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NATIONAL HOME LIFE

National Home Life opened up a whole new world. We went from a regional company to a national one, at a critical time. With 95 percent of all A.L. Williams' business still in Georgia, a simple legislative or public relations issue could conceivably put us out of business. The close call with the insurance department over deposit term had proven that. We needed to outgrow the risk, so I temporarily put a freeze on all Regional Vice President promotions in Georgia. The next RVP promotion would come with a catch – a move out of state.

Bill Orender stood next in line for RVP. In June 1978, I called him to my office.

"Bill, congratulations! You are going to be our first expansion RVP," I announced happily. "I'm promoting you to RVP and I want you to open up a whole new part of the country for A.L. Williams – go anywhere you want, as long as it's out of Georgia."

I sat back and waited for his reaction, a little nervously.

I need not have worried. Bill took the challenge like a champion. He immediately researched demographics in other parts of the country and decided on Dallas. In July 1978, he packed up his wife, Carol, their five-year old, two-year old and six-week old baby and drove two days to Texas. By Monday, Bill was on the phone setting up appointments.

"We didn't know anybody in Dallas, not a soul." Bill recalls. "Didn't matter. I had missionary zeal and evangelical fervor. I got there and went to work."

By the end of Bill's first month, he had 10 recruits. He earned $5,000 his second month and never looked back.

Bill set the pace. In a few months, Jack Schulman, a Division Manager under Tee Faircloth, set up shop in Houston. Ron Wright in Bobby Buisson's organization did the same in New Orleans. Jim Martin, another Buisson downline, moved to Plano, Texas.

Our people suddenly became pioneers… it was "Westward Ho" for A.L. Williams.

The Administration

Art DeMoss was recognized in the industry as the "founding father" of direct mail insurance sales. Far ahead of rival Colonial Penn Life, National Home Life put itself on the map becoming the first company to successfully sell life insurance products without agents. Though the traditional industry snubbed direct mail selling, it held National Home Life in high regard for its business practices.

Art DeMoss surrounded himself with good people. A hand-picked board of directors handled day-to-day decisions on the direct mail side of the company. Bob Safford, an insurance executive from Michigan, built the upstart agency, and Safford added Dick Morgan, an experienced insurance executive from Mississippi, to run agency operations. Art DeMoss had managed to sign Art Linkletter as national spokesman for National Home Life. Linkletter enjoyed a broad following as one of the country's most popular and well-known entertainers. His frequent radio and TV endorsements transformed National Home Life into a trusted, household name.

So, Art DeMoss knew how to run a good business… and he also knew how to step away. An accomplished, self-made multi-millionaire, Art DeMoss in recent years spent most of his time developing Executive Ministries, a Christian outreach program aimed specifically at top-level executives. He kept a heavy speaking schedule, supporting religious groups like Campus Crusade for Christ, The 700 Club, Jerry Falwell and Liberty University, teaching them how to grow their organizations.

Now, as National Home's phenomenal growth numbers started to level off, Art DeMoss turned his energies back to the company again. He realized that National Home Life eventually would saturate the market. Since mail order policies stay on the books an average of four years – a much shorter time than traditional policies – Art DeMoss wisely looked ahead to the long-term potential of A.L. Williams. He had a big vision… and money to spend on it.

But we also had an internal problem. Direct mail processed tens of thousands of apps per month and made money like gangbusters, with an instant 15-20 percent profit margin. In comparison, our start-up sales agency looked small and, out of necessity, it cost money up front to put business on the books. The direct mail people resented every dollar that went to us. They had no understanding of the differences between their business and our sales force. Worse, they didn't care to learn. We were annoying, unwanted stepchildren.

This problem grew more and more apparent as the months went by. Bob Safford and Dick Morgan were excellent guys to be in charge of the agency, but NHL's top brass kept them on a leash. With mail order booming, why invest money to put agency business on the books?

Their narrow vision affected A.L. Williams. While 1,800 employees worked at the NHL home office in Malvern, only about 20 worked our business. So, commissions paid slow. Licensing drug its feet. Bank drafts were inconsistent. Apps got lost.

