



The NAAFA Report.....

Who We Are

The National Association of American Family Agents (NAAFA) is a professional organization established to promote education and communication between American Family Agents and American Family Insurance Company, for whom the Agents supply the lifeline that enables American Family Insurance to exist. Our desire is to be a vital, active group who is interested in sharing our experiences and knowledge with other agents, always encouraging, listening, and growing in ways that not only profit the Agents, but the Company and Customer, as well.

Our Mission Statement

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

www.NAAFA.com

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THE AMERICAN FAMILY AGENCY, THEN AND NOW

It is often that we hear agents remark that “times just aren’t what they used to be.” Of course, we hear this mostly from veteran agents, but lately we have been receiving calls from agents with less than 10 years with the Company who are saying the same thing. Even they can see a difference. Just what are the differences between the American Family agency 30 or 35 years ago compared to today? Is agency life improving or is it worsening? Are agents happy with the state of things? Well, NAAFA, after a series of interviews, has decided to tell you what we have discovered.

District Managers, yesterday vs today: Every agent interviewed admits to originally feeling very proud to be working for American Family. Agents who were hired 25 to 35 years ago remember having District Managers (DM's) who were given total control of their districts. The DM's worked closely with new agents, doing all the training in sales techniques and product knowledge. DM's spent lots of time with agents, going out on appointments, answering questions, building a great rapport with their agents. Agents generally looked at their DM as their friend. Often agents say they felt obligated to work hard out of respect for their DM. District Managers encouraged in a positive way....never threatened. Praise was heard real often. The camaraderie which developed between each DM and agent also created a great TEAM atmosphere. As a result, agents encouraged and cheered each other on toward the district goal. DM's often held district functions where agents got to know each other on a personal basis. Spouses and children were invited to district functions, too. As a result of the development of this closeness, often spouses would become as much of an encourager as the DM. American Family Insurance became the “family” it was meant to be. The agents felt that the Company embraced their hard work. The agent felt very proud to be working for American Family because they felt the Company cared. The agent looked at all departments (underwriting, claims, life, corporate) as being part of one unit, existing to provide a wonderful living for everyone who worked for American Family through the wise and prudent use of the premiums paid by the best policyholders in the country. It was a mutual admiration society, so to speak.

In the past few years, things have changed. DM's no longer do the agent training. DM's seem to have very little influence on the agent. Often DM's are hired who have very little experience themselves as an agent. It seems hard for the DM to earn the respect of agents because of their lack of accomplishment as an agent. It appears that the DM's responsibility today is simply to be a “conveyor of information.” Often that information is very limited. One agent said he feels like he is “being mushroomed, kept in the dark, and fed horse_____!”

If an agent needs to be fired, this rather uncomfortable job falls on the DM's shoulders. DM's appear brow beaten and perhaps threatened if their districts don't produce so, of course, they pass these threats on to their agents. They never seem able to figure out how to encourage their agents to produce. The normal approach is with threats, not praise. One agent said “the manager of today twists your arm instead of shaking your hand,

and stabs you in the back instead of patting you on the back.” Many agents have asked why we need DMs. Information from the Home Office that agents need to know can easily be presented through the computer. DM’s really don’t help agents much. DMs seem to keep themselves busy by requiring endless reports from the agents. Such reports are utterly useless and a waste of agents’ time. Do today’s DM’s help create a TEAM mentality within the district? Usually not. NAAFA did find exceptions to this rule. One member-agent reported that he is very close to his DM. He trusts the DM with his soul. Interestingly, this agent makes All-American and AFLIC every year!

How has Underwriting changed? Years ago, underwriters were assigned to districts and they stayed with those districts for years. Underwriters visited the agents’ offices on a regular basis. A lot was learned with these face to face relationships. Underwriters were soon able to learn which agents were interested in writing good solid business and which agents were “crap merchants” as one agent called it! Because of the longevity of the underwriter/agent relationship, a feeling of trust was established. Communication flowed easily and both felt they were partners in the good, clean underwriting process. Underwriters and agents alike were interested in profit. Years ago, one agent said, the goal was to “match the premium to the risk.” Today, the risk is matched to the Company’s computer underwriting model. In the early days, underwriters were your friend, but they were tough and could think for themselves because they knew what the Company goals were. They accepted or rejected on the merits (or lack thereof) of the risk. Now the computer model makes that decision. Period!

