

The **Voice**

A publication of the United Farmers Agents Association

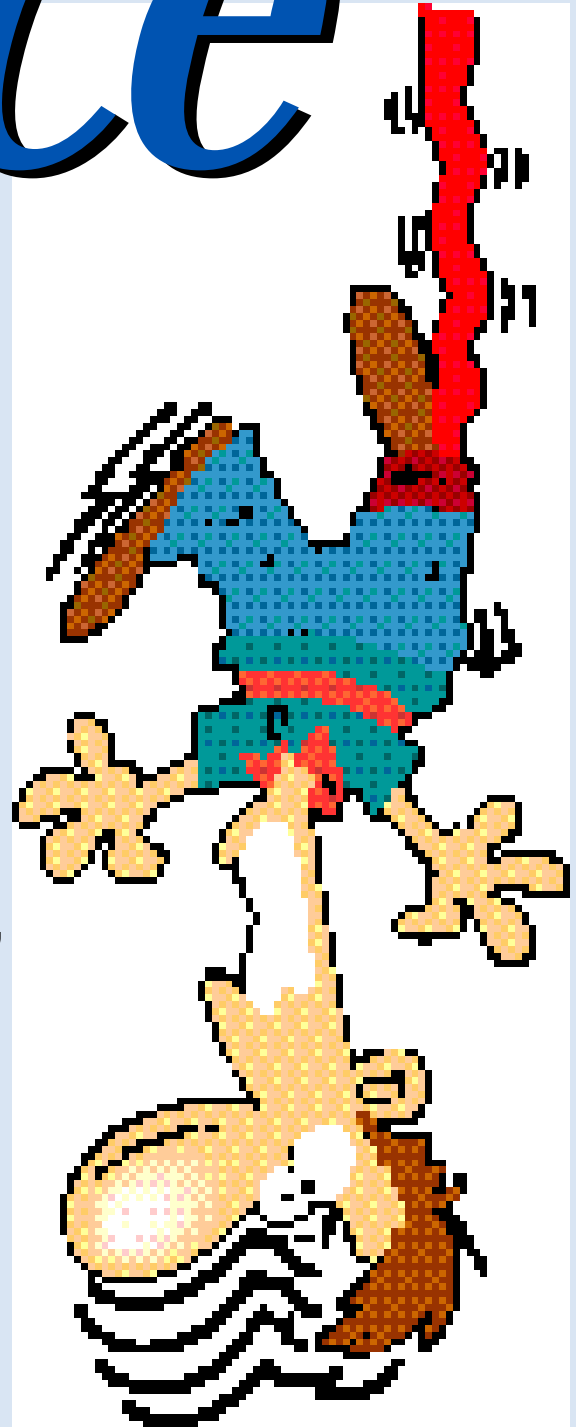
Summer 1999

Are you in control?

In this issue:

**Helpful suggestions
for getting control
of your business,
working more efficiently,
and improving
your margins**

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www.ufaa.com



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.



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The Voice



Summer '99

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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

June 1999

UFAA National Board meeting in Las Vegas, June 13

Chapter Presidents meeting in Las Vegas, June 14th.

1999 UFAA National Convention in Las Vegas, June 15-17

September 1999

Fall issue of *The Voice* mailed to the agency force

October 1999

CEAA Board of Directors meeting in Washington D.C.

November 1999

UFAA National Board meeting in St Louis

December 1999

Winter issue of *The Voice* mailed to the agency force

February 2000

UFAA National Board meeting in Las Vegas

June 2000

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

UFAA National Board meeting in Las Vegas

Year 2000 UFAA National Convention in Las Vegas



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RALPH BUCHANAN
PRESIDENT

Dear Member,

I need to ask you the same question many members from around the country are asking me. Ready? Here goes.

“Are you an employee?”

Recently, a Colorado State Farm agent was declared an employee by the IRS for years 1997 and 1998. He had sent an SS-8 form along with numerous documents to the IRS and asked for a decision. Needless to say, State Farm management is very concerned. But what about you? Are you truly an independent contractor or an employee?

Publication 15 (Rev. January 1999) asks, “Who are employees?” Let me quote, “Generally, employees are defined under common law or under special statutes for special purposes.”

“Employee statutes under common law. Anyone who performs a service for you is your employee if you can control what will be done and how it will be done. This is so even when you give your employee freedom of action. What matters is that you have the right to control the details of how the services are performed.”

“If an employer-employee relationship exists, it does not matter what it is called. The employee may be called an agent or an independent contractor.”

Before I go on, let me make one thing perfectly clear — I do not want to be an employee!

Allstate recently decreed that all offices would be open from 9 am to 6 pm and Saturdays from 9 am to 1 pm and a licensed agent must be present at all times. Those hours are for both their employee agents and those under an independent agreement. State Farm recently terminated four agents for not attending a “mandatory” meeting. The management company requires Agents to do ACA daily and process all the applications and changes in the computer, work previously done by their “employees.”

Now stop and think about that. You even receive a monthly stipend (paycheck?) for doing that “clerical” work. We both know that the stipend doesn’t come close to covering the costs involved in doing the work nor does the total paid to the agency force come close to the savings realized by the management company when we took over their work. We became really cheap labor. Years ago, the Farmers agency force was referred to as both “surrogate employees” and the “crown jewel” of BAT. Considering the huge savings the management company has realized from their new source of cheap labor, I wonder what they would call us now.

