

Dear Mr. Winter,

Last spring, many Allstate agents across the country participated in a campaign called “Here’s What’s Holding Me Back,” which was inspired by discussions that took place on NAPAA’s National Advisory Council. The idea was to get agents to divulge the biggest impediments to their success and forward them to you.

NAPAA received hundreds of thoughtful and sensible suggestions to improve the agent business model. NAPAA has organized and condensed those suggestions into a single, easy-to-read document for your convenience. We have also forwarded this document to the Field Senior Vice Presidents and agents on the NAB.

We hope you will take a few moments to review the comments below and take them to heart. We believe they will help your efforts to create a more perfect business model for the Allstate agent.

Thank you for your willingness to listen. NAPAA and the agents of Allstate look forward to your response.

Cordially,

The NAPAA Board of Directors

Here’s What’s Holding Me Back

The Big Picture

“Slow down, put the customer first. Respect the agents’ time and ability to manage rapid changes. The results will astonish you.”

“Allstate has no clear vision. Matt, you were the first leader I’ve ever heard apologize for Allstate’s shortcomings.”

“Our numerous reports are so complicated; we have to attend webinars just to try and understand how we’re getting paid.”

“There are unnecessary roadblocks at every turn. Roadblocks accomplish nothing, except breed discontent: \$1,000 securities minimum, IPS, unstable underwriting guidelines, misaligned department functions, and competitive position. Some of them do nothing to advance Allstate or the agent. There are no good explanations why some requirements exist.”

“In my 6+ years as an Allstate agent, I have not once seen any Allstate programs that have put the agent’s best interests first!”

“Simplify, simplify, simplify! We need to consolidate the various auto companies (APC, AFCIC, AIC), then simplify. Get rid of discounts that make customers and staff jump through hoops to maintain them. Simplify the rates so we can explain changes to the customer. Simplify our life products and issuing processes. Simplify our commission and bonus.”

“Our processes are tedious and time-consuming; our tech platforms are not integrated; our products often change, sometimes without notice; reports are complicated; our P&C books are hostage to life production. No matter how well we do, there’s always a monkey on our backs and we absolutely have no security in our futures. I should feel like the captain of my ship, but most days, I feel like a slave rowing below deck.”

“We have to work more and invest more for less return; it’s very disempowering.”

“There has been a lot of damage to the trust between the agents and the company. It’s become a big problem in this one-sided relationship.”

“Give us leaders who care and do not bully us. Help us get in front of more people with more competitive premiums.”

“We waste so much time and energy on complicated commissions, complicated bonuses, complicated homeowner policies, complicated CGR rates, complicated discounts, and on and on. Why does Allstate impede things that should be simple?”

“Nearly all of the money that comes to Allstate starts with the agent, everything else should be aligned to support our efforts.”

“We are a P&C company, not a life company.”

“In good conscience, I cannot refer any potential agent to Allstate as long as it continues to shortchange us.

“Empower agents to resolve issues without overly time-consuming processes; more specifically, allow agents to document how they resolved issues, then audit on the back end.”

“We are business people and need to be treated fairly. This is a shell game where something changes every year.”

Variable Comp

Why:

“Our current comp plan is punitive. It does not promote good will with agents and it does not fit with the Trusted Advisor model.”

“I worry about my variable comp (and IPS) every month. How do I plan marketing, payroll and other expenses when I may lose 10% of my commissions?”

“Negative reinforcement does not provide optimal sales results or high morale.”

“I purchased this agency for the 10/10 commissions and now I struggle with cash flow on a month-to-month basis. I cut staff and marketing so I could pay my bills, but it has been devastating to my growth. I receive very little help from leadership and they always put the blame on me. Variable Comp has been a struggle and a game changer for me; I cannot be successful with this kind of stress holding me down.”

“Because I can’t count on 10%, (I am always chasing this) I cannot invest in more staff. I can’t trust I will have the monies to pay them.”

“Nine percent is not fair compensation; it is not adequate to operate an agency.”

"It says a lot about a big company like Allstate when it has to resort to taking 10% in commissions away from its agents."

"Every component of our revenue is a moving target. Commissions are variable. Bonus is based on not shrinking too much. ALR commissions are zero, unless you hit bonus, and ALR bonus is broken. How in the world can we plan our expenses for marketing when we have no idea how much revenue we can count on?"

"The added work for less and unpredictable pay makes it harder and harder to invest in my agency."

"If my IPS is this, then that; if my AES is this, then that; if my loss ratio is this, then that; if I shrink my book (but not too much), then that. Home office must be paid on how complicated they can make it. Way too many 'ifs.'"

