

# DAKOTA ADVISOR



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## President's Message By Todd Otto

It is an honor to serve my fellow North Dakota Insurance and Financial Advisors as President of our professional association.

We need to keep this Association strong – and that means membership! Recruit new members and keep those already with us. The primary focus for my year as President of NDAIFA will be Membership.

We need to realize that every licensed agent has a duty to give back to their profession. It may not yield immediate dividends for us as members, but will lay the groundwork for the future of our profession. Just as our predecessors did for us, we owe the same to those who will follow in our footsteps. Otherwise, who will Independent agents sell their books to when they retire – and what will keep companies selling through agents instead of the Internet or phone – or have Uncle Sam replace us with more government programs!!!

Each member of NDAIFA needs to be out there recruiting new members. Bring a fellow agent to your local meeting. Your local Board plans for quality programs – use them to help demonstrate what we are about.

I cannot begin to emphasize enough the Political Advocacy this Association does to keep us in business! Between our local and state lobbying and grassroots efforts and the IFAPAC efforts on the state and national level – we are getting WAY more than our money's worth!!! ...and so are fellow agents who are NOT members! They are benefiting by riding our coat-tails! This should make all NDAIFA members upset that Non-Members are getting benefits from our efforts!!! We need to work to make them members so they, too, are putting in their fair share of effort to keep our business going!

What we do in protecting and planning for our clients is too important to be apathetic about it! We need to step up and become as passionate about protecting our business futures as we are about helping our clients!

There was an old recruiting program in NALU called Each One, Reach One. I would love to see every agent in North Dakota recruit a new member in the next year!

Thank you for the opportunity to serve you, and go recruit a new member!



Todd Otto  
NDAIFA President

## LILI - Leadership Development Training

### By Keith Phillips

The NAIFA Leadership in Life Institute (LILI) is an intensive curriculum for personal growth, designed specifically to develop high-caliber leaders. Furthermore, the skills and techniques of leadership can be developed and enhanced in persons of high effectiveness. The coursework, developed by the NAIFA Leadership Development Task Force, is presented in six one-day sessions, over a six-month period.

Using *The Seven Habits of Highly Effective People*, by Stephen Covey, and the leadership writings of John Maxwell as primary resources, the Institute encourages participants to develop their whole selves. Participants engage in extended introspection and deal with topics such as: time management, vision and mission statements, business plans, and ways to create better, deeper relationships in every aspect of their lives, particularly family, business and association. Results are first seen in the personal growth and heightened effectiveness of the participants.

If you would like more information on how to sign up and improve your leadership skills, contact Keith Phillips at [kap1520@hotmail.com](mailto:kap1520@hotmail.com) or the NDAIFA office at: 701-258-9525 or [info@ndaifa.org](mailto:info@ndaifa.org)

## NAIFA - FM REPORT

### By Jay Burgad, Local President

Fargo Moorhead will be changing their monthly C.E. to 1 full day in fall (Oct. 18th) and one in spring (March 21st). Each day will have 6 hours of CE broken out in 3 sessions - Reason: To attract more members to C.E. (2 days and your CE is done!)

Our monthly luncheon meetings will be the same day as our CE with the October theme being political (invitation of local congress people in a Q & A platform), March theme, Mastering Wealth with guest speaker Keith Burck, Vice President of Alerus Securities.

Each monthly luncheon will have a speaker with various themes. (i.e. inspirational, informational etc) Our monthly luncheons will be from start to finish about 1.15 hours in length. Each speaker will have 40-45 minutes, 20-25 minutes lunch with remainder 15 minutes for NAIFA updates and fund raising purposes.

We needed to do something to get members to our luncheons. The new format was strictly with the intent to make it easier to recruit more members by being more efficient with their time and giving more during their time. The verdict is still out but our feet are planted in the right direction, ( I think?).



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## National Committee Person's Report By Terry Weis

The National Convention is always a time to meet your friends that you may not have seen for a year, but this years convention was the first time in history that as a group NAIFA sent a thousand members to Capitol Hill to meet with the lawmakers.