Underwriters are reassigned to districts very often so there is no chance for a rapport to develop between them and the agents. Underwriters are not available to help the agent. If by some miracle you do reach an underwriter, the most often heard remark is, “I don’t know, I don’t handle that.” Underwriters seem to exhibit discouragement and an “I don’t really care anymore” attitude. NAAFA recognizes there may be exceptions, but the underwriting culture at American Family has definitely changed over the years.

What about the Claims Department? Years ago the claims adjustors were much like the underwriters. The agent got to know the adjustors. A relationship of trust and respect was built. Adjustors were very professional in that as a rule, they conveyed a feeling of caring to the customer. One agent of some 35 years told NAAFA that “back then” if an agent erred by telling a claimant that something was covered, the adjustor would most likely stand behind that decision made by the agent. However, the adjustor would explain to the claimant, in no uncertain terms, that this really was NOT covered in the policy, but because the agent, by mistake, told you it was, we will pay the claim this one time. It will not be paid a second time.” Then the agent was told of his error, and everyone saved face. The insured remained very loyal to the American Family agent! Today, claims are paid by the book. Period.

Years ago agents felt we had enough claims adjustors to do the job. Today, when an adjustor quits, the position is eliminated. As a result, adjustors are overworked and harried. The really good adjustors are leaving American Family. Agents don’t get a chance to get to know the adjustors because of these huge turnovers. Many agents feel that with the new claims process dictated by upper management, the claims process is just horrible. Some agents are called into the claims process by disgruntled customers quite often. The most complaints seem to come in the area of total losses to vehicles. Some agents felt the claims office was treating the customers so unfairly that they became ashamed at what American Family’s claims service had become. One agent said “American family is charging Lexus rates but giving Yugo services!” NAAFA recognizes that American Family appears to be working on the claims problem. Perhaps things will get better.

Comparing the Life Department back then to now: Most veteran agents remember the day when American Family had some of the most outstanding life products in the marketplace. What fun it was to sell then! The whole life products had fantastic accumulations, the Company sharing its profit with the insureds. Agents were proud and successful at selling good products. Today, many agents feel the products are not competitive. Many say the products are mediocre in quality. They ask why higher dividends aren’t being paid when this is a time of better mortality tables and record earnings in the stock market. One agent said, “Where’s the CASH baby? The officers know.”

Others complain of the relatively low commissions paid on life from American Family. Years ago, the life application was a page or two, and underwriting was done in a timely manner. Agents now have had several years of 10 to 20 page applications and often very slow underwriting. Apparently, the company is working on the application issue. Underwriting, in some cases, is still very slow. Today there appears to be a shortage of underwriters where earlier it never seemed to be an issue. One agent remarked, “Our Life Department went from being the most organized and having the best service to having the worst.” Why? Poor management!

Newer agents interviewed really didn't have an opinion on the life department. This is probably because they had nothing to compare it to.

What about the quality and type of agent being hired today versus 30 years ago? We found that it was agreed across the board that there probably isn't much difference in the quality and/or type of agents hired today versus the ones hired years ago. Some agents told me they thought DMs used to try to hire aggressive, assertive Type A people years ago, but today they seem to be hiring more Type B people. Could that be because management finds it much easier to dominate Type B people?

Today most agents are hired with very little knowledge of what they are in for. DMs still make promises that are never fulfilled. NAAFA has seen burn-out within 12 months because of pressure put on them. Most new agents feel they are asked to do way too much work for too little income. The newer agents complain of being given 2, 3 or even 4 different contracts while they are on AASP, each contract being more restrictive than the one before. NAAFA was able to talk to a few new agents who remained optimistic. One agent said she could tackle any situation the Company required as long as she had competitive rates and she could sell. However, at the moment, her rates were awful. Not good!

What's similar? Agents from both eras know what it is to work hard. As a whole, agents are very ethical and trustworthy. Agents like helping people. Agents, like most people, like to be treated fairly. Agents of all ages, however, are asking the same questions: Why doesn't corporate American Family realize the outstanding level of agents they have working for them? Why does corporate AF fail to recognize their agents as the best resource they have ever had? Why would AF even consider cutting the agents' income when they so drastically need it to continue to do the service work Corporate requires them to do? One agent asked NAAFA, "How in the world can you pay a commissioned salesperson too much money?" In other words, you won't pay me *unless* I earn it and I have earned it!

