

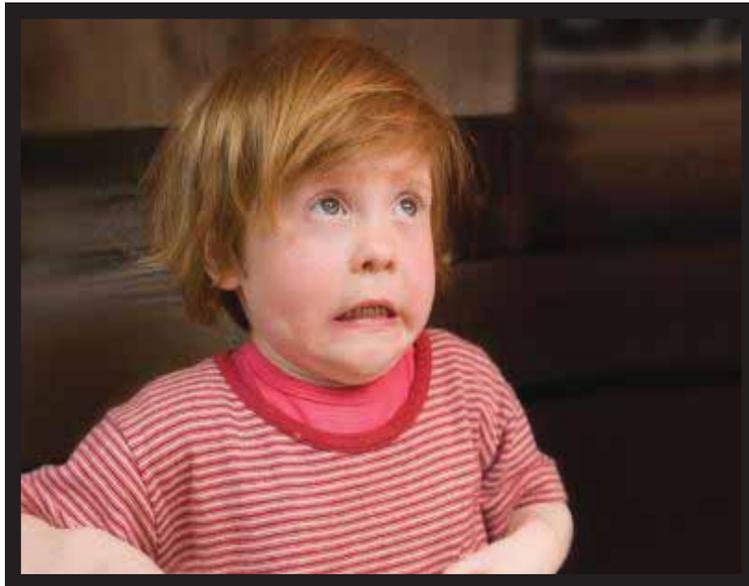


The

**NAAFA**

Report

2013 Winter Edition



“You’re going to cut my what???”

**FEATURES**

**The News is Out! Agents are Getting a Commission Cut.....Page 4**

**NAAFA Member Shows Figures on How the Commission Cuts will Affect Us....Page 6**

**Even if You’re Over 60, It’s Not Too Late to Start Over.....Page 9**

**What is NAAFA Going to Do About It?.....Page 23**



NAAFA, Inc.  
National Association of  
American Family Agents

NAAFA  
PO Box 578  
Circle Pines, MN 55014

Phone: (800) 567-9668 Fax: (763) 208-0924  
Email: [NAAFAwest@comcast.net](mailto:NAAFAwest@comcast.net)  
Website: [www.NAAFA.com](http://www.NAAFA.com)

PRESORT STD  
U.S. POSTAGE  
PAID  
Twin Cities, MN  
Permit #8314

NAAFA  
P.O. Box 578  
Circle Pines MN 55014

# Insurance Professionals:



## IS IT TIME TO BECOME THE OWNER OF YOUR OWN INDEPENDENT INSURANCE AGENCY?

- *Are you locked with a captive and all of the mounting restrictions?*
- *Are you tired of trying to write the business "they" want you to write?*
- *Are you just tired of working for someone else?*

**IF YOU ANSWERED "YES" TO ANY OF THESE QUESTIONS, THEN IT'S TIME TO CONTACT EQUITY ONE!**

**Our GlobalGreen Insurance Agencies have access to:**

- *Multiple Carriers for EVERY Insurance Need*
- *Software Support*
- *State of the Art Agency Management System*
- *Bonus Program*

**Call or E-mail us today for the Opportunity of a Lifetime!**

**636-536-5005**

or Toll Free **877-452-5476**

**ask for Jeff Wilson or  
jwilson@ggiausa.com**

Visit us online to see our growing list of carriers:  
[www.ggiausa.com](http://www.ggiausa.com)

**Global  
Green**  <sup>®</sup>  
INSURANCE AGENCY

**Equity One Franchisors, LLC**



# The Winter 2013 NAAFA Report

## CONTENTS

**THE NEWS IS OUT---WE'RE GETTING A COMMISSION CUT.....4**  
**HOW THE COMMISSION CUT WILL AFFECT US.....6**  
**HOW DO AMFAM'S COMMISSIONS COMPARE TO THE COMPETITORS.....7**  
**HOW AMERICAN FAMILY HAS DESTROYED MY DREAM.....7**  
**NAAFA'S PRESIDENT'S MESSAGE.....8**  
**EVEN IF YOU'RE OVER 60, IT'S NOT TOO LATE TO START OVER!.....9**  
**THE NAAFA MAIL BOX.....10**  
**CONTROL YOUR DESTINY by Bob Korvas.....11**  
**ARE YOU READY TO RETIRE?.....12**  
**GUIDELINES FOR SECA KIT AVAILABILITY.....12**  
**INDEPENDENCE IS A CHOICE. By Jeannie Lewis.....15**  
**HOW MUCH OF YOUR TERM BENEFITS WILL YOUR SURVIVOR GET?.....17**  
**THIS QUOTING SYSTEM MAY BE THE DEATH OF US!.....17**  
**ADVERSARIAL RELATIONSHIPS IN THE AMFAM WORKPLACE.....18**  
**LEGAL CASES YOU MIGHT BE INTERESTED IN.....20**  
**DOWNSIZING AT AMFAM CAUSES THE DESTRUCTION OF AGENTS DREAMS.....21**  
**TAKING A LOOK AT VARIOUS AMFAM AGENT CONTRACTS.....22**  
**SO WHAT IS NAAFA GOING TO DO ABOUT IT?.....23**  
**SO YOU WANT TO EXPRESS YOUR OPINION WITH OUT GETTING FIRED?... ..24**  
**WHO WE ARE, NAAFA MISSION STATEMENT, DISCLAIMER .....25**  
**\*MEMBERSHIP APPLICATION (\$150 SPECIAL FOR NEW MEMBERS).....26**



### OUR ADVERTISERS, WE THANK YOU!!\*

**Global Green.....Inside Front Cover**  
**Couri.....Page 13**  
**InsureZone..... Page 14**  
**Premier Group..... Page 16**  
**TWFG.....Back Inside Cover**  
**ASNOA.....Back Outside Cover**

\*For information on advertising/rates please call the NAAFA business office at 800-567-9668

*NAAFA reserves the right to edit any letters and articles we receive intended for publication in The NAAFA Report. It is our goal to maintain clarity and proper grammar without distorting the intended message. No names of contributors will be published unless you have given us permission to do so.*

The NAAFA Report will also be posted on [www.NAAFA.com](http://www.NAAFA.com) within 2 weeks after the hard copies are mailed. If you would like to be added to our mailing list, contact us at [NAAFAwest@comcast.net](mailto:NAAFAwest@comcast.net).



## THE NEWS IS OUT!!! WE'RE GETTING A

# COMMISSION CUT!

Well, the news is out! You have all been introduced to the new commission cut. How does this make you feel? If you feel it isn't going to affect you any, then why do you think the company went to the bother (yes, they have carefully plotted and planned this cut for quite some time.) of cutting your commissions at all? There has to be some effect as a result of a commission cut. Let's try to figure it out.

Possibilities our board could come up with vary. It has been suggested that commissions are being cut in an effort to cut expenses. But in the 3-page Q & A document we received on the day the cut was presented, we were told the company was cutting renewal commissions in an effort to *"keep us in line with competitors and shift more money to the agent bonus."* Of course, one must ask who our competitors are. We know that if you consider the independents to be our competitors, then American Family is going entirely in the wrong direction with commissions. Their commissions beat ours all around. But we're captive so our commissions are lower....why that is we may never know. Maybe those companies are a better quality than ours so they just pay more, or maybe they have figured out how to operate more economically...AmFam does have a very high expense ratio, we're told. At any rate, our commissions are low and apparently going lower.

Well, what is really going on here? Has anyone figured it out yet? NAAFA has been pretty accurate in predicting what is going to happen, so allow us to make another guess. We believe the terminations, the commission cuts, the premium increases, etc are all tied in to the overall plan of this company to incorporate direct selling and employee agents into its basic structure. When you think about it, if a company wants to develop multi-distribution markets, then obviously some of the former marketing channels must be switched over or be dropped. Do you hear what we're saying?

If AmFam had 4200 captive agents who marketed all the company's products, it only made sense that a company this size, in order to develop a proper direct sales channel, had to consider that perhaps they were weighted down with 4000+ field agents, and so some of them had to go. Well, the company is down to about 3400 field agents now. Is that enough of a drop in agents, you ask? We think not. We anticipate the company would rather have about 50% in the field and 50% employee agents who sell directly. If this is so, then look for another 1000 agents or so to be gone soon.

It is our thought that AmFam will probably want to market all its auto and homeowners products through direct markets and now that it owns The General, it looks like this might be possible. AmFam admits they are learning a lot about direct marketing from the folks at The General. Don't you suppose they will apply those techniques of selling auto direct to the selling of homeowner policies direct? The company has already learned that they can have home inspections done by employee or outside inspectors. Why do they need field agents to do that? Looks like just another reason to justify cutting commission when agents won't have as much to do. Are you beginning to see how they think?

