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**National Association of Insurance and Financial Advisors®**

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To: NAIFA State and Local Association Secretaries  
From: NAIFA Secretary Terry K. Headley, LUTCF, LIC, FSS  
cc: NAIFA National Council Members and Association Executives  
Date: July 16, 2009  
Subject: Notice of Three (3) Proposed Amendments to the NAIFA Bylaws

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Pursuant to Article XXIII, Section 2 of the NAIFA Bylaws, the attached report of the NAIFA Bylaws and Resolutions Subcommittee notifies the Secretaries of NAIFA's member associations of three (3) proposed amendments to the NAIFA Bylaws for the National Council's consideration at the 2009 NAIFA Annual Convention and Career Conference in Orlando, Florida.

The first proposed amendment, initiated by the NAIFA Board, would increase NAIFA national dues for three consecutive years, and share a portion of such dues revenue with NAIFA state and local associations, in order to continue to provide superior member value in the areas of advocacy and professional development on a sustainable basis. The second proposed amendment, initiated by the NAIFA Board, would expand the National Council to enable greater participation, and more proportional state representation, in NAIFA's delegate body by permitting additional delegate appointments based on each state's membership size and future growth. The third proposed amendment, initiated by NAIFA – Florida, would require that National Council votes on future proposals to increase dues be conducted by secret ballot, to help ensure fair, objective and uncompromised results.

The proposed amendments will be presented to the National Council during the afternoon National Council session on Sunday, September 13, 2009 (2:30 p.m. – 3:45 p.m.). No discussion of the proposals will be held at that time. Interested parties are encouraged to attend the Legislative Forum and Town Hall Meeting on Saturday afternoon, September 12, 2009 (3:00 p.m. – 5:15 p.m.), to discuss the proposals. The National Council is scheduled to vote on the amendments during the morning National Council session on Wednesday, September 16, 2009 (9:00 a.m. – 11:00 a.m.). The Wednesday session has a tight schedule and it will facilitate programming if most of the discussion regarding the proposals takes place at the Legislative Forum and Town Hall Meeting.

## NAIFA Bylaws and Resolutions Subcommittee Report

Three (3) amendments to the NAIFA Bylaws have been proposed for the National Council to consider at the 2009 NAIFA Convention and Career Conference. The NAIFA Board initiated the first two proposals at its April 24-25, 2009 meeting, pursuant to Article XXIII, Section 4(b) of the NAIFA Bylaws. NAIFA – Florida initiated the third proposal on its July 1, 2009 conference call, pursuant to Article XXIII, Section 4(c) of the NAIFA Bylaws. The proposals would become effective immediately, unless noted otherwise, if adopted by a two-thirds vote of the members of the National Council present and voting at the 2009 NAIFA Convention and Career Conference.

### **I. National Dues Increase and Member Association Dues Revenue Share**

The NAIFA Board proposes that the NAIFA Bylaws be amended to implement a three-year dues adjustment, with ongoing revenue sharing for state and local associations, as shown in the chart below:

	Year			Per Month (2010)
	2010	2011	2012	
National Revenue Share	\$70	\$85	\$100	\$5.83
State Revenue Share	\$20	\$20	\$20	\$1.67
Local Revenue Share	\$20	\$20	\$20	\$1.67
Total Dues Adjustment	\$110	\$125	\$140	\$9.17
Current National Dues	\$190	\$190	\$190	\$15.83
Proposed National Dues	\$300	\$315	\$330	\$25.00

The NAIFA Board recommends this three-year dues adjustment so that the NAIFA federation can continue to provide superior value to members over the long term, in the areas of advocacy and professional development, as outlined in the NAIFA 21 strategic plan. The NAIFA Board's rationale for the dues proposal has been summarized as follows:

- As NAIFA's primary revenue source, dues must keep pace with the value NAIFA delivers.
  - A three-year adjustment ensures a more sustainable business model by providing sufficient funds to support the continued delivery of valued services to members, most importantly in the areas of advocacy and member benefits, as called for by NAIFA 21.
  - Dues historically have not kept pace with costs, due to inflation, the decline in membership, and the expansion of services NAIFA offers in advocacy, professional development and education, and networking.
  - Less must do more, but NAIFA is delivering more each year.

