplest possible way to explain it, here's my line of reasoning:

Suppose 20 people are considering spending their insurance dollars with me and my agency. If I want to run an efficient and successful business, I need to help all 20 of those people to the best of my ability. If quoting 20 households takes five hours, and I am able to generate \$200 in gross revenue per household, a 50% close ratio nets me \$2,000 or \$400/hour. Now if my close ratio is only 7%, then I can only generate \$280, or

\$56/hour. By the time I factor in the cost of running my business, what am I netting? Is it enough to grow and operate a business successfully for the next 25 years? Now, the ideal would be to incorporate commercial and life insurance. If I want to generate revenue in those fields, would I be better suited to work a narrow risk appetite in a saturated market, or a wide range of opportunities in any market I choose?

With Farmers, specifically where I was located, my close ratio in auto insurance never got above 10%. (*For anyone with real familiarity with the data, we can both laugh at the generosity of that figure later. But for now, I'm not looking to diverge into that debate.*) As I mentioned, we worked tenaciously, and we invested significant time and money into marketing. Failing to meet the needs and/or expectations of 90% (90%+!!!) of the individuals willing to spend their insurance dollars with me is simply a bad business model. It's inefficient, bad business.

I don't blame Farmers for protecting their bottom line. Again, it's a good company ran by people whom I consider to be very intelligent. But that isn't my problem or a reasonable basis for the remaining course of my career. Farmers Insurance allows agents to own their books of business insofar that they can generally, under favorable circumstances, sell and leverage their books. But truly, **you own your book of business – not your actual business – and that's a crucial distinction.** You sell only what you're contractually allowed to sell, when you're in a competitive position to sell it. Further, if you don't serve just about everything on the menu of products, you're literally allowing your commission dollars to fall into another agent's pockets.

If there was anyone willing to take the bet, I would wager that I've run more FFR's than anyone, anywhere, ever (*Farmers Friendly Reviews, for anyone unfamiliar*). I was always proud of myself for acting with integrity. I would put the best interest of the client first and generally encourage them to do business elsewhere if I felt they could save money. I often explained to long-term clients that I would never want anyone to do business with me and resent me for it, so if I felt there was a reasonable savings to be made, I would honestly tell them to pursue it. I could sleep well at night knowing I was honest with clients.

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But why should integrity and fair business practices COST me business?

Why did there have to be an inverse relationship between honestly serving my clients AND growing my business's revenue? That doesn't make any sense. Shouldn't I focus on creating a business model in which honesty, integrity, and true client advocacy are rewarded accordingly with business growth?

Speaking of an inverse relationship, through my independent network and carriers, my close ratio is now above 80%. Instead of failing to provide a solution to nine out of ten people, I can help over eight out of ten people, and be compensated for my services as earned. Rather than the fear of inevitable rate increases causing me to deflect and delay requests from family members, I can be confident in my ability to pivot on my clients' behalf as needed if one carrier becomes less appropriate than another.

So why would I walk versus purchase a prime agency within Farmers Insurance?

If I were to cash in my equity and take out a loan to purchase the balance of that book, it would have required borrowing a very large amount. Even at a reasonable multiplier considering the value of the book, I was looking at leveraging myself well into the "approaching-retirement" years. So if I was going to be responsible for paying considerable debt over a 20-year period—and my ability to satisfy the debt was contingent on Farmers' likelihood of competing and stabilizing rates from now through the year 2040—then it became ultra-clear to me that it would be riskier to stay than it

was to walk from the revenue stream I had built.

Even if the finances weren't an issue whatsoever, I'd still be working to outpace the rate instability and moving targets of growth bonuses rather than focusing on my clients: current and prospective. And I'd be struggling with the ethics behind retaining clients and earning business while knowing they could find a more appropriate alternative with another carrier.

How has this decision worked out thus far?

Don't get me wrong – there's a lot to learn. I'm familiarizing myself with dozens of carriers and their various endorsements, rates, appetites, and underwriting practices. But thanks to the support team behind me, it has been a surprisingly smooth transition. I'm closing the vast majority of what I work on, and the efficiency allows me to focus on growth efforts in other lines of insurance. I don't have mile-high stacks of quote sheets that I intend to file as x-dates for use in a fruitless pursuit ten months down the road. Most importantly, I enjoy my work again.

When most of us got into the business, there were initial periods of fun. Closing accounts, winning business, hitting goals/winning promotions, etc. —*it was all so addicting*. Somewhere between rate change, rule change, commission change, and product change, selling was less fun and more desperate. I'll get back to where I was in terms of income possibly faster than I had initially anticipated. But in the meantime, I'm having fun again helping the majority of people that I meet, and I feel good about what I do.

The [Agent Support Network of America \(ASNOA\)](#) is a fully integrated service and support provider that helps independent insurance agents grow their business. We provide *more* than just carrier access. More than 90% of our staff focuses solely on serving you with accounting, licensing, systems onboarding, marketing, skills training, and continuing education – and it all comes with your membership. You get to extend your staff without the associated costs and hassle. 

**The size of your dreams must always exceed
your current capacity to achieve them.**

**If your dreams don't scare you,
they aren't big enough!**

--Ellen Johnson Sirleaf

The NAAFA Report.....



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