

*The*

A publication of the United Farmers Agents Association

Spring 2001

# *Voice*

*Let's do Las Vegas ...*

*Luxor  
style!*

*page 6*



The United Farmers Agents Association is a professional association committed to helping our members through education, communication, support and information and to establishing a true partnership with Farmers Group, Inc.



# WE ARE UFAA!



An Association of  
Professional Farmers Agents

## And just why are we so proud of that?

- ★ Our quarterly magazine, *The Voice*, is published with you, the member, in mind. It regularly addresses issues, reports current events, and provides you, the member, with a chance to freely express your opinion.
- ★ Our past legal endeavors now allow you to have that PC on your desk.
- ★ Our nationwide activities opposing agent-owned ACA accounts led to the management company creating a company-owned ACA — saving you money.
- ★ Our efforts on the national level, in conjunction with the CEAA, effectively eliminated the 15.3% SECA tax on your contract value.
- ★ Constant questions from our members nationwide led to lower E&O rates for all agents.
- ★ We introduced the "Original" E&O Deductible Recovery Program to help you earn more money from outside business without the worry of a large deductible.
- ★ Our outside legal opinion of the HMA agreement was designed to assist you in making decisions about your future.
- ★ Our efforts on the national level defeated legislation designed to change the IRS definition of independent contractors — a change that would have adversely affected our livelihood.
- ★ Pro-agent legislation has been introduced in many states — and passed in several — that benefits all exclusive agents.
- ★ UFAA Technology Services, a subsidiary of UFAA, now is available to all members. UFAA Technology Services will assist members with computer hardware and software questions and problems, recommend computer programs to assist members in operating their offices, and recommend hardware configurations.
- ★ We are a member of the Coalition of Exclusive Agents Associations (CEAA) and, through our Washington, D.C., lobbyist, we have played a major role in protecting the interests of our independent contractor exclusive agents through national legislation.
- ★ We have produced and made available our UFAA Technology Video, which provides information valuable to your agency's success.
- ★ Weekly updates are e-mailed to our members to keep them informed about the latest developments.
- ★ We have made available the information you need to set up a paperless office.

Our association is forging ahead — assisting our members in developing their agencies, providing valuable information, and being active in the legislative arena to promote and protect our members interests. Join with us now in this exciting endeavor.

It truly is a great time to be a UFAA member!

*The Board of Directors  
The United Farmers Agents Association*

# The Voice



Spring '01

## FEATURES

---

**Six positive reasons for being a Farmers agent**  
Colorado's Bernie Clark counts his blessings 5

---

**The commissions lawsuit**  
A strangely similar suit won't benefit the agents 10

---

**San Diego agent terminated**  
Frank Mortimer fired after 36 years of dedicated service 16

---

**Who owns your book?**  
The company needs *your* influence with *your* clients 20

---

**Internet insurance a failure**  
The 'Net lacks the tactile touch agents can provide 30

---

## COLUMNS

---

**Media Relations**  
A revolution in the making 9

---

**Legal Activities**  
First DRA hurdle cleared 13

---

*The Voice* is published four times per year by The United Farmers Agents Association, a professional association committed to helping our members through education, communication, support and information and to establishing a true partnership with Farmers Group, Inc. 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.

## Coming events

---

**May**  
Summer issue of *The Voice* mailed to the agency force.

**JUNE**  
17 UFAA National Board meeting, Luxor Hotel, Las Vegas

18 Chapter Presidents meeting, Luxor Hotel, Las Vegas

19-21 National Convention, Luxor Hotel, Las Vegas

**October**  
UFAA National Board meeting

### Let us know if ...

UFAA needs to know if you or someone you know:

✓ Have you or do you know of anyone who has been successful in transferring from one district to another?

✓ Has filed suit against the company (or plans to) for wrongful termination or any other violation of our Agent Appointment Agreement.

✓ Has taken over an agency from a parent or other relative in the last three years.

✓ Has received a 90-day, 30-day, or immediate notice of termination.

✓ Has acquired an agency from a spouse.

✓ Has received supplemental folio checks after notifying the company they were underpaid or not paid earned commissions.

If you have any information on any of these subjects, please contact me by phone toll-free at 888-763-5300 or by e-mail at [Larryten@aol.com](mailto:Larryten@aol.com).

— Larry Tencer



UNITED FARMERS AGENTS ASSOCIATION  
8978 Watson Road, Suite C • St. Louis, MO 63119  
314-729-0727 • FAX 314-729-0598

RALPH BUCHANAN  
PRESIDENT

Dear Farmers Agents,

A question for each of you. Why does a sales/marketing organization, a multi-billion dollar organization, manage by intimidation?

Many years ago, an agent told me a story about his beginning as a Farmers agent. He would work all day, calling his insureds, visiting businesses and learning to do the paperwork. He would go home for dinner with his wife, then back out on the road for his nighttime appointments. Just a typical day for a new agent, right?

But, like all of us have experienced, sometimes the schedule and the hours can cause problems at home. On nights when the new agent and his wife would quarrel at dinner, the agent soon found his appointments that night were a waste of time. His mind was on his wife and their problem, not on explaining the policy and asking for the sale. A salesman has a difficult job and must be able to concentrate 100% on the sale and not on other things.

So how does an agent sell today after just attending a district meeting, reading a memo from his DM, listening to staff complain about APPS, FPPS and EasyPay, or hear a customer complain about rates? Can an agent sell with a mind cluttered with threats from above? So I ask again, "Why does a sales/marketing organization, a multi-billion dollar organization manage by intimidation?"

Let's look at some sample writings from DMs and others.

— California DM John Lamott writes, "I don't want to put any pressure on anybody, but I have to send in a list of every agency who attended and the ones who don't are going to get a 'random audit.'"

— Texas DM Dave Bryant writes, "You are either part of the Farmers team or you are the problem."

— Illinois DMM Roy Keller writes, "The mandatory session will begin at 10:30 am and run until approximately 3:30 pm."

— Texas District 45 Commercial Specialist Silvia Soto writes, "As per the directive from Marty Feinstein, CEO, you have been scheduled to attend a meeting at the District Office."

— Missouri Marketing Manager Tom Pratt writes: "A form is attached for you to complete and send to me by 8-31-00. Simply let me know the number of Life policies you will write for the remainder of the year."

— Virginia State Executive Director Reed Whitlock writes, "If things don't improve significantly in the very near future, I can assure you things can and will change. Those of you expressing concern are also those whose performance is far from noteworthy."

What is the answer? Is there an answer? Maybe.

In the pamphlet, "Our Future is in Your Hands", the management company identifies six Core Values. Under "Treat everyone with respect," the pamphlet says, "Every member of our organization deserves to be treated with deference. To paraphrase the Golden Rule, treat others as you want others to treat you. Treating others with respect is the quickest way to earn respect yourself." If this really is one of their Core Values, the solution is quite simple.

Let's eliminate the threats and the intimidation. Let's try "Partners in Pride" again. Let's work together to make this a better organization. Let's start with the management company respecting the agent and the work done by the agency force.

Question answered. Problem solved.

Sincerely,

A handwritten signature in cursive script that reads "Ralph".

Ralph Buchanan, National President  
United Farmers Agents Association

# Six positive reasons for being a Farmers agent

By **Bernie Clark**

We just finished the President's meeting in Las Vegas. The meeting, like most, was a great success. The company has recently stated that the average age of the agency force is between 45 and 55, and I believe it was a DM that stated UFAA members are a "bunch of old, low producing, negative agents."

*The Voice* was said to be all negative, but, as discussed at our meeting, are there any untruths published? The answer is, of course not, it is just the truth and, frankly and sadly, most of the truths are not positive.

Ken Unrein, the publisher of *The Voice*, asked all of us to relay any positive or upbeat information to him and he would print it. A challenge. Ken does a great job on *The Voice*, and I felt I needed to step up to the bat and write an article without any negative concepts. Whether he chooses to publish this remains to be seen, but I have a feeling that as I search for positive images and, in a sense, count my blessings, the process will at least help me.

Here goes:

**As a Farmers agent.** I have been very blessed over the last 27 years with Farmers. I have for the most part a great clientele, most are friends, and the loyalty I show them is reciprocated back to me. I have a great lady as office manager, she cares and that is key in the service industry. This business has allowed me to raise a family and fit into a community and have the freedom of an independent contractor.

**My fellow UFAA members.** I have met some of the finest people through this association. Some are lifelong friends that I have developed a love and respect for. Are we old and negative? Some of us fall into the age group, but other than a few errant discs in my back I don't think I am old. Friendships are blessings, and the "Agents helping Agents" concept is far from negative

but glows with positive warmth.

**The computer.** APPS & FPPS. Hang on, I'm thinking. I'll come back to this later.

**My DM.** I hear horror stories about DMs around the country harassing their agents over everything from Life production to pushing agents to get a securities license. With all the pressure from above and from within the district, my DM has the ability to show respect and caring for his agents and yet get the results that are expected from upper management. A truly tough balancing act, one he does well.

**Farmers Securities.** For me, this has been a very positive step in my career. After all these years as a P&C agent, I did need a professional challenge. I have found the challenge gratifying but helping my clients get financial products they normally would never involve themselves in has been great. This is what this business is all about. Without our district Life specialist, most of us would not have continued progressing in this field. Thanks, Nick. Now that Kemper/Scudder is involved we truly have top-of-the-line securities and great company resources to help us.

**The computer.** Something positive will come to me.

**The National UFAA President and Board.** Ralph Buchanan is a marvel. As we all know, dealing with independent agents is always a challenge. Ralph has managed to do this with class, caring, and effectiveness. With humor and wit, he has guided this organization from a once very negative outfit to a positive pro-agent organization. Hats off to you, Ralph. Many of you non-members do not belong to UFAA quite frankly because of a fear, whether real or perceived, that Farmers will in some way think ill of you for being a member. Think what courage it takes to take a national office and voice your opinions with

candor and truthfulness for the betterment of all agents.

**The computer.** I have a thought coming. I really do.

**Our Farmers CEO.** As I understand, Mr. Feinstein puts in hours and hours on the job. Not knowing him personally, I can't judge him, but I do have a genuine respect. I am a mediator and arbitrator, and one concept I have learned over the years with this process is that two people can be living in the very same situation and have totally different perceptions of the experience they shared. As an agent, I can only guess what problems, concepts, and challenges that he must face daily. May God give you the insight, caring, and understanding to run this company well, Mr. Feinstein.

**The computer.** OK, here it is. Rain or shine, barring a power outage, the cursor will blink without fail. Seriously, a machine or software package does not possess positive or negative attributes. People do. If you will look back at all the positives I mentioned, they were all about people and what they are and do.

This brings me to my final rambling point.

Farmers and UFAA — and all agents for that matter — need to get together in a positive, caring mode to solve the challenges we all face. I understand the reluctance from management to embrace UFAA as a viable organization, but we are viable. And we are not out to destroy or disrupt Farmers programs or directions but to ask the element of the individual agent be considered in those plans.

I hope I will see the day when an upper management team can meet with a group from our organization and talk freely and frankly about mutual challenges.

Wow, that would be *positive!*

*Bernie Clark is president of Chapter 46, Greeley, Colo.*

# Join us at the National Convention!

*We'll do Las Vegas ... Luxor style!*

## ***Did you say Luxor?***

That's correct! The 2001 UFAA National Convention will be held in Las Vegas, June 17-21, at the Luxor Hotel and Casino, 3900 Las Vegas Boulevard South. The Convention is on the Strip again and trying out some new digs.

