

The Voice


A publication of the United Farmers Agents Association

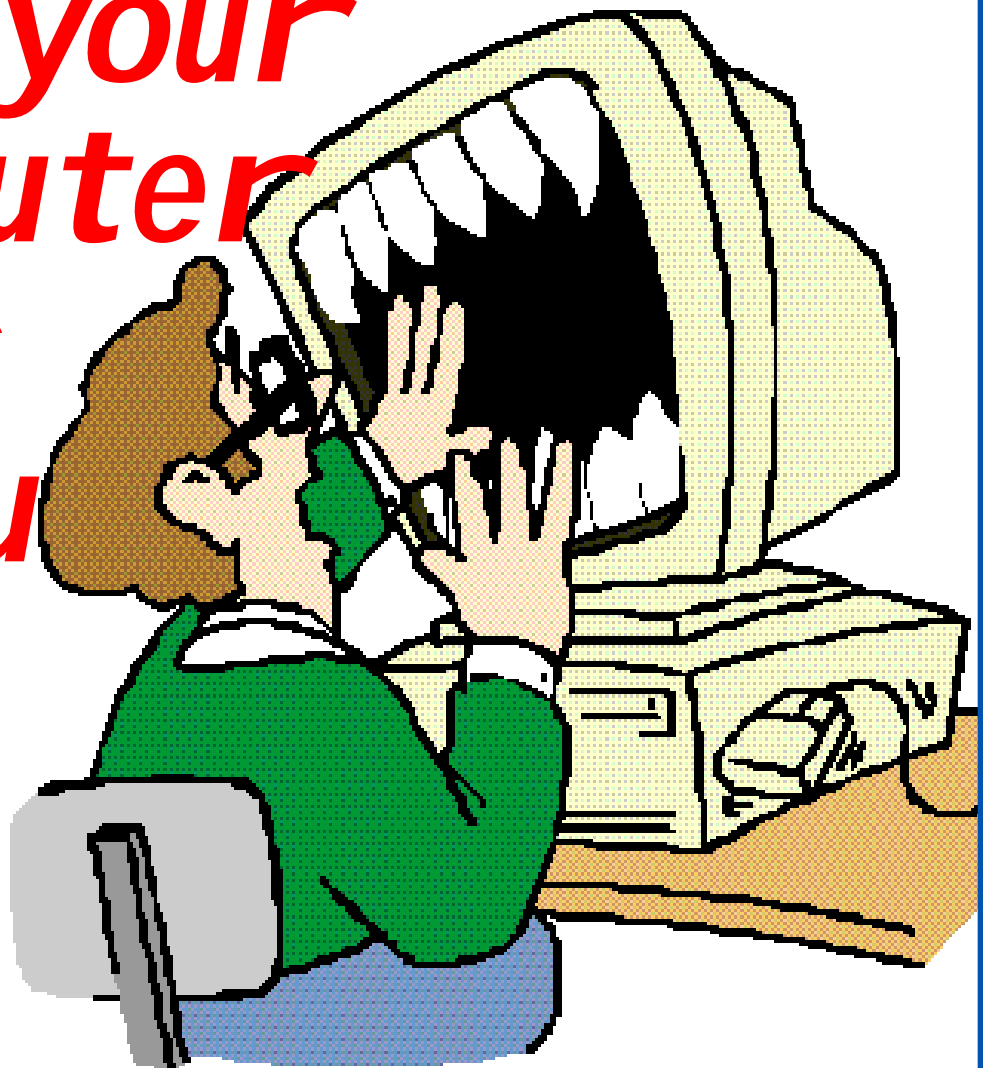


Spring
1998

*When your
computer
turns
on you*

who do

 turn to?



Introducing ...

UFAA Technology Services

pp. 4-6

Also in this issue:

Victory in Michigan! *p. 12*

Outstanding agent *p. 24*



UNITED FARMERS AGENTS ASSOCIATION
P.O. Box 190584 • St. Louis, MO 63119
314-968-3344 • FAX 314-918-1718

RALPH BUCHANAN
PRESIDENT

Dear UFAA members,

A television commercial says, "Image is everything" and they may be correct. In years past, UFAA, rightly or wrongly, developed a negative image with the agency force and it stuck. And that's a shame because it is undeserved.

Daily, I receive calls from agents across the country who are frustrated with their businesses and the direction the management company is going. Why do they call? For help? For advice? For a friendly shoulder to cry on? There are lots of reasons.

The environment we work in is simple: We sell and service policies. For that effort, we receive a commission. And so does the District Manager. And, to a certain extent, so does the District Marketing Manager. In that environment, one would think the DMM and DM would bend over backward to assist agents and keep them satisfied, happy and eager.

The management company says they operate an open door policy for all agents. They cite the various forums where agents can express their thoughts, their opinions and their criticisms. But daily I hear from agents who are intimidated by their DM and DMM. Why do we have that open door policy *and* the intimidation?

If agents are frustrated, upset, angry or disappointed, who will listen to them? UFAA. In America, we have the right to disagree. We, as independent business men and women, have the right to fight for *our* rights, *our* business and *our* families. That right is not granted by the management company, the DMM or the DM but by our form of government. When the two entities disagree, resolution can come many ways but, unfortunately, it seems a court of law ends up being the only way.

Several years ago, the management company introduced the "agency" computer system that cost approximately \$20,000. Agents across the country reacted with letters and calls to their District Managers, their Regions and the Home Office. Nothing worked. So UFAA sued. Yes, we eventually lost but because of it many agents are using real PCs (and using emulation cards to access AIMS) instead of the System 36 or the AS400. Now that's progress.

The management company introduced a \$5,000 deductible for our E&O policy. UFAA finally — with no assistance from the management company — found a company to issue "The Original" E&O deductible recovery policy. As more agents venture into the real world of computers, UFAA has introduced the UFAA Technology Support team, which can help agents buy computers or just give them advice and technical support. Chapters across the country hold regular meetings that count toward their state-mandated continuing education requirements. Other Chapters hold expositions, picnics, golf tournaments and fund-raisers for local charities. Chapter meetings are held where Agents can openly talk without fear of punishment. Chapters have formed help groups where members will receipt money, inspect cars and take pictures for other agents and no one will steal a policy. Chapters around the country designate certain members commercial, life or claims specialists and other members can freely call for assistance.

We invited Mr. Feinstein to our Chapter Presidents Meeting in February but his assistant declined the invitation, citing an age-old policy of talking to individuals but not to groups. We will invite Mr. Feinstein to our National Convention in June. It's time for the two sides to work together to make this the "Premier" insurance company. It's time to put aside our past differences and make this thing work.

UFAA is *not* negative. We are prepared to prove it. We are prepared to meet with representatives of the management company any time, anywhere, to resolve past differences and march into the 21st century together, as a united group. Together, we can make this work.

Sincerely,

Ralph Buchanan, National President
United Farmers Agents Association

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The Voice is published four times per year by The United Farmers Agents Association, Hank Turnbaugh, Director of Media Relations. The content of *The Voice* is the responsibility of the elected National Board Members who comprise The Voice Committee. Products and services advertised are not endorsed by The United Farmers Agents Association, Inc. or its affiliates. Complaints or inquiries should be forwarded directly to the advertiser. All purchases are at the complete discretion of the customer.

