A publication of the United Farmers Agents Association

Fall '17

The Voice

1967 "AGENTS HELPING AGENTS"®

2017

"Agents Helping Agents"®
To My Industry Peers,

Once upon a time, insurance agents would use a rate book at 8 PM in a client’s kitchen to complete a sale. Nowadays, we quote and bind online without ever meeting face to face! With that “ease” we have also lost some of the heart and soul of sales. The human element and connection has been replaced with technology and quick transactions, which can devalue an agent’s proposition and purpose.

Many carriers even support that mentality by putting money into their infrastructure and systems, justifying their spending and offsetting it with reducing commissions to their agents. So, the message to an agent is that our carriers are more willing to invest in their systems than see their agents earn a good living. All while supporting the notion that full automation is where our industry should head rather than keeping the golden element involved; human interaction and emotion.

Having a passion for insurance and people, I know that we can single-handedly change the way insurance is offered and sold. I would never suggest that we can abandon the advancements and technology that have brought us so far, but there is a combination of the new while holding on to the steward’s way and upholding standards.

Pacific Crest demonstrates both sides of this coin. First and foremost, we are about our people - agents and insureds. When my staff and I speak to prospects, we look for a way to help them and better their situation. That’s it! That is our goal in every interaction. In an effort to help agents focus on their clients, Pacific Crest works with the best partners for integration, reporting and quoting.

I invite you to speak with our team about the culture we promote. We are proud to be in sales, in the insurance industry, and helping to better lives through our opportunity and our carrier partnerships. The industry will be ever-changing and we will adapt as needed but no matter what generation or time we are in, relationships and guidance will always be valued. Not only by the general population but especially here at Pacific Crest.

Shawn G Webb

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suggest that we can abandon the advancements and technology that have brought us so far, but there is a combination of the new while Paciﬁc Crest demonstrates both sides of this coin. First and foremost, we are about our people - agents and insureds. When my staff and I speak to prospects, we look for a way to help them and better their situation. That’s it! That’s the only revenue stream? The only group that is not a liability, the group that is the reason you have a profit? It makes no logical sense to ask someone to leave that is costing you nothing BUT is actually making you money.

Perhaps we need to ask the big question, why would Farmers reduce or restrict the one group of individuals that is not speciﬁed in the AAA. Why would a company CHOOSE to reduce their visibility? Are they planning on going all digital, having no Agency Force? That is ﬁne for the young client that does not need help with coverage but what about that ﬁrst time homeowner or those new parents that need help in knowing what coverages they need? Farmers has been playing the “we need to lower costs” game for several years now and the one thing that doesn’t cost them anything, the one thing that actually brings the money in, is where they want to cut? I guess this is one of those situations where applying logic to the decision won’t work because you are working with a wholly illogical situation.

Perhaps we need to ask the big question, why would Farmers reduce or restrict the one group of individuals that is the only revenue stream? The only group that is not a liability, the group that is the reason you have a proﬁt? It makes no logical sense to ask someone to leave that is costing you nothing BUT is actually making you money.

We invite your comments about how your “agency world” is turning and what might be done to improve that world. Article submissions for The Voice can be emailed to editor@ufaa.com.

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The opinions expressed by the authors published in The Voice are not necessarily those of UFAA, its ofﬁcers, directors or members, and should not be construed as legal advice.
UPDATE AND CLARIFICATION

Many Farmers Agents just returned from an incredible informative and productive 2017 UFAA National Convention. A lot of the substance of the Convention is contained in other articles of this issue of *The Voice*, so I will try not to be redundant in this article and just summarize what I consider key points of issue.

Barbara Baynes, Resident Officer in Region 28 of the Las Vegas NLRB (National Labor Relations Board) spoke to the UFAA Delegates about the previous 1971 ruling in which the NLRB ruled Farmers Agents were employees, but in a subsequent ruling 1974 reversed the decision. Part of the issue was there being no follow up on the part of the Agency Force to petition for the next step. Barbara did not offer any legal advice, she simply explained the process, should the Agency Force decide to refile for reclassification from Independent Contractor to Employee and how the process works. There was discussion in how to most effectively determine, when, where and how to refile should this option be elected.

A little history on UFAA, Farmers and the NLRB...in 1971, Farmers appealed to the NLRB, and lost again when the NLRB reaffirmed that the agents were employees for bargaining purposes. Farmers continued its 'glasnost' campaign for agent loyalty when it launched the Agency Relation Task Group (ARTG). In this program Los Angeles Home Office (LARO) executives went out across the Operating Territory for face-to-face, no questions-barred meetings with agents. DM's and regional office personnel were not allowed at these meetings which were afterwards highly publicized in *The Hustler*. Concrete company concessions resulting from ARTO were that FIE auto commissions in California were raised from 9% to 10%; the purchase of #800 Series (large commercial accounts) from the company was allowed; and folio checks were taken from the control of the DM and sent directly to the agent.

You will see a lot of references to Erin Dickinson in this issue of *The Voice*. She is the Class Action attorney that initially won the American Family Agents case where the agents were being classified as Independent Contractors by American Family when in fact the jury and judge ruled they are in fact employees. This case is being appealed by American Family. What's at stake? If the agents are upheld as employees they may be entitled to ERISA benefits (Employee Retirement Income Security Act) all the way back to 2007. Erin spoke to a joint assembly of Allstate and Farmers Agents at the convention and indicated that she is interested in representing the Farmers Agency Force in a Class Action Lawsuit. The logistics are being researched, but Erin’s firm believes the lawsuit cases would be very similar. Should her firm decide to take the case, she explained that all expenses and fees could be covered as was the case with the American Family case (which are $1,000,000 thus far). What everyone needs to know is if the lawsuit is filed it will not be a UFAA case, it will be the Farmers Agency Force Class Action Lawsuit and if the agents prevail they won’t automatically become employees but they would be entitled to ERISA benefits. UFAA's only role will be to help with research and coordination. Again, this decision has not been made but it is being actively explored and Erin is looking at agent plaintiffs. However, that does not mean that UFAA doesn’t need your monetary contributions to help with all these issues, so please donate, as ultimately this is for your benefit.

Tom Schrader
President

EMPLOYEE OR INDEPENDENT CONTRACTOR?

When asked your occupation, or what you do for a living, how you respond indicates whether you have the mindset of an employee or a self-employed business owner.

Most agents answer that question by responding “I'm a Farmers' Agent"...or even worse “I work for Farmers Insurance"...which is the mindset of an employee...as opposed to the response, "I own and operate a multi-line insurance agency primarily representing the products of Farmers Insurance"...an owner mindset.

Occasionally I am asked by a disgruntled client for the name and number of my manager or supervisor...without hesitation I give them the name and phone number of my wife. How many of you would give the name and number of your DM if asked this question...Again, an employee mindset.

When you receive that letter from your DM demanding that you produce your plans and goals, or attend a “mandatory” meeting...how do you respond? By meekly cowering down to their intimidation and coercion...or like a true self-employed business owner...thanking them for their concern, but advising that you will not be in attendance or participating.

As a business owner, you must make decisions that are in the best interest of the business. And when these conflict with the desires and demands of the DM, you must be willing to say so...an owner mindset.

One complaint that I hear from the Agency Force on an almost daily basis, is that “I am being treated like an employee".

If you don’t want to be treated like an employee, then stop acting like one!