"Has this backfired? Agents wonder: Is Allstate in trouble? Is it time to defect? Is it time to sell? Shall we start looking for another insurance carrier to join? These questions turn into discussions like: This is awful; something is wrong here; this is not how to treat the source of your revenue. Agents start feeling that Allstate owes them money, almost as if they are being robbed."

Possible solutions:

"Get rid of all the gee-whizzy and confusing commission models."

"Agents need steady, predictable commissions to plan business."

"Easy, go back to a standard 10/10. Bonus agents if we write life/retirement. Don't take away our livelihood – help us build our businesses!"

"Bring back 10% - only fair and right thing to do."

"Get a steady comp plan that I can plan on. The 'ifs' hold back every owner. Remove the 'ifs' and let us do our work. I think you will like the outcome."

"Pay 15/15, simple, fair and straight-forward."

"PC should be 10% firm, bonus for life production tiers."

"How about a fair commission that compares favorably to our competition? Nationwide pays 12 percent for auto new business and 14 percent for property new business."

"Stop looking for ways to shortchange agents."

"Pay a simple, straight commission on PC business. Incentives for ALR and customer satisfaction should be in the bonus and not affect PC commission."

"Pay a living commission so we don't have to pay our staff \$10/hour with no benefits. They deserve better; they take care of Allstate customers."

IPS

Why:

"I'm having a problem with my P&C commission being based on IPS quota. It is hard to run a business knowing I will also lose my AES money if underwriting rejects or rates an app."

"Too much pressure. I feel like I'm working for Wells Fargo."

"The 12-month moving requirement is not aligned with time to underwrite."

"IPS keeps agents and EFSs chasing quick issue policies and keeps us from focusing on real customer needs."

"I have three employees with five to 19 years with Allstate. There is a good possibility that I will have to make the hard decision to let one of them go, as I cannot afford all of them with reduced commissions. I have \$50,000 Production Credit (through April), so it's not like I am not working on that part of my business. It is sad that after 30 plus years, I have to come to work every day and worry about how IPS will affect my business, my employees' lives, and my paycheck."

"I spend a majority of time focused on finding widget life apps, which is a small percentage of my business. But if I slip, Allstate will take 10% of my operating revenues away."

"In my manic quest to find life apps, I ignore P&C business. My FS recently wrote a \$21,000 policy (no IPS count) which I would have gladly traded for a couple of \$200 IPS policies."

"IPS forces me to sell to people in ways that are not customer focused."

"My staff and I spend a tremendous amount of time worrying about IPS quotas and chasing leads for tiny policies instead of growing my agency."

"This system encourages agents to sell less. As soon as we hit one or two for the month, we sandbag sales for the next month; if we don't, we may be in trouble next year. Then, knowing next month is in the bag, we stop. I could easily write more than 18, but why bother? Allstate can't figure out that they put up their own barrier to achieving better performance."

"IPS is like a gun to my head."

"IPS is a punishment component that is not intuitive. It encourages an "app sales" mentality over customer needs."

"The pursuit of life apps to avoid punishment has alienated some customers whom I fear will decide to take their P&C business elsewhere."

Possible solutions:

"Eliminate IPS (quotas) because punishment doesn't lead to favorable behavior."

"Agents should not lose PC comp due to life production."

"Even after eliminating "variable" from P&C commissions, IPS, with its 12-month look back, should be scrapped and not be a component of bonus."

"Abolish IPS. It is counterproductive."

"Tell me what I have to sell from January to December in order to get a carrot, then start over again the next year."

"IPS is ludicrous, and if the company decides to do away with it, they should not replace it with another pie-in-the-sky goal."

"Separate P&C from Life and eliminate IPS."

"The system has way too many moving parts. Simplify it please."

"Stop the madness. Life apps should be their own incentive: The more apps issued, the higher the commission on the life app itself."

"Go back to 10 percent and use bonus to motivate."

Bonus and Awards

Why:

"You take what should be the simplest of bonus plans and turn it into a program that even your front-line managers are challenged to fully explain."

"The bonus does not improve my performance one bit. I'm far too busy trying to salvage 10% of my P&C commissions to worry about loss ratio, life and negative growth (but not too negative). When the money arrives, it's not because the goals motivated me to get there. How much time and money home office spend dreaming this up?"

"The bonus goals have not been attainable for large agencies. We are losing more business than we write."

"Tying a bonus to growth when Allstate clearly stated that it does not want to grow in 2016 is silly."

"The bonus should not consume hours of our time to understand how it works, and even more hours to track progress."

"All of our bonuses are tied to life production and we don't even have a real life company or advertising support."

"It is too difficult to reach bonus for large agencies."

"No one understands – or can accurately predict – if they will receive a bonus or not."