Yes, now perhaps we are beginning to see why AmFam might be getting rid of more agents. Don't you realize that the \$12,000/one year notice program was an incentive program to encourage agents to quit? That's over now so the next "incentive" program is the so-called "Performance Improvement Program".....a program that sets you up to fail, not improve. In other words, the company sets your sales quota so high that it's impossible to meet and so you get a 6-month notice (required by the agent contract) after which you're fired.

It has been reported that by the end of the 3<sup>rd</sup> quarter of 2012, in about 8 mid-western states, there were 79 agents who received 6-month performance letters. It hasn't taken us long to figure out that each time agents who were in the lower production categories are fired, the sales quota number goes up in that district. Several agents have reported to NAAFA that they met the 3-month quotas, but then got even higher quotas required of them next, and it was at that point that they failed, thus receiving the 6-month notice. Now we're being told that a few met the

6-month quota, but are still being given higher sales quotas! It just never ends because the company wants you gone.

NAAFA has been concerned about the numbers of senior agents (55 and over) who are being squeezed out. Each time one of you quits (because you don't want to get fired or because you're watching your Termination Benefits fly out the window...what ever the reason) it enables the company to be just one step closer to reaching their goal of having their desired number of field agents. Yes, we believe each ASM is told to get rid of agents. Too many programs are designed to give us the squeeze.

Squeeze is right. Look at the commission cuts. The agent has made commitments regarding numbers of employees he has hired, rent or leases he has signed, advertizing he has committed to, etc. and now he is expected to be able to meet these expenses with a commission cut. I think not. It's impossible.

Well, it looks like AmFam has really opened the door for a massed exit. We haven't even mentioned the fact that we expect a new contract to be introduced in the 4<sup>th</sup> quarter. New contracts are NEVER a positive thing for agents. They are only given out to benefit the company and you'd better believe it. How sad it is to lose good agents who will not tolerate these negative effects. The successful ones are the ones who will leave first. They are the ones the independent cluster groups want. And the company must know that eventually 40% to 50 % of the business goes with them. It appears they are willing to sacrifice policies in force for lower numbers of agents. Interesting!!

We haven't really addressed the number of policies the company is losing either. They are threatening even more increased rates. AmFam is losing its good customers because they are the ones who can leave easily. And have you noticed how many customers (many of whom have 10 or 15 policies with AmFam) are being cancelled right now? It doesn't matter.

So, it appears the company wants *fewer* customers, *fewer* agents, and so we can assume they want *less* revenue. Why doesn't that worry them? Because they make it up by not paying commissions on first year transferred business (and now that whole transfer commission schedule is being lowered drastically!), by lowering renewal commissions, and by revamping the bonus program so very few bonuses will be paid out. Don't worry. This company will figure out what is best for them. The top echelon in Madison will get huge salaries and bonuses at the expense of the agents at the bottom. Hmmm? Some have even suggested it sounds a bit like a Ponzi scheme!

Well, we've expressed our opinions here after much thought. We would encourage each of you to carefully think over what is happening before you take any steps to change the course of your life. Perhaps you can live with less money. Perhaps you feel you are too old to start over. Perhaps you think what they are doing is fair. What ever you decide, we hope we have given you a little more information than you had before. If our words have caused you to think and ask questions, then we're sure you will now make a wiser decision about your future than you could have before.

[Co-authored by NAAFA members] ☞

### **THE BENEFITS OF NAAFA MEMBERSHIP**

**Is it worth it to become a member of NAAFA? Let us remind you about what some of the benefits to members are:**

- **Access to a network of business professionals, ie. Board members, agents who've 'been through it before,' agents from other agent associations, accountants, etc.**
- **Access to industry information via our website ([www.NAAFA.com](http://www.NAAFA.com))**
- **Opinions on agents' contracts**
- **Safety tips for agency transition (when and if it becomes necessary)**
- **Attorney referrals**
- **Access to updates on legal cases of Agents vs AmFam**
- **SECA Kit tax guide & access to accountants with experience.**
- **Assistance at termination and guidance in getting started in the independent world, should you desire to do so.**
- **Information regarding "do I need legal assistance?"**
- **Access to NAAFA's document library**
- **Access to member-side of [www.NAAFA.com](http://www.NAAFA.com)**
- **Access to NAAFA's "shock & separation" counselor**

**HERE IS ONE NAAFA MEMBER'S FIGURES ON**  
**"HOW THE COMMISSION CUT WILL AFFECT US"**

Here's my hypothetical commission example:

I will use a property renewal premium number of \$500,000.

I will use the Classic premium percentages of 15% which reduces down to 12%.

I will use a 5% inflation rate per year.

Here's how this scenario would affect you over a 10 year period.

- You would see an 18% reduction in take-home pay.
- In dollars, you would have taken home \$174,000 less!
- It will take you about 6 years to bring your commissions back to the level you had before the commission cut.

Now, using the same hypothetical, I will use the renewals under the new "cafeteria homeowner policy."

- The overall loss in take-home pay would amount to about 37%. (vs 18% under the Classic.)

If, by some miracle, you can hang on to the customers you have, using the Classic hypothetical above, you will probably only see approximately a \$400 a month decrease in the first year. But by year 2020, this monthly decrease will have increased to approximately \$1600.

Now if you do these numbers using the new Advance (cafeteria) homeowner rates where you will be receiving only 10% on renewals, you can pretty quickly see that your overall earning potential has greatly decreased.

**THERE'S MORE!** Now I will show you some figures as they pertain to your Termination Benefits.

I will assume you are at 150% for your Termination Benefits.

- At the end of 10 years under the *Classic* policy commission, you would see about a 20% reduction in your Termination Benefits.
- In dollars, you would see a drop of about \$35,800 in Termination Benefits when considering the *Classic* policy figures.
- But in considering the new "*cafeteria homeowner policy*," your Termination Benefits would be reduced by about 33%.
- In dollars under the *cafeteria policy*, your Termination Benefits would be reduced approximately \$70,000.

The company is telling you that because of increased premiums (which they plan to raise) you should not lose money. But we argue that American Family is not competitive in the market place now so increasing premiums only means you will undoubtedly lose customers and thus premiums. The arguments used in the webinar have been heard before. Back in the mid-nineties, the company used the same foolish arguments. There are a few who might swallow this, but those who have been around long enough to have seen both cuts know differently. Perhaps that's why the company wants the old timers gone so they can't intelligently inform the younger agents about what's going on. You may never catch up. But isn't that what they want?



## SO HOW DO AMFAM'S COMMISSIONS COMPARE TO THE COMPETITION?

Some might say it is rather unethical to publish the commission schedules of other companies, but when you figure out that even the consumer has a right to ask that question, then perhaps it isn't so bad. And we do have a right to know. NAAFA does not accept responsibility for any errors in the following figures, but these are the numbers as they were conveyed to us. We would be interested in hearing from you regarding this chart. What do you think? Are we out of line with the other captives? Let's hear your arguments. Write us at [NAAFAwest@comcast.net](mailto:NAAFAwest@comcast.net) or call us at 800-567-9668

### **Comparison of Commission among the Captives**

Company	HO NB	HO Renew	Auto NB	Auto Renew	Trans HO	Trans Auto	Comments
<b>AmFam</b>	15%	Classic 12% New Prod=10%	9%	9%	0 first year 7% forever	0 first year 5% forever	
<b>Farmers</b>	20%	14%	10%	10%	7% forever	4% forever	
<b>State Farm AA4 Old contract</b>	15%	15%	10%	10%	7% 1-10 yrs 10% 10ys forever	7% 1-10 yrs 10% 10ys forever	About 50% of agents have this
<b>State Farm AA97 New contract</b>	10%	10%	8%	8%	7% 1-10 yrs 10% 10ys forever	7% 1-10 yrs 10% 10ys forever	Other 50% have this one
<b>Allstate</b>	9%	9%	9%	9%	9%	9%	Variable commission. 9% is base w/option to increase by selling Life, etc.

The approximate average renewal among the three competitors is about 12%. AmFam agents will be paid nearly 20% less than the competition when considering the new "cafeteria" homeowner policy. (Numbers are rounded.) ☹

## HOW AMERICAN FAMILY HAS DESTROYED MY DREAM

Anonymously Submitted

I started with American Family 19 years ago. What an exciting time it was! Clients and agents alike were accepted and respected. I felt a responsibility to my clients to provide quality insurance coverage to them and they, in turn, remained faithful to me as their agent. This is no longer the case. Premiums have risen so high that even my faithful long-time customers have been forced to go elsewhere for their insurance. This, in turn, has caused me to question my own loyalty to a company that would do this to my clients.

There was a time that I was articulate and strong, and I had confidence in everything I did and said. This confidence enabled me to be successful. Today, things are different. Every now and then I get a glimmer of how it was, how it used to be, and I begin to hope it's still in there somewhere. But it isn't. If you keep asking people to adhere to unreasonable and inconsistent rules and workloads, they soon become discouraged and quit.

Although I believe this is the company's game plan is by design, it certainly was not my game plan. I wanted to live and die at American Family. However, I did not expect that death would be so premature. I understand about profit. I get that. We pay the bills here, too. Hello.