Tom Schrader
President
**A MESSAGE FROM A CHAPTER PRESIDENT REGARDING COMMISSION CUTS**

As the year is quickly passing us by, we are getting ever so close to 2018, the year Farmers Insurance, the Company we committed to represent, begins to pick our pockets and essentially rob us of hard earned and deserved commissions. Sound harsh? Maybe, but read on and you decide.

This coming year the Company’s strategy is to reduce Agent commissions in auto and certain home products by 10% and 30% respectively, under the guise of making us more competitive. This a ruse, and one that management believes they can easily get away with.

After the Agency Force’s lack of protest regarding the reduced commission structure of the Smart Plan Home product, management confidently feels they can pretty much do what they want when it comes to Agent Compensation without any Agent resistance. As a result, the reduced auto and home commissions are scheduled to commence in 2018. What will follow – Commercial?

The carrot dangle of increased bonus potential is just that, a carrot dangle. The number of Agents projected to qualify for these enhanced bonuses is between 1% and 2% based on current and future qualifying requirements (digital storefront presence). This essentially means that 98% of the Agency Force will be subsidizing the bonus program for the elite 2%, not costing FGI a dime. How is that for an incredibly regressive concept for promoting increased production and moral amongst the Agency Force?

We Agents only have a few short months to make our Voices heard. UFAA has once again designed a PETITION that can easily be accessed and completed at the UFAA website (www.ufaa.com), and “AGENT SIGNATURES WILL NOT BE DISCLOSED TO FARMERS”.

Please take the time, initiative and courage to sign the PETITION and voice your opposition and displeasure with the scheduled commission cuts. Let Management know that stealing Agent commissions does not meet the “Best Business Practices” standards so stringently expected by the Company of the Agency Force. It is time to stand up for your rights as INDEPENDENT CONTRACTORS and BUSINESS OWNERS and MAKE YOUR UNIFIED VOICES HEARD.

Please reach out to fellow UFAA Chapter Members, Non-UFAA Agents in your District, of any other Agents you might personally know, and encourage them to protect their livelihoods and businesses by signing this PETITION. Please don’t stand idly by expecting UFAA or other Agents to do the heavy lifting. THE LOUDER THE VOICE, THE MORE LIKELY IT WILL BE HEARD.

A Concerned Agent

**WARNING! WARNING! WARNING!**

Remember way back when the commissions were 20% New Business and 14% renewal? Or maybe you only remember back when they were 15% and 15%. Over the past 15 years we have seen Commission go down by a total of almost 60% while more and more of the workload has been shifted over to the Agency Force. For years and years we have had rumors of commission cuts, planned commission cuts that were revoked or suspended and commission cuts that went through. We are now facing the 2nd commission cut in so many years. There is a scheduled Auto Commission Cut in January and a Fire Commission Cut in July. Who is to say that there will not be more commission cuts in the Fall of 2018 and then again in 2019?

It has been said in the past if Farmers sees that agents are willing to sit down and just accept whatever is put to them they will just keep taking and taking... When will you finally decide to stand up? When commissions are down to 8% or 7%. What is keeping them from dropping commissions all the way down to 5% or 4%?

Take a stand NOW!!!! You cannot be a supporter of change without standing up and making your voice heard. Sign the petition (links can be found on the bottom of the front page of the UFAA website, www.ufaa.com) send letters to the Exchanges Boards of Governors, and talk to other agents about taking a stand!

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Oracle sued by employees in class action over cancelled commissions.

A class action lawsuit has been filed in California federal court against Oracle America, Inc. The complaint alleges that Oracle failed to pay its sales force earned wages by retroactively changing contracts to reduce commissions on past sales. To read more about this suit go to http://svdaily.com/oracle-sued-for-150-million-for-lost-commissions/
Crueger Dickinson LLC is one of the lead counsel in the case of Jammal, et al. v. American Family Mutual Insurance, et al., which is currently pending in the Northern District of Ohio. The Court held a jury trial starting on April 3, 2017, and on April 18 the jury decided that American Family’s agents were employees for purposes of ERISA. On August 1 the Court issued an order siding with the jury and finding that the American Family employees were agents for purposes of ERISA. The following list addresses some of the frequently asked questions we have received about the case:

Q: What is the case about?
A: The case is primarily about the protection of the agents’ retirement benefits in their Termination Benefit plan (also known as Extended Earnings) under ERISA. ERISA is the federal law protecting employee retirement benefits and it requires pension plans to meet minimum standards for, among other things, the vesting, accrual, and funding of employee retirement benefits. Plaintiffs and the Class contend that while American Family classified them as independent contractors, it retained a right to control them that makes the agents employees for purposes of ERISA. Plaintiffs and the Class also contend that the Termination Benefits plan does not meet ERISA’s minimum standards and protections and, therefore, must be reformed to comply with ERISA. In addition, Plaintiffs and the Class allege that they were also entitled to certain benefits under the health and other welfare benefits American Family offered to its employees.

Q: Am I a member of the class?
A: You are a Class member if you fall within one or more of the following categories:

- **Termination Benefits Class**: Each person who signed an American Family Agent Agreement and (1) was an active agent as of February 28, 2013, or (2) is a former agent whose Agent Agreement was terminated on or after February 28, 2007;
- **Termination Benefits Breach of Fiduciary Duty Class**: Each person who signed an American Family Agent Agreement and (1) was an active agent as of February 28, 2013, or (2) is a former agent whose Agent Agreement was terminated on or after February 28, 2010;
- **Health/Dental/Life/Disability Class**: Each person who signed an American Family Agent Agreement and (1) was an active agent as of February 28, 2013, or (2) was a former agent who became a full-time American Family Agent and came off an agent financing program on or after February 28, 2007.

Q: What did the judge decide?
A: The judge decided that Plaintiffs had proved that the agents were employees under ERISA.

Q: The Judge allowed American Family to take an interlocutory appeal. What does that mean and is it bad?
A: No, it is not bad. The judge allowed American Family to file a petition with the Sixth Circuit Court of Appeals to review the decision that the agents are employees for purposes of ERISA. The Sixth Circuit can decide whether it wants to hear the appeal. If it declines, then the case will go back to the district court to continue to the next phase to determine what relief the Class is entitled to. If the Court of Appeals decides to hear the appeal, then the parties will present their case to the appeals court. In that case, we are confident that the Court of Appeals will affirm the judge’s decision.

Q: What is next?
A: American Family is going to ask the Court of Appeals to hear of the case. See “The Judge allowed American Family to take an interlocutory appeal. What does that mean and is it bad,” above. If the Court of Appeals declines to hear the appeal, then the case will continue to the next phase to determine what relief the Class is entitled to. Specifically, the Court will decide whether the Termination Benefits plan is a retirement plan and if that plan needs to be reformed to comply with ERISA’s minimum protections and requirements. (ERISA is the federal law protecting retirement benefits.) The Court will also have to decide whether the Class was entitled to participate in the health and other welfare benefits plans American Family offered to its employees.

Q: If I’m an American Family agent, does that mean that I am now an employee?
A: No. The Court’s decision does not automatically convert agents to employees for all purposes. As we have said before, the case seeks ERISA benefits, including the protection and funding of retirement benefits.

Q: Is the Class also seeking benefits under the retirement and 401K plans American Family offers to its employees?
A: No. American Family wrote its retirement and 401K plans to exclude the agents even if they were employees.

