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The A. L. Williams Replacement Empire

During 1980 readers of the *Forum* showered me with unsolicited information about the widespread and indiscriminate replacement of life insurance policies by the A. L. Williams organization (ALW). Because there was enormous interest in ALW activities, I devoted the entire four-page April 1981 issue to an article entitled "The A. L. Williams Replacement Empire." The issue went through many printings to meet the huge demand for reprints, and it was by far the most widely circulated issue in the history of the *Forum.*

The ALW Organization

Arthur Lynch Williams, Jr. was a high school football coach in Georgia before he entered the life insurance business. After several years in the business, he founded ALW in Atlanta in February 1977. ALW was a general agency representing Massachusetts Indemnity and Life Insurance Company (MILICO). By January 1981, ALW was doing business through 40,000 agents in 650 offices in 47 states. In 1980 ALW sold $5 billion face amount of life insurance.

ALW sold term life insurance, which does not build cash values, and which involves lower premiums than cash-value life insurance. The latter builds cash values and acts as a vehicle for the accumulation of savings. Often ALW sold an annuity

annuity rider attached to the term life policy to provide for the accumulation of savings.

Although life insurance companies and agents who act in a professional manner usually try to avoid replacement activity, for reasons discussed in chapter 4, most of ALW's business involved replacement of existing cash-value life insurance policies. ALW's sales organization was of the multilevel marketing type—some critics called it a pyramid—with mostly part-time representatives at the lower levels of the organization and mostly full-time representatives at the higher levels.

ALW's Activities

At least seven characteristics of ALW's activities infuriated other life insurance companies and agents. First, ALW engaged in indiscriminate replacement of life insurance policies. All life insurance policies of all life insurance companies were targets of ALW's replacement efforts.

Second, ALW sold term life insurance indiscriminately. In doing so, ALW trained its representatives to denigrate cash-value life insurance by calling it "trash-value life insurance."

Third, ALW recruited huge numbers of part-time representatives and required each recruit to buy a policy on the recruit's own life. Thus there was a blurring of the distinction between the recruitment of representatives and the sale of life insurance. ALW trained its representatives to denigrate the full-time representatives of other life insurance companies. For example, Williams himself made this remark: "To sell life insurance full-time, you might have to be able to read and write."

Fourth, ALW used unfair comparisons. For example, ALW asserted that its term life insurance was "low cost." To support that assertion, ALW compared its term life policies with cash-value policies solely on the basis of premiums. ALW also trained its agents to ignore the dividends often paid on cash-value policies because dividends are not guaranteed.

Fifth, ALW orchestrated the development of positive third-party material and used it as though it was independent. A few examples are described later in this chapter.

Sixth, ALW sought to suppress negative material. A vivid example of this practice—ALW's 1981 attack on the *Forum* and me—is described later in this chapter.

Seventh, ALW criticized other life insurance companies harshly. For example, at sales meetings it displayed large banners reading "Wet on Met" and "Pee on Pru." Williams himself described other companies' agents as "low life and scum."

The Conclusion in My April 1981 Article

The conclusion in my April 1981 article became important in subsequent developments. Here is the full section:

> There should be no objection to the sale of reasonably priced term insurance when it is appropriate in view of the individual's circumstances and objectives, and there should be no objection to replacement when it is justified. We believe that the sales activities of ALW, however, frequently will result in the sale of inappropriate, high-priced term insurance, and in replacements that are not justified.
>
> The operations of ALW involve the recruiting of large numbers of part-time sales representatives, the use of excessively complex replacement proposals, the obscuring of the high cost of [MILICO's term life] policy through the inclusion of figures for the annuity rider, and an inordinate emphasis on the alleged opportunity for sales representatives to get rich quick. The organization displays some of the characteristics of a chain letter, and like a chain letter will sooner or later run out of prospective recruits and prospective customers. Until the operation runs its course, however, we fear that many people are going to be seriously hurt. Among those to be hurt are persons who replace policies that should not have been replaced, persons who buy high-cost term insurance when they should have purchased low-cost term insurance, and persons who enter the organization with high hopes that are dashed.
>
> FTC
> BOR
>
> The word "churning," as used in the securities industry, refers to the rollover of a portfolio for the purpose of generating commissions. We believe the sales activities of ALW are designed primarily for the purpose of channeling the cash values of existing life insurance policies directly into commissions for members of the ALW organization. For this reason, it

A is our opinion that the ALW organization is engaged primarily in the churning of life insurance.