We had a mess. Clients called, hopping mad… and our sales agents felt the same way.

Here's a situation Bob Miller put up with. "We set up clients on 'automatic payment' where we drafted the monthly premium payment directly out of their bank account, so they wouldn't have to write a check every month." Bob explains. "A lot of people were unfamiliar with bank drafts, so we had to talk them into it. Then the computer would mess up. Instead of taking out $50, it would draft the whole year, or $600. The client wouldn't realize it until the next month. He'd be overdrawn and screaming mad. We'd get it straightened out. Then, the next month, it would happen again. Usually these people were friends of friends, because that's how we recruited, so it was even more embarrassing. I paid all the overdrafts for one client, just to make him feel better."

Enough! I finally told everyone just to count on losing 10 percent of the business they wrote. "It's all part of start-up," I said. "We're growing so fast we have to expect some problems." And it was true. We didn't measure our growth annually because we were compounding *monthly.*

Frustrating? You bet. National Home Life told us from the get-go they wanted as much business as we could give them. We can handle it, they said. But they couldn't. Or wouldn't. We'd stepped in the same old administrative mess.

What made it more baffling was that everything else really was better at National Home Life. Where Financial Assurance had one little computer to run operations, NHL had a giant room full of state-of-the-art computer systems. FAI had one underwriter; NHL had dozens. FAI, regional and unknown, worried about running out of money; NHL – loaded and nationally recognized. Where FAI had no A.M. Best rating, NHL had an A+ rating. They offered us lots of great stuff.

Still, despite all of these benefits, the negatives outweighed the positives. They couldn't support us. Worse, they didn't understand our business.

The Agency

We ran into agency problems, too. Bob Safford's agency within National Home Life operated separately from A.L. Williams. He had several hundred general agents in various parts of the country selling NHL products. Interestingly Safford's team sold both term and whole life.

Bob's agency was a different animal altogether. In October 1978, Bob invited me to Fayetteville, North Carolina, to see his best sales organization in action, selling and prospecting.

"Art, I'm going to show you the office of the future," he told me with great pride. I was excited… until I got there.

I stepped into a boiler room operation. Twenty agents sat around telephones, calling from lists and reading scripts, trying to set up appointments. I wanted to throw up. Here sat the tired "old school" way of building a sales force – the complete opposite of A.L. Williams. For years, I'd pounded the podium on warm market referrals – *no* cold calls, *no* solicitation, *no* talking to strangers. The road to sales went through friends, and friends of friends.

Watching Safford, it hit me: *These people don't understand us. What if they* never *understand us?* I felt very uncomfortable.

Oh, Safford was a good guy; he just didn't know the way A.L. Williams did business. But, if this thing was ever going to work with National Home, Safford and everybody else would have to learn our system, because we had truly come up with a better way to sell life insurance.

Boldly, I took the opportunity on that trip to explain the philosophy to Bob Safford. I'll give him credit. He understood the differences. He bought into it, too, and began teaching his agency guys to sell and recruit "the A.L. Williams way."

In Atlanta, I sat down with Boe.

"Look," I said, "we have to get our own home office – one that is totally dedicated to handling A.L. Williams business and nothing else. We are a unique company, with unique problems. Trying to fit what we do into another organization just doesn't work. We're like mixing oil and water."

Boe looked at me, challenged, and nodded.

"You're right, Art," he said. "To support our growth, we have to become totally independent under the National Home Life umbrella. Either that… or we find another company."

We both knew what that would mean. We had dwindling options. We couldn't continue to fix back shop problems by changing companies. It cost money, and starting over totally broke the momentum of our sales force. So either we found a way to keep growing… or we died.

Boe immediately called Art DeMoss about the possibility of building us our own home office.

Atlanta Data Systems

Since our Financial Assurance days, with Boe's help, policy analysis had greatly improved. Paul Andrews and his stacks of hand-written extractions lay behind us. Agents who once sent in actual policies (always a problem with clients) now filled out a form with the necessary comparison data, mailed it to the company, then quickly received a computer-printed replacement form with side-by-side policy comparisons, extrapolated cash values and policy futures. Much better. Much faster. Just one problem: in less than a year, we'd overwhelmed two big companies with our volume.