Q: Now that the Judge found that the agents are employees for purposes of ERISA, what will I receive?
A: Nothing as of now. No relief flows automatically from a finding that American Family misclassified that Class as...
independent contractors. There will be additional proceedings to determine what relief is available under ERISA. See “What is next,” above.

Q: What are the prospects of settlement?
A: Plaintiffs and lead counsel have always been willing to resolve the case in a fair and reasonable manner. They also recognize that the case, like all lawsuits, has risk and that resolution is always preferred. American Family, however, chose to try the case to the jury. Hence, the jury’s decision.

Q: I’ve heard the case is “worth” $1 billion. Is that accurate and where does that number come from?
A: The number comes from a report issued by Plaintiffs’ expert actuary in this case. The $1 billion number is a combination of two different numbers. The first number is American Family’s existing liability to pay benefits under the Termination Benefits plan. This first number is approximately $500+ million. That liability is unfunded, however, and Plaintiffs contend ERISA would require American Family to fund that liability. The second number is the increase in pension liability from having to comply with ERISA’s minimum protections, such as vesting, accrual, and paying a level annuity. The second number is approximately $500+ million. American Family’s position is that even if ERISA applied, the Termination Benefits plan is a “top hat” plan maintained primarily for a “select group of management or highly compensated employees,” and it is therefore exempt from most of ERISA’s protections. Thus, American Family contends there would be no increase in liability if it had to comply with ERISA and it would not have to fund the liability. Plaintiffs dispute American Family’s “top hat” plan position and, if the Judge adopts the jury’s decision, the parties will move to the next phase of the case, which will address this issue.

To read the Judge’s Decision visit ufaa.com and click on the “Judges Decision on American Family Class Action” link.

To read more information about the lawsuit visit ufaa.com and click on the “Federal Judge Rules against American Family in a lawsuit filed by former insurance agents” link.

JUST ANOTHER COMMENT FROM THE FIELD:

Staff Reductions?

It’s taken years to get to the point where I have staff, whom I consider to be rock stars! When dealing with clients and more importantly, the daily challenges of navigating the agency dashboard, they put a smile on their faces, and maintain a pleasant, helpful, and sincere attitude. In spite of the challenges of having to repeatedly input the same information over and over because it just mysteriously disappears, they do it again and again, sometimes taking all day to complete a simple transaction they remain charming and genuine. It usually involves a digital road block or two, which then requires a call to the Region. The initiated call for assistance first is met with a person, located somewhere in the Caribbean, who knows nothing. So, the call then gets escalated to another person who may have limited knowledge or authority. And finally, they may get to someone who tells them the issue is fixed. However, they can’t really rely on that because, following up the next day they often times discover it still has not been fixed. And so, begins another day in the life of dealing with the inner workings of Farmers Insurance.

My staff takes pride in their work and treat this agency as if it is their own. They are reliable, honest, conscientious professionals whom I value and entrust with the future of my livelihood. In order to maintain the quality of service we provide, it takes a full team of players. We have systems of checks and balances to avoid mistakes and having things fall between the cracks. We coordinate and cover sicknesses, vacations, appointments and lunches so that we are always available to provide our clients with the level of service they deserve and have come to expect.

Therefore, in light of the impending and misguided commission cuts, I know I am not alone when I ask the question… What in the hell is Farmers doing? Don’t they realize that without us agents maintaining professional storefront agencies with dedicated staff, the whole thing falls apart? Do they think that we are so bloated that we can just absorb the loss of revenue without sacrificing the quality of service? If so, think again. Our relationship with our clients is the ONLY thing that keeps them from buying insurance from 1-800-CHEAP. In spite of unending rate increases, policy rewrites, fireline restrictions, billing screw-ups, system glitches and mileage surveys ad nauseum, the clients stick with us because of the personal service they receive from us, their trusted insurance professionals.

It’s time for Farmers to look at themselves in the mirror. They should reflect on the long-term effect of what they are about to bring upon everyone who depends on this company for their livelihood. It isn’t too late, not yet.
RECAP OF 2017 UFAA 50TH ANNIVERSARY NATIONAL CONVENTION

Another great Convention has come and gone. Thanks goes out for all attending making our 50th UFAA Annual Convention one to remember. The Golden Nugget in downtown Las Vegas rolled out the red carpet once again for all the UFAA Delegates and their guests.

Our National Board gathered for their Board Meeting on Sunday, September 10th with the Chapter President’s Meeting held the next day Monday, September 11th. Later that evening registration took place for the Delegates along with a hospitality/vendor night. Delegates from all across the country had an opportunity to mingle along with visiting with vendors and finding out what they had to offer our agencies.

Convention business officially kicked off with a bang on Tuesday, September 12th with our keynote speaker, Robb Braun. Robb being an experienced corporate trainer, executive coach and author brought his talents to the floor of the convention for all Delegates in attendance. He delivered a very outstanding, energetic and emotional presentation. He explained that his attitude and ours, should be covered by one statement in business and in life, “I’ve Got This!!”

Our UFAA E&O Plan broker, Kevin Dahlke was up next. Kevin told the Delegates we are quickly approaching the 10th year this plan has been in existence. He is expanding in several eastern states this next year as FGI continues to expand eastward.

After a couple of vendor presentations we joined Allstate’s Association (NAPAA) Delegates for a joint presentation by attorney Erin Dickinson, the lead attorney in the current class action lawsuit representing American Family Agents against American Family Insurance Company over independent contractor vs. employee status. In her presentation she went over what had transpired during the course of the lawsuit all the way to conclusion where they won a unanimous decision of the advisory jury as well as the judge’s decision to go along with the jury verdict. This was a monumental decision for all captive agents. Discussions followed by Delegates with how our situation relates to that of the American Family Agents.

To close out the day a discussion of old/new business started and was eventually postponed so everyone could get ready to attend the agent networking mixer with the NAPAA Agents, sponsored by Tom Sanders with Capital Resources.

First up Wednesday morning, September 13th we were fortunate enough to hear a presentation from Barbara Baynes, an Agency Resident Officer in Region 28 of the NLRB (National Labor Relations Board). She first explained the details of how the NLRB works, then she got into the NLRB decision back in the 60’s where the NLRB decided the Farmers Agents were employees, followed by the later decision in the early 70’s by the NLRB where they ruled Farmers Agents were independent contractors, instead of employees. Subsequently a Q & A session followed with questions flowing intensely toward our speaker, as you can imagine.

Later after a few more vendor presentations our next speaker was Ted Paris, a former Farmers District Manager of 18 years. He left Farmers and became an owner of two Allstate agencies during a 12 year span before he sold his last Allstate Agency in early 2017. On June 1st of this year he became the Executive Director of NAPAA (National Association of Professional Allstate Agents), Ted gave a very personal and down to earth presentation about his time as a DM with Farmers and as an Allstate Agent with a Q & A session following.

Up next was UFAA’s very own General Counsel, Dirk Beamer. He outlined in general terms the current AGM DRA Lawsuit and how it is progressing and what lies in the future. After addressing several topics he fielded many questions from the Delegates.

Next we cleared up several matters before we adjourned the meeting to get ready for the evening’s festivities with the banquet, raffle and entertainment.

Wednesday evening started out with cocktails at 6:00 pm and the banquet dinner at 7:00 pm. With the fabulous dinner over with it was time for the raffle drawings. After the raffle was complete it was time for the evening entertainment. Everyone was thoroughly entertained by one of the hottest/funnest comedy magicians currently performing in Las Vegas, the one and only, Adam London. We all left laughing and wondering in amazement, “how in the world did he do his magic tricks?”