So ask yourself a few questions: (1) Are you required to do the banking activities? (2) Are you required to attend meetings? (3) Are you required to re-inspect fire risks? (4) Are you required ...? (5) Are you required...?

Remember, “If an employer-employee relationship exists, it does not matter what it is called. The employee may be called an agent or an independent contractor.”

Were you aware that a court in Kansas declared a Farmers agent an employee just a few years ago? But that case was settled, probably “gagged,” and we never heard again from the Agent.

So where do we go from here? The IRS? The courts? Only time will tell.

And let me know your opinion.

Sincerely,

Ralph Buchanan, National President
United Farmers Agents Association

Improving your margins

Here's a tip to help make your agency more profitable



By Jeff Ryan

As insurance agents, we all should try to write and develop profitable business for the companies we represent. We all know that many independent agents lose appoints with various companies due to losses. Here's one small concept that has helped me be profitable over the years.

Back in the late '80s, it seemed like every couple of weeks one of my clients would have a vehicle stolen. Most of the time, the vehicle was recovered with substantial damage. Many times, the vehicle was not recovered at all. Back then, an expensive vehicle was \$15,000, and it didn't take long for the losses to stack up.

On one particular occasion, one of my clients got hit pretty badly financially. He was a married man with a young family just getting started in his family life. One morning, he came out and found his vehicle was stolen. It was a top-of-the-line vehicle. He had paid over \$10,000 for it, put very little money down and amortized his loan over six years. He had owned his vehicle for about a year and had virtually

no equity. Unfortunately, his vehicle wasn't recovered. The Company brought in an outside company to appraise his vehicle. It was a fair settlement.

There was a very big "ouch" factor for my client. The amount of money received, less the \$1,000 comprehensive deductible, left him owing about \$5,000 on his original loan. It hurt him very badly. He owed \$5,000 on a car he didn't have anymore. To make matters worse, he didn't have money to buy another vehicle and he needed his car to travel to work. I felt very badly for him.

I thought about my client's situation often, and I knew that I had to make a positive out this bad situation. I began telling the story to all my clients who called to say they had just purchased a new car. I would explain that the coverage provided by their auto insurance was ACV and how a vehicle could depreciate faster than the loan balance, especially the first couple of years of ownership. I also would talk about the interest on their loan and how that related to the equity in their auto. I was really painting the picture of potential financial

loss to my clients even though they had insurance. The majority of people never really think about that possibility.

This leads perfectly into all the ways they could protect their vehicles from theft. We would cover how garaging the car at night, VIN etching, club bars, starter kills and alarm systems could help prevent auto theft in a big way. I am still surprised to this day how many of my insureds will take additional security measures to protect their car after spending only 10 minutes going over this concept with me.

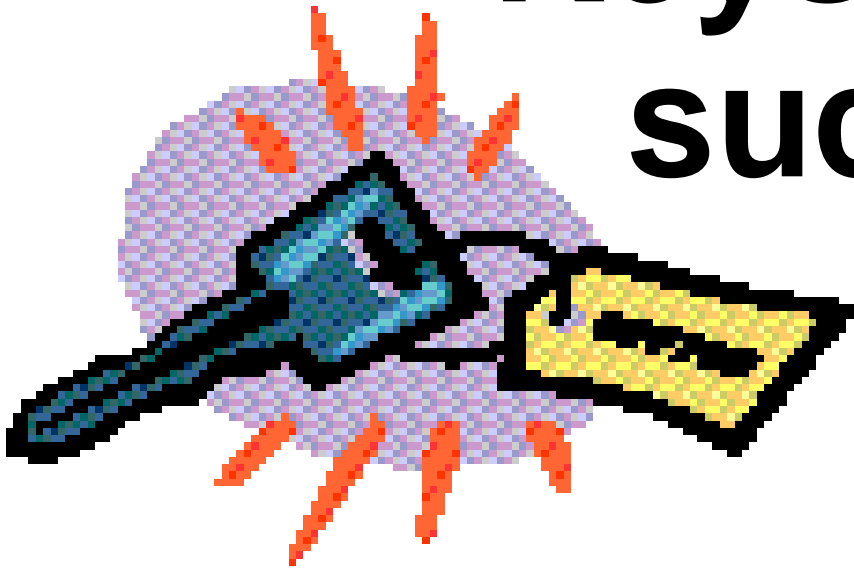
What is really fun to say is: "Sure, you're protecting your insurance company from paying claims but, more importantly, you are protecting your family's financial stability. It is not a good position to be owing money on a car loan, without the car, and not having enough money to get a decent car very quickly."

After about six months of using this presentation, my auto thefts went down dramatically and continue to be down today. I am sure it can have an effect on your agency as well.

Give it a try!

Keys to success

*in the
nonstandard
auto market*



By Ken Unrein

During most of my 25-plus years as a Farmers Agent, I have been told there was no way the company could profitably underwrite the "substandard" auto client. We have been told this class of business was unreliable at best. The nonstandard client was shunned and labeled as unstable and untrustworthy, if not devious. The "preferred" carriers in the industry took a hands-off approach toward this segment of the market.

