

The

NAAFA Report

Summer 2009

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AMERICAN FAMILY IS KNOWN BY ITS BRAND OF AGENTS

NAAFA encourages people to write to us. If you haven't visited our website, you should do so now. The Agents' Bulletin Board contains interesting letters and emails from agents, past and present. Our website (www.NAAFA.com) is updated with new articles each Saturday, so search around at least once a week for new information. The number of people using the website has greatly increased and the website is our fastest means of communication. Members need passwords so call if you have lost yours. 1-800-567-9668.

NAAFA DISCLAIMER

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



The NAAFA Report.....

Who We Are

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

Our Mission Statement

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

CHANGE OF ADDRESS: Call: 1-800-567-9668

Email: www.NAAFAwest@comcast.net

By mail: NAAFA, PO Box 578, Circle Pines, MN 55014

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

BUMPER STICKER: NAAFA MEMBER—THE AGENT WHO CARES!

**NEVER BEEN A NAAFA MEMBER BEFORE?
If you bring one other new member at the time you join,
you will each receive a \$40 discount on membership.
Both new members must make arrangements
to join at the same time.**

[That's one year at \$200 each! Offer expires 12/31/2009]

For quite some time, the NAAFA office has been asking callers if they can share something positive that is happening in the course of running their independent agencies with American Family Insurance. In nearly every instance, the answer is utter silence! But recently, an agent called and said he was astonished that we didn't recognize that the most positive (and probably the only) aspect of American Family is the American Family agent. Wow, was our face red! We asked this agent to tell us what he meant and what you have here are his reasons for believing that the American Family Agent has a heart of compassion, a sense of responsibility, an outstanding skill for marketing, and a desire to make this company proud. Perhaps this article will serve as a reminder that these great agents are what made American Family successful in the first place and if this company wants to get back to that point of success and popularity, they need to focus on restoring their relationship with the agency force.



I AM POSITIVE!

-Guest Author

"American Family Management does not have a clue who the agent is, who he is connected to, and what the long term picture relates to. People don't want to reach a message machine, to press one for English. People still want to deal with a human being."

The American Family Agent is Human! He is the person who answers the phone when the caller says, "My son just died in a car accident and I think he is responsible for killing some people." Management has no involvement and no conscience about anything other than, "How much is this one going to cost us?" I hope you don't find this introduction negative.

I am positive! **I am positive that the agent makes the difference** that creates consumer loyalty. I am going to list examples of things that happened in my agency and I ask that each of you who read this take the time to write one or more examples of how you have helped people. Send them to: **I am positive! at email address NAAFAwest@comcast.net or NAAFA, PO Box 578, Circle Pines, MN 55014.**

My phone rang at one AM. I had never spoken to or met this caller before. She started off by saying she had just been transferred to my agency after moving to my town. Her husband had called from jail where he was being held for operating while intoxicated. She wondered if I could go and pick him up as they only had the one car and her baby was sleeping and she couldn't think of anyone else to call as they were new in town. I did not hesitate. I went and got him, drove him home and picked him up the next day so that he could get his car. I had no difficulty converting him to ASIC; he learned his lesson, paid his dues and eventually was eligible for AFMIC. I wrote life insurance for the baby. When the baby was 16, I wrote her car insurance and when she moved out of the house I wrote renter's insurance for her. They were all still insured with me when I retired. **I am positive that I made a difference.**

My phone rang at six AM on a Sunday morning. I recognized the name as being an insured of one of the agent's in our 4 agent co-op office. That agent was on vacation. The insured explained that he had come over a hill at five PM on Saturday and was very near his driveway. The sun was shining in his eyes and he saw some bicyclists traveling towards him in the wrong lane. He took evasive action but his right rear view mirror hit a girl in the head and she died instantly! I did not hesitate. I went to his home to make out an accident report and to comfort him as best that I could. I still can't believe that he waited so long to call me. I think I helped him cry and I know that I cried with him. When his agent left to become a DM, he transferred to my agency and was still with me when I retired. **I am positive that I made a difference.**

The phone rang at my office. The caller was insured with AFMIC, but his agent and home were *three hours away*. He had had an at-fault accident and his car was not drivable. He could not afford to rent a car and asked if I could help him get the accident reported and recommend a body shop. I did not hesitate. I did what he asked and then drove him and his wife home. I did not charge him for the gas. They made me a sandwich and a cup of coffee to eat before I started my trip home. The next day I got a copy of the accident report and faxed it to claims and to his agent. The agent did call to thank me and thanked me again every time I saw him at meetings. **I am positive that I made a difference.**

When kids got temporary driver permits I always took the time to give them a little pep talk. That consisted of how they were putting all of their parents assets at risk every time they drove the car. I also explained the ramifications of getting tickets or having accidents. One of my favorite expressions is: "You can't make a big mistake if you go slow, and that applies to your social life as well as driving a car." I would also tell them that if they were ever in trouble and couldn't reach their parents that they should call me. I can think of five or more such requests that I got in my 30 years as an agent. **I am positive that I made a difference.**

