

The National Association of American Family Agents
PO Box 578
Circle Pines, MN 55014



The NAAFA Report

(Spring 2008)

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The

NAAFA Report

Spring 2008

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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.**



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

Spring 2008 NAAFA Report

NEWSLETTER CHANGES

After much deliberation, the NAAFA Board has made a decision to change the mailing of The NAAFA Report. Beginning with the Spring 2008 issue, an *abbreviated* copy will be sent to all American Family agents. Only NAAFA members will receive the full unabbreviated issue. We will continue to send The NAAFA Report out by US Mail, but it will be posted also on the www.NAAFA.com website for members only.

Why did NAAFA have to make this change? The Board felt that they simply could not justify the costs involved in sending the full issue to everyone, even though The NAAFA Report is our best means of communication and our biggest membership initiator. The responses the NAAFA office receives in the weeks just after the newsletter goes out have been phenomenal, but still, we need to encourage people to pay for the privilege of receiving NAAFA benefits. We are sorry to have to do this, but we want to encourage ALL agents to join NAAFA.

WHY SHOULD YOU JOIN NAAFA? By this time, we are amazed anyone should even have to ask that question. First of all, NAAFA is the only organization in existence whose sole purpose is to promote and assist the American Family agent. But NAAFA goes much further than that. Often we are asked to assist agents from

other companies and in return, those agent associations help us. We work together, we inform, and we compare notes, ALL FOR YOUR BENEFIT.

The NAAFA business office receives numerous phone calls and emails each day from agents who are having troubles of one kind or another. We are proud to say that we very seldom hear of a problem we haven't dealt with before. Because NAAFA members are an experienced and informed group, we are often able to put agents into contact with other professionals who might be able to assist them with their problems. Our resources are limitless, but we cannot continue to offer these services to agents who are not members.

Agents who retire have found that maintaining their membership has been a good thing. There are changes occurring regarding the SECA tax situation and also the filing of extended earnings. Only members will be informed of these changes.

At any one point in time, many agents are involved in lawsuits with American Family. We try to keep our members informed about decisions made in the courts. This is information you need to know.

SO WHAT IS YOUR EXCUSE FOR NOT JOINING? As far as we can see, you have none. If you care about your job, if you care about being informed, then you will join this professional organization **TODAY. JUST DO IT!!**

At the www.NAAFA.com website, either print an application and mail it in along with your check OR join through PayPal at the website.

AGENTS RESOLVE AMERICAN FAMILY'S MONEY WOES!

Breaking news! American Family agents have been able to determine the appropriate steps to saving American Family millions of dollars annually. Even more surprising is that the contingency of agents did this *without* the aid of a single strategic committee meeting or outside consultant!

The first recommendation for reducing the company's expense ratio is the **elimination of district managers!** The company has already expressed the need to restructure. Eliminating the positions of district managers would save the company about a quarter of a million dollars for each manager eliminated. Or think about it in these terms: Eliminate just 4 managers and the savings to the company would be \$1 million dollars per year. Multiply that by the number of managers (approximately 170) American Family has and you can immediately see an instant savings to the company of approximately \$42,500,000 per year!!! **[For the balance of this article, visit the members' only portion of www.NAAFA.com]**

**JOIN TODAY! SUPPORT A CAUSE THAT
BENEFITS YOU!**

“RPM PROPERTY RESULTS PAINT A POSITIVE PICTURE!” OH, REALLY???

Comments about the ALL AMERICAN April 2008 article entitled:
“Preliminary RPM Property Results Paint a Positive Picture”

Excerpt from this article.... The writer says “Our goal is to have the loss ratio consistent across all customer groups so all customers pay the appropriate amount for losses predicted for their risk category.” You all see the problem here, don’t you? The problem lies with how the risk category is defined and how customers are labeled or placed in each category. Many agents tell us that customers American Family label as “high risk” are able to go elsewhere and save hundreds of dollars. This would imply a pricing inconsistency somewhere. If agents are losing customers that really are NOT considered high risk, (as is being realized in the real world of competition) then this is turning out

to be a real problem for all concerned at American Family.

Joe Zwettier, personal lines vice-president, says “Our goal is to get to the point where we’re competitive in our pricing and charging a fair and accurate price for all our customers.”

Well, Joe, most agents will tell you you’re NOT there yet! It’s sad that RPM has to be such an *experiment* at both the customers’ and agents’ expense.

[Balance of article can be read at www.NAAFA.com]

**Have you joined
NAAFA yet?
www.NAAFA.com**

WHEN INSULTS HAD CLASS.....