Attending the All Hands on Capitol Hill visits for North Dakota were the following members: President Todd Otto, National Committee Person Terry Weis, Former Trustee Elaine Fremling, Local President Jeff Case, Local President Jay Burgad, Local National Committee Person Darrell Hovde.

Our first appointment was with Congressman Pomeroy's office. Joining us for this appointment was Michael Kerley, Lobbyist for NAIFA. Congressman Pomeroy was stuck with mechanical problems in Fargo and we met with Diane Oakley who knows the positions and feelings of Congressman Pomeroy very well. During our visit Michael Kerley and Diane had discussion about some of our industry topics giving us the impression that there is an open line of communication between NAIFA and the Congressman's office and staff.

After the appointment all of us stood outside the Congressman's door and Michael Kerley explained that the entire delegation from North Dakota is the best delegation that NAIFA has to deal with. Congressman Pomeroy sponsors most of the legislation that we need and Senator Conrad is Lead Democrat on the Finance Committee and supports the issues that we need him on. Senator Dorgan has a way with others in the Senate to compel them to our way of thinking. We have very strong NAIFA allies with our entire Congressional Delegation.

Michael Kerley is very concerned that if we were to lose them NAIFA would be in a much more tenuous position on our issues like inside build up of life insurance and tax favored status on annuities.

Then we were off to our next appointment with Senator Dorgan. We got started with his Senior Legislative Advisor Allen Huffman. The topics that we covered were: Association Health Plans, COLI, Investment Advice and Senator Dorgan was able to join us for Long Term Care Insurance Tax Incentives, Retirement Security for Life, and Tax Reform and Long-term Savings.

Senator Dorgan used his three legged chair example with one leg made up of qualified pension plans another made up of Social Security and the final leg made of life insurance and annuities. He was very adamant that the savings rate in this country would be nothing is the inside build up of life insurance and tax favored status of annuities were lost.

Then we were off to Senator Conrad's office. The appointment was at 4 pm and you could tell that going home was on the mind of the staff. Senator Conrad was stuck on the floor of the Senate dealing with finance issues probably dealing with Hurricane relief.

We met with Stephen Bailey Senior Analyst for Revenues of the Senate Committee on the Budget (the numbers guy). Like the other two visits, Stephen knew our positions and agreed with us totally. Elaine was able to make an analogy for Stephen ( like a Buffalo jumping off the cliff ) once it is put in motion you can not get it back.

Our eyes were opened to the fact that our Congressional Delegation needs and deserves our support come election day. They are the friends of our industry and without them in Washington we may very well be on the outside looking in and wondering what happened.



## NAIFA National Council Elects Officers & Trustees

BALTIMORE—The National Association of Insurance and Financial Advisors' (NAIFA) representative governing body, the National Council, elected new officers and trustees during the 2005 NAIFA Convention and Career Conference today.

David E. Smithkey, CLU, RFC, principal of Security First Benefits Corp. in Flint, Mich., was elected president. At the convention of more than 2,200 convention attendees this morning, Mr. Smithkey promised to move forward the association's focus on advocacy, benefits to improve members' bottom lines, and fiscal discipline during his one-year tenure.

Joining Mr. Smithkey as NAIFA officers are John Davidson, LUTCF, a field representative for the Guardian and based in Thousand Oaks, Calif., president-elect; Jeffrey J. Taggart, CLU, ChFC, LUTCF, general agent and field vice president for Union Central Insurance and Investments in Cody, Wyo., secretary; and Peter C. Browne, LUTCF, principal of Price, Raffel and Browne/Union Central Insurance and Investments in New York, N.Y., treasurer. After serving his one-year term as president, C. Robert Brown, CLU, LUTCF, president of UCL Financial Group in Memphis, Tenn., becomes immediate past president.

