

The Voice

A publication of the United Farmers Agents Association

Winter 1999



Marty Feinstein 1999 Life Championship

Q: Agents have been asking me, "When are we going to get cheap term insurance from Zurich?"

A: "Let me tell you, I'll give it to you, but you'll get no commissions and you'll eventually go out of business, 'cause all you're doing is selling cheap."

See article, p. 8



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.



McGraw ad

The Voice



Winter '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.

From the director:

Media Relations

*Be a leader,
not a follower!*

By Ken Unrein

One of the typical calls I get from Agents around the country points out the misunderstanding the majority of the agency force has about UFAA.

The Agent asks, "What can the *union* do for me?" This causes me to chuckle a little inside and I already know what the answer will be when I ask, "Where are you getting the impression that UFAA is a *union*?"

The response is generally that their District Manager or someone in the sales department told them UFAA was nothing but a bunch of low-producing, complaining, whining, negative, disgruntled Agents who are trying to unionize the agency force.

I then ask them if they consider themselves to be an employee. At that point some of them hang up on me, and others respond with a resounding "No!" They tell me they are not employees but Independent Contractors. I ask: "How can a group of Independent Contractors form a union? I have always been under the impression that only employees can form a bargaining unit (union) for the purpose of negotiating better wages and or working conditions."

UFAA is not a union but is in fact a professional organization of Independent Contractors who sell insurance products for the

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UNITED FARMERS AGENTS ASSOCIATION
8711 Big Bend • St. Louis, MO 63119
314-968-3344 • FAX 314-918-1718

RALPH BUCHANAN
PRESIDENT

Dear Member,

Have you ever thought that now may be the time for the Board of Governors of the Exchanges to seek a new management company to handle the affairs of our Exchanges?

For those of you who may be new, let me explain. A condominium unit owner gets to vote annually for the board of directors that runs the condominium association. Does that board hire a landscaper, a painter, or a roofing contractor? No, the board hires a management company to handle the affairs of the condo association. Similarly, each of the Exchanges that makes up the Farmers Insurance Group of Companies has a Board of Governors that hires a management company to handle the affairs of the Exchanges — a subsidiary of Zurich Financial Services known as Farmers Group, Inc.

If the landscaper in your condo association performed poorly, would you voice your opinion to your board of directors? Would you ask your board to investigate switching management companies if things were going poorly?

Many years ago, the management company spent millions of dollars (from the surplus of the Exchanges) defending an antitrust lawsuit involving the System36. Prior to proclaiming "Victory," they proudly introduced the AIMS options and Agents were suddenly allowed to have PCs, lease computers from outside vendors and buy used System36s. So why did they spend those millions of dollars?

The management company proudly proclaims they spent \$300 million (from the surplus of the Exchanges) developing APPS and FPPS and the programs still are very cumbersome, highly susceptible to errors and, frankly, are not the "leader in the industry" as proclaimed by the management company.

We were told there was no reinsurance following the 1994 Northridge earthquake, causing a lengthy moratorium on fire production for thousands of Agents in California and Texas. But we recently found out \$1.243 billion was returned to the surplus of the Exchanges by the "nonexistent" reinsurance. Although the \$1.243 billion was a welcome addition to the surplus, many Agents were shocked by and disappointed in the management company. Should we feel bad? We're in good company, since the California legislature also was told the same thing. Who suffered? The integrity of Farmers.

The EasyPay program was introduced with great fanfare and a video filled with glowing words and heads bobbing (on cue) in the audience. The management company never quoted a price, but we certainly didn't get our money's worth. How many surplus dollars were spent? How many surplus dollars have been written off because of programming errors? And the program is still rife with errors.

Recently, Texas implemented a new credit-based auto rating program paid for by surplus funds. The program hit the streets with great fanfare but, apparently, no real testing, error checking, or concern for the agency force. The problem? The program could find very few, if any, customers who could qualify for the new Ultra Preferred rates, and it wasn't allowing for even the most common discounts.

The expansion into the 12 eastern states apparently is going well. With over 14,000 direct writers paying the freight, the Independent Agents have no computer costs because company employees handle the task in the Baltimore Business Support Center. Would you also accept higher commissions, competitive rates, and no computer work?

The management company, on behalf of themselves and the Exchanges, are purchasing Foremost Insurance Company for cash and surplus notes. Is this a good deal? In the first year, the management company will be charging a 15% management fee on every premium dollar collected by Foremost that will go to 18% in year two (versus the 11.5% they charge the Exchanges). On top of that, the management company will charge Foremost interest on the surplus note. Will Foremost premiums remain competitive? Rates have to go up to cover the 18% fee so rates probably will not remain competitive. And what does the Agent receive? A "Credit Watch Negative" rating from Standard and Poors.

Maybe it really is time for the Board of Governors to think about hiring a new management team to handle the Exchanges. Maybe it's time to switch before another 1,000-plus Agents call it quits, their hopes and dreams destroyed, as their PIF and incomes decline. Maybe it's time to switch before another lawsuit is filed, lost, and millions of dollars again are taken from the Exchanges. Maybe it is time.

Foremost becomes 'Premier' too

Analysts praise strategic fit, Zurich shares rise on news

ZURICH, Oct 19 (Reuters) — Zurich Financial Services (ZFS) said on Tuesday the Insurance Exchanges managed by its U.S. Farmers Group unit had agreed to buy Foremost Corporation of America for \$812 million.

The move underscored the Swiss-based group's strategy of growth in profitable niches.

Zurich Financial said fee earnings at Los Angeles-based Farmers would be lifted by the purchase of Wall Street-listed Foremost, the 11th largest U.S. insurer of homes.

Insurance Exchanges aims to complete the purchase in the first quarter of 2000, it added.

Analysts welcomed the deal, saying it fit well into Zurich Financial's strategy, and Zurich Financial's Swiss shares rose five francs to 805, outperforming the Swiss blue chip index, which was up 0.4% by mid-morning.

Foremost's premium income, which was \$442 million in 1998, would be added to that of Insurance Exchanges, whose fee payments to Zurich Financial's Farmers Group are tied to the level of premium income, ZFS spokeswoman Iris Roth said.

Foremost premium income was expected to rise to \$500 million in 1999, Roth said, adding that in the first three years after the acquisition Foremost would pay 15% in fees to Farmers, rising to 18% thereafter.

As a comparison, Insurance Exchanges transferred \$1.4 billion, or 12.5%, in management fees to Farmers on premium income of \$10.53 billion in 1998.

Roth said Insurance Exchanges would offer \$29.25 per share in Foremost, 72% of which is stock-market listed. Of that percentage, 60% is owned by institutional investors. Foremost directors and officers own 28% of the total.

Analysts said the transaction was sensible for Zurich Financial, noting that it offered cross-selling opportunities.

Michigan-based Foremost's niche products fit in well with those of Zurich Financial, whose Farmers subsidiary has been seeking to expand into the eastern United States, they said.

"Strategically, this makes a lot of sense," analyst Thomas Kalbermatten at ABN AMRO said.

At three times book value and 18.7 times 1997 earnings per share, the purchase price was reasonable, he added.

Zurich Financial regards the U.S. as one of its three home markets, the others being the United Kingdom and Switzerland.

Analysts noted that Foremost was profitable and one of the 50 most financially sound property and casualty insurance companies in the United States.

Under the deal, Zurich Financial's Farmers Group will buy \$367 million of so-called surplus notes to be issued by mutually-owned Insurance Exchanges, which is paying for Foremost from existing cash resources.

Foremost, founded in 1952, is a leading insurer of ready-made homes, including motor homes, campers, trailers and caravans.

At more than 1 million manufactured-home insurance policies, it has an estimated market share of 21%.

Currently, one in every four homes built in the United States is classified as ready-made.

Theft insurance

If you knew a thief was coming, would you insure against the loss?

If we were to ask you what purpose life insurance plays for your clients, what would your answer be? To replace the income stream of a client after he or she dies? To pay off a mortgage if the client dies prematurely? Or perhaps to provide a college fund for children? All these purposes are legitimate uses of insurance. But do you ever discuss using life insurance as theft insurance?

Life insurance makes great theft insurance. Try asking an affluent client the following: "If I told you that a thief was coming to take money from you, that I knew who the thief was, when he was coming, and knew approximately how much he was going to take, and that there is no way of stopping the thief from taking the money, would you insure against this loss?" Of course, the answer clients give is almost always a resounding yes. The thief is none other than Uncle Sam, aka the IRS, and the money stolen is a federal estate tax that is generally due within nine months of the death of your client.

Most affluent clients are unaware of the federal gift and estate taxes. Generally speaking, the federal government requires payment of an estate tax on wealth transfers that exceed \$650,000 for the year 1999. The tax rates for every dollar over this amount start at 37% and climb to a maximum of 55% on transfers that exceed \$3 million. Needless to say, most affluent clients are disappointed to hear



this news. But there is hope.

While estate and gift taxes are some of the most burdensome taxes a large estate will have to weather, they also are some of the most manageable tax burdens with early and proper planning. One of the tools estate planning attorneys use quite often in order to manage the estate tax burden is an Irrevocable Life Insurance Trust (ILIT).

Conceptually, an ILIT is very simple. The client prepays the estate tax bill for pennies on the dollar by buying a life insurance policy that is held in a trust, from which the proceeds of the policy go to the beneficiaries free of estate tax. The use of a trust is necessary because life insurance proceeds are estate taxable if the estate exceeds the \$650,000 threshold.

An estate planning attorney and a life insurance agent must act as a team to make the plan work. The attorney will explore the concept with the client and design, draft, and execute the documents needed. The life insurance agent takes the figures calculated by the attorney and makes a product recommendation accordingly. If the agent works with an attorney who regularly uses the team approach to estate planning, the attorney can be a great assistance in placing the insurance. Be sure to establish protocols and expectations with the attorney before meeting with the client.

Here is a typical case exam-

ple:

Agent meets with a single parent of three children. This parent has a \$1.5 million estate (assets minus liabilities, life insurance, and any retirement that survives him). Parent wishes to give his estate to his children estate tax free. Upon discovering this information, agent tells his client it appears he may have an estate tax problem and that he will arrange a meeting with an estate planning attorney.

Attorney will usually start the estate plan with a revocable trust. If the client is insurable, an ILIT may be recommended as a tax-planning tool. Typically, the client will try to pre-qualify for a face amount equal to the total tax burden, or a greater amount to account for estate growth. The attorney makes these calculations.

After the trust is created, a trustee (not the client) buys the insurance with the trust as both owner and beneficiary. The client will pay the premiums to the trustee, usually never directly to the life insurance company. The trustee will send the trust beneficiaries (typically the kids of the client) a letter explaining that a gift was made to them and that if they do not claim this gift within a specified time period, the gift will lapse. This requirement is necessary to have the gift characterized as a present gift, qualifying for the annual gift tax exclusion. When the beneficiaries do not claim the gift, the funds can be applied toward the premium

of the policy.

Upon the death of the client, the proceeds are paid to the beneficiaries estate tax free.