NAAFA has heard from agents with \$3mill to \$4mill agencies who are about to go bankrupt. The Company refuses to believe that agents' expenses are running as high as 85%! That's right, eighty-five percent. Agents take it personally, they tell us, when American Family's rates have been so uncompetitive, (some places for the last 4 or 5 years) and then they institute the Credit Scoring on top of that. Some agents have told NAAFA they have lost as many as 400 homeowner clients because of the Credit Scoring in homeowners. Agents are the type of people who will remain loyal to the end. But many are now saying they simply cannot survive. They are fighters, but only have so much strength.

The Home Office Management and how it has changed. Many veteran agents refer to the early years as the "days of the icons." There were officers who were "icons of their departments" and they were made visible to all agents. The "open door" policy of President Bob Koch, the Life Department's great promoter, John Reed, the marketing efforts of the Floyd Deschs's, Joe Chvalas's, and the Clayton Nelsons of earlier years all contributed to creating an environment of seemingly total commitment to the agent and also to the Company. These officers came to local and state events, always making themselves very visible. They spoke at Sportsman's Outings and even district events. Agents felt they were special when they were called by first name upon site. Upper management seemed intent on making sure people felt there was not much of a difference in the level or degree of importance between upper management and the agency force. An officer was known to have "bumped" into an agent and his wife in Madison and ended up taking the afternoon off to personally show them around his beautiful city. NAAFA rather expects that American Family employees at that time also felt very special and needed. This kind of an attitude, which permeated from the top down, made everyone feel upper management people were special, credible, respected, and admired. We were, indeed, a great American Family.

Today things are much different. Upper management outgrew its need for the respect and admiration of its subordinates. Policyholders, agents and employees became secondary in their list of needs. Corporate officers withdrew from much affiliation with the Agency Force. The success American Family experienced during their growth years provided the Company with great sums of money, to the point where Corporate's greatest *interest* became "managing their billions!" Their greatest need now is for *power* at all costs. Friendships have been sacrificed. Integrity has been jeopardized. Loyalty has slipped greatly, even in the last 5 years. One agent told us that early in his 37 year career at American Family the philosophy was God first, Family second, and American Family third. Today your philosophy is expected to be American Family first, God second, and Family third or you might be without a job.

Why has this happened? Some suggest it is because the Company has grown too large and thus has become quite impersonal. However, we know of several very large companies, some as large as 150,000 employees, who have managed to maintain a very close relationship with their employees. One large company representative has told NAAFA that their company has a policy whereby management is instructed to do *everything possible to help the employee get ahead*. This includes mentoring, encouraging, and assisting in any way necessary for the employee's betterment. Employees and independent contractors working for this large company are constantly praised and rewarded for their work. Recently, this large company put into action its "terrorism" policy of contacting every employee to make sure all were safe when a disaster occurred in one of its major cities where many of their employees work. This company makes its workers feel valuable, important and needed. As a result, this company is one of the top 5 leaders in its industry. Loyalty is very important, but it doesn't just sprout overnight. The "gardener" has to nurture, water, fertilize and care for the plant before it blooms. Eventually, the gardener is rewarded with a beautiful plant which produces gorgeous blossoms, the goal of every good "gardener." So it is with wise corporate leaders. If they treat people well, they will generate allegiance, production, and commitment. Corporate leaders need to realize that they need to maintain commitment or they will soon have a problem with worker retention.

So to conclude the interviews with agents for this article, NAAFA asked what the **best and the worst things about the early agency days were**. Most answered the best thing was the camaraderie and respect shown by upper management toward the agents. The worst thing about the early days, one agent said, was having to figure auto quotes with a hand calculator. "If I was only \$25 off, I was happy" he said. Today's computers have greatly improved quoting. "If I am off by 1 or 2 cents today, I get upset," the agent said. Another agent said that in his early days, the worst thing was when he didn't make All-American.

What are the best and worst things about today's agency? Many agents said that although the computer has made quoting easier, and having a word processor and other computer benefits are convenient, they felt one of the worst things about today's agency is trying to keep up with all the extra data entry work (without pay) the Company has piled on them. One of the other "bests" mentioned several times was the fact that after so many years, incomes had finally reached a comfortable level. However, agents also stated that one of the worst things today was "watching their incomes go backwards because of rates, credit scoring, etc." Condescending, rude, and sometimes down right mean DM's were mentioned often. One agent said if she could see upper management take cuts in pay, it wouldn't be so bad. Another complaint was being treated like an employee instead of an independent contractor. This complaint was heard often.

