

SHOULD EXECUTIVE PAY BE BASED ON PERFORMANCE?

The attached article by Elizabeth Hinck (Minneapolis Star Tribune 3-9-2008) explains that directors on corporate boards have been setting executive pay as they see fit, perhaps at levels they feel are competitive and appropriate. However, with efforts by investors and Congress things are about to change. Executive pay at American Family has long been an issue with the agents, especially when they see expense ratios skyrocketing (we're told American Family has one of the highest of its peers!!) and somehow, the blame being put on them. Finally, someone is looking in to the idea that executive officers should be paid according to merit. If the company you run is not succeeding, the corporate officers should NOT have their pay increased. In fact, they should have their pay cut. American Family's corporate pay records for 2007 are not available quite yet to NAAFA, but as soon as they are, we will post them. NAAFA's position, along with probably the majority of American Family customers, would be "if you can't spend our money wisely and provide competitive rates, then the Board should find someone who can fill this obligation." It is only a matter of time before the SEC's newly adopted executive pay rules will be recommended for non-public companies such as American Family. As many of the political candidates are chanting, "It's time for a change!!"

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