The hotel is very impressive. It is located at the popular "four corners" area, where the MGM Grand, the Tropicana, the Excalibur, and the Luxor hotels all come together.

The Luxor has five swimming pools, all outside, and all with Jacuzzis. It boasts the world's largest atrium — 29 million cubic feet.

The Luxor has 4,407 rooms, making it the third largest hotel in the world. The pyramid reaches 350 feet into the sky. The beam, comprised of 45 Xenon lights, is the brightest in the world. You can read a newspaper by its light 10 miles in space. It's quite spectacular!

They have a full range of entertainment to keep you at the Luxor for the entire Convention, but if you want to venture out they are conveniently located near the free monorail system that provides transportation to many other attractions on the Strip.

Why not join us? "Change" can be a good thing!

## ***Why should I come?***

Aside from the fact that it can be a tax-deductible business trip? Aside from the fact that it can allow you to get together with agents from all over the country, sharing information, helping answer questions, and allowing the previously "lone agent" to realize he is not alone in his experiences? Then please take note of the schedule of speakers and workshops we have put together to help you and your business. We truly are "Agents Helping Agents!"

The format this year includes delegate hospitality and registration on Monday from 3 pm to 10 pm, an opening breakfast Tuesday at 7 am, Tuesday night blackout, and a cocktail reception and banquet Wednesday at 6 pm.

If you haven't been to one of our Conventions before, you don't know what you're missing. If you've been before, get ready for this year because, again, we've got a power-packed event planned for you!

If you haven't made arrangements for attending the Convention, you need to hurry. Make your plans now!

## ***Who is our keynote speaker?***

This year we've invited Roger Palmieri, a well-known motivational speaker and business consultant. We felt UFAA needed to offer something to recharge our batteries and prepare us to finish the year at the highest state of readiness we could provide. We think

you will be impressed after listening to his sessions.

In addition to our main speaker, we have put together and are planning several workshops to offer training that will enhance your business.

## ***Workshops***

Currently in the works: Steve Todd on Agency Dashboard, computers and software products. A workshop on Profitability & Marketing is being planned, and we will definitely have a workshop on Series 6 & 63 marketing. We are attempting to put together a workshop on the AS/400. All in all, UFAA expects this to be one of the best Conventions. We're "Agents Helping Agents." And it's a great time to be a UFAA member!

We also are working on at least a couple more main floor speakers. These may include a congressman and a state insurance commissioner.

## ***Who is running for what office?***

As our bylaws provide, we have elections for half of our National Board in even-numbered years, the other half in odd-numbered years. This year's positions to be elected along with current occupants of the office:

Vice President – Chuck Simpson

Treasurer – Tom Schrader

Membership Director – Don Green

Director of Governmental Affairs – Frank Mortimer

## ***What is the schedule?***

Convention events start Sunday, June 17, and run through Thursday, June 21. The National Board arrives on Saturday and meets on Sunday. Chapter Presidents arrive on Sunday, enjoy a hospitality event starting at 6 pm that evening, and meet on Monday, June 18.

Delegates and agent attendees arrive Monday and start at 3 pm with a hospitality and registration event and our annual vendor display.

The Convention begins with an opening breakfast Tuesday, June 19, at 7 am, with registration and the meetings to follow. Tuesday evening is open for you to enjoy the atmosphere of Las Vegas on your own. "Do the town."

The Convention continues Wednesday, June 20, with registration at 8 am. An open-bar cocktail reception is set for 6 pm, with our annual banquet at 7 pm. Plan to stick around and enjoy the festivities — a variety of music, chosen specifically for you to dance, relax and mingle with your fellow delegates.

We will resume the business meeting on Thursday, June 21, and be finished about lunchtime.

## ***How do I register?***

Complete the registration form on the facing page!



# Touch Everyone in 2001!

*Use the positives, but don't be a party to your own demise*

## By Voice Editorial Staff

It seems our management company has come out with another great idea — a new program called "Touch Everyone in 2001."

At first glance, the program might appear to be a good idea, and that proves management's mantra of the day, "Perception is more important than reality." Before you think, "there they go again," give us a moment to explain the good, the bad, and the ugly with this program.

First, the basic idea of the program is something every agent should embrace. Contact with our policyholders will help retention and increase our ability to write more lines of business. Having as much information as possible on your clients can only benefit your agency, and we should all work hard to get that information.

Second, we should take the opportunity, while cleaning up *our* data, to ask for additional business. This can benefit your client, it would help Farmers Insurance, and it will help bring in additional income to your agency through cross sales. That's beneficial!

Third, a brief "thanks" to our clients is a great idea. Whether it helps with our management company's CTI survey results is not important, but it *will* help build goodwill with your clients and that benefits your agency. Positive contact from you can't be anything but good.

Finally, as UFAA & UFAA Technology have been explaining for several years, collecting and using e-mail addresses on your clients to increase positive contact and sales opportunities with your policyholders will help your agency. We've been pleading with the management company for years to move our computer system to a friendlier, PC-based system (you can call it "web-enabled" if you want) in order to be able to capitalize on these types of benefits, among others. Farmers' is finally beginning to get it!

So, what's the trouble?

The trouble is in the manner in which they have disguised some true intentions by hiding them in a program that's filled with so many positives for everyone! This program raises a lot of red flags and many questions, such as:

Why does Farmers Insurance want these e-mail addresses? Why do they want more direct communication with our policyholders? What are their future plans?

More specifically, we will ask the questions raised in an internal communication from Mr. Rico Metzroth, a self-titled "Agent Advocate." To see a copy of this e-mail go to our web site, [www.ufaa.com](http://www.ufaa.com), and look in the Hot Topics section. Click on the "Touch Everyone in 2001" text as it scrolls by.

What does he mean by "centralized database sometime in the future"? If that were Client-Vision, wouldn't he call it ClientVision?

To whom will they distribute those "qualified leads" once they obtain "a more robust, accurate and current customer profile"? Will it be Zurich agents? Are Zurich agents "hitting" your clients now with offers of insurance? Will it get worse?

Where did Mr. Metzroth come from? Didn't he come from Zurich? Need we say more?

How much "encouragement" will the DM be expected to provide for those agents who may not "want to participate"?

The CTI numbers don't lie? Has he ever heard the saying, "Figures never lie, liars figure"? But that's another story.

Do the BSCs not have enough work to keep them busy? Everywhere we look, there are areas that need to be addressed by the BSCs. Perhaps your BSC is overmanned and all caught up? Is this really the best use of their time?

What is meant by, "This will require the DMs to gather, from the agents, their customer phone numbers"? That may be the first thing

Mr. Metzroth has uttered that could be construed as words from an "Agent Advocate" *Their* phone numbers. Yes, we believe they are *ours*. Thank you.

What does the statement mean that information will be entered into APPS or FPPS only once? Have they finally cracked the code on how to make the system work the way it is supposed to? Concurrent transactions have been fixed? Fatal errors are a thing of the past? FPPS is no longer linking to long-since upgraded auto policies which causes the Auto/Home credit to "fall off"? Are APPS2 rollovers of NAF accidents no longer being miscoded and adding incorrect surcharges? What great news! Talk about increased retention! That will definitely help! Surely we've put this question on the wrong end of this piece. We apologize.

Wouldn't it be nice if we really could enter information once and have it actually work? We might have more time for nice-to-do projects like positive communications with our clients.

Did he say options? We can either enter the e-mail address, or three other undisclosed options. Is that in order to stay in compliance with an improperly mandated employee-like assignment of duties? Surely that is for the employees of the BSCs only, but it says "agent packets." Surely this is a mistake.

Did he say they want this program completed by September, and they will download to ClientVision? That's nice of them to offer our information back to us, but since he says ClientVision here, that indicates that the previously mentioned "robust, accurate and current customer profile" in the "centralized database sometime in the future" was not ClientVision. When they used those adjectives, we figured they didn't mean ClientVision. So, where is this information going and who will really benefit from our labors, Mr. Agency Advocate? ➤

## From the director: Media Relations

---

# A revolution in the making

By Ken Unrein

OKLAHOMA CITY (BUSINESS WIRE) — Have you ever had a fender bender? What was that experience like? Did you know whom to call? How many phone calls did you make?

Let's walk through the new Farmers claims experience. Same fender bender. You call a toll-free number at your convenience, any time of the day or night, any day of the year. The customer-care representative dispatches a tow truck to pick up your car and sends a rental car in a matter of minutes. You wave goodbye to your car as you continue on your way in the rental. A few days later, your car is delivered to your home or office completely and properly repaired. That's it!

The Farmers Oklahoma City Customer Care Center that is now operating 24 hours a day is the hub from which this new claims experience begins.

"Farmers has found that most insurance consumers don't want to make all of the decisions about their vehicle and trust their insurance company to handle the process," said Jim Westerman, Oklahoma state executive director. "We've taken the hassle out of getting your car repaired by taking responsibility for your total claims experience."

Customer-care representatives in Oklahoma City are connected to a network of towing companies and rental-car agencies and other services that can quickly attend to your needs.

"Your car will be repaired by the highest-quality

repair facilities in the city and returned to you in a timely manner," Westerman added. "No driving to a claims office, no appointments with claims representatives, no multiple estimates.

This process may revolutionize the insurance industry," said Westerman, "and possibly change the mind of every consumer who's ever had a fender bender."

Farmers' new claims service is now available in Utah and will be introduced throughout the United States by the end of the year.

Does the above article sound too good to be true? I hope not.

I applaud Farmers management for finally implementing a positive, revolutionary claims process, which will negate the negative impact our claims service has been having on our clients.

This will give all agents something to sell. If the agent can promise this sort of auto claims service to the client, price will take a back seat. This is truly "Getting You Back Where You Belong."

Why has this been kept a secret from the agency force? This is the type of knowledge that may invigorate the agency force and promote sales. Hopefully, by the time you read this the company will have informed us of the details of how this process will work.

**Editor's note:** Utah agents, please let me know how this working in Utah.

---

How many DMs have distributed these packets? Most of us don't have ours. (Do you have yours?) To be fair, as of this writing, we have two days left for the deadline to have our district meetings. Perhaps our announcements are in the mail.

Are the 50% e-mail recordings a quota? For us, or the DM?

Oh boy, reports. Who needs them? More paperwork agents don't need or want. Thank you for your advocacy. Perhaps we could better spend the time by correcting some of our current deficiencies, not to mention the money we could save on paper alone by not doing reports.

Has a study been done to determine the increased retention, or the increased production, when agents' time is expended on sales rather than defense work caused by com-

pany failures in the system your superiors labeled "cutting edge"?

So, what's the bottom line? Implement the program's positives in your agency as soon as you can. But put that information in your own database, spreadsheet, or e-mail program to use as *you* see fit. Don't be a party to your own demise!

Have you read some of the letters and communications Farmers sends? Will their e-mails be filled with programs and offers that don't apply in your state, that you will have to spend hours on the phone explaining to your customers? Don't you have better things to do?

Doesn't our management company?

Ask yourself if giving this information to the management company could be detrimental to your future. While Marty Feinstein has

supposedly outlined all the ways Farmers is committed to using the agency force to distribute its products, he always explains that if you can't get the job done in the manner he feels is proper, he'll have to use their other options. Is this a continuance of that? Why make it even easier for them to do that? Using your unpaid labor?

Farmers does not need this information! They have regular mail addresses to provide all the legally necessary communication with their policyholders. If they have a great idea for marketing, let them provide it to us, to be customized properly for our state's requirements and our agency's personalities. Agents can forward the information with a few clicks of the mouse. Don't take the agents out of the loop!