- NAIFA is standing guard – on Capitol Hill and in the states.
  - NAIFA is ready to respond when our industry comes under attack, and dues are needed to maintain our legislative vigilance.
  - Now more than ever before, our industry is a target for legislative and regulatory threats. Strengthening NAIFA's government relations capabilities is crucial in today's environment.
  - A portion of the increased dues will be distributed to state and local associations on an ongoing basis to assist their efforts to address the extraordinary legislative and regulatory challenges we face nationwide.
  
- NAIFA is delivering on the promises of NAIFA 21 through enhanced member benefits.
  - We are proud of the results of NAIFA 21 and need continuing resources to sustain its build-out. In particular, the Professional Development System will require additional funding to maintain the progress already made, while adding increased value.
  - A portion of the increased dues will be distributed to state and local associations on an ongoing basis to assist efforts to enhance their programming.
  
- NAIFA's information technology infrastructure requires upgrade and ongoing maintenance to function in the present operating environment and better meet the needs of members and state and local associations.
  
- NAIFA is increasing the power of its voice in health-related matters by expanding AHIA's offerings and services to all members, because a majority of NAIFA members are involved in the sale of various health insurance products.
  
- NAIFA has not been immune to the economic challenges facing all industries, individuals, and organizations in America.
  - New membership has continued a slow decline.
  - The real estate market in the area of NAIFA's headquarters building is currently stressed and we do not have the rental income that contributed to NAIFA's bottom line in prior years.
  - NAIFA's future pension liabilities are not yet fully funded.
  - The value of NAIFA's reserve funds has dropped as a result of market declines.

To implement this proposal, Article XII, Section 1 of the NAIFA Bylaws would be amended as follows (note: ~~struck through language~~ would be deleted; underscored language would be added):

#### Article XII - Revenue

SECTION 1: Except as provided in Article XII, Section 2 and 3 herein, each local and at-large association shall pay to NAIFA for each and every member, with the exception of honorary members, student associate members, disabled members as defined in Section 6 of this Article, and members whose dues are paid pursuant to a corporate level of dues program as provided for in Section 3 of this Article, the sum of ~~One Hundred Forty One Dollars (\$141.00) per annum until January 1, 2008, on which date the sum payable to NAIFA will increase to One Hundred Ninety Dollars (\$190.00) per annum until January 1, 2010, on which date the sum payable to NAIFA will increase to Three Hundred Dollars (\$300.00) per annum, until January 1, 2011, on which date the sum payable to NAIFA will increase to Three Hundred Fifteen Dollars (\$315.00) per annum, until January 1, 2012, on which date the sum payable to NAIFA will increase to Three Hundred Thirty Dollars (\$330.00) per annum, of which sums NAIFA shall remit to each individual member's local (or at-large) and state associations the sum of Twenty Dollars (\$20.00), respectively, pursuant to the process used to remit renewal dues to state, local and at-large associations under Article IV, Section 17 of these Bylaws. . . .~~

## II. National Council Expansion

Based on a recommendation from the Committee on Associations, the NAIFA Board proposes that the NAIFA Bylaws be amended to expand the National Council to enable greater participation, and more proportional state representation, in NAIFA's delegate body by permitting the allocation of delegates based on a state's membership size. The expansion would also reward membership growth by authorizing the appointment of additional delegates.

In particular, the proposed expansion of the National Council would:

- Preserve the current voting privileges of all state and local association presidents and national committeepersons (or their alternates).
- Expand the National Council by adding delegates for states with membership growth.
- Allow for more proportional representation in the National Council by permitting states to make a one-time election from among three formulas to determine their baseline potential delegate number for the 2010 Convention.