You've destroyed my dream. Just allow me to quit. Give me that one last right so that I can move on peacefully and with dignity. That's all I ask. ☹



# NAAFA'S PRESIDENT'S MESSAGE

*“It’s your dream. Go after it. We’ll protect it.”*

Really? This is the tag line of an American Family TV Commercial that’s running nationwide, extolling the enthusiastic entrepreneur to go after that American Dream and AmFam will protect it.

Well, what about the dream of the American Family agent? Agents have (or had) dreams---to build successful insurance agencies, to provide a valuable service to the community, to provide a

comfortable lifestyle for their families, and to contribute back to the neighborhoods in which they serve. American Family was going to protect them and their dreams!



Really!!!

Not any more!

The rumors about which I spoke in the fall issue of the NAAFA Report have been coming to fruition. The changes that were suspected are now coming to pass. Agents, by the dozens, regardless of time, experience or past success are being thrown to the curb as yesterday’s trash. These agents are being asked, “What have you done for American Family lately?”

Company production leaders for 10, 20, 30 years, AFLIC and All American for 10, 20, or 30 years, it doesn’t matter. Did you produce in the top 60% this month? Did you write those 2 over-priced life apps this month? If not, watch your back. There could be a disenchanted ASM eye-balling your agency for his (her) own benefit and for his own escape to avoid the top-down pressure he can no longer endure. Yes, the “curb trash” is hitting the fan. Escape seems to be the only answer. Do you suppose this is what American Family has planned all along?

You’re now being told to work harder for less money that they’re trying to tell you will be made up in more bonus, the formula of which changes from year to year. And you’re supposed to build your dream on that?

In a very recent job listing in Georgia for a full time AmFam agent, the company described the benefits like this:

*“What are the Benefits? Personal satisfaction of helping people; Control of your income potential; Pride of entrepreneurialship and self-achievement; Personal and professional recognition; Marketing quality products and services.”*

Don’t be deceived. It is hard to feel you are helping people when you have to charge them premiums that are way out of line. It is hard to really control your income when rates are so high you can’t sell and when the company decides to arbitrarily lower your renewals. That original “pride in entrepreneurialship” dream is soon gone.

Senior agents, your dream may becoming a nightmare. Junior agents ask, “What dream?” How do we go on under these circumstances? First of all, you must realize there is a problem. I’ve heard a few agents remark that this is such a small commission cut that they really won’t feel it. Or others have said, “It’s all part of the game these days.” Listen, it’s attitudes like this that got us in this predicament in the first place. Perhaps we’re all at a point where we must decide for ourselves what we must do, but the wise agents *will do something*. If you continue to let this company ruin your dreams, you’re foolish. No one has ever gotten ahead in life by accepting everything that comes along. Sometimes things just aren’t right for you. Recognize it and don’t let anyone ruin your dream. ✍

## **EVEN IF YOU'RE OVER 60, IT'S NOT TOO LATE TO START OVER!**

(Agent wishes to remain anonymous)

Since there's so much talk about an upcoming commission cut at American Family, I thought I'd tell you how it is over on the other side. At this time, as an independent (and former AmFam agent) our commissions on homeowners is 15 new and 15 renewal. Auto with some companies is 15 new and renewal, while a few pay 18. Commercial with many companies I have (I write a lot of commercial) is 20% new and renewal. The other nice thing is that I have 2 companies that will write health clubs, bowling alleys, nursing homes, VFWs, etc and pay 20% commission.

AF had gotten very picky on what they would write in commercial before I left. I now have Hartford who will write stand alone WC and have great rates on health clubs. I put the WC on all my health clubs with them. They pay 10% on the first \$10,000 of premium and 5% on every thing after that. As I recall, on the very limited risk AF was willing to take writing WC, their commission was 5% on the first few thousand, then 3% on the rest; hardly worth writing.

Again, it's AF and their usual smoke and mirrors. They say they are trying to be more in line with their competitors regarding agent bonuses, commissions, etc. They are so distant when compared with most of my companies regarding these things; that's why I refer to it as smoke and mirrors, nothing could be farther from the truth.

If you are an AF agent and get a \$10,000 bonus check, that's huge. I didn't qualify for a bonus year before last because of storm losses, but we figured if I had, with all my companies combined, it would have been around \$50,000. This year it looks like we did qualify with most of our companies and with a premium volume of around 2M, we should do well.

I spent more than half of my life as an AF agent. It was a huge step to leave after all those years. I would be a liar if I didn't admit to being apprehensive about it. But, I had lost so many insureds who would tell me when I followed up with a phone call, "I have nothing against you, in fact, I really like you, but I can get it so much cheaper with another company."

I didn't want to leave AF after all those years, but with my income dropping year after year and my expenses rising each year, I had no choice but to leave or find another occupation. I couldn't do that; insurance was my life. I took great pleasure in helping people. Besides, at my age (I was 62 when I left AF.) and after all those years with AF, I didn't really know what else to do.

With great reluctance, much prayer, and the backing of my wife, I made the decision to pull the plug with AF and become an independent agent. I teamed up with a large agency that has access to many companies. They are able to work out special bonuses, commissions, etc with many of them.

We tell every new insured, "We have access to many companies, if your rates should take a huge increase and you are dissatisfied, let us know and we will look for something more competitive for you."

I can tell you that the first couple of years were hectic to say the least, but now after almost 7 years as an independent agent, my only thought is, "Why didn't I do this 10 years sooner?" ☺



Two of the greatest traits in life are:

**Patience**

and

**Wisdom**

# THE NAAFA MAIL BOX



[NAAFA received the following on 12/5/2012]

To Whom It May Concern:

Enclosed is \$20 for first month of dues and \$10 donation towards the legal defense fund. I would like to set up AFT from this account and you can do the \$30 each month (\$20 for dues and \$10 for donation).

Frankly, after 40 years with American Family I used to scuff at your organization and news letters. Needless to say, NO LONGER. Many of the things you've predicted and talked about have either come to pass or are coming, and frankly, I see little good for the future. I am happy I'm this age and not 22 again.

Sincerely,

---

[NAAFA received this in January 2013. Another agent wins by using the SECA Kit.]

NAAFA, I got an answer from IRS. Apparently they have closed the file and no tax is due. Needless to say I am tickled about that. Too bad they can't change their mind and correct their opinion on this whole thing so we don't have to piddle around with this thing every year. I presume we have tried to get them to forget the whole thing, if not we should remind them to do so. Thanks for your help. I will attempt to send you a copy of the letter. Let me know if it does or doesn't get through. I am definitely not a computer whiz!!!!!!!!!!!!!!!!!!!!

---

[NAAFA received this good news on December 20, 2012.]

Dear NAAFA,

On Sept. 10, 2012, I received notice from the IRS that I owed \$2,700.00 additional taxes for SECA tax for tax year 2010. I retired from American Family 5 years ago after being an agent for 20 years.

I have been a member of NAAFA for many years so I had access to the SECA tax kit. I turned the SECA tax kit over to my attorney and he wrote a letter to the IRS, requesting removal of the self employment tax billing.

On November 26, 2012, I received notice that the issue was resolved with NO taxes due.

I appreciate NAAFA's influence in matters like this and would recommend membership, if for no other reason than to have access to the SECA tax kit. Time will tell whether I will be audited for SECA tax for other tax years, but confident we can beat the IRS with your help if it happens again. Thanks again, NAAFA

---

[Received by NAAFA 1-28-2013]

It's just upsetting when they make the comment they want to be more in line with what other companies are doing, as though they've been giving away far more than other companies give to their agents. That is such a lie!

I remember when AF had their auto and homeowner commission cut, Pearce made the comment that they wanted to be more in line with what other companies were paying their agents and by the cuts AF would be able to stay more competitive. Same lie! He also justified his huge pay raises with comparable statements about being in line with what other insurance CEOs were making. If these so called leaders were competent, they wouldn't have to cut agent's commissions to keep the company in the black.

---

[NAAFA received the following testimony in January, 2013]

Dear NAAFA,

How do I go about getting a SECA Kit? I plan on retiring within the next couple of years, so I need to review the information in this kit. I know our organization faces challenges with membership & support, but I want to let you know how much I appreciate you being there. It still amazes me how many agents are scared to become a member, for worry they could lose their agency! I think that fact alone screams volumes about what kind of corporation we work for. This fear also keeps agents from writing articles for the publication too, but I can guarantee you that the majority of the agents read every article and do a fist pump in the air over some of them! I also would bet most members of management read each issue, and that leads to a few squirms in their seats. All good stuff.

Anyway, please e-mail me or call me. Thank you very much.

---

[Testimony received by NAAFA 12/14/2012]

NAAFA

This is my letter of sincere thanks to NAAFA for your recent help in escaping the IRS bill for 2010 tax years' social security payment. The material you sent me was all it took for them (IRS) to agree that I owed no payment. Since I had retired in 1993 and paid nothing since then, I was surprised I had never been billed before this. Just a result of our BIG government, I guess.