"Why pay someone else to do this?" I asked Boe, after the second company fell apart. "How about we set up our own policy analysis company?"

"That's right," he said. "Let's do it." He drew up plans to create a separate corporation to process policy analyses for A.L. Williams. To fund the start-up, I went to the top nine producers in the company and asked for $5,000 each, promoting it as a financial stake in a new corporation with shares that paid dividends – a good return on their investment. Boe and I also contributed. We spread out the risk and created ownership.

Money in hand, Boe eventually hired his nephew, Mike Adams, and moved him to Atlanta from Arkansas. Fresh out of college with a liberal arts degree, Mike didn't know anything about computers. He learned. *Fast*. He rolled up his sleeves and designed a customized computer system. By January 1979, Atlanta Data Systems, or ADS, opened for business with two employees in one 500-square-foot room. In a few weeks, it electronically churned out thousands of policy comparisons for our sales force.

Computerizing policy data created a new challenge – project dividends. In the old days, agents had to match a client's whole life policy with a similar policy listed on Diamond Life Bulletins from Flitcraft (an analytical insurance periodical) and try to determine the dividend per thousand. Talk about a nuisance. We ran into hundreds of policy variations from dozens of companies. If an estimate got even a little off, the competing whole life company raised a fuss with our guys at the kitchen table.

Boe appealed to NHL's senior actuary, Bob Whitney. Whitney, Mike Adams and Dick Kinnard, Boe's assistant, came up with a way to automate policy data from the 50 or 60 "top par" insurance companies. They also devised a formula that simultaneously compared the dividends of five companies with similar policies – a huge boon for our agents.

ADS – what a breakthrough! We cut our turnaround time on policy analysis from days and weeks to less than 72 hours. Complete internal control made the difference.

Controversy

While Boe worked side by side with me in Atlanta, he still held his regional vice president position with National Home Life. He led a talented group of agents – Ed Randle, Birmingham; Dick Walker, Tampa; Bill Olive, Palm Harbor; Ara Kalpak and Tom Powers, Atlanta; Dennis Richardson, Houston; Mike Tuttle, Bob Culp and Bob Toney, Dallas; Tom Halpin, Philadelphia; and Ken Asay, Orem, Utah. Smart and capable, they grew extremely interested in joining our "Buy Term and Invest the Difference" crusade.

Ed Randle remembers our first meeting. "Boe told me about Art Williams," Ed says. "I thought Art would be 10 feet tall and look like a superstar. The first time we met, he came out of this little office, no bigger than 12 by 12. He was short, balding even then. But he greeted me like a long lost friend. He said, 'Ed, we can go out of here and maybe change something that's wrong and help a lot of people that nobody is paying any attention to today!' That touched me. Then he looked right at me and said, 'And in the process, I believe we can get stone wealthy.'"

So… to bring in Boe's agents or not to bring them? Boe's sales team as part of A.L. Williams would boost expansion plans, but create company controversy. A tough call. I'd staunchly held from the beginning that all new recruits start part-time on the ground floor, then work (and work and work) their way up to the prestigious Regional Vice President position. No matter what else they had done before in their lives, they started on the bottom rung at A.L. Williams. Everybody took the same shot at making it big. Staunchly, I had opposed recruiting life insurance agents, too – we always had to "untrain" them to do business our way.

Still, Boe's team had some of Boe's steam. I made the call – all of Boe's guys would merge into A.L. Williams… and all would join as RVPs.

I heard the howls from every part of the company, in every territory.

Bringing Boe's guys in as RVPs gave the sales force an impression I had changed my mind on both ground-floor entry and hiring "old-line" agents. I hadn't at all. I just recognized the situation with Boe's general agents for what is was – a unique circumstance. One we needed to take advantage of.

"Bringing in Boe's guys is a one-of-a-kind opportunity," I explained at a special sales force meeting. "Yes, these guys are life insurance agents – traditional agents. But they are Boe's agents. They already understand the crusade. They get A.L. Williams. This is a great thing for the company… and *it doesn't hurt you a bit.* We can't possibly saturate the market, and this allows us to diversify into new territories *immediately.* We can double our expansion effort."