# The commissions lawsuit

## *A strangely similar suit won't benefit the agents*

**By Mark E. von Kronemann**

On Oct. 10, 2000, I filed a class action lawsuit on behalf of all Farmers Insurance agents and myself (when the class is certified) for breach of contract, fraud, and unfair business practices and asked for an accounting of all commissions paid to the agency force.

I took this action to protect the rights of all Farmers Agents throughout our operating territory because a similar, but strangely different, suit had been filed just three months prior to my filing.

The "similar suit," filed in July 2000 by another California law firm, representing two Farmers agents and two district managers, made similar claims but didn't call for an accounting to determine the actual amount of commissions due, but

never paid, to agents. In addition, it appears the company asked the two district managers to join the suit by the company.

My concerns were heightened when I spoke to one of their attorneys, who asked me for documents concerning the fraud claim that he should have had prior to filing suit.

But the real "red flag" was being told they already were in settlement discussions with the company, which made no sense if the attorneys were sincerely interested in protecting their clients' interests.

The following is a brief history of the commission problems suffered by agents, which prompted the filing of my suit on behalf of all agents.

During the 1990s, California agents started losing money on Farmers auto commissions. How?

You were paid the prescribed 10% commission on the base auto premium and no commission on any rating surcharges. The problem occurred if a policy levied but was not renewed. When that happened, you were charged back 10% on the entire premium, including the surcharged portion. You lost money.

About the same time, problems started surfacing regarding the payment of commercial policy commissions. The management company failed to pay (1) any commissions on certain policies, (2) a lower commission rate than prescribed, and (3) any commissions on the increase in premiums on certain reporting form policies.

After a California Superior Court status conference in February, I had no doubt something very wrong ➤

### Commissions Class Action Lawsuit Document Submission Form

Please use this form when submitting information on problems with commissions paid to you from 1990 to today by any of the Exchanges or Farmers New World Life. A separate submission form should be used for each different problem. Please answer all the questions completely.

1. General description:

2. Does this submission include additional correspondence? Yes [ ] No [ ]

3. The Exchange is: Farmers [ ] Mid-Century [ ] Fire [ ] Truck [ ] FNWL [ ]

4. Policy number(s):

5. Briefly describe what happened:

6. Other comments:

Name: \_\_\_\_\_ Agent Number: \_\_\_\_\_

Phone: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Mail to:**

UFAA - Commission Documentation, 8978 Watson Road, #C, St. Louis, MO 63119

was unfolding. Normally, when similar class action suits are filed, the court will attempt to consolidate them and have the plaintiffs and attorneys work together. At this conference, my attorney, the other plaintiffs' attorneys, the management company's other plaintiffs' attorneys, and the presiding judge were present.

The attorneys for the other plaintiffs and the management company were, again, in apparent negotiations for a settlement, excluding my attorney from participating. The other attorneys would supply no information concerning their settlement discussions. This could only be interpreted as their having no interest in pursuing the suit for agents' benefit.

I hate secrets. Especially when Farmers management (at the vice president and regional manager level) has known about the California auto commission problem since 1995 and did nothing to correct it.

In addition, I fear these secret negotiations may lead to a settlement being paid by the Exchanges, rather than by the management company itself, who is the responsible party, not our policyholders.

I fight this fight because it is the right thing to do. The only shame in this should be on those who chose to cheat us. Don't let that shame fall on you because you think you are too busy or that it really means nothing. You are needed.

This is your call to action. It is imperative that all agents receive a complete and accurate accounting of all commissions and a fair and just settlement. The management company is choosing to deal with the other plaintiffs for a reason and is keeping all the information secret. There is an answer for that — just send all your commission problem information to UFAA. We will send it to our attorney and make sure the court knows there are agents who want to be justly dealt with.

Fill out the form on the previous page and send it, with the supporting documentation, to UFAA today.

**Editors note:** UFAA's Board of Directors, at their February meeting, voted unanimously to join Mr. von Kronemann's class action lawsuit and have UFAA named as a plaintiff.

# Allstate 'opt-outs' settle

## *300 agents, lawyers to split \$19.5 million*

**By Rod Guilmette**

In 1996, all Allstate employee agents in California were fired and offered positions as so-called independent contractor agents. This firing was in conjunction with the settlement of a class action lawsuit, *Gile-Moran v. Allstate*, that was brought to recover monies expended by employee agents and not reimbursed by Allstate.

For those who "opted-in" to the terms of the settlement, \$25 million was set aside to pay the attorneys and partially recompense the agents for their unreimbursed employee expenses. The agents in company offices were to get \$1,250 each and Neighborhood Office agents who did not "itemize" were to get about \$6,000 each. The rest was to be divided up among those who itemized and could provide documentation. The itemizing opt-in agents ended up with about 27¢ on the dollar.

The 300 agents who did not take the deal were called "opt-outs." They began a five-year battle for full reimbursement, a wrongful termination judgment, and recompense for a sham conversion to independent contractor status, among other causes of action.

Allstate made every attempt to short-circuit the legal action. Almost all those attempts were beaten back. Finally, a date was set for a jury trial. At last, the agents would get their day in court. No group of agents had ever forced Allstate into court to lay their grievances before a jury.

How could this happen? Powerful Allstate, with its hundreds of attorneys and billions of dollars, found that when agents band together and stick together in a good cause, they can stand up to the "big boys."

However, the opt-outs' case was eroding. Most of the remaining employee agents were fired, stopping the benefits and expenses meter on. That reduced potential damages by many millions of dollars. Then, in a tremendous blow, the presiding judge, Claudia Wilken, declared California agents were independent contractors, not employees.

What started out as a winnable case, with potentially huge damages, now became a case that could be lost. Now plaintiffs may not be able to convince a jury the firing was not for lawful "business reasons." The jury also could decide employee business expenses before May 1996 were not "reasonable and necessary." Beyond that, the jury could award only money damages. They could not provide retaliation protection or other non-monetary benefits. Last, the company undoubtedly would appeal any adverse decision, adding years to the process.

In November 2000, the opt-outs informed their attorneys they would agree to an acceptable settlement offer. That offer was made in January. A heavy majority of agents voted to accept the offer.

Was it worth it? You bet! In the 1996 settlement, 1,300 agents split \$25 million, before attorneys' fees. Now, 300 opt-outs are going to split \$19.5 million, before attorneys' fees. Do the math yourself. The settlement also provides non-monetary benefits: protection against retaliation, a four-year "for cause" termination provision, and relaxed requirements on buying or selling a book. For some of the opt-outs, the non-monetary provisions are more valuable than the monetary.

In the original suit, attorneys who did little were hugely rewarded while the class got little. In the opt-out action, the attorneys earned every penny, and the agents were rewarded handsomely for their refusal to be bought off with a pittance.

*Rod Guilmette is editor of DirectExpress, a weekly newsletter published by the National Association of Professional Allstate Agents.*

# Look before you sue!

By Owen McAteer

One of the perks of being a UFAA Chapter President is that you get all the issues of *The Mirror*, the magazine of the State Farm Agents Association.

In the December 2000 issue, there is a fascinating short article by former State Farm agent Bob Bellott. Bellott sued State Farm for wrongful termination and won. Originally, he was awarded \$152 million (yes, *million*). To avoid a long appeals process, he settled for \$7.5 million.

His article is essentially a warning to look long and hard before you leap, as an individual agent, into a lawsuit against your company. You may feel you have, and you may actually have, a thoroughly righteous cause. That's no guarantee you will win.

First of all, your opponent is much bigger and stronger than you are, and they are using stockholder money while you will be using your own money. State Farm and Farmers both have billions (that's a "b") of assets and stables of lawyers who can be as mean as junkyard dogs. Once you file your lawsuit, Bellott points out, you are at war. In his case — and it would be the same in yours — the company "pulled out all the stops and turned over every rock."

Remember too that the expense of litigation can be overwhelming. On the day Bellott filed suit, he was worth about \$5,000,000. He says, "I was perfectly willing to bet \$500,000, the amount I estimated it would cost me to get the matter in front of a jury, because I knew I was in the right."

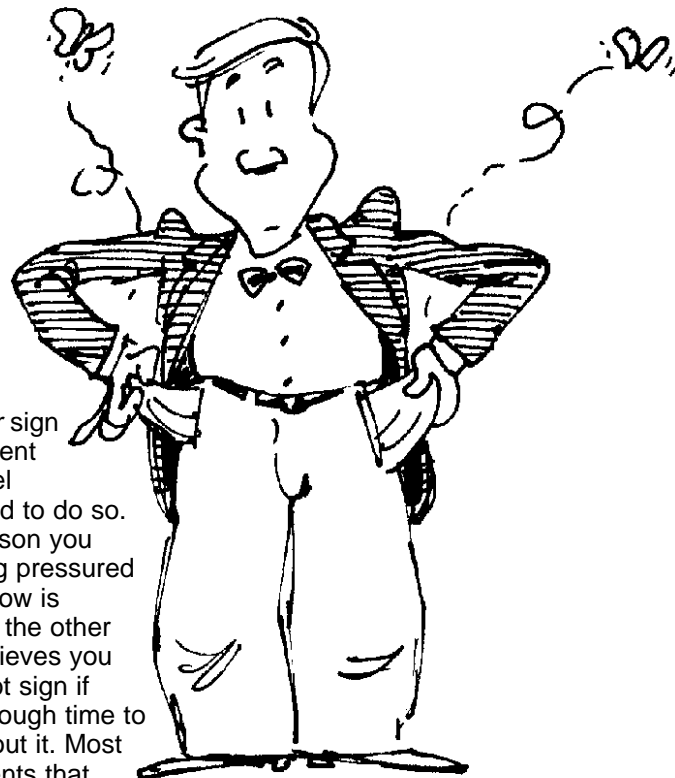
I suspect that not too many State Farm agents have \$500,000 to bet on a wrongful termination law suit and even fewer Farmers agents have that kind of money.

Bellott sums up what is at stake should you pursue an individual law suit: "The loss of your job, substantial net worth, your identity, and possibly your wife spells R-U-I-N for most. Should you win, the financial rewards are often less than expected after fees and taxes."

The moral of the story, I believe, is not necessarily to rule out the possibility of suing if you are wrongfully terminated. If push comes to shove, you may feel you must go that route, regardless of the odds against you. Good luck and let us know how it turns out.

More than likely, your best bet is to make Farmers think long and hard before sending you that 90-day no cause termination letter. (Naturally I am not speaking here of a case where Farmers has a legitimate cause, if you have been lying, cheating, or stealing.)

Here are some strategies to head Farmers off at the pass if you think they are contemplating your wrongful termination. (Courtesy of Chicago lawyer John G. Pfeiffer at 312-986-8121.)



— Never sign a document if you feel pressured to do so.

"The reason you are being pressured to sign now is because the other party believes you would not sign if given enough time to think about it. Most agreements that "must be signed today" could have and should have been given to you last week or last month to review."

— If you receive a letter memorializing a meeting or oral statement, read it very carefully, object promptly, in writing, to any inaccuracies. You may have gotten that letter because its author is building a case against you. Get the record straight by stating your version of what was said at the meeting, what you agreed to do or did not agree to do. Send multiple copies to at least everyone who was at the meeting and others in authority in the company. "Multiple delivery can destroy the credibility of any claim that the document never arrived".

— Build a case in your own favor. Start a file containing "thank you" letters, awards you have earned, and anything else that will show the company considers you to be a model agent.

— When you meet with the company representative, you have a right to bring a lawyer with you. Don't accept that your lawyer can't come because the meeting is confidential. "Lawyers have sworn to keep all client confidences secret and not even a judge can force your lawyer to reveal your confidences."