'I didn't attend the funeral, but I sent a nice letter saying I approved of it.' -- Mark Twain

www.NAAFA.com

The complaint NAAFA hears real often is the complaint against District Managers. Agents say repeatedly that DMs are the reason they can’t sell much. Either DMs are harassing, asking for reports, or requiring mandatory attendance at meetings. Nearly every agent suggests that American Family would be better off without District Managers. In the next two successive articles, you will read about some of the opinions NAAFA has had expressed to them by agents. Do you agree? Let us know! [READ ON]

Article # 1

ARE DISTRICT MANAGERS REALLY NECESSARY?

EXCERPT.....What we suspect is that these characteristics don't matter to American Family. We suspect AF is looking for the kind of individual who can be manipulated. They need individuals who will do their dirty work for them. Please let us explain. It has been suggested that ACP agents must have at least 250 policies transferred to them if they are to have any chance of succeeding at all. This means that some agent(s) in that district must be fired. It will be the DM's job to figure out how to do that. Many a DM has bragged (or threatened) that it takes very little effort to find something an agent has done wrong for which he can be terminated. We rather expect that often the pressure from above on that DM to get rid of an agent becomes so great that DMs are forced into "manufacturing" accusations. That's right, make up lies! (Situations such as this appear to have come out in courts of law.)

An example of immature/improper behavior by a district manager was when the DM wasn't invited to an agent's parties...he became so jealous that he took revenge on the party-giver and fired him. Another example of poor management by a district manager was when the DM determined to get rid of a certain agent that he couldn't intimidate or threaten in any way. Of course, he did have him terminated, unjustly. We have had another report where the DM was actually racist...the agent was a minority, and the DM made no bones about his dislike for that race. We had a report where a DM put damaging articles in the local newspaper about an agent whom he had terminated, a definite attempt to ruin the agent's reputation.

Yes, there seems to be a lot of evil in the hearts of District Managers. Does the evil originate there or does it come from above? We suspect it's a little bit of both. What we do observe is.....

[Read the rest of the article at www.NAAFA.com MEMBERS ONLY]

Article #2

OPEN LETTER REGARDING ACTIONS OF DISTRICT MANAGERS

NAAFA has been receiving a rapidly increasing number of correspondences from agents pertaining to activities of their district managers. District Managers, it seems, have been pushing agents to attend district meetings and other company functions. NAAFA feels it is important that you understand where we stand on this issue.

It has been debated before as to whether useful information is obtained at district meetings and company functions. The majority of useful information can be obtained on line at the agent website or on Compass. With technology what it is today, communicating via the Internet is the fastest and most effective way of relaying information to agents. By the time information is disbursed in a district meeting it is old news. Why does American Family continue to spend literally millions of dollars on computer technology while still insisting on burdening agents with time consuming group meetings?

Years ago when district managers actually had some influence, agents at district meetings could bring up issues, and the district manager could take them back to the company on behalf of the agent. However, this relationship no longer exists. In fact, NAAFA would like

to suggest that District Managers are probably the biggest source of trouble the company has. At any one point in time, we would guess that American Family is involved in scores of costly lawsuits brought on by the actions of District Managers. Yes, you all know what we are talking about here.

With no direct benefit to agents for attending district meetings, more and more agents are questioning the value in attending them at all. Agents simply don't have the time to waste. [ENJOY THE BALANCE OF THIS REVEALING ARTICLE AT WWW.NAAFA.COM]

In all fairness to District Managers, we have posted an article on our www.NAAFA.com website just for you. It contains some advice that may just help you in your career at American Family (or any place you might work, henceforth.)



A Sample of what we have to offer...

Printer Type	List Price	Sell Price	NAAFA Member	AF Agent
Xerox Phaser 4400	\$200.00	\$185.00	\$99.99	\$149.99
Hp Laserjet 5p	\$249.99	\$ 98.99	\$ 69.99	\$ 49.99
Xerox Phaser 3124	\$ 119.99	\$ 115.00	\$ 60.00	\$ 90.00
Xerox Phaser 440	\$ 479.99	\$ 329.99	\$ 160.00	\$ 230.00
Xerox Phaser 4500	\$ 249.99	\$ 199.99	\$ 119.99	\$ 149.99
Brother MFC 8820D	\$ 79.99	\$ 69.99	\$ 42.99	\$ 58.99

Our Word is Our Promise!

**The 2007 American Family Corporate Salaries are posted on the www.NAAFA.com website for NAAFA members to view.
Not a member? Join NOW and enjoy the benefits.**

NAAFA President's Thoughts on AF's Officer Compensation

The latest officer compensation report is now available on our website at www.NAAFA.com. Total officer compensation was reported as \$35,793,848.19. The top 49 district managers' combined compensation was in excess of \$13,888,000.00. For several years NAAFA has suggested eliminating the district manager position as a way to reduce the company expense ratio. The latest officer compensation report would strongly support our suggestion of eliminating district manager positions as a viable way of reducing the company's expense ratio.