I heard a good bit of grumbling. But, true to my word, I still brought new recruits in as "ground floor" Representatives. I still discouraged the recruiting of life insurance agents.

The tough decision proved to be one of the most important of our early years. The National Home guys came in and worked hard, producing 50-60 percent of the sales, in some cases. This time, fourth and one, I made the right call.

Future Growth

Boe stood apart a little at National Home Life. He'd brought A.L. Williams on board. He enjoyed a close relationship with Art DeMoss. The executives at the home office in Malvern respected him. But not all of them really understood Boe's vision.

At our initial presentation to National Home Life, I explained that by the end of 1977, our first year of business, A.L. Williams had put $350 million of business on the books. "We'll probably double that by year-end 1978," I predicted.

Boe stepped to the lectern for his turn. He too projected huge growth potential for A.L. Williams. As he finished, I sensed a very polite skepticism.

Dick Morgan, NHL Agency Operations, heard that first presentation. "Having been in the insurance business for a while on the operations side," Dick remembers, "I'd listened to a hundred agencies, and they always came and blew a lot of smoke about what they were going to do. Art came and did the same thing. I listened and divided his numbers by four. That's what my experience told me to do. But in a very short time, I realized I should've *multiplied* his numbers by four. A.L. Williams wasn't blowing smoke at all."

The A.L. Williams home office discussions between Boe and Art DeMoss continued behind the scenes. Over and over, Boe told Art that if he were really serious about building a huge agency system, he had a gold mine.

"These A.L. Williams people are the best in the country," he told Art. "They're going to do it for you… but you're going to have to build them a home office, and you're going to have to sign an exclusive contract."

Boe was right about the exclusive contract. Still, I chafed at the idea of signing such a thing. From the beginning, we'd been determined to keep A.L. Williams an independent sales force. We wanted control, to give a company our business as long as they could take it, then move on to a different company if they couldn't.

Our non-stop growth had revealed my naiveté. A.L. Williams grew so big, so fast that we could break a company. Who was going to give us a home office and all the support and money we needed without some kind of assurance of our loyalty and all our business?

Boe made sense. I realized probably it was time to make a deal with the right company and become a captive sales force. We would exchange independence for support, stability and financial backing. I really saw no other way to sustain our sales force.

National Home Life looked like the logical partner of choice. And Boe told me DeMoss was very interested, although I didn't hear it from him personally.

Point Clear II

By December 1978, we made 1,000 sales a month. We had 2,800 licensed Reps selling in 21 states. At our second convention in Point Clear, Angela and I treated 125 top couples to the year-end celebration at the Grand Hotel. Again, I gave out lots of awards, including four RVP promotions: Ron Wright, Art Burgess, Ward Peters and Bob Miller.

What a fun night for Bob. I completely surprised him with an "official" RVP promotion. He deserved it. He'd done a great job with his pilot office. His two top recruits, Greg Fitzpatrick and John Roig, had already jumped full-time.

Clearly, even with some frustration at National Home Life, the sales force was thriving. In March 1979, we received production numbers for year-end 1978: A.L. Williams put $630 million dollars of new business on the books, measured as "face amount of policies submitted."

Just as Boe and I predicted, we'd nearly doubled our production from one year ago. If we stayed on pace, we'd break the $1 billion mark in 1979 – just two years into our business.

MORE OPPOSITION

The rest of the life insurance industry numbered around 300,000 licensed agents in 1979; A.L. Williams a "peanut" by comparison. In a powerful, multi-billion-dollar industry with a 100-year track record, our two years of business looked pretty trivial.

With Financial Assurance, we held licenses in 13 states, did business in just three, and 95 percent of our business came from only one, Georgia. Elsewhere, the name A.L. Williams brought shrugs.

All that changed when we moved to National Home Life. We stepped onto the national playing field of all 50 states. Suddenly we ran into more opposition. Our "plague" was beginning to spread, and the competition didn't like it one bit.