The ALW Attack on the *Forum* and Me

Barry Clause left his position in the North Carolina Department of Insurance and thereafter joined the ALW headquarters staff in Georgia. On June 17, 1981, he wrote a "Dear Ron" letter to Ronald Raxter, a staff attorney and former colleague in the Department. The Clause letter, which I did not learn about until months later, was a complaint against a New York Life Insurance Company agent in North Carolina who, according to Clause, photocopied my April 1981 article.

On July 23 Raxter wrote me that "a number of agents have been using photocopies" of my article "in attempts to conserve their business," and that "We are currently undertaking an investigation of these allegations." He asked for "a list of all persons in North Carolina, if any, to whom you have granted permission to reproduce in whole or in part this article."

On July 31 I responded that I had not granted permission to anyone to reproduce any part of the article, but that many persons had purchased reprints. I asked for the names and addresses of persons circulating photocopies, and said I would write to them demanding that they halt such circulation. Raxter identified two individuals. I wrote to them, and they said they had purchased reprints.

On September 14 Raxter wrote to me asking for "a list of the addresses of the people in North Carolina who have requested reprints" of the April 1981 article. I was astounded by the intrusive nature of his request.

On September 18 I called Raxter. He said he wanted to instruct each person not to circulate my article because the Department disagreed with my opinion about churning. I asked him to put the Department's opinion in writing so I could publish it in my next article about ALW. He declined my request. I suggested he send out a circular letter rather than writing to my customers. He said a circular letter already had been sent out, but said it did not refer specifically to ALW or the *Forum*. I asked him to send me a copy of the circular letter immediately. He said he would do so, but he did not send it to me at that time. I declined his request for a list of my North Carolina customers.

The Amazing Raxter Letter

On October 8, on Department stationery, Raxter wrote an amazing letter (the "Raxter letter") to David den Boer, an ALW executive in Georgia. Here is the full text:

> This is in response to your letter of September 23, 1981 objecting to agent distribution of the Insurance Forum article regarding your company. This Department does not agree with the allegations Professor Belth makes in this article.
>
> We determined some time ago that distribution of this article to prospective consumers is misrepresentation. Our notice to agents of July 28, 1981 specifically mentions newspapers and trade publications as items that could constitute misrepresentation if the contents therein are inaccurate or tend to create an inaccurate impression in the mind of the customer.
>
> We have reprimanded several agents for, among other things, distributing copies of this article to prospective customers. We have also notified Professor Belth that we do not agree with the opinions stated in that article and that we will investigate any allegation that agents are distributing copies of the article to prospective customers.
>
> I hope this information is helpful to you. Please feel free to contact me if you have any questions or comments.

On October 28 I received a copy of the Raxter letter from a Pennsylvania agent of Prudential Insurance Company of America. That was my first knowledge of the letter. It was also my first knowledge that ALW was using the letter as the centerpiece of a national campaign to discredit the *Forum* and me, and to intimidate agents who were trying to protect their policyholders against ALW's replacement activities.

I immediately called Raxter. I asked for several items mentioned in his October 8 letter and for clarification of several points in it. He asked me to put my requests in writing. I asked why he had not sent me the circular letter he had promised to send me. He said he had forgotten, and said he would send it right away. He did not send it to me at that time. I asked if he was aware of ALW's national circulation of his letter. He said he was not aware of such circulation.

On November 4 I wrote to Raxter requesting several items. He responded on November 16. He sent me a copy of the den Boer letter. It said that ALW disagrees strongly with the last paragraph of my article, and that unauthorized distribution of the article by agents in their conservation efforts is an unfair trade practice under North Carolina laws and regulations.

Raxter finally sent me the circular letter. It said in part that "statutes and regulations of this State ... specifically prohibit the sale or conservation of life insurance on the basis of the negative aspects of competing products and companies." I found that statement totally at odds with his cited sections of the law.