You can use these strategies if you feel Farmers is planning to zap you with a wrongful termination. Prevention is much less expensive and has a better chance of success than a lawsuit after termination.

By the way, Bob Bellott walked away with his \$7.5 million and moved from Anchorage, Alaska, to Delhi, N.Y. There he is a student in the Delhi College of Technology. Bob is acquiring the skills he needs to build the custom home of his dreams!

Owen McAteer is President of Chapter 21, Illinois.

## From the director: Legal Activities

# First DRA hurdle cleared

By Larry Tencer

In the Winter issue of *The Voice*, we let you know that the Declaratory Relief Action had been filed in California, asking the court to clarify or resolve five points in our Agent Appointment Agreement.

Why did UFAA take this action on behalf of its members when it will initially affect only UFAA's California members? Because it is imperative that the court clear up the uncertainty that now exists over the points raised in the DRA and force the company to honor its contractual obligations to the Agents.

Briefly, the five points are:

(1) Is the company obligated to provide, at its expense, the computer equipment and phone line necessary to access policyholder records?

(2) Are agents required to rewrite business written during moratoriums or business that was not eligible when first written once the moratorium ends or the business becomes eligible?

(3) Are agents obligated to only sell Farmers-brand products (LTC, Mechanical Breakdown, Flood or Home Warranty), even though they are not underwritten by the Exchanges, Mid-Century or FNWL?

(4) Is the company obligated to provide educational and sales training programs at its expense, such as Series 6 & 63 licensing?

(5) If the company does not offer a particular coverage or policy feature requested or required by a prospect or existing policyholder,

can Agents place that business with another company without violating their AAA?

Since the last issue of *The Voice*, we have filed our requests for admissions, which asks the company to admit to or deny a series of factual statements, in writing and under oath. An example of a request for admissions would be, "Agents are required to own, or lease, at their own expense, computer equipment, in order to have access to policyholder information."

The company, since the last issue, filed a number of motions challenging UFAA's right to represent its members and attempted to have the DRA thrown out of court. A hearing was held on Jan. 25 in Alameda County Superior Court on the company's motions.

I am very pleased to report that the court denied the company's motions to dismiss the DRA. The court asked for a clarification on three of the five points (listed above) and gave us 10 days to amend our filing, which we did.

We also served the company with our first set of discovery questions, called interrogatories. Not to be outdone, the company has served UFAA with two sets of interrogatories. Interrogatories must be

answered in 30 days, in writing and under oath. The discovery process usually involves exchanging several sets of interrogatories before each side starts taking depositions.

Many of you have asked, "How long will this process take before the court provides the answers we are seeking?" With luck, and no unforeseen complications, we may know the answers by next year.

Many nonmembers have joined our members to contribute to the DRA Fund. They realize the importance of resolving these five issues. For that reason, we will continue to post all of the pleadings (original complaint, amendments, motions, demurrers and responses to those filings) on the open

section of the web site on a newly created page called "The DRA in Progress."

Let me appeal, once again, to every agent for help in funding the DRA. Just a \$36 donation per year (or more if you can afford it) will see us through.

While we initially filed only in California, UFAA is committed to seeing that all agents under the same contract (and that includes at least 90% of the agency force) are treated equally and as partners by the companies regardless of where they are located.



---

## I am a supporter of the UFAA 2000 Declaratory Relief Action!

Enclosed is my check for \$\_\_\_\_\_  Increase my PAC contribution by \$\_\_\_\_\_ per month.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

Mail to:

UFAA Declaratory Relief Fund  
8978 Watson Rd #C  
St Louis, MO 63119

# 'Price cut for AS/400 upgrade!'

*But you better take a second look at this 'good deal'*

**By Steve Lenard**

"Reduction in Price for AS/400 Upgrades!" That's what a recent Field Bulletin announced, and at first glance it appeared as though Farmers had punched out a good deal for the agents. Now, it would be only \$50 to upgrade the hard drive to 4GB and increase the memory to 32MB, even though that's still a low standard in today's computing environment.

However, after a second look at this bulletin, it became obvious that this was to be a monthly additional charge for the remainder of the lease. The lease never ends if you want the computer! Add to that an "annual incremental maintenance increase" and *what???* Another great deal brought to us by our "Partners in Pride"?

So, reading further, if somebody wants to upgrade their AS400 to an 8GB hard drive with 64 MB of memory, it will cost them \$120 per month

for how long? Add the incremental increases, and that should show a hefty profit for somebody, I thought. My first question was who's getting the commission on these sales?

Let's see, if I'm doing the math correctly, after three years the total payments will be at least \$4,464 if they only add the 10% A.I.M.I. on the third year. My head was spinning. That's an incredible figure when compared to my local computer store for the same upgrade on a personal computer. This should only cost about \$300 including labor, I thought.

Does this mean that Farmers is taking it to us again?

Well, after further investigation my answer would be ... no. Well, not directly.

It seems that hardware upgrades on an IBM AS/400 are very expensive. Sure, the previously described upgrade can be bought for a little less money. But these

computers are on leases that can be terminated after six months. It actually could take about two years to break even *if* they are using new parts. If an agent ordered that upgrade and then returned the computer in six months, the costs would not nearly be covered. So, given the current arrangement, it appears as though the charges are not too awfully bad.

But this does bring home just one more reason Farmers needs to continue down the road toward the day where agents will not need to bring an AS/400, capable of running 50 agencies, into our individual offices. These computers were designed for much bigger operations, and these upgrade costs are just one more reason why we shouldn't be utilizing technology in the manner currently preferred by our management company.

It's time for a change. "Change is good."

## User groups will make you more effective

One of the projects we have attempted over the past couple of years was to put together database user groups. The idea was to have agents using similar agency management programs get together and share ideas to increase their effectiveness. This is a continuation of the "Agents Helping Agents" theme and would benefit us all.

With the introduction of the Touch Everyone in 2001 program, the benefits of having an independent database program become even more evident. By having your customer information separate from the manage-

ment company, you achieve a higher level of independence. You cement your relationship with the customer without allowing the company to have an avenue of direct competition that's not in your best interest.

The more independent an agent, the more incentive for the company to treat you more like the customer you really are. If they have everything — meaning all the information — that you have, what incentive does the company have for considering your interest?

Many agents scream, "But that's double work!"

Not really. Sure, there is some duplication, but ➤

**Yes, I would like to participate in a Database Users Group! Please send me further information.**

Name: \_\_\_\_\_ Agent Number: \_\_\_\_\_

Database: \_\_\_\_\_ PIF: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**Fax to UFAA at 314-729-0598 or e-mail to ufaa@aol.com**

# UFAA Technology



***makes it happen!***

there are many efficiencies that can be found and multiple marketing opportunities created that will make up for the limited additional double entry that a separate system demands. After all, the current company systems still require many double entries. It's nothing new.

Remember, you own a business. You are not an employee that should be looking for the quickest ways to go home at night. A convenience store owner doesn't take periodic inventory because he'd rather be counting stock than playing golf.

There are some costs to running your own business. Managing your only commodity — your client's information — is not an area you should delegate to another party — an outside business — namely, Farmers Group, Inc.

If you are not currently using a system other than FAME or Client-Vision, contact UFAA Technology manager Steve Todd. He can help determine what is best for your situation and get you started.

If you are using Agency Business Systems, ACT, Goldmine, Maximizer, or any of the other professional options available, we would like to put you together with others to collaborate and increase each other's effectiveness. We can help each other to do a better job and increase our revenues.

Please fill out the form at the bottom of the facing page and fax it to us. If you've responded in the past, please do us the favor of responding again, and we will get this project off the ground.

## Free introductory office automation video **What are you waiting for?**

UFAA Technology has produced a professional video that shows our members how to improve their office efficiency. It demonstrates one proven system to automate your office and make it as "paper free" as is possible in our business. Our agents who have seen this tape have been very pleased.

This innovative system will dovetail nicely with Farmers' newly announced direction with the "Agency Dashboard." Together, these two systems will dramatically improve your ability to efficiently run your agency! That's teamwork.

We would like to give non-members the opportunity to see a shortened version of what we have to

offer and, hopefully, get you started in a new direction to manage your office with the increased duties associated with being a Farmers agent. It will highlight some of the software and procedures we recommend to our members and will get you off on the right foot.

Hurry! While supplies last, we are offering the tape for free!

We are charging a nominal \$7.25 to cover shipping and handling. For that, we will send you a copy of the video, "A Brief Tour of UFAA's Office Automation." What a small price to pay for a glimpse into the future and how UFAA can help.

What are you waiting for? Get started today!

### **Yes, I would like a copy of of the UFAA Technology Tape!**

- Enclosed is my check for \$7.25  
Please rush my copy of "A Brief Tour of UFAA Technology"
- Enclosed is my check, or credit card authorization for \$300.  
I understand this is a non-refundable, annual dues payment for membership in UFAA. I've also included a completed application. Please rush my full copy of "UFAA Technology's Office Automation"
- Please give me a free subscription to the UFAA E-mail Updates

X \_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
E-mail Address

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Fax

**Mail to:**

UFAA Technology Tape Offer  
8978 Watson Road, #C, St. Louis, MO 63119

# San Diego agent terminated

*Frank Mortimer, 75, fired after 36 years of dedicated service for asking to postpone a same-day audit of his files*

## By The Voice Editorial Staff

Frank Mortimer, a Farmers agent in San Diego for 36 years, was terminated Jan. 30.

"I was terminated after 36 years of honest and sincere service to my clients, and I always felt like I was part of the Farmers team," Mr. Mortimer said. "Now I know what professional athletes feel like when their team says 'OK, we do not need you any longer, your contract is cancelled.'"

These are the details of events, which led up to the termination:

Frank met with company personnel in October 2000 for a discussion concerning a dispute his son had with a local claims representative who was handling his claim. At that meeting, they demanded that Frank terminate his son's employment in the agency. They then told Frank that there was an auditor in his lobby, and that he was there for a compliance audit.

Frank advised them that this was not a good time for him to facilitate an audit since his wife was ill and he had to leave the office to attend to her needs. He requested they call him and set an appointment to audit his files.

On Dec. 1, the DM and DMM came to Frank's office and handed him an envelope and stated, "Here is your 30-day termination notice, and we want your phone numbers on Dec. 30." The DM and DMM refused to discuss the reason for termination.

Frank requested a termination review board, which was scheduled and held on Jan. 10.

The TRB lasted four and one-half hours. The review board consisted of the state executive director, one President's Council member agent and a retired judge. The TRB was to vote on a decision to terminate or not terminate in a closed session and then to report their



Frank until 11 am, Jan, 30, when he received a fax from the DMM, advising that his termination would be effective immediately. The fax stated that the DMM and DM would be at his office at 1 pm to pick up the computer system and all client files.

Frank told the DM he was not surprised at the way the company treated him, but he was ashamed of Farmers for not advising him prior to Jan. 30 so he could have properly notified his clients. He feels that Farmers should have acted in the clients' best interests and allowed him to give them advance notice of the policy service change.

On Feb. 6, Frank did finally receive a letter from CEO Martin Feinstein about the TRB's decision to terminate, stating that he agreed with their decision.

Who was the loser? Frank was not overjoyed with the way he was notified on the last day with no notice from home office as to their decision on termination.

decision to home office for a final decision, which he was told he would receive in a few days.

The decision of the confirmed cancellation was not relayed to

"I strongly believe Farmers will be the loser in the end," Frank said.

Frank immediately sent a letter to all his clients about the change in their service, and the results have been numerous phone calls lamenting Farmers' disregard for him and them. His clients are telling him that they have remained with Farmers only because he was their agent, whom they trusted, for 20-plus years.