On Thursday morning, I gave my presentation titled, “My Day in Court.” I gave my perspective as UFAA’s designated observer in the courtroom during the AGM DRA trial last fall. Following was Reed Conger, from UFAA Tech. Reed talked about some of the tasks UFAA Tech performs for our members.

President, Tom Schrader, then wrapped up the 2017 Convention with some unfinished business and future plans for 2018. As everyone said their goodbyes and see you next year I believe nobody really wanted to see the convention come to an end.

I hope everyone who attended this year’s convention found it worthwhile and will go home and tell their fellow UFAA members what they missed out on and suggest their attendance for next year.

Mike Ward
Vice President

The Voice • 8 • Fall ’17
“AGENTS HELPING AGENTS”®
STRUGGLING TO MAKE THE RIGHT CHOICE?

NOT WITH SMART CHOICE®

Gain a partner, access markets, and grow your agency with Smart Choice®. No lengthy contracts. No up-front fees. Bonus & Contingency sharing.

Get the benefits of an agency group, without all the hassle.
CAPTIVE AGENTS, THE FORGOTTEN PEOPLE

What if you decided to start your own business? You find a product you feel you can really market. You invest thousands of dollars and years of hard work into establishing a successful business which includes scores of faithful returning customers. Things begin to look like maybe you are finally making it as a successful business owner. You are established and respected in the community. You own the building your business is in. Things are really looking up. But suddenly, with one fell swoop, it is all taken away from you. Someone bigger and more powerful than yourself decided your business was theirs. You are out with essentially nothing, including your reputation. Sound familiar?

This is the plight of the captive insurance agent today. Captive agents are controlled like employees but claimed by captive insurance companies as independent contractors. Captive agents are often told how to sell, what hours they must be open, when and when they cannot take a vacation. They are required to attend meetings of questionable importance. They’re given sales quotas that are often beyond the realm of possibility because the captive insurance company controls the rates. They are asked to submit endless progress reports and are reprimanded and threatened if these reports are not submitted in a timely manner. Agents are told who they can and cannot hire. Often captive insurance companies provide phone systems and computer systems to the agent in an effort to control and monitor the agent. Captive agents often find that even though they pay the monthly phone bill, the company has forced them to sign an agreement that their phone number belongs to the company. Advertising is often forcefully shared in order to control the agent. Agents are blamed and often find their contracts terminated for too many losses, too few 100/300 liability coverages, too low a retention rate, too low an application count, or any other of a list of about 20 “indicators” upon which agents are judged. The list of controls goes on and on.

Captive insurance companies seem to take the word captive literally. The dictionary defines captive as a “prisoner, unable to escape, forced to use or accept something.” If a captive agent tries to leave a captive company to sell as a true independent agent, he is often sued and restricted by claims that the names, addresses, phone numbers, coverages and renewal dates of all his clients are “trade secrets” that belong to the insurance company. In the truly independent world, agents are truly independent. Independents own the names, addresses, and client data that they themselves brought into their agency. What exactly is the difference here? Nearly all data collected by both types of agents is readily available for public viewing. Why this same information is considered a trade secret by captive insurance companies and NOT by independent companies is very unclear and unfair.

Captive agents’ contracts are often terminated because the company wants that agent’s policies to give to a new agent-in-training. Or perhaps a district manager is being asked to step down, so the company simply figures out how to fire the agent and take his agency away from him and give it to the district manager. Terminating an agent’s contract is quite easy because the district manager can place any production requirement he wants on the agent regardless of whether the company’s rates allow an agent to sell or not. Often excuses for terminating are “manufactured.” Agents have been falsely accused, defamed, and ‘used as examples’ in an attempt to intimidate other agents. The agent is guilty till he can prove in court that he is innocent and usually this is at a great financial cost to him…one from which he may never recover.

We believe it is time the world, including the courts and government departments such as the IRS and the EEOC begin to recognize there is a serious and unfair inconsistency evident here that is causing a great deal of stress and monetary loss to the “forgotten people,” the captive agents.

Captive agents are unable to form unions to negotiate these issues (with the company) because they are not employees. Captive agents are unable to influence judges because captive insurance companies with extra deep pockets (provided by policyholder money, incidentally) are able to influence them with various perks that are way beyond the capabilities of the average individual captive agent. Politicians heed the highly paid lobbyists hired by insurance companies. The news media seem influenced by the “credible” large corporations rather than the “small guy” because these ‘generous’ companies are donating hospitals and parks and other wonderful gifts to humanity.

**Captive agents are a totally unrepresented, unfairly treated, forgotten segment of the American workforce.** Every other group of workers in America is represented by some government entity, some union, or some trade association, but not the captive agents. If captive agents were able to quit working for the captive company that is abusing them, they could start over. Many agents are willing to make this sacrifice even late in life, but captive companies won’t allow them to do this. The companies sue the agents who have gone independent for violation of non-compete (without proper proof), for computer fraud (even without realizing that the lists they’ve accused the agent of “stealing” off their computers were lists that the agent was required by the district manager to run for marketing purposes), for violation of trade secrets (even though what the company is calling trade secrets is data that is publicly available to anyone in the insurance business and
data collected by the agent himself...not an internal employee).

We are going to make every attempt to expose the plight of captive agents. We believe that agents must be treated as the true independent contractors the IRS have labeled them. We believe the companies have misrepresented to the courts and to the IRS exactly how they treat captive agents.

We suggest agents write to your representatives both in Washington and in your state. Perhaps we are ready for federal regulation of the insurance industry as proposed by the present administration. Contact public media such as John Stossel of ABC’s 20/20, Oprah, Sixty Minutes, or your local newspaper. If the public knew how our businesses are being taken away from us, there would be an outcry demanding fairness to a group of sincere agents who are trying to do an outstanding job of servicing our clients, but who are hampered by the deadly threats and controls of the captive insurance companies. This is America and our voices must be heard!

[This letter was received from agents who are asking to remain anonymous. It is being submitted to you by the Board of the National Association of American Family Agents. (NAAFA) www.NAAFA.com]

Reprint from the Spring 2009 NAAFA Report

In August the LA Times reported that Farmers Insurance has asked a court to block a state review of its auto insurance rates dating to 2008, making it the latest case to test the limits of California’s landmark insurance law, Proposition 103.

California Insurance Commissioner Dave Jones dismissed any notion that his department does not have authority to investigate the 2008 rates. “We will defend against any lawsuit challenging the right of the insurance commissioner to seek information necessary to determine if an insurer has set rates that violate the law,” he said in a statement.

To read the article visit the LA Times website, http://www.latimes.com/, and look for the article titled Farmers Insurance asks court to block state review of auto rates and a possible refund order.
Larry Pratt Named Chief Agency Officer at SUNUP Insurance Services

Published on October 17, 2017

Larry Pratt, a 24-year leader in the insurance industry, has joined SUNUP Insurance Services as the Chief Agency Officer. He comes to SUNUP with a trusted reputation as being a strong and effective leader in agency distribution. Pratt will be responsible for leading agency operations for the company. His extensive experience in agency management and national sales will be a great asset to his new role at SUNUP.