The regulatory crisis that started with Commissioner Caldwell in Georgia suddenly grew fifty-fold. In the 1970s and 80s, life insurance was the only industry in the marketplace that sold products nationally but that each state controlled. Each state, Alabama to Wyoming, had its own insurance commissioner and department.

Insurance commissioners, also known as regulators, typically came out of the traditional life insurance industry as former agents or company executives. Most took office as governor appointees, with strong behind-the-scenes connections to powerful insurance companies. Naturally, many insurance commissioners blatantly acted on behalf of the industry that put them in office (their past employers) and worked hard to make sure insurance interests – not consumers – got the big pieces of pie.

Legislators should write and enact insurance laws, of course, but a dirty little secret of some state lawmaking bodies is this: insurance executives or lobbyists are often the real authors of insurance legislative bills. Many times, such bills pass through the legislative process and became law without public knowledge. Committee chairmen and other members of the state legislature often win election on generous campaign contributions from insurance companies. They rubber stamp a law favorable to the industry without question. Money talks.

As A.L. Williams expanded into new states, we quickly found ourselves clashing with state insurance departments. One amazing example: In Delaware, legislation appeared on the house floor to outlaw part-time insurance agents.

Talk about slanted. A.L. Williams didn't even do business in Delaware at the time! Who else but A.L. Williams used part-time agents to sell life insurance? We dispatched National Home lawyers to Dover and they successfully removed the bill.

In Alabama, bowing to pressure from state and local underwriter associations, state insurance regulators proposed a bill outlawing deposit term as an "illegal product," similar to our Georgia crisis. Our lawyer, Kevin King, asked a judge in Montgomery for an injunction against the bill. The judge said yes; the bill went away.

In Florida, the state legislature tried to outlaw deposit term by tacking the proposal onto an unrelated bill. Dick Walker and his ALW team drove to Tallahassee and presented testimony before a subcommittee. The bill dropped.

Between 1977 and 1981, at least 15 state insurance departments attempted to outlaw the deposit term product. None succeeded.

Even so, these distractions sometimes cost us energy and resources we could have used protecting more families and building more business for our enterprise.

New Negotiations

Lots of general agents around the country sold National Home Life products but weren't particularly loyal. This freedom comes with being a general agent – you can sell products from many companies.

Joel Cristy in Miami, a friend of Boe's, sold a little life insurance for NHL, but he preferred accident and health (A&H). He'd signed a general agent contract to sell A&H insurance for PennLife, a product company owned by PennCorp. He did well with it.

One day, talking to Boe, Joel happened to mention his new affiliation.

Senate Sub-Committee Hearing on Life Insurance

Washington, D.C.,
February 20, 1973

"For almost 70 years, the life insurance industry has been a smug sacred cow feeding the public a steady line of sacred bull. Through deceptions and inadequate information, the life insurance industry dupes husbands into shortchanging their wives and children by buying too much of the wrong kind of insurance (or too little of the right kind) at excessive prices."

– Ralph Nader,
consumer advocate

"To say that the life insurance industry represents a sacred cow that is spreading sacred bull over the American economy is to pay it an undue compliment. Although I can endorse most of what Ralph Nader said before this subcommittee on Tuesday, I think his figure of speech is overly generous to the life insurance industry. Both the cow and the byproduct of the bull are valuable and useful farm commodities. The impact of the life insurance industry should be measured by more critical prose."

– Herb Denenberg, Pennsylvania
Insurance Commissioner

"You know, Boe, you really ought to meet the president of PennCorp, Stanley Beyer," Joel said. "PennCorp works a lot of part-time agents. You two might have something in common."

Joel arranged a meeting, and within days, Boe sat down in Santa Monica, California, at an exploratory meeting with the president and chairman of PennCorp Financial Services.

It went well. Very well. Boe's reaction says it all: "Art, I've seen something incredible. You've got to meet Stanley Beyer."

