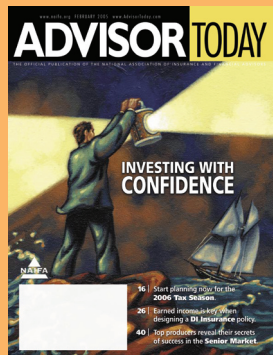


HOW NOT TO BE A FREELOADER

Do yourself a big favor and join NAIFA today.



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Advisor Today article by: Thomas Wolff, CLU, ChFC

Ten years have flown by since I started writing the "Back Page." I have been tempted on a number of occasions to write about NAIFA and the importance of belonging and supporting this wonderful organization. In the end, however, I decided against writing on this subject because the stated purpose of the "Back Page" is to provide sales and career-enhancing ideas. However, in view of the events of the past few months, I feel compelled to make an exception and write about the criticality of a strong NAIFA.

First, a bit of history. In the late 1970s, the Federal Trade Commission (FTC) initiated an investigation of the life insurance business. A group of young attorneys, most of whom had little, if any, business experience, were assigned to the task. Their initial report attacked many of the practices employed by our industry. However, their most damaging revelation was that according to their studies, the average rate of return on a permanent life insurance policy was 1.3 percent.

As one might expect, television, radio and the print media latched on to the FTC report in a big way. For example a guest on The Phil Donahue Show, which had an audience of 10 million viewers, gave the following advice: "If you have a permanent life insurance policy, use it to line your birdcage."

Industry woes

My two sons, both relatively new in the business, were among many agents who found that the climate that had been created made it almost impossible to sell a permanent policy. At the time I was serving as NAIFA president. In my travels I could feel a sense of panic and frustration spreading throughout the industry.

Thankfully I was presiding over a 145,000-member organization. We were strong financially. Thanks to our political action committees, we had the ability to talk one-on-one with virtually every senator and congressman or congresswoman. We also had great contacts in the media. As a result, we were able to appear on The Donahue Show and refute the misinformation that was being circulated.

We also testified before the Senate Finance Committee and provided evidence that the FTC study was badly flawed. In a bold move, we suggested the introduction of a bill that would prevent any further investigation of our business by the FTC without prior approval of the Senate. Because of our strength, that bill passed. The FTC investigation was over.

New issues

Let's fast-forward 25 years. The FTC is no longer the problem. However, sparked by the attorney general of the state of New York, Eliot Spitzer, the inevitable has happened. We have new investigations of our business. The result may be that compensation systems, which we have taken for granted, will have to be changed significantly. In addition, NAIC is finalizing disclosure regulations that could make it more difficult for us to market our products.

Fighting back

Thanks to a hardworking staff and a group of dedicated members, we are fighting these threats on a daily basis. It is a fact of life that there is strength in numbers. Unfortunately our membership has shrunk

to 65,000. The goal is to increase that number to 75,000 this year.

Agents I talk with are outraged by what Spitzer and other attorneys general are doing. Thus, one would think that it would be easy to attract people to NAIFA—the only advocate we have. Unfortunately it seems to have become fashionable for agents not to join. Many I've talked to tell me that NAIFA has outlived its usefulness. I hear comments like, "I don't need NAIFA, and I have better places to put my money. Besides, life insurance is only part of my business."

If we are to continue to maintain a business climate that allows us to market permanent life insurance, we will need all the help we can get. Logically those who are earning income from the sale of this product are the ones who should bear the burden of paying the cost of maintaining its viability.

We are in a business that rewards us financially only when we are successful. We rely on our own skills and don't expect anyone else to do it for us. We need to apply the same logic to NAIFA.

No free rides

Webster defines freeloading as "imposing on another's generosity without sharing in the cost or responsibility involved." No one consciously wants to be a freeloader. So if you are reading this and don't belong to NAIFA or haven't renewed your membership, do yourself a big favor and join today. For those of us who are members, we must do our share by asking the freeloaders to join now.

There are 300,000 agents, both career and independent. That means four nonmembers are riding for nothing on our back. That's a heavy burden.

Thomas John Wolff, CLU, ChFC, served as 1979-1980 president of NALU (NAIFA), a member of MDRT and a recipient of the John Newton Russell Award.

