



NAAFA. National Association of American Family

Agents

August 14, 2008

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Paul Ryan
Washington, DC Office
1113 Longworth HOB
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Dear Senator Ryan:

Recently, you were contacted by Steven Brunell, an independent insurance agent from Franklin, Wisconsin, who sent you information and documentation regarding alleged inappropriate activities of American Family Insurance Company, a Wisconsin corporation. NAAFA, an organization of American Family agents, is working toward better relations with this captive company (American Family) for which these agents work. At this point, we feel we are losing the battle. Let me explain why and perhaps you will understand why this might be an issue you need to look in to.

NAAFA is constantly receiving notifications from agents who appear to have been unjustly terminated or who have been terribly harassed after quitting with American Family and going independent. We believe because of evidence that has been turned over to us that American Family has a corporate plan to transfer policies (belonging to established agents) to their new ACP (term used for new agents who are just starting out in the business of selling insurance) agents. This corporate plan states that these new ACP agents will not succeed unless they each receive a minimum of 250 transfer policies. These policies must come from somewhere and when they do, it is an **extremely profitable** situation for American Family because they do not pay commission the first year after these policies are transferred and then after that, the commission is reduced. It is assumed because of our estimate of the number of ACP agents, that American Family needs in excess of 150,000 transfer policies per year. With the average established agency being, we estimate, in the range of between 2000 and 3000 policies, that means that some 50 agents must be fired per year (that's an average of 2.7 agents per American Family insuring state) in order to meet their company goal and need.

Perhaps this doesn't sound like such a terrible situation to you, but when you are an agent who has sacrificed time and money to establish an agency, and then have it taken away from you.....this is heartbreaking and un-American, to say the least! But the problems do not end here. It is the manner in which American Family accomplishes this goal that is really, we believe, illegal. First of all, an attempt is always made to discredit the terminated agent. The company has several "patterns" of action. They might accuse the agent of not meeting their quota, even though American Family's rates are so outrageously high that it is impossible to sell. They might try to find some rather insignificant company compliance issue to terminate the agent for (such as not getting a photograph of a newly insured house in to underwriting on time, or **accusing** [without proper proof] the agent of not contacting a customer when raising the dwelling coverage after reviewing their homeowner policy to make sure the customer has adequate coverage.) When the company spots such activities (which are certainly not a violation of any state law!) they will often file a complaint with FINRA (securities commission) and the securities licensed agent (according to American Family's own rules) is immediately terminated. This is totally unethical.

Agents, such as Steve Brunell, claim to have documented evidence of inappropriate behavior by American Family. We are aware that the Coleman Stevenson Law Firm in Indianapolis, IN (317-955-1080) is currently working with the Indiana Insurance Commissioner regarding these same issues. The Minnesota Commerce Department, apparently, is also looking at these issues.

We question why corporations are usually looked upon as always being right. Every time one of the agents decides to fight these issues in court, the judges almost invariably side with the insurance company. However, we have noticed that when these cases go to a jury, decisions sometimes favor the agent. But it costs the agents thousands of dollars to fight these accusations in court and most cannot afford to do it. We question why captive agents have absolutely no voice, no organization such as a union, (only "employees" can organize unions and be recognized by employers at a negotiation table) or any power to protect themselves. How can a group of American citizens (this includes agents who work for State Farm, American Family, Allstate, Farmers, Nationwide, etc) continue to be called independent contractors and yet be treated and controlled like employees. Problems such as this go on and on.

One other interesting situation is that American Family sues agents who have quit to go independent (usually because they are losing so much in renewals because of high rates or else they simply cannot stand the unethical behavior anymore) for **violation of Trade Secrets**. Included in this definition of Trade Secrets are (believe it or not!!) names, addresses, and phone numbers of agents' customers....all data readily available in the public phone book. NAAFA suspects that if this situation ever actually got before a judge where this fact could be pointed out, that soon a Trade Secret could NOT be considered data that is public and readily available. But so far, American Family urges these agents to "settle on the court house steps" and these frightened and harassed agents usually agree because they don't have money to fight the big corporation. These agents have often agreed to "give away their souls" in these settlements. It's sick!

NAAFA is at a loss regarding how to help this **lost and discriminated against** group of Americans. We're aware of several attorneys who are faithful in representing captive agents, but they, too, seem baffled by how these companies continue to be able to treat their agents the way they do and get by with it.

Please, Senator Ryan, can you think of anything or any way to provide protection for these agents? There must be an entity in government whose goal is to protect the American citizens. We feel the public needs to know what is going on, but we just don't know how to accomplish this goal either. These agents are a minority group that is being discriminated against as badly as any group ever has been. Please feel free to contact our office at any time. We would definitely appreciate hearing from you. Thanks for listening.

Sincerely,

Harriet Stahl
NAAFA Business Manager and NAAFA Board Treasurer