People like to complain about the high cost of auto insurance. The ones who complain the most are the ones who have the most activity on their motor vehicle record. I would explain that what they were experiencing was known as "a pocket book education"! I would offer them a copy of the MVR and two rubber bands and suggest that they put it on the sun visor, so that they could look at it every time they got behind the wheel. The first objective was to not add to it. The incentive was then to watch for the offenses to become three years old, cross them off the list and watch the premium go down. They loved it! They suddenly realized that they controlled how much they paid. **I am positive that I made a difference.**

I loved reading the newspaper. That changed after I became an agent and started reading bad things about my insureds. Things like citations, arrests, accidents, divorce, job lay offs, etc. In order to change that, I started cutting out all the positive things that I saw about my insured's such as engagements, weddings, births, promotions, the honor roll, graduations, athletic events, etc. Eventually, AFMIC even came out with a card that said, "Here's good news about you", which made it even easier for me to communicate my good wishes. Some of the kids who got a lot of mail from me even took to calling me "Uncle Don". One family even started calling me "Mr. Policy Man" as a term of affection. **I am positive that I made a difference.**

One family had three children that were smart and athletic. They got a lot of mail from me. They also had a tail ender who enjoyed walking to their rural mail box with his Mom. One day Michael asked his mom, "Do you think I will ever get a letter from the insurance man?" She told me this story. Later on, I had an appointment to write an auto policy for one of the older kids and Mom met me at the door with a newspaper clipping in her hand. Michael had made the honor roll and she wanted to make sure that I hadn't missed it. Actually, I had already seen it and their mail man delivered my letter to Michael while I was still at their kitchen table. Michael and his Mom and the rest of the family were all so proud. **I am positive that I made a difference.**

Have you ever noticed that 5% of the people are 95% of the problems? The 95% can easily get the feeling that they are not appreciated. Sending newspaper articles was one way to keep in touch, but that only works for those insured's who get their names in the paper. I started sending "Thank you" postcards every time someone paid a premium. I had the postcards printed up showing a picture of me carrying a brief case, getting into my 1927 Ford Touring car, in front of my office which showed the AFMIC logo. Why a 1927 model.....because that's the year Farmer's Mutual started in business and I bought the car to help celebrate the 50th anniversary of the company. Yes, it wasn't always American Family Mutual Insurance Company, but it has always been a **MUTUAL** company. I had one of the highest number of policies per household, the highest retention ratios, and lowest lapse ratios in the company. **I am positive that I made a difference.**

People would often ask what I would take with me if the house was on fire. I would respond "my picture albums." I would then add that I wouldn't even really need to do that because I kept all my negatives in my safe deposit box and I could duplicate the photos that I wanted. I explained that most of the things you have in life are just "stuff" and "stuff" can be replaced with the same or similar and sometimes even better "stuff". But you can't replace the pictures! Did you ever notice that you only take pictures of happy times? I would suggest that I have helped

people who were contemplating a separation or divorce by reminding them to get out the photo albums. It helps you remember why you fell in love and what has been good about your life. I did have one person call and thank me for that advice! **I am positive that I made a difference.**

I am positive that each of you agents has made a difference. We are all in the same business, the business of helping people! Please send us your human interest stories.
[End]

Bumper Sticker: The only thing working at American Family is the Agents.

COMPANY PLACES “NEW” EMPHASIS ON “AIT” PROGRAM

American Family is placing a “new” emphasis on the Agent-in-Training program.

In the past, American Family has had an average of a 10% turnover in field force numbers in any given year with approximately 3850 current agents. American Family is also aware that 35% of its current field force will reach retirement age in the next 5 years. The question then arises as to what is going to happen when 700 plus agents are not replaced over the next two years.

Currently, records indicate that throughout the entire company, there are only 62 agents in the agent development program. On the average, only 10% of these go on to become appointed agents! Is it harder to find people to sell these days, or is there another reason for these low numbers?

One obvious reason for this “new emphasis” is *cost savings* for AmFam. One source indicates that it costs approximately \$200,000 to transition each new agent into the business. And the success rate is under 50% for those who are appointed. The mentoring agent becomes responsible for day-to-day training, office space and staff support. The mentoring agent also reimburses AIT some 50% of all new business commission the agent-in-training writes.

There are potential benefits for the mentoring producer, perhaps, but we would strongly recommend that if you are considering participating in the AIT program, that you closely examine the profit and expense angle, not forgetting the hidden costs of work comp, social security, unemployment taxes, and any increases in general office expenses. You should also consider the cost of your time as you are obligated to train the agent-in-training.

Questions begging to be answered:

- What will the function and need be for district managers if they are not recruiting and/or training?
- What direction is the company taking by not replacing its agency force?

In conclusion, there is an adage that states, “**There is no such thing as a free lunch!**”
[End]

Bumper Sticker: Reports...something a bean counter makes you do.