If in the future, if I can do anything to help you, please don't hesitate to call on me. Again, thank you very much.

Sincerely,



## CONTROL YOUR DESTINY

by Bob Korvas

OK, you might be ready to make a change, BUT

What are your choices?

And will you be making a mistake?

Among my articles in the past year, I've written about some of my seventeen-year history and experiences with American Family. I've also written about some of the greater successes of the last 16 years since leaving them. I included some philosophy, opinions and suggestions for looking into what your future might be. I've taken several confidential phone calls about what I've written. I've educated those agents in preparation for their future. As always, I welcome your calls and questions.

By the time this article is published you will understand that once again your future is at risk because of a one sided contractual system where you are obligated to one company which controls every aspect of your business life. American Family has just announced another commission adjustment. And eventually it is highly likely they will begin to market directly until finally, they won't need 'over paid' agents like you. Are you really living in an area where you can "Control Your Destiny?"

More and more of you are beginning to read that contract for the first time. You're making your plans. But are you making the right decision? Are you planning to go it alone entirely? Or are you going to join with other agents in a partnership? Or perhaps you are going to look at an existing group arrangement. Those group arrangements are often referred to as 'Clusters'. If this is going through your head more lately, I'm here to cut down the time and learning curve for you a little.

My own first thought was to go it alone. My first meeting was with C N A in February 1993. I spent four years researching that route before I found a better way. Can you imagine your life if you did not have production standards? Can you imagine your business life if you had dozens upon dozens of companies in all lines of insurance from which to sell? Can you just imagine earning commissions that start at more than double what you presently receive?

For those of you that never were mathematical geniuses, let me make it clear for you. *You would only need half the clients you have today to earn the same income!* And when you have all of the clients you have today, you would have double the income! I have that and I have achieved that through a cluster type arrangement. But it is not like any other you will likely come across. I know because many of my colleagues that left after I did either struggled or found out that the other financial arrangements or clusters did not deliver. You need to know what to look for, what questions to ask.

I will not tell you specifically where I am because it's not my intention to make this look like a promotional piece for the group I am part of. However, I will attempt to tell you what makes this choice I have made so different and so much better than virtually every other organization that you can find.

Briefly, watch out for cluster groups that *do not share* all the income like increased commissions and bonuses. And be careful if the group won't give you access to your own agent producer codes. Many of the groups will have all the commission's statements sent to their central location and later distributed to you. You would never see the actual commission statements. I've gotten several calls from agents who felt they were not getting paid the higher commissions because they never saw the actual commission statements. They did not have their own codes. Having your own codes affords you the ability to leave and go on your own without the 'cluster'. If you don't have your own codes you do not own that business. This is a major "run and hide" moment. You're back at American Family reincarnated!

Make sure you are the owner of your book of business. I do. My contract is written so that either party may leave and buy out the other. Unlike American Family, where it's "good bye clients and good bye income" in a few years, I can sell my agency.

No production requirements are needed to qualify for extra commission or for bonus for other lines. You are completely free to run your day to day operations with no interference or forced production to certain companies. The profit bonuses kick in at lower profit levels. If you don't understand this, please give me a call.

Some of you may not be in the business long enough to be able to go to a cluster. Your book is too small and you are considering becoming a producer. Well, I have news for you. You won't own your book there either. For example, I offer young or smaller agents the chance to share equally in the commissions and then buyout the contract so they can go independent when they are ready. Agents under this arrangement make more commission than American Family pays even with the split. You don't cut your commission and you can grow to a point where you can go on your own. It's a win-win.

[Continued on Page 12]

There is a lot more that you need to consider before you leave. I can't possibly cover it in this one article or in this newsletter. I've seen and heard about dozens of the bad ones. You don't want to join the wrong fit and then two years later realize that you're worse off than before you left.

Do you really want to *Control Your Destiny*? I'm available to answer questions like these as well offer direction to anyone considering making an important change in their career. Going independent with your eyes wide open is part of how you begin to Control Your Destiny. ✂

Bob Korvas  
Phone 847/470-8830  
Email: Bobkorvas@earthlink.net

---

## ARE YOU READY TO RETIRE?

A recent article in the Wall Street Journal seemed so appropriate for the many American Family agents who are being forced to retire. The name of the February 3, 2013 article, "Before You Retire, Try Rehearsing" by Carolyn Geer suggests that people really struggle over trying to figure out if they will have enough money to live on if they give up their jobs.

<http://online.wsj.com/article/SB10001424127887323829504578269681705042510.html>

Ms Geer suggests you take a look at how much you are living on now. Most people keep records, whether it be in a Quicken program, or simply a recording in their check books. You need to determine what it costs per year to do the things you want to do and to live the way you want to live. Let's say you know that your family's annual income is \$100,000, but you also know, according to your records, that it appears you can run your household on about \$60,000 per year. Ms Geer suggests you "go home and play."

You need to figure out what your Termination Benefits would bring in, what your Social Security would bring in, what your other investments would bring in and then determine if you can live on that amount. To determine this, *actually live on that amount for 6 months.* Perhaps you will have to cut here and there, but if you know you can live on this amount, it takes a lot of the fear of the unknown away.

A rehearsal such as this might be the determining factor in whether you decide to continue working or not. Perhaps it is right for you to go independent. You already know your capabilities there and you already have experience in that area. Or perhaps you want to try something else. Just remember, you might be rusty in your new vocation of choice, so allow for time to adjust.

And also remember the proverb,

"THOSE WHO FAIL TO PLAN, PLAN TO FAIL." ✂

## GUIDELINES FOR SECA KIT AVAILABILITY

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 is now charging \$400 for the Kit unless a person 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 membership up front and then the kit would immediately be available at the \$400 rate. Or the new member who pays either *monthly* or *semi-annually* would have to wait until the beginning of the second year to become eligible to buy the Kit at \$400.

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. 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!!**

**Grow** your business. **Retain** your identity

with

**Couri Associates.**

**Hear** what our associates are saying about our focus on agents and our great commissions!



**Visit** [www.couriagents.com/raves/](http://www.couriagents.com/raves/) **Or**

Scan this with your Smartphone QR Reader App.



Search "QR Code" in your App store to download a mobile reader.

**Or Ask** one of these strategic partners about Couri Associates' value



*This is just a sampling of the quality carriers Couri represents.*



COURI INSURANCE ASSOCIATES

Interested in becoming part of the Couri family? Visit our website, [couriagents.com](http://couriagents.com) or give Steve Albinger a call at 800-444-1215.

# INDEPENDENCE IS A CHOICE

Put Your Experience to Work



## **Helping Agents Own An Independent Insurance Agency**

InsureZone Direct is a partnership of independent agencies that allows each agency to leverage the benefits of a large national operation while being able to maintain their agency identity. InsureZone Direct provides the industry's best and most complete suite of agency sales, service and reporting tools, with direct access to major carriers for personal and commercial lines. If you want to be part of the best team in the insurance industry, then InsureZone Direct is your agency's solution.

*Get Your Agency  
in the Zone!*

**817.704.2289**

[sales@insurezonedirect.com](mailto:sales@insurezonedirect.com)





# INDEPENDENCE is a CHOICE

By Jeannie Lewis, Vice President, InsureZone

**The insurance industry continues to change and so does the marketplace. Higher rates, lower commissions, and tightening underwriting guidelines make placing and maintaining policies difficult while earning less doing so!**

Today's agent cannot afford to lose a single client yet many are forced to refer their clients to competing agents to place coverage for lines of business they cannot access or to provide a better rate for a comparable product.

Our InsureZone Direct division was formed with the unique needs of a seasoned agent wishing to leave a single carrier (captive) environment. We understand the frustration of turning your customers away as well as the fear of losing the business you currently write for that customer to another agent. InsureZone Direct provides a turn-key solution for an agency willing to take back their independence.

Becoming an independent agency can also be overwhelming at best. Multiple carriers, products, and technology are all challenges in the early stage of an agency. Our technology team built a proprietary single screen solution that manages the client relationship, quoting of multiple carriers, carrier contact information, and the ability to add and remove staff all from one easy, straightforward platform. With 20+ carriers available in most states, InsureZone Direct can help you place the Personal and Commercial Lines needs of the majority of your customers quickly and efficiently.

**Independence is a choice? You better believe it is.** We are here to help. For more information on how to become an independent agency without losing your unique identity, contact us today by visiting our website at:

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

Or call us at 877-704-2250 ☎

## HERE IT IS, PLAIN AND SIMPLE

I have heard that for every \$1.00 of premium written at AmFam, one only needs write 60 cents in premium written in the independent world to make the same amount of money. This can only be true if commissions are higher in the independent world, but you need to check it out for yourselves.

