

# Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

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### Looking for Learning in All the Wrong Places: The State of Insurance CE Today, by Bill Wilson

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## Reading Your Agency's Contracts

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## Congratulations to Bill Wilson!

The IIABA has awarded Bill Wilson the Yates Lifetime Achievement Award! Bill's hard work and dedication to the insurance industry is truly inspiring.

The *Insurance Journal* has an excellent article about Bill and this award: "['Big I' Agents Honor Wilson with Yates Lifetime Achievement Award](#)". (This link will take you to the *Insurance Journal's* website.)

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Have a partner or partners? Do you want

value or the agency loses a suit because of the way a contract is written, only a masochist is happy.

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Do you know how to charge fees correctly, per the insured's state's regulations? More and more agencies are charging fees, and I've found that few agencies understand fee regulations, leaving them exposed to severe penalties and maybe even the loss of a license.

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**Four years ago, I posted the following on a LinkedIn discussion:**

A colleague related a recent experience to me last week. He went to one of the best known online

avoid potential fights and possible divorce? Then I suggest reviewing the following checklist I've listed on my website: [Checklist: Avoid Partnership Fights and Eventual Partnership Divorce](#).

## Need to inspire your workforce?

Don Phin is offering a unique, remote HR coaching opportunity. Click [here](#) to learn more and to view Don's brochure.

## ThinkHR: Help Clients Ace Their Next OSHA Inspection

One of the experiences your clients dread most is an unexpected OSHA inspection. ThinkHR's checklist will help your clients prep for and successfully complete an inspection.

To download the checklist [Click here](#). (This link will take you to ThinkHR's website.)

### About ThinkHR

[ThinkHR](#) is a leading provider of expert HR knowledge solutions designed to help people and companies thrive. ThinkHR's solutions enable broker partners to strengthen their client relationships, manage risk and win more business.

insurance CE websites and signed up for a course entitled "Consumer Insurance." He registered as a new user in their system, perused their course catalog, signed up for the course, skipped the course material, took the test, and earned 3 hours of CE credits. All in 16 minutes.

He was also able to save the exam and email it to me (and, of course, anyone else taking the course). The test was loaded with vaguely worded questions and misspelled words and insurance terms (like "vessals" and "ordinance IN law" coverage). For some test questions, no right answer was listed or more than one answer was correct.

In the spirit of one-upmanship, I told him about my experience 11 years ago when online CE was just getting started, I registered at a vendor's website and, like him, went straight to the test. I forget the exact total time required to register and take the 50-question test, but it was around a half hour I think and definitely less than an hour. The CE credit for this personal auto course? 25 HOURS. To quote the late Jack Paar, "I kid you not."

Afterwards, I browsed the material and it was full of general consumer-type information taken directly from the Insurance Information Institute. The hours of CE credit granted by the state DOI were based on a word count with complete disregard to the difficulty level.

One thing I remember about this vendor was that they used what they called "Split Screen Technology." What that meant was, while you were taking the test on one side of the screen, you could view the course content that went with that test question topic on the right side and browse for the answer to the question. Browsing for the answer was easy, given that the relevant information was highlighted.

So where are we 11 years later? Apparently in the same boat except that online insurance education is much more pervasive than it was then. You can get two years of CE credit for as little as \$39.95. A great bargain if your interest is in regulatory compliance and not actually learning something that will benefit you, your agency, and the consumers and businesses you serve.

It's sad that CE is regulatorily imposed yet so poorly regulated with regard to accuracy and quality. Online CE credit is based largely on word counts, with little or no regard as to whether the student is being taught (assuming they actually read the course material and don't just take the test) relevant and technically accurate information.

Shouldn't CE courses be presented at a level more advanced than a licensing school? Yet too many of these courses are presented at a consumer educational level at best. And what about the approval services that regulators employ to review CE course submissions? Are they just in it for the money too? Is there no accountability? Is there no desire to truly educate ourselves? Does anyone care? Is anyone listening?

In 2000, when online insurance education was just starting, I created a "bad CE" parody web site that earned some national attention in a number of education and training publications. For a number of reasons, I took the site down after a while, but public demand caused it to be resurrected and industry attorney Barry Zalma graciously offered to house it at his website:

<http://www.zalma.com/bzindex.htm>

I used the aforementioned "Split Screen Technology" angle as the inspiration for my "Monkey-Powered" courses and "Blank Page Technology."