From the director:

Media Relations

Seize the opportunity!

By Hank Turnbaugh

A few times a week I go down to my favorite little restaurant, located in a supermarket near my office, for a quick breakfast. One morning, while I was sitting there drinking my last cup of coffee, I was watching some of the employees going about their duties.

One young lady was placing cut-up fruit in containers on the chopped-up ice on the display. She would take a container of fruit and tap it once on the chopped ice, then she would put it in its appointed place. One young man goes around on a regular basis, picks up soiled carpet runners and replaces them with clean ones.

I was thinking about all the people who work in this fair land of ours. Each one has his or her individual responsibility, regardless of what job it might be. Then I started thinking about our responsibility as insurance agents. You probably already knew this, but insurance agents are responsible for making this country what it is, a great nation. One where, with a little money and a lot of enthusiasm and hard work, a man or woman can build up a company, an insurance agency. The sky is the limit on what can become a successful business.

I don't know about you personally, but I started my agency from one policy. I still have that first insured after nearly 22 years. As my Agency grew, I was quite aware of what I could make of that Agency

Continued on p. 10

Introducing ... UFAA Technology Services

UFAA Member Services brings you office automation technology not currently available from another single source

By Steve Todd

"UFAA Technology Services? Hmmmm, I've never heard of that part of UFAA before. What is it?" This is a question I have had posed to me over the past few weeks from many UFAA members.

UFAA Technology Services is being funded by UFAA and directed by the National Board to bring office automation to the agency force not currently available from another single source.

So what will we do for you? We will provide technical support for your PC hardware and software problems. For those members who

haven't put a real computer into their offices yet, we will provide turnkey PC systems. If you have a PC and want to upgrade, I can analyze your needs and recommend hardware and software solutions. If you need a scanner, printer, modem, emulation card, backup services, support for System 36 or AS/400, we will provide that too.

Turnkey systems

Our turnkey systems will feature Gateway 2000 computer systems, Visioneer scanners and HP printers. You will be able to purchase the systems at Gateway's low prices

because UFAA Technology Services will only be charging you what our vendors charge us for any hardware or software.

If you read the Field Service Bulletin dated Jan. 9, 1998, you know the management company will not provide support to any computer system not purchased from their designated vendor. So if you have a PC or want one and the management company won't support you, where do you go for help? UFAA Technology Services, of course.

So what do you have to do to take advantage of these new ser-

FAQs

Some of the 'frequently asked questions' UFAA Technology Services hears

Q: What is the most efficient computer system for my office?

A: That depends on several factors. (1) Will it be a stand-alone system or connected to a network? (2) What do you expect to do with the system? The ideal computer system for the average office is a Pentium 166MHz system with MMX capability, a 2.5GB to 4.3GB (giga-byte) hard drive, 32MB (megabytes)

of memory, a video card with 2MB, a minimum of a 15" monitor and a 33.6 fax/modem. There are various configurations, but this would be a recommended minimum system.

Q: Is there a single (all-in-one) office management computer program available?

A: It would be ideal if there was, but the answer is no. There are no single computer programs being

produced today that take care of all the needs of an Agency. There are several that come close, but the price is a little much — \$18,000 and up. The lesser-cost programs — WinTrack, SELL, etc. — have strengths and weaknesses. The best thing to do is find a program that closely meets your needs and then tailor your additional software to fill in the gaps.



vices? Simply send UFAA a check for \$100, for one year of technical support. I also will need you to complete a consultation form so I have the necessary information to adequately address your problem or concern. Call my office at 916-635-5641 to request a consultation form.

How do you get in touch with UFAA Technology Services? We are available Monday through Thursday, 6 a.m. to 4 p.m. Pacific Time; Fridays, 10 a.m. to 4 p.m.;

and Saturdays by appointment. My fax number is 916-635-9804. You can also e-mail me at ufaa@idt.com.

Future plans

What are the plans for the future? UFAA's web site (ufaa.com) will be fully operational in the next 30 days. We will provide information and articles on new and useful hardware and software that can help your Agency increase efficiency. We also will provide answers to

frequently asked questions, ideas and programs to increase your marketing and sales activities, and much more.

In addition, I will be available to attend Chapter meetings or put on workshops — for the price of the airfare and a night's accommodation — to demonstrate our systems and office automation solutions. We will be available at the National Convention this June in Las Vegas.

We also anticipate producing a video and manual in the next couple of months to better display and describe our office automation systems and how they can benefit your Agency.

If you feel UFAA Technology Services can be of value to you now or in the future, please support the new program. If there are other services you would like to see added, please let me know. There are no dumb questions, except those that are not asked.

I look forward to working with you to make your Agencies more efficient and productive. This service is for you, so take advantage of it by completing the application on p. 6 of this issue of *The Voice*.

Steve Todd is an electrical/electronic engineer by trade, specializing in computer systems and applications for business. He is heading up UFAA's new Technology Services program.

Q: Why does my system tell me I'm out of memory when I try to print something? I have 16+ megabytes of RAM.

A: If you are using Windows (3.1, 3.11, or 95), your computer sets aside a portion of your hard disk drive (HDD) to create "virtual memory," which may be as much as 200+ megabytes. This helps to speed things along on your system. However, when your HDD gets full,

you no longer have the large quantity of memory available, and your system halts.

Q: If I have my System 36 or AS/400 connected to my PC, can Farmers come into my PC and see what I am doing?

A: No. Emulation hardware and software works on the premise that the PC will request information from the mid-range system, which is accessing Farmers' main-frame and

will remain active (on) to receive the reply to its question or request. The software does not allow Farmers to "see into" your system. The closest they could get would be seeing into your mid-range system.

If you have a burning question, give us a call, fax us or e-mail us, and we will try to provide a concise answer to you.

UFAA Technology Services

"I've never owned a computer before. Where do I get help?"

"Is there a better way to manage my customer accounts?"

"I wanted to go paperless in my office but how?"

"Do I have to keep both a PC and the Sys36 on my desk?"

Each day, hundreds of agents across the country ask these questions. Some are lucky enough to have a local vendor, a friend or another agent with computer knowledge. Unfortunately, most don't. A Windows-based database program is the most efficient means of running the new Agent's office. Adding a scanner allows you to go "paperless." The PC will replace your Sys36 and still allow you to access the AIMS system. *UFAA Technology Services* will assist you with these questions and guide you every step of the way.

"Do I buy from an office store, a direct mail vendor or a local computer store?"

"If I buy a database program, what do I do with the data on my Fame?"

"If I equip my staff with new computers, can I network them?"

From the beginner to the expert, there is help for everyone. Whether you are buying a computer from *UFAA Technology Services*, at Office Max, from Dell or Gateway or from the small vendor down the street, *UFAA Technology Services* has the advice and the answers. *UFAA Technology Services* can convert your Fame data to work in your new database program and easily show you how to network all the computers in your office so all your staff can see the same customer information.

