March 2015

Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

Volume 20, Number 2

~ For a printable PDF version, click here. ~

In This Issue...

Is your agency too complex?

Life is funny. The roads we find ourselves traveling often are not the roads we aimed to travel. This truism may be especially acute in insurance because so often people end up in insurance by accident.

One proven method for going the wrong direction is aiming to avoid something we don't want. Aiming to avoid usually results in looking at the wrong object. Instead of eying where you want to go, a tendency exists to eye what we're trying to avoid. Where the eyes look though is where you go. If your focus is on becoming something, you'll focus on that "thing" and become it. This is why striving to win is so much more important than strategizing not to lose.

Read More...

Why $450 an hour is worth it

A key person to my business success once told me a very important story. The context was that at the time, I was young and barely proven as a consultant. I was mostly unknown in the industry struggling to find success. I did not have the confidence to charge a reasonable fee because I was just glad to answer a ringing phone. The person's name was Bob and he told me the story of losing a consulting gig with a large insurance company because he charged $400 an hour. He told this story 20 years ago. Back then, only extremely good and large law firms and maybe a few consulting firms, mostly IT firms, charged rates that high. The firm that got the insurance company job charged around $175 an hour.

Read More...

Chris Burand,
Accredited Business Appraiser
Institute of Business Appraisers

Burand & Associates, LLC

215 S. Victoria Ave., Suite E
Pueblo, CO 81003
p: 719/485-3868
chris@burand-associates.com

Visit us at:
burand-associates.com

FREE Money

Burand & Associates' **Contingency Contract Analysis® Service** is the resource every agency needs to increase their contingency compensation by 10% to 500%, or more, every year!

Contingency contracts vary tremendously in quality, payout, and the types of business of they reward. These differences provide agents with a great opportunity to increase their profits by using each contract strategically and negotiating for more compensation. Every **Contingency**

An Excellent Strategy: Hire Incompetent Producers

The strategy of hiring incompetent producers was recommended to me by a group of agency owners who thought my advice that no producer is better than a bad producer was:

1. Just wrong
2. Too harsh
3. Short-sighted

I have seen some consultants make the same case so I thought I should have an open mind and reconsider my position.

Read More...

Is your perfect mental health your management problem?

A recent book, *A First-Rate Madness* by the acclaimed doctor, Nassir Ghaemi, makes a strong case that the best leaders in a crisis, or even tough times, are leaders lacking what society considers perfect mental health. He points out as examples Churchill's and Lincoln's amazing leadership, their clarity of seeing what had to be accomplished, and their clear depression.

Read More...

Confused about reconciling good E&O practices and actually selling insurance?

Join the club. Between one set of E&O experts telling you one thing and another advising you to take a different course and marketing experts advising a third path, what's a good but confused agent to do?

I see and hear this: First, one set of E&O experts, usually attorneys, advise agents to not have set procedures, do not use coverage checklists, do not advertise you are anything special (they'd prefer just a name, address, and phone number), do not do anything special for your clients because if you miss one procedure, one coverage, one anything even one time, YOU will lose the case in court.

Read More...

Contract Analysis® Report is packed with valuable, straightforward information that can be used to increase your pure profits.

Contact Burand & Associates today for more information about our **Contingency Contract Analysis® Service**.

NOTE: Burand & Associates, LLC is an advocate of agencies which constructively manage and improve their contingency contracts by learning how to negotiate and use their contingency contracts more effectively. We maintain that agents can achieve considerably better results without ever taking actions that are detrimental or disadvantageous to the insureds. We have never and would not ever recommend an agent or agency implement a policy or otherwise advocate increasing its contingency income ahead of any insureds' interests.

2015 State of the P&C Insurance Industry

Burand & Associates has just released its 18th annual ***State of the P&C Insurance Industry*** report. This insightful report provides a comprehensive analysis of the trends and factors shaping our industry.

Strong market knowledge is a fundamental requirement for agents to thrive. With strong market knowledge, agents can educate and retain their clients. Strong market knowledge enables agencies to better manage their carriers and their producers.

The ***2015 State of the P&C Insurance Industry*** provides the key facts agents need to understand the market and pro-actively manage their agencies. The ***2015 State of the P&C Insurance***

Industryis available for $65. Contact Burand & Associates today to order your copy!