Sadly, it wouldn't surprise me at all if I could get these courses approved for insurance CE today.

So what do YOU think? Do you believe that CE education now all too often caters to the lowest common denominator? Does it bother you that agents are buying this stuff just to comply with bean counting regulatory requirements? Can or should anything be done about either repealing CE laws or actually enforcing them?

In addition to more oversight on quality, should regulators require self-study and online course vendors to report their passing ratios? Should they shut down courses with passing ratios greater than X% and should a CE provider lose their license if their overall passing ratio exceeds that amount over a certain period of time?

Is there a solution to this mess? Again, does anyone care? Is anyone listening?

### **Flash forward to 2016...**

An agent and friend I know -- good agent, CE course instructor, upstanding guy -- waited until the last minute to complete his biannual CE requirement last year. So he went online, found the course he wanted, signed up, went straight to the exam, and in 23 minutes had completed 3 hours of CE credits. As they say, the more things change, the more they stay the same. And, did I mention that the course was to comply with his state's 3-hour ETHICS requirement?

There is an online insurance forum with an ongoing discussion called "[Any Suggestions on Best Online CE Site?](#)" It has comments such as:

"I use XXXXX.com. About \$35 for 21 hours credit. Takes a few hours (maybe two) to finish and is open book."

My tongue-in-cheek response (recalling my agent friend's experience a few months earlier) was, "I hope it wasn't an ethics course!" The poster's response:

"Huh? I guess you think each hour of CE should take an hour? Unless it's a LIVE CE class... CE courses don't take that long. I get unlimited CE from [provider's name] for \$39.95 per year... including a 16 hour Ethics CE course... that takes me about 15 minutes to complete. And yes, they are open-book courses too."

On another discussion board, someone was touting a "Fast, Easy, and Affordable Continuing Education" web site. No mention of the quality or relevance of the course material or whether there is any actual learning involved. They proudly proclaim a passing ratio of "over 98%." What would regulators do if the passing ratio of their licensing exams were over 98%? I would suspect they'd insist that the exams be made a little tougher. Is any exam a legitimate test of learning if the passing ratio approaches 100%? Then why do regulators allow online CE programs that take a half hour to get 20 hours or more of CE credit and include exams with passing ratios near 100%? The web site in question has 91 reviews...NONE of them mention whether the reviewer actually learned anything.

All of this prompted me to write (with apologies to Johnny Lee and the movie *Urban Cowboy*) this article, "Looking for *Learning* in All the Wrong Places." The best place to start looking is your own state Big I association which has a vested interest in providing you with the best education possible.

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**About the Author: William C. Wilson, Jr., CPCU, ARM, AIM, AAM** is director of the Virtual University of the Independent Insurance Agents & Brokers of America (IIABA). He was the Director of Education & Technical Affairs for the Insurors of Tennessee from 1988-1999. Prior to 1988, he was employed by Insurance Services Office, Inc. as the manager of their field operations in Tennessee and Kentucky. Before that time, he was a bag boy at H.G. Hill food store #25.

Bill is a graduate of the Illinois Institute of Technology with a B.S. degree in Fire Protection & Safety Engineering. He was a licensed insurance and surplus lines agent, and his professional affiliations have included past president of the Middle Tennessee Chapter of CPCU, board member of the national CPCU Society, PMLG of the Honorable Order of Blue Goose, International, member of the Independent Insurance Agents of America (IIABA) National Education Committee, member of the Certified Insurance Service Representative (CISR) National Advisory Committee, member of the Society of Insurance Trainers and Educators (SITE) and its SITE Journal editorial committee, member of the National Writers Association, chairman of the Tennessee Insurance Commissioner's Education Advisory Committee, member of the Middle Tennessee State University Insurance Liaison Committee, member of the Nashville State Technical Institute's Financial Services Advisory Committee, member of the National Underwriter's FC&S Editorial Advisory Board, and an instructor for insurance and risk management programs for Tennessee State University and Nashville State Technical Institute. He is listed in the International Who's Who of Professionals™.

He has served as a trainer and speaker for various organizations, including the Independent Insurance Agents of America (IIABA national conventions and state convention programs and seminars), the CPCU Society national convention, National Leadership Conference and chapter programs, the National Association of Insurance Women (NAIW), the Southern Agents Conference, and the Risk & Insurance Managers Society (RIMS).