Raxter sent me two agent reprimand letters, neither of which mentioned the *Forum*. In response to my request for a list of the "allegations" and "opinions" the Department considers "inaccurate" or that "tend to create an inaccurate impression in the mind of the customer," he said "there exists no Departmental record of that nature," and he referred me to the den Boer letter. In response to my request for the notification to me that the Department does not agree with the opinions expressed in my article, he said "there exists no Departmental record of that nature," mentioned our September 18 telephone conversation, and said his letter was directed solely at the opinion I had expressed about churning. In response to my request for the determination that distribution of my article to prospective consumers is "misrepresentation," he said "there exists no Departmental record of that nature" and "that decision was a result of staff discussion."

After October 28, when I first learned of the Raxter letter, I assembled a large amount of material about ALW's use of the letter. I obtained ALW's cover memorandum to "all regional vice presidents." I saw evidence of attempts by ALW agents to intimidate agents of other companies. I learned that a den Boer letter went to the insurance commissioners of at least 17 states. As far as I know, no department wrote a letter resembling the

Raxter letter. Indeed, I think the campaign was counterproductive to ALW's interests.

My attorney was David Vladeck of Public Citizen Litigation Group, a public interest law firm based in Washington, DC. In late November Vladeck wrote to John Ingram, the North Carolina insurance commissioner, demanding a full public retraction of the Raxter letter. Ingram did not respond to the letter. However, on December 29 Ingram issued a press release that included this intriguing sentence: "Letters by Ronald Raxter should not be misinterpreted or used out of context or otherwise to prohibit any communication."

Our Lawsuit against Ingram

On December 31 Vladeck filed a lawsuit on my behalf against Ingram in the U.S. District Court in Raleigh. We asked the court to do three things: (1) declare that Ingram had acted in violation of the U.S. Constitution in suppressing distribution of the *Forum* article, (2) order Ingram to rescind the Raxter letter, and (3) preliminarily and permanently enjoin Ingram from threatening or taking disciplinary action against insurance companies or insurance agents based upon distribution to consumers of materials discussing negative aspects of competing products and companies so long as the materials are not untrue, deceptive, or misleading.

An assistant attorney general of North Carolina filed a response on behalf of Ingram, and ALW's attorneys filed a motion to intervene. On February 4, 1982, the court heard oral arguments on our motion for a preliminary injunction and on ALW's motion to intervene.

On February 8 the court granted our motion for a preliminary injunction and denied ALW's motion to intervene. The court ordered Ingram to do four things: (1) rescind the Raxter letter publicly, (2) notify ALW it was to cease any further distribution of the Raxter letter, (3) cease all efforts to suppress distribution of the *Forum* article until such time as it was determined to be subject to suppression under applicable North Carolina laws and regulations, and (4) remove from any letters of reprimand placed in the licensing files of any insurance agent or insurance company any reference to actions taken by the Department based on distribution of the *Forum* article.

On April 6, 1983, the court granted our motion for summary judgment. The court ordered Ingram not to suppress distribution of the April 1981 article unless and until it was determined to be subject to suppression under applicable North Carolina laws and regulations. The court decreed that, in the event the article was determined to be subject to suppression, we be afforded at least 20 days' notice and an opportunity to be heard before measures were taken to suppress distribution. The court retained jurisdiction to resolve our claim for attorney fees.

Ingram appealed the decision to the U.S. Court of Appeals for the Fourth Circuit in Richmond, Virginia. On February 27, 1984, at oral argument on the appeal, a three-judge panel unanimously affirmed the district court decision from the bench without requesting oral argument from Vladeck.

On May 8, 1984, the district court awarded us $20,500 in attorney fees and $1,500 in expenses. On June 14, 1984, checks in those amounts were drawn against the Department's account, and the legal battle ended.