During the past decade I have observed a change of attitude in the insurance industry, toward the nonstandard client. As insurance consumers and companies understand more about this niche market, acceptance is replacing the "substandard" stigma.

The evolution of the non-standard auto insurance business is due in part to the growing need for the coverage it provides. Drivers with no prior auto coverage, teen-age drivers, owners of certain type of vehicles and drivers with traffic tickets or accidents often require

nonstandard auto coverage. The insurance industry estimates 60% of the people who contact an agency for coverage fit into the traditional "nonstandard" category.

In response to this growing market, the "preferred" carriers are entering the market via subsidiary companies. Preferred carriers have realized nonstandard is not always substandard. There is now a stampede to get into this once undesirable market.

Allstate entered the market through a subsidiary called Allstate Indemnity, which its captive agents are using to provide coverage to nonstandard clients. Two years ago, Allstate purchased Colonial Insurance Company, through which it is insuring the nonstandard market using the independent agency system. USF&G has purchased Victoria Fire and Casualty Company of Cleveland, Ohio, and Titan Indemnity Company of Troy, Mich. These regional insurance companies were — and still are — very successfully providing coverage to this previously undesirable market.

Nonstandard carriers and agencies are now the hottest thing on the market. It seems that if a preferred carrier wants to boost its stock price, it needs only to put out the word they are pursuing a nonstandard carrier.

On May 18, 1998, Martin Feinstein sent a letter to all Farmers employees, Agents and District Managers concerning the direction of Farmers and Zurich Industries.

He stated: "The broadening of Farmers' underwriting strategy is to include more non-standard auto insurance. Non-standard auto is a large and growing market, with net written premiums of more than \$12 billion annually. To be good at this business you need a low cost base and strong, specialized underwriting. Disciplined underwriting in specialized markets is one of Zurich's strengths, while Farmers has efficient operating systems and our strong relationships through our agents help us keep customers. And when you think about it, many of today's non-standard risks are tomorrow's preferred drivers." A subsequent

Achiever article announced Farmers was on the threshold of entering the substandard market.

What does this mean to me as an Agent?

If industry estimates are evenly remotely correct that 60% of insurance shoppers are non-standard, it could open up an enormous opportunity for you to build your agency.

However, all that glitters is not gold.

The average Farmers Agent is not used to dealing with non-standard clients. Clients coming to you for nonstandard coverage have had difficulty qualifying for standard insurance. Such an applicant might be reluctant to disclose someone in the household has a tarnished driving record.

Most, if not all, nonstandard auto policies require that all drivers related by blood or marriage to the insured and living in the insured's household are named on the policy. Otherwise, if an uninsured spouse borrows an insured's vehicle and has an auto accident, the insured will not have coverage for the resulting damages.

As an agent, you will find that

this nonstandard client requires substantially more time than your preferred client. The retention will be 33% less than your preferred client. You will be rewriting this client two to three times each year. This client will require more service from your staff than you may be used to providing. They generally change vehicles more often than the preferred client does and these vehicles tend to be older vehicles with liability only coverage. These clients are generally less stable and tend to move more than your preferred client, requiring your staff to update their file more often.

The industry average to service and maintain the nonstandard client is 12%. The average commission being paid by the nonstandard companies is 15%, with a contingency bonus if the agency is profitable. This should leave you with a net profit of 3% plus any bonus you may earn.

Assuming you will increase your selling market by 60%, and make a net profit of 3% on your sales, you will be able to generate some additional income for your agency.

In terms of effort vs. results,

writing nonstandard auto insurance business makes good sense. You could write one non-standard policy for \$2,000 and earn 5% more commission than you could on four \$500 standard auto policies.

By offering nonstandard auto insurance, you will provide a service needed by a significant segment of your community. This segment can include some of your better clients. For instance, an insured with a homeowner's policy, a life policy and a business policy also may require a nonstandard auto policy. The ability to write such coverage can help you retain all of that client's business.

The keys to success in the nonstandard auto market are simple.

First, plan to spend a considerable amount of time with each client when setting up a policy.

Second, be thorough when gathering application information, especially the driving records of all drivers in the household.

Third, carefully explain and document to each insured who is and who is not covered by the auto policy.

Good luck!

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Fax weary?

Let WinFax handle laborious fax chores and simplify your life



By Jeff Ryan

Remember when no one had fax machines, answering machines, cell phones, or computers? Today, I'm sure most people wouldn't be without any of these electronic gadgets. That's how I feel about my WinFax program. WinFax has really enhanced my PC experience.

When I need to prepare an Auto or Homeowners Evidence of Insurance (EOI), I click on my electronic file EOI and drag down the miniature icon of my blank EOI into the electronic icon typewriter. The program then opens it up to a full screen and I can type the information I need onto the EOI. Another click brings it back into your client's electronic file and from there you drag the EOI icon down into the WinFax icon. WinFax now opens up and you can automatically send your document to the client or the title company. You can also enclose a cover letter if choose to. Pretty neat stuff.

It gets better.

We all have experienced the call from the escrow officer saying that there is a mistake on the

EOI. It now is very simple to correct. Go into your client's electronic file, drop the EOI into the electronic typewriter again, the same text will be on the EOI, and you simply correct the mistake. Next, you drop the EOI icon into the WinFax program and click send and away it goes. Obviously, if you need a hard copy of the EOI you can print one off on your printer.