Keep in mind that the compensation of \$13,888,000.00 represents only the 49 highest paid district managers' salaries. NAAFA has also suggested for quite some time that *officer bonuses be tied to officer performance*. The fortune 500 report for the same period, which would have been posted in 2007 for the financial year of 2006, showed American Family increased profits by only \$24.4 million which was 96.4% **lower** than the profits reported in 2005. The report indicates, for the most part, that officer bonuses were not as substantial as in prior years. However, in most all cases, *other (unspecified compensation) officer compensation was considerably higher offsetting any loss of income*.

In other words, even though there was a lack of performance demonstrated by the top officers of the company on which bonuses were based, they still managed to increase their annual compensation in spite of not fulfilling their fiduciary responsibilities to the policyholders.

IF YOU HAVE NEVER SIGNED THE “TERMINATION BENEFITS PAYMENT DIRECTION AGREEMENT” FORM, YOU SHOULD DO IT NOW! HERE'S WHY.

Recently, the widow of a “retired” agent (actually, an agent who had gone independent) found herself without the flow of income from her deceased husband's extended earnings. Her husband had been receiving monthly checks and payments to the agent had equaled about half of the extended earnings American Family owed him when he died. She reported his death to agency services and was immediately told these checks would **stop**

until she went to probate and got herself appointed “legal representative” of his estate. Of course, this can take several months, depending how backed up the courts are in your area.

Although the agent had signed the 1993 agent agreement[VISIT www.NAAFA.com for the balance of this important article]

WHEN INSULTS HAD CLASS.....

He has no enemies, but is intensely disliked by his friends.

-----Oscar Wilde

“CUSTOMER SURVEYS AT A GLANCE” JUST WON’T DO IT

American Family’s marketing research and development director, Glenn Westlake, is obviously struggling with finding *just the right customer survey*. He’s testing 4 different surveys in an attempt to “increase the customer response rate” and “improve the customer’s experience with the survey process.” In other words, the attempt is being made to make the survey fun and get more “positive” results. Hmm! More money spent, more time wasted.

HAVE YOU EVER WONDERED WHY AMERICAN FAMILY CAN’T UNDERSTAND THAT **IF THE SATISFACTION RATE OF THE AGENTS IS HIGH, THESE SAME AGENTS WILL MAKE SURE THE CUSTOMER SATISFACTION RATE IS HIGH?** THINK ABOUT IT, AMERICAN FAMILY, IF YOUR “BRIDGE” TO THE CUSTOMER IS BROKEN, YOU WON’T HAVE SATISFIED CUSTOMERS NO MATTER WHAT YOU DO. UNHAPPY AGENTS EQUAL UNHAPPY CUSTOMERS!! BOTTOM LINE!!

WHEN INSULTS HAD CLASS.....

'He has all the virtues I dislike and none of the vices I admire.'

-- Winston Churchill

ON RATING AMERICAN FAMILY’S PERFORMANCE

American Family is proud of its Fitch and A.M. Best ratings (which really don’t seem to be that high, according to some of our customers), but some have asked why American Family has chosen to stick only with these two companies. Could it be because the others weren’t going to give American Family such a good rating? If the criteria for rating actually was the same with all companies (as Compass Today 4/29/2008 says), then there wouldn’t be a need or a market for all these different rating companies to even exist.

Several agents have asked why American Family never achieves a spot on the **Ward’s 50 group**. This company analyzes the financial performance of over 2,700 property-

casualty insurance companies domiciled in the United States and it identifies the top performers. The companies recognized have achieved superior performance ratings over the five years analyzed. The average Ward’s 50 company has *17% fewer employees and maintains a 6% lower expense ratio*. Top performers maintain 14% less square feet per employee, on average. This difference in space equals a savings of nearly \$1400 per employee. Imagine a savings of \$11,200,000! (8000 employees X \$1400) Policy retention for the Ward’s 50 outperforms the rest of the benchmark by over 5%, on average.

The Ward’s 50 award is sort of like getting the JD Powers award. As

agents, we would like to see the company try to win this award. For each year that they miss it, we'd like to see our commission

increased by 1% because if the company's reputation is bad, we certainly can't sell their products. Turn about's fair play, right?