Many agents believe the estate tax should be calculated and more insurance coverage should be sold in order to cover the burden. In our experience, however, rarely does the plan make economic sense. Furthermore, when the client learns of the ILIT concept at a later time, your credibility may be damaged if you did not present them with the opportunity to explore the advantages to ILIT planning.

On the other hand, professionals who seek to learn and use this estate planning concept will not only raise their image and standing in the opinions of their clients but will be providing a truly valuable service that has the potential to generate large life insurance sales. There may currently be several clients in your book in need of such planning. If you wish to get started, here is a reprint of some information in our last article.

Action plan: First, locate a counseling-oriented attorney, who understands the importance of the team approach.

Second, simply ask both existing and prospective clients if they have done estate planning and, if so, when was the last time they had their plan reviewed.

Third, arrange for the attorney to review the plan or arrange for a joint appointment for you and the client to meet with the attorney to explore both estate planning and associated financial needs.

Wheeler & Nielsen is an estate planning firm with offices in Sacramento and Fairfield Calif.; telephone (916)325-0130; e-mail twheeler68@aol.com.

HELP WANTED:

The National Board of Directors has approved hiring a number of membership solicitors. We are looking for a person who would be able to converse with prospective members about their agency problems and operations. This will be a paid position with flexible scheduling with an incentive program attached. If interested, please contact Jim Beemer, Membership Director, at 970-356-3252. Application deadline 12/31/99.

Zurich Direct

Three mailers in 90 days ... and getting madder

Yes, I received another Zurich Direct mailer, the third in the last three months, soliciting me to buy life insurance from them.

The mailers are sent to my home address, and I can't tell if I have been targeted because I am a Farmers Agent, a homeowner, or whatever. Nor can I tell if some or everyone in my neighborhood received one.

Can you imagine selling one of our term policies to a client a few days before they receive the Zurich Direct mailer? What do you think the

chances are that he would accept or keep the FNWL policy after seeing how much lower the Zurich rates are?

Several weeks ago, a local life agent gave me a copy of a Zurich Kemper promotional flyer showing the premiums for their 20-year and 30-year term policies. In addition, during the promotion period, agents could earn bonuses for submitting three or more cases between Sept. 1 and Dec. 31. That was in addition to their already generous commission schedule.

Age (1)	Zurich Direct Coverage & Rates		FNWL Premium-10 Coverage & Rates		Age	Zurich Kemper (2)	FNWL Premier 20
	\$100,000	\$250,000	\$100,000 (3)	\$250,000		\$250,000	\$250,000
35 Annual	\$117.00	\$202.50	\$186.00	\$323.00	30	\$212.50	\$360.00
45 Annual	\$186.00	\$375.00	\$362.00	\$613.00	40	\$305.00	\$560.00
55 Annual	\$360.00	\$810.00	\$920.00	\$1,628.00	50	\$685.00	\$1,288.00

(1) Zurich rates are for 10-Year Level Term for a male preferred non-tobacco user

(2) Zurich Kemper rates are for their QuickTerm Premier male non-tobacco user

(3) FNWL Preferred rates are not available for less than \$150,000

Here is where the story gets better (?). Several Agents I know called Zurich and ended up purchasing one of their term policies. Considering we get 40% first-year commissions on the Premier 10 and 20 plans, it makes you wonder why an Agent wouldn't pay a few dollars more just for the production count.

Now for the rest of the story. Zurich is offering Farmers employees, including Agents and their staff, a 50% discount on the first year's premium!

So the math works like this: A 45-year-old Agent can purchase \$250,000 of our Premier 20 for \$560 a year and, after receiving his 40% commission, his actual cost for the first year is only \$336. But if the agent buys the Zurich Kemper term, he pays only \$152.50 for the first year (\$305 less a 50% discount).

I recall hearing from a company representative that Zurich Direct could offer its policies for so much less than ours because they didn't have to pay commissions. Although that is probably true, I

can't explain why the Zurich Kemper rates are as competitive as they are and they still have a very attractive commission schedule. According to my life-only friend who showed me the Zurich Kemper commission schedule, they pay 60% for their five-year level term, 65% for 10-year level, 75% for 15-year, 90% for 20-year, and a whopping 95% first-year commissions for 30-year.

Foremost, recreational products insurance, home warranty, car loans, LTC, MBI, and all the rest of these new products are worthless if I can't offer my customers competitive life insurance products. It's time for a change.

[Editor's note: Zurich Direct and Zurich Kemper guarantee their plans for the full length of the term. After Dec. 31, the FNWL Premiere 10 and 20 plans are only guaranteed the first five years. Apparently not many Agents realize the full term guarantee was only a promotional offer available between this June and December.]

Fictional but factual *Um, ah, no comment*



A reporter for The Voice recently interviewed Mr. Edward J Orodeckis, president of Farmers Eastern Operations. Here are excerpts from the interview:

The Voice: We appreciated you taking the time to talk with us about Farmers/Zurich's plan to expand the business in the eastern states.

Orodeckis: You are more than welcome. I think it is important to keep all Agents informed. In my mind, everyone benefits if we all work together.

The Voice: I agree. Mr. Orodeckis, why did you choose to use Independent Agents in the eastern states?

Orodeckis: An exclusive agency system is expensive to implement, and it's not very profitable at the start because of the higher loss ratios associated with writing only new business.

The Voice: But sir, didn't Mr. Feinstein, president and CEO of the management company you work for, in his "mandatory, every Agent must see" video, say that the Exclusive Agents were the lowest-cost providers?

Orodeckis: Um, ah, no comment.

The Voice: Why are Independent Agents seeking to write business with Farmers?

Orodeckis: A major benefit is Farmers' low-expense platform, and we're well known for our stability and competitiveness. With this initiative, all the benefits of the exclusive agency system are now available to Independent Agents. Because of our brand and it's power, plus our marketing advantage, we can drive customers into Agents' offices."

The Voice: But sir, didn't Mr. Feinstein, president and CEO of the management company you work for, in his "mandatory, every Agent must see" video, say that the Exclusive Agent was the reason for Farmers "low-expense platform?" And is the power of the Farmers brand driving customers into Farmers Agents' offices now?

Orodeckis: We've had an overwhelming response. We're getting 70 to 100 calls a day from customers, which we funnel to our Agents.

The Voice: That's great for the Independent Agent but what about the Farmers Agent? And could you answer my question about the "low-expense platform"?

Orodeckis: Um, ah, no comment.

The Voice: In Farmers traditional operating territories, the exclusive agency force is the "marketing arm" of the Exchanges and Agents can, if they choose, participate in co-op advertising. Will the Independent Agents do any marketing or will the management company provide everything for them?

Orodeckis: Um, ah, no comment.

[Editors note: This interview is fictional but the quotes were directly attributed to Mr. Orodeckis in an article appearing in the October 1999 issue of *Rough Notes* magazine. To read the complete article, go to roughnotes.com/rnmag/october99/10p34.htm or visit ufaa.com.]

Farmers goes personal in 12 eastern states

Does your agency suffer as a result?

Farmers has done it! They have appointed approximately 400 independent agencies to represent Farmers and plan to add 200 more by the end of the year, according to an article in the October issue of *Rough Notes* magazine (see the article on ufaa.com).

The plan is to convert 200,000 auto and home products currently insured with Zurich Insurance to policies with the various Farmers Exchanges.

There are those who say, "So what's the big deal?" and others who would say, "This is not hurting my agency."

Lets look at how it *is* affecting your agency *and* your income.

1. What is the difference between an Exclusive Farmers Agent (let's use the letters EFA) and the Independent Farmers Agent (an IFA)? The EFA basically sells only the products given to him or her and can do nothing about the price of the products. The EFA lives with the decisions the management company makes because he or she cannot, by contract, switch the policies to another insurance company. The IFA has no such contractual restrictions. If the

price is not competitive, he or she switches the policies to the company that is. Therefore, for the management company to compete in the eastern states, the rates that are offered must always remain highly competitive in order to keep that business on the books.

2. What is the relationship between the surplus of the Exchanges and rates? Surplus of the Exchanges keep us in business. By law, there must be a certain dollar amount on reserve (surplus) for every dollar of premium written. As surplus grows, the number of policies each of us can write grows also. As surplus shrinks, our ability to write business shrinks also. So surplus is the commodity that controls the growth of the Exchanges. If you commit surplus to keep rates low in one area, it affects the rating structure in other areas. By committing to "competitive" rates to expand the business in the eastern states, the management company has to maintain the high rates in other areas to balance the demands placed on the surplus. It is the simple law of supply and demand that we all read about in high school, with

the surplus being the commodity.

Here is a specific example of how it affects your agency's income.

Your EFA client is asked to pay a premium that is significantly higher (19%?) than the competition. Under normal circumstances, Farmers would compare the rates of the other carriers and the loss ratio and surplus of the Exchanges and make a decision to decrease premiums in order to remain competitive and retain market share.

But with the IFA, the rules have changed. To keep IFA clients happy and expand in the eastern states, the rates must be better than competitive. The management company is forced to compete to keep that business and increase market share. So they allocate the surplus there and do nothing for the EFA Agents and their clients.

Now, if you want to see how that is affecting your agency, look at your folio or, if you want up-to-the-minute statistics on your loss of PIF, check the 20 screen.

Farmers will not tell you the facts. UFAA just did. It's time to join UFAA — if you haven't already.



Application for Membership

United Farmers Agents Association

8711 Big Bend, St. Louis, MO 63119

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 or Affiliate 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 Legal Fund .

Charge to my credit card: Mastercard Visa

Credit card number: _____ Expiration Date: _____

Signature: _____

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) _____

“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

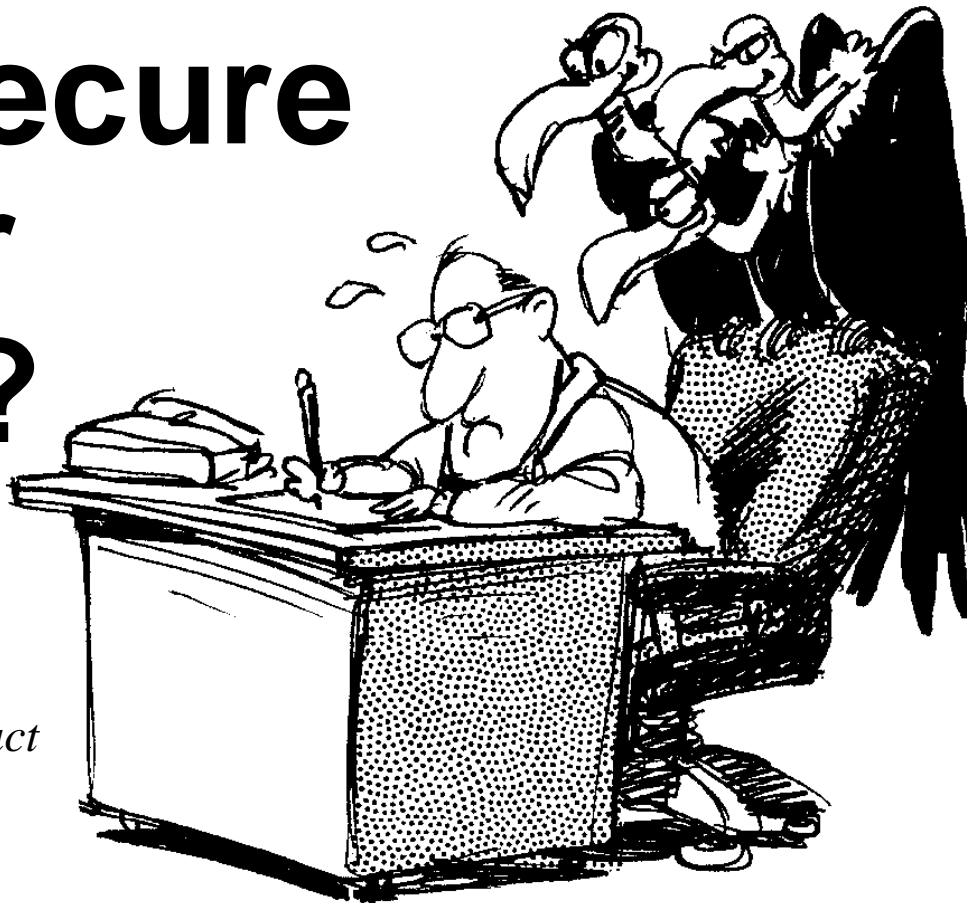
The Specific Security Objectives of UFAA are:

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: _____

How secure is your future?