Also, we've all gotten the call: "We can't find your EOI. Did you send it?" The fast and simple solution is to click on WinFax and click on the "Send" icon to see a list of all faxes you have sent. Your sent faxes are listed time, date, telephone number, and to whom it was sent. You now click on resubmit and away it goes again. Pretty neat stuff having an electronic log of all your faxes. And you also have the document in your electronic file cabinet. I love the Visioneer Paper Port Strobe for easy scanning and easy retrieval of electronic files.

I bet you know of, or have heard, the term "broadcast faxing." It is simple to use with WinFax address book. You name

a "Group" and put all the needed contacts into that "Group." When you have a document you want to send to that "Group", scan it in, drag into WinFax, click on the "Group", click send, and, again, away the document goes, and you're back to business. I have a "Group" set up for our Chapter and, when I need to send out information to them, I let WinFax handle the laborious faxing to all our Chapter members. You also can set your up PC to receive all incoming faxes. I let the faxes come in on my fax machine while I am at the office. Weekends and nights I let the computer take incoming faxes.

UFAA Tech has completed a UFAA Computer Manual and it has been sent to all the Chapter Presidents. It is also available on the secure section of UFAA Technology on ufaa.com.

Steve Todd, manager of UFAA Technology, will be at our National Convention in June, demonstrating these techniques and much more.

I hope you are coming to the Convention and keep visiting ufaa.com for computer tech information.

UFAA Tech to the rescue!

More computer problems solved for UFAA members

On a recent trip to Arizona, UFAA Technology Services manager Steve Todd worked with many members and help solve their problems.

Problem 1: The Agent experienced problems with networking his notebook computer into the rest of his LAN while in the docking station. He had purchased a new network interface card (NIC) yet was still unable to connect to his network.

UFAA Technology Services solution: After discussing the problem, it was learned that there was no real need for the docking station, so the solution was to change network cards to

a PCMCIA network card, which, when installed, allowed the computer to immediately come up on the network and be used without further complications.

Problem 2: Several Agents in Arizona have emulation cards but they have not been able to establish more than one session on their PC.

UFAA Technology Services solution: The solution was to configure the PC emulation to utilize multiple sessions and then check their S/36 to ensure they have an adequate number of sessions available to them. If they have the correct number of sessions available, then the sys-

tem is reconfigured and multiple sessions are available.

Problem 3: Many Agents have asked about setting up a "paperless" office.

UFAA Technology Services solution: The solution has been to obtain Visioneer Paperport Deluxe and, for those that wish to have "virtual file cabinets," PaperMaster 98.

Problem 4: The Agent was unable to communicate with his office computer while at home.

UFAA Technology Services solution: After going through various configurations and tests,

Continued on p. 11

Agency Ideas

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Feeling left out?

*Here's how you can survive
— and even prosper*

Many Agents feel lost and bewildered about the lack of management company support and what they are forcing Agents to do. Time and money are some of the bigger problems facing the Agents representing Farmers Insurance today.

In order to survive, agents must learn how to gather information from many sources and how to use that information more efficiently.

Step one of that process is to find out what is going on around the country and how other agents have been successful with similar problems. The best way to accomplish this is to read *The Voice*. After studying the contents, it is time to get active in your local Chapter, in other words, join UFAA.

UFAA is about sharing ideas that will make everyone a better Agent. More importantly, UFAA is about "Agents helping Agents." Many times, a successful Agent can explain how to become a better Agent by doing something different that neither the company nor the Agents in a district are doing. Of course, it would be preferable if one could meet Agents from all over the country.

If you are active in your Chapter, it's time to start planning on going to the UFAA National Convention in Las Vegas, either as a delegate, an alternate or just as a member of UFAA. Talk to your Chapter President and see if funds are

available for someone to go as an observer. Even if the funds are not available, it's worth paying your own way. Most agents that attend for the first time come back with a sense of belonging and realize our Association is indeed very professional.

At the Convention, many of the workshops will help any agency become more successful. There will be a variety of speakers such as Gary Gasper, our CEAA (Coalition of Exclusive Agent Associations) lobbyist from Washington, D.C., and Don Cassell, president of CEAA. Representatives from other agent associations also will be present.

Vendors who sell products related to the insurance industry, such as software and other computer products, will be there. Steve Todd, manager of UFAA Technology Services and webmaster for *ufaa.com*, also will be in attendance and is another great source of information. Any UFAA member can get help from Steve on computer related problems, which saves our members both time and money.

"Agents helping Agents" is what makes the National Convention great.

You will be encouraged to express your own ideas and contribute your strengths and leadership so others may benefit from your experience. UFAA members from all over the country will want to stay in touch and

exchange ideas so you will know what is going on in their state. Keep in mind that whatever happens in their state will happen in your state someday soon, and vice versa.

Aiming toward the future helps members focus on goals that both cut costs and increase profitability and helps turn weaknesses into strengths.

In February the National Board and the Chapter Presidents met. This year the Chapter Presidents discussed and reviewed a group health plan, how to manage a Chapter, how to buy an AS/400 outside of Farmers and many other ideas and concepts that could help an Agent save time and money.

E-mail updates are sent out almost every week, keeping Agents abreast of what is going on around the county as well the latest news dealing with UFAA. Discuss this with your Chapter President or, better yet, see how you too can receive a copy.