I wrote a series of articles as the case progressed—in the January 1982, March 1982, April 1982, and September 1984 issues. One of the more interesting comments I received was from an agent in North Carolina. He said:

> I was not aware of the action taken by the North Carolina insurance department against *The Insurance Forum* until I read an article about it in our local newspaper. I have been a subscriber to your publication, but let my subscription lapse. I have decided now, however, that if our insurance department thinks your publication is not fit to be distributed to the public, I had better be reading it on a regular basis!
>
> Enclosed please find my check for a one-year subscription.

Ingram's Kangaroo Hearing

Two days before we filed our lawsuit, and on the same day Ingram issued the previously mentioned intriguing December 29 press release, he announced a public hearing to be held in

Raleigh on January 21, 1982. The hearing purportedly was to deal with three topics:

- Allegations by Professor Joseph Belth against Jefferson Standard Life Insurance Company in regard to the payment of policyholder dividends. [I had written about Jefferson Standard's dividends in the December 1980 issue, and I later wrote a follow-up article in the July 1982 issue.]
- Allegations by Professor Belth concerning agents' commissions. [This was a veiled reference to the comment about churning in my April 1981 article.]
- Concern by Better Business Bureau of Greater Mecklenburg, Inc. over the "special notice" ad placed in the January 24, 1981 *Charlotte Observer* by the Charlotte Association of Life Underwriters. [This item was not related to the *Forum*.]

I had a conflict on January 21. Vladeck wrote to the Department protesting that the hearing had been scheduled without consulting us on the date. He requested that the hearing be rescheduled for January 29. On January 12 the Department issued a notice that the hearing had been rescheduled for January 29 and expanded to include a fourth topic:

- Preliminary investigation of certain actions by Mutual Benefit Life Insurance Company and its general agent for North Carolina in the termination of agents in the Wilmington, North Carolina area. [This item was not related to the *Forum*.]

The first, third, and fourth items were not discussed at the hearing. Clearly they were on the agenda to divert attention from the purpose of the hearing, which was to conduct an inquisitorial investigation of the *Forum* and me. I wondered about whether to testify at the hearing. I decided to do so because I felt that, if I declined, ALW and the Department would make a big thing out of my absence. Vladeck accompanied me.

Ingram made a short opening statement and turned the hearing over to the Department's hearing officer. Before I took the stand, they served me with an administrative subpoena, despite the fact that I had appeared and agreed to testify voluntarily. I was sworn in and read my prepared statement, which took less than half an hour. For the rest of the day, I was cross-examined, with the bulk of the questions coming from the chief counsel of the Department and, incredibly, from an attorney for ALW.

Prior to the hearing, Vladeck had been assured he would have an opportunity to question other witnesses. However, there were no other witnesses. No one from ALW testified, and neither Raxter nor anyone else from the Department testified. ALW's attorney merely submitted a written statement at the end of the hearing.

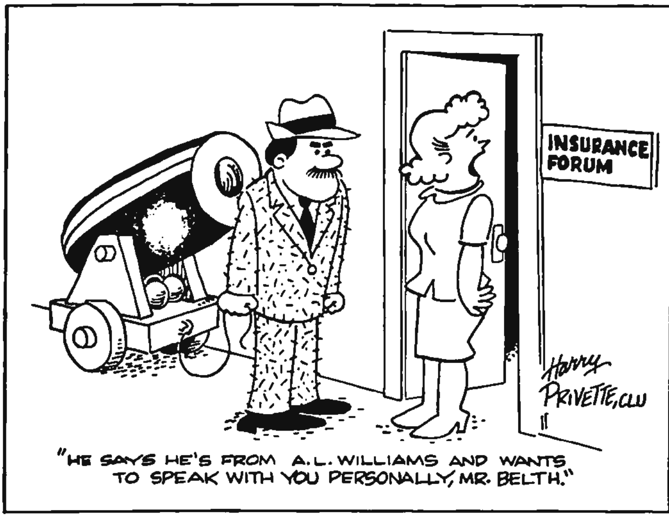
The hearing officer invariably overruled Vladeck's objections to questions. An exception occurred when the Department's chief counsel asked about the content of a telephone conversation between Vladeck and me; the hearing officer suggested the question be rephrased.

ALW's attorney asked me a series of questions aimed at getting me to divulge the names of companies and agents in North Carolina who had purchased reprints of my April 1981 article. The hearing officer overruled all Vladeck's objections to the questions. Vladeck instructed me not to answer the questions.