"No longer motivating. All or nothing makes me stop working toward any goal if it will not pay. We do more work for less than ever before. Very demotivating."

Possible solutions:

"Set realistic goals."

"Why is "growth" the qualifier when Allstate is intentionally reducing new business. Who came up with "negative growth" as a measure of success?"

"How about a simple profit bonus? Pay bonus for profit, no strings attached."

"Each goal should stand alone."

"Make it simple. Life, AES, growth and loss ratio. Excel in any one and be rewarded. Simple."

"Negative growth. Isn't that the same as decline? No one should have decline as a goal."

"Stop with the sticks and bring out the carrots."

"Drive performance with incentives. ALR, growth, profitability and customer service should be rewarded on their own merits."

"Tie bonus to stock performance."

"Goals for "negative growth" need to go. The company may want to shrink, but agents need to grow."

"Pay for performance. If life goals are met, pay a bonus. If growth goals are met, pay a bonus. If an agency is profitable, pay a bonus."

Rates and Guidelines

Why:

"We have no time to sell. We must have major conversations at EVERY renewal explaining over-the-top discounts but still cannot to come close to the competition."

"Eighty percent of client interactions in my agency are rate related and focused on ways to reduce premium and lower coverages."

"Loyalty of longtime customers should be worth something."

"This is the age of the internet. Positioning ourselves as a Trusted Advisor is virtually impossible when our pricing is significantly higher than our competition."

"Policy rating is math – rate increases should be easy to explain."

"CGR runs off our best customers. It is costing Allstate its reputation."

"New app production has dropped by 49.8% from prior year. Eighty percent of lost business would have qualified last year. Enough with opening and closing the RMP gates."

"Too much time spent trying to write things we can't sell."

"I quoted my three-car policy at Geico. The premium was half, all coverage equal except PD at \$100,000 instead of \$200,000. 15 minutes saved me 50%."

"Discounts are too complex for customers to understand, and most don't want the hassle needed to keep certain discounts."

"Perhaps CGR is the cause of our profitability problem. Lower rates for customers who shop cannot be the answer. How about lower rates for better drivers?"

"Huge rate increases encourage customer to shop, and we aren't positioned to keep them."

"I cannot fathom investing more marketing dollars or hiring more staff when I'm losing money."

"Lax underwriting guidelines allows too much business through door, increases losses and causes big rate increases. It's out of control. We need steady, profitable growth, not feast then famine. Allstate continues to make the same mistake over and over again."

"Pricing on young drivers and young couples is killing our book. Customers leave, take every policy to their new carrier, and will never come back."

"Why do we offer higher deductibles without giving a respectable amount of savings to the customer who takes that additional risk?"

Possible solutions:

"Make us competitive. If Progressive and State Farm can do it, so can we. We are too top heavy with management."

"Quit changing the rules. Get quality guidelines and stick with them."

"I fully understand the need to show profit for the shareholders, but I believe there are many other internal areas at corporate that can be addressed. The solution is not constant rate hikes."

"Cut overhead by eliminating the various levels of company management."

“Discontinue CGR, it has not accomplished its goal.”

“Manage the unprofitable book and stop customers from cheating by taking action whenever an agent reports issues like undisclosed drivers and vacant homes.”

“Give long-term customers a loyalty discount.”

“Give us access to someone who can explain rate changes so that our customers don’t lose confidence in our knowledge. Better yet, agents should be able to manually rate and understand the rate increases so they can answer customer questions.”

“Fix the out-of-whack young driver pricing.”

“A competitive P&C market position is the solution to increased life sales.”

Technology

“Stability and reliability of Citrix connection is spotty at best. I’m paying staff while they are unproductive.”

“Improve our technology. Progressive is LIVE with policy issuance, endorsements and payments. We should be too.”

“If we cannot do it in-house, buy it. Eliminate the politics and get the right solutions.”

“Get better computer programs that don’t crash every day.”

“The problems not only occur with Allstate technology systems, but also with the entire method of supporting these systems. Most support calls are recorded. Listen to them to find where improvements are needed.”

Lack of Viable products

“We cannot live the Trusted Advisor role without products and solutions for our customers.”

“We need more options to offer through Ivantage for the times when Allstate does not fit.”

“Our House & Home is bare-bones skeletal but we are pushed to sell it. Our life products are almost nonexistent.”

“We need multiple nonstandard auto tiers to remove obstacles to long-term customer relationships.”

“Include auto options through Ivantage for when Allstate does not fit. Allstate would profit from its cut on commissions and the retention of the supporting lines. If done properly, it would eliminate new agents from failure, help established agents with retention, and keep EAs from opening Independent agencies on the side.”

“We need more brokered markets for auto, home and commercial.”