Ufaa.com also is an important source of information. Of course, anyone can access it but that may not be true in the very near future. Certain parts will be restricted to members only.

Also, after being a member for a year, it is possible to receive a 20-minute consultation with UFAA's attorney, at no charge to the member.

Maybe now you understand why all Agents are not equal and why others just feel left out.

Attn: Mr. Feinstein

Can we get some answers please?

1. Profits going overseas are way up. Your salary and benefits are way up. When does our interactive share rate go up?

2. The problems with APPS, FPPS and EasyPay were going to be solved in six weeks. It's been over six *months* and we have just as many problems. What would Bill Gates charge to completely rewrite the database?

3. If Zurich won't let us write their life products, can you get them to stop those embarrassing life mailings to our customers?

4. Can the Ohio Civil Rights Commission's accusations about "redlining" be resolved by moving those three P&C companies into Ohio?

5. You take a CNA product and label it Farmers and a Universal Underwriters product and label it Farmers and then tell the agency force they *have* to write those products. Can you take a Farmers product like Civic Pride or Neighborhood Spirit and *let* the agency force write those?

UFAA Tech

Continued from p. 9

it was determined the modem had died. A replacement was obtained, installed by the Agent and configured by UFAA Tech over the phone. The result was the Agent being operational within hours of installing the modem.

Problem 4: An Agent switched from DOS- to Windows-based software and immediately had problems connecting with the Farmers network.

UFAA Technology Services solution: After some discussion it was determined that the problem stemmed from the lack of Windows drivers for the emulation cards. After installing the drivers and configuring each card, our Agent was successful in re-establishing communications with the network.

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It's a promise!

Step 1

"We know where we are going because we know where we have been. Our direction is sure, and we will move forward with all the security that a multi-billion dollar corporation affords its personnel. We will market only the highest quality products at fair and, most importantly, competitive rates. We are among the largest insurance groups in the world and we are growing at an aggressive rate. We will supply you all you need to succeed: the attraction of major name recognition, advertising support, sales materials, manuals, products and rates necessary to compete in the marketplace. As our agents, we will provide you health insurance, life insurance, disability insurance, professional liability, and make available retirement programs to assist you in securing your future. And look at this, you will have your contract value to retire on. Come work with us. Work hard for just a few years until you reach a comfort level. Just like Joe Agent here. See his paycheck? He hasn't worked more than 30 hours in a week in over 10 years. This can be you!

"Now all you have to do is sign up with us. Just sign here. Don't worry about that stuff there in section H. The only reason the companies would ever terminate you is for the five reasons shown. Look, we even have a review board that includes your peers if you ever have a question. Come, sign with me. I'll be your friend and confidant, *just sign here.*"

X_____ (I did!)

Step 2

Now, how come ...

- I have to pay for all the imprinting?
- I have to pay for most all advertising because ad-aid runs out in February in my district?
- My health insurance is not competitively priced?
- The E&O coverage has a \$5,000 deductible?
- Most manual and rate pages are computerized (this is good) and yet (this is bad) I have to cover the technology costs forever?

- The disability income policy stops paying at 65?

Don't most multi-billion dollar corporations take good care of their personnel? Are we Partners in Pride?

Step 3

Now answer these questions:

Who do you call when you need to know where to get a 5280 emulation card?	___FGI/DM	___UFAA
Who do you call when you need to know where to get continuing-ed credits?	___FGI/DM	___UFAA
Where can you get an alternative to high-deductible E&O?	___FGI/DM	___UFAA
Who really brought you the AIMS OPTIONS?	___FGI/DM	___UFAA
Who is most interested in protecting the Agent Distribution system?	___FGI/DM	___UFAA
Who is working on reducing your computer costs?	___FGI/DM	___UFAA
Who is fighting to prevent independent agents from writing our products?	___FGI/DM	___UFAA

Step 4

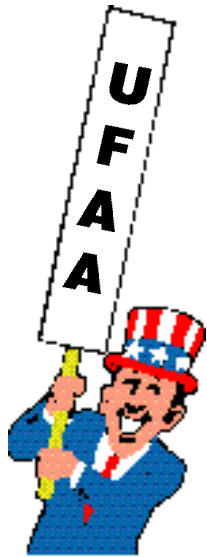
If you think the true answer is "Your Agents Association," then *just sign here*

X_____

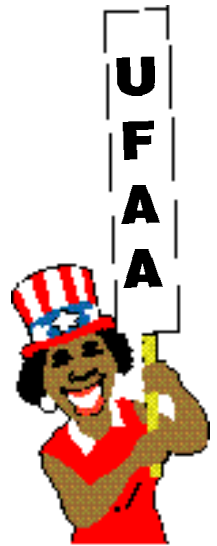
Now transfer signature to application at right!

