

Allstate Segments Agents and Realigns Sale Managers

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Allstate began 2010 with a management shuffle that looks more like a deceptive shell game than it does meaningful change. To that effect, the company's announcement of its management realignment on January 1st was predictably vague, prompting NAPAA to dig deeper into the who's, what's and why's of the change.

NAPAA has learned that the new structure was created by dividing the countrywide agency force into six distinct segments based on agency performance. In some regions, virtually no explanation of the segmentation was provided, leaving agents in the dark about the newly-created measurements that could lead to the involuntary termination of their contracts.

The number of territories, and therefore, the number of Territory Sales Leaders (TSL) has been reduced. The market-level managers, who until now were known as MDLs, MSLs and IDLs, are *all* now called Field Sales Leaders or FSLs.

Now comes the deceptive part of the company's strategy. While all the market-level managers will share the same title of FSL, they have also been segmented. Each manager will now only manage agents from one agent segment group. Agent segments are based on performance categories, which are more fully described below. Under the new plan, agents will be assigned a new market number from one of four new categories. Now that agents have been assigned their new market number, it should become clear where they stand based on their peer group. The four market categories will fall into the following ranges: 10-19, 20-29, 40-49 and 60-69. We know that agents in the 60-69 grouping are those in the "New Agency" segment.

NAPAA believes that the FSL is mostly a cosmetic change and that managers will operate similarly as they have in the past. This sleight of hand appears to be merely a re-shuffling of managers, rather than a restructuring of the company's top-heavy management. It also creates two more management positions - the SDL and the SAL.

We do expect, however, a far greater emphasis on results, particularly in the auto line, and managers will besiege agents with well-intended, but largely specious processes that are likely to hinder, rather than help, an agent's progress. Further, we anticipate increased threats and more intimidation, especially for agents in the undesirable segments. What the company has long-failed to realize is that successful agency processes are best taught by successful agents, not by those with limited sales and customer service experience.

Below you will find an explanation of the six new segments together with the number of agents in each. These are countrywide figures. The criterion for each segment includes the size of the agency, the growth in standard Auto PIF (2yrs), Loss Ratio, and length of company affiliation.

Segment 1 – High Performing (Agent count 342)

Greater than 3,000 PIF or \$3 million in written premium
Positive growth in Standard Auto (2 yrs) - greater than 0.0% growth.
Loss Ratio below the maximum RFG goal for 0 points (62% or 65%)

Segment 2 – Positive Growth (Agent count 2,156)

Less than 3,000 PIF (for pre-2002 agents, you must be at least medium size (1001+ PIF) to be in this segment)
Positive growth in Standard Auto (2 yrs) - greater than 0.0% growth.
Loss Ratio below the maximum RFG goal for 0 points (62% or 65%)

Segment 3 – Growth Potential (Agent count 3,647)

All agency sizes (for pre-2002 agents, you must be at least medium size (1001+ PIF) to be in this segment)
Standard Auto Growth is minus 3% to 0%
May or may not be achieving Loss Ratio goal.

Segments 4 and 5 – Low Growth, and Low Performing (Agent count 3,979)

All agency sizes – *NOTE - ALL small-size pre-2002 agents (less than 1,000 PIF) are included in these segments.*

Standard Auto Growth is minus 3% to minus 6.5%, or growth less than minus 6.5%.

May or may not be achieving Loss Ratio goal

Segment 6 – New Agency (Agent count 2,029)

All agents with an affiliation date of Jan 1, 2008 or newer are in this category, whether the agency was purchased (outside buyer) or started from scratch. All 2007 appointments are included in segments 1-3 regardless of their size.

For the purpose of management assignment, segments 1 and 2 are grouped in the top performing category, and segment 4 and 5 comprise the lowest performing category.

This new “Agency Performance Segmentation” scheme is the second time in as many years that the company has decided to change agent measurements retroactively. The first time was when the company informed agents that they would be held accountable for two years’ worth of ALI scores before even being informed about the ALI initiative. Agents who scored poorly in the two years preceding the announcement had to scramble to improve their third year scores or face termination. Now the company is using a two year look back at auto growth, or a lack thereof, to segment agents into performance groups - with those in segments four and five as the most likely targets for termination. Agents in these groups should be concerned because, true to their word, the first round of involuntary contract terminations for deficient ALI scores has already begun. In our opinion, agents should expect that involuntary terminations based on agent segmentation will follow in the near future.

Many agents who have been working diligently on their RFG score, particularly in AFS production, now find themselves in the lowest performing agent segments and are suddenly at risk. These are award-winning agents who, until now, never imagined they could be at risk for termination. Had management informed them that Line 10 auto growth was the key to keeping their jobs, they could have shifted their efforts from AFS or EB and focused more on the auto side of the business. So why were they bullied into believing that it was AFS and EB business that the company wanted instead of auto?

We see no more reprieves for agents that don’t meet company expectations. If you are failing to achieve your RFG, ALI or line 10 auto growth, you are at risk. NAPAA believes this is especially true if you are an older, long-term agent. Based on the underhanded approach we’ve already seen with the ALI and auto growth measurements, agents should expect more of the same in the future. It appears that top-level management is going to blame everybody but themselves for the company’s market share woes. We suggest that susceptible agents begin exploring other employment options immediately.

NAPAA is committed to helping agents through this difficult transition. On May 6, 2010, we will host the first annual **NAPAA Job Fair** in Washington, D.C. We expect this event will include representatives from several carriers and/or cluster groups, all of which are hungry to hire Allstate agents - who they consider motivated, and well-trained. This event will be open to all current or former Allstate agents. Find out more about our National EA Conference and Job Fair on the “Events” page at www.napausa.org.

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