When asked to complete this sentence "Today, the American Family Agency is _____," replies were:

- Not the opportunity it once was.
- A demanding job at an average income where you put up with the hassles of the agency and where you're treated like an employee but given no employee benefits such as sick leave, paid vacations, health insurance, 401K, etc.
- A place where you can succeed if you can play their game.
- A place that will absorb your whole being.
- Where I wanted to retire from, but fear I might not make it.
- Where I plan to make it in spite of the obstacles.

NAAFA wishes to thank all the agents who contributed to this article. We learned a lot about what agents really think about their careers at American Family. Time never stands still. Sometimes change means growth. Other times it may signal the "end of an era." NAAFA believes in the American Family agents and we know they will work for what is right. We wish the best to all American Family agents.

NAAFA is the only professional organization totally dedicated to the needs of the American Family Agent. JOIN TODAY!

An Inspiration....this Agent!

It isn't often that NAAFA hears from agents who are not only enthusiastic about their work but also happy to say that they are working for American Family Insurance Company. Now this is not to say that there aren't agents out there that feel this way, but it's simply that they don't contact NAAFA if they are really happy in their own circumstance.

Well, it happened. NAAFA is absolutely thrilled to hear from someone who loves working for American Family. Oh, this isn't to say that the agent thinks all is perfect at AF. He certainly recognizes that there are improvements to be made. But the solutions to these problems, he believes, might come from people who have developed credibility through their

outstanding sales, and who are listened to by the Company when they present a problem that needs fixing.

This gentleman has only been with the Company less than 5 years. He has never had a policy transferred or gifted to him. He has in the neighborhood of 3000 policies. He works 12 to 14 hour days, 5 days a week and he works sometimes on Saturdays. He believes that he must put in his time while he is establishing his agency. He believes that this load will lessen as his agency grows. He believes that the rest of his week should be devoted to his family and to his Church. He says he works for God first and the Company second.

This agent writes an average of 75 apps per month. He looks at himself as a teacher first and a salesman second. He educates and then sells. He recognizes that this approach takes more time than just "slam dunking" a sale, but he feels the relationships he develops with his clients are extremely important and time spent explaining insurance, its benefits and reasons for need will pay off in the long run.

This agent feels a big responsibility to provide an office where his staff and he are comfortable, so he has spent a considerable amount of money furnishing his offices. He feels that if his customers feel at home there, it removes an initial inhibition toward the communication needed to eventually make the sale.

He says that he feels it is important to have a good relationship with his district manager. He says he feels it is important that agents feel free to bring out their concerns to their district manager without fear of retribution.

He says he always says, in a kindly manner, what is on his mind and often changes have been made because his district manager and ultimately, the Company, listened.

He says that he is generally happy with AF's products. He has seen some difficulties with the RPM program, especially when his own homeowner premium went up generously. After questioning underwriters about why it went up and finding that he really never got a good answer, he realized that he was not going to be able to explain to his customers why their's went up. Instead, he has had to look for ways to lower the premium in these cases, such as raising deductibles or re-evaluating the house (was it originally insured for the amount of the mortgage instead of true replacement cost?)

The bottom line is that he recognizes that he will probably lose renewal premium dollars. But he hopes that by marketing to people with good credit ratings and with the fairly competitive rates AF has in his area, he will come out just fine.

So why did you join NAAFA, we asked? His answer was that in every issue of The NAAFA Report he has learned something that helped him run a better agency. He said he loved the article "What's the Secret of AF's Top Producers?" [Please note that NAAFA has been told that several district managers are using ideas from that article which appeared in the 2006 2nd Quarter issue of The NAAFA Report, available on line at www.NAAFA.com]

This agent also said he feels that an organization that represents just agents is a healthy thing to have. It gives a balance to our thinking, he said. We, as agents, should know the pros and cons of our business. This is not to say that either factor is right or wrong all the time.

This agent says he loves working for AF. He is hoping to make a life long career as an agent. He says he has no aspirations of becoming a district manager. He loves working with people and wants to always have contact with the public.

NAAFA wants to wish the best to this agent and all others like him. We welcome him as one of our outstanding members. We have many such agents. NAAFA and the Company have much to learn from people like him. You are an asset to both entities. God bless!

If you don't know where you're going, how do you expect to get there? Join NAAFA to figure it out!!