“Insurance agents across the county are going through a lot of change and disruption in the industry as a whole. SUNUP has created the agency of the future by returning the focus to the agents needs which in turn better supports their clients. It appeals to captive agents who don’t have access to the products needed to compete in the industry, and at the same time appeals to independent agents that want the training, systems, or support that is often available to captive agents. SUNUP is really the perfect combination of both,” said Pratt. In his career, Pratt was the VP of Sales Home Office for Farmers Insurance, as well as the VP of Territory for the Northwest (Idaho, Oregon and Washington), California, Texas, and Alabama. During his leadership, Pratt was well known for taking no growth territories and making them profitable. He was tasked with fixing a wide range of problems including declining market share, lost premiums, and regulatory issues to which he was continually successful at.

Troy Korsgaden, an Insurance industry expert, consultant, author and speaker stated, “Larry Pratt brings a wealth of knowledge and experience to SUNUP. He is a creative leader and a true professional in business. Larry not only believes in mastering his craft, but values relationships as well. This allows him the ability to identify the strengths and talents of others, and consequently place them in the best positions within the organization. This makes Larry invaluable to the company and its employees alike.”

Pratt in his role at SUNUP, will be focusing on attracting top tier talent to join their organization. “Many people have dreamt of running a successful insurance agency but have found it difficult to do so based on ongoing industry changes. I want to show those agents that their dream is still achievable with SUNUP.” said Pratt. He will also be continuously looking for and developing new processes and programs aimed at making agents successful and rapidly growing premium.

“We are excited to have Larry as a key member of our executive team. We have a broad vision for SUNUP as it relates to growth and most importantly providing an environment that will allow agents to be successful both personally and professionally. Larry is a proven leader in creating environments for agent success, and SUNUP will rely on Larry to provide his invaluable expertise on how to grow our company with the best talent there is,” said SUNUP CEO Todd Swicegood.

SUNUP Insurance Services, Inc. is in its second year of operations and is approved in 37 states. It currently has over 65 outlets in Texas, California, Florida, North Carolina, South Carolina, Georgia, and Louisiana. They will be expanding agency distribution in 10 other states in 2017. SUNUP operates with an agency developer and master franchise model, where the focus is on recruiting and training top performers, as well as a Unit Holder franchise of storefront operations. SUNUP is headquartered near Winston Salem, NC in Bermuda Run, NC, and operates a training center at SUNUP University in Liberty Hill, Texas near Austin.

For questions contact Robert Lougen 757-749-3088. www.winwithsunup.com
Real **Integrity** is doing the right thing, knowing that nobody’s going to know whether you did it or not.

It takes **Courage** to let go of the familiar and embrace the new.

**Commitment** is an act, not a word.

Where there is no struggle, there is not **Strength**.

Keep your word. **Honor** commitments, and they will double back to honor you.

Today we are ranked #1 in Texas and Louisiana for Personal Lines as an Independent, Privately-owned Agency, and #8 in the nation out of 32,387.

Truly extraordinary, and together we have reached a new milestone newly ranked #28 for all lines in the U.S. up from #32. A testament to our solidarity, strength, courage and tenacity.

**We want you to choose!**

**Why TWFG?**

We are focused on helping Agents hit their Financial Goals and reaching their full potential.

Access to Competitive Carriers.

“Leadership with actual Agency experience.”

**80% Equity Interest in your Book of Business**

**Added Value**

Acquisition Funding Opportunities for TWFG Agents for Financing and resources to help agents buy books of business.

**TWFG Support**

Multiple training opportunities

Internal Sales & Support Team

Contact Judy Rush at judy@twfg.com  Freedom Starts Here: www.twfg.com/freedom
UNAWARE OF HOW TO OPERATE A SUCCESSFUL AND RELEVANT COMPANY IN THE 21ST CENTURY

Agents need to wake up and look at what the commission cuts will do to their agencies. Reducing auto commissions from 10% to 9% is not a 1% reduction, it is a 10% reduction. Reducing fire commissions from 14% to 10% is not a 4% reduction, it is a 28.57% reduction.

Farmers Agents now earning $150,000 a year in auto and fire commissions, will see their auto and fire commissions drop to ~$122,721 with these commission reductions in place. This is $27,279 less in commissions, assuming every customer renews her/his policies.

If every Farmers Agent earned a PGB every quarter, the company would increase the requirements to earn a PGB. The reality is that only a small percentage of agents will ever earn a PGB (look at how few agents are above the line in your District now).

Assuming that most agents don’t have an extra $27 Grand laying around every year, agents that now earn $150,000 a year in auto and fire commission, and do not earn at least $27,000 a year in PGB’s starting next year, will lay off staff. How can that be good for the agency goals or the company goals?

Agent commissions are not the problem. Zurich and FIG Management Company siphoning money off the top line is the problem. Their greed is ignorant of how to operate a successful and relevant company in the 21st Century. Furthermore, there are too many management type people pushing spreadsheets of numbers around that do not sell insurance or provide claims or customer service. What impact on the bottom line would it be to eliminate these positions and their significant salaries?

Farmers used to be a great company that agents were proud to represent. It has become a greedy company that does not show concern for its customers or agents. It is very sad.

Signed – Longtime agent.

HOW HEAVY IS THIS GLASS OF WATER?

A psychologist walked around a room while teaching stress management to an audience. As she raised a glass of water, everyone expected they’d be asked the “half empty or half full” question. Instead, with a smile on her face, she inquired: “How heavy is this glass of water?” Answers called out ranged from 8 oz. to 20 oz. She replied, “The absolute weight doesn’t matter. It depends on how long I hold it. If I hold it for a minute, it’s not a problem. If I hold it for an hour, I’ll have an ache in my arm. If I hold it for a day, my arm will feel numb and paralyzed. In each case, the weight of the glass doesn’t change, but the longer I hold it, the heavier it becomes.” She continued, “The stresses and worries in life are like that glass of water. Think about them for a while and nothing happens. Think about them a bit longer and they begin to hurt. And if you think about them all day long, you will feel paralyzed – incapable of doing anything.” It’s important to remember to let go of your stresses. As early in the evening as you can, put all your burdens down. Don’t carry them through the evening and into the night. Remember to put the glass down.
We have capital to lend to insurance agents.

Come and get it.

If you’re a Farmers agent who’s hungry for capital to expand, acquire or refinance an agency, talk to us. We’re all about getting you the money you need. For 10+ years, we’ve specialized in providing loans to insurance agency owners, so we understand what works.

- Loan amortizations up to 15 years – the longest available
- No predetermined lending limit
- Fast and efficient underwriting
- Personal collateral is not required
- We look beyond just credit scores and down payment amounts
- Loans for refinancing existing debt, agency acquisitions and expansions

Visit go.capitalresources.com/getit to get started or call 866-523-6641.
Carl Ward started his career with Farmers as a Claims Adjuster in 1950 and moved through the ranks as a Branch Claims Manager and then on to a Division Agency Manager. Around 1960 he became a Commercial Rep for the Kansas City Regional Office covering an eight state area at the time. In 1963 he moved himself and his family to Tulsa, OK and became a full-fledged Farmers Agent. Carl remained with Farmers throughout his distinguished career when he retired in 1994.

November 21, 1991

Mr. Leo Denlea, President
Farmers Insurance Group of Companies
4680 Wilshire Boulevard
Los Angeles, California 90010

Dear Mr. Denlea,

Thank you for your letter of October 15, 1991. I have enjoyed every year that I have been with Farmers. As one of the “Old Guard”, I would like to make a suggestion that I feel would greatly increase the “COMPANIES” image with the Agency Force. My proposal is as follows:

SUBJECT:
How Farmers Insurance Group of Companies can dramatically increase and retain its Agency Force along with corresponding increase of Policies in force.