Our AmFam agents are going to get a homeowner renewal commission cut starting 1/1/14. Renewals will go down 1% a year for 3 years. Well, many agents aren't figuring this out. We have decided to spell it out plainly for you....or at least as plainly as we can.

**NOW:** \$100 premium X 15% = \$15 in commission (What agents get now)

**YEAR 1:** \$100 premium X 14% = \$14 in commission. **This is a 6.7% cut.** (\$15 X 6.7%=\$1.00)

**YEAR 2:** \$100 premium X 13% = \$13 in commission. **This is a 13.4% cut.** (\$15 X 3.4%=\$2.00)

**YEAR 3:** \$100 premium X 12% = \$12 in commission. **This is a 20 % cut.** (\$15 X 20%=\$3.00)

Many agents can't figure this out. To top this all off, the product the company is decreasing the renewal commission on is being phased out. Agents won't be selling it any more. The new product that replaces it will get you a straight 10% renewal commission.

\$100 premium X 10% = \$10 in commission. **This is a 33.4% cut.** (\$15 X 33.4%=\$5.00)

Now, it doesn't take a rocket scientist to figure out that the 10% renewal commission on your new product is actually a **33.4% cut** in your homeowner renewal income. Are you with me? ☎

# *Break the Shackles...*



*Get  
EXCITED  
About  
Insurance  
Again!*

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

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

**AT PREMIER GROUP INSURANCE**

**More Than 100 PGI Partners Have it All!**

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

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



## HOW MUCH OF YOUR TERMINATION BENEFITS WILL YOUR SURVIVOR GET?

Have you ever wondered how much of your Termination Benefits your spouse or survivor would get if you died before you had received all of it? Most agents don't give it a thought, just assuming the survivor would get the 'balance' of what's left. NOT SO!!

NAAFA has recently had several very ill agents call us with this very question. They are concerned about how much their widow or family would get should they die. It's a very important factor if you are doing some good estate planning. You need to know.

NAAFA has taken a look at the '93 agent contract and here is what it says in Section 6, 6.s:

*“If you die prior to receiving the amount of extended earnings calculated under Sect. 6. m. and n., and Sec. 6.r. if you chose that option, your legal representative will receive the present value of any unpaid difference as a lump sum.”*

At issue here is the definition of “present value.” Investopedia.com defines present value like this:

*“The current worth of a future sum of money or stream of cash flows given a specified rate of return. Future cash flows are discounted at the discount rate, and the higher the discount rate, the lower the present value of the future cash flows. Determining the appropriate discount rate is the key to properly valuing future cash flows, whether they be earnings or obligations.”*

Here is a **Present Value Formula** we found on the Internet:

**Present Value Formula=Future Value\* (1 + Interest Rate Per Period)<sup>-Number of Periods.</sup>**  
(<http://www.calculatorpro.com/calculator/present-value-calculator/>)

One would have a hard time applying the formula without knowing both the *interest rate* and *number of periods* American Family uses.

Note that it says in the definition, “the **higher** the discount rate, the **lower** the present value.” Obviously there are ways to lower the present value...just increase the discount rate. Who would ever know, except perhaps the beneficiary!

**NAAFA believes agents have the right to know how American Family arrives at the amount they pay to the agent's survivor. At this point, because agents have never been informed, the company can arbitrarily choose any method they want to arrive at any amount they want. We believe the Agents' Council might push for some answers here. And retiring agents have a right to push for the company's formula. If anyone is successful in getting this information, please let NAAFA know.** 🐦

---

### THIS NEW QUOTING SYSTEM MAY BE THE DEATH OF US!

We agents are going through some of the most difficult times right now as we try to deal with the new policy center for commercial lines quoting and app entry. It's the worst software I have ever had to work with. A simple quote for a small office building that would normally take 4 to 7 minutes on ADS now takes us 50+ minutes or more to quote.

In comparison, on the same day I had a business my underwriter said we could *not* write, so she sent me to brokerage. I received an e-mail from the person who handles it with a link to quote the small business. I was able to enter the customer info in less than 5 minutes plus get the rate back immediately. I sent my underwriter a thank you & mentioned I had the rates back already. She could not believe it was that fast!

How can one part of our company have a system for quoting that is fast, simple and easy to use but on the other side they roll out what is a complete anti-user-friendly system? The company is expecting us learn how to use software that makes absolutely no sense. In fact, the whole situation makes no logical sense to me.

I have asked company people to try and help “walk” us through the process and they, too, can't believe how cumbersome it is even after having worked with it daily for over a year. If they turn this loose on personal lines in its current format, it will be a nothing less than a major nightmare! 🐦

[Member opinion]

## ADVERSARIAL RELATIONSHIPS IN THE AMFAM WORKPLACE

Anonymous

From my perspective, it seems that warm, committed relationships to workers are only evident in smaller companies. Is this true? It would seem a lot more likely that a business owner would feel responsible for and committed to employees he knew. What do they say...out of sight-out of mind? As the company grows, the owner or top management becomes far removed from the concerns of the average worker in the company. This is especially compounded when the company has outlets in various cities. The owner(s) simply can't be at all places at all times. It soon becomes evident that the corporation has no conscience. You realize that top management feels they do no wrong....that it's the corporation that is evil, not them, and they can go home at night without guilty consciences. When Johnny Smith suffers a heart attack, the owners in large corporations never know it. Or when Sally Jones has a baby, only her immediate work pals know it. A warm company has suddenly become a cold corporation. That's just the way it is. Or is it?

If I owned or ran a large corporation, I would make an effort to communicate with my workers. Perhaps I would publish in the company newsletter some of my own thoughts, ethics, compassions, morality, commitments, responsibilities, etc. I would make my article personal so that my workers felt they really knew me a little better because of the article. I would risk it and make myself vulnerable. I would instruct my staff to inform me when someone was ill. The ill person's manager should be instructed to send flowers or at least a get-well card. If a worker

accomplished an outstanding goal or in some way in particular did a good job for the company I am running, I would want to know about it. Perhaps I would take a moment to personally hand write a note of congratulations. I would feel that what my workers do reflect our company.

Things used to be this way at American Family. Employees and agents used to feel needed and used to feel that their time and efforts were appreciated. What has happened? Is the world so cold that no one cares any more?

Most of the agents who have been with the company 15 or 20 years remember the promises made when they signed the 1993 contract. They were told the contract was an enhancement for them. That between the old and the new, they would get the "best of both worlds." This promise meant a lot to agents who signed the 1993 contract. Especially exciting was the Termination Benefit increase in percentage from 150% up to possibly 200%, depending on how long you had been with the company. But what has happened today is for what they gained by the higher percentage will be taken away by the commission cut. Many agents feel the company has let them down. They feel the company resents the fact that they ever committed to the 200% and now they've found a loophole for taking it away. Oh, agents on that '93 contract will still get 200%...but it'll be 200% of a much lower amount! Yes, they feel betrayed and it's understandable that they do. But what is even worse is the fact that the company is trying to tell agents that the commission cuts will not greatly affect them. Agents are insulted, to say the least.

What is American Family's goal? Let's take a look at another leader and how he has chosen to run his company. A brief summary of the life of Mark C. Crowley, "a consultant who leads from the heart" and Senior Vice President at Washington Mutual, shows us why he was so successful. He had compassion on his workers, he encouraged by being very sensitive to the needs of his employees and he knew what was needed to make each one thrive and excel. (<http://www.fastcompany.com/user/mark-c-crowley>)

*"Regardless of his assignment, it became evident that his intuition-based leadership practices consistently inspired employees to uncommon engagement, commitment and achievement. Upon closer examination, Mr. Crowley came to realize that certain childhood experiences had influenced him to be more sensitive to the needs of employees and, specifically, what would help them thrive and excel. And workers scaled mountains for him simply because they could feel he was someone who genuinely cared about them, and made consistent and varied efforts to express that to them directly.*

Tied to his own 25 years of leadership experience, and supported by remarkable new research and scientific discoveries, Mr. Crowley has proven that leadership which acknowledges the humanity— the hearts — of workers is a truly a trans-formational and abundant model."

I would imagine the *management attitudes* of this quote above are completely foreign to leaders at AmFam. These are attitudes long forgotten. It remains a mystery to me that this company seems to have a goal of continuing to have an adversarial relationship with its workers. Look what's happening:

1. Lack of trust on both sides.
2. Quality of work compromised.
3. Quantity of work compromised
4. Creativity stunted.
5. Sales decline
6. Moral dips.

And this illness continues to spread. Mean-spirited leaders tend to hire mean-spirited people because

Mark Crowley, in his article entitled, "*The Sharp Drop-Off in Worker Happiness--And What Your Company Can Do About It*" says there are *three* things leaders should learn and never forget. They are:

1) What makes people happiest in their jobs is all profoundly personal. Different strokes for different folks, as the saying goes. Some people want to work for an ethical company, others put the emphasis on meaningful work, another wants a boss who is compassionate and encouraging. A Towers Watson study, Crowley says, found that the single most important factor in a workplace relationship is *whether workers feel their boss is genuinely interested in their well-being*. Only about 40% of today's workers feel they have that pleasure.

that's who they relate to. And so the whole company eventually becomes contaminated with a sick mentality that says, "Be careful, we dare not show too much respect, support, appreciation or sincere recognition. After all, we may soon have to terminate these people!"