Many have told him that they are now going to take a look at the lower rates they have been offered by other companies in the past and rejected because of the service he had provided to them.

It appears Farmers terminated Frank after 36 years of service because he did not allow them to conduct a compliance audit when they arrived unannounced in his office on Oct. 30. They claim that this refusal constituted a breach of contract, and the fact that he offered to allow them to audit his files at a later date was of no consequence.

Frank plans to remain as the UFAA Director of Governmental Affairs and remain active in UFAA and support the UFAA ideals. If you wish to chat with Frank about his termination or any other subject, you can contact him at 760-871-2242 or contact him by e-mail at [fmortimer@aol.com](mailto:fmortimer@aol.com).

## *Has something like this happened to you?*

The Association is not aware of another situation like this, where an agent has been terminated on 30-day notice for wanting to postpone an audit of their files (not an audit of their ARA or ACA) until a more convenient time. In fact, we know of many cases where company auditors have called or written to schedule audits. We would be interested in knowing if you or any one you know was given a 30-day notice of termination for not allowing an audit of their files on the same day an unannounced auditor showed up. We also would be interested in knowing how many agents have received calls or letters from company personnel asking to schedule an appointment to conduct an audit. Please call the National Office at 888-275-8668 and let them know.



Application for Membership

# United Farmers Agents Association

8978 Watson Road #C, St. Louis, MO 63119 Phone: 800-275-8668 Fax: 314-729-0598

*Mission Statement — The United Farmers Agents Association is a professional association committed to helping our members through education, communications, support, and information, and to establish a true partnership with Farmers Group, Inc.*

Name: \_\_\_\_\_ Chapter: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

\_\_\_\_\_ Fax: \_\_\_\_\_

Agent #: \_\_\_\_\_ E-mail: \_\_\_\_\_

Dues: (Please select one)

\$300 annually  \$150 semi-annually  \$25 PAC  \$50 Associate, Affiliate or Career annually

## United Farmers Agents Association, Inc.

(Select one)

Enclosed is my check for \$ \_\_\_\_\_.

In addition to my dues, I wish to contribute: \$ \_\_\_\_\_ to the Volunteer Fund.

\$ \_\_\_\_\_ to the DRA. \$ \_\_\_\_\_ to the Legal Fund.

Charge to my credit card:  Mastercard  Visa

Credit card number: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Signature: \_\_\_\_\_

### “Agents Helping Agents”

*The General Objectives of UFAA are:*

1. To create meaningful communication between company and Agent
2. To improve professional status in the community
3. To improve company-client relationship
4. To improve Agent-to-Agent relationships
5. To stand united to accomplish these objectives

*The Specific Security Objectives of UFAA are:*

1. A two-way negotiated contract.
2. For rendered services contractual compensation schedules encompassing full commission of all premiums.
3. Agent ownership of policies and expirations.
4. Termination for just stated-cause only.
5. Ending discrimination of Agent or Agent authority.
6. To foster cooperation for mutual benefit, between other agent associations.

I, \_\_\_\_\_, am currently a Farmers Insurance agent and do hereby apply for membership in the United Farmers Agents Association, Inc., and agree to abide by the bylaws and the code of ethics. I further agree with the above stated principles.

(x) \_\_\_\_\_ Date: \_\_\_\_\_

03/01

#### **Authorization to honor checks drawn by the United Farmers Agents Association, Inc.**

For my benefit and convenience, I hereby request and authorize the United Farmers Agents Association, Inc., to draw a check in the amount of \$ \_\_\_\_\_ on or about the 10th day of each month, payable to its own order. This authorization will remain in effect until revoked by me in writing and until they actually receive such notice. (Please include a voided check with this application.)

(X) \_\_\_\_\_

# A brief history of the United Farmers Agents Association



*Fifth in a series of articles tracing  
the history of UFAA*

This history is offered in the sincere hope that it will help the reader understand the issues that made UFAA necessary and the progress UFAA has made to help the independent contractor agent succeed.



*I believe there are more instances of the abridgement of the freedom of the people by gradual and silent encroachments of those in power, than by violent and sudden usurpations. ... This danger ought to be wisely guarded against.*

— James Madison



## ***Agent ownership of business***

UFAA also maintained its vigilance over the related issue of agents' ownership of the businesses they had built up for themselves as independent contractors.

UFAA sounded an alarm in 1992 when Houston, Texas, agent Doug Singleton died of cancer and the company pressured his widow, Diana, to turn the agency over to them against her wishes. The company stopped her mail, quit sending commission checks and refused to sponsor her for her state insurance license. She had to retain a lawyer to fight the company for the right, clearly stated in the Agents Appointment Agreement, that allows an agency to be passed to a family member in the event of an agent's death or disability.

## ***SECA tax payments***

While the company had struggled valiantly to reinforce the status of agents as independent contractors (which held favorable tax implications for the company), it showed little concern for protecting agents from the unfair tax burdens levied against them on retirement. Though agents were treated as independent contractors for other purposes, the company designated the contract value paid to agents on retirement as "deferred compensation," which gave the company a sizable tax advantage and left the agent liable for an additional 15.3% self-employment tax. The effect was that the company enjoyed a higher profit margin and the retiring agent lost a large chunk of an already too-small termination payment.

UFAA and CEAA made elimination of the SECA tax a top priority. UFAA filed an *amicus curiae* brief on behalf of Robert Milligan, Herbert Gump, and William Jackson, retired agents dunned by the Internal Revenue Service for self-employment tax on their contract value. Those cases eventually were resolved in favor of the agents. The Taxpayer Relief Act of 1997 wrote those positions into law, but the IRS continued to apply the tax against exclusive agents whose contract language differed from the other three. The UFAA National Office compiled a SECA Tax Kit to help retiring agents avoid the tax on their contract value.

### ***“No cause” termination***

Another front on which UFAA has invested major time and resources on behalf of agents is “no cause” termination. UFAA leaders understood that the company could use such terminations to confiscate income sources from agents, reduce premium payout and increase corporate profit margins — all at agent expense. They pointed out what most new agents failed to understand: the Agents Appointment Agreement is, from the company’s perspective, a 90-day contract, renewable daily.

A survey of the conflicts is instructive. In 1968, UFAA’s attorneys convinced the company to reverse a decision to terminate an agent without specific cause. Ten years later, the company terminated another agent without specifying any reason — and then also terminated his son to prevent him from transferring the agency to him. In 1986, the Oklahoma Supreme Court found the company guilty of wrongful termination and bad faith in the “no cause” termination of an agent. In 1988, a California jury found Farmers had breached contract and inflicted emotional distress on an agent terminated without cause.

Two years later, Farmers sued two agents over a Minnesota consumer protection law that set up a state review board to prevent unjust termination of insurance agents. UFAA established a defense fund to help protect the agents from the battalion of insurance industry lawyers unleashed in the case. Chapter presidents in California set up a referral system to help members fighting litigation with the management company find attorneys familiar with the Farmers contract.

The company did not relent on the issue. In June 1999, a longtime agent in Arizona not only was terminated without good cause but also was denied the Termination Review Board required by her contract.

### ***Improving margins at agent expense***

Since the 1945 contract, Farmers had steadily made inroads against agent freedom, trying to force less “profitable” agents to generate higher levels of income for the company — or leave the agency force. The company also began to look for ways to shift overhead expenses onto agents to increase its profit margins.

One of the most notable examples of this was the advent of the Business Processing System in 1992. By using computer technology, the company was able to transfer a large portion of its clerical load (and overhead) to the agent, reducing staff expenses (and employee numbers) dramatically. The next year, the company introduced the Agents Credit Advice, a daily electronic funds transfer program that eliminated regional office bookkeeping jobs, shifted a new load of overhead costs onto agents, and boosted company income from premium investment. One agent estimated implementation of electronic policy processing increased his labor expenses 10-to-1 over company reimbursements.

The Spring 1994 issue of *The Voice* noted five times in the space of a few years that the management company cut back the agent’s ability to make commission dollars, while Farmers contributions to BAT were rising steadily. PR Newswire reported in April 1995 that Farmers had increased profits by \$840 million despite dramatically lower surpluses, lower life profits, and only a slight increase in general business profits.

A devastating earthquake in Northridge, Calif., in 1994 gave the company an unusual opportunity to force state lawmakers to delink earthquake insurance from fire insurance. The company unilaterally declared a moratorium on earthquake insurance, left it in place more than two years — in clear violation of its rules and manuals — and even received \$1.24 billion in reinsurance. UFAA mobilized help for California agents, whose losses were hundreds of millions of dollars in new business and renewals.

Perhaps the most egregious example of improving company margins at agent expense is Farmers’ expansion into the eastern U.S. Farmers began using independent agents to sell Farmers’ products for artificially low premiums and higher commissions — with company employees handling the agents’ paperwork — and subsidizing the entire operation with the unnecessarily higher and uncompetitive rates forced on captive agents.

# Who owns your book?

*The company  
needs your  
influence with  
your clients*



## By Ken Unrein

The question is: Who is your customer loyal to? Is your customer loyal to you or to Farmers Insurance Group?

What is the response from the general public when you ask, "Who are you insured with?" Do they respond with "XYZ Insurance Corporation," or do they respond with "John Smith Agency"? If you aren't sure, ask the question of 10 individuals you do not insure.

If insurance consumers are loyal to their local agents and not the giant insurance company, the next question that must be asked is: Who owns your book of business?

If you have the old Buff contract, the appellate courts in California have determined that the Farmers agent owns the book of business. If you have signed the new contract that was introduced in 1984, you have contractually given the company the ownership of your book of business.

The legal issue of who owns your book of business is clear. If you have the Buff contract, you own the book of business, and if you have the 1984 contract, the company owns the book of business.

How many of your customers really care about the legalities of who owns your book of business? If you have provided your customers with good service and have been a good insurance adviser to them, they will continue looking to you to satisfy their insurance needs. They will not care if you represent XYZ Insurance Company or ABC Insurance Company. They have placed their trust in you, and they will keep looking to you for advice.

If it were not for the trust and personal relationship the agent has with the customer, there would be no need for the company to pay you a commission. This is the reason Internet sales of personal and business casualty insurance have been a disaster for companies that have attempted to use this means of distribution.

The editor of *Exclusive Focus* magazine, Steve Crosby, told me that Allstate has only sold 77 policies on the Internet! They have spent millions of dollars and budgeted millions more on a distribution system that is

destined for failure. Have you noticed Allstate ads now are emphasizing the agent in their commercials?

William N. Goff, a consultant on insurer distribution with Tillinghast-Towers Perrin in Atlanta, says a CEO of a major life insurer once told him, "The agent always owns the customer until there is a claim or a lawsuit."

From a more practical and less legalistic point of view, however, Goff says it all boils down to who has more influence over the client — the agent or company.

He predicts the new industry buzzword — "customer relationship management" — or the use of the Internet and call centers will have a lasting impact on the long-term agent-customer relationship. "Let's face it," he says, "the companies are putting a lot of money into CRM."

Following are some comments from experts on client ownership.

John S. Moyse, FSA, CLU, ChFC, is a consultant and expert witness in agent litigation in Louisville, Ky. His article "Who Owns The Client: The Agent Or The Insurer?" has this to say:

"Insurance companies hire agents with the promise that the agents will own their own businesses. Agents are then encouraged to invest time and money into building their businesses. Many agents are naturally becoming uncomfortable with the perceived trend among insurance carriers to circumvent the agents' client relationships.