Bill has conducted hundreds of technical seminars, workshops and convention presentations—from Hawaii to Rhode Island—as well as programs on time management, presentation and public speaking skills, seminar development, and many others. He was the recipient of the 1996 L.P. McCord National Education Award for having the #1 ranked IIABA insurance education program in America. His "Presentation Skills for the 'Unprofessional' Speaker" program presented at the 1997 National CPCU Society convention was the top rated of 27 presentations, including those of nationally renowned speakers and celebrities...in 1998, his program was again the top rated session of the CPCU national convention.

He has researched, developed, written, and published dozens of technical articles and manuals, and has authored articles in business and industry trade periodicals such as Presentations magazine, American Agent & Broker magazine, Independent Agent magazine, Tennessee Insuror magazine, Tennessee Business magazine, the CPCU Journal, and the SITE Journal.

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Below is information on Rob Ekern's TCORCalc® Platform. This is not for everyone, but it is for everyone that writes large commercial accounts and competes against larger brokers. I met Rob almost 20 years ago and have been impressed ever since in his ability to show consumers how the insurance policy, in and of itself, is not the most important piece of their relationship with their agent/broker. This is a more important point than ever in today's world where the market is so soft that not only will one carrier, but maybe five carriers, always have a lower price. The conversation absolutely must be elevated to incorporate all the costs, all the risks, and the total value of the relationship. Rob's company, C.R. Ekern & Company, Inc., has developed the TCORCalc Platform to address these key needs (I have another program for small accounts and personal lines if you are interested).

TCORCalc®: I know many of you have been looking for a way to compete on large accounts, **especially against your larger competitors**. Sometimes you may even be intimidated by what services your competitors offer and you know these larger buyers are expecting more and more from agencies and brokers in terms of metrics, analytics and reliable data. The traditional 'bid and quote' process is obsolete for your largest prospects (and clients). They want real information with which they can improve their ROI. They are not interested in a list of features and the cheapest rates.

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## Reading Your Agency's Contracts

I continually discover that agency owners have not read their agency's contracts. They have not read their carrier contracts, producer contracts, leases, buy/sell agreements, shareholder agreements, agency management system contracts, service center contracts, and so on and so forth. Reading contracts is never important until the contract is invoked or the agency is valued (which invokes the contracts). Then when it is discovered the agency has little value or the agency loses a suit because of the way a contract is written, only a masochist is happy.

But that is a bad perspective. Let's look at the upside of not reading contracts. To begin, because reading contracts can be mind-numbing, boring, sleep inducing, time consuming, distracting from more enjoyable activities, requiring thought, and potentially involving conflict, not reading contracts creates much more pleasure. Alone then, one way to have more enjoyment is to avoid reading the agency's contracts. Already then we've begun turning the lemon into lemonade!

Another reason why agency owners should avoid reading their contracts is because if you read your contracts, you'll have less drama and surprise in your life. Salespeople tend to enjoy drama and surprise. Who am I or anyone to take this away? Reading and negotiating contracts makes life so much more predictable, safer, boring, less emotional, and more financially stable. In other words, reading contracts minimizes drama, i.e. fun.

Reading contracts also takes away from some owner's ability to shine. These owners shine in a crisis. They know exactly what to do, who to call, and how to fix the problem. If the problem is prevented from ever arising, a crisis will not erupt and therefore, the environment in which they do best will not exist and hence, they won't shine. Everyone wants to shine. Shining in difficult situations is a rare ability and these people know they are heroes when a crisis erupts. What happens to their egos when they have to live in mundane, crisis-free environments? How would you like to not shine and to not have your ego stroked? Why take away their opportunity to be a true winner?

Another reason why not reading contracts is a benefit is that when crises erupt as a result of not reading contracts, no one has time to deal with the agency's other problems. For example, maybe the agency has a long standing issue that needs to be fixed such as improving the procedures or holding producers accountable. The crisis will make those issues seem minimal. In effect, they almost seem to go away and the owner has not had to do anything directly to make them go away. It is like magic.

These are great situations because a multitude of issues are put so far back on the burner, the burner is in another state while the person gets to be a hero fixing the more immediate problem. The fact that reading the contracts and then acting would have resolved all the issues must not be considered. I'm focusing on the positive here.