Why did the Phoenix Region sales department decide to terminate Ruth Putney's contract and deny her a Termination Review Board hearing?

Most, if not all of us, have been told Farmers will never terminate your Agent Appointment Agreement without cause.

"If you do not lie, cheat or steal Farmers will not terminate you."

"If you work hard for a few years and build your agency to the level of income you want, you can sit back and enjoy the fruits of your labor."

"You determine how hard you want to work and how large an agency you want to build. Farmers does not put quotas on your production."

There are hundreds of affidavits on file from Agents who have been told this by their District Manager or other management personnel.

Former and current Farmers executives, including Martin D. Feinstein, have testified cause is required before the company will terminate an Agent Appointment

Agreement. [See generally, *Wallis v. Farmers Group, Inc.* (1990) 220 Cal.App3d 718, 729-734, esp. pp 731-732]

In light of all of the reassurance we have been given that our agencies are secure, why did the Phoenix Region sales department decide to terminate Ruth Putney's contract?

Ruth, 59 years old, received a notice from the Arizona State Office on June 21, informing her her Agency Appointment Agreement, which had its beginnings in the early 1950s, was being terminated. Putney's father started the agency in 1952 and Ruth purchased the agency in 1985 under the family purchase provision of the agency contract. The notice stated the termination was due to the continued unacceptable business results of the agency.

What is the definition of "unacceptable business results"?

What are the standards the company has set for acceptable business results? Is this another attempt by the company to establish quotas for the agency force?

When the Agent requested clarification of the cause for her termination and the procedures that would be followed at the Termination Review Board hearing, the State Office responded with the following: "The documents that will be included in the Termination Review Board will include your Agent Appointment Agreement, pertinent correspondence leading up to the termination of your Agent Appointment Agreement, and potentially information from your agent file."

The Agent Appointment Agreement specifies that one of the Termination Review Board members will be a President's Council Member of the Agent's choice. The Arizona office sent

the Agent a list of 10 PC members to choose from.

When she questioned why they did not allow her to choose from all past and present council members in the Phoenix Region who are still with the company, she was given the following answer: "The Agent Appointment Agreement indicates the selected agent must be a member of President's Council from the same region as the terminated agent. The strict construction of that provision would indicate an agent would have to be selected in the year the Termination Review Board convened."

Why would the Arizona State office give her that response? The Regional Sales Procedure Manual section, dated January 1994, which governs Termination Review Board Procedure states that the acknowledgment "should

also include a list of agent members of past and present President's Council who are still with the company." Did they not read their own procedure manual or were they attempting to pad the Review Board?

On Sept. 22, the Division Marketing Manager sent a letter to Putney advising they had selected Oct. 8 for the date of the hearing.

On Sept. 29, Putney called the DMM and requested the hearing date be postponed from Friday the 8th to Monday the 11th. She explained that her primary and only witness was already committed to be in a wedding ceremony in California on Oct. 9 and would not be able to be present at the hearing.

On Sept. 30, the Division Marketing Manager sent a memo to Putney that in part stated that

on Sept. 29 she had called the DMM, requesting an additional delay for the Termination Review Board Hearing, scheduled for Oct. 8. He also stated they had been extremely patient in attempting to accommodate her requests for the hearing and believed these continued delays were not acceptable. He advised her he was rescinding her request for a Termination Review Board and was in fact terminating her Agency Appointment Agreement, effective that same day, Sept. 30.

Wow, what a turn of events!

It appears that not only was Putney terminated without good cause (contrary to Martin Feinstein's sworn statements), but she also was denied a Termination Review Board hearing, which is stipulated in the Agents Appointment Agreement.

Be a leader, not a follower!

Continued from p. 3

Farmers Insurance Group of Companies. The primary purpose of this organization is to help Farmers become the best insurance distributor and to help the Agent become the best Agent possible.

It is a fairly common belief of Agents within our organization as well as nonmember Agents that the purpose of UFAA is to band together as a bargaining unit to force the company to negotiate with us. While this may have been the perceived purpose of the original organizers, it could never be, since we are not employees.

The UFAA organization is the only organized group of Agents that attempts to help the Agents and provide information to the company about what is happening in the real world.

UFAA members are the innovators, the movers and shakers

who provide the leadership required to shape and inform the company. UFAA is there to help the Agent move forward in the new technologies and methods of operating an efficient profitable agency.

I don't know how many times I have heard members of our organization state that once we reach a high percentage of membership the company would be forced to sit down at the bargaining table with us. To those I say, "The company will *never* sit down at a bargaining table with UFAA."

You may ask, "Why will they not negotiate with us?" The answer is clear: We are not a bargaining unit.

Our purpose is to inform and communicate with the agency force. The company is listening to what we have to say. Our concerns, hopes, and aspirations,

which are expressed in *The Voice*, are having an effect on management and their actions. We do have a say in the directions the company is taking by expressing ourselves in *The Voice*.

Now, having said all of that, the point I am trying to make is that if you want your opinions and concerns brought to the forefront and heard by your fellow Agents and your company, *The Voice* is the forum in which to present yourself. Everyone is listening, and in order for you to be heard you must publish your ideas.

If you are not willing to share your leadership and vision with your company and fellow Agents, you have relinquished yourself to be a follower, not a leader, and as such must accept whatever direction the leaders have determined to be the best for them.

2000 National Convention

A new location in Las Vegas!

By Chuck Simpson

When I received the contracts from the Golden Nugget for the upcoming February Chapter President's meeting and the 2000 National Convention and found that the prices were increased again, two thoughts crossed my mind.

First, my disappointment with the Golden Nugget: After nine consecutive years this price increase, along with recent problems, gave me the impression this hotel wasn't interested in UFAA's continuing business.

Second, providing Board Members, Chapter Presidents, delegates and guests with comfortable surroundings, the best possible accessories and doing so at a reasonable cost while considering budget limitations.

A few phone calls later and, after extensive discussions, a decision was reached to allow other hotels and resorts to bid on the two events. The research began with the Strip. UFAA received many offers and, after eliminating the outrageously priced hotels and those that did not have sufficient convention facilities or didn't meet the requirements, chose eight reasonable proposals to investigate further: the Sahara, Stardust, Desert Inn, Treasure Island, Harrah's, Flamingo Hilton, MGM Grand and the Tropicana.

Maggie Schaefer and I made a trip to Las Vegas in mid-September and visited each hotel. We investigated convention space, room availability, menus and the capability of the staff. We concentrated on finding the most suitable hotel for UFAA's requirements while looking for and including the little

extras that each individual always enjoys.

Each of the hotels demonstrated unique qualities, although not all of them met the criteria we needed.

The Sahara had the best room rates but did not have adequate convention facilities. Renovations are currently underway, and the hotel may meet our needs in the future.

The Stardust was limited in restaurant facilities but was more than adequate in convention facilities. Room prices were higher but, even after negotiations produced a lower room rate, it still was not completely satisfactory.

The Desert Inn had more than adequate facilities and was spectacular in its amenities, however negotiations to lower room costs were unsuccessful. I sincerely wish an agreement could have been reached, as I believe this resort would have been an excellent choice.

Treasure Island was a pleasure to visit. Its convention facilities were adequate but did not leave much room for expansion. The room rates were higher and negotiations were started. However, the sales manager was unable to submit a counterproposal in time, which eliminated the hotel from consideration this year.

Harrah's did not have all the convention facilities needed

available on the dates we requested.

The Flamingo Hilton adequately suited our needs and was available, but again the room rate negotiations were not successful, and I did not have confidence in the staff.

The MGM Grand was so large I was uncomfortable and quite often felt lost. In addition, the pricing did not meet our budget requirements.

The Tropicana was chosen



for its ambiance, the excellence of the staff, the convention space availability, its special characteristics, location, and finally the prices.

Plans are in the works for the February Chapter President's meeting and the 2000 UFAA National Convention. I anticipate these events to be very exciting with a Chapter President planning the agenda for the February meeting and exhilarating speakers and useful workshops at the Convention.

My hopes are that those who attend are very pleased with the results.

Come join us and show your continuing support of UFAA!

2000
UFAA
National
Convention

June 20-22



*Tropicana
Hotel,
Las Vegas*

Plan now to attend our annual convention.
Contact your Chapter President
or the National Office
for additional information.

What's the word?

Agents report on new products

Farmers has, is, or will be introducing various products to the Agency force in all of its operating territories during the next few months.

These products vary from Farmers flood program to vacation discounts. Some of these products are covered under the Agents Appointment Agreement, the HMA agreement or in some cases there is no agreement in place that covers the product.

The Voice has completed a survey of Agents around the country and has received the following responses.

Have the financial products, variable universal life, variable annuities and mutual funds been introduced in your Region?

These products have been introduced in some, but not all states.

What contract will govern the sale of mutual funds?

The Agent Appointment Agreement governs this product.

The agents have not been told what contract will govern the product.

It will be governed by the HMA agreement.

What licenses will you be required to obtain and what will it cost you to obtain these licenses?

Series 6 and 63

Costs averaged around \$1000.00

What will be your annual cost to maintain these licenses?

Responses ranged from \$220.00 to over \$600.00

What type of continuing education will you be required to complete to maintain these licenses?

Various answers received from different states, however all states reported that it was a requirement for some sort of continuing education each year. Cost ranged from \$135.00 to \$175.00.

What have you been told about the E&O exposure created with by sale of mutual funds and will your current Farmers E&O policy cover this exposure?

Additional policy must be purchased at an approximate cost of \$600.00 per year

Farmers E&O will cover the exposure.

Our Region told us they don't know.

What compensation will you receive for your efforts in the sale of variable universal life? Variable annuities? Mutual funds?

Have not been told.

6% on in house (Fortis) variable annuities & 70% on Fortis Variable Universal life.

4% on in house (Fortis) mutual funds and 60% of Dealer Concession for non-Fortis funds.