"I want to do some work from home. Can that be done?"

"Can my laptop be hooked up to my Sys36?"

"Can I get training from someone?"

Accessing your office computer from home is easy, once you learn which software to buy. Downloading information from your database program to your laptop before going on an appointment makes you look far more professional. And training is available as part of your membership in the new *UFAA Technology Services* program.

If you have called a computer technician recently, you know they charge from \$50 to \$75 per hour. Yet, the majority of the work they do can be done on the phone. Now you can get unlimited technical support through *UFAA Technology Services* for just \$100 per year.

"I might be the first person to buy a computer from UFAA Technology Services. I had used a small computer at home for many years but never in my office. I save time using my new computer and the output is far more professional looking. I get all my questions answered quickly. Where was UFAA Technology Services earlier in my life?" — A California agent

UFAA is 'Agents helping Agents' and the new *UFAA Technology Services* program does just that. We have to become computerized if we want to be successful in the future. *UFAA Technology Services* is both the way and the means to accomplish that.

YES, I want to take advantage of the services provided by UFAA Technology Services!

I realize this is available to the agency force through UFAA membership.

I have enclosed my \$100 check for one year's service in the UFAA Technology Services program.



Name

Agent Number

Address

Phone

City, State, Zip

Fax

Mail to: UFAA
P.O. Box 190584
St. Louis, MO 63119

If you have a question, call Steve Todd at 916-635-8029

If you are a non-member, include a UFAA membership application available from the National Office, in any issue of The Voice (p. 17), or from a local Chapter President.

Infested!

What are computer viruses — and what can they do to your computer?

By Sarah Dent

Most of you, I'm sure, have heard about software viruses. You may feel the need for virus protection is overblown media hype.

Not true! We get calls daily from agents like you who have lost valuable information on their hard drives because of a virus infection.

If this subject is new to you, here is what viruses are and what they can do.

The evil spreads

Computer viruses are well named, as they are an almost perfect analogy to a biological virus. They are special programs that use your computer's other, useful programs to replicate and make more of themselves.

They reproduce and spread via floppies and telephone communication to other computers. They do this by embedding themselves into legitimate programs you might receive from some other computer user. They can go dormant for long periods of time, only to resurface later to destroy or cripple your computer.

You may have a virus even now on your computer and not know it!

You could lose it all

This is scary stuff! Imagine working and suddenly your comput-

er is able would program make standing. They create these destructive programs that destroy thousands of hours of work and millions of dollars, just to prove how clever they are as programmers.

Protect yourself

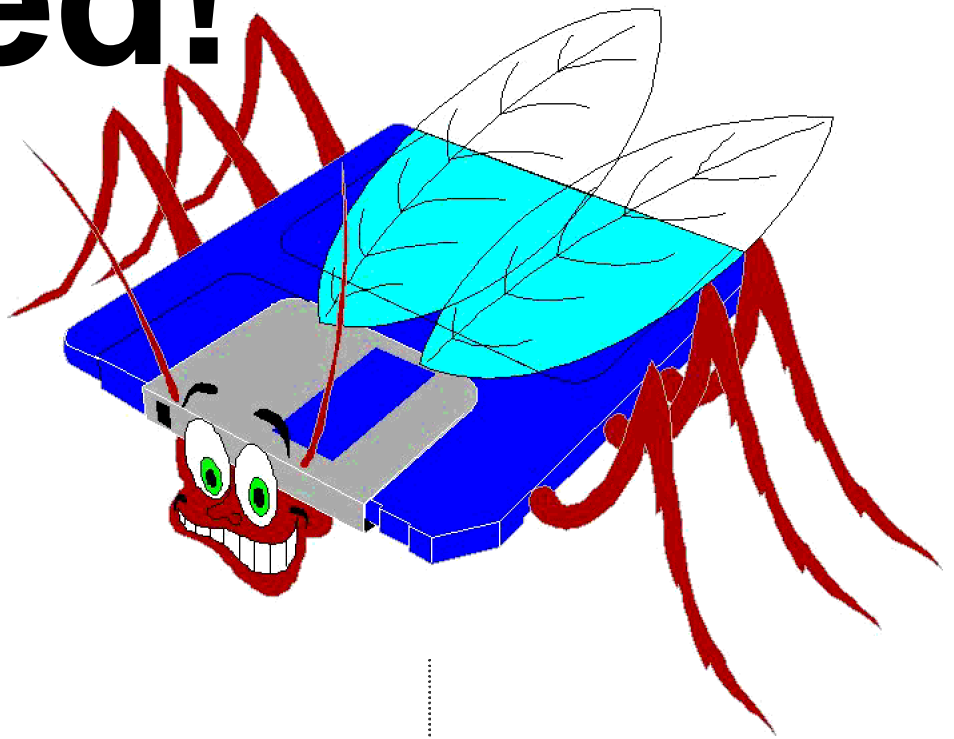
The growing threat has prompted special programs that will detect and destroy viruses. There usually are three types of protection programs.

1. Detection

This program will run through all the files on your hard drive looking for known and suspected viruses. It will also look into your computer's memory, boot track, FAT and partition table. These are common areas infected by viruses. If it finds any, it will alert you.

2. Removal

If you find a virus, the next step is to remove and repair the damage if possible. Virus correction programs will remove the virus and to some degree try to reconstruct and



ed virus. Even if the damage can't be totally undone, it at least stops the progress and makes the computer safe to use.

3. Prevention

The last class of programs will install a TSR-type program that continuously looks for and prevents any future virus infection. If you use these programs and find no virus, you still want to install the last class of programs *now!*

What's available

There are many commercial packages available that do part or all of the above. The two we most frequently recommend to our users are McAfee and Norton. Both of these companies have a website on the Internet, and you can download an evaluation copy as well as get their latest upgrade.

McAfee's website is www.mcafee.com. Their software also is available in most software stores.

From the director: Treasurer

We can make a difference!

By Larry Tencer

As we prepare to file our tax returns, I wanted to remind everyone that your UFAA dues and contributions to the former DIRF Fund and current Legal Fund are almost entirely tax deductible.

In 1997 we contributed money to the CEAA's Washington D.C. lobbyist that is not tax deductible. In computing your deductions, use 99% of the money you sent in for dues and contributions to the various funds.

I would personally like to thank the more than 350 members, who have their dues drafted monthly, who responded to our letter about having missed drafting in February and April of 1997. Checks and faxes, authorizing us to double draft for two months, are still coming in. They are really needed and appreciated. Keep them coming.

We will soon be set up to accept payments and contributions via your Visa or Master Card

account. Wouldn't it be nice if we could offer that option to our policyholders?

We are very close to having our ufaa.com website up and running. The National Office is currently online and can be reached at our e-mail address: ufaa@idt.net. We would love to hear your comments and suggestions. We are in the process of adding e-mail addresses to our database, which includes both members and non-members. If you provide us with your e-mail address, you will be the first ones to know when our website is up and running.