At the end of the hearing, ALW's attorney asked the hearing officer to issue a subpoena *duces tecum* to compel me to produce records showing the names of my customers. Incredibly, instead of rejecting the request out of hand, the hearing officer took the request under advisement. Because Vladeck and I did not know whether an attempt would be made that evening to serve a subpoena, I canceled my Raleigh hotel reservation and Vladeck and I left the state immediately after the hearing. I am not aware of any attempt to serve a subpoena.

The Threat against Northwestern Mutual

The *Forum* and I were not the only targets of the Raxter campaign. He demanded that Northwestern Mutual Life Insurance Company, one of America's oldest, largest, and most respected life insurance companies, stop its North Carolina agents from circulating the April 1981 *Forum* article. David Nelson, an attorney in Northwestern's home office, told Raxter that he (Nelson) saw no reason why a Northwestern agent should be prevented from showing an authorized reprint of the April 1981 *Forum* article to a policyholder, client, or customer. Raxter then said they were going to schedule a hearing on whether Northwestern's license to do business in North Carolina should be



revoked. Fortunately for Raxter, no such hearing was held. The attack on the *Forum* and me had made Raxter and Ingram a state laughingstock. If they had attacked Northwestern, their certain defeat would have made them a national laughingstock.

Aftermath

Because of the obvious intimacy between ALW and the Department, I wrote to the governor of North Carolina requesting him to determine whether an investigation was warranted. I received no reply, and to my knowledge no investigation was conducted.

Raxter's employment with the Department ended when Ingram's successor took office. Today Raxter is a partner in the Raleigh office of Williams Mullen PC, a law firm and lobbying organization based in Richmond, Virginia.

Other Articles about ALW

Following the excitement generated by my first article about ALW, I received from readers a large and steady stream of information about the activities of ALW. As a result, during the period from April 1981 to November 1990, I wrote 50 articles about ALW in 39 issues of the *Forum*. A few of the articles are discussed briefly here.

The *Saturday Evening Post* Incident

By the time of the events described here, the *Saturday Evening Post* was no longer owned by the Philadelphia firm that had made the magazine into a household name. It was owned by a private company in Indianapolis.

Andrew Tobias was the author of a then recent book entitled *The Invisible Bankers—Everything the Insurance Industry Never Wanted You To Know*. In late 1982 the editor of the *Post* commissioned Tobias to write a cover story about Williams. Tobias and I had been long acquainted, and he was aware of the *Forum*. He contacted me and asked for information about ALW. I sent him all the articles I had written about ALW. Tobias then informed the editor of the *Post* that the story would include some unfavorable comments. The editor terminated the Tobias assignment and assigned the story to Maynard Good Stoddard, an associate editor of the *Post*.

The March 1983 issue of the *Post* carried Stoddard's gushing cover story about Williams entitled "A 'Dad-Gummit' Georgia Football Coach Tackles the Insurance Industry." Sprinkled throughout the story were comments such as these:

> • His environment may have changed, but ex-coach Art Williams is still daring ordinary people to dream the Great American Dream—and telling them how to win.
>
> • Today, Art Williams directs his inspiring message to the winning people of A. L. Williams Company, the fastest growing insurance sales organization in the country.

Stoddard lived about 20 miles from our house. When the story appeared, I sent him my articles about ALW and made an appointment to see him. During our visit he said that, when he was assigned the story, he had only a few days to turn it in and had no time to conduct research. He readily acknowledged that the story was a rewrite of material furnished by ALW headquarters. ALW distributed hundreds of thousands, if not millions, of reprints of the story to ALW representatives. I wrote about the incident in the April 1983 issue.

The U.S. Congress Incident

In the May 1985 issue I wrote about an ALW booklet entitled *Common Sense.* I said it contained some useful information about financial planning. However, I also said some of its information about life insurance was misleading, some of its recommendations were self-serving, and some of its suggestions represented unsound advice for consumers.