VUL 50% to target premium, VA's - 3.6%, and mutual funds - 2.4% up to \$100,000, then reduces.

What renewal compensation

will you receive on these financial products?

Have not been told.

Drops substantially, something like 1% on VA and VUL. 1/4 % on mutual funds based on net assets.

VUL - 4% through 10th yr., mutual funds - .15% trail commission, VA's

Commission on new deposits only, just like fixed annuities.

What do you think of these financial products?

Don't know yet

I love the products offered by Fortis. Their Brokerage operation offers thousand of funds from hundreds of fund managers including American, AIM, Fidelity, Dreyfus, Kemper, on and on. I doubt that FIG/Kemper/Scudder will be offering a true broker dealer selection.

"Map process" and client profile is good, customer service is great, and I would like to see a broader number of investments but they have systematized so those agents who don't have a great financial background can sell and understand.

Has the Mechanical Breakdown Insurance program been introduced to you and what commission will you receive for this product?

Has not been introduced in all states.

Don't know what the commission is.

20% with a cap of \$160.00

Which company in the

exchanges have you been told is underwriting the Mechanical Breakdown product?

Zurich.

Universal Underwriters, not one of the exchanges.

Farmers Exchange.

No idea.

What contract do you have to have in order to write Mechanical Breakdown?

Horizontal Marketing Agreement

Agent Appointment

Agreement

None

Have not been told.

What do you think of the Mechanical Breakdown product?

Overpriced.

Good Product.

No opinion yet.

Too expensive (majority of response)

Has the Farmers flood program been introduced to you and what commissions will you receive for this product?

Seems to have been introduced in all states.

Various answers from 12% to 16%.

Do you have to sign any additional agreements to sell this product?

50% answered yes, 50% answered no.

Have you received any pressure to rewrite your flood book of business?

Both yes and no answers received.

Which contract covers the sale of the flood product?

Agents Appointment

Agreement

Horizontal Marketing

Agreement

None

Majority answered, don't know.

Has the Farmers Home Warranty program been introduced to you and what commission will you receive for this product?

Has been introduced in a limited number of states.

18% new business, 15% renewals.

What do you think of the home warranty product?

Too expensive.

Good idea, should lead to additional leads.

Best product of all the added value products.

The following questions refer to the value added products (Auto buying, auto loan, education loan, real estate and mortgage assistance program, vacation discounts)

The value-added products are governed by the HMA agreement. Has the HMA agreement been introduced to you?

Majority answered Yes

Have you been pressured to sign this agreement?

Majority answered No

Is there an ongoing program to get you to sign the HMA agreement?

Majority answered No.

What do you think of the HMA agreement?

Opens our agencies to audits and problems because of wording that does not seem to have anything to do with the new products.

Unconscionable (an honest man would not offer and a prudent man would not accept)

Bad agreement for the Agents.

What compensation do you receive for the various value-added products?

Little to nothing.

Can you sell and receive compensation for these products if you have not signed the HMA agreement?

Received both Yes and No answers

What do you think of the value added products?

Majority thought they were not worth the effort.

[Editors note: It is apparent from the answers received that there is a lot of confusion amongst the agency force. It appears that the company has done a very poor job of introducing and disseminating information regarding the new products.]

HELP WANTED:

Your National Board of Directors now has a standing committee for each of the nine (9) elected officers.

We are looking for volunteers to fill positions on these 9 committees. . We are asking you to come forward and donate a small amount of your time to help UFAA become a more professional organization. Please contact Barry Bowden National Standing Committee Volunteer Coordinator at 216 East Main St. Young American MN 55397 612-467-3450 to volunteer to serve on one of the committees.

The Alpha Project

If you've been reading *The Achiever* and *The Voice*, you've probably seen reference to the Alpha Project. It is the introduction of "registered products" (mutual funds, variable annuities and variable life) into our line of financial products. These products are regulated by the Securities and Exchange Commission and require additional licensing.

To become a registered representative, you must pass either the Series 6 or Series 7 (General Securities) examination, covering the Uniform Securities Act. A few states require an additional, separate examination (63) for variable contracts.

Until you become a registered representative, you may not even approach prospects about variable products. Series 6 permits an agent to sell mutual funds and variable products. Series 7 allows an agent to sell general securities and give financial advice.

The variable annuity and variable life products come from Kemper Investors Life Insurance Company, and Kemper Distributors Inc. underwrites the Fund of Funds. Scudder Kemper Investments is the investment manager, and Investors Brokerage Services Inc. is the brokerage managing the registered representatives.

A tougher standard

Does this sound a bit formal? This is an introduction to "compliance," a tougher standard of communication than we've been used to. Much tougher. We cannot use Ch.FC, CLU or CFA after our names, since we are not

investment advisors. Nor can we draft and issue any investment-related advertising without prior approval.

Some questions have been raised about the cost of becoming a registered representative with Farmers. And how the program (will) work. There will be additional costs of licensing and E&O insurance. Also, there is an additional pre-license training class. Note that the Oct. 14 memo from Jerry Carnahan, the California State Executive Director, did not mention training costs.

The actual program of marketing these products is in a testing phase, with two primary approaches being tried. It is intended for all Agents to become registered representatives, some actively selling and others being "referring Agents".

The first approach involves using Profiles+; a needs-based software system for preparing a comprehensive "financial map." The Map summarizes client financial goals and needs, then recommends appropriate financial solutions.

Not a financial plan

Note that we are not preparing a financial plan. The term "plan" cannot be used to describe any of our activities, as we are not offering financial advice. This approach is time consuming and involves multiple interviews. It also identifies potential multiple product sales!

See "Singles Are Nice, But..." in the October issue of *Life Insurance Selling* as an example of selling this way. Part of the marketing strategy is to provide

the map to our clients free of charge, something that financial planners typically would charge \$250 or more for! The intent is to stimulate interest in our products and provide a value-added service.

The second approach, using a one-page investor profile worksheet (IPW), involves selling financial products without using the financial map.

Because of the sophistication required in using Profiles+, Farmers is only allowing Agents to be authorized to use this approach if they sustain map production of one new map per week, or do two sales per month from two separate maps. If they cannot meet this level of production, they may be restricted to selling only by IPW.

Competitive products!

At this point, I'd like to shift the tone of this article a bit. Obviously, this program is a bit tougher than we've been used to. What do we get from it? Very competitive products!

The mortality charges in the VUL and VA are much lower than in the current FNWL offerings. And it's easier to get clients interested in products that involve investment in mutual funds. We've done some "side by sides" with similar products, and we have them beat! Slightly. The Long-Term Care product by CNA is a leader in the field. Our Fund of Funds is a portfolio of mutual funds from Janis (Twenty), Pimco, Kemper, and Scudder.

Farmers intends ("plans") to have the products relabeled or redesigned by FNWL, and for

Farmers to establish its own brokerage service. This will have some unknown effects on the program from a service, product design, and compensation viewpoint.

Currently, we contact Scudder, Kemper and IBS for service support, using an 877-phone number. A slow day is a three-minute wait. There have been some service problems, as we are (currently) a small account within the Scudder program. Much of our policy service is routed to the World Marketing Alliance (WMA), who are not very familiar with us.

Compensation follows industry-typical rates, however we do not get paid until we've faxed in the policy delivery receipt. And VUL sales do not count (current-

ly) toward policy count with FNWL. This was a response to the possibility of lapsing or replacing existing business with FNWL.

What about you?

How does this impact current agency operation? Well, it depends on how large and well organized your agency is.

Keep in mind that a licensed person must conduct any solicitation, marketing, or sales activity. One Agent had to discontinue having a telemarketer contact clients until the telemarketer was licensed. This means most Agents will struggle with balancing agency growth in the P&C area with financial services. Some Agents already have expressed concern about refer-

ring clients to other Agents or a specialist.

As tough as this sounds, we can't ignore the reality that the marketplace is changing, and we must decide how we'll respond to these changes.

Zurich and Farmers will certainly promote their solutions to meeting competition and growing their business. We have to be certain their solutions also meet our needs.

That's where UFAA comes in. We must have a forum for discussing how Agents can effectively grow their agencies, using sensible solutions to meet their needs.

And we need an arbiter for resolving the issue of how to implement Zurich and Farmers' plans.

Zurich Financial Services going 'e'

Comprehensive, integrated platform complements business units

The Zurich Financial Services Group is significantly broadening its activities and expanding its capabilities in the area of e-business. Building on existing high standards and leading edge technology in many business units, where customers already transact insurance or investment activities via electronic channels, the Group will take Internet technology beyond its basic communication and distribution functions.

Zurich Financial Services is creating a comprehensive, integrated e-business platform that will enable business units to increase the distribution capacity for offering multichannel choice to customers and intermediaries, bridge core businesses, provide integrated solutions, and focus on target customers. This e-business initiative is highly comple-

mentary to the e-commerce strategies of the Zurich Financial Services Group's various business units.

To accomplish this, Zurich Financial Services has chosen to work with IBM Corporation and ChannelPoint Inc. because of the companies' specific expertise in electronic business. IBM is widely recognized as a leader in the design, development and maintenance of e-business-based technological infrastructure and will contribute to a seamless global integration. ChannelPoint, a leading provider of e-commerce applications in the financial services sector, will support the implementation of an e-commerce hub that will enable customers and intermediaries to access the Group's global capabilities, including — in selected areas — third-party products.

The Zurich Financial Services Group is a global leader in the financial services industry, providing its customers with solutions in the area of financial protection and asset accumulation. The Group concentrates its activities in the core businesses of non-life and life insurance, reinsurance, and asset management.

Headquartered in Zurich, Switzerland, the Group's worldwide presence builds on strong positions in its three home markets — the United States, the United Kingdom, and Switzerland. It has offices in more than 60 countries, reaching over 33 million customers and employing 69,000 people.

Further information can be found on the Zurich Financial Services Group's website, www.zurich.com.

Insurance firms socked with rash of lawsuits

By Melissa Wahl

October 8, 1999 — Earlier this week, a jury in Marion, Ill., found State Farm Insurance Co. liable for \$456 million in a class-action lawsuit that alleged it encouraged auto repair shops to use substandard "aftermarket" parts (See article, p. 34).

Earlier this year, Bloomington, Ill.-based State Farm spent \$238 million to settle a class-action suit accusing it of using misleading tactics to sell life insurance.

And just recently, three class-action lawsuits were filed in Oregon against Northbrook-based Allstate Corp. and other large insurers for allegedly not paying medical expenses following automobile accidents.

These cases symbolize how class-action suits are increasingly targeting the insurance industry.

Insurers say they are the target of greedy lawyers who are going after a big, cash-rich industry. Plaintiffs' attorneys, they say, have been emboldened by astonishingly high verdicts against major industries in recent years, most notably the successful class-action cases against the tobacco industry.

Industry critics say insurance companies deserve the class-action suits raining down on them. The companies, they say, are sacrificing service to policyholders to stay afloat in an increasingly competitive industry.

"If there are more suits, it's because corporate crime is up," said Ed Mierzwinski, consumer advocate for the Public Interest

Research Group in Washington.

Whatever the cause, the number of class-action cases is growing at an incredible rate.