— ***Membership Director Mark O'Donnell***

application
fpo



The
**United Farmers
Agents Association**
proudly presents the
**1999 UFAA
National Convention**
June 15-17, 1999

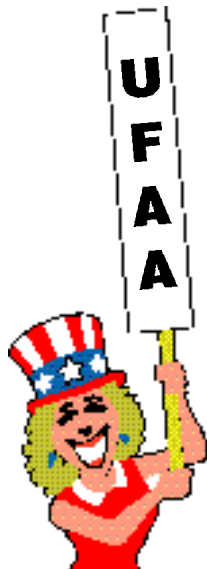


It's that time again! The 1999 UFAA National Convention will be in Las Vegas, Nev., at the Golden Nugget, located downtown at 129 E. Fremont. The format includes a delegate hospitality/registration on Monday night from 3:00 pm to 10:00 pm, an opening breakfast Tuesday at 7:00 am, a variety show Tuesday night at 7:30 pm, and a cocktail reception and banquet Wednesday night at 6:00 pm.

We have lined up a number of speakers, including Don Cassell, president of the Coalition of Exclusive Agent Associations (CEAA), and Gary Gasper, lobbyist for the CEAA. Others are attempting to work out conflicts in their schedules so they may attend. They include a congressman and a state insurance commissioner.

We are still working on the workshops. Currently in the works are: (1) Steve Todd on use of computers and software products including Microsoft Word and Excel. Learn the uses of word processing and spreadsheets. (2) Nancy Barron will conduct a workshop on profitability and marketing. (3) Homer Jones will show everyone how to manage their agencies using a real database. And (4) an IBM Business Partner will lead a workshop on the AS/400. All in all, UFAA expects this to be one of the best Conventions ever.

We're "Agents helping Agents." It's a great time to be a UFAA member!



Quotas vs. Service

A DM shows his true colors

Remember when your parents said, "If you don't clean your room, you won't be able to go out!" And because they were your parents (and you desperately wanted to go out) you cleaned your room. If you didn't, they could enforce the rules and you stayed home. You got a lesson in "options" and "choices."

Well, "Dad" lives in California.

First, a little background. If you aren't on EasyPay, count your blessings because EasyPay makes Prematic look well-staffed and well-run. When you're lucky, you can get through to Prematic staff. Not with EasyPay, though. You *must* go through the DM's office because they are the *only*

ones allowed to talk to EasyPay staff. And with EasyPay, there are problems upon problems.

A DM in Mission Hills, Calif., sent a letter to all his Agents earlier this year with a really big "if you don't, I won't" comment. But his comment didn't offer options or choices. His comment did involve the livelihood of his independent contractor agents.

The DM said agencies "not on track with [70 life count per month] or who have not made alternate plans with me will immediately cease receiving the support of this office."

Life quotas imposed by a DM. Life quotas that directly impact an Agent's ability to ser-

vice his customers. Interestingly, neither DMs nor quotas are mentioned in any Agent Appointment Agreement, but the word "service" is! But that apparently doesn't matter to this representative of the management company. The customer can suffer. The Agents Appointment Agreement is just a meaningless piece of paper. His problems and quota are the only things that matter.

Has the management company seen this DM's letter? One could only assume they have. And you too can see it in its entirety by going to ufaa.com.

Has the management company stopped the DM from carrying out his threat? No.


Storage ad
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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 allows you 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, thus 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 assist you in earning more money from outside business without the worry of a large deductible. And to make the program even better, the price was reduced this year (see p. 22).
- ✓ Our outside legal opinion of the HMA agreement assisted you in your decision making.
- ✓ We have a special agreement — with a nationally known lawyer familiar with the Farmers agency force — that allows you to receive a free legal consultation.
- ✓ Our efforts on the national level defeated legislation designed to change the IRS definition of independent contractors, a change that would have adversely affected your livelihood
- ✓ Pro-agent legislation has been introduced in many states — and passed in several — that benefits all exclusive agents in the specific state.
- ✓ We introduced "The Everen Connection," now Paine Webber, an investment and retirement program for UFAA members. Now you can get reduced fees without sacrificing the benefits of a professional investment counselor.
- ✓ UFAA Technology Services, a subsidiary of UFAA, is now 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 investigating using the Internet to generate insurance leads that will be sent directly to your e-mail address or fax machine. The Internet is the future that is here now. We will be a part of it.
- ✓ 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.



Our Association is forging ahead — assisting our members in developing their agencies, providing valuable information to our members and being active in the legislative arena to promote and protect our members' interests. Join 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

Paine
ad
fpo

From the director:
**Governmental
Affairs**

***Report from CEAA
board meeting***

By Frank Mortimer

The Board of Directors of the Coalition of Exclusive Agents Associations (CEAA) met March 21-23, 1999, in Alexandria, Va. UFAA President and CEAA Secretary-Treasurer Ralph Buchanan, UFAA Vice President Chuck Simpson, and UFAA Governmental Affairs Director Frank Mortimer attended.

CEAA President Donald Cassell provided a great amount of information to our group of agents from seven different direct-writer insurance companies. Donald has spent many hours attending other insurance-related association meetings and was very thorough in bringing us all up to date on what is going on in our industry.

CEAA lobbyist Gary Gasper attended the meeting and discussed what we needed to deliver to the Congressmen and Senators we would be seeing later that day to gain their support. Appointments were scheduled with Congressmen Jerry Weller, J.D. Hayworth, Kenny Hulshof, Jim Ramstad and Gerald Kleczka and Senator Christopher Bond's aide, Mark Warren. Gary Gasper served as our main spokesman to deliver our message.