PennCorp, around since 1939, featured $2 billion in assets, 2.5 million policyholders and thousands of employees and sales representatives in the United States and Canada. It owned several insurance companies, including Massachusetts Indemnity and Life Insurance Company (MILICO). PennCorp offered accident and health, credit, property and casualty, but it's bread and butter – high-indemnity, high-premium disability policies – sold to doctors, lawyers and professional athletes. This so-called "occupational disability," underwritten by MILICO, boomed in the mid-70s, but had steadily tapered off since. Although licensed in 49 states, MILICO did very little business these days. Looking at A.L. Williams on paper, Stanley Beyer had an idea.

Boe and I flew to Santa Monica. At first sight, I knew instantly: Stanley Beyer was different. The executives at ITT and Waddell & Reed? Corporate guys. Joe Jack Merriman? A financial guy. Art DeMoss? A direct mail guy.

But Stanley? A *sales guy*. He had come up through the ranks as a door-to-door salesman, the toughest kind, and used his sales experience to build a huge, successful company. Meeting him felt like meeting Boe – we clicked. He understood salespeople; he knew what motivated them.

When we walked into his office, I looked up. A banner over his desk read "PennCorp, Where the Salesman is King." My heart skipped a beat.

We began with a discussion of our core concepts. That took about three minutes. Even though PennCorp sold no life insurance, Stanley intuitively grasped our crusade. Years before, it turned out, he started using a split-funding concept with his sales force similar to "Buy Term and Invest the Difference." He had part-time contracts with lots of general agents, but he'd never considered building a sales force with part-timers.

He liked the idea. We explained advanced commissions; he liked that concept, too. Stanley saw our sales figures, a company on fire with growth, while his sat sort of stuck in the mud. Selling disability, he appealed to a tiny niche market. Now, the life insurance market, with appeal to a limitless middle-income market, might be a perfect vehicle to take him to the top.

To close our visit, Stanley toured us around the home office, a professionally decorated, antique-filled six-story office tower in downtown Santa Monica. His nearby home proved equally stunning. Stanley's next-door neighbor was Henry Mancini, and Stanley and his wife often socialized with the famous composer and other Hollywood notables. Stanley was "big time." He operated on a different level. He impressed and excited us.

In the next six months, negotiations with Stanley about a possible carrier switch to PennCorp picked up speed. The pivotal piece: Stanley would spend the millions necessary to build us a home office… *if* A.L. Williams would sign an exclusive contract with PennCorp.

Boe, meantime, carried on the same negotiations with Art DeMoss. According to Boe, Art DeMoss too would do whatever it took to keep A.L. Williams… including building an A.L. Williams home office in exchange for an exclusive contract. Although Boe liked PennCorp, he felt strongly we had a better deal with DeMoss, since our relationship was established. Our products were already licensed with National Home. We'd avoid the headache of "switching over" – no slowdown, no re-licensing, just continued association with the addition of our own home office to process the business being written. Even so, Boe masterfully kept up negotiations with Stanley. Boe and I made more trips to Santa Monica, meeting with Stanley and his key executives, Burt Borman, Lee Myers and Treacy Beyer. We talked often on the phone, too. By this time, we were making 1,800 sales a month. Very soon, I predicted, we'd see 4,000 sales a month.

I waited and watched and absolutely marveled. Little 'ol A.L. Williams, a "nuthin'" company started by 85 "nobodies" just two years before, now attracted two huge, national financial services companies willing to bet their futures and millions of dollars on us.

We waited, ready to make the next move toward our destiny.

Bombshell

In July 1979, Boe and I hosted a mid-week RVP meeting in Dallas. By now, some tremendous field leaders had separated themselves from the pack and moved up in the company. I wanted to make a big deal out of them during our sessions.

A few examples of the "walk-on" potential at A.L. Williams:

- Hubert Humphrey, a conductor from Macon, started part-time. He earned $20,000, surpassing his annual railroad salary of $18,000, in less than four months. Going full-time, his A.L. Williams income passed the $200,000 mark by mid-1979.

- Dennis Richardson, a NHL convert from Dallas, created a one-night version of the Fast Start School, called an "Opportunity Meeting." He brought in hundreds of new prospects every week.

