

## **NAPAA's take on the 2012 shareholder meeting**

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NAPAA was in attendance at this year's Allstate Annual Stockholder meeting.

Arriving at the admissions desk, both Jim and Nancy Fish were detained for a brief period when company registration attendants appeared to alert corporate security of their presence. As he was waiting, Jim Fish noticed his name on a list of names on the table in front of him. While the list was facing the attendant, he could make out the word "alert" in the comment section following his name. After they were cleared for admittance, Nancy Fish was stopped again so that a company representative could view the contents of her purse. There were several corporate-security types hovering around at a distance as the Fishes made their way into the building housing the auditorium. As one of them passed by, Jim jokingly said, "You look like you're from the FBI." The black-clad security guard, sporting a Secret Service-style earpiece, tersely assured Jim he was not from the FBI.

The meeting agenda included two opportunities for shareholders to question Tom Wilson, and NAPAA took advantage of both of these opportunities. After the six shareholder proposals were read by the corporate secretary, Jim Fish asked Wilson how the Board of Directors could justify a 20% increase in Wilson's 2011 pay in a year when Allstate's share price fell 15%. Mr. Wilson retorted that a complete explanation of executive compensation could be found in the proxy statement and offered no further response to the question.

During the general question and discussion period, Fish again addressed Wilson, inquiring whether the Audit Committee would submit to an independent forensic audit of the agent commission calculations and stated that, "Approximately 1,200 active Allstate agents have signed a petition requesting an audit." Mr. Wilson acknowledged that the Audit Committee had received NAPAA's letter requesting the audit and that the committee "would determine the next steps." He went on to assure shareholders that they already had the best of internal controls, and that the errors early this year had no affect the company's financial reports.

Nancy Fish then asked Wilson if he would consider implementing three of NAPAA suggestions to help Allstate get back on the right track: "Stop firing your most profitable agents," "Scrap the variable compensation plan," and "Stop micromanaging the agents."

Ms. Fish pointed out that the company fired an estimated 4,000 agents over the past four years and that the current number of agents had declined to within 500 of the company's planned reduction goal of 9,294 agents. She noted that the company's standard auto PIF had declined in a "slope directly correlating to the declining number of agents," and warned that looming commission cuts would deter agents from investing in their businesses, "Now, you plan to have 25% fewer agents who will be spending 20% less money to run your sales locations."

But Mr. Wilson denied there had ever been any goal to reduce the number of agents. While declaring the company is aggressively hiring new agents, he failed to mention that the reason for the hiring binge is to replace agents who have terminated. Wilson acknowledged there are "performance standards" for agents, and that "some had been asked to leave the company." Wilson also denied that agents' revenue would be cut, saying that the amount paid out in variable compensation may be slightly higher than it is now.

A few other shareholders had several questions for Mr. Wilson, which he patiently answered.

The final shareholder question was delivered by Nancy Fish. Citing figures on the number of agents who have terminated in the last five years - which by some estimates is in excess of 5,000 - Fish noted that many have become independent brokers who are likely to take their former customers away from Allstate.

When asked if the company was concerned by the retention of these customers, Wilson explained that the company had helped agents sell their businesses, having lent over \$250 million for these sales. He added that agents who sold their businesses entered into agreements with their buyers and it would be unethical for them to go after their customers. Fish agreed, but inferred that for agents taking TPP, there is no ethical dilemma once the 1-year, 1-mile non-compete expires. She indicated that 1,500 agents terminated in 2011 and their non-competes are now expiring, leaving the company at risk for more PIF defections. Growing more agitated, Wilson replied, "Perhaps we should change that time and distance," referring to the terms of the non-compete agreement. Fish countered, "I'm sure you would like to," which prompted Wilson to fire back, "*We can do anything we want,*" which ended the tense exchange and the meeting.