It seems I am always talking about or asking for money. I guess it goes with the job. On a serious note, I would like to appeal to everyone, especially those who previously contributed to the DIRF Fund (now our Legal Fund) and those members being drafted monthly.

If you read Rick Smith's Legal &

Regulatory Affairs article on p. 15 of this issue, you know we are assisting several Agents in their legal actions, and we understand we will be asked to help several more Agents who are being pressured by DM's and company employees to get out of the business because they are not producing their "fair share" of desired business.

As we have stated previously, litigation is the last and generally the least desirable option in trying to resolve a problem with a DM or the Company. Unfortunately, it sometimes is the only avenue available to right a wrong.

We only will consider lending financial support in actions that can be of significant benefit to the agency force. For these reasons, your contributions to Volunteer Fund are needed. Please send a check or your authorization to increase your monthly draft.

Remember, together, we can make a difference.

'Independent businessmen'

"Farmers was founded on principles of business practice best exemplified by the American free enterprise system. We recognized our agents as independent businessmen, who worked and produced on their own time and their own terms and whose opportunities for success were without limits. We work with individuals, and we want them to continue to be individuals, not anonymous digits regimented behind an average, far above. He is his own man. He wants to enjoy the prospects for financial and professional progress, which he can realize through his own efforts. He regards himself, and rightly so, as a self-made professional, proud of his career achievements and his respected place in the community."

— Farmers Group Inc. CEO Robert Early (1960s)

The United Farmers Agents Association
presents the
1998
UFAA National Convention

Schedule of Events

- Saturday, June 13:** National Board members arrive.
- Sunday, June 14:** Chapter Presidents will arrive during the afternoon. The National Office will host a great hospitality room for all in attendance.
- Monday, June 15:** Both the National Board and the Chapter Presidents Committee will be meeting during the day to discuss topics of interest. Throughout the day, delegates from around the country will be arriving with their spouses. That afternoon and evening, UFAA will host a combination registration area, hospitality room and vendors exposition.
- Tuesday, June 16:** Delegates will have a great breakfast prior to the opening session of the 1998 UFAA National Convention. Sign-ins will start at 7:30 am and the Convention will convene at 8:30. Delegates will be attending various workshops to enhance their knowledge. Workshop topics will include computers, lobbying, Chapter management, office automation, and more. Spouses again will have a separate hospitality room available all day to meet other people, sit and read, and even enjoy some fine food.
- Wednesday, June 17:** The convention will resume in the afternoon. At 5 pm there will be an election forum where delegates will have an opportunity to meet the candidates, up close and personal, running for National Board positions. Wednesday evening, we will hold our annual banquet, which has become special over the last few years.
- Thursday, June 18:** The convention reconvenes at 8:30 am to conclude all unfinished business and conduct an election for National Board positions. The new National Board will hold its first Board meeting. Departures will begin that afternoon.

UFAA National Conventions are open to all UFAA members around the country.
However, only delegates elected by their Chapters can vote.
Each year, many non-delegate members attend the National Convention
and come back the next year as delegates. Try it.

The 1998 UFAA National Convention will again be held at the Golden Nugget Hotel
in downtown Las Vegas. Make your reservations now.

**UFAA, the professional agents association, where "Agents helping Agents"
is not just a slogan but a way of life. Come join us as we work for
the betterment of the agency force. Come join UFAA.**

Call 800-275-8668

From the Nominating Committee

To all members:

The following offices will be open for election at the UFAA National Convention, June 15-18 in Las Vegas:

President
Secretary
Media Relations
Legal and Regulatory Affairs
Director at Large

A form has been included on p. 11 so any member will have the opportunity to submit an application for candidacy.

Please complete the application and submit it with a resume, explaining why you would like to hold a National Office. Please include any ideas and changes you have that could be incorporated to

improve the particular office for which you are applying.

Your application and resume must be returned to Nominating Committee Chairman Frank Mortimer five weeks before the Convention.

All applications will be held as confidential information. No other candidate will have access to any of your goals or ideas.

Mail the completed application to Frank Mortimer, 11650 Iberia Place, Suite 201, San Diego, CA 92128-2455. If you have questions, call 619-487-2241 or 619-271-5065.

Delegates will be advised one month prior to the National Convention of those applicants who have announced their candidacy.

For sale

Letter sign — 12" X 4"
Farmers Insurance sign;
\$300.00 plus shipping & handling. Call: Don Vosberg, 520-623-8591; 109 W. Grant Road; Tucson, AZ 85705

Computer — System 36 processor, two terminals, printer & modem. \$2,000 or best offer, emulation card to link to PC available. Call: Gayle Gnatek, 630-961-0034

Notice

DARG kit and SECA TAX kits are available in the National Office. Members call 800-275-8668.

Workshops, previews and demonstrations

At the National Convention in June, Delegates will have a selection of informative workshops to choose from, including an introduction to Microsoft Word and Excel (the two most popular word processing and spreadsheet programs), Winfax Pro and Laplink, the leading remote computing software.

Throughout the Convention, delegates will have the

opportunity to meet with numerous vendors offering a variety of products and services.

Those planning to exhibit this year include Wintrack, Sell, Agency Premium Services, Superior Access Insurance Services, Gateway Computers, to mention just a few. UFAA will have systems available for display and sale.

Take advantage of opportunity!

Continued from p. 2

if I just put a little additional effort into my selling. I didn't build the largest Agency with Farmers, but I have built a very successful one, one I can feel good about and make a good living in the process.

You are probably asking yourself, "What is Hank leading up to?" Simply this: You get out of life according to what you put into it. Put in little, and you get little back.

Put in a lot, and you get a lot back. You are definitely rewarded for what you do in this life.

You make your life and your Agency what you want them to be. Your positive attitude toward life and your Agency will surely make you successful. In the game of life, you run the best race you can. You may not end up Number 1, but the fact you are running the best race possible will make you a winner

regardless of whether you end up first or somewhere in the middle of the pack.

With Spring coming, we have the opportunity to write more business. People soon will be buying boats, cars, houses, etc. Insurance is going to be needed on those boats, cars and houses. And there is always life insurance.

The opportunity is there, all we have to do is take advantage of it.

Application for UFAA office candidacy

Name: _____

Please accept my candidacy for the Office of _____

Number of years as a Farmers Agent _____

Number of years as a UFAA member _____

Have you attended a UFAA National Convention? Yes _____ No _____

How many years have you attended? _____

What was the last year you attended? _____

What offices have you held on the National level and your local UFAA Chapter?

What committee assignments have you held on the National Level or your Local Chapter?

Do you have sufficient staff to allow you to be away from your Agency for UFAA assignments?

Yes _____ No _____

I have included a resume to support my candidacy.

If I am nominated and elected I promise to comply with the rules as set forth by the UFAA Association bylaws.

Name: _____

(signature)

Address: _____

Phone: _____

Return to:

FRANK MORTIMER
NOMINATING COMMITTEE CHAIRMAN
11650 IBERIA PLACE SUITE 201
SAN DIEGO, CA 92128-2455

619-487-2241 / 619-271-5065

Victory in Michigan!

