

# Jack's Story

In the last issue of *Exclusivefocus* we included an article titled “Memoirs of a Scratch Agency Owner” which elicited a flood of favorable responses from our readers. We had many callers who declared that they could have written the same story because of similar experiences.

That story prompted us to develop a survey to determine how agents, past and present, feel or felt about their relationship with Allstate. So far, we’ve interviewed four agents; two active agents and two who are no longer associated with Allstate.

NAPAA is very concerned about the large numbers of agents leaving the company. New hires come to Allstate to prosper, but many leave disillusioned and in debt. The purpose of our survey is to identify the reasons why agency owners are leaving and why they become disillusioned. In the future, we intend to publish more articles that focus on this important issue. Because Allstate management needs to hear these stories, we are adding Thomas Wilson, incoming CEO, to our distribution list beginning with this issue of *Exclusivefocus*. We hope other agency owners will come forward to share their experiences with us by writing or emailing us. While all

articles, letters to the editor or other submissions published by *Exclusivefocus* will remain confidential, we cannot publish anything sent to us anonymously.

Following is a summary of the first interview, which we compiled separately from the others because his Allstate experience differs from the rest of the agents we interviewed.

“Jack” has been an Allstate Agent for 2 years and 9 months. For the most part, his experience with Allstate has been positive. He was not recruited by Allstate; he contacted them. He was interested in owning an insurance agency, so after researching several companies and reviewing various contracts, Jack decided that Allstate offered the best contract. He has had two “managers” an MBC (Market Business Consultant) and an MDL. For this article, we will refer to them as MDLs.

In his interview with NAPAA, Jack tells us that not only was he able to review the contract before signing it; he was also fully informed about quotas, or Expected Results. In addition, his MDL was direct and thorough when explaining the Allstate opportunity. Jack also states that the information he was given regarding availability and competitiveness of Allstate products in his market was accurate.

NAPAA asked Jack his opinion of Expected Results. First off, he admits that it is not possible for new agents to achieve their life and financial quotas without an EFS. And, while he believes that his success or failure at Allstate is dependent on production from his EFS, he isn’t too worried because, as he says, his EFS “is one of the top in the company.” Jack feels fortunate that he doesn’t have to fret about making his life and financial numbers, but says that Allstate could do more to help agents reach their quotas, especially for new agents. He recommends “more post training” because “it takes months to begin to understand the company and its processes.”

Like other new hires, Jack was promised lots of assistance. Some of the assistance he was promised was help in finding a suitable office location, signage for his office, an education bonus and the possibilities of achieving the “Star Bonus.” While he did his own market study to determine the potential success of his office location, he says that Allstate lived up to the promises and representations it made before he signed the contract.

Jack also received marketing guidance from his MDL in developing his business

plan. He credits his MDL as being helpful, encouraging and responsive. And, partly because of the assistance he received from his MDL, he earned the maximum Star Bonus. All things considered, he believes his MDLs have done "a pretty good job." While he admits that his MDL listens to his concerns and appears to be sincere, Jack is wary of how much he says or discloses to him because he feels the MDLs are "fairly devoted to their superiors".

Fortunately, Jack's MDL has had experience running an agency. Even though his MDL is more process oriented, Jack says his MDL has helped him by suggesting some good sales ideas and, better yet, has been able to demonstrate how to sell more life and financial products. Jack says "I've been fortunate to have very good sales people as MBCs and MDLs." Jack is also close to other agents in his market and uses them as a resource in addition to his MDL. When he has had the opportunity to get together with other agents, he has found this very helpful. Outside of his contact with his MDL, Jack has had little to no contact with upper level management.

Since coming to Allstate, conditions in Jack's market have not changed drastically. Allstate has introduced new companies in his state that place more emphasis on credit, making him less competitive

with some prospective clients. While he feels he is less competitive than he was when he opened his agency, he is grateful that his agency is not located in a coastal state. In his view, "The advantages of the Allstate System are good name recognition and fairly competitive products. The primary disadvantage is that Allstate's markets are too limited which causes a lot of lost sales opportunities."