Items of importance reviewed at the board meeting were:

— HR10, the banking bill, as it presently stands, needs some revisions to insure that there is a level playing field regarding fees paid for referrals by banks and definite licensing provisions to make sure products being offered and sold comply with state license regulations.

— Auto choice legislation, offering a low-cost auto liability plan, should not

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Letters can be sent to the UFAA National Office or to the webmaster at ufaa.com.

Prematic

I was having lunch with an Agent friend recently and we were discussing an HBO movie we had seen the night before, "Titanic."

The subject of Prematic came up next and my friend floated a beautiful idea. "They could fix Prematic," he said. "All they would have to do is make a couple of simple changes."

I was listening.

"All they need to do is get rid of the deposit and pro-rate the first month's premium. You know, collect for two days on the 29th instead of collecting for 31 days," he explained.

"You're right, and the customer would be able to understand the bill. And what about car changes that miss the cut off? Instead of getting charged for April and Deposit and May and June for the premium difference, the bill would say "April, May and June" and the customer would understand all this!

Will Rogers said, "Everybody is ignorant, only on different subjects."
— **Name withheld**

Direct writing with American Bankers

The management company is severing its relationship with American Bankers. American Bankers is not actively recruiting Farmers Agents for a direct contract, either because that was part of their agreement or the fear of a lawsuit. But American Bankers will do direct appointments if the Farmers Agent asks for it.

In order to write with Farmers Write Your Own (WYO) program, you have to sign yet another agreement. Flood insurance, through any WYO program, is still a U.S. federal program. An Agent can write this business with any WYO that will contract with him or directly with the NFIP. I do *not* see how the management company can control this unless you sign a new contract specifically covering the flood policies.

There was *no* pre-warning by the management company that this new program was being introduced. So I infer they want to seduce agents into

signing the new agreement before they have carefully thought it out. I have been advised that some Agents have already signed this new agreement. It is very much like the HMA. All take and no give.

About a year or two ago, at a Farmers Expo in Pasadena, Calif., I spoke to an American Bankers representative and asked him what would happen to the flood policies written through American Bankers when the Farmers Agent was terminated. He told me the Agent could contract directly with American Bankers.

Have you considered calling American Bankers and asking them to remove you from the Farmers program and let you write directly with them? I made that change almost a year ago and was successful in rolling over all the policies in the Farmers program to my new status as a direct writer with American Bankers. I was even issued a new producer number. It was really quite easy.
— **Name withheld**

The new century is upon us

It boggles the mind that a company, which should have resources serving them better than it does, can institute programs such as APPS, FPPS, and EasyPay. All you have to do is look on the Internet and see the dozens of traditional companies that are pushing the technology envelope.

A simple, but temporary, solution to monthly billing would be to just continue with Prematic *but* remove the hard position taken 3 to 4 years ago of not allowing any carryover balance on a billed "cancellation billing." In the old days, as long as the client made the previous balance due, the account would continue billing. That worked very well. Sure they may have lost some money in earned premium, but I find it hard to believe it was worse than what they are spending or losing now. At least, as a temporary solution, this would allow Agents a smoother monthly-billing program.

This company is far from leading the way into the next century. There is no reason every Agent shouldn't be able to access the network through the Internet, using a PC, dialing a local access number. Rating programs should be downloadable, and third-

party vendors should be encouraged to compete to provide better software and programs for the Agent. This can be done *today* and still provide the security the management company is rightfully concerned about. The money saved by not making AIMS lease payments could be used much more productively.

The technology is here *today* to do all this. The new century is upon us. *Tomorrow* will soon be *today*. For Farmers, *tomorrow* may become *too late*!

— **Name withheld**

Quotas or no quotas?

Thumbing through the Agents Guide the other day, I couldn't help but notice a paragraph entitled "Duties and Responsibilities." It reads as follows: "Negative or minimal sales effort will be considered in determining whether or not the Agency is producing an acceptable business result, which in turn will determine whether the Agent Appointment Agreement will be maintained."

I had never heard this before in my life, nor seen it in writing. My DM certainly didn't say anything like this to me when he recruited me some 20 years ago. To the contrary, he kept talking about my being an

independent business owner. And, ever since then, I always thought I was.

But, if I understand this statement correctly, it means that if Agents don't produce sales to the satisfaction of the management company, their Agents Appointment Agreement will be "un-maintained." Yup, it sure sounds like that's what it says, all right.

Thank goodness no statement like this is in my Agents Appointment Agreement because I never would have signed my name under words like that. And I have never seen any such wording in those agent recruiting advertisements either, like those appearing in the *Friendly Exchange*. Has the management company thought about including that statement in future advertisements?

Now, just to confuse things further, later in the Agents Guide comes the following statement, "Farmers does not set sales or production quotas for individual Agents or groups of Agents."

So I ask, which is it? Quotas or no quotas? Agents Appointment Agreement and one part of the Agents Guide or a different part of the Agents Guide?

Me? I'll stick with the Agents Appointment Agreement.

— **Name withheld**

BOS ad
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If UFAA wasn't around ...

By Jeff Ryan

I think we all are aware that now you are not responsible for SECA tax on your contract value when you leave the agency force as a result of UFAA working with the other agents associations through the CEAA to get federal legislation passed.

I think you all will agree that the way PCs are used in the agency force today and UFAA's "Saving \$\$\$ on The AS/400 Program" are directly related to the computer antitrust lawsuit that UFAA filed against the management company several years ago.