**If knowledge can create problems,
it is not through ignorance that we can solve them.
--Asimov**

BILL OF RIGHTS
FOR INDEPENDENT CONTRACTOR AGENTS

- **First Amendment:** The captive company shall make no law violating the independent contractor status as it regards the independent agent. The agent will have freedom to establish and operate his (her) agency as is fitting to his goals and capabilities. The agent shall have the right to assemble with other agents and petition the company for a redress of grievances.
- **Second Amendment:** The agent shall keep and bear the independent contractor status proudly and shall fight to see that this status is not infringed upon.
- **Third Amendment:** No agency shall be visited by company officials without agent's consent.
- **Fourth Amendment:** The agent shall have the right to be secure in the operation of his business against unreasonable seizures, threats, false accusations and/or termination.
- **Fifth Amendment:** No agent shall be deprived of the liberty of operation of his business without due process of law and agent's due compensation shall be paid.
- **Sixth Amendment:** Any *criminally* accused agent shall have the right of defense under the laws of the land.
- **Seventh Amendment:** Any agent *falsely* accused shall have the right of a civil trial according to the rules of the land.
- **Eighth Amendment:** No agent shall be required to submit marketing reports, attend district meetings or other such meetings, nor shall the agent suffer cruel and unusual punishment for refusing.
- **Ninth Amendment:** As the US Bill of Rights protects against federal infringement of unenumerated rights, the Agent's Bill of Rights protects against any company infringement upon the independent contractor rights of agents.
- **Tenth Amendment:** The Company shall have the power to regulate only the powers given it and addressed in the agent contract. All other powers are reserved to the agents respectively.

[Modeled after the first ten amendments of the US Constitution
commonly known as the Bill of Rights.] [End]

Bumper Sticker: District Meetings are VOLUNTARY!

When men are brought face to face with their opponents, forced to listen and learn and mend their ideas, they cease to be children and savages, and begin to live like civilized men.
Then only is freedom a reality, when men may voice their opinions
because they must examine their opinions.

Where all think alike, no one thinks very much. ---Walter Lippmann



HOW THE MIGHTY FALL

AND

AMERICAN FAMILY'S STAGE

--Author asks to remain anonymous

Many people associated with American Family Insurance Company cannot even begin to imagine that such a company can fail. After all, it has been around for decades. Agents feel secure in believing that if they work hard for a lifetime, American Family will always be there to pay their Terminations Benefits. Employees tend to think their 401ks are safe and that their jobs, if well done, will always be there. Think again, dear reader!

As Jim Collins, in his book *How the Mighty Fall*, says, "If a company as powerful and well-positioned as Bank of America in the late 1970's could fall so far, so hard, so quickly, then any company can. If companies such as Motorola, Circuit City, and Fannie Mae—icons that once served as paragons of excellence—can succumb to the forces of gravity, then no one is immune. If companies such as Zenith and A&P, once the unquestioned champions in their fields, can plummet from great to irrelevant, then we should be warned about our own success." Collins goes on to say that "seeds of decline can be detected early. And decline can be reversed." The big question at American Family Insurance (the company in whom we have all put our faith and trust) is, "Are the powers that be insightful enough to recognize where the company is in either that great decline that is building momentum or that great climb ahead that might bring them back to the successful and respected company it once was?" http://www.businessweek.com/magazine/content/09_21/b4132026786379.htm Collins outlines in his book what he calls the Five Stages of Decline. In a nut shell, here is how Collins identifies his levels of decline:

Stage 1: Hubris Born of Success. The word *hubris* means arrogance. Arrogance which arises or manifests itself because of success is what the writer is referring to. Stage 1, Collins says, kicks in when people become arrogant, regarding success virtually as an entitlement, and they lose sight of the true underlying factors that created success in the first place. When leaders think they have reached the ultimate understanding of all that made them successful, they are actually entering the hubris stage. A great leader will probably never accept that he knows exactly why success came when it did and as a result of not being sure will constantly be trying to position the company for when good luck runs out. This cautiousness is probably what will preserve the original position of success. It appears to this writer that early leaders of American Family had this attitude of cautiousness, but during the late 1980's, attitudes of leaders changed. Arrogance set in by those who felt they couldn't fail. They became enamored with themselves recognizing perhaps that even though they hadn't been trained for such leadership positions, they felt they were outstanding just by having achieved the position.

Stage 2: Undisciplined Pursuit of More: The attitude of "We're so great, we can do anything" leads management to pursue more growth, more acclaim, more of whatever they deem success. They tend to swerve away from what made them cautious but successful in the first place. Collins says that "When an organization grows beyond its ability to fill its key seats with the right people, it has set itself up for a fall." Characteristics of Stage 2 might include branching out in areas inconsistent with one's initial *branding* (core values that originally made the company successful.) Sometimes leaders in Stage 2 use the organization to increase their own personal success at the expense of the company. We have seen an inability to "fill key seats" for several decades now at American Family. Decisions appear to

have been made without proper advice and study, without an understanding of the risks involved.

Stage 3: Denial of Risk and Peril: Companies in Stage 3 begin to show internal warning signs but externally they appear strong enough to “explain away” any disturbing data. Management says the company is going through a cycle, this is a temporary situation, or this is a normal part of doing business. Leaders tend to accentuate the positive and discount negative. How often we have heard American Family leaders pooh-pooh any suggestions from NAAFA by calling us negative. Often American Family leaders have blamed “outside” factors instead of taking responsibility. They have discouraged any type of critical dialogue between people or groups who might possibly have come forward with a better plan or evaluation. Leaders, in Stage 3, deny the consequences of the risks they are taking. Again, arrogance is raising its ugly head.

