

“In Control”

April 3, 1996

Mr. Rapoport has called this State General Agent’s meeting to set the record straight. He started the company and was in control, he built up the company and was in control, and he sold the company and was in control. Throughout all of the stages of American Income, Rapoport has maintained his control. He has not always held the financial reins, but he has always operated the company on his terms. However, Rapoport recognizes that the American Income success story has been a team effort. He has met with them to collectively bring their control together in order to create a brighter future for them all.

Rapoport views reputation as his highest goal. Some SGA’s have raised concern about his past actions and he wants to clarify his story. He refuses “to sweep these concerns under the rug.” He wants to be transparent with them and reveal anything they want to know. Rapoport has built a solid reputation and he knows it will stand up to scrutiny.

An evil instinct resides in all human beings. Rapoport says, “The test of our character is how we control that evil inclination.” When Rapoport began American Income, he wanted to preserve a good reputation by controlling the company. But first, he had to control himself. Rapoport tries to let his honest actions speak louder than any rumor spread about him. Although he has not always succeeded, he has tried to be fair with others and expect them to be fair in return. He wants to be open to criticism and change any unwarranted action. As he overviews American Income’s history he knows

that it is not flawless. However, Rapoport wants the SGA's to know that his decisions were based on the welfare of the company as a whole.

Although Rapoport appears to have always been in control of American Income, very seldom did he actually have any financial power. American Income began because Harold Goodman took out a \$25,000 loan and gave Rapoport the power to run the company. Goodman owned 80 percent of the company, while Rapoport owned only 20 percent. American Income continued to need loans and Rapoport ended up owning 16 percent of the company. In order to get out of debt, Goodman decided to sell American Income to Reinsurance Investment Corporation. After some time, Rapoport decided that he could not tolerate Reinsurance's business policies. He gave them an offer to buy 75,000 shares of American Income stock or he would leave the company with the sales force with him. Reinsurance agreed, and Rapoport quickly raised or borrowed the money to buy the stock. At this point he owed about \$12 to \$15 million to banks. Rapoport owned 15 percent of the company after the buy-out, but he still remained in total control. Golder, Thoma, Cressey approached Rapoport with an offer for a leverage buy-out. Because of his mounting debt, Rapoport agreed. He no longer had control of the stock, but he still owned about 15 percent of the company. Then Torchmark came along. Rapoport knew he was getting older and he was looking for a way to preserve American Income's business operations. He researched Torchmark's past and decided that this company would allow American Income to function independently. After 43 years, a \$25,000 investment sold for \$560 million. Rapoport says, "Because I had the talent and the will, I never perceived anybody in all the years since I started American Income was

in control except me.” After mergers, buy-outs, and stock changes, Rapoport has proven that confidence means power.

Rapoport knows that he has not achieved success solely through his effort. He says, “I am in control; you are in control; we are all in control because what we do, no one else can do better.” It has taken a group effort to make American Income work. Torchmark saw this and decided that American Income was more profitable to them as a separate entity. American Income has unique qualities that cannot be duplicated. Through the changing of many hands, American Income has kept the characteristics that make it work.

Rapoport calls American Income, “the most exciting insurance company in the insurance industry.” Before buying American Income, Torchmark was rated a “hold” stock. In other words, investment consultants were advising clients to neither buy nor sell Torchmark stock. After Torchmark bought American Income, Morgan-Stanley upgraded their stock to a “buy.” The market analysts saw the potential of American Income; Rapoport wants the State General Agents to make it real.

Rapoport advocates finding your own weaknesses and complimenting them with another person’s strengths. For example, Chuck Cooper joined American Income to help it develop a corporate structure and upgrade its technology. Bill Garner was also key in moving the company forward with his “sense of loyalty and a mission he wanted to fulfill.” Paul Straubell became Vice President of marketing to renovate the thinking at American Income. Joyce Lillard has been an indispensable part of the growing process. These management leaders have each specialized in controlling the company through

their talents. They have brought new dimension to this company, insuring that its future opportunities will grow.

One tenet has lasted through all the financial handlings – “Dream big and implement realistically.” Rapoport points to the market’s belief in them, Torchmark’s belief in them, and their agents’ belief in them. Now it is time to make the dream come true. Rapoport envisions a future with more collective control, doubled renewal and PVFC accounts, and growing markets. Rapoport says that no one knew that the union market would expand into the credit unions and then into the associations. He expects the markets to continue to grow as the company grows. In three years, Rapoport hopes to see more business and more money for all American Incomers. He has seen their teamwork turn \$25,000 into \$560 million and he knows that nothing is impossible for this group. Rapoport says, “That is my dream. And together we are in control of that dream.”