The National Alliance Announces Online Courses for New Hires

AUSTIN, TX (January 20, 2015) - The National Alliance for Insurance Education & Research is now conducting online courses for personnel new to the insurance industry. Written at a basic level, the Introductory Series helps newcomers with fundamental aspects of the insurance business. The time it will take to complete each course is 2-3 hours on average. Highly evaluated by initial participants as a foundation for understanding concepts, the introductory courses also may prepare the learner for continuing education in a designation program. Online convenience with a registration fee of $25 makes these courses an effective choice for training. Current course choices include:

- Introduction to Property & Casualty Insurance
- Introduction to Commercial Property Insurance
- Introduction to Commercial Casualty Insurance
- Introduction to Personal Auto Insurance

Four more courses are scheduled for release during the first quarter of 2015:

- Introduction to Personal Residential Insurance
- Introduction to Commercial Miscellaneous Exposures and Coverages
- Introduction to Personal Miscellaneous Exposures and Coverages

The Introductory courses can be found in the list of Self-Paced Online Program Options at www.TheNationalAlliance.com. They do ***not*** offer any state CE credit and will ***not*** serve as update options for any of the designation programs. *If you have any questions, please contact Katie O'Malley or Beverly Messer, CIC, CRM, CISR, at 800-633-2165.*

Contact:
Beverly A. Messer, CIC, CRM, CISR
Senior Vice President, Academic Development
The National Alliance for Insurance Education & Research
800-633-2165

The National Alliance for Insurance Education & Research conducts insurance and risk management education and designation programs such as Certified Insurance Counselor (CIC), Certified Risk Manager (CRM), Certified Insurance Service Representative (CISR), and Certified School Risk Manager (CSRM). The company advances the industry quality by providing insurance and risk management professionals of every experience level with integrated, practical continuing education, timely research and designation opportunities. For additional information, visit The National Alliance website: www.TheNationalAlliance.com or call 800-633-2165.

Is your agency too complex?

Life is funny. The roads we find ourselves traveling often are not the roads we aimed to travel. This truism may be especially acute in insurance because so often people end up in insurance by accident.

One proven method for going the wrong direction is aiming to avoid something we don't want. Aiming to avoid usually results in looking at the wrong object. Instead of eying where you want to go, a tendency exists to eye what we're trying to avoid. Where the eyes look though is where you go. If your focus is on becoming something, you'll focus on that "thing" and become it. This is why striving to win is so much more important than strategizing not to lose.

A great many agency owners began their careers focusing on what not to become. A common refrain is they wanted a simpler, non-corporate business environment. Many, many times their "simpler" focus means minimal rules. Minimal rules create complexity. Only when a leader buries their head in a pile does it appear simple is simple.

Too little structure just postpones complexity. For example, too few procedures seems simple. However, life gets really complex when E&O claims are filed and when customers/companies do not get the service they require and demand.

Simple is also fine with buy/sell and shareholder agreements until a crisis occurs. I have lost count of how many times I have been asked to assist agencies in a crises because their buy/sell has been triggered and the parties discover the contract will not work. For example, keeping things simple, a couple shareholders signed a buy/sell contract which valued their agency at 1.5 times annual commissions. The agency was really worth 2.5 times for non-replicable reasons. The selling shareholders were not happy but it was their simple formula in the contract. They signed the contract. Let's keep things simple, get it done, and not involve expensive attorneys and consultants and accountants. They kept it simple and lost more than $1,000,000.

I've seen the opposite happen too. The agencies are worth less than one times and sometimes they are worth literally nothing. The sellers were really happy because they got 1.5 times. The buyers were, for all practical purposes, bankrupt. I have dozens and dozens of these stories each precipitated by the desire to keep things simple.

Focusing on not getting complex also commonly causes complexity because of interoffice politics and personalities. Without the kinds of procedures that many agency owners have tried to avoid, a vacuum relative to rules is created and human nature cannot tolerate a vacuum. Office politics and personalities will fill that the empty space, and the personalities filling the space will be the loudest and strongest personalities, not the best. The personalities that fill the vacuum will be selfish. Their best interests will be protected, not the agency's best interest. Employees navigating political and personal complexities are almost certain to have worse morale, lower productivity, and more anxiety. In other words, the simplicity agency owners think they are building actually causes more problems. Rules and procedures within limits create more freedom, not less.