Collins quoted Bill Gore (founder of W.L.Gore & Associates) an important decision making concept. He said that any decision gone bad is like blowing a hole in the side of the ship. If the hole is above the water line you can probably patch the hole and save the ship, but if the hole is below the waterline, the ship can sink extremely fast, not unlike some of the great companies that went down in the last few years. A great leader will avoid any decision that could blow a hole below the water line, Collins says. American Family has made many bad decisions in the last few years.....the failure of financial services, health lines, securities, long term care, disability...the list goes on and on.

Stage 4: Grasping for Salvation: In Stage 4, there is an accumulation of things gone bad. The bad things are visible. Leadership panics by “lurching” for a fix. Will they look for a quick fix or look at getting back to what made them great in the first place? That’s the question. The leaders who lurch have fallen headlong into Stage 4. They try bold but untested strategies. They look for a block-buster product or whatever will miraculously bring the company back. But these positive attempts don’t last. Management panics instead of taking a calm, deliberate, and realistic look at what the problems really are. Losers in Stage 4 claim they did everything possible, tried everything they could. They fail to recognize where they made their mistakes. Again, arrogance has blinded them, causing them to continue the great fall into Stage 5.

Where is American Family? Most are saying they believe the company to be in Stage 4. This is frightening as the future and success of this company is teetering on a very tenuous precipice. Collins says a company, under the right leadership, can recover in Stage 4, but it’s difficult. It’s humbling to recognize you’re about to fail.

In a May 2009 study done at American Family, the advisers explained that at American Family, the agent is the brand. (Page 15) But it appears to this writer that American Family doesn’t really know what it’s “brand” is. They have lost sight of it. No wonder the company is struggling. It is evident American Family is lurching for a “fix” by opening the next 4 or 5 states as quickly as possible and NOT using agents. When a company forgets what made it successful in the first place, they are definitely falling rapidly in Stage 4.

In the May 2009 study, it was stated that there is the “notion that in this economy, there is opportunity to recruit good talent that is out of work.” (Page 16) But recognizing that word-of-mouth marketing seems to be American Family Insurance’s best form of advertising, they also state that the company runs a great risk of negative press. From all appearances, this negative press and word-of-mouth factor has already been producing a negative effect on the company’s ability to recruit new agents. Word has gotten around about how American Family (and many other captive companies) treats their agents. This writer believes American Family should again try to remember what made them successful in the first place. It was the realization that the company had an invaluable asset in the form of an outstanding agency force. Originally, American Family respected, praised, rewarded and honored its

agents. This admiration and respect for agents is no longer so evident. By the same token, so is the loyalty and respect by agents for the company.

Stage 5: Capitulation to Irrelevance or Death: Collins says that “the longer a company remains in Stage 4, repeatedly grasping for silver bullets, the more likely it will spiral downward. In Stage 5, accumulated setbacks and expensive false starts erode financial strength and individual spirit to such an extent that leaders abandon all hope of building a great future. In some cases the company’s leader just sells out; in other cases the institution atrophies into utter insignificance; and in the most extreme cases the enterprise simply dies outright.”

Stage 5 is disheartening. It’s depressing. No one wants his company to go there. Collins gives some other good advice. He says *never ever give up on your core values*. It should be challenging to American Family leaders to know they are being accused of not really knowing what their core values are. We suggest management take a close look at their May 2009 study advisers’ recommendations. If you are intending to get rid of 35% of your agents within 5 years, then you most certainly have lost sight of your core values. If you think that improving customer service starts with the agents, think again. It must start with you, the home office. Why do you think that 30-50% of an agent’s clients leave with him when he goes? It’s because the agent has been forced to market himself and not American Family. Your own study indicates that “suspicion of corporate motives must be managed to ensure satisfaction of agents.” (Page 7) This is excellent information. It should be heeded!

American Family Insurance Company, who are you? Do you even know? Perhaps it is time you sought as many people as you can who experienced the early days at American Family. Talk to them, quiz them, find out what they did that you’re not doing. Ask about their attitude toward agents and employees. Learn about how humble early leaders were who knew agents by their first names and always welcomed them into their offices. Learn about how employees were valued. Learn how suggestions from both employees and agents were considered valuable. Learn how problems were solved and not “terminated!” Ask! Listen! Learn! If you will do this, you just might lift yourselves and this once fine company out of Stage 4.

[End]

Bumper Sticker: Everything is fine. Just keep reading the “All American.”



MEASURING THE STATUS **OF LEADERSHIP TEAMS**

This is another viewpoint on the Jim Collins’ article “HOW THE MIGHTY FALL” (summarized in July’s Business Week magazine), but here the writers will focus on how the managers are interacting with their sales force and what that may or may not say about the state of the company.

--Anonymous authors

Jim Collins lists, in his book, characteristics of leadership teams *on their way up* and *on their way down*. http://www.businessweek.com/magazine/content/09_21/b4132026786379.htm
Below are his 8 points on each side and these writers’ comments as we believe they apply to American Family, starting with:

[Continued-next page]



“TEAMS ON THE WAY DOWN WHEN...”