Re-elected as trustees to the board for two-year terms were Lawrence J. Fowler Jr., CLU, LUTCF, an agent with Nationwide in Norwich, Conn.; William J. "Buddy" Kopic, CLU, ChFC, an advisor with Wachovia Insurance Services in Savannah, Ga.; Linda Ray, RHU, LUTCF, CLTC, owner of Better Benefits, Inc., in Metairie, La; and Robert M. Roach, CLU, ChFC, a representative of Northwestern Mutual Life in Columbus, Ohio. Ms. Ray was re-elected although she was unable to attend the convention due to Hurricane Katrina.

Elected to the board for the first time was Robert A. Miller, principal of Miller and Associates in New York, N.Y.

Remaining on the board to complete the second year of their term as trustee (NAIFA staggers elections so half of the trustees are elected each year) are Thomas D. Currey, CLU, ChFC, LUTCF, owner of TDC Financial Services in Mansfield, Texas; Terry Headley, LUTCF, LIC, owner of Headley Financial Services in Omaha, Neb.; and Glenn Malcolm, CLU, ChFC, LUTCF, RHU, an agent with Monumental Life in Miami, Fla.; Cliff Wilson, CLU, ChFC, LUTCF, president of American National Insurance Cos. in Chandler, Ariz., and Edward A. Zabielski, Jr., LUTCF, RFC, chief executive of Edward A. Zabielski, Jr., and Co. in Wilmington, Del.

With its authority to appoint up to two trustees to the board, the board named Robert Eddy, Jr., CLU, ChFC, REBC, of Lafayette, La., a financial planner with Prudential Financial, as an at-large trustee for a second year.



## In Recognition

**Jack E. Bobo Award of Excellence** for providing outstanding service to their members in the areas of Member Benefits, Advocacy, Membership and Governance

North Dakota AIFA

Missouri Slope AIFA

**IFAPAC Tribute to Excellence**

NAIFA Fargo-Moorhead

**2004-05 Manager's Membership Award**

Patrick Gores, Northwestern Mutual Financial Network

**2004-05 National Membership Excellence Recognition**

State Highest Retention Rate – North Dakota AIFA

NAIFA members recruiting 12-19 new members – David Klemisch

**2005 Leadership in Life Institute (LILI) Graduates**

Julie Phillips, NAIFA-Fargo-Moorhead

**AHIA Silver Award of Excellence**

Central North Dakota AIFA

Lake Region AIFA

Minot AIFA

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## NAIFA'S TOP 10

NAIFA's top 10 companies by membership:

1. State Farm Insurance Company
2. New York Life Insurance Company
3. Northwestern Mutual
4. Prudential Financial
5. MassMutual Financial Group
6. MetLife
7. Southern Farm Bureau Life Insurance
8. Thrivent Financial for Lutherans
9. Allstate
10. Farmers New World Life Insurance



**Membership News**  
**Keith Phillips, LUTCF**  
**NDAIFA Membership Chair**

The summer is coming to an end and many of us are scrambling to play catch up due to vacations and other fun summer activities. Not only are we trying to finish projects or plans that have been put on the back burner, but many of us are also trying to put into motion marketing plans so we can meet our year end goals.

As NAIFA members, we find ourselves in the same predicament. We have goals, plans and ideas only to see that they get placed on the back burner. Just as the growth of your agency is vital to your continued success, much the same can be said about NAIFA. Without growth, we pay the price down the road.

As your state membership chair, I ask each of you to think of NAIFA as a critical part of the well being of your agency. Keep prospecting for NAIFA members just as you prospect for new clients. With a little bit of effort from each member, we can make NDAIFA a much stronger force.

## ISSUE SUMMARY

**Association Health Plans (AHPs)** – AHIA and NAIFA are sensitive to the tension between cost and availability in the small group health insurance market. While always in search of private sector initiatives to improve the availability and affordability of health insurance for small businesses, AHIA and NAIFA oppose **H.R.525** and **S.406** in their present form. These are legislative proposals that would establish federal AHP insurers.