For example, Allstate says it has at least 50 class-action suits pending, up from three in 1988. That is in addition to 25 class-action suits Allstate defeated in the past 12 months.

Overall, class-action suits against corporations in state courts were up 1,042% between 1988 and 1998, according to a survey by the Federalist Society, a libertarian and conservative public policy group in Washington. In the federal courts,

class-action suits were up 338%.

Those figures affect insurers, too, because they often have to make large payments when their clients settle or lose class-action suits.

The alleged victims filing class-action suits seldom see much money, even when they settle or win a case. The point is to punish the company so it will change its behavior.

"The net payout to each member of a class is usually negligible, roughly 50 cents to \$50," said Brian Sullivan, head of the trade newsletter Auto Insurance Report in Dana Point, Calif.

"But the real goal (of the aftermarket parts cases) is to force State Farm and other insurers to stop using these

parts," Sullivan said.

Consider that the nearly half-billion-dollar verdict against State Farm doesn't even include the damages award, which a judge could announce as early as Friday.

On Thursday, State Farm, which is appealing this week's verdict, said it is temporarily suspending the use of aftermarket

parts "to eliminate any customer confusion or concern over its auto repair estimates."

Attorneys also have been encouraged by their recent success with class-action lawsuits against major

companies. For example, Sullivan said, State Farm settled two similar class-action lawsuits in the mid-1990s, giving attorneys the money and inspiration to pursue more aftermarket parts suits.

"It's like throwing blood in the water when there are sharks

Class-action lawsuits against corporations in state courts were up 1,042% between 1988 and 1998, up 338% in the federal courts.

Are you ... ?

Are you being threatened by your District Manager or your Regional Sales Department?

Are you being treated like an employee?

Is your presence at meetings being demanded?

If so please let us know at the UFAA National Office.

swimming around," Sullivan said.

Dan Zielinski, spokesman for the American Insurance Association, agreed, saying that class-action suits have been fairly late coming to the insurance industry. "Lawyers are becoming more enterprising," he said.

Plaintiffs' lawyers say insurers have earned the number of class-action suits they are getting.

"Insurance companies are increasingly trying to take advantage of their customers," said Carlton Carl, a spokesman for the Association of Trial Lawyers of America. He said insurers are worse than other companies in that regard because they are competing so hard to make money.

"The best way any industry

can avoid lawsuits is not to cause injury," Carl said. He denied lawyers are going after insurers because they have deep pockets.

Referring to long-circulating tort reform and public relations efforts, Carl said, "They and their compatriots like the tobacco industry and major manufacturers have spent billions of dollars trying to demonize lawyers and instill a distrust of the legal system."

But insurance advocates say the industry's \$341 billion surplus, the amount regulators demand insurers have available, is a tempting pool of potential reward money.

"Insurers are perceived as having pots and pots of money, so they're deemed to be desir-

able prey," said Ann Spragens, general counsel for the Alliance of American Insurers. "This is out of hand, this is serious. Somebody has got to draw the line."

The industry is supporting legislation in Congress that would allow all companies, not just insurers, to move lawsuits from state to federal courts, which the industry says are better equipped to handle such complicated cases. This week's State Farm verdict came in a state court.

The House passed a class-action reform bill in September, but a similar bill is awaiting Senate action.

President Clinton has said he does not favor the class-action reform legislation.

Oklahoma Chapters are in the process of finalizing

the digitization of some 30,000 pages of FIG communication spanning 30 years.

This 30,000-page collection includes old Field Bulletins, Hustler/Achievers, Memos, Depositions, Court cases etc. This format allows computer keyword search so that relevant documents can be easily found.

This collection will be invaluable to any Agent (or his attorney) who is under any form of duress from Farmers Insurance Group. The first one-third of the project has been completed but funds are insufficient to complete it.

To bring the project to a swift completion, we are seeking advance orders for the complete set of CDs (delivery in 8 to 12 weeks).

To receive your copy, please send your check in the amount of \$50 to UFAA Chapter 12, c/o Bob Benton, Treasurer, 4334 N.W. Expressway #243 Oklahoma City, OK 74116 or call Chris Clark, Chapter 12 President, 580-362-6226 or e-mail cclark@winning.com.

Coming events

February 2000

UFAA National Board meeting in Las Vegas

March 2000

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

June 2000

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

UFAA National Board meeting in Las Vegas

Chapter Presidents meeting in Las Vegas

UFAA National Convention in Las Vegas, June 20-22

Notice

Please let us know what your current address, phone number, fax number and e-mail address is.

Thank You, UFAA National Office

Safeco earnings fall 90%

Profits suffer after insurer cut prices to win business, then was hit with an increase in claims

Seattle, Oct. 25 — Safeco Corp., an insurer, said third-quarter earnings plunged 90% as claims against its insurance policies for individuals and businesses surged.

The 10th-largest publicly traded U.S. property and casualty insurer said profit from operations, or excluding gains on investments and one-time charges, dropped to \$9.8 million, or 7 cents a share, from \$94.1 million, or 68 cents, a year ago.

Safeco's latest result was 2 cents short of the average analyst estimate, according to First Call Corp. Forecasts were cut from about 49 cents last month, when the company warned that losses from Hurricane Floyd and other sources would take a bigger toll on third-quarter earnings than expected.

Seattle-based Safeco is one of many property and casualty insurers that have seen profits suffer after cutting prices to win business, only to be hit with an increase in claims. Allstate Corp., Chubb Corp. and Ace Ltd. have all reported or warned of weakening third-quarter earnings.

The "unsatisfactory earnings are primarily the result of underwriting losses in most of our lines of business within the property and casualty companies," Safeco Chairman and Chief Executive Roger Eigsti said in a statement.

Property-and-casualty operations generated a loss of \$35.3 million, compared with a \$90.4 million profit a year earlier. Safeco said it lost \$139.1 million underwriting insurance policies, up from a \$20.4 million underwriting loss a year ago.

Other units posted gains. In life insurance, Safeco earned \$45.5 million, compared with a \$5.7 million loss a year ago. Safeco has disappointed investors twice this year. It posted weaker-than-expected first-quarter profit, followed by a drop in

second-quarter earnings. Analysts also say the company has had difficulty integrating American States Financial Corp., which it bought in 1997.

"With the problems they've had, they should be concerned about being a takeover target more than anything else," Michael Lewis, an analyst at Warburg Dillon Read LLC, who rates Safeco stock "hold," said last week. "They've been missing their numbers so often that people are skeptical that they're going to be capable of turning things around."

Safeco stock rose 15/32 to 27 13/16 in early trading. The stock lost 37% in the third quarter, more than the 25% decline in the Standard & Poor's Corp. index of property and casualty insurers. It dropped another 2.3% since September until today, leaving its 12-month loss at 36%.

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 CIUE, MVRs, Insurance Credit Scoring and a comparative 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 Gary.

Zurich profits up big in first half of 1999

ZURICH, Switzerland, Sept. 6 /PRNewswire/ — The Zurich Financial Services Group achieved a gratifying overall operating result in the first six months of 1999. Consolidated net income rose 17.2% over the same period last year to US \$1.69 billion.

From the director: Legal Activities

Given a quota? We can help!

By Don Green

I am proud of the exciting things that are now happening for the UFAA members in the legal arena.

The National Board has contracted with Jon Heim, and he has been retained as the Legal Counsel for UFAA.

Yes, finally there is legal help, when your DM, DMM, or Regional office personnel sends you that "letter" that makes your stomach feel queasy and makes you wonder if you will have an agency in the future.

If you have been given any kind of quota, are in the DARG Program, have been sent a letter about your performance as an Agent, or have been told you have to write any of the Value Added Products, please send a copy to us at the UFAA National Office so the process of help can begin.

Yes, we can help! Yes, you

must be a member.

Many new projects are being initiated and are developing as this is being written.

Jon Heim will seek an answer from the court, i.e., Declaratory Relief Action, concerning homeowners insurance renewals and flood insurance renewals written during and after the moratorium in California with companies other than Farmers Insurance Group.

Also, an answer will be sought in the courts concerning Farmers Insurance Group's demand that all Value Added Products be sold regardless of what our contract says regarding sales of "insurance for the companies and to submit to the Companies every request for the classes and lines underwritten by the Companies and eligible in accordance with their published Rules and Manuals."

Clearly, clarification is need-

ed to protect the Agent who wishes to be traditional.

A letter will be sent by Jon Heim to Zurich, with a copy to Mr. Feinstein, concerning problems with APPS, FPPS, and EasyPay .

We also will bring to their attention our concerns regarding the current practice of mailing Zurich Life proposals to our customers. These Zurich Direct mailings offer life insurance at a lower rate than the rate currently offered by Farmers New World Life.

We also will present our concerns regarding the following:

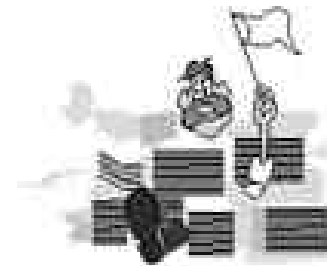
- Premier Agent purchasing program
- HMA contract
- Value Added Products
- Commercial Binding Authority
- Disclosure of contract value in FIG's financial statements.

Advertisement

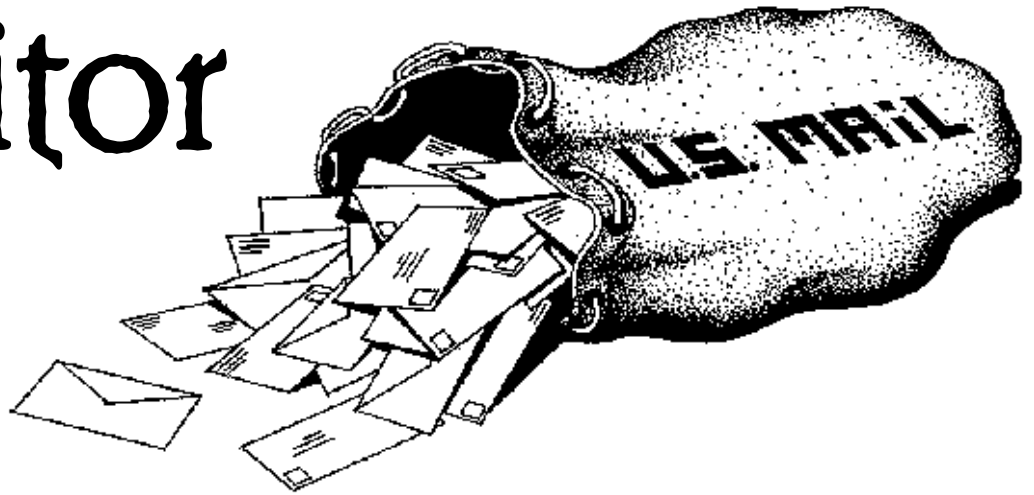
Do you know someone who is over their head in debt or makes all their payments on time, but never seems able to reduce what they owe?

Well, if you do, they are the perfect candidate for A New Horizon's (ANH) debt consolidation program. No one is turned down, there is no qualifying, and all accounts are rolled into one affordable monthly payment. It's a wonderful opportunity to maintain a good credit standing or rebuild a damaged one. Association members can offer this program to anyone in need and earn a very generous referral fee without signing the HMA.