Farmers' Agents in Michigan are celebrating a victory for many in their number whose binding authority Farmers rescinded last summer. Late last October, Farmers in effect backed down.

Farmers reinstated those agents' binding authority after one such Agent, with support and help from the Michigan Chapter of the United Farmers Agents Association, filed a formal complaint with the Michigan Insurance Commissioner, and the Commissioner's office challenged Farmers' actions.

The Agent has been a Farmers Agent in Michigan since the 1980's. The location of his Agency adjoins a predominantly minority area, and a substantial percentage of his policyholders are minorities.

Background

As of the spring of 1997, his Agency generally had performed well. For example, he had approximately 1,500 auto policies in force. According to reports furnished by Farmers, his Agency had generally operated profitably or at least near the break-even point (as defined by Farmers). In 1996, however, Farmers' reports suddenly showed a spike in the Agent's losses of 150% of their previous high, more than double his 1995 losses.

In April 1997, Farmers sent a notice to the Agent and other Farmers Agents that Farmers was

rescinding their binding authority, effective June 1, 1997. The reason given to at least several Agents was that their "results for the last three years rank [them] in the worst 11% for auto profitability in the state of Michigan."

It appeared to the Agent that Farmers had haphazardly sent out a mere form to several targeted Agents, rather than carefully reviewing loss performance. There were two reasons for this belief. First, at a meeting shortly before the notice, Farmers announced an average state loss ratio that exceeded the agent's worst-ever loss ratio. Second, the notice went out to several agents, presumably not all of whom could have been in the "worst 11%."

The agents (and their prospective policyholders) were placed under a "submit for approval" requirement, involving unspecified and unknown delays in obtaining insurance.

Strained relations

A possible additional factor in the Agent's case was the all-too-common story of strained relations with Farmers personnel. The Agent

had reported what he believed to be unemployment tax fraud of one of his former employees who had gone to work for the Agent's District Manager.

The Agent's attorneys corresponded with Farmers to demand that it reverse its actions and reinstate his binding authority. They also spoke with Farmers' attorney, who demonstrated an almost complete lack of concern about the agent's situation, refused to say when Farmers might respond and, indeed, never responded.

Complaint lodged

Accordingly, the Agent lodged an official complaint against Farmers with the Michigan Insurance Commissioner on June 3, 1997. The complaint noted that, under the Michigan Essential Insurance Act, Farmers could not appoint an Agent and then deny the Agent binding authority, and thereby deny insurance to the Agent's potential customers.

The complaint alleged that denying binding authority based on the agent's location was prohibited by the Michigan Code. It also alleged Farmers had breached it's



contract with the Agent because rescinding binding authority is tantamount to terminating an Agent without the contractually prescribed procedures and timetables.

The Agent's attorneys believed he might be able to argue as well that the termination was for one or more improper purposes (see "Ned Hall v. Farmers" in *The Voice*, Summer 1997, p. 8)

Cutting losses

In effect, the Agent's contention was that Farmers was trying to cut its losses in an illegitimate manner, either by forcing

its Agents to decline to insure persons entitled to be insured under the Essential Insurance Act or, simply, by forcing certain agents in certain areas or with a certain kind of clientele out of business.

At a meeting of Agents whose binding authority it had revoked, Farmers personnel stated that the

Agents should take a closer look at the person being served in their book of business and at "what's coming in the door."

It seems obvious that revoking binding authority cannot cut losses other than by eliminating Agents or their clientele. An Agent can bind

Farmers to insure someone for only a limited time anyway. Indeed, in July 1997, of the approximately 18 to 20 applicants that this Agent submitted to Farmers for approval, Farmers underwriting approved every one. However, only six of those applicants waited for Farmers approval;

the others gave up trying.

In fact, the Agent's total sales through his Agency in June 1997 were only approximately 40% to 45% of his total sales in June 1996 (prior to revocation of binding authority). Several other Agents, their businesses decimated and without resources to pay legal counsel, simply gave up.

As the Commissioner's office geared up for formal proceedings, Farmers backed down, informed the Commissioner's office it would cease the program, and sent a letter to the affected Agents informing them their binding authority was reinstated.

Formal proceedings

Fortunately, the Insurance Commissioner's office agreed in the main with the Agent's contentions and did not accept Farmers' proffered defense of its revocation of binding authority. As the Commissioner's office geared up for formal proceedings, Farmers backed down. It informed the Commissioner's office that it would cease the program, and sent out a letter to the affected Agents dated Oct. 27 informing them that their binding authority was reinstated.

Stand together

Agents really must stand together. The damage in this case was not as great as it could have been only because the Michigan Chapter stepped in to help with its limited resources, and one Agent happened to have access to legal help.

Nevertheless, many Agents, both those who left Farmers and those who were able to hold on, have suffered irreparable financial damage. Farmers could take similar actions in the future — it certainly has communicated no remorse over these actions — and the Chapters' limited resources may be insufficient next time.

To protect their future, Agents need to join and strengthen their regional Chapters. As to past damages, a single Michigan Agent may not be able to afford to seek reparation from Farmers, but several current and former Agents together could do so cost effectively.

Timothy W. Townsend is a graduate of the University of Michigan Law School, and a member of the Michigan and Georgia bar associations. His firm, Myers, Townsend & McKee, P.C., handled the case for the Agent mentioned above.

Agents interested in a joint effort should feel free to call him at 770-643-2500.

What is the HMA?

A bilateral contract would benefit everyone

By Rick Smith

The Horizontal Marketing Agreement is a separate and distinct contract from the Agents Agreement we previously signed. This new contract will allow FIG to expand into new markets with minimal expense and risk. After signing this new contract, Agents would have access to "Auto Loan Processing" and possibly other "undisclosed markets" in the future.

Increased competition from new sources, market saturation and a limited customer base face all of us. Additional products, if priced competitively and serviced properly, would help solidify customer loyalty and could increase our gross revenue

— perhaps even our net revenue!

As a business decision, will the potential "gain" exceed the potential "loss"? What would we forfeit in exchange for an opportunity to "market and process" unknown products?

Is compensation stated in the contract and can one party alter it?

Will contract termination be for just cause or no cause?

Does the "non-compete" clause prohibit FIG from soliciting your clients?

Is your "operating territory" protected against internal competition?

Is it fair and reasonable for one party to be forced to travel thou-

sands of miles in order to settle a dispute?

Is a statewide "non-compete" for one party fair and reasonable?

Do you believe FIG would sign a similar contract?

After reviewing both the "FIG" HMA and the "Heim" HMA, which appeared in the last issue of *The Voice*, decide which contract best suits your needs. A bilateral contract would benefit everyone and improve Agent morale. Jon Heim, UFAA's legal counsel, has given his consent for our members to offer FIG the use of the "Heim" HMA. Please encourage FIG management to accept Jon's generous offer.

**From the director:
Vice President**

Where do you want to be?

By Chuck Simpson

I want to be the best Agent in the company. Many have said that when they started out as an Agent. Have you taken a look lately at what you do? In the last few years, the Company has put a lot more work onto us. Not like it was when I started my career some 28 years ago.