1. People shield those in power from unpleasant facts, fearful of penalties and criticism for shining light on the rough realities. *(It often appears and experience sometimes shows that if an agent expresses his views concerning the real picture, that agent is viewed as being negative. Agents who persist in expressing their opinions about what is wrong eventually are terminated. Rumors have flown for years regarding the "Careful-Who-You-Tell" story that if one tells certain executives the brutal truth and they don't like it, you are gone.)*

2. People assert strong opinions without providing data, evidence, or a solid argument. *(This appears to be AmFam's management style from the top down and it has been going on for years. Agents were accused of being the cause for AmFam's high expense ratio. Commissions were cut, but the expense ratio continued to climb. Programs were started, without proper study and preparation, and of course, they failed.)*

3. The team leader has a very low questions-to-statements ratio, avoiding critical input and/or allowing sloppy reasoning and unsupported opinions *(Nearly every study group is made up of hand picked people-pleasers who appear afraid to speak the truth. These folks direct the outcome of the study. Many have said the town hall meetings were unsuccessful because leaders circumvented the questions.)*

4. Team members acquiesce to a decision but don't unify to make the decision successful - or worse, undermine it after the fact. *(Teams at AmFam appear to scramble to make anything stick as long as it looks good and benefits them, so is this the reason so many things fail...?)*

5. Team members seek as much credit as possible for themselves, yet do not enjoy the confidence and admiration of their peers. *(Backstabbing is so obvious from the outside looking in that district managers, agents, and employees are afraid of their own shadows and will do whatever it takes to survive. It's been reported that agents often "team" up with DMs in an effort to discredit other agents who have been terminated or quit. In one case, the terminated agent sued the DM and agent doing the damage and the terminated agent was paid quite a sum for the damages done to him.)*

6. Team members argue to look smart or to further their own interests rather than argue to find the best answers to support the overall cause *(Agents have been trying for years to get management to listen but management continues to answer with the same bold rhetoric, praising themselves and boasting about the job they are doing while threatening lower members (agents) on their teams. Remember the DMs that charge agents a fee if they say anything judged to be negative? Yes, this is happening at AmFam!)*

7. The team conducts "autopsies with blame," seeking culprits rather than wisdom. *(The ultimate example of "autopsies with blame" would be the accusations of compliance violation issues made against some of the very best agents in the company in an effort to terminate them without the 6- month notice. If ever these agents could get a jury to actually do an autopsy on these situations, they would find almost invariably that these agents have been falsely accused. Members of NAAFA should visit the www.NAAFA.com website and read about a list of agents who have been terminated under these circumstances. You will*

also see examples of agents who quit and were accused of horrible misdeeds. Yes, the numbers are in the 100's now.)

Many view these actions as part of American Family's plan to flip books of business in order to financially benefit the company. We all know that when AmFam takes over a book of business and assigns those policies to a new agent, commissions are not paid for the first year and greatly reduced from the second year going forward. If an agent is terminated just before qualifying for termination benefits, this presents another great windfall to the company. Does it benefit the agent? Absolutely not! The agent's livelihood has been destroyed and stolen out from under him (her). Does it benefit the consumer...the policyholder? Absolutely not! Policyholders information is being turned over to people they have never heard of, and many times policies are divided between two or three agents resulting in disgusted and frustrated policyholders whose personal information is being shared by people the policyholder doesn't even know. And the policyholder has had no decision in the process.

8. Team members often fail to deliver exceptional results and blame other people or outside factors for setbacks, mistakes, and failures. (From the perspective of some, it seems that AmFam is continuously blaming the agency force for everything. For example, a look at the recent internal document showed that AmFam views the relationship the agent develops with the customer in a negative light. They say this relationship promotes the following of these customers with the agent when he leaves. AmFam says they need to consider policy growth through cheaper sales channels...meaning that agents are too costly. Agents are accused of "embodying the brand, but also diluting the corporate presence." It appears that to the company, agents are a necessary evil because they recognize, according to their internal document, that they need to "track dissatisfaction and 'make bad stories go away'".)

"TEAMS ARE ON THE WAY UP WHEN..."



1. People bring forth grim facts – “Come here and look, man, this is ugly” – to be discussed; leaders never criticize those who bring forth harsh realities. (We all know what has happened to agents and district managers if they bring forth the grim facts They're soon gone.)

2. People bring data, evidence, logic and solid arguments to the discussion. (How many people have exposed true data, evidence and logic to the corporation and then found themselves fired? This happens to life specialists, vice-presidents, and other employees as well as agents.)

3. The team leader employs a Socratic style, using a high questions-to-statements ratio, challenging people, and pushing for penetrating insights. (Agents have developed very successful marketing tools and when asked by the Company to demonstrate their developments, found their ideas stolen and incorporated by the company and their agencies soon terminated.)

4. Team members unify behind a decision once made, then work to make the decision succeed, even if they vigorously disagreed with it. (Considering the number of failures at AmFam, it would seem there really wasn't the "team work" needed to make it succeed. Why did the securities business fail? Why did the financial services business fail? Why did health care fail? The list goes on and on.)