CLARIFICATION

NAAFA is dedicated to keeping agents informed about American Family's activities, past and present. We recognize that eventually all agents will be retiring or terminating their contracts with American Family. While NAAFA does not encourage agents to leave American Family, we do feel that agents who are contemplating a change should be informed of every possibility.

In the last edition of The NAAFA Report, we reported that 5 or 6 American Family agents from Arizona who had gone independent had had their extended earnings halted. This is true; however, there may have been some agents who read more into the article than what was intended.

The truth is that in Arizona large numbers of American Family agents have left the Company. Not all of them have gone on to become independent insurance agents, but many have started their own independent agencies. Some agents who read the article got the impression that if they went with a certain independent association or simply went independent on their own, that they would *automatically* have their extended earnings withheld. This is probably not true as NAAFA is aware of many instances where extended earnings were not withheld.

Again, the truth is American Family probably felt they had to do something to halt the massed exit of agents from leaving and going independent. They wanted to make an example of these 5 or 6 agents. The 5 or 6 agents whose termination benefits were halted all had very large agencies and, therefore, there was a larger potential for customers to seek out their own agent of many years. Contrary to what American Family wants agents to believe, clients are more loyal to their agents than to American Family.

We have seen American Family cancel an agent's contract without just cause, leaving the agent to defend himself in court at a great expense both to himself and his family. American Family also feels they can cancel an agent's termination benefits without just cause. Again, it is up to the agent, at great expense, to defend himself in court. Is it fair? Of course not. But it's the truth, plain and simple!

It is illegal for American Family to tell you you're not to join a professional organization like NAAFA. www.NAAFA.com JOIN NOW!

Call 1-800-567-9668

"THE STORM"

The National Weather Service monitors the weather. They provide weather information through local TV and radio broadcasts as well as on their website. When there is a threat of bad weather, they use these resources to warn the public of pending weather danger such as severe thunderstorms, tornadoes, ETC.

As the immanent danger of severe weather approaches, the weather service contacts the TV networks and radio stations who then post notices on their channels and websites, warning of the coming storm. Local authorities sound the sirens warning people of the coming danger. The National Weather Service continues to monitor the weather and release information as it may apply to the weather conditions. Once the siren has been

sounded, it is up to the individuals to seek cover and it becomes their responsibility to protect and watch out for their own safety and that of others. Sometimes it means a phone call to a neighbor or loved one who may not have heard the warning. At other times it may mean physically contacting someone to make sure they are safe and/or seeking cover.

NAAFA is no different than the National Weather Service. The most common question asked of NAAFA is "What are you doing about this situation?"

We monitor the issues affecting American Family agents. Just like the weather service, we try to be as accurate as possible in reporting the facts. What we do is report what we know is happening within American Family. The "Warning," as it may be, is just that, a warning. It is up to each individual agent to make the proper decision as to what needs to be done in order to safeguard themselves.

NAAFA can not alter the direction or change the policies put forth by American Family. Only you, the agent, can do that! NAAFA has had some affect on the American Family policy decision process in the past, such as at the time of the last

commission cut. By NAAFA announcing the pending commission cuts, American Family was forced to delay the scheduled cuts until a later date. This delay of approximately a year, gave agents an additional year of higher commissions until American Family could determine how to enact the commission cut without a mutiny by all the agents.

American Family did institute the cut over 10 years and lowered the final percentage to 9% instead of the original plan of cutting commissions down to 6%. We could do nothing about the actual commission cut, but we did manage to delay it, and we even minimized the affect of the commission cut by making agents aware of what was happening.

In the end, it was the agent who actually made the difference, but only because they were warned prior to the "storm" so they could take action. NAAFA does not institute lawsuits against American Family. We do monitor cases filed, pending, and

the outcomes of cases, so any member forced into taking action against American Family has that information available to them. American Family does not officially recognize NAAFA, but they do know we provide information to all American Family agents via our newsletters and website.

NAAFA is not "anti" company. NAAFA supports Company positions when they uphold the agents' independent contractor status and when they institute policy decisions that benefit the agent. In kind, we oppose Company policy that is detrimental to agents or when the Company violates the independent contractor status of agents.

The vast majority of American Family employees work hard at providing the tools and resources agents need to be successful. American Family expects agents to honor and uphold the contracts they have signed with them. All NAAFA wants from the Company is for the Company to uphold their end of the agents' contracts and to make policy decisions beneficial and supportive for ALL agents. The stigma some people try to attach to NAAFA as being anti-company is just NOT true.