Those of us associated with UFAA are working to help you. We want you to be the best you can be. UFAA as an organization has made tremendous strides since June 1997. We have accomplished much. To list a few: the Errors and Omissions buy-back deductible, the opinion on the new contract and the

new computer technology group that will help all Agents. We rejoined CEAA. We set up the Volunteer Fund for legal and legislative affairs. We opened up lines of communication with all Agents. We even opened up a line of communication with Management.

The National Board set up a new format for the Board and Chapter Presidents meetings, which will be held in February, and the National Convention, which will be held in June. At the Chapter Presidents meeting, the Board and the Chapter Presidents will meet separately in the morning. Then in the afternoon they will meet together. At that time, the Board listens to

the recommendations that the Chapter Presidents present to the Board. The Board is striving to get the Chapter Presidents involved, so the Board can then service all the Agents instead of just a few. We have a policy on the board that if you have a problem, we will be available to help you regardless of how small or large.

We need your help. Get involved. Join UFAA. Tell us what it is you want, and we will get good results.

If all Agents will help each other we could be building the best possible organization — and in the process the company will recognize us and talk to us.

From the director:

Legal & Regulatory Affairs

Reaching the 'goal of 3,000'

By Rick Smith

The Legislative and Legal Committee has processed two funding requests for Agents who were wrongfully terminated. Both were recommended to the Board for partial funding — with additional funding dependent on a progress report and again subject to Committee approval. The board has supported the Committee's recommendations.

FIG has made an offer to settle the Washington class-action lawsuit, which was filed to recover licensing fees improperly assessed against Agents. Final settlement is pending approval by the judge and class members.

In Kansas City, Mo., two former Agents have filed an "unjust termination" lawsuit against FIG. They believe their terminations were a result of their refusal to comply with discriminatory practices in urban areas. The attorney representing these agents is Roger Brown. He can be contacted at 800-264-8501.

Apparently the desire to improve "Agent production" is reappearing in different parts of the country. Reports of pressure from DMs and company employees are increasing daily.

FIG management has previously stated that new Agents would have a minimum of 3,000 P.I.F. within five years of their appointment dates. They also are interested in younger, better-educated Agents. (Many current Agents are already middle-aged and the nationwide average PIF is approximately 1,000).

This goal can be achieved by various methods:

- Increase market penetration by 300%
- Increase the population by 300%
- Decrease the number of agents by 66.66%
- Encourage continuing education
- Limit new contracts to younger, better educated individuals

— Any combination of the above!

Selling takes time — a lot of time! Time that is now required for reinspections, data input, slow transmission lines or waiting on hold for employees' assistance in correcting problems. All of this has limited the amount of time and energy available for the service and personal bonding to our clients that is necessary to maintain our current PIF — without attempting to increase it.

Aging also takes time! Declining health, restricted

mobility, and increased difficulty in handling stress are all traits commonly associated with the aging process.

It appears as though many of the Agents identified as "low producers" are either middle-aged or suffer from health impairments. These "low producers" may also have offices located in aging, less affluent neighborhoods (generally populated by poor or retired individuals). Their market is extremely limited.

We sincerely hope this "goal of 3,000" will not be at the expense of older Agents who loyally spent their lifetimes promoting the image of FIG.

The very concept of insurance is based on trust! If Agents cannot trust insurance companies, how can the policyholders?

Members who have been asked to submit an Agency Plan may wish to review the Agency Plan Sample Letter for suggestions on obtaining basic information necessary in developing a realistic plan. Members can obtain a copy from their Chapter President or the UFAA National Office.



Quotables



Everywhere in life the true question is not what we have gained, but what we do.

—Carlyle

I believe in work, hard work and long hours of work. Men do not break down from overwork, but from worry and dissipation.

— Charles E. Hughes





Moving in the right direction

Your Winter issue of *The Voice* is one of the most positive issues I have ever read. I am sincerely impressed with the positive tone that seems to be pretty much through the entire issue. Subjects are presented in a fashion to show UFAA as a positive, helpful organization. I am not a member of UFAA. I have been an agent for {x} years ... and am a President's Council Agent.

For most of my years, every issue of *The Voice* was extremely adversarial towards the Company. Your main focus seemed to be to bash the Company and cater to people who claim to have been wronged by the Company or DMs. I'm sure that there was some truth in most stories, but by personal knowledge of some of the most notorious cases, the total facts were not shown on both sides.

Yes, the company has made some mistakes, who hasn't? We are a large company. There have been, and will continue to be, company personnel, DMs and

Agents who ... do things they shouldn't. I believe that to be the minority. The majority are good, decent, caring people who try to do the right things for the right reasons.

As an organization, will we become "Premier" by focusing on the things that are wrong? I don't think so. Yes, they need to be addressed, but we will get a lot further by focusing on what is right and growing from there.

It appears, by this recent issue, you are moving toward that goal. If you continue, in time you will not only gain the respect and support of the majority of agents but also, I believe, you will win the respect and cooperation of the Company. As for me, "show me the money."

As soon as I feel that your current direction is proven to be what you are really about by your continued actions and communications, I will be glad to join you and support you. Keep up the good work.

A West Coast Farmers Agent

Thank you, UFAA

It was another turning point in my career when I left Farmers after being an Agent for 15 years in San Jose, Calif.

Being self-employed for almost 40 years, I could see the advantage of running a clean business and reporting a documented return to the IRS. When my contract value was reported by Farmers on a 1099, I knew I was headed for rough waters. I told my accountant I would pay income tax on the money, but not Social Security tax. He listed Farmers' money under long-term capital gain. My termination date was 12/31/94, so the return was for '95 reported in '96.

I received two audits for '95. One was a "random" audit. The IRS letter wanted to review the four most-expensive categories from Schedule C. They went through every piece of documentation and charted it on their forms. They inspected my pocket appointment book, where we listed mileage and the location of daily appointments. They also compared total expenses to total income to be sure we didn't spend more than we could account for. The two-hour appointment took four

hours, and I still had to mail back documentation.

I was relieved when the "clearance" letter came. However, the return still had to complete the mechanical process and all 1099s had to match up with the report. (I am a real estate and insurance broker and securities dealer, so all my income is on 1099s.)

The second audit came when the mechanical process showed a mismatch for the 1099s. I had reported Farmers' contract value under long-term capital gain. When I realized this was the problem, I called the phone number in *The Voice* and received the case name and number I needed. On a copy of the Farmers 1099 I wrote in black, bold ink: "This is contract value. When he quit Farmers they bought his book of business. See Schedule D. See Milligan vs IRS com. 9th Circuit Ct. of Appeal Oct 25, 1994. 93-70273 TC2694-91."

The report was accepted and our clearance letter from the IRS arrived yesterday.

Thank you, UFAA.

Sincerely,
Ron Price

appl 1

appl 2

The United Farmers Agents Association

brings you products and services available
to the agency force through UFAA membership

TEAMS 2010 strives “to provide the best software and hardware solutions for the UFAA affiliated agencies. Our driving goal and measure of success is customer service.”