But, just to refresh your memory, during the computer antitrust lawsuit the company admitted to overcharging the agency force by \$75 million. Perhaps a direct result of this lawsuit will be that the agency force will never be grossly overcharged again. Perhaps?

These are all great achievements from the recent past, but accomplishments that remain unseen or not understood by most Agents.

Most Agents will remember, about five or six years ago, when certain District Managers in the company were using extremely aggressive tactics to manage the Agents in their district. Some may say those tactics may have been sexual harassment, discrimination or violations of constitutional and civil rights of their Agents. It appears there may have been some totalitarian "regimes" within our operating territories.

I will be the first to agree those conditions, actions and behaviors have changed a lot

since then. However, few Agents are aware of a situation in northern California that has helped bring about more change.

About five or six years ago, several UFAA Agents apparently sued their District Manager over excessive "harassment." Now, can you image eight Agents in one district getting together to sue their District Manager over his management style?

One could probably assume that things were pretty bad. Abuse heaped on agents because of their religion. Unable to communicate without extensive use of swear words. He even went to the extent of pinning one of the Agents up against the wall with force.

Well, the lawsuit went on and on, and these eight brave and courageous Agents spent well over \$120,000 in legal costs. There were cross-suits starting to fly around and, as I was told, the attorneys for our courageous Agents, who were being sued by the DM, had to be represented by Farmers' attorneys.

Do you remember when Farmers came out and said they were not going to insure any more Agents' offices? This happened during that time period. Yes, they did change their minds, but I wonder what made them think about not insuring Agent's offices? I was told it was because Farmers had to represent the Agents' attorneys.

Finally, as the story goes, a settlement was offered. Farmers would pay all the legal costs incurred by these Agents and transfer them out of that district. However, not a penny was offered for punitive damages.

The Agents were tired and financially strapped, so they agreed.

Shortly thereafter, District Managers in our area of northern California started to put on smiley faces and say, "How can I help you?" In my own personal opinion, these new smiley faces were a direct result of this particular lawsuit.

Sometimes, unfortunately, it takes extreme measures to bring about change. So, in my opinion, life as an Agent would be much more difficult if not for the presence of UFAA.

UFAA is moving along on many proactive and progressive Agents' issues. We are accomplishing a lot. Just visit our website (ufaa.com) and view some of our contemporary and past achievements.

I also would like to believe that UFAA can carry the big stick (legally speaking) if need be (hopefully it will never have to be used) and be a motivating factor to the powers that be to walk the straight line. I hope you see the merit in this belief also.

UFAA needs your membership if you want true dialogue with the management company. If UFAA had 50% of the agency force as members, we believe many of your business concerns would be addressed.

That is why it is important for each of you to join UFAA if you are not happy with current business trends in the company.

Think about it!

Editors note: *Although no one likes a lawsuit, this is a great example of Agents standing up for their rights.*

Bond ad fpo

CEAA

Continued from p. 17

receive any support from our members.

— SECA tax involves self-employment income from insurance agents' termination payments, which is very important to all of us.

Congressman Jerry Weller will introduce some corrections to the current SECA tax law that will benefit both Farmers Agents and American Family agents.

— The President's FY2000 budget includes a tax-increase proposal on insurance companies. Therefore we suggest you not support it.

— Independent Contractors Simplification and Relief Act S-344 is Senator Bond's bill. We agree with it, and ask others to support it.

— Just cause termination laws are presently in force in only five states. We need further action to attain the same laws in other states

— Content of items to be in the CEAA journal and methods of distribution were considered.

—We discussed the CEAA website at the close of our meeting. The site needs to be reviewed for corrections and updated. Monthly committee reports need to be posted on the site.

The meetings went well. I am impressed with the leadership of the organization, as well as the direction we have chosen to take.

Is it necessary to write outside business to supplement your income? Are you worried about that \$5,000 deductible on your E&O? Are you interested in a policy that offers coverage for your whole office for just one low price? Read on ...

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ENROLLMENT FORM FOR UFAA's "Original" E&O DEDUCTIBLE RECOVERY PROGRAM

YES! I would like to enroll in the E&O DEDUCTIBLE RECOVERY PROGRAM offered exclusively by the United Farmers Agents Association. Here is my check to Equity Insurance Service, Inc.

Name: _____

Address: _____

City, State Zip: _____

Phone: _____ Fax: _____

Agent Code: _____

Social Security No. _____ or Fed ID _____

Agents are enrolled monthly on the 15th of each month and pay a pro-rata portion of the \$150 annual policy premium (see chart below).

AFTER	BUT BEFORE	PREMIUM IS
07/15/99.....	08/15/99.....	\$137.50
08/15/99.....	09/15/99.....	\$125.00
09/15/99.....	10/15/99.....	\$112.50
10/15/99.....	11/15/99.....	\$100.00
11/15/99.....	12/15/99.....	\$87.50
12/15/99.....	01/15/00.....	\$75.00
01/15/00.....	02/15/00.....	\$62.50
02/15/00.....	03/15/00.....	\$50.00
03/15/00.....	04/15/00.....	\$37.50
04/15/00.....	05/15/00.....	\$25.00
05/15/00.....	06/15/00.....	\$12.50

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