- Ronnie Barnes, from Chattanooga, Tennessee, saw his 1978 A.L. Williams income hit $100,000, well past the $12,500 he'd earned teaching school.

- Doug Hartman, a former business owner in California, earned $60,000 his first year in A.L. Williams.

So, across the country our sales force just exploded in growth, and it charged the atmosphere.

That day in Dallas, though, something happened that sparked a full-scale electrical storm.

A news story broke – a "bombshell" that devastated the traditional life insurance industry and gave our cause a powerful vindication.

On July 10, 1979, the Federal Trade Commission in Washington, D.C., released a 455-page Staff Report on Life Insurance Cost Disclosure. The report culminated a two-and-a-half year investigation to determine if consumers got enough cost information about whole life insurance from companies selling it. Two findings revealed that, without question, insurance companies kept families totally in the dark.

Highlights[1]:

- American consumers are **losing billions** of dollars yearly as a result of ill-informed and inappropriate life insurance purchase decisions.
- The average rate of return paid to whole life policyholders in 1977 was estimated to be **1.3 percent**. The rate of return is extraordinarily low, considering it's essentially tax-free.
- People who buy policies and then let them lapse within the first 10 years face **severe economic consequences** in lost interest and, in some cases, loss of principal. Losses due to first-year lapses alone exceeded $200 million in 1977.
- Consumers do not know the rate of return they will earn on the savings element of their whole life policies and the situation **prevents comparison shopping** with other types of savings or investments.
- The rate of return on new policies is in many instances **substantially below alternatives** readily available in the marketplace. The rates of return on older policies, especially non-dividend paying policies, are far worse.
- The consumer is given virtually **no meaningful information to compare** the true costs of similar policies or compare the benefits of the cash-value purchase with alternate forms of savings or investments.
- **Effective price competition does not exist in the life insurance industry.**

The FTC headlines hit every major newspaper!

'Whole Life Insurance a Bad Investment,' Yields Only 1.3% Return, FTC Reports
– *Los Angeles Times*, July 11, 1979

FTC Staff Says Consumer Losing Money by Keeping Savings in Insurance Policies
– *Wall Street Journal*, July 11, 1979

Americans Lose Billions on Insurance, FTC Says
– *Houston Post*, July 11, 1979

FTC Finds 'Whole Life' Insurance a Bad Investment
– *Dallas Morning News*, July 11, 1979

FTC Study Assails Whole Life Policies
– *Palm Beach Post*, July 11, 1979

Presenting his staff report to the Senate Commerce Committee, FTC chairman Michael Pertschuk stated, "I think it is fair to say that no other product in our economy that is purchased by so many people for so much money is bought with so little understanding of its actual or comparative value."

Whoa! The sleeping giant of truth just woke up and roared.

All these years the traditional life insurance industry had been using all its muscle to ruin the A.L. Williams name and reputation. Now the FTC held up tangible, third-party proof that legitimized our "Buy Term and Invest the Difference" concepts.

Confirmed: Cash value was a rip-off! What a breakthrough!

We put the FTC report on top of every client's kitchen table. We passed out flyers by the thousands. The report supported everything we claimed. Its credibility just couldn't be denied. Every man and woman in A.L. Williams felt a new conviction that our crusade was 100 percent right for consumers.

The traditional industry, on the other hand, blasted the FTC on every front.

The report blindsided the National Association of Life Underwriters (NALU). The NALU had not expected the report to highlight industry rates of return; it immediately went on the attack. Jack Bobo, NALU's executive vice president said, "Without question, the most disturbing event occurring in 1979 was the release, on July 10, of the long expected report by the FTC staff regarding their study of life insurance." Naturally, the NALU claimed the report was "based on totally misleading figures," and "put the industry in a very bad light with an apparent bias favoring term life insurance."[2] Within three hours of the report's release, NALU released thousands of counter brochures called "A Response to the FTC" – its "Hail Mary" effort to debunk the report.

The NALU filed a statement with the Senate Committee, challenging the integrity of the FTC report. The action generated hundreds of counter articles by the press, and Bobo instigated a highly prolific letters-to-the-editor campaign with NALU members all over the country.