U.S. Senator Paula Hawkins and U.S. Representative Andy Ireland, both of Florida, placed statements in the *Congressional Record* commending ALW on the *Common Sense* booklet. It should be noted that the *Congressional Record* is used routinely by members of Congress to say nice things about their constituents and supporters. ALW used the statements to prepare a four-page promotional brochure. The caption on the brochure's front page was false because Williams was not "honored by United States Congress." The brochure's inside pages showed the Hawkins statement with some comments emphasized. The brochure's back page showed Hawkins handing Williams and his wife a sheet of paper, which the caption called "an official copy of the U.S. Senate resolution praising *Common Sense.*" The caption was false because there was no resolution.

The *Congressional Record* statements were prepared by ALW and edited by congressional staffers. It is my understanding that the material was provided to the two members of Florida's congressional delegation by an attorney at Holland & Knight, a prominent Florida law firm.

Hawkins and Ireland were blindsided, because they did not realize how their statements would be used. To their credit, they later tried to undo some of the damage caused by the brochure. I wrote about the incident in the July 1985 issue.

The Southern Illinois University Incident

In October 1987 the College of Business and Administration (College) of Southern Illinois University at Carbondale presented Williams with the "1988 International Entrepreneur of the Year Award." Here is the statement printed in the announcement of the award:

> Arthur L. Williams, 44, is exemplary of the entrepreneurial spirit alive and well in America today. His multi-million dollar term-life insurance company, A. L. Williams, began in 1977 with a sales force of only 92 people. Just a short ten years later, the football-coach-turned-businessman employs 6,000 full-time and over 100,000 part-time people nationwide. His success has been documented by respected publications such as the *Saturday Evening Post* and *Time*. A. L. Williams boasts concepts unique to the insurance industry, such as no advertising and term versus whole life. The company is based in Duluth, Georgia.
>
> The College of Business and Administration is pleased to present this award to A. L. Williams.

The announcement of the award generated a torrent of criticism from College alumni and others in the insurance business. I first learned of the award when I received frantic telephone calls from insurance agents in Carbondale after the announcement. I also received an unsolicited telephone call from the chairman of the finance department of the College. I thereupon requested and received a statement from the dean of the College. He defended the award, and his five-paragraph statement included this paragraph:

> In honoring Art Williams, the College is neither endorsing nor judging the products, methods or practices of A. L. Williams. Rather, in being selected for this award, Williams was judged, as were previous award winners, upon his leadership abilities, diversity in thought, tenacity to succeed and related entrepreneurial characteristics. In the College's opinion, Art Williams is a very worthy addition to the College's past entrepreneurial honorees from many perspectives.

An ALW regional vice president in Carbondale was a central figure in suggesting that the College give the award. The College, like so many other victims of ALW's public relations machine, was blindsided. The furor following the announcement of the award prompted College officials to educate themselves quickly about ALW. It is my understanding that the College asked Williams not to use the name of the College or the University in ALW's promotional activities. I wrote about the incident in the February 1988 issue.

Alan Press

Alan Press is a retired general agent in New York City for Guardian Life Insurance Company of America, a past president of what is now the National Association of Insurance and Financial Advisors, and the recipient of numerous prestigious insurance industry awards. He has long been a close friend of mine. Soon after I began writing about ALW, Press began writing articles and giving speeches about ALW. He felt the activities of ALW were a serious threat not only to life insurance consumers but also to life insurance companies.

Several years after my final article about ALW, Press authored or co-authored with me some articles in the *Forum* about ALW's successor company, which continues to use some but not all of the objectionable practices of its predecessor. By that time, Williams had long since sold his interest and left the organization. He left when he was under investigation for certain allegedly improper business practices, but no charges were ever filed. MILICO became Primerica Life Insurance Company, ALW became Primerica Financial Services, and the organization was acquired by Citigroup. Later it was spun off by Citigroup, and is now Primerica, Inc. (NYSE:PRI). One of Press's articles, in the November 2010 issue of the *Forum*, is entitled "The Primerica Replacement Empire."

Issues Mentioned in This Chapter

December 1980, April 1981, January 1982, March 1982, April 1982, July 1982, April 1983, September 1984, May 1985, July 1985, February 1988, and November 2010.