Proposed by some small employer trade associations, **H.R. 525** and **S.406** may sound good, but would put small business coverage in jeopardy. **H.R.525** and **S.406** would exempt federal AHP insurers from the state solvency requirements, active state regulatory oversight, and all state-based consumer protections and benefit standards that apply to other health plans. Under the House-passed **H.R.525**, AHP insurers would operate under minimal U.S. Department of Labor oversight and very low surplus requirements. The end result is that AHP insurers would be able raise premium prices at will, select only the best health risks for their plans and thereby leave higher risk individuals in the general pool, and open the door to flagrant fraud and abuse. These factors pose a recipe for disaster in the small business health insurance market—a disaster reminiscent of the Multiple Employer Welfare Arrangement (MEWA) scandals of the 1970s and early 1980s.

**Business Use of Life Insurance/Corporate Owned Life Insurance-Best Practices (COLI)** - Large and small businesses have used life insurance for many years for a variety of business purposes. Life insurance is used to protect against the death of key employees and redeem the stock of deceased stockholders. A life insurance plan frequently referred to as COLI (Corporate Owned Life Insurance) can perform a valuable role in helping employers fund future benefit obligations such as health insurance for retirees.

In order to preserve the use of life insurance as a funding tool for critical employee programs, key members of Congress have developed the “COLI Best Practices Act of 2005.” NAIFA joins with the Association for Advanced Life Underwriting in supporting passage of the COLI Best Practices Act of 2005 as incorporated in **S.219** (NESTEG) and offered in the House by Reps. Tom Reynolds (R-NY) and Earl Pomeroy (D-ND) as **H.R.2251**. This legislation will make it clear that life insurance used by corporations in a responsible way can help provide valuable employee benefits.

**Investment Advice** - With the shift away from defined benefit plans and toward defined contribution plans that offer plan



participants the ability to choose among investment options within the pension plan, employee access to investment advice is more essential than ever. However, studies show that only 16% of 401(k) participants have an investment advisory service available to them through their employers—creating what has become known as the “advice gap.” ERISA inhibits many employers from making advisors available to employees because of fears concerning fiduciary liability should the employee become unhappy with the investment advice paid for and/or provided by the employer.

NAIFA strongly supports the investment advice provisions in the Pension Protection Act, **H.R.2830**. The bill would allow employers sponsoring 401(k) plans to engage investment advisors—including insurance company providers (and their licensed insurance agents)—to offer recommendations to employees participating in those plans. **H.R.2830** also makes it permissible for an insurance company provider (and an agent representing the insurance company) to recommend the insurance company’s own investment products as funding options to an employee participating in the 401(k) plan. The bill includes important plan participant protections that require careful employer selection of available investment advisors.

Investment advice provisions are also included in the Senate Finance Committee’s pension bill—known as NESTEG (**S.219**). These provisions do not offer employers a cost effective opportunity to engage insurance company providers (and their agents) to assist employees in their choice of investment options under a 401(k) plan. This is because **S.219** does not amend ERISA’s prohibited transaction rules to shield employers from potential liability in instances where an insurance company (or its agent) recommends its own investment products, even where such advice would be appropriate, cost effective, and in the best interest of the plan participant. For that reason, NAIFA supports the House bill. It will increase the availability and affordability of advice for rank and file employees.

**Long Term Care Insurance Tax Incentives** - AHIA has taken the lead role on behalf of the NAIFA federation in advocating for stronger incentives to purchase long term care insurance. AHIA recognizes the Bush Administration for its past support of proposals to provide an "above the line" tax deduction for qualified LTCi policies -- and urges the Administration to get behind similar proposals this year. In the meantime, AHIA and NAIFA applaud members of Congress who are sponsoring stand alone bills (**S.1244**, **H.R.2682** and **H.R.1150**) and combination approaches (**S.602/H.R.1262**-Alzheimer research, and **S.1602**-long term care insurance partnerships). In addition to the strong tax incentives, AHIA supports proposals to make the purchase of LTCi available through cafeteria plans/flexible spending accounts, and from distributions from 401(k) and 403(b) plans.