For details, call toll-free 888-763-5300.



Letters to the editor



Surely there's an explanation

Farmers Value-Added Products: You may have been fortunate enough to attend a division meeting where Farmers Value-Added Products were rolled out. These may have included "Farmers Mechanical Breakdown Insurance" (MBI) and the re-introduction of "Farmers Auto Loans," amongst others. While these are touted as enhancements to the "Farmers Agent's" portfolio of products, they raise questions that are never answered by those presenting the products.

The management company is offering these products from other vendors and placing the "Farmers" name on them. By doing so, you are then "required" to sell only these products or face the possibility of termination of your Agents Appointment Agreement (AAA), even though these products are not expressly mentioned in your AAA or the underwriting rates, rules or manuals.

The question left unanswered is, "Why can Farmers require you to sell these non-Farmers products (making them Farmers only by putting their name on them) and yet not allow you to sell the fire insurance from Exact Property and Casualty, Neighborhood Spirit Property and Casualty or Civic Pride Property and Casualty?" These companies, while allegedly restricted to the "underserved" areas of states, are wholly owned subsidiaries of the Exchanges. The Exchanges, which you represent according to your AAA, benefit from the sale of fire insurance policies while the management company benefits from the sale of these "Farmers Value-Added Products".

I'm sure there is a valid reason for this. It seems that the management company just cannot explain it. On second thought, maybe they just don't want to.

Mark von Kronemann

A matter of good faith

Farmers has said it intends to deal in good faith with the Agents. Unfortunately, I think this intention has broken down in the name of the "bottom line."

Several years ago, the company started selling me on certain enhancements to the agency computer system, i.e. APPS and FPPS. I was told that by using these systems I would help the company save a considerable amount of money, plus improve customer service. I was told the company would share those savings fairly with me.

In the selling process, company representatives told me it costs Farmers approximately \$26 to process a policy change and even more to issue a new business policy. The company also told me the compensation I received would probably be sufficient to hire an additional person to handle computer-input duties.

The company has said it can't track the huge number of transactions to pay me by transaction. This argument is invalid because they are already tracking each transaction done on APPS and FPPS, as well as those done manually. Additionally, they show the percentage of each, and since percentages require numbers they

already have the numbers. It takes a pretty simple computer program to multiply the number of transactions done times a fair share of the savings.

I have heard the argument that the programming to transition from manual to computer handling of transactions cost a tremendous amount of money. I am sure brilliant minds met to project the costs and savings of that transition and a business decision was made based on these discussions. This expense is part of their cost of doing business and should not be part of mine!

It's no trick to see I am being used to help recoup the development costs and increase their bottom line, and I don't like being used! Sixty cents per year to service an auto policy is an insult. Where else can you get such cheap labor ... Malaysia, Korea, Taiwan, Mexico?!?

If it cost \$26 to handle a transaction before APPS and FPPS, then they are saving close to that amount now. Why isn't that saving being shared fairly with me?

It is obvious that the regional service centers don't have as much work to handle as before APPS and FPPF or they wouldn't have reduced staff and slowed down rehiring in the underwriting and policy service areas.

Mr. Feinstein, when are you going to compensate me fairly for the work that I am doing for you? If my time is worth only 60 cents/year/auto policy, then perhaps I should just send paper apps to the service center, and let your employees do it for fair compensation.

That seems more like good faith to me.

*A Midwest agent
who is not yet a UFAA member*

Join a real team

Farmers finally got the agency force an 800 number. Is it for life? No. Is it for policy service? No. Is it for "informing" on our fellow Agents? Probably.

The management company, the State Executive Director, the DMM and your DM all want you on their team. You have all heard it before: teamwork, teamwork, and more teamwork. They say they want us to work together, but they make it easier to inform on a fellow Agent than getting a question answered from FNWL or policy service.

The management company says they trust their Agents, as well they should, and give us contracts to do their business. Now, not only do we sell insurance, we are required to do the company banking, APPS, FPPS, fix computer problems, reinspect houses, and other employee type work

for free or basically free. Now we have an 800 number and have to play Big Brother.

The truth is that the management company representatives don't want their team players (Agents) to trust each other, much less communicate with each other. How can we be a team unless we can have a say in our company?

UFAA is a team, working together for the good of the Exchanges and the agency force. So when is the management company going to talk to Team UFAA? Join us and find out.

An Arizona UFAA member

What's going on?

Are the Zurich Agents getting to sell Farmers' products? Are we going to be able to sell Zurich's products? Recently, I received a renewal for my Farmers office policy with a premium of around \$900. Thinking this might be a little high, I called my local independent agent for a quote. Here is what I got back: a 20% increase in coverage on my building, 40% more personal property coverage, 400% more liability coverage and full glass coverage. The company? Zurich. The price? 37% less than Farmers. What is going on here?

A VERY concerned Southwest Agent

Two clients qualified

Well, it's here. The new RPM (Revised Pricing Mechanism), otherwise known as the Ultra-Preferred auto program for Texas, was recently announced.

First the good news. Incredibly, the program was announced to be effective on Oct. 1, and indeed it was implemented on that day. Even more incredibly, we order the FARA scores (Farmers' Auto Risk Assessment), otherwise known as the credit score, over the Farmers computer system. Within a few seconds the computer gives us the score. Now, for a FIG program on a FIG computer system, that's real news!

More good news. Because Farmers was going to use Texas County Mutual, which previously paid 7% commissions, there was much concern that our new product would pay the 7% commission. We were assured by company officials the computer system would be able to distinguish a 7% TCM policy from a 10% TCM policy. Most of us were skeptical. However, it appears the company found it to be less expensive to pay a level 10% commission on ALL TCM policies!

So, we have a major program that was imple-

Continued on p. 27

From the director:
Governmental Affairs

Lobbying in Washington

By Frank Mortimer

The board of directors of the Coalition of Exclusive Agents (CEAA) met Sept. 25-28 in Alexandria, Va. The board consists of representatives from seven direct-writing insurance company agents.

The insurance companies who the member associations of CEAA represent insure 60 million families. These agents are personal lines specialists and provide insurance for nearly two-thirds of all homes and automobiles in the country.

The UFAA representatives were Ralph Buchanan, Chuck Simpson, and Frank Mortimer.

CEAA President Donald Cassell provided a great amount of information as to what is happening in our industry.

CEAA lobbyist Gary Gasper attended our meeting and provided us with the information we would need to deliver to the Congressmen we would visit in order to gain their support. Packets were made up that addressed our issues of importance so each Congressman would have our verbal concerns plus printed information.

Appointments were scheduled with Reps. Amo Houghton, Jerry Kleczka, Jerry Weller, Jim McCrery, Sam Jonson, and J.D. Hayworth.

Our lobbyist, Gary Gasper, was with us on all appointments, and he advised the Congressmen on what our visit pertained to. We had the opportunity to ask questions on our issues.

Some of the items discussed:

- The Independent

Contractor's Tax Legislation (H.R.1525) — This bill repeals 20 factor common law rules and replaces them with new criteria for determining employee vs. independent contractor status.

The CEAA does not support the bill unless the following points are addressed.

1. Modify the bill to make sure retroactive provisions have some teeth. If an individual has been misclassified for a period of time, the company should be penalized or should have to go back and make up for the reclassification by providing retroactive employee benefits.

2. Modify the bill to address "control" issues particular to insurance agent relationships by carving out insurance agents from the bill or creating a separate set of control factors in an issuance agent relationship.

- SECA Tax Issue — Extend tax technical correction to include overturning Schelble case. CEAA goal: Support a further change to tax legislation sponsored by Congressman Weller (H.R. 1593) to extend legislation passed in the Taxpayer Relief Act of 1997, which provides that "extended earnings" or "termination payments" paid to insurance agents were not subject to self-employment tax.

- 100% deduction for self-employed health insurance — CEAA goal: Support efforts to accelerate the phase-in of a tax deduction for health insurance purchased by self-employed taxpayers, including agents.

- Banks in insurance legislation (H.R. 10) — CEAA goal:

Support a "level playing field" by requiring bank insurance operations to be regulated by insurance commissioners, by imposing reasonable licensing restrictions, and allowing referral fees to unlicensed employees.

- Producer's Licensing Model Act — This licensing procedure is the work of the National Association of Insurance Commissioners (NAIC). CEAA President Donald Cassell was scheduled to attend the NAIC meeting and advise them of our concerns on licensing solicitors, license or no license for services personnel, proper control of the license of business entity, plus agents holding a license in one state may write or negotiate a contract of insurance in other states without being licensed in those other states. Many changes are in the Model Act, and they plan to have a final version of all the changes for a December meeting in San Francisco. We should all contact our state insurance commissioner to let him or her know we have concerns with the wording of this Model Act.

We also expressed our concerns on other items, like the minimum wage increase, federal low-cost auto insurance, and additional taxing of insurance companies.

The governor of California recently signed legislation to restore the right of an accident victim to sue the other party's insurer for delays and low settlements. This overturns the so-called "third-party bad-faith lawsuits" that were barred in 1988 in

the Royal Globe decision (S.B.1237).

The governor also signed A.B 1309, which would provide businesses some protection against third-party lawsuits. Knowing this legislation will lead to higher insurance cost and the likelihood of fraudulent insurance claims, members of several consumers groups, including insurance companies, have filed a petition to keep the new laws from taking effect for 90 days, the time allowed to gather signatures needed to place a referendum on the ballot.

Legislation also was adopted for low-income residents in Los Angeles and San Francisco with good driving records to be eligible for minimal auto insurance costing \$450 per year. This will be a four-year test program.

Letters to the editor

Continued from p. 25

mented when the company said it would be, we have our FIG computer system communicating with the outside credit scoring company and getting us the information instantly, and we have a commission level that allows us to operate profitably.

Now the bad news. As is typical for Farmers, the credit scoring model that Farmers designed is incredibly conservative. An Agent has to search far and wide to find a client with a score that qualifies.

Now more bad news. After one week of "scoring," I've finally found two clients who qualified. One would save about \$7.50 per six months, and the other actually would pay a little more than our current Preferred rate.

The problem: Our current Ultra-Preferred company cannot apply most of the discounts our Preferred company can, such as auto/home, defensive driving, alarm, passive restraints, and who knows what the ramifications are for our auto/home discount on the homeowners policy.

One area DM reports, "These concerns are presently being addressed at the highest level with a sense of urgency." I feel better already!

I'll keep you posted.

A Texas Agent

connectivity
ad

Paperless ... almost

An affordable, state-of-the-art Agency Management System has arrived!

By Jeff Ryan

Steve Todd, UFAA Tech manager, hit the road again during October to deliver his presentation, "The Paperless Solution. Well almost paperless".

The road show started in Sugarland/Houston for Chapter 35 and then went on to visit the following chapters: Irving/Dallas, Chapter 34; Tulsa, Chapter 15; Fort Smith, Chapter 31; Omaha, Chapter 19; Kansas City, Chapter 13. Texas Chapters 34 and 35 arranged for a special recruitment meeting in Austin, Texas.