UFAA Technology Services provides technical support for members with real PCs, advice on software products, and offers members an opportunity to purchase computer hardware with preloaded software.

The “Original” E&O Deductible Recovery program gives members a chance to write outside business without the fear of a \$5,000 deductible (or even the \$500 deductible). Now Agents across the land can supplement their Farmers income and better serve their clients.

The Legal and Regulatory Committee offers qualified members assistance in legal matters or public relations efforts.

The Volunteer Fund was established to provide funds to support legislative and legal efforts on a state-by-state basis. Agents are working to pass “just-cause termination” bills.

Legal Assistance is available from two California lawyers. The free 20-minute consultation can be on any legal topic.



(Copy and fax to the UFAA National Office,314-918-1718)

For more information,

Contact your local Chapter Presidents or
fax your request to UFAA National (314-918-1718)

Yes, I am interested in the following:

- | | |
|---|---|
| <input type="checkbox"/> TEAMS 2010 | <input type="checkbox"/> UFAA Technology Services |
| <input type="checkbox"/> The “Original” E&O Deductible Recovery Program | |
| <input type="checkbox"/> The Legal and Regulatory Committee | <input type="checkbox"/> The Volunteer Fund |
| <input type="checkbox"/> Legal Assistance | <input type="checkbox"/> |

Name: _____ Agent #: _____

Address: _____

City, State, Zip: _____

Phone: _____ Fax: _____

SECA TAX

It's not over until Schelble wins!

By Bob Walter

The CPA bulletins and financial newsletters misleadingly reported that agents had won against the IRS when President Clinton signed the Taxpayer Relief Act of 1997, which included the SECA tax legislation. This led many agents to believe the fight was over and we had won.

Unfortunately, not all agents have won.

HR 1652, the bill introduced by Illinois Congressman Jerry Weller at the request of CEAA's lobbyist, codified in the new tax law the court wins of retired Nationwide agent Herbert Gump and State Farm agents Robert Milligan and William

Jackson. By adding these cases to the Internal Revenue Code, the IRS is required to apply the court decisions for ex-agents with Nationwide and State Farm contracts.

The IRS is still attempting to apply the tax to exclusive agents from companies that have different contract language than Nationwide and State Farm. Congressman Weller has said he is prepared to add other contracts to the bill as soon as other courts rule against taxation of termination payments.

In reversing the Tax Court decision in the Milligan case, the justices stated that Milligan's past activities did not contribute to the amount of his termination payments by either quantity of business or time of service. The State Farm contract provides for the same percentage payment of the last 12

months renewal payments after a two-year eligibility period. The Tax Court ruling against Schelble stated that his 1970 American Family contract did contain language that, in addition to a five-year eligibility period, increased the amount of the payments at 10 and 15 years of service. The judge concluded that these payments were connected to past activities and were taxable under Internal Revenue Code 1402.

NAAFA was prepared for this and appealed the decision to the

Tenth Federal Circuit Court. Our contention was that the length of service is simply a different formula for determining the amount of payment. The payments are not guaranteed. The

agent must terminate his business and not compete, or lose his termination payments. Just as stated in the Milligan decision, it is this qualified termination of the business and adherence to the non-compete clause that generates the termination payments, not the agent's past activities.

The Schelble case opening briefs were filed in January 1997, reply briefs in March 1997, and two *amicus curiae* (friend of the court) briefs were filed by NAAFA and the other CEAA associations. Oral arguments requested by the IRS were held Sept. 9. Congressman Weller assured the CEAA that, upon a favorable court decision for Schelble, he was prepared to add this case to the IRS code at the first opportunity.

However, on Nov. 26, 1997, the

Tenth Federal District Court rendered its decision against Schelble and upheld the Tax Court judge's contention that the contract requirement for a minimum of 400 policies and the length of service giving incremental increases in the dollar amount of termination payment the agent received was derived from the agent's past activities and is taxable under IRC 1402. The judges stated that the arguments presented by Schelble did not overcome the IRS' position.

At this point, the SECA Committee is conferring with counsel whether there is sufficient basis to appeal this case to the Supreme Court. The questions to be answered are: Will the court hear an issue that does not seem to be in conflict with other court decisions? Can we win the appeal based on being restricted to previous evidence submitted? What is the estimated expense?

If counsel advises our prospects are not good, we must consider another case in a different district or in the U.S. Court of Claims, as Nationwide agent Gump did.

This case is important for not only American Family agents but also for Farmers Insurance Group agents and agents of other companies whose termination benefits are based on a formula that increases the amount based on length of service. **It is important that each association whose members are at risk appoint a committee to study their contracts' language subject to the court's decisions.** The IRS will continue to apply the tax to every contract that has not been found by the courts to be exempt from the SECA tax.

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The Schelble case is important for all agents whose termination benefits are based on a formula that increases the amount based on length of service.

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From the director:

Governmental Affairs

You may have a battle ahead

By Kathy Fleming

By the time you receive this edition of *The Voice*, we will be well into the first quarter of 1998, and many state legislatures will be halfway into their sessions. Many Agents who were active in their state legislatures are ready to pick up where they left off.

Some states will not be in session this year, such as Oregon and Texas, so legislation in those states will have to wait until next year. However, Agents in other states — including Colorado, Minnesota, Wisconsin, Kansas — will be going back to their legislators. We will continue to follow their activities and report on them to you.

In the meantime, the SECA issue has come to the forefront for many UFAA members. There are many Agents leaving the force, either by choice or termination, and they have discovered their contract value will be taxed as earned income, when it could be taxed at a lower “sale of business” rate.

There have been many Agents around the country who have claimed their contract value should

be treated as a sale of business and filed income tax returns based on that premise — and were able to avoid the higher SECA tax. In some instances, a few agents were denied this and took their cases to court. To date, three agents have won their cases in three different district courts.

Recently, an American Family agent lost an appeal in Federal Tax Court. The adverse decision was based on the wording of the agent's contract. Apparently in the American Family contract, agents are paid “extended earnings” upon termination. The court interpreted this term to mean that the termination pay was earned and not due to a “sale” of the agency back to the company.

The Farmers contract uses the term “contract value” and also states that the Agent can sell his or her agency to an immediate family member at any time if found acceptable by the company, not to exceed the contract value. This could be interpreted to mean that by paying the Agent the contract value upon termination there is a sale of the Agency back to the company. And if

this were the case, then the taxable issues would be based on the sale of the Agency and not on the earned income.

Additional determining factors in the court's decision involved items stated in the contract, such as income in the last year from the agency, the number of years of service to the company by the agent, and the number of policies in force at the time of termination.

To date, all the cases that have been won were agents with other companies, such as State Farm, American Family and Nationwide. No Farmers Agents have tested the courts, even though some of them have filed taxes based on the assumption that their Agencies were “sold” back to the company. It appears each company's contract will have to be heard by the courts separately to make a final determination and set precedents.

This does not mean you still will have to file your termination pay as earned income, but it does mean you may have a battle ahead of you until a final court decision is made on the Farmers contract.

It's not over until Schelble wins!