SOLUTION:
Gracefully and with kind feeling retire all agents with 25 or more years of service with Farmers.

What’s in it for F.I.G.?
1. Dramatic increase of P.I.F. in all companies.
2. The 25 year-plus agents are burnt out! They have, by this time, hit their plateau and are complacent. They, by and large, are doing a good job of servicing their book of business. But, as for actively soliciting for new business – Forget it!!

How do we, as Farmers Insurance Group of Companies, finance this early retirement of the older agents?
1. Take policies of the outgoing agents and assign in 500 series for new hot shot agents. These new agents could then be assigned a large block of 500#’s, say 500 policies, instead of the paltry 50 to 100 policies now being assigned to them. That extra 50% commission from the 500#’s would very definitely be an incentive to work hard to be successful and stay on as a Farmers agent. If you take the $2,500 draw that the new agents are receiving plus a 50% commission from 500 policies, you have an attention getting income.
2. Offer agents with 25 years and over service with the Companies three (3) times their contract value, if they desire to retire.
3. How are buy-outs funded? This can be accomplished by using the remaining 50% income from the 500#’s of the policies of the retiring agents.

What’s in it for the retiring agents?
1. Retirement with dignity. A good feeling about “THEIR COMPANY”.
2. Retirement with enough money to comfortably live on in conjunction with social security. Remember, we have no pension plan as agents.

What’s in it for the new agents?
1. Enough money to live on, for a change, while they are building F.I.G.’s business.
2. By contract, you could point out to the new agents that, although they do not have a pension plan, after 25 years of service they will receive three times their annual commissions, guaranteed. Therefore it’s up to them as individuals how much money they want when they retire.

SUMMATION:
1. Feeling of goodwill and loyalty towards the company by both out-going agents and incoming “pups”.
2. Higher new agent retention
3. One of the first rules of selling: If it’s good for the buyer and good for the seller it’s a good SALE!!!

Leo, thanks for letting me know your thoughts on the suggestion.

Sincerely,

Carl E Ward
Dear Carl:

Thank you for taking the time to share your thoughts. Your input is valuable, and most of our best ideas come in the form of suggestions from our agency force.

Your concept of developing and implementing a retirement incentive for our senior agents is certainly interesting. In fact, we have been studying several alternatives in this area. Whatever the ultimate decision, please rest assured that thorough consideration was given to the impact on our company, our policyholders, and all of our agents.

Carl, I can use your help in another matter of great importance to us all. We are facing a formidable challenge in correcting our loss ratio. A challenge we must conquer once and for all. I can see from your performance that you understand and have clearly demonstrated your ability to manage a profitable agency. So, please talk with your fellow agents and let us put together the team effort for which Farmers is known. By working together to correct the problems, we will reach our goal of Premier.

Again, thanks for taking the time to share your thoughts. It is appreciated. Best wishes for a very happy, health and prosperous New Year.

Best Regards,

Leo E. Denlea, Jr
Chairman of the Board and
Chief Executive Officer
A LETTER TO THE CHAIRS OF THE BOARDS OF GOVERNORS

Below you will find a letter written by an agent to the Chairs of the Boards of Governors. As a policyholder you are a subscriber and are actually the owners of the Exchanges. Make your voice be heard by those that are supposed to be looking out for the good of the Exchanges. Take a few minutes to write a letter to these gentlemen that are tasked with protecting the Exchanges AND the policyholders (subscribers)!

Subscriber Relations Office
Farmers Insurance Exchange
Attn: Corporate Secretary
PO Box 4461
Woodland Hills, CA 91365

October 2, 2017

Joe D. Bryant Chairman of the Board of Governors of Farmers Insurance Exchange
Alan R. Gildemeister Chairman of the Board of Governors of Fire Insurance Exchange
Dennis J. Lorch Chairman of the Board of Governors of Truck Insurance Exchange

Dear Sirs:

As a subscriber and also as an agent appointed with The Companies, I wish to share my concern about the impact that the recently announced agency renewal commission cuts will have on my fellow subscribers and me. As the Exchanges’ fiduciaries, we look to you to ensure that FGI acts in our best interests.

As you are aware, FGI has outlined plans to reduce dramatically the commission paid to Farmers agents. This will have the secondary effect of reducing the contract value paid to agents upon termination or retirement (thereby limiting the scope of the agent’s commitment not to compete). Given these adverse factors, FGI and the Exchanges must realistically expect a significant reduction in the agency force. This will adversely affect subscribers in at least two ways: First, a loss of agents necessarily brings a loss of subscribers, resulting in upward pressure on premiums for remaining subscribers. Second, that same loss of agents and subscribers will lead to a further reduction in market share for the Exchanges.

To compound the problem, faced with a significant reduction in income, those Farmers agents who remain will likely be forced by FGI's actions to reduce staff, slash marketing budgets, and possibly eliminate services -- all to the detriment of the subscribers!

Whether FGI and its parent, Zurich, fairly earn the dramatic management fee paid by the Exchanges yearly is for your careful determination. More specifically, whether FGI plans to chase away agents and subscribers is in the best interests of those same subscribers, subscribers to whom you owe a duty and supposedly answer, demands thoughtful scrutiny.

Thank you for your attention to this very important matter.

Very truly yours,

Kim Rich

Editorial Note: As of the printing of this issue of The Voice no response has been received. We will print the response when it is received. If you wish to write the Chairs of the Boards of Governors yourself, as is the right of any policyholder/subscriber, you can do so at the Subscribers Relations Office address below.

Subscriber Relations Office
Farmers Insurance Exchange
Attn: Corporate Secretary
P.O. Box 4461
Woodland Hills, CA 91365

It is our understanding that Dennis J. Lorch (Chair of the Truck Insurance Exchange Board of Governors), Alan R. Gildemeister (Chair of the Fire Insurance Exchange Board of Governors) and Joe D. Bryant (Chair of the Farmers Insurance Exchange Board of Governors) do not personally office at the Woodland Hills location and do not even reside in California.
• Over 3,800 start-up agencies • $6.8 Billion in Premium
• Full & highest commissions • 6,300 signed member agents can’t be wrong
• No minimum volume requirement for profit sharing and excess compensation
• Your clients and companies are always yours

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THE KEY TO INDEPENDENT AGENTS SUCCESS

INCREASED REVENUE & AGENCY VALUE
DIRECT CARRIER ACCESS TO QUALITY MARKETS
VOLUME & CONTINGENCY SHARING
TOP TIER COMMISSIONS

WWW.ASNOA.COM
CONTACT@ASNOA.NET
As I’ve talked to Agents throughout the country, I hear all the time about how much foot traffic has reduced in their offices compared to 10 years ago or even just 5 years ago. Kind of ironic in light of the recent push on office appearance standards but that’s another topic for another day.

With fewer and fewer people opting to do business in person and more transactions happening via phone or email, how do we maintain our personal relationship with our clients? I think it all comes down to staying in touch and keeping reminders of our commitment to our clients at the forefront of their minds. So how do we do this?

In my agency, we have been giving clients wall calendars for 30 years or more but I had noticed a trend as the first decade of this century came to a close – we were handing out fewer and fewer calendars; not because we had fewer clients but because less of them were coming into the office on a regular basis, if at all. With that, we made the decision to start mailing them out to clients and it was a huge hit – in two ways, it was very popular with clients but it was also very expensive. We still do this but that’s just once a year – the next problem was how to stay in touch throughout the year without spending a fortune doing it.