**Retirement Security for Life** - NAIFA believes that as important as it is to build retirement savings, it is just as important to ensure these savings will last a lifetime. NAIFA supports the Retirement Security for Life Act (**H.R.819** and **S.381**) to encourage individuals to invest in lifetime annuities. Annuities empower Americans by allowing them to receive a steady “paycheck” for life to maintain their standard of living through their retirement years. NAIFA also supports bills such as the Lifetime Pension Annuity for You Act, **H.R.2951** and **S.1359**, which provide tax incentives to convert both qualified pension plan assets and non-qualified assets into lifetime monthly annuity payments.

**Tax Reform and Long-term Savings** - NAIFA calls on Congress and the Administration to embrace tax incentives that recognize the vital role life insurance and annuities play in retirement security. The Administration's savings proposals put forward in the FY 2006 budget proposal include the creation of Lifetime Savings Accounts (LSAs), Retirement Savings Accounts (RSAs), and Employer Retirement Savings Accounts (ERSAs). The LSA is an individual savings account that allows tax-free interest earnings on up to \$5,000 per year of after-tax contributions, along with tax-free distributions from these accounts at any time and for any reason. It is feared that LSAs, because of lack of limits on their use, will create a negative environment for the purchase of permanent life insurance and annuities.

Simultaneously, the President’s tax reform panel is preparing to make recommendations to the Treasury Department on fundamental tax reform. No matter what tax policy Congress may embrace, NAIFA urges Congress to provide extra incentives for individuals to save for their future financial and retirement security through savings products that are “locked up” for future delivery - like life insurance, annuities and qualified retirement plans.

## Freedom Builder Fund By Pat Hoffman, CLU, ChFC, LUTCF

Hello all, I hope you are all enjoying the summer and looking forward to a nice North Dakota fall. As you are all getting up to speed with the new NDAIFA year I would like to encourage you to begin regular contributions to the NDAIFA Freedom Builder Fund. For those of you who are not familiar with this fund let me take a moment to review. This fund is for the benefit of NDAIFA members only. All funds which are raised are used exclusively in ND for the benefit of our members. The fund was created after a lengthy and very, very, expensive battle over rebating. NDAIFA raised a very large amount of money, to successfully fight this battle for our members and industry. After this we decided to create our own fund for any upcoming issues which could negatively impact our members and industry.

The fund has special bylaws as to how much of it can be used each year. As of now it is woefully inadequate, and the amounts available would not be sufficient to be effective when our next major need or lobbying effort arises. With commission disclosure, suitability, and a whole host of known topics coming on the horizon we need to give this account much more attention and funding. The golf outing in Medora last spring was a terrific start as we were able to deposit \$2,000 into the fund. Thank you to all who participated and enjoyed a beautiful fun day in the badlands.

At the July NDAIFA State Board meeting the members voted to recommend a minimum of a \$100 annual contribution from each board member. Also, recommended was a minimum of an annual contribution of \$25 for each local board member. As NDAIFA secretary Ted Haugen pointed out that is less than on half tank of gas per year to help strengthen and preserve our industry.

I would encourage all members to send a contribution in to our NDAIFA Freedom Builder Fund. The checks can be sent to Nancy office.

Thank you very much for your contributions. Please join us at our next golf outing in Fargo this spring.

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## LIFE AND NAIFA APPLAUD EFFORTS OF LEADING POLITICAL FIGURES TO HELP RAISE AWARENESS OF THE NEED FOR LIFE INSURANCE

August 31, 2005 – Republicans and Democrats have found an issue they all can agree on: Life insurance is very important to the financial security of America's families. On the eve of Life Insurance Awareness Month, prominent political figures from both sides of the aisle have issued official pronouncements in support of the goals of the industry's annual awareness-building campaign.

In a letter dated August 18, 2005, President George W. Bush thanked the industry for its efforts to help America's families achieve financial security: "Life insurance companies provide valuable services that help workers and their families meet their financial needs." The President's letter followed separate resolutions that were passed by both Houses of Congress recognizing September 2005 as Life Insurance Awareness Month in the U.S.