Steve's presentations were an overwhelming success. Here are some of the comments from participating Chapter Presidents.

"Todd's trip to Tulsa was a great success. He went beyond the call of duty. The presentation was very informative, and Steve answered all the questions 26 Agents could throw at him. He also went out into the field, visited six Agents' offices, and tackled an array of computer problems for them." — Skip Myers, Tulsa, Chapter 15

"The UFAA Tech Seminar was a big hit. We signed up several members at the meeting, and our chapter members are asking when is he coming back." — Tom Schrader, Kansas, Chapter 13

"Fantastic! We had a great turnout and two-thirds of the attendees were nonmembers. We were able to sign six new members and probably more to follow. Twenty-eight Agents drove up from San Antonio to

see the Austin presentation. UFAA Tech scored high marks." — Steve Lenard, Texas, Chapter 35

For the members who were not able to see the road show, Steve did a PowerPoint presentation showing an overview of the hardware and software involved. It was a great place to get started because it really prepared his audience for what they were about to see next.

We all have heard of electronic scanning, electronic files, and databases before, which Steve covered in great detail also, but now the last piece of the puzzle has been completed.

That last piece of the puzzle is scanning documents directly to your clients file in your database and also printing (electronically) all your policy changes from the System 36 or the AS/400 into your clients database file. It is all chronologically categorized and labeled for instant retrieval. You can have this complete system for \$500 or less and that includes the scanner and program, database program, and the faxing program.

We are working with two databases, and each has its own special features. One will allow you to extrapolate your FAME and Client Vision data directly into your database anytime you want with the use of a special



utility program. If you are looking for efficient way to manage your clients and their files, you need to take a look at this program.

To get more information and details on "The Paperless Solution," please go to ufaa.com and then go to the UFAA Tech icon. You will be able to obtain more information in detail.

Nonmembers, sorry, you will not be able to get into this section of UFAA's website. It is one of our secure sections for members only. Please consider joining UFAA. You will benefit, and UFAA will grow stronger with your membership.

Maggie, UFAA's National Office manager, was having problems with the office computer system, and Steve was able to swing by to work on UFAA's computers. "The computer system is now working very well since Steve visited and performed his electronic wizardry on our computers," Maggie says.

The UFAA Tech road show was going to San Diego at the end of November for a presenta-

Lots of new, interesting stuff

By Jeff Ryan

If you have not been to the ufoo.com website recently, they are many new interesting articles to view.

Some interesting ones are (1) An informative meeting with the Kansas State Director Joe Moss. (2) Farmers gets personal in the eastern states. (3) Allstate agents show what united agents can accomplish. (4) An Oklahoma Agent's most recent experience with his DM concerning Progressive Insurance. (5) The Farmers Insurance ad in the *Independent Agents* magazine, and more.

You will notice the home page information changes two to

three times a month and articles under News and Articles change every week. Remember to check out the Zurich/Farmers icon; we always have late and breaking information.

New additions are:

(1) You can now print out a UFAA membership application from the site for your convenience. You still would have to send in the application in the usual manner.

(2) Two *Voice* advertisers are spotlighted every month on the home page and all *Voice* advertisers are listed under member services on the home page also.

Please continue to visit the Bulletin Board and voice your

opinions and ask questions. Also take note of the articles for sale in the Classifieds.

Just recently we linked to the State Farm agents site (www.sfa-agentswhocare.org), where you will find a lot of interesting data. Hopefully by the time you receive *The Voice*; we will still be able to link to the State Farm agents famous press conference on Oct. 29 in Washington, DC. Prepare for some brave and bold statements and schedule your time, because the press conference ran for about an hour.

That's it for now. Please send your comments and suggestions to the webmaster at ufoamis1@aol.com.

tion to Chapter 08. UFAA also is considering producing a video on Steve's "Paperless Solution" presentation so it can be available to all members who are trying to understand and get up to speed on this Agency Management system. We will let you know if we decide to go forward with a video presentation.

Also, we have just tested DSL connections, which allow

you to remotely connect to your office and the data is transmitted to your home/remote computer instantly. No longer is there the delay you normally have with an analog phone connection. Again, go to ufoo.com and the UFAA Tech icon to obtain more information on the DSL phone line connections.

Please mark your calendar for June 20-22, because all of

what we have mentioned here will be covered and presented in greater detail at the UFAA National Convention in Las Vegas.

Steve and I would like to personally thank Skip Myers, Don Green, and Steve Lenard for coordinating the arrangements that made this Road Show go smoothly. Your efforts have given UFAA a priceless gift.

ABS ad

Technology Tour

On the road again

By Steve Todd

Well, I have been off gallivanting through the Midwest visiting with Agents and UFAA Chapters throughout. While on the road I had the opportunity to see firsthand many of the conditions our members work under. I helped many while on the road and tried to alleviate the confusion and anxiety many members have felt.

I was pleased with the turnout and support provided by both members and nonmembers at each and every location. I brought to each and every group a presentation that included describing what UFAA Technology is all about, the types of hardware and software needed to manage an office and electronic documents effectively. I also discussed networking and the breakthroughs in emulation and telecommunications technology. As a final closing we would discuss the future of technology with Farmers and the insurance industry as a whole.

I feel these types of trips are necessary and an important means of getting the word out to the troops in the field. There are many exciting and innovative changes taking place in a short period of time. These have to do with the revisitation of database programs that have been around but didn't function at the level needed. Guess what? They are at that level now! The applications are integrating

scanning, faxing, word processing, notes, histories, program customization, e-mail, and even the ability to transfer data from Client Vision and FAME. What a marvelous time to be a UFAA member!

We also are investigating and bringing to our membership telecommunications enhancements that allow for faster connections to systems and will in the future allow better connectivity to Farmers systems, which will be less expensive more efficient.

And then there is the move at Presidents Council of giving

see! We are glad that Farmers Group Inc. (FGI, the management company) seems to be moving toward the technology benchmark that will help in balancing the field with the technology that other companies are using. There are still steps that need to be taken, but this is a step in the right direction.

It seems important to me that with the Agent in the field being the forward extension of the company, the Agents should be provided with the latest and best technology and products to offer. I know from conversations, both

private and public, there is a level of frustration that FGI is ignoring reality. I hope the management company is beginning to understand that the frontline agents need better armor and better offensive tools, and improved technology is a needed tool. As always, and as we try to show FGI, we are willing to help and work with management to help the Agents, all they have to do is ask and invite us.

There is more in-depth information available on all of these subjects on the website at www.ufaa.com. Once there, go to the

UFAA Technology portion of the website, and there you will find more on these stories.

I also can be contacted at ufaamis1@aol.com or 1-800-989-4268.



Creative Media Services, Box 5955, Berkeley, CA94705

Gateway Notebook computers to the PC members and allowing them to access the new Life website and poke around and see the new things. Wonderful to

Perle ad

Life has been good for most Baby Boomers. The stock market is booming, retirement accounts are growing, and the expectations for a secure, healthy retirement look like a sure thing. Advances in health care and life expectancies promise a brighter future than for previous generations. Yet ...

... A dark cloud is on the horizon

By P.M. Costanza

Should individuals use asset transfers, estate planning and other means of artificial impoverishment to qualify for publicly funded health care or purchase long-term care (LTC) insurance? They have their place in LTC planning, but current methods to establish artificial impoverishment may or may not be available in the years to come as the government responds to the funding crisis for all elder entitlement programs.

In the last issue of *The Voice*, we reported on the California Partnership for Long-Term Care, one of only four state programs in the country that provide lifetime asset protection from long-term care (LTC) expenses through state-endorsed long-term care insurance policies. This article covers other important issues related to LTC.

Life has been good for most Baby Boomers. The stock market is booming, retirement accounts are growing, and the expectations for a secure, healthy retirement look like a sure thing. Advances in health care and life expectancies promise a brighter future than for previous generations.

Yet a dark cloud is on the horizon. Although the chances are good we will enjoy our 70s with vigor and health, the fastest-growing portion of the population in the next 30 years will be those 80 and older, the age when the need for LTC is most likely to occur.

Despite growth in personal wealth, nationwide studies show that most individuals who may struggle for years at home become impoverished within 12 months of nursing home admission. Although very limited benefits are provided through Medicare, custodial care such as that needed in the home or a skilled nursing facility is not covered by Medicare or most health insurance policies and can easily cost \$50,000 a year.

The federally funded Medicaid Program, the largest payer of LTC in the nation today, provides a safety net. However, in order to qualify, you must either be impoverished or spend down your assets to the poverty level in order to qualify. Even with adequate income and assets, it is easy to understand why people often lose all they worked for in their lifetime paying for their LTC.

Many retirement and estate planners aggressively help consumers artificially impoverish themselves to qualify for Medicaid. In addition to 'look back' periods where Medicaid eligibility workers look for ineligible asset transfers, the Omnibus Budget Reconciliation Act of 1993 now requires all states to actively seek recovery from Medicaid beneficiaries over the age of 55 who died leaving an estate. Current methods to establish artificial impoverishment may not be available in the years to come as the government responds to the funding crisis for all elder entitlement programs.

It is unrealistic to think the government will come to the rescue when Baby Boomers start needing LTC. The Bipartisan Commission on Entitlement and Tax Reform has forecast that Social Security, Medicare, and Medicaid — the three main programs for the elderly — will overwhelm government resources by 2030 unless alternative programs are implemented. Based on current demographics, these programs alone will consume 100% of the federal revenues by 2030 as the Baby Boomer generation ages.

Although there has been significant national debate regarding the pending funding crisis for LTC, as a result of other federal needs to salvage entitlement programs, the national debate on LTC funding does not have broad public awareness.

Nevertheless, in the LTC initiative described in his State of the Union Address, President Clinton publicly recognized government's responsibility to inform Medicare beneficiaries about the limitations of the Medicare LTC benefit. His support for a \$1,000 tax credit to families caring for a family member acknowledges the problem. However, anyone accustomed to paying for such care knows

that a \$1,000 tax credit, although appreciated, will do little to help with the huge costs associated with LTC.

Politicians understand that expansion of benefits to seniors is not fiscally possible and that Americans must take greater responsibility for their care as they age.

Private LTC insurance provides the clearest solution to funding future chronic health care needs, whether in the home or in a skilled nursing facility. Private insurance provides options, choices, and independence without the need to rely on family, friends, or public poverty programs to pay for such care and helps protect assets acquired over a lifetime.

Reliance on Medicaid will not provide the extensive benefits and choices most people will want. It is obvious that LTC insurance will continue to grow as an important part of retirement planning and insurance sales in the years ahead.

P.M. Costanza is a marketing consultant to The California Partnership for Long-Term Care Program.

magnets
ad

Chapter news

From 13 to 51

Chapter 16

At our October monthly meeting, we were privileged to have as our speaker the State District Manager for Foremost Insurance. He had just returned from a management meeting and was able to give us an overview of how Foremost sees the acquisition by Farmers.

During November, we will be sponsoring our annual food drive to benefit the Community Food Bank. We have placed Farmers Food Baskets in every Agent's office, District office, the two Branch Claims offices, and many of the local vendors. Last year, we collected more than 1,200 pounds of food and hope to double that number this year.