I decided it was time to start using technology to stay in touch. It’s been a long slow road for me – even though I utilize technology seamlessly in my personal life, I’ve found it a struggle to integrate into my business. The problem is consistency – whether you’re using social media, email newsletters or something else – the key is always consistency. My goal going forward is to dedicate specific time each week for working on social media posts and time each month for working on my email newsletter. Do you have a unique way of using technology to stay in touch with clients or a great way to keep it consistent? If so, we’d love to hear from you – UFAA is all about “Agents Helping Agents”® and sharing best practices is one of the best ways we can help each other thrive in business!

Cindy Scheuerman
Secretary

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**Name**  

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Signature  

Printed name

UFAA National Office  

OR  

Email  

OR  

Fax

9785 Mackenzie Road Ste 104  

OR  

ox@ufaa.com  

OR  

314-631-7963

St. Louis, MO 63123

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The Voice • 21 • Fall ’17

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KDIB
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.

APPLICANT INFORMATION

Name
Mailing Address, City, State, Zip
[ ] Home address
[ ] Office Address

Physical Address if different:

Office Phone:
Cell Phone:
Fax:

Non Farmers Email:
Farmers Email:

TYPE OF MEMBERSHIP – Please Select One

Regular: Farmers Insurance Agents with an in force Agent Appointment Agreement.
[ ] Annual $296 first year – Renews at $396 Annually after the first year.
[ ] Semi-Annual $148 first year – Renews at $198 after first year.
[ ] Monthly EFT $25 a month for the first year – Renews at $33 a month after first year - Attach a copy of a voided check.

Associate ($75 Annual): Former Farmers Agents who ARE NOT employees, agents, representatives of and DO NOT hold appointments with an insurance company that offers one or more of the same lines of insurance as Farmers.

Affiliate ($75 Annual): Former Farmers Agents who ARE employees, agents, representatives of or hold appointments with an insurance company that offers one or more of the same lines of insurance as Farmers.

Advocate ($75 Annual): All persons who have never held an Agent Appointment Agreement with Farmers.

Career Agent ($50 First Year): Active Farmers Agent still in the Career Program -Renews at regular rate after 1st Year.

E&O Agent: Limited to E&O Group Membership

The E&O Limited Membership is only available through the E&O Website: www.groupeando.com. Annual $156 (prorated)

IN ADDITION TO MY DUES, I WISH TO CONTRIBUTE:

$______ to the General Fund  $______ to the Legal Fund  $______ to the AGM DRA Lawsuit

PAYMENT MODE – PLEASE SELECT ONE

[ ] EFT (Monthly) Attach a copy of a voided check  [ ] $25  [ ] $35  [ ] $40  [ ] $45  [ ] $50  [ ] $______

[ ] I authorize UFAA to make electronic withdrawals from my account in the amount stated above. Withdrawals will occur on or about the 10th of every month. This authorization agreement is effective as of the signature date below and will remain in full force, including renewal, conversion or future changes in membership dues, until UFAA has received notification from me of its termination by me in writing and until they actually receive such notice.

[ ] Check Please Make Checks payable to UFAA and mail to the address above

[ ] Visa  [ ] MasterCard  - I authorize this amount to be charged to my credit card: $________

Credit Card Number
Expiration Date
CVV Code:
Billing Address
[ ] Same as Mailing

CHAPTER SELECTION – if you do not select a Chapter you will be placed in the closest Chapter to your zip code

[ ] Please place me in Chapter ______ (Local Chapter numbers can be found on the back of The Voice)

[ ] UFAA does not publish or distribute its membership list, but if you wish to be enrolled in UFAA’s Anonymous Program please check the box to the left. By doing so you understand that you will not be part of the UFAA Agent Referral Program.

Referred By: ____________________________

How did you hear about UFAA?  Why are you joining?

Membership Identification question and answer: Mother’s Maiden Name

[ ] I wish to only receive the email/digital version of UFAA’s Publication The Voice. I agree that I will not share the Member’s Only version of the publication. Please discontinue sending me a printed copy of The Voice.

I 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 general objectives of UFAA.

Signature of applicant        Date 09/2016

09/2016
FARMERS INSURANCE UPS DRONE FLEET

According to a report on www.insurancebusinessmag.com Farmers Insurance has enlisted a fleet of unmanned aerial aircraft systems to assess claims for customers who have suffered significant damage to their roof following major weather events. After field tests to assess the most effective ways of leveraging drone technology with its existing claims operation, Farmers will now expand the use of UAS technology to assist with residential property damage assessments.

“We believe our new drone program will help improve response time and safety for our claim representatives during their evaluations, and ensure Farmers maintains a leadership position in the insurance industry,” said Keith Daly, chief claims officer for Farmers Insurance.

Drone use provides numerous benefits to Farmers, including potentially faster inspection times and less safety risks to field adjusters. The jury, however, is still out on whether customers will take to the new technology. “New technologies are great, but they’re not always appropriate, you’re not going to replace someone with boots on the ground,” one client said [“New technologies are great, but they’re not always appropriate, you’re not going to replace someone with boots on the ground,” Clark said in the report.]in an earlier IBA report.

To read the full article visit http://www.insurancebusinessmag.com/us/business-news/farmers-insurance-ups-drone-fleet-75002.aspx#.WYNmlDwdTgo.email

Editorial note: Just wondering…would you consider it a Ponzi scheme if Farmers uses our commission cuts to pay for drones to reduce the cost of the claims adjuster to underwrite a claim but doesn’t bother to upgrade the technology behind the computer system that would help our agencies be more efficient?

WHEN THE DEALING IS DONE

If you are receiving this publication it is because you are a Farmers Agent. Not necessarily because you are a UFAA member. It is easy to assume that since you received The Voice you are a member of UFAA but, in order to be a member you must join. All of the membership options are listed with a detailed explanation of each choice on the application on page 23.

How many years have you been a Farmers Agent? Are you Platform? Are you currently wheeling and dealing for policies? Ask yourself these questions: is there a value in an Agents Association designed specifically to your agency? If Farmers official policy regarding UFAA is to refuse to acknowledge UFAA then why would Farmers care if agents are members? Does one party to a contract have the authority to modify that contract via memo? Does your AAA include the words “conduct that is disparaging of or detrimental to the Companies?” Have you been told that UFAA membership is considered disparaging of or detrimental to the Companies? Are you feeling more like an employee than an independent contractor?

If you are concerned that the DM, ABC or ASM might react negatively to you becoming a member of UFAA you should ask them directly for their opinion. If you give them their blessing, document and join. If you are advised against joining for any reason we encourage you to document and notify us. UFAA is eager to hear when Farmers personnel discourage agents from joining the only agents association exclusively supporting Farmers Agents.

If you are reading this you are not the kind of person that sits on the sidelines. You are the kind of person that takes control of the situation. The thing that many agents realize years after they signed an AAA (Agent Appointment Agreement) is that they really have very little control of their production and the companies control nearly every aspect of the Agency Force’s production. You are being asked to provide business plans and make commitments that carryout months and years beyond your “3 month contract” and you are seeing that the companies think they can change the rules at any time they want. Ask yourself, when was the last time the DM asked you for your goals? Then ask yourself, after you provided your goals how long did it take Farmers to announce a rate increase, change in policy or come back saying “do you want to sell your agency”?