A much better solution to avoiding complexity is to create as simple of a model as possible, but not too simple. As Albert Einstein said, "Everything should be made as simple as possible, but not simpler." Over simplification has caused more damage to agencies than possibly any other similar factor. Simple benchmarks are a prime example of over simplification. Revenue per person is a particularly good example of excessive simplification. In and of itself, revenue per person is absolutely worse than worthless. I've had to fix too many agencies that were damaged because the owners tried to manage their agencies using this benchmark. That benchmark may have worked 25 years ago but in today's complex world, is has little use when comparing one agency to another because it does not consider the lines of business, the account size, the geographic region, or even the growing difference in agency servicing models. Used in combination with other factors, it has some relevance but by itself it is worthless. Furthermore, putting revenue per person first is putting the cart before the horse. Revenue per person needs to be the result of other improvements that are measured first because those measures drive revenue per person. Revenue per person does not drive anything, not even profit.

The beauty of engineering as much complexity out of an agency's business model as possible without oversimplifying it is that success and simplicity day-to-day are generated. This success includes increased sales because the simplest and most powerful force can be brought to sales - PURE FOCUS. The right amount of rules enables the agency to truly run itself and this enables producers and agency owners to focus on their true love, sales. The office distractions dissolve.

Focusing on sales and real values to your clients is not just your passion but it is your future too. Agencies need to deliver real values to their clients. Distractions take away from that future and the best way to minimize distractions is to have real procedures that are applicable to every single person in the organization. No exceptions are allowed, including agency owners. A real opportunity exists on this point alone because many agency owners want to be excluded from following rules. I get their "want" but if the leader does not lead by example, only complexity will result. For those readers who understand the need and benefit of leading by example, make sure you take advantage of your weaker competitors.

Complexity in the minds of many owners' minds then has nothing really to do with complexity. Complexity is an acronym for accountability. What they really want to avoid is accountability. The lack of procedures minimizes accountability and the resulting complexity also minimizes accountability because in complex systems, assigning accountability correctly becomes muddled.

For peace of mind then, as an agency owner, ask yourself what your true goal is and where are you truly looking? Be honest with yourself.

[Back to Top]

Why $450 an hour is worth it

A key person to my business success once told me a very important story. The context was that at the time, I was young and barely proven as a consultant. I was mostly unknown in the industry struggling to find success. I did not have the confidence to charge a reasonable fee because I was just glad to answer a ringing phone. The person's name was Bob and he told me the story of losing a consulting gig with a large insurance company because he charged $400 an hour. He told this story 20 years ago. Back then, only extremely good and large law firms and maybe a few consulting firms, mostly IT firms, charged rates that high. The firm that got the insurance company job charged around $175 an hour.

A few months later the insurance company CEO called Bob requesting a revised proposal. Bob asked why and learned that after spending many, many of thousands of dollars at $175 per hour, the company was no closer to its goal. Bob proposed $450 an hour this time. Why $450 rather than $400 asked the CEO? Because you were not smart enough to understand previously that I really meant I could do the job in eight hours. $400 x 8 is a lot less than $175 x 50.

Bob did the job in eight hours and the company achieved its goal quickly, earning an ROI of 1,000% on their $3,600 consulting investment in Bob. Many agencies and producers find themselves struggling to set fair fees. No magic formula exists regardless of what some may advise. The best way I can help you set your fees is to explain fees from my perspective since I have been charging fees successfully ever since Bob told me this story.

First and foremost, never forget Bob's story. Clients will fixate on the dollar per hour charge. They always do and that is natural, even though the truth is it makes no difference. The important number is the product of the hourly fee times the hours. So the producer absolutely must educate the client about why the product of a high fee and your efficient process will result in a lower total investment. The producer also has to be willing to walk away just like Bob did. Not every client will call back, but if you really are that good and the competition is undercutting a reasonable price that much, you will be fine.

Second, this takes a lot of confidence. Some people are born without self-doubt. Most people will need assistance finding confidence. A single answer for finding self-confidence does not exist. Each person will have to find their own solution. I found a number of people that helped me find my confidence but Bob in particular was the perfect mentor for me.