If you do not like to hear or see the information we are reporting, you have the option of requesting that your name be removed from our mailing list. However, if you want NAAFA to continue reporting information, **we need your support and not just financially.** NAAFA needs for you, ALL of you, to start asking questions of your managers regarding what American Family's future plans are. You need to ask how those plans will affect your future. Is there a new pay plan coming and if so, how will it affect you! If American Family is going to continue expecting more from agents, what can agents expect in return to offset the cost of things like scanners or additional office help? You can not be terminated for asking questions and if all agents within a district were to ban together so that not just one agent is asking the questions, certainly an answer would be forth coming.

There is a STORM approaching. The sirens have sounded. What are you going to do about it?
Obviously, you'll join NAAFA!

Nothing is so much to be feared as fear. (Henry David Thoreau) "Knowledge is Power" www.NAAFA.com

NAAFA SOUNDS THE WARNING!

NAAFA is confident a new commission schedule is inevitable and it could be initiated as soon as early 2008! We first learned that higher commissions would be awarded to agents who achieved All-American, AFLIC and the J.D. Powers award. The agents who met these requirements would receive new and renewal commissions of 11% on new auto business. Agents not meeting the criteria would receive 7% on new and renewal commissions on auto business.

At first we were told the new commission schedule was to apply to all fulltime agents, but we now understand agents with 25 years or more with American Family will not be affected by the new commission change. We've been told the requirements have not changed, but most recently we have been told the commissions for the agents meeting All-American, AFLIC and are J.D. Power agents may go as high as 12% on new and renewal auto. On the other hand, those agents not meeting the criteria may receive as low as 5% commission on new and renewal auto premiums. Two things NAAFA does not know is what affect this new commission schedule will have on ACP agents and what affect it will have for agents in Nevada who are already receiving only 6% on their new and renewal auto business.

Because American Family apparently is facing some financial problems, they feel they must cut expenses. Evidently, American Family feels that the best way to reduce the financial drain is by cutting expenses on the resource that is costing them the most, the agency force. Granted, some agents will be receiving higher commissions than they currently receive, but the majority of agents will experience a significant reduction in compensation, thus saving the company millions of dollars on a monthly basis. Consider also, that the majority of the larger and higher producing agencies have over 25 years of service with American Family. If

the new commission schedule does not apply to them, they will not be able to take advantage of receiving higher commissions.

Consider the possibility that American Family might offer an option for a 25 year veteran agent to accept the new commission schedule in order to take advantage of the higher commission. What if that agent does not qualify for the J.D. Powers' award one year? Obviously, if the agent opted for the new commission schedule and then did not make all three of the requirements, (AFLIC, All-American AND J.D. Powers) that agent would receive the lower commission rate of 5%. This would be a risky decision for an agent to make.

So, can anything be done to prevent this new commission schedule from being introduced? Probably not. Again, American Family has to reduce their expenses (since they can not seem to control their own spending on things like aircraft, continuation of hiring more and more management personal, and dramatically increasing their own salaries year after year) and cutting agents' commissions is the quickest way for them to cut expenses.

Again the question is asked, what can NAAFA do to prevent a deep commission cut? We can warn agents of the pending commission cuts exactly like we are doing in this article! We can urge agents to start making waves, asking questions and demanding answers as to what American Family is REALLY planning! You have the right to question anything that affects your agencies, livelihoods and families. Without voicing your objections and concerns, American Family's introduction of a new commission schedule will occur shortly. Every agent needs to politely speak out and make your voice heard NOW or American Family will implement this new commission schedule feeling they can do so without any opposition from the agents.

NAAFA has alerted you to the upcoming commission schedule change. Now what are YOU going to do about it? Will you speak up, voice your concerns, ask what the truth is for the future of American Family and your agencies, or are you going to roll over and let American Family put your agencies and livelihoods at risk without speaking a word?

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NAAFA DISCLAIMER

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

WHAT ARE WE TO DO WITH NEGATIVE PEOPLE?

NAAFA is constantly being accused by some of being negative. Some say the American news media is negative, also. There's nothing more depressing than listening to the evening news. Any organization whose goal is to make better what is wrong or improve society will probably be accused of being negative. Growth and improvement do not occur unless the problems are first acknowledged and dealt with.