Fill out the application on page 23 and join UFAA now, because you’re going to be looking for help with what comes at you down the road. Consider supporting the continuation of access to information on how the many agents before you solved their problems. Doesn’t it seem logical to be a part of a group of agents that is collectively fighting to better the relationship Agents have with Farmers? Why do you think UFAA has been around for 50 years, because Farmers always does good by the agent and what is right for the Agency Force and Policyholders?

If you won’t join at this time how about making a donation to support the efforts being fought on your behalf by the Association using the donation form on page 21.

“A snowflake is one of nature’s most delicate and fragile creations…but look what they can do if they stick together”
– Author unknown

The Voice • 24 • Fall ’17

“AGENTS HELPING AGENTS”®
Everyone should be aware that on January 01, 2018 that FGI is lowering the auto commission rate on new business and renewals from 10% to 09%. This translates to a 10% reduction. In the past when FGI wanted to reduce commissions they would roll out the new product with a lower commission built into the new product. What is different is that FGI has never gone into an agents existing book of business and lowered the renewal commissions. This will affect an agent's contract value and annual compensation. There are bonuses available if you can consistently hit all the goals, but bonuses are not guaranteed, that is why they are called bonuses?

Additionally, July 01, 2018 fire renewal commissions are going to 10%. If you look at the last couple of years going from 20% NB and 14% renewals to 14% NB and 10% renewals turns out to be a significant reduction of income. Yes, there are bonus opportunities but they are not guaranteed and the rules to achieve a bonus can be changed. These changes have the potential to cause profound chaos to the current daily operation of the average agency.

But no one is talking about the elephant in the room, so let’s talk about it. The contract value payment has always been the cornerstone of the one year non-compete clause in the AAA. Therefore, if your renewal commissions are lowered on your renewal business then your contract value is lowered. Bonuses are earned quarterly and are not part of your contract value. In summary, if your current book of business has fire policies that were paying 14% and it is lowered to 10% then your fire renewals decrease 28.5% and your auto renewals go from 10% to 09% that is a 10% drop in contract value. Therefore, your one year non-compete clause in the AAA is essentially stating that if you terminate with Farmers, you agree that you will not compete for that book of business for a whole lot less money than your contract value was originally valued at.

It would seem disingenuous to somehow imply that by lowering the agents (renewals) current contract value and tie it to performance is somehow in everyone’s best interest. Many agents have stated that this is no less than raiding someone’s vested pension retirement fund. FGI has never tied commission cuts to an agent’s renewal business and the logic being used is dishonest. FGI has stated that they simply want to tie pay to performance with bonuses. One could possibly argue that point on new business, but to take away already vested value from an agent after many years cannot be tied to performance for pay.

Tom Schrader  
President

Editorial: A connection between the commissions and contract value is mentioned but there are 3 things connected within the AAA. Commissions, Contract Value and the non-compete are all directly connected in the same sentence of all of the AAAs.

FGI is not talking about growing market share or the agent’s opportunity to sell more policies to make up for the commission cuts, FGI is only talking about bonuses to make it up. And in addition to FGI being able to change the bonus qualification rules at any time, it has been FGI’s practice for as long as I have been around that they can merely add a reserve to a claim any time they want the agent to fail to qualify. Not to mention everyone knows it is a foolish business practice to base income on a bonus. If it is necessary to earn a bonus in order to continue to be in business, the opportunity is really not valid.

Another thing that should be asked is when is the value of the contract value established? Agents submitted applications to the companies, coverage was bound and a contract value was established for that policy when coverage was bound. That value is what the non-compete is based on. When FGI announced the commission cuts in the frequently asked questions section it was asked will the commission cuts affect estimated contract value and the answer was YES. However, there was no question regarding the non-compete? That question should be asked of FGI.

Now FGI might argue any change to subsequent “commission transactions” or renewals have no consequence to the non-compete. But, since the topic was ignored when rolling out the change, maybe FGI agrees the non-compete is also changed and just doesn’t want to talk about it?

Let's just say it this way...if FGI announced they were cutting Auto renewal commissions from 10% to 1% and Fire renewal commissions from 14% to 1%, is there anyone that would agree that the agent still had a 1 year non-compete?

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In Agency Marketing click on the Store and search for keyword Yext: Enroll in the Premium Website ($30/month).
FGI LOSES MOTION TO DISMISS CLASS ACTION FILED BY TEXAS POLICYHOLDERS

In February, 2017, two Farmers policyholders from Texas – Charles Grigson and Robert Vale filed a Complaint against Farmers Group, Inc. (FGI) in Federal District Court in Austin, Texas. The agents are represented by a group of attorneys including Joe Longley, the successful attorney in Fogel v Farmers Group, Inc. The policyholders claim that they were unfairly discriminated against in violation of Texas insurance law due to FGI intentionally keeping them on their existing policies, with a higher premium, rather than allowing them to move to the new Smart Plan Auto policy. They point specifically to §544.052 of the Texas Insurance Code, which states: “[A] person may not in any manner engage in unfair discrimination or permit unfair discrimination between individuals of the same class and of essentially the same hazard, including unfair discrimination in . . . the amount of premium, policy fees, or rates charged for a policy or contract of insurance.” They are asking the court to certify a class of all similarly situated Texas policyholders.

FGI filed a Motion to Dismiss the Complaint premised on two main arguments: (1) that the Texas statute does not apply to the alleged discrimination in this case; and (2) that Plaintiffs’ claim is barred since the Department of Insurance has already approved the applicable rates. The District Court asked United States Magistrate Judge Andrew W. Austin to review the motion and offer a recommended ruling.

As for the first argument (that the statute does not apply), the Magistrate Judge concluded, “[R]ead ing the statute as FGI does would allow easy subversion of the purposes of the statute . . . This result suggests that FGI’s very narrow interpretation of the statute is not correct.” Accordingly, the Magistrate Judge recommended dismissal of this argument.

In its second argument, FGI claimed that because state regulators approved the policy rates assigned to both policies, the Plaintiffs cannot complain that they are paying more for one policy than the other. The Magistrate Judge disagreed, noting that the Court was not being asked to second-guess the applicable premium for either policy. Instead, it was simply asked to determine whether the Plaintiffs had been unfairly discriminated against where FGI (allegedly) denied them access to one policy over the other.

The Magistrate Judge’s ruling is technically a “recommendation,” to which objections can be filed and heard by the U.S. District Court Judge. Knowing FGI’s habit of fighting every inch, we can expect that FGI will in fact object. While the District Court Judge could overturn the recommendation that seems unlikely given the straightforward, cogent report provided by the Magistrate Judge.

Cases like Grigson place agents in an awkward position, torn between their strong desire always to do right by their policyholders and their desire to see Farmers offer competitively priced products and to maintain profitability. This case is still very early in its evolution, and we can expect to learn much more along the way.

Dirk Beamer
UFAA General Counsel

Reaction to DIAL

I completed the annual compliance requirement modules and test FGI requires of the agency force. I was shocked by the last course which is called DIAL. It is a 24/7/365 third party that agents can report other agents on any and all perceived violations of FGI's policies or protocols.

It seems FGI is not only wanting to reduce commissions but turn agents against each other. It is not my job or responsibility to hold another independent contractor accountable for what they do or don’t do.

Additionally, one doesn’t always know the full story and there can be severe financial consequences for reporting someone that is financially harmed. There is no Federal or State protection for a whistle blower in this situation.
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