In August, Phil Donahue hosted Norman Dacey, author of *What's Wrong With Your Life Insurance* and well-known term advocate, on his popular afternoon TV talk show. Dacey skillfully highlighted the findings of the FTC report and the advantages of "Buy Term and Invest the Difference." VCRs had just come on the market, and A.L. Williams agents everywhere taped the show and played it over and over again. Another perfect third-party endorsement.

NALU, not to be outdone, managed to get its newly elected president, Thomas Wolff, and Prudential CEO Robert Beck, on "The Phil Donahue Show" to present the traditional industry's viewpoint. After the TV appearance, NALU claimed its two guys succeeded "in discrediting both Dacey's views and the FTC's misleading statements." NALU also claimed its henchmen "ably presented the life insurance business as one conducted by people who are responsible, concerned and keenly sensitive to people's needs for financial security."[3]

Did they? Why did our subsequent sales start to rocket off the charts? Consumers now *knew* the real story behind "trash value" life insurance. With a choice, they came to A.L. Williams every time.

The NALU didn't stop using all its power and influence to control the damage. In October, Wolff and four insurance company presidents representing the American Council of Life Insurance, along with Federal Law and Legislation Committee Chairman Rice Brown, appeared before the Senate Commerce Committee to refute the FTC report. They made a big point of challenging the actuarial assumptions that led the staff to claim a 1.3 percent return on investment.[4] And guess what? Money in politics still talked. NALU's lobbying efforts moved the Senate committee to ban the FTC's ability to conduct any independent study of the insurance industry in the future. Amazing! This landmark decision applied to no other industries, but gave insurance companies total protection from further investigation.

Still, when the dust settled, the traditional industry could not undo the damage done by the FTC report. Their credibility suffered a mortal wound: Cash value insurance lay publicly exposed as a rip-off.

Traditional whole life insurance would never really recover.

Shock

In this incredible swirl, negotiations with National Home Life and PennCorp came to a head. In California, Stanley Beyer waited patiently, checkbook in hand. He would even build our home office in *Atlanta.* It would be more efficient and affordable to build a new one in our part of the country, he told us.

In Pennsylvania, Art DeMoss sat ready, too. He'd spend whatever it took to develop the sales force into a large business division, separate from the mail order business. He told Boe he'd throw in a home office, as well. He scheduled a meeting with us for the following week.

What a position! I couldn't help but think back to 1976, when I spent four long months going from company to company, begging them to take our business. Now, not three years later, two huge companies stood ready to tie their futures to ours.

All of it changed one afternoon, in the blink of an eye.

On Saturday, August 18, 1979, Art DeMoss died suddenly of a heart attack while playing tennis at his home. He was 54 years old.

Boe called me with the news. I drove over to Boe's house, and we just sat and looked at each other. It's hard to describe that feeling. Total shock. Art DeMoss was a fine man, a great leader and businessman, a fantastic husband, father and Christian. His death hit Boe especially hard.

It hit me hard, too, in another way. Suddenly, I faced a very real – very frightening – possibility: A.L. Williams was history.

With Art DeMoss' death, it was very likely that National Liberty and National Home Life would be put up for sale immediately. The company, of course, would stop accepting new business. Our contract required NHL to give us a six-month notice before it stopped advance commissions to the sales force. But Boe and I had no clue if the contract still applied in this situation.

PennCorp's offer still sat on the table. A snag in our discussions, however, now loomed very large – it would take Penn Corp *18 months* to build a home office.

We didn't have 18 months. Look at us! We didn't have any sizable office space rented in Atlanta. We didn't have a computer. We didn't have staff. We didn't have "nuthin'." We couldn't sustain a sales force for 30 days without advances, much less 18 months.

Boe and I sat there and grieved.

A cold hard fact made those hours even worse: A.L. Williams, in all its brief glory, could be out of business.

This time for good.

[1] www.advisortoday.com, "Voices From the Field," Chapter 8: "FTC Releases a Study Critical of the Insurance Industry."

[2] Ibid.

[3] Ibid.

[4] Ibid.