Chapter 13

At a recent informative meeting in Kansas, Director Joe Moss seemed to be very personable and informative and presented the recent Martin Feinstein video for us to watch. Mr. Moss said that both BAT and Zurich purchased FIG for its agency distribution system. The problem is that the Agents are not selling the products in the volume desired, especially life insurance.

He also went onto to say that it is the company's option and the State Director's job to ensure the products are being sold. If the Agents are not selling the products, then the company may not have any choice but to direct sell and that could be done tomorrow. We have a very narrow window to work as a team and get the job done or the distribution system may need to be changed.

It also was stated that the company had not intentionally

disconnected the Agents from the client in reference to 800 numbers. If Agents didn't find a way to do more face-to-face selling of products and connecting with our clients, then the marketplace and consumer would dictate the distribution system. The company will do what is necessary to sell the product, with or without the agency force.

Chapter 51

Chapter 51 has doubled its membership since January 1999. Call Steve at 406-752-4357 to find out how he did this.

A Montana District Manager advises his Agents that life sales are no longer a requirement to be eligible to sell the equity-indexed annuities. In his letter to his Agents, he stated, "You are independent contractors. We should never assign quotas to you." GOOD NEWS!!

Chapter 22

We have completed our annual symposium in Moclips. This is a resort on the coast overlooking the ocean. The weather was beautiful. Our hospitality room was hosted by Enterprise Rent-A-Car, and they did a wonderful job, as usual. Each year, we make it a point to go to the opposite side of the state. We had nominations for Y2K officers, and the election was held Nov. 30. Our highest priority is to increase membership. — Joe Patton

Chapter 21

We are making a concerted effort to get the e-mail address for every FIG Agent in Illinois. We want to share all the news that's fit to e-mail!

Chapter 35

We recently had the privilege of Steve Todd and the UFAA Technology Conference making a stop in our town. We had a great turnout, picked up eight immediate applications, and have received several more since. We are currently putting together a continuing program on the technology theme in order to expand on the ideas brought by the tour. It was a great success, and I look forward to reporting continuing progress in helping our members move toward a better way of doing business.

Truly an example of "Agents Helping Agents."

State Farm says no generic parts

Bloomberg News, 10/8/99 — State Farm Mutual Automobile Insurance Co. said it will temporarily stop requiring the use of generic parts after a jury deciding an Illinois class action ordered it to pay customers \$456 million, saying State Farm broke a pledge to pay for replacement parts of "like kind and quality."

State Farm has defended the less-costly replacements as a way to cut insurance premiums. But it said it wants to avoid "customer confusion" that could result from "misinformation" linked to the suit.

The company, which is the nation's leading auto insurer, plans to appeal the verdict. [A judge ruled Oct. 9 that State Farm defrauded its policyholders and added \$730 million to the record \$456 million award.]

CBIC ad

Is there life after Farmers?



‘Count on your own resources of family and friends’

By Bill Sherman

Recently, my good friend Ken Unrein asked me about my experiences as a retired Agent. He gave me his copy of the National Association of State Farm Agents magazine for June 1999. That issue was devoted entirely to the theme “Life After State Farm”.

The magazine, called *The Mirror*, went into the many issues facing former State Farm agents who had been terminated and also those who had left the company on retirement. I would urge

everyone who can to get a copy of the magazine and read it closely.

Now, my life after Farmers.

I started as a reserve Agent on Oct. 25, 1973. On Feb. 15, 1974, I became a career Agent. My goals at that time were to augment another retirement plan with enough income to pay the bills, put two children through college, and maybe save some money for full-time retirement. These goals changed over the years. The agency grew to be in the top 100.

Early in my Farmers career, I joined UFAA to broaden my vistas and learn from other Agents.

Over the years, I enjoyed the little goodies of Toppers Club, Commercial Masters, and Roundtable. Nice, and fun to get together with other Agents.

It was kind of fun planning to have a 25th year lunch with the management folks from the Region. The deal would be to get the latest Farmers version of the 25-year clock, get some pictures, and retire.

That did not happen. That old sentimental recognition of long service is gone, at least in Arizona.

But I did retire after 50 years of supporting a family.

Over the years, planning for the event and transition is an absolute must, planning for the financial aspects and the time

aspects. Retirement decisions don't come easily. Financially, we contributed to an IRA and later an SEP-IRA. Upon retirement, these savings amounted to over \$300,000. When we added in other sources of income, the financial plan showed we would have more than enough to live comfortably.

Retirement is great, but it helps to know how one will use the extra time. My wife and I live in a Del Webb retirement community in Tucson. The opportunities for stress-free activities abound. There is golf, swimming, and tennis, along with crafts of all sorts. We walk daily to help stay in shape. We have volunteered for community activity, keeping our plate full. We have done some traveling, and plan to do more.

Back to the decision to retire. We picked Jan. 31 1998, as the day. Farmer's folks were told about Nov. 30, 1997. The company accepted the retirement letter immediately.

At that time, we became history. Farmers has no debriefing, exit interviews to explain what happens to your E&O, the computers, how contract value is paid, etc. The book of business was the subject of a feeding frenzy as Agents fought to get a piece of a 4,000-policy agency. Briefly, when you are gone, you are gone. You will be forgotten quickly by the company people. Count on your own resources of family and friends, new and old, to include in your activities.

Now, to life after Farmers. Get your bills paid. Don't owe any money on cars, houses, and

other things. You could be living on a small, fixed income.

The move to a retirement community proved to be pretty smart. There are lots of things to do to help the community, mostly volunteer things. We live in a nice middle-class, 2,000-square-foot home (paid for). We keep in contact with the world around us with our computer, active involvement and contact with UFAA, playing golf, and travel.

Financially, this life came from planning and not expecting anything from the company beyond the return of the contract value. It's great to stay in touch with Agent-friends at the monthly chapter lunch meetings.

Need some secrets or advice? Call me at 520-818-1724 or e-mail wgsherm@azstarnet.com.

Summit ad

Get involved!

What else should my Chapter do?

By Steve Lenard

In the last issue, I wrote about the Chapter's responsibility with your dues. In a continuation on the Chapter theme, I would like to talk about another area in which Chapters are responsible: membership.

Your local Chapter Board, under the leadership of its President, has the duty to recruit and increase members in the Association. Without a continuing effort to attract and enroll new members, all the wonderful programs and ideas will be nothing more than a waste of time. If the Association doesn't have the dues necessary to fund the programs that provide reasons for membership, this organization will dry up and blow away.

As members, we can help the National Board in various ways. You can individually approach a fellow Agent and tell him why you're a member and ask him to join. One-on-one contact has been very successful in building this Association, and it's the easiest, least expensive way to increase membership. After all, as it's been pointed out before, if every member would get just one other Agent to join, our rolls would double. That's powerful!

You also can work with your local Chapter President and collaborate on programs that would attract nonmembers to your group. Some chapters assist their membership by providing continuing education as required under their state's licensing law. This has proven to work! The

point is to do something. Show the nonmembers there's a reason to join.

Is your Chapter actively participating in its responsibility? If not, you should find out why.

Our local Chapter recently participated in the Steve Todd, UFAA Technology Conference that passed through the Midwest. This was the best marketing opportunity we've had in the past three years. We made the decision to open the meeting up to all Agents and invited the nonmembers. Our group wanted everyone to see, firsthand, what UFAA was providing for its membership.

The fruits from this approach have been tremendous in our Chapter! The new members who joined saw the benefits this program offered. They realized we were the only place where this help was being developed and knew that if they were to access the nuts and bolts of the program, they would need to join.

This will work in your area too. Let me share a sad side to the same story. While putting this program together, we approached another Chapter and tried to offer assistance to bring the program to his Chapter. The President of this Chapter didn't feel his membership would be interested because he said his members didn't use personal computers.

I don't mean this as a personal attack. He probably got this feedback from the few members who were participating in his Chapter. He had a limited

experience base in his Chapter because of the empathy among his members. But he couldn't see the value in offering this opportunity to nonmembers.

Anyway, we planned the calendar without including this Chapter. Our Board decided to take the program on the road and visited a town about an hour's drive away. At this meeting, we had 28 Agents drive in from the other town. They were very excited about the program, and we took four applications from his city immediately and several more shortly after. It's sad that this city's Chapter couldn't use this opportunity to increase interest and members, while adding value to their membership.

Does this example make this Chapter President a bad guy? Probably not. He just needs more participation from his membership to allow for a varied input. He needs help fighting the stagnation.

If your Chapter President is sincere about assisting the Association with its growth but doesn't have any current programs in place, it's probably because your local Board needs assistance. You should volunteer a couple hours of your time to assist your Chapter.

The time you invest will be beneficial, not only to your Chapter and UFAA, but yourself as well. I've found working in my local Chapter has helped me grow as an Agent much more than when I was merely a spectator.

If you want to access all the benefits of association, get involved. You will not regret it. Your Local and National Boards need it!

Superior Access ad



UNITED FARMERS AGENTS ASSOCIATION

8711 Big Bend
St. Louis, MO 63119

Office Hours: 9 am to 5 pm Central Time



Phone: 314-968-3344

E-mail: ufaa@aol.com
For Members: 800-275-8668

Fax: 314-918-1718

Executive Board

President—Ralph Buchanan
61 E Baseline Rd
mpe, AZ 85283
(P) 480-897-1081 (F) 480-839-8861
mail: rgbuch@aol.com
Insurance—Larry Tencer
1 N McDowell Blvd
taluma CA94954
(P) 888-763-5300 (F) 707-763-7084
mail: larryten@aol.com
Legal Activities—Don Green
12 Lee Trevino #D
Paso, TX 79936
(P) 915-593-4000 (F) 915-593-2826
mail: dgiaep@zianet.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
Membership Director—Jim Beemer
2705 10th St
Greely, CO 80631
(P) 970-356-3252 (F) 970-353-6134
E-mail: jbeem356@aol.com
Governmental Affairs—Frank Mortimer
11650 Iberia Pl #201
San Diego, CA92128
(P) 619-487-2241 (F) 619-487-2295
E-mail: flmortimer@aol.com

Secretary—Steve Lenard
13333 S W Freeway #110
Houston, TX 77478
(P) 281-242-0070 (F) 281-242-6818
E-mail: slenard@pdq.net
Media Relations—Ken Unrein
P.O. Box 5047
Tucson, AZ85703
(P) 520-623-7000 (F) 520-624-8154
E-mail: farmersagent@uswest.net
Director at Large—Jeff Ryan
5437 Palm Ave. #B
Sacramento, CA95841
(P) 916-349-2203 (F) 916-349-2221
E-mail: jryan6914@aol.com

National Historian—Allen Yerxa 7651 W 41st Ave #95, Wheat Ridge, CO 80033 (P) 303-424-5068 (F) 303-424-1875 E-mail: yerxa9@idt.net
UFAA Technology Services—Steve Todd (P) 916-332-5541 (F) 916-349-2221 or through the website — www.ufaa.com
National Committee Volunteer Coordinator—Barry Bowden 612-467-3450

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

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IDAHO

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ILLINOIS

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TEXAS

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WASHINGTON

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WISCONSIN

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

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8711 Big Bend
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