Many producers are going to fail when they must charge fees and this industry is undoubtedly moving toward fees. They simply will not have the confidence to quote a fee versus hiding a commission in the premium. The reason finding your confidence is so important is that the opportunity created by all those producers who will not find the confidence to charge reasonable fees will leave many accounts available for the taking. The only question is whether you will be the one to take them or if it will be someone else.

Third, the reason Bob increased his price the second time was not because he was greedy. It was so the client would appreciate and take his advice. When charging for advice, especially when charging a high price, it is imperative the client take your advice and take action immediately. Otherwise, too much efficiency is lost and the total price grows too high. Also, you need to charge enough so they will do what you recommend. If your advice/service is good, your reputation will grow. If they don't take advice and they pay $450 per hour, your reputation will suffer.

Fourth, be able to tell your story convincingly and concisely. Bob explained why he was so good in about ten sentences. The first time it did not work because, frankly, the insurance company’s management was too cheap and egotistic. That happens. They got it the second time.

Fifth, remind clients and prospects it is proven that the best pros to hire on a fee basis are the busiest. The reason? They have nothing to gain by overbilling. In fact, their motivation is to complete every job as quickly, efficiently, and proficiently as possible so they can move to the next job. They are going to make the same amount of money whether they charge you 10 hours or 20 hours because if they do not charge you the extra ten hours, they will charge the next client that 10 hours. In other words, they are going to charge the same number of hours per week because they are so busy. Therefore, their honesty is much likelier to be high.

Sixth, remember, do not be afraid to walk away.

Other Important Factors: Remember to comply with each state's fee regulations and rules. Remember too that insurance typically follows the client so that if the client is in another state, you must comply with that state's rules and regulations.

[Back to Top]

An Excellent Strategy: Hire Incompetent Producers

The strategy of hiring incompetent producers was recommended to me by a group of agency owners who thought my advice that no producer is better than a bad producer was:

1. Just wrong
2. Too harsh
3. Short-sighted

I have seen some consultants make the same case so I thought I should have an open mind and reconsider my position.

Their point was that every commission dollar sold is worth (pick a multiple) 1.3 or 1.5 or 2.0 times. That makes every commission dollar a commodity. A commodity is defined as something of value but it is interchangeable. For example, one barrel of West Texas crude is priced the same as all other barrels of West Texas crude of the same grade. Therefore, from these agency owners' perspectives, one way to build value is to put as many commission dollars on the books as possible because the value is same regardless of whether the sales are personal lines or commercial. The value is the same regardless of whether the sales are profitable or unprofitable. The value is not affected by whether the accounts carry more or less E&O risk. ALL sales carry the same value in this perspective.

Some people will argue I have taken their point too far, but that is impossible. Remember, their point was that poor producers, meaning unprofitable producers, still have enough value to justify keeping them. This means that even if the producers' sales have a -20% profit margin, which is common, they believe these sales have the same effective value as books of business with a 20% profit margin.

An interesting facet of their point is that their strategy is quite relevant if the agency can grow fast enough and sell themselves quickly enough. More than one such flip has made an agency owner wealthy. The key is how long the producer is with the agency before the sale. Let's say that at the end of five years a producer has generated $150,000 commission. The profit on this book is (using industry standards for agencies with $1 - $2 million in revenue):

BOOK of BUSINESS	$150,000
ANNUAL EXPENSES	
Producer Commissions @ 40%	$60,000
CSR	$35,000
Benefits (incl taxes @ 18.5% of wages)	$17,575
Total Compensation	$112,575
Selling Expense @3.82% of commissions	$5,730
Administrative Expense @ 20.02% of commissions	$30,030
TOTAL EXPENSES	$148,335

This excludes all administrative wages such as the bookkeeper, receptionist, claims, and so forth. It excludes ANY owner compensation. It understates the CSR compensation too because the average commercial CSR makes much more than $35,000. If we include these real additional expenses proportionately, this book likely is still losing money in the fifth year, anywhere from $10,000 to $30,000. Losses in the prior years were even greater as the book was built.

Over five years then, the agency has likely lost between $75,000 and $150,000 net dollars. Using $75,000 and a one times multiple and an agency sale in year five, the agency still nets $75,000 (($150,000 times

1.0 times) - $75,000) = $75,000.