"From what I have seen as an expert witness and as head of an association whose agents are involved in battles with their carrier, this perception is spreading and increasing because when an agent is terminated or leaves his or her company, there is often a battle over the ownership of their clients.

"The agent is still the rainmaker who brings the client to the insurance company. Many clients

cannot even remember from which insurer they have bought insurance.

"Basically, if the agent is doing a good job for clients, the agent owns a relationship that the insurer cannot easily take away.

"In most circumstances, agents should be the owners of their customer list. A 1991 case supports this view. In *Burke v. Hawkeye Nat. Life Ins. Co.*, 474 N.W.2d 110 (Iowa 1991), the Iowa Supreme Court ruled that distribution by the insurance company of agent's customer list to other agents was improper by industry standards and resulted in intentional interference with the agent's business relationships.

"The courts have frequently failed to uphold post-termination restrictions, called "covenants not to compete," that are excessively binding. In *Streiff v. American Family Mutual Insurance Company*, the Wisconsin Supreme Court examined the restrictive provisions in agent Dennis C. Streiff's agency contract.

"Mr. Streiff's contract provided that he could not solicit his former policyowners for a one-year period after termination, and that, in order to receive post-termination earnings, he could not act as agent for another insurer that wrote the kinds of insurance written by American Family in any state in which the company operated as a licensed insurer. The court found that these contractual restraints were unreasonable as to activity, duration and territory."

Advertisement

## Suffering from Direct Writer blues?

Frustrated with your current markets or need additional markets? Tired of dealing with your District Manager, who is only interested in his bottom line?

American Casualty Insurance offers more than 50 preferred personal and commercial lines markets. In addition to a very competitive commission program, we offer assistance with CLUE, MVRs, Insurance Credit Scoring and a competitive rating package.

Only agents licensed to do business in Texas need apply. *All inquiries are confidential.* Call for more details, 800-766-2478 or 512-338-8100. Ask for Phil.

## Exactly what are Farmer's plans?

By Nebraska Editorial Staff

The company sends out a list of their goals to the agents and asks the agents what their goals are. Wouldn't it be better if the company sent out a copy of their business plan for the next year or the next five years? We need to know how the company is planning to reach their goals so we can work together.

We need some questions answered. How long are we going to keep using the System 36 and the AS/400? Will we need a PC and a System 36 or an A/S400? Is the company going to put APPS and FPPS on the Internet? If so, when? Does the company have a plan to triple the number of households and double the policies per household? Could the company's plan be to get rid of most of the agency force, leaving the remaining agents with triple their number of policies?

The company rates are not conducive to increasing the number of policies at this time. Marty says if we don't do as he says, then he will get the business some other way.

If the company really wants to get the job done, they need to work with the agents. Tell us what their long-range plans are so we can help. If their plan is to get rid of the older agents, let us know, or at least give us some incentive to retire. In the meantime, please give us better service so we can serve our customers better.

EasyPay is not easy, and APPS and FPPS are slow and cumbersome. We are now doing most of the company's work for free. We should at least have the right tools to do the job. It would be different if the company supplied the tools for free, but we are forced to purchase inferior tools and expected to do a "Premier" job.

We do need to know what the company plans are, not just the goals.

### Call to action!

(1) Get your database cleaned up and collect as many e-mail addresses as you can. But if you really want to protect that information, don't put it in APPS and FPPS. If you need assistance determining a better way, check with UFAA Technology.

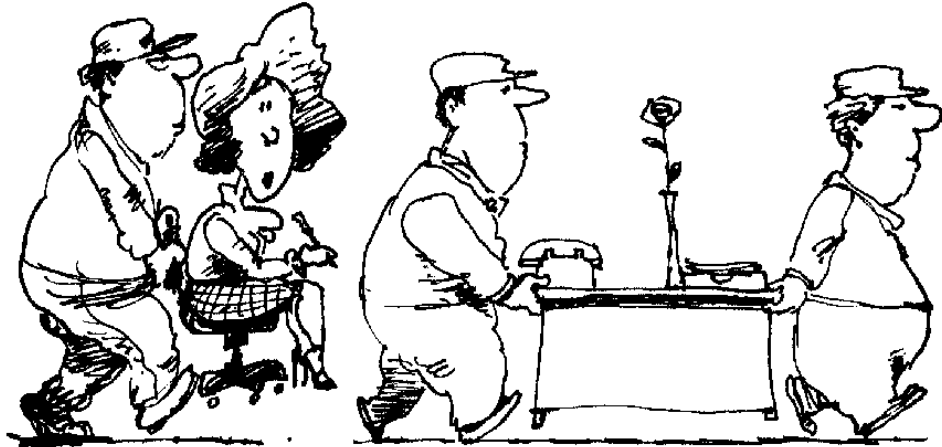
(2) Contact your DM, your DMM, and other management company personnel. Ask them what they are going to do with that information. Ask them to provide a "privacy statement." If you get one, pass it on to us for review.

(3) Ask them why they can't provide you the information they want distributed, so you can perform your duty of direct customer contact and communication in a manner that best fits your agency.

Do it for all the right reasons — do it for yourself. We're "Agents Helping Agents"

United Farmers Agents Association

# They're coming to get you!



## *Want to know what you can do about it?*

### **By Bob Jasak**

As a long-time Chapter President, I get calls almost weekly from agents. This has been going on for some time now, and they're basically the same theme.

An agent calls and says, "My DM just called and asked me if I wanted to keep my agency. He wants to meet with me next week to discuss it. What can I do?" Sometimes they add, "He sent me a long questionnaire to fill out about goals and such and wants to discuss that, too. What can I do?"

Over the years, I have formulated an answer that seems to work. Once in a while, I even get a thank you, mostly because the caller knows it's true. We talk for 10 or 15 minutes so I can get a feel for what the problem is.

It goes something like this.

**Bob:** "Well, Joe, how long have you been an agent?"

**Joe:** "Oh, some 10 years now." (Usually eight to 15 years)

**Bob:** "Well, Joe, about how many PIF do you have?"

**Joe:** "About 500. I've never been a big producer." (Usually from

400 to 800 PIF)

**Bob:** How much are you producing now or how about the last year or two?"

**Joe:** Well, you know how it is. I haven't written much. I'm just maintaining, but I'm profitable."

**Bob:** "Yes, I know Joe. It has been tough. But I will tell you, the company doesn't care about where they are price-wise or what the company's production goals used to be. Today they just want production count."

**Joe:** "Yeah, I figured it was coming to that."

**Bob:** "Joe, I'm going to give you some advice you may or may not take to heart. But I think it will be of some help to you. You are obviously at a crossroads, and you need to make some decisions. The company is changing in ways we don't agree with, but they are pushing us to these crossroads. Go home tonight or go somewhere where you can find a quiet place to do some serious thinking.

"Maybe you should find another occupation where you can be happy. I know agents who have left

Farmers and are very happy with their new lives. Think of what else you might do with your life.

"I know some current Farmers agents who are making over \$500,000 a year. You don't see their names on the covers of magazines. They just quietly go about their business making money. So you see, Joe, it is possible at Farmers.

"Many of the great mentors, like Brian Tracy, encourage you to find something you like to do — learn to do it well and stick with it. You could write Commercial or Long Term Care, for instance. Focus on one or two things and master them. You can make money in this business but it takes focus and dedication. Whatever your decision, it takes work.

"Well Joe, that's it. I hope I've helped you decide to give this some serious thought. When you face your DM, you'll know whether or not this is what you want to do. I know the decision is difficult either way, but you will feel better about it, knowing it's been your decision, not the DM's. Whatever you decide, I wish you the best."

## What do you do with a Foremost payment?

What do you do if you have a Foremost policy, and a client drops off money at your office?

You need to mail it to:  
Foremost Cash and Control,  
PO Box 3333  
Grand Rapids, MI 49501

Mark it "Attn: Cash & Control" and put the policy number on the check.

## Chapter news

### *Business expo and golf tourney; new, lower Foremost rates*

#### **Chapter 43, Arizona**

Chapter 43's eighth annual Agent Business Expo and Golf Tournament is scheduled for May 4. It will be held at Francisco Grande Resort in Casa Grande, Ariz. In the morning we meet with the vendors, then have lunch and hand out lots of door prizes. In the afternoon many agents and vendors play golf. UFAA's technology guru, Steve Todd, will present a computer learning experience. In the evening is a happy hour and the distribution of golf prizes. Everyone is welcome, even state directors. All fun and no business. For more info, contact Rich Hayden 480-968-8545, or Dan Rahmatulla 602-973-3988, or Ken Unrein 520-623-7000.

#### **Chapter 51, Montana-Wyoming**

After tremendous verbal pressure from Western Montana agents, Foremost representatives at a recent agent symposium held in Billings reported back to the company and as a result have implemented new competitive rates to be effective April 1. If Foremost rates are not competitive in your area, call Foremost and inform them of the problem.

— Steve Hooper, Chapter President

# Connectivity

# Respect

*You have to earn it and continue to earn it*

## By Arizona Editorial Staff

Respect. A seven-letter word that carries a lot of clout with peers, neighbors, friends, customers, bosses, independent contractors who work with and for you, and others you may deal with in your life.

Respect is not automatically granted at birth, upon completion of high school, upon obtaining your college degree, or getting your first job or your first promotion. You have to earn it and continue to earn it over the months or years as you grow.

Recently a Phoenix, Ariz., agent was made aware of a DMM that had his car rated in a retirement community and, as you probably guess, it was a Rate Class 7A. First of all, this DMM is under the age of 55, the normal minimum age required to live in a retirement community. And second, his wife drives their vehicle to work daily no less than five miles one way from the residence to work. Incidentally, it would be about 11 miles one way if they actually lived in the retirement community.

When this information was published in a UFAA update and read by the state executive director, the reaction was both expected and pitiful. Accusations, charges, and threats but no admission on the DMM's part that he was in error. It was someone else's fault. UFAA

was stirring up trouble. The whistle blower was now the bad guy.

If that's not bad enough, try this. Apparently DMMs and other employees of the management company — and we would assume state executives — are on a bonus program that handsomely rewards them for meeting their quotas. Unlike you and I, who get commissions for performance, they receive bonuses.

One of the goals that need to be met to obtain a bonus is recruiting new agents. Late last year, there was a big push in the district by the DM & DMM to convert agents from Reserve status to Career status. In the past, a Reserve agent was required to have several hundred sales count including a good share of Life plus 1,500 x-dates before even being considered for Career status. But the rules apparently have changed.

In Phoenix, an individual was appointed a Reserve on Nov. 15, 2000. On Dec. 15, 2000, he was converted to Career Agent status. A review of the production screen shows that the agent had only 32 sales count, none of which was Life. Is this the type of professionally "trained" agent needed to enhance the Farmers name in the commu-

nity, or is this a bonus for the DMM?

Yet these management company people are people we are automatically suppose to respect. Why? Just because they have been tenacious enough to be elevated to their current positions? No. With a track record like theirs, the DM, the DMM, and the person who promoted them to their position should all be in the bread line. The state executive, who probably permitted it, was intentionally left out of this discussion because he has completed his "illustrious" 30-plus year career with Farmers and retired.

Respect? Even company people have to earn respect. They are not promoted into it. It does not come automatically with a title. In this case, none of them have earned it.

What did this improper rate class and incorrect territory cost us in premium? Is that why our rates in Phoenix are higher than 80% of the competition? What about the \$20,000 bonus rumor says the DMM received? How did that effect the rates? Did the management company pay that, or did they tap the surplus of the Exchanges? Either way it is an unearned expense and should be returned.

Even company people have to earn respect!



