

NASFA vs. State Farm Lawsuit

During the next few weeks, NASFA will be sending you a series of updates on pending issues.

Among these updates will be detailed discussions of the *NASFA vs State Farm* lawsuit. By now, every agent has had an opportunity to read the excerpts from the depositions of State Farm management in the fall issue of *The Mirror*. You have also had the chance to review the motion filed with the court on our website www.nasfa.com. We have been overwhelmed with questions and comments. Among the issues that will be covered in our **updates** are: **1)** Claims made in the lawsuit, **2)** Protection of membership information, **3)** NASFA's right to sue, **4)** The lawsuit information gathering process, **5)** Summary judgment claims, and **6)** Upcoming calendar of judicial events.

Before we get to the lawsuit, there are three other issues that we wanted to address in this NASFLASH.

AQA. As you may recall, last spring NASFA sent a fax to all agents. It encouraged any agent who was being required to participate in a company profit program (AQA) to keep a log of both the amount of time they have been required to incur to meet program requirements, plus any out of pocket costs. Since we sent that fax, several states have done away with their requirement for AQA auto agents to obtain photographs of all added cars. The new requirement is for photos to be taken only of raw new cars. Since last spring, agents have documented literally thousands of dollars worth of time to obtain many of these pictures. We congratulate State Farm for eliminating at least part of this unfair burden, but much more remains to be done. Therefore, we urge agents to continue to document any costs they may incur as the result of any AQA program.

Agents and Profit. NASFA believes that all State Farm policies should generate a profit for the company. What continues to concern us with the present AQA program is that it is based solely on numbers with NO consideration for any extenuating circumstances. It also appears to be disproportionately placed on the shoulders of urban and minority agents. In place of the present AQA program, we encourage management to implement a program in which representatives from claims, actuary, underwriting, and agents can address profitability issues with equal concern and standing. NASFA would encourage every agent to voluntarily participate in such a program. The present program places 100 percent of the blame on the agents and requires them to spend excessive amounts of time and money to comply with every detail of a mandatory program, all under the threat of termination. This is not only unacceptable, but also does not address the core issues of profitability in a meaningful way.

LSA5 Sales Quotas. A few weeks ago we faxed a copy of a memo received by the agents in one AFO in Missouri. The memo announced that all LSA5 staff persons would be required to meet certain sales quotas in order to maintain their LSA5 status. Within the next few days of sending out this fax, the VPA Curt Dreier sent out his own e-mail which stated: "There's a NASFA fax regarding an email floating around about LSA5 production requirements. Please assure the agents that this was sent in error and should be disregarded."

Auto Re-underwriting. As stated in previous NASFLASHes, it still appears that management is going to proceed with a program to re-underwrite the entire Mutual book of business using some type of score or similar measure. The September 2004 *Reflector*, beginning on page 4, acknowledges that such a program is, in fact, under consideration. What the *Reflector* does not mention is that management continues to hint that such a program could result in the loss of as much as 20 percent of our total Mutual book of business. Such a program is to be piloted in Kentucky and Iowa early in 2005 before companywide implementation. We will update you with more details as they become available.

**THIS IS THE TIME TO BE GENEROUS!
PLEASE JOIN AND / OR CONTRIBUTE TODAY!!**

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check here for **Anonymous** membership

Yes! I wish to contribute to the **General Legal Fund and / or the** **Legislative Fund:**

I have enclosed a check in the amount of \$ _____

Please charge my credit card.



Account Number _____ Amount \$ _____

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Name: _____

Address: _____ City _____ State ____ Zip _____

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