But if the agency hangs on too long or the five-year loss is too great, this strategy fizzles. So to make this work financially, the agency owner has to have a firm and fast exit plan.

Going back to the original strategy, is the strategy posed by this group of agents a false strategy? Why not hire quality producers initially? Then the agency gets profit and value simultaneously. Besides, who in their right mind would pay the same multiple for an unprofitable book versus a profitable book? Let's use an EBITDA example. If the profit is $25,000 and the EBITDA multiple is six, then the value is $150,000. What is the value of a book with a profit of $-25,000 and six times?

Why would someone pay the same multiple for a low profit book as a high profit book? For example, pay five for the former and seven for the latter. Maybe the thought is the books all average out. Why do they have to average out? If one focuses on quality producers that generate profit and value, then why should all the books not be valued at a seven times EBITDA, for example?

A poor producer cannot take an entire book, even most of a book with them if fired. If they were so good, they would not be fired. So agency owners can alleviate the issue of whether unprofitable producers are necessary by eliminating them and then reassigning their books to staff or other producers at lower commission rates, which is common when books are transitioned between producers. This is a key secret to the success some serial acquirers have achieved. They completely understand that poor producers are completely unnecessary so when they buy, they fire and they keep the business but make it profitable. Even if 20% is lost, that is 20% losing money versus 80% making money.

I truly feel for agency owners struggling to find quality producers. If it was easy, everyone would do it. Is hiring poor producers really the solution though? My experience, and I've seen the hard data, is that when agency owners properly prepare their agencies for finding quality producers, use the right interviewing tools and tests, and create a quality development/management plan, successful hire percentages quadruple. All the work, and it is a lot of work, is upfront before the hire and given all that agency owners already have to do, finding the time and energy for this key element is not so easy, but it is essential if the goal is to truly build profit and value.

[Back to Top]

Is your perfect mental health your management problem?

A recent book, *A First-Rate Madness* by the acclaimed doctor, Nassir Ghaemi, makes a strong case that the best leaders in a crisis, or even tough times, are leaders lacking what society considers perfect mental health. He points out as examples Churchill's and Lincoln's amazing leadership, their clarity of seeing what had to be accomplished, and their clear depression.

A study of entrepreneurs (cited in *The Economist*, June 2, 2012) showed that 35% had dyslexia. Famous dyslexic people founded Ford, GE, IBM, IKEA, Schwab, Virgin Records & Airlines, Cisco, and Apple to name a few. Other common factors are ADD and ADHD. Some incredibly successful people with slight to significant Asperger's symptoms made a killing when the credit crisis hit because their ability to focus past people and optimism and to see reality enabled them to identify the best investment strategy.

The overriding characteristic I've noticed among many agency owners and managers is excessive optimism. So much optimism is an awesome quality when selling and when times are good. So much optimism may be a good coping mechanism when times are tough too. However, too much optimism is a significant weakness when trouble is approaching or has arrived.

Optimism is blinding when an organization has difficult decisions to make. Optimism keeps agency owners from understanding the degree to which the industry and market have changed. Too much optimism is the epitome of wearing rose colored glasses all the time. A great indication of excessive optimism is if the agency owner likes to describe people, especially producers, as "good guys" or "really good guys."

Optimism is like a happy drug. Build it and they will come. I have heard so many agency owners live and breathe the optimism of this Hollywood sentient so often and all they had going for them was optimism. Their optimism was so great that they did not put any material effort into determining what actually needed to be built - just something.

Optimism is ostrich like too. E&O is a classic example. Someone else will suffer that claim, not me. Cyber exposure is similar. Even though published articles show that it is likely 100% of all large corporations and maybe as many as 75% of all business have been attacked, the vast majority of business owners continue to deny they have much exposure. When three out of four businesses have already been attacked, the odds are obviously against the remaining 25% and only denial or excessive optimism explains why they do not act.

Another example is the point so many agency owners, producers, and CSRs make almost universally. That point is, "My customers love me." Some are little more sanguine in that they only think their customers like them so much they would never sue them and the proof is that they have 90% retention rate. 90% is average. It is not good and it does not suggest an agency's customers like or especially love them any more than average. Quite similarly, the notion among many unsophisticated agency owners is their best clients with complex needs will never move to a more sophisticated agent that offers an array of solutions designed to meet those complex needs.