5. Each team member credits other people for success yet enjoys the confidence and admiration of his or her peers. (*How many of the agents can honestly say that the company is crediting the agents for the success of the company resulting in higher bonuses and/or commissions?*)

6. Team members argue and debate, not to improve their personal position but to find the best answers to support the overall cause. (*To some, it appears team members aren't allowed to argue and debate....could that be why the "best answers to support the overall cause" are never developed?*)

7. The team conducts "autopsies without blame," mining wisdom from painful experiences. (*We simply never see this happen. Another reason the team is going down and not up, perhaps.*)

8. Each team member delivers exceptional results, yet in the event of the setback each accepts full responsibility and learns from mistakes. (*How many times have you heard top management saying, "I accept full accountability and responsibility for the decisions that I am responsible for?" In the case of employees and agents, many times they are not given the chance to "take full responsibility and learn from their mistakes" because they're fired. [Visit the list of terminated, sued, and harassed agents at www.naaafa.com]*)

It has been difficult to face reality while writing this article. Nothing hurts more than to see the company we've all given years and years of our lives to suffer such devastating times. Can you honestly believe agents choose to be fired? Can you honestly believe agents choose to quit a company they've worked years for, building a business they were told was their own? Can you really believe agents wish for bad to happen to this company? If you do, you're very misinformed. Please, we have given you our opinions here in an effort to help company leaders see what is happening before it's too late. As Jim Collins says, if you determine your company is at Level 4, there's still hope, but only if leaders open their eyes and shape up quickly.

[End]

NOTE: NAAFA members need to go to the "Members-only" page of www.NAAFA.com and look under the heading, "Agent/Company Issues" for the article entitled:

"AGENTS WHO HAVE BEEN FIRED, SUED, QUIT, OR HARRASSED."
Here you will read descriptions of what has happened to agents over the past few years. The list keeps growing. The pain never stops. This you need to know!

Bumper Stick: So....how's that whole "customer satisfaction" thing working out for ya?

BLUE PENCIL COMES TO WISCONSIN



In a surprise decision by the Wisconsin Supreme Court, Blue Pencil law, after over 50 years, has come to Wisconsin. You may read the decision at the following link.

<http://www.wisbar.org/AM/Template.cfm?Section=News&Template=/CM/ContentDisplay.cfm&ContentID=84091> This decision, we believe, might make it easier for non-

competes to be enforced in the state. Many feel a Blue Pencil law consistently favors the

(Continued-next page)

employer. How will this Wisconsin Supreme Court decision affect non-compete cases between agents and American Family?

As explained by Griffin Toronjo Pivateau, Sam Houston State University, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1007599 “In most jurisdictions, courts routinely blue pencil or reform covenants that are not reasonable. The blue pencil doctrine gives courts the authority to either strike unreasonable clauses from a non-compete agreement, leaving the rest to be enforced, or actually modify the agreement to reflect the terms that the parties could have-and probably should have-agreed to.”

After reading what Mr. Pivateau has to say about the blue pencil law, perhaps agents should rest a bit more comfortably because the 7th circuit has already determined that the American Family agent contract is ambiguous, to say the least. And we already know the contract totally favors the company and is very detrimental to the agent. We are aware of the blue pencil law being applied in other states and actually its application generally favored the agent.

So again, we ask, “How will this decision affect agents who are being sued or who are suing American Family? Time will tell. As always, it is NAAFA who keeps you informed. [End]

Bumper Sticker: 3...the average # of agencies it takes for a displaced district manager to set up shop.



AGENT TERMINATIONS...ON THE RISE AGAIN

By your NAAFA President

Agent terminations are again on the increase. This time there appears to be three groups that are being targeted for termination; agents with lower production, agents approaching termination benefits eligibility, and agents with larger agencies. Yes, I said LARGER agencies! Let’s look at the benefits to the company in targeting these three groups of agents.

While the first group, those with lower production, seems self explanatory, the way this group is defined is completely unfair and will eventually affect almost every agent at one time or another. Terminations are determined by district stats and the district production report. The district’s *average* production is the minimum level at which every targeted agent is expected to produce. However, at any given time, half of the district is above the district average and the other half is below the district average. This means the lower half is always subject to the threat of being terminated. If a district should have one or two high producers, the district average is moved and consequently can cause even more than half of the district’s agents to fall below the district average. A fairer way to determine an agent’s production is to compare them to their peers within a state. Such things as population where located, size of agency and the number of policies that may have been transferred to that agent, and years of experience, all contribute to the ability of the agent to produce. A minimum requirement based on the districts’ average is definitely unreasonable...like comparing apples to oranges. Grabbing the district average to determine an agent’s whole future certainly makes it simpler for the company to eliminate unwanted agents, but by no means is it a fair measurement of success.

Just why one particular low producing agent is targeted for termination over another in the same production level remains a bit of a mystery. One can guess that perhaps the targeted one(s) may be a bit of a “thorn under the DM’s fingernail,” or perhaps the low producer is older, quieter and easier to get rid of. What ever the reason, production is used as the excuse

for termination. If district managers would just understand that eliminating lower producing agents in each district will only raise the district average until finally the “average” producer is at the bottom and then guess what? Right, top producers become average. Get the picture?