When asked if he thought if agents have a true partnership with Allstate, he responded by saying "I would not call the relationship a partnership as much as I would a contract. They furnish the products and we use our skills to sell them." He added that the partnership is "Unequal. Allstate holds the trump cards" and that Allstate exerts "extensive" control over its agents. That being said, however, Jack feels that both parties are mutually respectful of one another and that he has no reason to suspect that Allstate does not look out for the welfare of its agency force.

Jack fully understands that termination is the result of consistently failing to meet goals. "This process is fair, as long as the goals are fair; however, without good EFS, an agency probably won't make it." Asked if he thought 90 days is long enough to find a qualified buyer, Jack says that it might be possible in his

market, but it would be "really pushing the envelope."

While Jack isn't worried that he'll lose his Allstate contract, he says he is prepared. As an example, he now leases his office space on a month to month basis and is careful about entering other long term commitments.

Finally, Jack enjoys the freedom and challenges of owning his own business, but realizes his ability to control his own destiny is somewhat limited. "If the company makes decisions that adversely affect my market, then I am definitely at a disadvantage."

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# The REST of the Story

In any given year NAPAA HQ talks to hundreds of agents. During the past year we have experienced a noticeable increase in the number of calls from newer agents. Most of these callers have five or less years of Allstate experience. The overwhelming majority of these agents do not share the same pragmatic sentiments as those expressed in Jack's Story.

As we mentioned in the introductory paragraphs of Jack's Story, NAPAA conducted interviews with four agents. Two of them are active agents and two have recently sold their agencies and moved on. Jack's Story represented one agent's viewpoint. Because of the similarity in their responses to our interview questions, we have combined the stories of the remaining three agents for the purposes of this article. The range of their Allstate experience is between 6 years and 2 ½ years. In an effort to avoid confusion, we will use the acronym "MDL" for all immediate local managers, including MBC, IDL, DSM etc.

Of all the agents we interviewed, including Jack, only one stated that he was not given an opportunity to review the Allstate contract before signing it. Believe it or not, he attended NSEC training without seeing or signing the contract. It wasn't until after he opened his agency that he was presented with the document.

Promises were made to each of these new agents, including statements like "you will have whatever assistance you need". They were all told the Allstate product was very competitive. There was heavy emphasis on the Allstate brand, and inferences that the brand would practically sell itself. One agent was promised he would be able to purchase another agency, but that "changed" within the first few months. In our interview, this agent made the following comment:

"Once I was on board, things weren't as beautiful as they sold me on."

All three agents interviewed were informed that they would be expected to meet certain quotas, but none were told that it would take hard work and long hours to achieve them. Instead, one agent was led to believe that achieving his Expected Results would be "a piece of cake." Another was told to review the R3001 Supplement and the last agent was told that if she "marketed properly, then the results would show." In addition, all of these agents agreed that Expected Results are not achievable without an EFS.

Following are some of the suggestions to NAPAA's question: "What else can be done to help agents reach their ER's?"

- "The financial goals are unrealistic for agents who have smaller books; it is highly unfair to expect smaller agencies (who started from scratch) to be held to the same goals as agents with large books."

- "For the smaller, scratch agencies, Allstate needs to look at the reasonableness of their goals."

- "Reduce some of the goals for financial; it's too difficult for all (agents) to meet (the) goals unless they have a very large book and the public is sold on Allstate as (a) valid provider of financial products."

All of the agents interviewed agreed that since their hire dates, Allstate's competitive position has diminished in their markets. This is largely due to the introduction of Allstate P&C, rate activity and, in one case, the roll out of YCA. In the beginning of their Allstate careers, the one thing these agents counted on, besides a strong brand name, was competitive pricing. But now, in the current environment, the disadvantages are too numerous. Here are some examples:

- There are too many Allstate agencies and we're all competing for the same

customer.