## Breaking news!

For the latest breaking news in the insurance industry, visit [www.ufaa.com](http://www.ufaa.com).

Recent postings: "Good, Bad Vibes from Industry Leaders;" "Seven Marketing Strategies;" "Credit Reports: A Source of Agent Angst;" "A New Year, A Better Strategy;" "State Farm Unveils New Auto Insurance Discount Plan;" "Rebuild Cost Increases."

## District Manager David Haggard lacks ethics

Throwing ethics to the wind, District Manager David Haggard in Oklahoma decided to send letters to households of selected agents in his district, offering additional lines of insurance. Anyone responding to one of the letters was referred to Haggard's son, an agent.

An insured of one of the targeted agents called the agent after she received a letter. She agreed to go ahead and call DM Haggard in response to the letter and was promptly referred to Haggard's son.

An attorney's opinion stated in part: "It seems as though you and your office, in conspiracy with others, are conducting unauthorized contacts with agents' insureds to sell products. Farmers may own the policies, but only the agents own the policyholder list of names. This is per Farmers own managers' testimony in legal proceedings."

Several complaints that were made to the state executive director have gone unanswered. Does this non-response mean that the state executive director condones David Haggard's actions?

401K

## You've been waiting for this!

Want \$50,000 annual income when you retire?

Want a Fortune 500 company 401K plan?

Want to use your tax dollars to fund it?

Attend the UFAA Convention in June for details!

Watch for the program announcement in the Summer issue of *The Voice*!

Program will be available to *all* UFAA members!

Questions we'd like to ...

## Ask Marty

Was the AS/400 really state of the art when they were first introduced to the agency force?

Will we ever be able to get rid of the System 36 and the AS/400?

Did Marty really convince Zurich that a 15% increase in profit was too much to expect, and we should be happy that they would settle for only a 10% increase?

If the management company doesn't produce the profit quota required by Zurich after Marty fires all the agents and sells only on the Internet, will he lose his job?

If "change" hurts the agents financially, are we still supposed to embrace it?

Does the "Agency Dashboard" have an airbag? What if it crashes?

Why doesn't the company put its Life rates on CD for agents?

If Farmers did put our rates on a program for PCs, would they Folio deduct it?

Am I responsible to follow the Agents Guide if my Farmers computer won't take the CD it is on?

Where does the interest go from the investment of the Exchanges' surplus? How much is it? Why isn't it figured in the loss ratios? Why don't they tell us how much it is?

Is there any interest gained on an ACA deposit before it is taken out of that account and added to surplus? If so, who gets it?

Where are the Prematic (EasyPay) deposits kept? Do they earn interest? If so, who gets it?

# Peak Systems

# P R O M I S E S

In 1996 and 1998, we published a survey entitled Promises in *The Voice*. The survey asked any agent who had been assured or promised by their DM or other representative of the companies, of one or more of the three listed promises, to complete it and send it in. Over 500 agents responded to the surveys, most indicating all three promises were made to them before they were asked to sign the Agent Appointment Agreement. While some states require the reason or reasons prompting the company's decision to terminate an agent be stated or given at the time the 90-day notice is issued, many do not.

Today, agents in every state continue to be terminated or asked to resign under the threat of termination. More often than not, the "no cause" 90-day notice provision in Section C of the AAA is used to end the agent's career.

Many agents have attempted to tell the courts when suing for wrongful termination, that they were promised they would never be terminated without good cause. Unfortunately in the vast majority of cases, the courts have not recognized the claims of misrepresentation and have allowed the terminations to stand.

Because of the importance of this issue, we are asking every current or former agent who receives *The Voice* and who was assured or promised any of the listed representations to complete the affidavit below, have it notarized, and then to fax it to the National Office at 314 729-0598. Another example of "Agents Helping Agents."

---

## AFFIDAVIT

The undersigned, being first duly sworn on oath, deposes and says:

I  am or  was a duly appointed agent for Farmers Insurance Exchange, Truck Insurance Exchange, Fire Insurance Exchange, Mid-Century Insurance Company and Farmers New World Life Insurance Company. During the time I was being recruited by my district manager or other company representative, statements were made to me that are the same, or substantially the same, as those checked below:

"Just work hard for \_\_\_\_\_ years and when you reach your comfort level, you can sit back and enjoy life."

"Don't worry about the clause in your Agent Appointment Agreement that says, 'This agreement may be terminated ... on three (3) months written notice.' The companies never terminate an agent without good cause."

"You don't have any production requirement in any specific company."

Dated: \_\_\_\_\_

X \_\_\_\_\_  
(Signature of Agent)

\_\_\_\_\_  
(Printed or Typed Name of Agent)

Agent Number: \_\_\_\_\_

Appointment Date: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Subscribed and sworn to before me on \_\_\_\_\_.

[SEAL]

\_\_\_\_\_  
(Signature of Notary Public)

\_\_\_\_\_  
(Printed or Typed Name of Notary Public)

# Consistency

*Change isn't the problem we're dealing with*

**By Dan Rahmatulla**

Consistency is very important to every person, young and old, rich and poor, personal and business. Consistency leads to a stable environment.

I am not talking about change. Change is constant. Things are always changing. We expect that. Styles change and the weather changes and we all expect that.

At Farmers, we seem to have lost the consistency, and therefore the stability, which leads to employees and agents and district manager not knowing which way to turn. The company seems to be promoting inconsistency.

Marty says the agents are the backbone of the company, but he

might get rid of us. We are going to switch APPS and FPPS to the Internet soon, someday, maybe. Marty says he is going to come down hard on those agents who cheat the company, but that only happens if you are a low producer or a UFAA member or it is after the first of the year and the DMM has his bonus. You can get double your contract value, no you can't, not in this district but you can in that one, but not this year. You can get a \$20 IVANS line — Fooled you, no you can't. The company added a lot of money to surplus and got a better rating from Best, then the Exchanges lost money and they had to raise rates.

Remember the HMA? We never

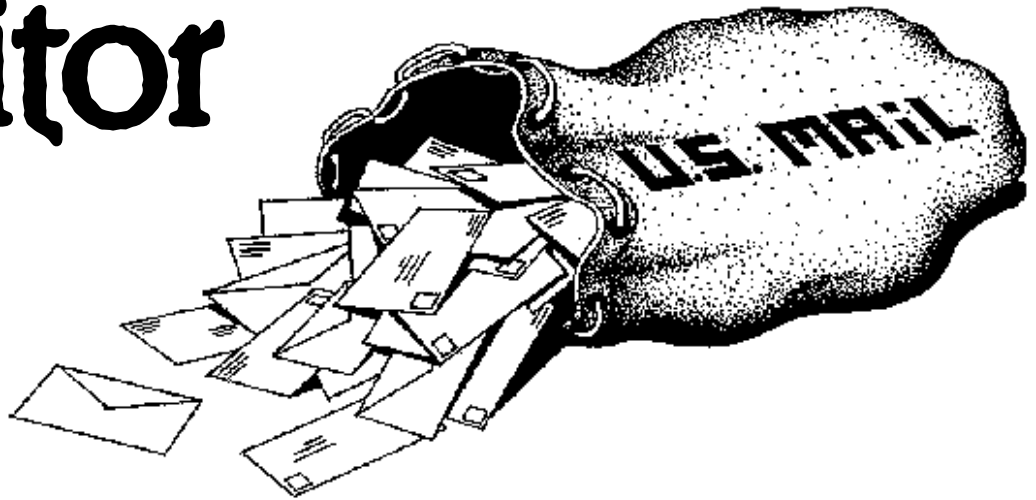
did figure out what that was for.

So what does the company want? From the above, I would assume the company wants agents and DMs who are smart enough and motivated enough to have high production numbers, even if it is accomplished by cheating the Exchanges. But they must be gullible enough to sign meaningless contracts and don't care about overpaying for things like phone lines. Then again, maybe that is only in even-numbered years in certain regions.

The company has been doing the same thing for the past 10 years, and now they are expecting different results. This won't work. Now who was it who said that?

## System 3X

# Letters to the editor



## *Selling off the Exchanges?*

A postcard-type ad in our company mail in January states that all MCNA marine insurance policies have moved from Phoenix and Colorado Springs service centers to Farmers' Marine Center of Excellence in Baltimore. Isn't this the same place that carries the new Farmers' boat program - the company that is owned by Zurich and not Farmers?

Is this taking away business from the Exchanges? Is this one less product that the Exchanges have at a time that the company wants us to double the policies per household? Will this help the profitability of the Exchanges? Is this good management? Who is underwriting this business? Is the management company selling off the Exchanges a little at a time?

— Phoenix Agent

## *The information age*

In my town, one of the TV stations has a web site where particular diners can check the latest state health department restaurant inspections — not to find out where to eat, but to know where not to eat. Some unfavorable kitchen inspections spelled doom last year for a local Chinese restaurant when news hit this web site that the establishment was cited for recycling the chopsticks — and not washing them. This bit of web enlightenment turned the stomachs of enough of the restaurant's patrons that the joint went out of business within a few months.

Similarly, such availability of information could be a formidable obstacle on the Farmer's agent-recruiting front. Yes, Mr. Feinstein was disappointed with the 2000 recruiting.

He should know that new agents are looking at the UFAA web site and learning things, and that recruiting

efforts could be in peril. New prospective agents will not think positively about certain company doings when they web in and learn too much too soon about the company they are working nights for.

The old accompanies the new. Add that informative quarterly magazine, *The Voice*, to the UFAA web site. Here, even a non-web person can find a treasure of educational reading about company conditions. Inquisitive new agents may find themselves on a page that could be titled *Company History 101*. Even recent company activities might be enough *101* to send some turned-off new agents in other career directions.

One observant new agent told me he resigned after reading about those letters DMs were sending to agents, accusing them of operating "deteriorating" agencies. Helping in his decision was his re-reading of the agreements he signed.

Indeed, it's not like the old days. Past and present actions can make agent recruiting a daunting task. DMs now are supposed to recruit college grads, and newspapers and TV reports are rich with news that there's plenty of opportunity these days for grads. And these new computerized career prospects aren't looking to become surrogate employees.

And like those diners, the 2000-and-beyond recruits will conduct their own inspections and will find it out if there is something odd going on in the kitchen.

— Missouri Agent

## *Premier at losing policies*

Agents are receiving the now familiar Cross Selling Analysis, which shows product density. I see that in my state, Oklahoma, 46.8% of the households have only one policy. This is out of 165,545 households in the state. Look at your last report and compare.

This leaves 53.13% that have more than one policy.

Farmers has been doing business in Oklahoma for 50 years. The question is why does a premier insurance company have almost half its households holding only one policy?

Yes, it is incredible, in spite of our incentive discounts that we have such a high ratio of one-policy households. Mr. Feinstein would do well to do away, at least temporarily, with the fancy accolade (Premier) and get to the business of devising discounts that will keep our best auto insureds from defecting. It is not only the marginal customers who defect, but also many of the best we have. These are the ones that know they can go anywhere they choose, and save that 19% or more.

Unfortunately, Mr. Feinstein believes the answer to this incredible policy-loss problem rests solely with the Farmers agency force. His solution: He introduced the policy retention bonus program and offered the benefits of selling horizontal products.

Mr. Feinstein probably has no idea how many existing one-policy households we have that once had auto insurance with us but left because of pricing. These, for one reason or another, have kept their homeowner's policies with us, but it is often impossible to win back the auto business.

In the past, management has been able to do many things to cause us to lose policies, and the agency force has been able to find replacements. But the rules have changed. There are too many players in the game now.