The industry is on the precipice of a truly fast and substantial change. I have only been in this industry for 25 years so maybe it changed faster at some time prior to my involvement, but I have never seen it change more quickly than today. The reasons are numerous including how different generations communicate, the internet, advertising budgets that are larger than most insurance companies entire premiums written (I do mean this literally), automation, companies less concerned with low loss ratios than fast growth, predictive modeling, E&O case law development, and so on. The reasons though are less important than the outcome. The outcome for agency owners is that running the historic independent insurance agency business model is likely not a very successful strategy. The reason is that given the industry's forces, this model is going to suffer a severe profit squeeze.

If you're an optimist, especially an excessive optimist, I may have just depressed the heck out of you. However, this is why being an optimist is such a dead weight in these times. People that are not excessive optimists see the great opportunities this paradigm change offers. If you are an optimist, to thrive going forward will require you to rein in your optimism. You may need to hire someone less optimistic or listen harder to people not telling you what you want to hear. If your optimism is too excessive, your best interest might be served best by completely removing yourself from certain decision making. This is a radical suggestion but some people are so optimistic they just cannot see situations with enough reality to save their lives.

The reality is that independent agencies are facing a significant profit squeeze necessitating much greater productivity, much greater accountability especially of producers involving the quality and quantity of their work and accepting that independent agencies are great for clients wanting a relationship but not so great for transactional clients. Continuing to chase transactional clients for most independent agencies (excluding quite small ones, ones focused on low limit drivers, and ones with no intention of growing beyond five or so people), just squeezes the profit margin more and more and more.

I completely understand how depressing this picture may be for agency owners who just want to sell insurance and have everyone within their organization just manage themselves. While that optimistic world is highly unlikely to exist in this galaxy, the next best solution is to hire someone to run your agency for you so you do not have to deal with all those things that impede your optimism. A key step is not to hire someone as optimistic as you and then let them do their job. When the employees and producers run to you complaining that operations manager is too tough, you will have to stand tough a time or two. After that though, they'll know not to bother you unless the situation is quite serious.

Such a person will pay for themselves, if they are good and if agency owners let them do the job, by increasing productivity and accountability. The ROI will be great.

The old saying, "There's a price for everything" is literal. A price is to be paid even for being the most optimistic person because to be so optimistic requires wearing blinders. Then when a shot comes from the outside, they never see it coming until it is far too late. Hire a quality operations manager or COO (easier said than done, I know) to protect you.

[Back to Top]

Confused about reconciling good E&O practices and actually selling insurance?

Join the club. Between one set of E&O experts telling you one thing and another advising you to take a different course and marketing experts advising a third path, what's a good but confused agent to do?

I see and hear this: First, one set of E&O experts, usually attorneys, advise agents to not have set procedures, do not use coverage checklists, do not advertise you are anything special (they'd prefer just a name, address, and phone number), do not do anything special for your clients because if you miss one procedure, one coverage, one anything even one time, YOU will lose the case in court.

This philosophy is riddled with more holes than Swiss cheese but before I explain why, let me be clear: The Rule of Invariable Practice, consistency, is not what they are preaching, although they think they are. I suggest this omnipotent rule should ALWAYS be followed.

Their philosophy makes little to no sense because the odds of missing just one item, one time, and that particular time being the one time you are sued is less than the odds of winning the Powerball lottery's greatest jackpot ever. The odds are infinitesimal. The real problem is not that if you miss one thing one time you'll be sued. The reality is that agencies who do not have and follow procedures and who do not use checklists do not miss one thing one time. They miss dozens of coverages virtually every time and little to no consistency exist procedurally <u>every time</u>. The odds of being sued and losing in reality then are fairly high but these odds have ABSOLUTELY NOTHING TO DO WITH MISSING JUST ONE ITEM ONE TIME. That is pure fantasy and a scare tactic.

In fact, I have seen enough cases where the opposite is true. An agency or an insurance carrier maybe could not prove they did not miss something just one time. However, they could prove they had done the right thing consistently correctly dozens, hundreds, even thousands of times. They just could not prove either way in that one particular instance and the court gave them the benefit of the doubt.