- Eliminate an incentive to maintain inoperative associations solely for the purpose of retaining National Council votes by allowing for the appointment of two additional delegates for each local association dissolved or merged into another local association.
- Ensure that no state would have fewer potential delegates in the National Council in 2010 or thereafter than the potential number of delegates it had at the 2008 Convention (unless a state chooses a lower baseline number that is sufficient to enable each president and national committeeperson in a state to vote).

To implement this proposal, Article IX, Section 1 of the NAIFA Bylaws would be amended as follows (note: underscored language would be added):

#### Article IX - National Council

SECTION 1: The National Council shall consist of . . . the Presidents and National Committeepersons of local and state associations and Special Delegates (as defined herein) who are active members, as defined in Article V, Section 2 hereof; and the Chairs of all affiliated units and Standing Committees as provided in these Bylaws. Beginning at the 2010 NAIFA Convention, the number of National Council delegates from each state shall be based on one of the following three formulas (provided it is sufficient to potentially enable each president and national committeeperson in a state to vote): (1) under Formula 1, a state shall retain the total possible number of delegates it had at the 2008 Convention (i.e., 2 votes for the state association and each local association in the state); or (2) under Formula 2, a state shall have allocated to it: (a) 2 state delegates; plus (b) 20 delegates for the first 500 members (or less) in the state; plus (c) 1 additional delegate for each additional 50 members in the state between 500 and 2000 members; plus (d) 1 additional delegate for each additional 100 members in the state over 2000 members, based on the state's membership total for the membership year ending June 30, 2008; or (3) under Formula 3, a state shall have allocated to it: (a) 2 state delegates; plus (b) 1 additional delegate for every 40 members in the state, based on the state's membership total for the membership year ending June 30, 2008. State associations must certify to NAIFA by April 1, 2010, which of the formulas it chooses for its 2010 Convention delegate allocation. If a state does not make its certification by April 1, 2010, NAIFA will allocate delegates to that state using the formula that gives the state the highest potential number of delegates. Whichever delegate count formula is used, delegate positions shall first be retained by each state's respective eligible and duly reported state and local association presidents and national committeepersons (or their alternates). Any delegate votes that are allocated to a state that exceed the number of eligible and duly reported state and local association presidents and national committeepersons (or their alternates) in the state shall be appointed by the state association to individuals ("Special Delegates") who are active members of the appointing state association and state

associations shall report their Special Delegates to NAIFA no later than five (5) working days prior to the first session of the National Council. At each Convention following the 2010 Convention, a state association's potential delegate count may increase by one Special Delegate for each cumulative increase of 40 members as of the end of the prior membership year. (Membership increases will be carried over from year to year until increments of 40 members are met.) At Conventions following the 2010 Convention, state associations will also be permitted to appoint two Special Delegates for each local association within a state that is dissolved or merged into another local association.

### **III. Require Secret Ballots for Dues Increase Votes**

Pursuant to Article XXIII, Section 4(c) of the NAIFA Bylaws, NAIFA-Florida proposes that the NAIFA Bylaws be amended to provide that National Council votes on future proposals to increase dues be conducted by secret ballot. NAIFA-Florida maintains that the use of secret ballots is appropriate when the National Council votes on dues increases to help ensure a fair, objective and uncompromised result.

To require the use of secret ballots when the National Council votes on future proposed dues increases, Article XXIII, Section 1 of the NAIFA Bylaws would be amended as follows (note: underscored language would be added):

Article XXIII – Amendments to Bylaws

SECTION 1: Amendments to these Bylaws may be made at any meeting of the National Council of NAIFA by a two-thirds (2/3) vote of the members present and voting, provided that there shall be a quorum present, and further provided that any vote to increase the amount of dues shall be conducted by secret ballot. A quorum for these purposes shall be as provided in Article IX, Section 3 of these Bylaws.

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Vote on Wednesday, September 16, 2009

The proposed amendments will be presented to the National Council during the afternoon National Council session on Sunday, September 13, 2009. A discussion of the proposals will be held at the Legislative Forum and Town Hall Meeting on Saturday afternoon, September 12, 2009. The National Council will vote on the proposed amendments during the morning National Council session on Wednesday, September 16, 2009.