American Family has chosen to "lose" many extremely talented people. It baffles me that a company which is falling behind in production would continue with the same management styles that got them there in the first place. Isn't there a saying something like this? If you make a mistake twice, it's not a mistake, it's a choice!

2) People only thrive when they feel recognized and appreciated. Crowley believes that leaders must allow themselves to manage more from their heart because that's what connects us as human beings. This compassionate attitude is greatly lacking in American leadership today, he says.

3) Your employees will stay if you tell them directly you need them, care about them, and sincerely plan to support them. Employees who leave for anything other than for more money are actually leaving because they hope things will be better somewhere else, Crowley says.

<http://www.fastcompany.com/1835578/sharp-drop-worker-happiness-and-what-your-company-can-do-about-it>

Often at American Family workers don't have that choice of whether to leave or not....they are forced to leave. Someone recently reported that less than 6% of agents make it to age 60 when they qualify for life time Termination Benefits. Why? Is it because life time Termination Benefits cost the company too much? We have also noticed that since about 2009, American Family has reduced its field force by about 12%. Why? I would like to encourage everyone who is being forced out to consider this a great opportunity to find something much, much better. It is your chance to step away from what was making you miserable. It's your chance to find your fit. And when you do, please decide what kind of a business owner/manager you will be. Will you feel compassion and responsibility toward your employees? Or will you treat your workers like you have been treated at American Family in the past few years?

I would like to suggest that all workers join NAAFA and get some ideas about how to become prepared in case you ever find your relationship severed with AmFam. Always have a back up plan so you won't find your source of income completely cut off. We'd also recommend you read the column "Control Your Destiny" found on the NAAFA.com website and also in the NAAFA Report. ☞

**"IT PAYS TO PLAN AHEAD. IT WASN'T RAINING WHEN NOAH BUILT THE ARK."**

## LEGAL CASES YOU MIGHT BE INTERESTED IN

Back in 2011, the NAAFA Report published an article entitled Three Cases, Three Judges, Three Decisions. (<http://208.112.32.72/pagecontent/NaafaRptSpring2011.pdf>) It involved an Illinois case, an Iowa case, and a Colorado case. At this point in time, we would like to update you on these cases.

The Illinois case was settled out of court and it was not favorable to the two agents involved.

The Colorado case involving Barry Gustafson vs American Family was very favorably settled when AmFam offered to make a settlement out of court. Barry is happy, but has a gag order.

The Iowa case, Rick Hollander, has just recently been decided by the appellate courts **in Rick's favor**. As you recall, Rick had gone independent, got sued by American Family for alleged computer fraud, misappropriation of trade secrets, breach of contract, intentional interference with contractual obligations, and a request for a declaratory judgment that the company had no obligation under the agent agreement to pay Rick's extended earnings. Obviously, these were serious charges. However, the district court ruled totally in favor of Hollander. Of course, American Family appealed the case and just on February 1, 2013, we were thrilled to report that the appellate judges determined that they agreed with the decision of the district court. **Rick won his Termination Benefits and his legal fees.**

In the Hollander case, Agent Hollander had mailed his former AmFam customers a letter informing them of his decision to end his affiliation with American Family and open his own independent insurance agency. This action was not ruled as being against the agent contract by either court. It is also known that the agent had a list of names and addresses of the agent's former customers at the time he did the mailing, but both courts apparently decided this was **not** considered 'theft of a trade secret.' Another issue in this case was that the district court judge had given the jury (just before deliberation) a definition of the word "induce." He defined it as "to persuade or urge." Hollander again was not found guilty of inducing. Read a summary of the case here: [http://www.asksam.com/cgi-bin/as\\_web7.exe?Command=Doc&File=halligan&DocID=13498793](http://www.asksam.com/cgi-bin/as_web7.exe?Command=Doc&File=halligan&DocID=13498793)

**NAAFA will soon be receiving a legal opinion on how the decisions in this case apply to agents who are planning to go independent, and as soon as we do, we will be presenting this to our *members*. Just another reason to join NAAFA!!**

### CLASS ACTIONS

1) As most of you know, a couple of years ago a class action was filed in Colorado regarding UM/UIM coverage. In the Quinn vs American Family case, the company paid some \$32,000,000.

2) On February 14, 2013, in Minnesota, another class action was filed, Nelson vs American Family, where the Nelsons claim American Family had raised the coverage on their modest rambler from \$184,000 in 2004 to \$454,500 in 2011. The Nelsons are arguing that American Family's methodology for determining policy values is flawed. This will be an interesting case to watch because many AmFam agents have lost customers because of similar circumstances.

### OTHER CASES OF INTEREST

**UFAA SUES FARMERS, INC.      By Dirk Beamer, UFAA Corporate Counsel**

For many months, the Farmers Insurance Group of Insurance Companies (under the control of their management company, FGI, itself a subsidiary of the Swiss giant Zurich) have sought to exert greater control over the independent contractors who own Farmers Insurance Agencies. FGI has introduced an endless series of performance standards and productivity requirements that have Farmers Agents running like hamsters in a stationery wheel. Ignoring the clear boundaries of Farmers' contract with its agents, FGI threatens to terminate agents who fail to perform to its standards and has, in fact, done so on an alarming scale. Agents who have invested their life's work and earnings into their businesses suddenly find that those businesses have been snatched away.

Adding insult to injury, Farmers agents find themselves competing to survive with other insurance brands owned by Farmers and controlled by FGI. Indeed, FGI has gone so far as to take sales leads and customer data obtained by the efforts of Farmers agents and given this same information to these competing brands.

Having asked FGI repeatedly, and unsuccessfully, to modify its conduct and to comply with the Farmers contract, agents have been left with no choice but to sue to enforce their rights and to protect their agencies. On Monday, December 17, the United Farmers Agents Association (UFAA) filed a lawsuit in the Los Angeles County Superior Court on behalf of its members. The suit challenges FGI's improper violations of the contract with agents, its pattern of sharing agents' data with 21st Century Insurance, and its unconscionable practice of terminating lifetime agency owners on ninety days' notice or less. ☹

[From the Oklahoma Farmers Chapter news, January 2013]



## DOWNSIZING AT AMERICAN FAMILY CAUSES

### THE DESTRUCTION OF AGENTS' DREAMS

Member contributes to NAAFA Report

Just as when an older couple decides to downsize or “clean out what they don’t need anymore,” so is American Family appearing to down size. American Family has new goals, a new plan. Some parts of the organization are no longer needed, so one of those parts, the agents, must go. And one of the ways to cause them to go with the least amount of pain for corporate is to cut renewal commissions. Agents cannot afford to lose their retirement nest egg.

Agents can’t suffer this cut and yet continue with the same amount of expenses. AmFam knows this and, in fact, is banking on it. Yes, banking on it in more than one sense. It is terribly profitable for them to have an agent leave. It’s the most profitable if an agent is terminated just *before* (s)he qualifies for Termination Benefits. The company gets their agency and the agent gets nothing. It’s also quite profitable if an agent is terminated or forced out before the age of 60 because AmFam could pay only 1½ times the agency value over a period 5 years. And then poof! You’re just a memory. Actually, we’re told that only about 6% of the agents make it to age 60 at American Family where these agents are paid a decreased amount for the rest of their lives.

Wouldn’t it have been polite and considerate of American Family to have shared their “dreams” with us so we could have made some plans?  
**DREAMS!** What has happened to the dreams

AmFam encouraged the agents to have? And now American Family is even encouraging our customers to explore their dreams. Recently, in a customer mailer, American Family said, “Sharing your dreams strengthens your commitment to realizing them.” Well, the agents are here to tell you that you have just burst our bubble. You have destroyed our dreams. How can you expect our customers to stay with a company who treats the dreams of their agents by cutting their commissions, by raising premiums and then setting sales quotas that are impossible to meet, by firing agents who have been with this company for 15, 20 or even 25 or more years? Is part of this company’s dreams to have fewer customers? Who would tell you their dream at [dreams@amfam.com](mailto:dreams@amfam.com) knowing that you’d likely wipe their dreams right out?