- The margins are too slim to make the Allstate opportunity worthwhile, especially after the higher commissions of the Star Bonus go away.

- Because fewer people qualify, agents have to spend more time and money to market products.

- Paying staff for an increase in unproductive activities such as telling more customers they don't qualify or running uncompetitive quotes.

- Too many constraints on the agent. Too little agents can do without management approval.

- It is unfair that Allstate shares in the commission of brokered business.

- Unrealistic and inequitable life and financial quotas, especially for smaller agencies.

The Allstate business model is not logical in the real world of agency owners. There is insufficient return on the investment that must be made to reach production levels needed to achieve and sustain success. Two of our interview candidates have already terminated their contracts voluntarily, in part because even with production levels acceptable to Allstate, there was insufficient cash flow to sustain the operation of the agency any longer. The third agent (6 years) in this interview is still in her agency, but has lost the incentive to work as hard as she did in the initial years due to the inability to attract and retain clients, even with massive marketing effort.

When NAPAA asked for feedback about their MDLs these agents had plenty to say. Since many of the responses were similar, we have summarized some of them for you:

- They (the MDLs) listen to concerns, but don't act on them.

- They don't offer any real guidance. One agent claims that his MDL only



approached with an agent's concerns they don't really listen or act on these concerns because they usually have no authority or they simply ignore the matter altogether.

When asked if they thought agents have a true partnership with Allstate, the answer was a resounding "No." Further, they unanimously agree that the "partnership" is unequal at best and that Allstate does not look out for the welfare of its agency force. In addition, they believe Allstate exerts complete control over its agency owners. Much of this control comes in the form of threatening letters, emails or intimidating office visits especially when concerning production issues. Agents have little or no ability to control their own destiny in this business. The lack of competitive rates and the number of unqualified prospects inhibits opportunities for growth. In spite of all this, the majority of these agents agree that both parties, Allstate and the agency owners, are mutually respectful of one another.

As mentioned earlier, two of the agents we interviewed recently left Allstate and the third is contemplating selling her agency. NAPAA asked them why. Essentially, they were being worn down more and more with every passing day. First, they had the constant millstone of Expected Results hanging around their necks. None of these agents were competitive in their markets anymore, making it difficult to grow their agencies. They were frustrated because Allstate claims it wants big successful agencies, yet they can't grow fast enough, either by acquisition or by accelerated marketing. And, finally, they were disillusioned because Expectations were not met and Promises were not kept.

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*NAPAA would like to know your thoughts concerning "Jack's Story" and "The Rest of the Story". Or, if you would like to participate in our survey or write your own story, we welcome your submissions. While all articles, letters to the editor or other submissions published by Exclusivefocus will remain confidential, we cannot publish anything sent to us anonymously. Please write or us at: NAPAA, P.O. Box 7666, Gulfport, MS 39506 or email us at: HQ@napaausa.org*

visited his office twice in a year.

- They are not sincere.
- They offer only limited suggestions for advertising and marketing campaigns.
- They are ineffective and cannot demonstrate how to effectively increase sales in agencies.
- For the most part, they have little or no experience in running an agency. One of the agents claims her MDL "did not have a clue of the day to day operations and was totally unavailable after hire." To Allstate's credit, he was later "fired."
- All of these agents felt that they could not speak in confidence to their MDLs, due to trust issues.

- All of these agents have had more than one MDL since beginning their Allstate careers. One of them has already had four MDLs.

- Only one agent said that his MDL had the ability to demonstrate how to sell life and financial products. Another said "My training for life insurance from my MDL was to write a \$500,000 life policy on myself."

Unlike Jack, these agents have had dealings with "upper level" management. Asked if they could "speak with upper management in total confidence" the majority answered that they did not trust them. Further, they feel that when