So if you want drama, surprise, an opportunity to shine in an emergency, and an opportunity to make other problems go away, do not read your contracts. Just sign whatever anyone puts in front of you. If you want to read your contracts but the pain of the mind-numbing act of actually reading them is just too much, ask someone that knows agency contracts to read them for you. Even if the person is not an attorney but knows insurance agency contracts, they can give you common sense though not legal advice. I've done this successfully for dozens of agency owners. It is a good solution that often still provides some surprise and drama--like the time I advised a partner his partners had removed \$2 million in cash without his knowledge (details changed to protect the innocent and not so innocent). The difference is that a crisis does not erupt so the owners get the best of both worlds, drama and easier solutions.

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## Exposure Discussions/Checklists

Coverage checklists are the single best tangible tool for minimizing E&O exposures. Even better, my clients that use coverage checklists correctly and consistently ALWAYS increase their sales, ALWAYS are perceived as being more professional, and ALWAYS prove to the client they are earning their money. 90% of all agencies fail to use coverage checklists consistently, if at all, so the opportunity to clean the competition's clock is wide open.

The one true weakness of coverage checklists, which is a small criticism given the value they deliver, is that the focus is on coverages. Clients do not know and often do not care about the arcane, sometimes Kafkaesque, world of insurance coverages. Insureds care about whether their EXPOSURES are covered. In other words, it is like a gardener buying manure. They are buying manure not because they want manure but because they want good crops and pretty flowers.

This is why an Exposure Checklist plays such a valuable role. It is even better than coverage checklists. An Exposure Checklist is not a tangible list. Exposure checklists are conversations and even scripts built around coverage checklists. Exposure checklists are conversations regarding the client's exposures which contrasts with coverage checklists which are conversations regarding coverages.

To deliver then what clients really want, I have developed the first of its kind Exposure Checklist coaching program. This program is available in person or long distance. The program focuses on teaching producers AND CSRs how to develop, learn, identify, explain, and discuss exposures. Here's a good personal lines example:

The standard agency procedure is to match liability limits with UM/UIM limits. The average middle class American carries something near \$100,000/\$300,000 limits up to \$500,000 limits. A key catch (though not the only catch) is this reasonable scenario: A parent is carpooling and has four kids in their car when an uninsured driver blows through a stop sign. Uninsured drivers are often the worst drivers and hence uninsured so they blow through at a high rate of speed. Is \$250,000 or even \$500,000 UM coverage enough to restore five lives? It's questionable and yet the agency would have followed procedures.

Following standard procedures and using a standard checklist misses the point if we don't focus on exposures. By focusing on exposures, helping the client understand that \$500,000 is potentially not enough coverage to restore five lives, an agent can do even better work by selling the insured an umbrella with drop down UM/UIM coverage to cover the exposure. Covering exposures, after all, is what agents are paid to do.

If you want to become a pro and take your game to a higher level, get started today! Contact me at [chris@burand-associates.com](mailto:chris@burand-associates.com) to learn more!

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## Are you charging fees correctly?

Do you know how to charge fees correctly, per the insured's state's regulations? More and more agencies are charging fees, and I've found that few agencies understand fee regulations, leaving them exposed to severe penalties and maybe even the loss of a license.

Sometimes agencies are losing business to competition that excludes commissions and charges a lower fee. If the competition is not charging fees correctly, why should you lose the account?

Charging fees correctly opens doors to better client relationships when agencies are knowledgeable and smart about the manner in which they charge fees. As the insurance world evolves with agencies offering valuable (i.e., expensive) added value services many agencies are struggling to verify they are operating within the required regulatory environment. My E&O audit findings strongly suggest many agencies are not operating within the required regulatory environment, almost always innocently. One surprising fact almost always overlooked is that the insured's state's regulations rule, not the state in which the agency is located.

I have engaged with a national law firm that specializes in insurance regulatory matters to build the highest quality, most up-to-date database I have ever seen of rebating and fee rules state by state. I am glad to offer this service to my readers. Prices vary by state because of the complexity of state laws. Some states have almost no rules and some states have quite complex rules.

Whatever you do, verify you stay on the right side of the regulations. This is not an E&O issue typically. It is a regulatory issue which may have more significant consequences. The research is easy to use and far more comprehensive than ANY I have seen elsewhere. If you are interested in learning more, please contact me at [chris@burand-associates.com](mailto:chris@burand-associates.com) and let me know which states are most important to you. I would love to help you avoid potential issues and navigate the regulatory maze successfully.

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**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 200 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 and NACVA, 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. Chris Burand is also a Certified Business Appraiser.

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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.

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