“We need competitive life products.”

FSLs and RMBC

“Once upon a time, one could actually receive advice from the RMBC. Now, all of the answers are gray areas and indefinite. Supervisors are mostly AWOL. When I call for help, all I hear is a human pretending to be a computer.”

“I feel I often have to tell the customer we are unsure of the answer to their question and they will have to take a risk to see how it plays out. I come off as uneducated on my own products.”

“Whatever caused the RMBC employees to be drones needs to go. I don’t need a definition read to me five times. I want advice to find a solution.”

“The RMBC is little to no help when we contact them with policy errors. Wrong zip codes, no prior insurance, undisclosed drivers, etc.”

“We have layers and layers of management that add nothing to the bottom line, and too many departments which only complicates things.”

Inability to purchase agencies

“The inability to acquire agencies in this fiercely competitive marketplace reduces our opportunity to grow to scale.”

“Agents should be able to merge purchased agencies in order to achieve economies of scale, reduce overhead and hire more staff. Get out of the way and watch what we can do.”

EFS/2017 ALR Comp

“2017 ALR plan adversely affects larger agencies.”

“Some of the upcoming changes with the EFS model are problematic. The added bonus is out of reach for most agents.”

“Scrap this (ALR) plan.”

“Life commission should be 50% first year, then 40/30/20/10 to reward retention of ALR.”

Unethical agents

“Some newer agents, who are desperate for sales, put junk on the books. Some are hurting customers with policy replacements.”

“Agents with some of the worse loss ratios are glorified for sales, regardless of the poor quality.”

“There are too many agents chasing too few prospects. Every quote I put in is met with other Allstate agent quotes. Customers are turned off and turn away.”

“Despite the fact that we have numerous fail-safes against unscrupulous agents, I continue to find dirty auto policies. When I bring them to my FSL, RMBC and product management, nothing happens – except that rates go up another 15 percent.”

“Look at E&O claims. Look at compliance issues and stop rewarding high sales when quality performance is substandard.”

“Crack down on the cheaters and liars who are ruining our rates. You know who they are, too.”

“Management bonus should be tied to loss ratio. Maybe then will they put a stop to the agents who are gaming the system to reduce the rate and qualify unacceptable risks.”

Other issues and Comments

“Why did product management even bother with flexibility on House & Home coverages? A customer can save \$5.68 if they forego thousands of dollars in personal property coverage. The price for policy options is hardly worth the conversation. People knock down coverage for minimal savings, but how many E&O claims will there be in the years ahead because of this?”

"We double-dip when we inflate the value of the home and then inflate the rate because of the higher value."

"Our scheduled personal property coverage is too expensive."

"We need additional corporate marketing for the life and retirement side."

"Esurance – if you can't decide to buy from them, you can see an option for getting quotes from AARP, Progressive, compare.com and State Farm right on the Esurance quote. If Allstate can make money by brokering those companies, why won't it give Allstate agents the same options so we can keep our customers?"

"Please provide a centralized data base of catastrophes that agents can access on Gateway."

Not Losers:

Not wanting to be mistaken for disgruntled complainers, many agents prefaced their letters with information substantiating that they are team players and have always worked to accomplish the goals expected of them. Following are some examples.

"I just celebrated my one-year anniversary. I purchased a book of \$2.7 million from an agent who had run it into the ground. I improved my loss ratio from 68 to 55 percent, stopped the massive exodus of clients to competitors because of the poor service they were getting, and proceeded to grow my agency. I qualified for a Regional Summer Promotion trip, and am on target to hit Honor Ring and National Conference. My problem is horrible cash flow. If my wife didn't work, I would have to sell the agency. I am not making money. I realize it's not Allstate's fault that I have a loan, but "our" business plans have to allow for that payment, currently they do not."

"You don't know who I am, but I will tell you that I'm a long-term agent. I make my numbers every year. I have earned Honor Ring numerous times, National Conferences and Leaders' Forums. I'm a Premiere Service Agency. My AES is 157. My retention has always been 88-92%, despite our rates, and my loss ratio is stellar. I have a beautiful office presence and a good staff. Our office is open daily until 8:00 PM. I make IPS and PC quotas without an EFS, and my commissions have been above 10% since Variable Compensation began."

"In my 40 years, I have achieved 51 national awards. My loss ratio is 39 percent and my AES is 126 plus."

"I have a great loss ratio. I make my life numbers. I have a good AES, an above average location and 2 LSPs. As the owner of my agency, I pay myself \$20/hour for a 40-hour week, which is reduced by my health insurance expense. I actually work 60 hours per week, so I really make only \$13 an hour, which is less than any entry level job in home office."

September 15, 2016

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