There are cynics among us, however, and they can certainly bring us down when we are around them very much. Misery loves company. So what is a cynic? The dictionary says it is *a person who believes all people are motivated by selfishness and whose outlook is scornfully and often habitually negative.*

A real cynic is one who attacks and criticizes but never offers a solution. The glass is always half empty for them. Life is hopeless, they think, and they seem to wallow in their misery. They have no clue about what to do to better their circumstance. Cynicism is contagious, so what is one to do with the cynic?

To be absolutely honest with you, very few NAAFA members are cynics. Nearly every contact made to NAAFA by "discouraged" agents includes a suggestion about what could, in their opinion, be done about the problem as they see it. These agents are very in touch with reality. NAAFA feels it is a shame the Company (District Managers, in particular) doesn't listen to these agents.

If you really want to be realistic about the situation here at

American Family, you would realize that the real cynics are the management personnel of American Family. Agents are constantly being told they don't sell enough, the company losses are so great that something has to be done, that the agents are making too much money, or agents aren't showing enough profit. On and on it goes....all negatives!

Harvey MacKay from Outswimming the Sharks says that "if all else fails, avoid the cynic." This is pretty hard to do sometimes, especially when the cynic is your district manager! Perhaps the attitude and cynicism of American Family management is the reason so many agents are choosing to go independent. What a loss to the Company! NAAFA can see a serious problem evolving with American Family and that is that they are losing their best agents. When will the Company wake up and learn to value the single most important asset they have? The Agency Force.

He who has never failed somewhere, that man cannot be great. Failure is the test of greatness.(Herman Melville)

Succeed by joining NAAFA!!

PLEASE, TELL US THE TRUTH!

We would like all agents to look at www.money.cnn.com, and look at the Fortune 500 Companies under Rankings. Under the option “full list” click on the category 301-400 and you will see American Family listed as **# 338** for 2007. Click on American Family Insurance Group and look at the numbers. Remember the numbers listed have actually occurred in the year 2006 and it will show a comparison from the numbers posted in 2005. American Family profits within that time frame are a **(negative) -96.4%**. If you enter the year 2006 you can again click on the 500 list and see that American Family was **#323** with a 19% profit over the year 2004 and in 2004 American Family was listed as **# 313**.

So what is the truth? Why is American Family’s ranking in the Fortune 500 Company list *slipping* and what has happened to the profits American Family is always posting and bragging about? Once again we want to refer back to the January edition of the All-American Magazine and the article with Dave Anderson, Jack Salzwedel, and Rick Fetherston. Dave reported the reason for the expense ratio being so high is due to the number of technical people currently on staff.

For approximately 10 years we have been tracking the number of employees on American Family’s web site. There has been no significant change in the number of technical personal or the number of agents within the past 10 years, even with the opening of new states. The one number that has dramatically increased is the number of home office employees and, in particular, the number of middle management people. So our question is this: Is the true reason for the ever increasing expense ratio really due to adding a few more technical people to the payroll?

Perhaps there is another reason not reported to agents. *Would the cost of a new corporate jet costing over \$20 million increase the company’s profits?* Hardly!

A total of \$20,000,000+ could have a significant impact on the company’s bottom line. Of course, that is just the cost of the actual commercial jet. Whoops, we forgot to tell you that American Family is leasing two other aircraft, also. The Company rationalizes this extravagance by saying they need these corporate jets in order to fly into new states where flights from Madison do not go without several plane transfers. Oh yes, CAT loss people need to get there quickly, too. But NAAFA rather imagines the CEO’s will use it most. It is also Company policy that two officers cannot fly on the same plane, we’re told. When you add in the cost for two or three pilots, some flight attendants, fuel costs, insurance costs, and hangers to store the jets in, plus other costs associated with owning and leasing jet aircrafts, now one can certainly see how the bottom line is affected.

The slogan that “all departments will tighten their belts” apparently does not apply to the upper management level of American Family. Agents take a cut in commissions. Both company employees and agents are asked to do more and more with no additional compensation. Most recently, district managers have seen some of their compensation cut. At the same time all the compensation for top management has continued to sky rocket! Now add to that the perk of three commercial jets to fly corporate management around the country.Well shame on you!!!

If you are proud enough to accept millions of policyholder dollars to compensate yourselves with extravagant salaries and fly around the country on Company owned or leased multi-million dollar commercial jets, then you should be ethical enough to tell the truth! Tell us, what really is driving up the Company’s expense ratio?

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