The second reason these attorneys' philosophy is holey is because it is not that YOU will lose the case. It is because the attorney cannot make the case. Whether this is really due to you or the quality of the attorney is a question to be asked and answered, but do not assume the quality of the attorney is not a factor.

Third, when an attorney says they can win if the agency has no written procedures or is not using a coverage checklist, what they are really saying is they can effectively defend the agency that has no standards upon which its practices can be legitimately judged. A simpler way to say this is, "I can win based on saying you have no standards." Having no standards is a two edged sword so before jumping on one sharp edge, consider what you are telling customers, prospects, and markets. You are telling customers, prospects, and markets that you have no standards too. You can't have it both ways.

Other experts advise you to not advertise that you have expertise, knowledge, specialties, and so forth. That may help you win in court or it may help prevent you from even being sued because if you don't advertise that you are somehow special, you may not have any clients to sue you. Problem solved. After all, who needs an agent that is not an expert, a specialist, a person who has more, better insurance education? I have news for anyone thinking lack of knowledge and expertise is a good sales strategy. If you do not have greater expertise, customers do not need you.

So far then, we have two sets of expert advisors advising agents to go through life sloppy, stupid, and aspire to nothing special. As the Dean in *Animal House* said to Otter, "Fat, dumb, and stupid is no way to go through life son."

The complete opposite advice is being given by marketing experts selling their services, especially website developers and electronic marketing firms. These firms do not seem capable of spelling E&O given their presentations. If they can spell it, they obviously ignore it - maybe because E&O dampers their ability to look good. Promises of greatness on an agency's website may sell, but promises of greatness to customers must be fulfilled. E&O is reality and reality can kill a party and marketing is about a party.

A fourth way exists: a future that challenges the competition to meet your standards of care for your clients. Be the agency that is not afraid of being sued. Be the agency that advertises your expertise. Be the agency that is an expert and proud of it. Be the agency that makes bold promises. Most important, be the agency that fulfills its promises. Be the agency that goes even further by proving it fulfills its promises. Only a tiny few agencies' owners have the guts to be so good. Others are too afraid of success and/or accountability. For the few, the great, the ones prepared to be great, the future has never, ever been brighter.

[Back to Top]

Chris Burand is president and owner of Burand & Associates, LLC, a management consulting firm that has been specializing in the property/casualty insurance industry since 1992. Burand is recognized as a leading consultant for agency valuations, helping agents increase profits and reduce the cost of sales. His services include: agency valuations/due diligence, producer compensation plans, expert witness services, E&O carrier approved E&O procedure reviews, and agency operation enhancement reviews. He also provides the acclaimed Contingency Contract Analysis® Service and has the largest database and knowledge of contingency contracts in the insurance industry.

Burand has more than 20 years' experience. He is a featured speaker across the continent at more than 180 conventions and educational programs. He has written for numerous industry publications including *Insurance Journal*, *American Agent & Broker*, and *National Underwriter*. He also publishes *Burand's*

Insurance Agency Adviser for independent insurance agents.

Burand is a member of the Institute of Business Appraisers, a department head for the Independent Insurance Agents and Brokers of America's Virtual University, an instructor for Insurance Journal's Academy of Insurance, and a volunteer counselor for the Small Business Administration's SCORE program.

NOTE: The information provided in this newsletter is intended for educational and informational purposes only and it represents only the views of the authors. It is not a recommendation that a particular course of action be followed. Burand & Associates, LLC and Chris Burand assume, and will have, no responsibility for liability or damage which may result from the use of any of this information.

Burand & Associates, LLC is an advocate of agencies which constructively manage and improve their contingency contracts by learning how to negotiate and use their contingency contracts more effectively. We maintain that agents can achieve considerably better results without *ever* taking actions that are detrimental or disadvantageous to the insureds. We have ***never*** and would not ever recommend an agent or agency implement a policy or otherwise advocate increasing its contingency income ahead of the insureds' interests.

A complete understanding of the subjects covered in this newsletter may require broader and additional knowledge beyond the information presented. None of the materials in this newsletter should be construed as offering legal advice, and the specific advice of legal counsel is recommended before acting on any matter discussed in this newsletter. Regulated individuals/entities should also ensure that they comply with all applicable laws, rules, and regulations.