We have discussed many times in the past the windfall benefit to the company of transferring or churning an agency. What better time to churn an agency than when an agent is nearing the point where they qualify for termination benefits? This is of double benefit (windfall) to the company because not only can they reap the benefit of not paying any commissions for one year on transferred policies and lower commissions after that, but they also do not have to pay this terminated agent any extended earnings. If you question this, look at the number of terminations in the state of Ohio and the terminations which have started in the state of Oregon where agents are about to qualify for their termination benefits. These two states are at or around the 10 to 12 year mark.

The latest groups of agents being terminated are the larger and more successful agencies. Why, you ask, would the company want to get ride of this outstanding group of agents?

First, it is more cost effective to pay these larger agents their termination benefits than it is to continue paying them year after year their commissions based on new business and renewals.

Secondly, as with any transfer of business, the company profits by their greatly reduced compensation responsibility to be paid on the transferred business.

Thirdly, we know the company likes to give new agents big books of business to “make them successful.” The 2009 new agent contract does not obligate the company to use renewals from transfer business in determining an agent’s termination benefits, so the company has an extremely high incentive to terminate large agencies and transfer these policies to the new agents.

I also personally believe client loyalty is better with the older, more established agents/agencies. If an agent leaves the company of his own free will and becomes an independent agent, a larger percentage of existing clients leave AmFam and follow the agent. But when a large agent is terminated, it is easier for company management to “cast a shadow of impropriety” on the terminated agent.

Lastly, but probably the most notable of the reasons for terminating large agents, is the need for policies for the large number of district managers who are going back into agency. These managers know who has the largest and most profitable agencies, and with the position of district manager being a bit in jeopardy these days, is it any wonder so many are stepping down? Many managers are targeting these large agencies for themselves, and this is happening all over the company, not just in a few states. And if managers can not get enough policies by taking over one large agency, they will terminate an average of three agencies and combine them into one agency for themselves.

Absolutely, NO agent is safe from being terminated anymore. With the company goal of eliminating some **35%** of the agency force within the next five years, agents have a right to be worried. And with the company windfall incentive, with their plans to sell more and more business by “direct” channels, and their lack of conscience in doing it, agents should begin to question what the future holds for them. Is it possible for agents to once again become the greatly admired asset they once were to American Family? This writer hardly thinks so. And it is also evident that the jobs of employees and managers at American Family are not in the least bit sacred either. Until this company’s upper management gets their heads on straight, it might be a good idea for us to “get our ducks in a row.”

[End]

**Bumper Sticker: NAAFA members pay dues
so you won’t have to, I guess.**



WHO'S GETTING CHEATED HERE?

Anonymous

Have you ever stopped to consider that captive insurance companies are cheating the independent insurance companies when captive companies consider customer lists of their agents a trade secret? Have you ever considered that the consumer, whose name and address are a trade secret, is not allowed to seek a cheaper rate from the agent of his choice during the captive agent's one year non-compete?

Scenario One: A captive agent is terminated or quits to go independent. He must leave his customer list with the captive company for one year, thus the independent company is cheated out of the opportunity of quoting that captive customer. This fact also brings up a huge consumer issue: Because the captive consumer's name is now a trade secret, the consumer is also missing out on the opportunity of being able to get a quote from an independent company or even another captive company, for that matter.

Scenario Two: An independent agent quits or leaves an independent company and his customer list goes with him. His customers are allowed to be quoted by him or any other agent if they wish. The independent agent can take his book of business directly to the captive company. The list of an independent agent's customers is NOT a trade secret. No consumer issue arises in this scenario.

Now we ask you, which company is being fair to the consumer? Which company is being fair to the agent? What is the answer to this dilemma? Perhaps the captive insurance company should make all agents employees because then customer lists definitely would be a trade secret. But then consumers would have to be informed that their names and addresses are a trade secret, wouldn't they? However, there is no sensible attorney general in America who would not enforce a consumer's right to pick the agent of his choice, whether captive or independent. Or is there?

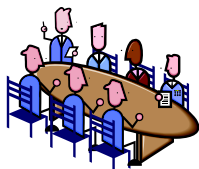
It is time, we believe, that consumers realize that they have the right to choose their insurance agent regardless of what any non-compete says. And if they are told they cannot, then they should report this as quickly as possible to their state attorney general.

Readers should decide what is fair, what is right, and then take a stand. America, as a whole, is at a point where if people don't begin standing up to entities (whether they be the court systems, the government, the insurance companies, or the attorneys representing them) which are trying to curtail or even steal their freedoms, then soon it will be too late. Losing our freedom of choice will be the travesty!

[End]

**BUMPER STICKER: Confuse the company.
Use logic, facts, and documentation!**

Join NAAFA today - Visit www.NAAFA.com



INSIDE THE NAAFA BOARD'S HEAD

-Author begs anonymity

Have you ever wondered what the NAAFA board members think as they meet to discuss the problems facing the members of the organization they are representing? Who are these board members? Why do they continue to spend hours working with no pay (unlike the AmFam board that is highly paid!) at a rather thankless job that sometimes appears to go nowhere? What drives them to want to help American Family agents who often do not seem appreciative of their efforts? Let me try to explain the NAAFA Board to you.