NAAFA SURVEY RESULTS REGARDING AGENTS' LOSS OF INCOME

NAAFA conducted an informal survey via their website, www.NAAFA.com, over a two month period (March and April, 2008). We had responses from agents in 14 out of 18 states. Survey participants remained anonymous except for identifying the state they were from. [Visit www.NAAFA.com (available to all agents) for survey statistics]

What is the bottom line here? As NAAFA sees it, there are about 1/3 of the American Family agents who were able to increase their income in 2007, and that wasn't by much. What becomes very real is the fact that **65% of the American Family agents each lost an average of \$10, 314 in income in 2007**. In other words, the agents struggled just to stay above water. We think you all know why.....credit scoring and rates!

THE COMMENTS AND SUGGESTIONS BY AGENTS ARE POSTED ON THE *MEMBERS ONLY* PORTION OF www.NAAFA.com. **THE CREATIVITY AND SUBTLE EVALUATIONS BY THE REPORTING AGENTS IS NOTHING LESS THAN STUNNING**. PERHAPS THE AMERICAN FAMILY BOARD SHOULD SEE THESE COMMENTS....THEY MIGHT HAVE THEIR EYES OPENED. LET US KNOW WHAT YOU THINK.

Thanks to all of you who participated.

The NAAFA Board.

LETTERS FROM AGENTS.....

Dear NAAFA,

[Another excerpt]..... Now let me tell you my thoughts about this corporate organization we work for. It's a beast! I see an organization that has turned into a monster who is trying to devour as much profit as possible from anyone it can. If anyone tries to take anything from it, it reaches out and bites with no conscience at all. I have seen this company hurt, cheat, wound, discourage, and nearly kill not only its customers, but also its own employees and agents. American Family has developed into a great producer of corporate wealth but it is also a great producer of harm as are a lot of American corporations.

My suspicion is that only the corporate officers have any idea how many lawsuits American Family is involved in at any one point in time. It has to be costing American Family millions and millions of dollars a year. Not only are many claims ending up in court (and not always being won by American Family, I hear), but American Family seems to jump at the opportunity to sue agents who quit (they've had to quit because they were losing so much money at American Family or as

some have told me, because they simply can't stand the ethics here anymore!) to go independent. Never mind that most of these agents are bright enough not to violate their non-compete. American Family knows that they can merely mention "violation of trade secrets" and judges schedule them immediately before their courts. The agents are assumed guilty till they prove their innocence.....and at a great expense, I imagine. In America, an individual is supposed to be innocent until proven guilty. I am just beginning to see the great power of the corporate monster in this country. And it appears that the courts support this monster.

Thanks for listening. I feel better already.

Wish I could sign this!

[The balance of this interesting letter can be read on line at www.NAAFA.com]

Dear NAAFA,

[**Excerpt**] I want to tell you that I think we agents need to stand up to American Family. We need to join forces or we won't survive. We are being set up to be criticized by our own clients (customer evaluations) when it is really the company who is making life hard for both the agent and the customer. The whole JD Power thing is wrong....a terrible waste of my time. I still think AF uses bonus money that should be paid to agents to pay JD Power. This is not right. The whole JD Power thing is stupid.

I also believe that because I hire and pay my employees, that American Family should NOT be training them. They work for the agent ONLY. The company sends so many emails, especially emails from the DM's secretary that we waste our time reading them. They are not necessary. We are also doing so much of the underwriter's work. This is not right. This should be done by underwriters. All of these things I mention waste my time. I just want to sell insurance.

Name withheld by request

ALERT!

We have a word for our members. American Family is taking a different approach in their treatment of agents who have left American Family to go independent. Because our goal is to inform our members, we are suggesting you visit our website (www.NAAFA.com) and read an article we have posted in the "members only" portion regarding our observations of what's going on. As you know there are several lawsuits going on at the moment and we speculate many potential accusations and attacks will be made. NAAFA remains neutral and neither advises nor recommends. We maintain a position of always communicating, educating, and facilitating regarding the establishment of a better relationship between the agent and American Family Insurance Company.

JOIN NAAFA TODAY

NAAF A MEMBERSHIP/ DONATION APPLICATION**

Name _____

Address _____

City _____ State ___ Zip _____

Phone (_____) _____ - _____

Email _____

MEMBERSHIPS: * Annual \$240
(Circle one) Semi-Annual 130

EFT (Monthly) 20

Retired Annual 60

ACP Annual 120

ACP Semi-Annual 70

ACP (Monthly EFT) 10

DONATIONS:

Silver _____ (under \$99)

Gold _____ (\$100-\$199)

Platinum _____ (\$200-up)

PAYMENT OPTIONS:

CHECK:

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

NAAFA

PO Box 578

Circle Pines, MN 55014

EFT:

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

CREDIT CARD:

Please go to www.NAAFA.com and enter your credit card information by clicking on the PayPal icon under the "Enroll Now" tab.

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