In the floor debate prior to passage of House Concurrent Resolution 181, Rep. Judy Biggert (R-IL), the primary sponsor of the legislation along with Rep. Paul Kanjorski (D-PA), issued this statement: "Mr. Speaker, life insurance is too often thought of only when it is too late. Over half of adult Americans don't have a life insurance policy, and among those who do have life insurance, the amount is often too small to safeguard the financial futures of their loved ones. Life insurance can provide financial security for every American family that incurs the untimely death of a loved one." The House resolution passed on July 25, 2005 by a vote of 377 to 4.

The U.S. Senate followed suit when it passed Senate Resolution 223 in a unanimous vote on July 28, 2005. Senator Saxby Chambliss (R-GA) and Senator Ben Nelson (D-NE) introduced the resolution. "All of us care about the financial well-being of America's families, which is why it is critically important that every household make a provision to include enough life insurance to provide for their family just in case those who do are no longer able to," said Senator Chambliss.

Added Senator Nelson, "People need to be aware of the availability of life insurance as one of the choices they make in life to protect their families. I'm very proud and pleased to sponsor legislation that recognizes Life Insurance Awareness Month to encourage people to make sure they have adequate life insurance coverage to secure their families' financial futures."

Senators George Allen (R-VA), Tim Johnson (D-SD), John Thune (R-SD), Susan Collins (R-ME), David Vitter (R-LA), and Mel Martinez (R-FL) were co-sponsors of the resolution.

"It is very gratifying to know that the President and congressional leaders share the industry's commitment to helping America's families achieve financial security through proper life insurance planning," said David Woods, CLU, ChFC, LUTCF, CEO of the National Association of Insurance and Financial Advisors (NAIFA) and president of the Life and Health Insurance Foundation for Education (LIFE), which is coordinating the month-long public awareness campaign. "Having our nation's leaders speak out on this issue will make consumers more likely to address the difficult, but vitally important question of whether their families would be OK financially if they were to die tomorrow."

At the state level, the governors of 18 states, as well as the mayor of the District of Columbia, have signed proclamations recognizing September as Life Insurance Awareness Month. The states include Arizona, Connecticut, Delaware, Georgia, Indiana, Louisiana, Michigan, Mississippi, Missouri, Nebraska, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, Virginia, Washington and Wisconsin. A majority of the nation's governors are expected to sign similar proclamations before the campaign ends.

"When so many of the nation's most prominent elected officials issue public statements about the growing problem of people not having enough life insurance, it signals to consumers this is an urgent matter they cannot ignore," said Bob Brown, CLU, LUTCF, president of NAIFA, the organization that was responsible for working with state and federal officials to secure the various government declarations in support of Life Insurance Awareness Month.



— State of —  
**North Dakota**  
*Office of the Governor*

**John Hoeven**  
*Governor*

PROCLAMATION  
**LIFE INSURANCE AWARENESS MONTH**  
SEPTEMBER 2005

**WHEREAS**, life insurance is an essential part of a sound financial plan; and

**WHEREAS**, life insurance provides financial security for families in the event of a premature death by helping family members meet their immediate and longer-term financial obligations and objectives; and

**WHEREAS**, nearly 50 million Americans say they lack the life insurance coverage needed to ensure a secure financial future for their loved ones; and

**WHEREAS**, individuals, families and businesses can benefit from professional insurance and financial planning advice, including the assessment of their life insurance needs; and

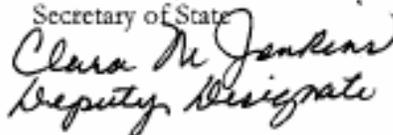
**WHEREAS**, the North Dakota Association of Insurance and Financial Advisors is working to make North Dakotans more aware of their life insurance needs and encouraging them to take the necessary steps toward achieving financial security for their loved ones; and

**NOW, THEREFORE**, as Governor of the State of North Dakota, I do hereby proclaim September 2005, **LIFE INSURANCE AWARENESS MONTH** in the state of North Dakota.

  
\_\_\_\_\_  
John Hoeven  
Governor

ATTEST:

  
Alvin A. Jaeger  
Secretary of State

  
Clara M. Jenkins  
Deputy, Designate

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