The NAAFA Board is made up of several dedicated and outstanding people who are either active AmFam agents or are formerly active AmFam agents. These agents all have a history with the company, some having worked for AmFam for well over 30 years. First and foremost, these agents all have a *sincere desire to support American Family Insurance Company* with all their hearts. The success of American Family is crucial to the success of American Family agencies. Many times NAAFA is accused of being negative, of being anti-company, of being AFI's drone. Board members are hurt and disturbed by accusations like this. Please, let us set you straight.

The NAAFA Board wants American Family Insurance to succeed. The Board wants them to succeed to the point that NAAFA is no longer needed. Yes, you heard correctly. If decisions were being made by American Family management that were not so detrimental to the agents and the company (such as non-competitive rates, unnecessary agent progress reports, unfair terminations, unwise insurance product decisions, etc) there would be no need for NAAFA.

Historically speaking, people have organized since the 18th century in the form of trade unions in an effort to better their working conditions. Self-employment in the United States, between 1995 and 2005, grew about 27% to almost 9 million workers, but the recession has had a staggering effect on the ability of the self-employed to succeed.

<http://www.nytimes.com/2009/06/07/magazine/07unemployed-t.html?pagewanted=2& r=1> In March, 2009, according to author Emily Bazelon in her article "The Self-Employed Depression" mentioned in the link above, nearly 1.1 million of the self-employed workers are unable to make a living. Various types of associations and professional groups have been organized over the decades to help and support the self-employed.

In the insurance industry alone, there are many organizations such as NAAFA, NASFA, UFAA, NAPA, NAAIA, IIABA (Big I), PIA, CIAB, NAIFA, etc. that have been organized to support agents. Particularly in the captive agent world, membership in their organizations (NAAFA, NASFA, UFAA, NAPA, and NAAIA) has been increasing, in part, we believe, because of how captive companies have de-emphasized the importance of agents in their channels of distribution. Many captive companies, American Family included, are using direct-sales as a means of reaching the customer... a real threat to the captive agent.

How has this fact along with the economic *depression* affected the captive insurance agent? We have reason to believe American Family anticipates a 35% reduction in its number of agents within the next 5 years, according to their *Internal May 2009* study. It has become very apparent that the company is using various means to lower its number of agents from attrition to outright unjust termination.

It is for these various reasons that NAAFA board members work so hard to provide information that might be useful to any agent sensing that his job might be in jeopardy. The American Family agents are unusual in that they are a particular brand of agent who has an innate desire to help others. The AF agent is compassionate about providing outstanding *service* to his customers, about providing *outstanding insurance coverage*, about providing *outstanding claim service*, all characteristics that go way beyond the average agent with other companies. The NAAFA board has been told many times that independent companies are extremely eager to hire AmFam agents because of these very qualities. Our goal as NAAFA board members is to try to make American Family Insurance Company aware of just what *jewels* they have working for them. Our agents are the best in the work place!

The NAAFA board wants desperately to establish that it is possible to support NAAFA and at the same time to support American Family. We should not be working against one another, but both should be working toward the same goal. How can we, as NAAFA Board members, put this point across to the company and to the agents?

Well, this is a difficult task when we feel such a responsibility to expose the abuse committed against the agents by the company. Abuse, you might say? Yes, abuse. We believe that when a company chooses to put its rates so high that agents can't sell and then turn around and fire them because of lack of production, that this is abuse. We believe that when an agent of 30+ years or so is terminated for "compliance violations" that something is amiss as to why the company waited 30 years to terminate such an agent who certainly, if he was a compliance violator, must have violated these same rules before that time. By the same token, the NAAFA Board also recognizes that sometimes there are agents who don't act admirably toward the company in which case, NAAFA also expresses distaste for such behavior.

Corruption is rampant in the corporate world, according to many popular news reporters. Has it invaded American Family Insurance? We must ask you to decide that. Has American Family followed a code of ethics in every action it takes? Have you ever heard of American Family committing fraud in any of its business endeavors? How about in your own agencies? Do you always follow a high standard of ethics in every situation?

All NAAFA is recommending here is that American Family agents be discerning. Agents know what is right and wrong. But do you speak up when you see the wrong? Most often, you don't because you are afraid. Oh we know, no macho agent wants to admit he's afraid. But you are. No one wants to lose his mode of income. But there comes a time when you must take a stand for what is right or evil will persist.

We want what is good for both American Family and the agents. Help company officials, company employees, and agents alike to understand that we have a **joint responsibility to make sure this company succeeds**. Taking a stand is where the NAAFA Board puts the rubber to the road. The NAAFA Board members, because of a personal commitment to doing what is right and ethical, will continue to support the *right and good* that American Family does, but we will also, reluctantly, expose the bad. We take this stand for our agents and for the company **because we care!**

Now please consider that you have gotten "**Inside the NAAFA Board's Head!**"

[END]

**Bumper Sticker: Some minds are like concrete,
thoroughly mixed up and permanently set.**

NAAFA WISHES TO
THANK YOU FOR READING
“THE NAAFA REPORT.”



Now we would like to invite you to let us know what you think. Please, we'd like to hear from you.



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The NAAFA Report

(Summer 2009)

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