Let’s cut out this dream stuff and get back to reality. The only ones at AmFam who are realizing their dreams are those at the top who are awarding themselves huge salaries and bonuses at the expense of those on the bottom they’ve told to have dreams. Money flowing in at the bottom (via customers and agents) is flowing out at the top (via the top management’s pockets). Is this the way to ‘*live the dream,*’ ‘*to chase the dream,*’ ‘*to stretch our horizons?*’ I think not! ☹

**When GOD solves your problems, you have faith in HIS abilities;  
When GOD doesn’t solve your problems He has faith in YOUR abilities.**

**Worrying does not take away tomorrow’s troubles; it takes away today’s PEACE.**

**It is a wealthy person, indeed, who calculates riches not in gold but in friends.  
~Jim Stovall**



## TAKING A LOOK AT VARIOUS AMFAM AGENT CONTRACTS

Everyone knows there are many different agent contracts out there amongst the AmFam agencies. Most prevalent, of course, is the 1993 contract. But we remain surprised at how many people never did sign that contract. We think most were all led to believe that “everyone” signed the ’93 contract. That was the company’s desire, anyway.

Well, the fact remains that there are still a lot of agents under older contracts. What we have found is that the company appears to be unable (or unwilling) to enforce the non-compete in the older contracts. In fact, we have in our files, actual copies of letters from Agency Services that agents with older contracts received at the time they decided to quit American Family and go independent. These letters are forthright in saying that AmFam does not enforce these older contracts and that the agent is free to compete.

NAAFA feels holders of these older contracts should be aware that they *probably would not be sued* if they went independent. We are interested in finding out how many of the people who have been terminated or forced out the door in the last couple of years actually had the older contracts. If you are one of those people who left with one of the old contracts, would you let us know?

One thing that all the contracts have in common is a *forfeiture clause*. This clause gives the reasons why you might “lose” your Termination Benefits. These reasons are referred to under Section 6.u (1993 contract) and basically it says that you will forfeit your Term Benefits if you do not return your files and company documents within 10 days after terminating the contract AND/OR if you do not violate the one-year non-compete.

It is because of this forfeiture clause that the SECA Kit has been so successful and evidently, the IRS agrees with us. In the past 12-15 months, we have seen a tremendous increase in IRS audits of retired agents who are receiving Termination Benefits. We have probably seen about 12 or 13 agents who have successfully used the kit in the past year or so. Yes, it pains non-members to pay the \$400 plus membership to get the Kit, but that’s sure a lot better than paying the IRS some 15+ % for SECA tax on your Term Benefits. It is definitely worth your while to maintain continuous membership in NAAFA if for no other reason than to have the assistance you need when audited by the IRS regarding the SECA Tax issue.

It might come as a surprise to you to learn that in most of the cases where AmFam has sued agents in the last five years (that we know of, anyway), these agents were *not* members of NAAFA at the time they were sued. In all cases that we know of, however, they soon became members! It pays to know your contract and it pays for you NOT to violate that contract. That is where NAAFA will be a great help to you. Join NAAFA today. ☘

Look not mournfully into the past. It comes not back again.

Wisely improve the present. It is thine.

Go forth to meet the shadowy future, without fear.

~Henry Wadsworth Longfellow

"Our lives begin to end the day we become silent about things that matter.

~ Martin Luther King, Jr.

## **SO WHAT IS NAAFA GOING TO DO ABOUT IT?**

[Although this article may be at the end of our magazine, this one and the following article may be the most important articles presented this time. Agents are at a crossroads. You must decide what you are going to do. You need to choose to have control of your life if you are going to have happiness. Read carefully and act.]

**If there is one thing NAAFA wants to do about what is happening at American Family these days, it is to encourage each and every agent to pick up and go on! Never, in the history of our organization, has this office received so many calls of panic, frustration, disbelief, discouragement, and futility. The question is asked over and over, “What is NAAFA going to do about it?” The answer is always the same. Nothing.**

**Whoa! Stop! Did we say ‘nothing?’ Well, we’ve got your back, of course. This answer simply means “We aren’t going to do something about it, but *you* can.” Recovery from the disaster of broken promises, increased premiums, stiffer underwriting requirements, quota requirements, and decreased renewals which, we believe, ultimately and illegally reduce your Termination Benefits, will all take their tolls on you if YOU don’t do something about it.**

**One of the first things NAAFA recommends is that you get to your computer and read an article about Dr. Ben Carson. You can read about him here.**

**<http://www.theblaze.com/stories/2013/02/08/7-fascinating-facts-about-dr-carson-the-prayer-breakfast-speaker-who-attacked-political-correctness-and-the-debt-in-front-of-obama/>**

**In this article you will see a link to Dr. Carson’s biography. Read it. This article is about a man who has overcome obstacles you wouldn’t even begin to think about. He has recently risen in popularity because he dared to speak out (politely and humbly) at a recent prayer breakfast where President Obama sat just two seats from him.**

**The lesson to be learned here is that we all need to *speak out* when we see injustice affecting our fellowman. Perhaps you take a risk, but if someone doesn’t try to do something about the wrongs, these wrongs will never be righted.**

**NAAFA is an organization that is ever mindful of our reason for being here. First and foremost, we support agents who are interested in bettering their relationship with the company they work for ...namely, American Family. Over the years, we have all seen American Family do some wonderful things for us and for our policyholders. We want to support those efforts. Believe us when we say, these kind and fair acts have not gone unnoticed. But when the corporation strays a bit from its committed and agreed upon responsibilities, something needs to be done. We believe the company should be thankful that they have hired outstanding and conscientious agents who recognize what is going on and are willing to help the company straighten itself out.**

**NAAFA encourages agents to join our organization because the time will come when you will need us. We don’t have the space here to list all the times we have been able to help agents. But do realize that we encourage you to follow your contract...always! Yes, it is the interpretation of that contract that often is the issue. When agents are terminated for “speaking up” under the guise of being “disloyal,” we shudder because there is, after all, a difference between *disloyal* and *forthrightness to correct a wrong*.**

**Might we suggest that the company officials try to understand *why* agents speak out? Really, it is not to condemn or violate company standards, but to try to explain to the company that they may be doing something that will ultimately come back to haunt them. These agents are speaking from the bottom of their hearts. Listen to them. Most of them have loved working for American Family, but when the company missteps, it is with *loyalty* and *compassion* for the company and the people who work for this company, that these agents speak out.**

**And so, don’t look to NAAFA to solve the problems that only you can solve. We still believe the agents are the heartbeat of this company. Among the American Family agents are some of the brightest entrepreneurs in the world. Listen to them. They cannot succeed without a company which offers good products and premiums, commissions and support, and integrity and loyalty. Agents (and employees) need a company that will listen.....and we mean listen to the agents who are not necessarily on the hand-picked Agency Council.**

**American Family, we salute you.  
You have brilliantly hired the best group of workers in the world.  
Now support them before you lose them! ☘**

**SO YOU WANT TO EXPRESS YOUR OPINION....**  
**BUT HOW DO YOU DO IT WITHOUT GETTING FIRED?**

Anonymous

There are some people who are just great to work with. They're innovative, observative, good at their jobs, and fun to be around. Then there are some people you hardly know are there. They never have an opinion or suggestion. They're mediocre in their jobs, do what they're told, but never come up with solutions to problems. One should also point out that there are people who are really negative. They're the ones who are always complaining, look like sour pusses, claim they're for real and only expressing their opinions, which, they say, they have the right to do.

Well, yes, you do have a right to express your opinion. And in fact, if you have a good boss, that boss probably wants you to speak up...express your opinion. But it's *how you do it that is important*. In these days of turmoil and unrest at American Family, perhaps we all ought to take a look at better ways of expressing our thoughts. Here are a few suggestions that might help you soften your blow:

1) Appear humble and do it with a smile. No one likes a smart aleck. And no one likes a sour puss. SMILE. It really will soften the blow of what ever you have to say.

2) State what you see as the problem in a clear and concise way. You might present it as "your own problem" and you are humbly asking if anyone else is having the same problem. Now you're beginning to relate.

3) Credible people will usually present a problem AND a solution. Perhaps you can present a couple of possible solutions because, after all, you have really been thinking this over, right? Now you are appearing like one who is really interested in making your workplace a better place for all.

4) Keep your emotions out of it. Try to present your observations of the problems in a very professional way. Anger, frustration, and disappointment should remain at a minimum. You want to expose the problem but in a credible manner. Use tact. Professionalism is usually respected by other professionals. If you are reprimanded by those around you or by your superiors, perhaps it's time to take a second look at who you are working for.

5) As independent contractors, we need not be thinking we are "part of a team" because we're not. But you *are* an independent contractor who works for a bigger company. Your attitude does matter. Seek the respect of those around you and from your superiors. It is much easier to get to the bottom of the problem(s) if your suggestions are respected. If what you are saying makes sense, if you are logical, then encourage others to agree with you. Ask, "Am I right?" or "Are you with me on this?" Getting heads to nod means your ideas are being accepted. Pay particular attention to the heads of the "heads." If they're not nodding, too, then perhaps you haven't made yourself clear. Be willing to listen to "the other side." And then if you find you are wrong, don't be afraid to admit it.