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A small percentage of agents have always financially supported the fight against the IRS' misapplication of the SECA tax to agent termination payments. In spite of our small numbers, in six and a half years we have gone from not knowing where to start to court wins that have reversed the IRS for State Farm and Nationwide agents.

Unfortunately we have suffered a setback with the Schelble case, which impacts heavily on Bob and Sue Schelble and their family financial position. It is a setback for all of us with similar contracts.

As we confer with the attorneys and our options become clear, the SECA committees will continue to funnel updates to the CEEA Board of Directors and to the publications

of the member associations to keep membership up to date.

[Editors Note: UFAA needs volunteers to assist our own study of this decision's impact on our contract.]

Bob Walter is SECA Committee chair for the National Association of American Family Agents.

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UFAA'S OUTSTANDING AGENT

Jess Driver

*Starting with this issue, The Voice
outstanding Farmers Agents who are U'*

Our outstanding Farmers UFAA Agent for Spring 1998 is Jess Driver — a 31-year Farmers Agent, three-time President's Council member, 29-time Toppers Club, profitable most of his 31 years. Jess has his office in Mission, Kan.

Editor: Jess, you've been a Farmers Agent for 31 years. Was it easier to write business in 1966 than it is today?

Jess: Yes, it was easier. In those days, the Agent was the backbone of the Company, the king. Attitudes were quite different. You received more help from underwriting. Writing up a policy was a lot simpler than today. Not as many companies were in the business. We had good rates. We were competitive back then.

Editor: No doubt through the years you had goals that you tried to accomplish. Can you share some of those with us?

Jess: I guess my goal, if you want to call it a goal, was to make Toppers every year. I knew that if I made Toppers, my Agency was growing. I strived to write at least 100 sales count a month. I tried to write a balanced book of business in the process.

Editor: I see that out of 31 years you managed to make Toppers 29 times. Is that a record? How did you accomplish such an amazing feat?

Jess:

No, I'm sure it's not a record. As I said earlier, I would set my sights on making Toppers.

Usually I knew that when I made Toppers my wife and I could incorporate it into a vacation.

Editor: You made President's Council three times. Tell us what is required to be a President's Council member. How do you qualify?

Jess: Each Region picks three top Agents. You have to have the count overall: Life, Commercial, and P&C. Profitability also plays a big part in the selection.

Editor: How did you manage to be profitable most of your 31 years. What is the secret to being profitable year after year?

Jess: I was an underwriter seven years before I became an Agent. I learned to underwrite my business as an Agent. I strived to rate all policies properly. I worked toward maintaining good clients. I kept in contact with them. I did what would be called today Friendly Reviews. I worked toward writing all of the business in the house. Then I would ask for referrals. I would review the loss runs and take action if needed.

Editor: As an Agent, I know we have our ups and downs. What do you do to keep yourself a top producer year after year?

Jess: I try to see the future. I



want my Agency to grow each year. I keep that as the key to staying up. I know that if I work hard there is a reward waiting for me. You get paid for what you do. If you do little, you get paid little. If you do a lot, you get paid a lot. You get paid what you are worth. You alone chart your destiny.

Editor: What prompted you to become a Farmers Agent?

Jess: I wanted something better for myself and my family. I wanted to control my destiny. As an Agent, I didn't have to be concerned with transfers. I could stay right here. Being an Agent gave me more time to spend with my family. My time was my own. I didn't have to punch a time card or stay on the job a certain number of hours in order to get paid. Best of all, I liked the fact that as an Agent you were your own boss. You made the decisions on what you are going to do.

Editor: I see you have been a UFAA member since the inception of Chapter 13 back in 1980. Why did you decide to become a member?

Jess: I think that an agents' association is vital. I felt it was needed. By being a member, you are part of a direct communication

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chain. You are able to talk over your concerns with other UFAA members. You can exchange ideas. UFAA is Agents helping Agents.

Editor: Do you think UFAA is a worthwhile organization? Do you think all Farmers Agents should join?

Jess: Yes, I feel UFAA is a worthwhile organization. It has its purpose and that it is to benefit the Farmers Agent. I do think we need

more Agents to get involved in UFAA. The company would do well to encourage Farmers Agents to become members.

Editor: What advice would you give other Farmers Agents who are just starting out in their careers or to those who have been around for some years?

Jess: Learn all you can about the business and how you the Agent write business. Take all the education classes the Company offers. Keep learning. Learn your

products. You can't be successful in selling your product if you don't know it thoroughly. Take computer courses. Keep up with the times. Be willing to change, as this business is in constant change. Be flexible. Be diversified. You are in business for yourself and the only security you have is your ability to sell, to succeed.

You've got to want to succeed and, above all, work hard at what you are doing. Anything worth doing is worth doing well.

What's most important in your life?

I would imagine most of you reading this article have been Agents for some time. Most of you have been able to build up a good Agency. It is quite possible you don't have the biggest Agency in your District. But most of all you are doing OK. You worked hard for a long time. Isn't that correct?

If you are like me, you came into this business because you wanted to be your own boss. I for one didn't like working for someone else. So I asked myself some years back, "Why not work for yourself?" I wanted to chart my own future, my destiny. In the process, I wanted to make a better living for myself and my family.

Along the way and as the years rolled by, you spent countless hours building up your Agency. Why did you do that? Was it because you had a family to support? Was it because you just naturally have that drive inside you that says, "Go for it, give it your best shot"? Whatever the reason, you worked hard at being the best Agent in your District, in your Region, in the Company.

As the years swiftly went by, you became somewhat comfortable with your Agency, with your income, with your status in life. You find that your family is now grown and all of a sudden there is only you and your spouse at home to support. You finally come to the realization that there is more to life than just working and working. You want to kick back just a little and relax. You want to enjoy the fruits of your labor. You would like to devote more time to your family, to your grandkids. Maybe even taking a little longer vacation to that place you have been wanting to go to for years.

Wait a minute, Mr. Insurance Agent. You can't do

that. Along comes the Company, your District Manager, who tells you that due to your slacking off you are going to be placed on the DARG program. Here you are in your 50s or 60s and they come a-calling. You think it would sure be nice if the Company would back off and leave you alone. You have paid your dues, so to speak. You plan to continue writing business but not run as many appointments at night. So why are they coming after you?

You ask yourself, "Is my main purpose in this life to make money for this company?" The Company expects you to write more autos, more life insurance, more commercial. That's all well and good. However, you ask yourself, "Should money be the main thing in my life?" Let's face it, the Company is only in it for the money. That all-mighty dollar. My job, my Agency is important, but I might shock some of you to announce that my Agency, my folio is third on my list of important things.

You ask, "What is important in our lives?" I would say the Number 1 thing should be your God. Your family should be Number 2, and your Agency, your ability to make money, comes in third. I am of the belief that all of us were put here to help others. You and I do that somewhat by being the best Agents we are capable of being. But, folks, there is more to life. Those of us who represent UFAA know there is more. We have pledged ourselves to help others, to be of service to others.

If only the Company would understand what life is all about and allow us — the Agents that represent this company — to exercise our rights to lead our lives as we please. The Company would be wise to back off.

—Voice Editor

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