Advertisement

## Markets - Markets - Markets

Is your agency currently in a non-competitive position on auto, home, fire, boat, farm & ranch or umbrella policies? Need standard commercial packages or surplus lines markets?

Insurance Network of Texas, a \$50-million multilines agency has a program that offers you all this plus CLUE, MVR, credit scoring and a comparative rating program that keeps you one step ahead of your competition. We offer a very competitive commission structure.

Give me a call at 800-529-5180 or mobile # 512-630-4604. I will schedule a time to come to your office and give you additional information on the many opportunities available with Insurance Network of Texas. Ask for Gary Smith.

Management must mend its ways, quit bragging, and get serious about not losing good business in the first place.

Finally, a lesson on how to lose customers:

On Aug. 1, we took an auto rate increase in Oklahoma. Those customers with renewal dates of Aug. 1 through 6 received their renewals at the old rate. Did management choose to eat the mistake and honor their offers to renew? Certainly not! Instead letters were mailed to those insureds with an excuse for the error — and an additional premium notice.

— Oklahoma Agent

## EasyPay — Our New, Improved Cash Cow

Prematic was a cash cow. So what is EasyPay? A cash cow on steroids.

Prematic was always overpriced. Does it really cost more to process a payment of \$101 than it does to process a payment of \$99? Does it cost more to print? State Farm charges \$1 per month.

Prematic had to find a way to make more money. Introducing EasyPay. The service charges are about the same, but the cut that went to the agent was reduced and figured in some kind of formula.

But that wasn't enough. They had to make more money, so they did away with the service department at the regional offices. Still not enough. Now the deposit month was increased to 45 days. Now Workman's Comp customers are being forced to pay on EasyPay. Another area that the company can get service charges.

Do any of these service charges go to the Exchanges? Remember, the reduced service charges that you get in your check are paid from the Exchanges. It does seem like the company could make more money if they made the system less complicated to understand and implement.

— A Kansas Agent

## Dashboard

Does anyone use this? An agent in Minnesota tried to use Dashboard with Netscape Navigator and — guess what? — it does not work! You call Help Desk and they say you need to use Internet Explorer, as they have a problem with Netscape. But the only way you find out is to call them? Nice.

An agent tried the e-mail function to FNWL on a pending policy. It looked easy to use. Fill in your e-mail address and enter your remarks and click send. Wrong. It came back not deliverable to the address sent. The address is pre-filled on the website. Needs work, I guess.

Cool stuff. Policy forms for Life are on the Life Net section. An agent went to fill out an annuity app on Life Net, and it looks great, and then you can request a policy number and print out a nice professional document. But one field would not fill in, so — guess what? — this did not work either. Nice concept, if the bugs get worked out. Most state-specific forms for Life are on the Life Net section, so if it works, it will be nice in the future.

— Minnesota Agent

# Internet insurance a failure



New York — Wait a minute. The Internet was supposed to be the 21st Century pathway for insurers. But this week one auto insurer abandoned its Internet sales operations and another said it would drop plans to start its own.

Insurers are not going to be in lockstep moving onto the Internet," said Dave Snyder, assistant general counsel for the American Insurance Association, a Washington, D.C.-based trade group. "It's going to be mixed and unpredictable."

For example, the Ohio Casualty Group, which started selling Internet

policies in 1997 under the name Avomark, said it would halt auto insurance sales directly online.

At the same time, Priceline.com and W.R. Berkley Corp. dropped plans to create a new company that would sell auto insurance on line.

In contrast, Allstate Insurance has established its "Insurance Network," which lets the insurer sell auto, home and renters' insurance on the Internet and over the telephone. Now available in 10 states, Allstate hopes to have its Internet service available throughout the country by the end of this year.

State Farm, the nation's largest home and auto insurer, will start an Internet program in the spring of 2001, with auto sales in California and renter's insurance in Illinois. The insurer hopes to expand it nationwide, but there is no specific timetable.

The direct sales strategy will not provide "an adequate future return to our shareholders or play a major role in our operations," Dan

Carmichael, Avomark's president, said in a statement. Instead, the company plans to concentrate on strengthening the "partnership with the independent agents who sell our products."

Priceline, which has been having its own problems, is another story. Like many of the dot.com stocks, Priceline has seen its stock and hopes plunge.

However, that doesn't mean the Internet and all its resultant businesses will proceed at the torrid pace of the late 20th century. In fact, we may now just be entering the first year of the 21st century, with more sober times ahead.

For many insurers, the Internet lacks the tactile touch that agents can provide. The human contact customers have had with their agents over a long period of time will be hard to break, so insurers may jump in and out of the Internet.

## Zurich to tie global units electronically

By Brendan Noonan

Zurich Financial Services has launched a sweeping program to realign and increase its business around the world, tying its global operations together at an electronic hub that will translate among diverse computer systems and maintain a central repository of data about customers' dealings with all Zurich units.

The group intends to provide access through multiple channels, including agents and brokers, call centers and the Internet, while ensuring that customers can go from one channel to another and find their account information readily available.

## State Farm to sell on the Internet

State Farm has announced it will offer auto insurance directly through the Internet in California and renters insurance in Illinois.

The initial offerings will be in California and Illinois, but as State Farm meets the regulatory requirements of each state, on-line offerings will grow to the other states.

State Farm's current policy is

to assign these direct sales to agents at the same commission level as agency sales. There will be no price difference between direct and agency sales to the consumer.

State Farm now joins other insurance companies, Allstate, Hartford, Progressive, GEICO and Safeco in selling directly through the Internet.

# **System One Support**

## **full page ad**



# UNITED FARMERS AGENTS ASSOCIATION

8978 Watson Road, Suite C  
St. Louis, MO 63119

Office Hours: 9 am to 5 pm Central Time



Phone: 314-729-0727

E-mail: [ufaa@aol.com](mailto:ufaa@aol.com)

For Members: 800-275-8668

Fax: 314-729-0598

## Executive Board

**President**—Ralph Buchanan  
1861 E Baseline Rd  
Tempe, AZ 85283  
(P) 480-897-1081 (F) 480-839-8861  
E-mail: [rgbuch@aol.com](mailto:rgbuch@aol.com)  
**Treasurer**—Tom Schrader  
11338 Shawnee Mission Parkway  
Shawnee Mission, KS 66203  
(P) 913-631-1202 (F) 913-631-1201  
E-mail: [tomsins@toto.net](mailto:tomsins@toto.net)  
**Legal Activities**—Larry Tencer  
450 Lakeville St, Ste D  
Petaluma CA 94952  
(P) 888-763-5300 (F) 707-763-7084  
E-mail: [larryten@aol.com](mailto:larryten@aol.com)

**Vice President**—Chuck Simpson  
8247 Levenworth Road  
Kansas City, KS 66109  
(P) 913-788-3110 (F) 913-788-5593  
E-mail: [csins@toto.net](mailto:csins@toto.net)  
**Membership Director**—Don Green  
1612 Lee Trevino #D  
El Paso, TX 79936  
(P) 888-440-8322 (F) 915-593-2826  
E-mail: [dgiaep@zianet.com](mailto:dgiaep@zianet.com)  
**Governmental Affairs**—Frank Mortimer  
330 W. Felicita Ave, Suite E4  
Escondido, CA 92025  
(P) 760-871-2242 (F) 760-871-2295  
E-mail: [flmortimer@aol.com](mailto:flmortimer@aol.com)

**Secretary**—Jim Beemer  
2705 10th St  
Greely, CO 80631  
(P) 970-356-3252 (F) 970-353-6134  
E-mail: [jbeem356@aol.com](mailto:jbeem356@aol.com)  
**Media Relations**—Ken Unrein  
P.O. Box 5047  
Tucson, AZ 85703  
(P) 520-623-7000 (F) 520-624-8154  
E-mail: [farmersagent@uswest.net](mailto:farmersagent@uswest.net)  
**Director at Large**—Steve Lenard  
13313 S W Freeway #215  
Sugarland, TX 77478  
(P) 281-242-0070 (F) 281-242-6818  
E-mail: [slenard@pdq.net](mailto:slenard@pdq.net)

**National Historian**—Allen Yerxa 7651 W 41st Ave #95, Wheat Ridge, CO 80033 (P) 303-424-6358 (F) 303-424-1875 E-mail: [yerxa@qwest.net](mailto:yerxa@qwest.net)  
**UFAA Technology Services**—Steve Todd (P) 800-989-4268 (F) 916-332-5764 or through the website — [www.ufaa.com](http://www.ufaa.com)

## Chapter Presidents

### ARKANSAS

(30) Bill Miller, Little Rock 501-223-2661  
(31) Deanna Parks, Barling, 501-452-6491

### ARIZONA

(16) Ed Nordstrom, Tucson 520-297-1337  
(43) Dan Rahmatulla, Phoenix 602-973-3988

### CALIFORNIA

(01) Lee Killian, Rio Linda 916-991-1711  
(02) Victor Acevedo, Daly City 650-994-1791  
(04) Mark von Kronemann, Newbury Park 805-499-2418  
(05) Jan Neveu, Van Nuys 818-785-2147  
(06) Dave Gathings, San Bernardino 909-885-1214  
(08) Bob Jasak, San Diego 619-464-8588  
(10) Dennis Christner, Vallejo 707-642-3605

### COLORADO

(27) Roxye Santorno, Wheatridge 303-940-3233  
(29) Jerry Watt, Colorado Springs 719-531-0400  
(46) Bernie Clark, Greeley 970-353-2208

### IDAHO

(28) Dean Mayes Jr., Meridian 208-888-3321

### ILLINOIS

(21) Owen McAteer, Oak Forest 708-535-1833

### KANSAS

(13) Frank Click, Shawnee Mission 913-631-1200

### MICHIGAN

(45) Dave Arbanas, Wyoming 616-531-9070

### MINNESOTA

(17) Kevin Post, Glencoe 320-864-3914

### MISSOURI

(41) Paul Juergens, Sullivan 573-468-4252

### MONTANA - WYOMING

(51) Steve Hooper, Kalispell 406-752-4357

### NEBRASKA - IOWA

(19) Jeffrey Acklie, Omaha 402-391-1979

### NEVADA

(26) Jeff Hubbard, Las Vegas 702-871-0771

### NEW MEXICO

(24) John Burlingame, Albuquerque 505-884-5996

### OHIO

(44) Jeff Lamb, Centerville 937-435-3422

### OKLAHOMA

(12) Chuck Penwright, Yukon 405-354-5371  
(15) Mike Gately, Tulsa 918-481-3277

### OREGON

(14) Merle Johnson, Wilsonville 503-682-1583

### SOUTH & NORTH DAKOTA

(52) Tom Pennington, Sioux Falls 605-338-1472

### TEXAS

(33) Armando Gonzalez, El Paso 915-594-4641  
(34) Joe Brown, Fort Worth 817-926-1598  
(35) Gwen Foster, Houston 713-961-9455  
(36) Al Noble, San Antonio 210-340-2300  
(37) Dale Moon, Houston 281-484-8320  
(38) Mark Greenwood, Abilene 915-677-5200

### UTAH

(39) Wayne Janssen, Salt Lake City 801-272-6702

### WASHINGTON

(22) Steve Hall, Everett 425-743-1122

### WISCONSIN

(20) Ron Mikesell, Menomonie 715-235-6588

*For information, contact the Chapter President nearest you or any Board Member*

**Visit our website — [www.ufaa.com](http://www.ufaa.com)**



8978 Watson Road, Suite C  
St. Louis, MO 63119

Forward &  
Address Correction

NON-PROFIT ORG.  
U.S. POSTAGE  
PAID  
LITTLE ROCK, AR  
PERMIT #2001