6) The main thing is:

**"DO SPEAK UP, BUT KNOW HOW TO DO IT!!" 🐦**





## The NAAFA Report.....

### Who We Are

The **National Association of American Family Agents (NAAFA)** is a professional organization established to promote *education* and *communication* for and between both active and non-active American Family agents. NAAFA is the vehicle whereby agents can express their opinions openly and without judgment. Our desire is to be a vital active group who is interested in sharing experiences, knowledge, and recommendations with other agents, always encouraging, listening, and growing in ways that not only profit the agents, but their businesses and customers as well.

### Our Mission Statement

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



### SUPPORT NAAFA PAINLESSLY

The most painless way you can pay NAAFA membership dues is by the monthly EFT method. Most people do not miss the \$20 a month that NAAFA deducts from the account of your choice around the 20<sup>th</sup> of the month. Some agents add an extra \$5 or \$10 a month to be donated to the Legal Defense Fund. It's all so easy. Open your account now by sending your check for \$20 to NAAFA, PO Box 578, Circle Pines, MN 55014.

### JOIN NAAFA painlessly

**If you have moved  
Please send us your  
CHANGE OF ADDRESS:**



Call us at: 1-800-567-9668

Email us at: [NAAFAwest@comcast.net](mailto:NAAFAwest@comcast.net)

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



SECA KITS ARE AVAILABLE IMMEDIATELY TO ALL MEMBERS FOR \$400 PLUS DUES. AFTER 3 CONTINUOUS MEMBERSHIP YEARS, THE KIT BECOMES AVAILABLE AT NO CHARGE.

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

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

### NAAFA DISCLAIMER

Articles, opinions, viewpoints, and advertisements 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.



## NAAFA MEMBERSHIP APPLICATION

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

Name \_\_\_\_\_ Address: \_\_\_\_\_

City \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Office Phone: \_\_\_\_\_ Cell \_\_\_\_\_ Fax \_\_\_\_\_

Personal Email: \_\_\_\_\_

### MEMBERSHIPS

(Circle one)

*Annual	\$240
Semi-Annual	130
EFT (Monthly)	20
Retired Annual	80
ACP Annual	120
ACP Semi-Ann	70
ACP (EFT)	10

**\*Annual Membership Special  
to new members only:  
**\$150.00**  
till September 1, 2013**

### DONATIONS:

Silver \_\_\_\_\_ (under \$99)

Gold \_\_\_\_\_ (\$100-\$199)

\*Platinum \_\_\_\_\_ (\$200-up )

\*Membership included with Platinum annual donations.

**LEGAL DEFENSE FUND DONATION \$ \_\_\_\_\_**

### PAYMENT OPTIONS:

#### **CHECK:**

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

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

#### **EFT:**

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

Mail to above address.

#### **CREDIT CARD:**

Please go to [www.NAAFA.com](http://www.NAAFA.com) and enter your credit card information by clicking on the PayPal icon under the "Enroll Now" tab.

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

Sources say captive agents are being squeezed out for corporate profits, putting their livelihood at risk. TWFG offers agents new hope. More on our story coming up next.



# **TWFG** INSURANCE SERVICES

1-800-596-8934

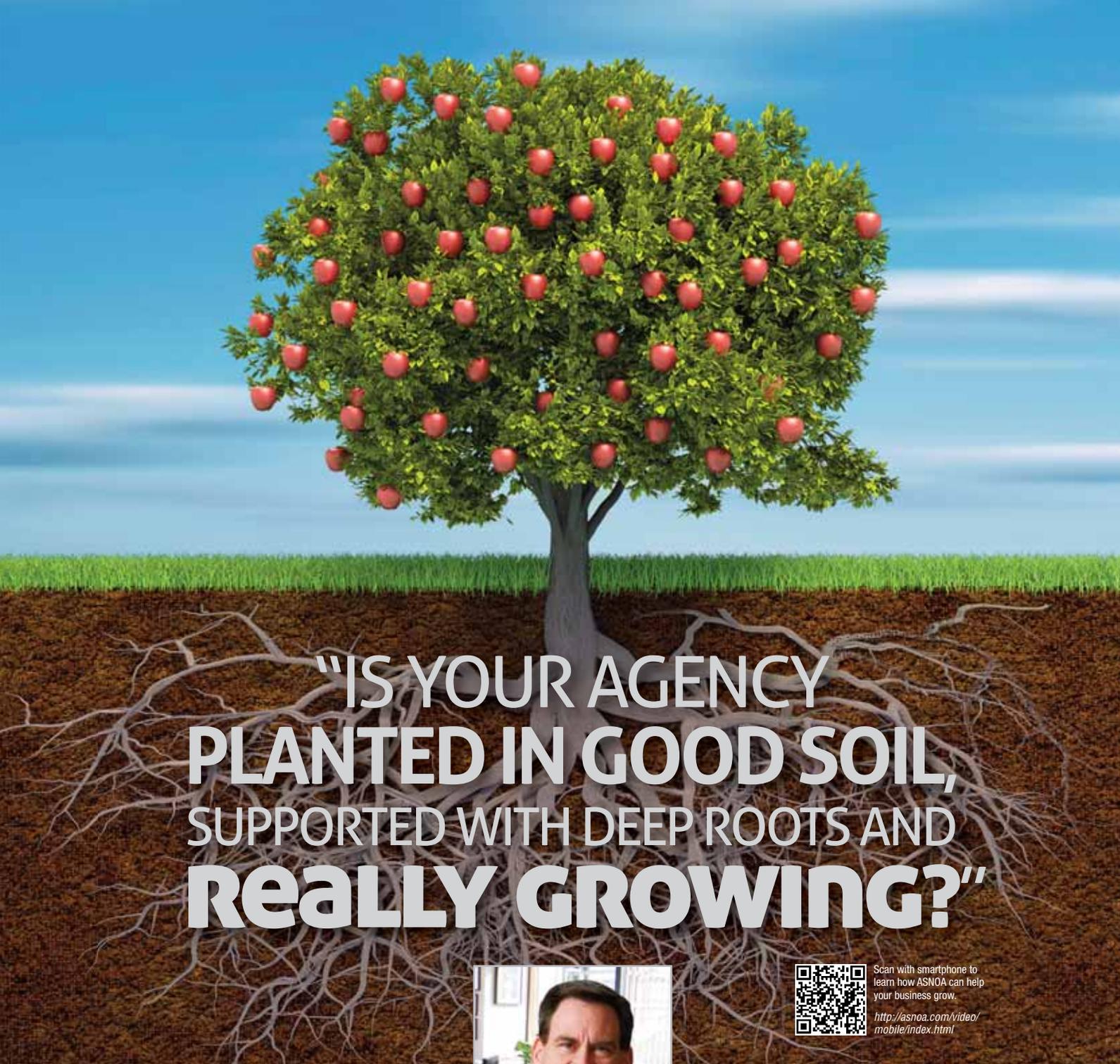
[twfgagentsolutions.com](http://twfgagentsolutions.com)

## CURRENT CONTRACT CONS

- LOWER COMMISSIONS
- REDUCED TERMINATION BENEFITS
- LACK OF PRODUCT CHOICES
- CONTRACTS CHANGING
- HIGHER QUOTAS
- FEELING FRUSTRATED
- UNAPPRECIATED
- MIXED MESSAGES
- UNCOMPETITIVE PRICES
- BROKEN PROMISES
- LOSING CUSTOMERS

## PROS *TWFG has:*

- + 200+ CARRIERS
- + HIGH COMMISSIONS
- + IMMEDIATE EQUITY
- + PERSONAL MARKETS
- + COMMERCIAL MARKETS
- + HEALTH MARKETS
- + LIFE MARKETS
- + INTERNAL SUPPORT TEAM
- + COMMERCIAL TRAINING
- + MARKETING CO-OP
- + COMPARATIVE RATER
  - + AUTO
  - + HOME
  - + COMMERCIAL
  - + LIFE
  - + HEALTH
- + AGENCY ADVISORY BOARD
- + IN-HOUSE MARKETING CO.
- + GROUP E&O
- + FREE WEBSITE WITH CONSUMER RATING



**“IS YOUR AGENCY  
PLANTED IN GOOD SOIL,  
SUPPORTED WITH DEEP ROOTS AND  
Really GROWING?”**



Scan with smartphone to  
learn how ASNOA can help  
your business grow.

[http://asnoa.com/video/  
mobile/index.html](http://asnoa.com/video/mobile/index.html)



“The ASNOA network offered us  
increased independence, direct access  
to a wish list of national & regional  
carriers and instant clout.  
We now close 80-90% of our quotes.”

Roger Collins, Principal - Homer Glen, IL  
A1 Insurance and Financial Services

- More control over your future with Increased Independence
- 70% total premium growth in 2010
- Increase your revenue faster than you ever thought possible
- A Proven Network of Success
- Secure Carrier Markets
- A stellar support system for Independent Agents

We are Insurance Professionals helping other Insurance Professionals realize their full business potential. See how the ASNOA Advantage can help your agency grow. Watch the video at: [www.asnoa.com/video](http://www.asnoa.com/video)

**ASNOA**<sup>®</sup>

Agent Support Network of America

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