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In This Issue...

Is a Berlin Wall really the solution?

A popular strategy among certain carriers to address agency perpetuation is to buy all or part of their key agencies.

[Read More...](#)

What you can Learn from an Insurance Producer turned Accidental Entrepreneur, by Jeff Kleid

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[Read More...](#)

The DP: Blowing on the Embers of Your Life, by Zane Robertson

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[Read More...](#)

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An Opportunity to Beat the Big Guys

Unfortunately, I had the experience of having to navigate my mother's insurance program. Her health insurance is serviced through one of the "premier" new exchanges owned/run by one of the top five brokers. In the benefits world, it is difficult to be bigger than this broker.

Here's my experience, I called the 800# and was put on hold for so long--over 45 minutes--that I was disconnected. I called back and without regard for whatever button I pushed, I was given an "Your expected wait time is 27 minutes." Of course, that was an exceptionally optimistic expectation on their part. I

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eventually spent more than six hours on hold (after six hours, who counts?).

Every single agent can do better than this. The standard agent, though, is failing miserably to tell the world they will do better than this. In all my 30 years working with agents, I have never, ever even heard of a situation in which the agent put a customer on hold for 10 minutes, 20 minutes, or much less 45 minutes.

What are you waiting for? No-hold phone calls absolutely should be one of your key tag lines! The opportunity to deal with a person who has a clue should be an advertising point.

Is a Berlin Wall really the solution?

A popular strategy among certain carriers to address agency perpetuation is to buy all or part of their key agencies. Sometimes this is done secretly. No one outside the agency owners are supposed to know a carrier now owns part of the agency. Sometimes companies use a proxy buyer whereby they choose some agency to buy a bunch of other key agencies. The company provides all the financing. Occasionally carriers are more transparent in their acquisitions but usually these are unique situations.

Another scenario is the carrier that effectively dictates to agencies to whom they can sell. In a recent twist, a company and a couple of associations have decided that a cluster who will give members back their company contracts if the agency wants to leave the cluster is the solution to keeping agencies from selling to serial acquirers.

These strategies are all the same as the Russians and East Germans building the Berlin Wall to keep East Germans from migrating west. It worked for some time. Of course, the cost of the wall, the misery imposed, the opportunities wasted far exceeded the benefits and The Wall eventually came down. It came down because a better option, freedom and wealth, both of which cost less than misery and captivity, became too appealing to younger people.

A wall never works. At best, a wall serves as a prison. Not much good ever comes from prisons. A company that thinks the solution to losing important agencies to serial buyers is to build a wall around that agency is missing the entire point. They are cutting off their noses to spite their face--with the big caveat that it might work long enough for existing C-suite executives to make retirement.

An agency that is ready to sell is selling because they do not see the future getting brighter. The owners do not see the ability for the agency to grow, to maintain profitability, to navigate all the new technology, to develop new leaders, or some combination of these and other factors. Even at today's extraordinary bubble prices for agencies, a high quality agency that has future leadership and quality management can make the owners more money with internal perpetuation. Some exceptions exist of course, but not many. In effect, the current owners are selling at extremely high prices and passing their problems onto the new

owners. Some of those buyers understand what they are buying and some have egos creating complete blindness. Either way, the seller is cashing out financially.

An insurance company that simply takes the place of a serial buyer and purchases one of these agencies is simply purchasing the problems. They are not bringing meaningful solutions. I have never seen one, not once, bring better leadership, better producers, and better management. At best they have maintained stasis. At worst, they are more vulnerable to fraud, bad management, and being taken advantage of. For those readers who think their company is an exception and who have purchased specific percentages of agencies that have continued to do well, I'd suggest that success has to do with particularly good owners who were not selling out anyway. They just found a company to give them some cash.

Thanks to monetary easing, the supply of money has more than doubled in the last ten or so years. In other words, as much money has been put into the money supply as was previously created in 225 years! No shortage of money exists so perpetuation is not a financial issue.

The reason agencies are selling is because they have reached the end of their lives. The people that brought them to this point are ready to retire and yet the agency has not developed the next generation of leaders and managers required to extend the agency's life. I did not understand this myself for many years but now that I see the real issue, the clarity of the problem is amazing.

Two solutions therefore exist, both of which have a permanency, a strong ROI, and a far greater success than trying to build a Berlin Wall. The first solution is to build a leadership program. This is not your typical leadership seminar or leadership program. Those will never work. The program must be much more technical and consider absolutely every aspect of the people involved and the unique nature of each agency. The ones I build for my clients work because enhanced leadership is built methodically, logically, and without egos but with complete emotional support. It is a lot of work that requires complete accountability and dedication. What truly successful team, especially a team in transition, does not require accountability and dedication? A team does not go from no future to a great future by attending some guru's three-hour presentation.

The second solution is to build new agencies from scratch. Aetna and other companies used to do this, and then companies began thinking they should build a Berlin Wall around their existing agencies to create some kind of value. That works if those agencies hold up their end of the bargain but many, maybe most are no longer holding up their end. They know certain carriers will not appoint new agencies and yet they don't have to grow their books. Walls never work forever.

New agencies are great because they have to sell to pay their bills. They don't have enough residual income to sit around "servicing" while not selling insurance. It is, for some reason, an unacknowledged public fact that thousands of new independent agencies have been created in the last five years. They are accessing companies through other channels because companies refuse to give startups contracts. Giving startups support and contracts is possibly the smartest strategy companies can adopt to offset the buyouts of their agencies.

The same goes for associations. In interacting with hundreds of these newer agencies, most will not join their local associations because quality support for entrepreneurs is lacking. Too many associations, like almost all insurance companies, are too focused on protecting what they have rather than focusing on building for tomorrow. That is a loser's strategy. Protecting what you have rather than focusing on the leaders of tomorrow, whether they are new leaders to existing agencies or new agencies is the key to future success. Within the agency system, no other solutions exist. The buyouts will continue for now at a rapid pace. No wall is going to stop that. A Wall is a bureaucrat's solution. Innovation is an entrepreneur's solution. Which solution do you think has the best chance at success? My systems and success with agencies tell me the solution is obvious. Can you cut through the red tape and make it happen?

What you can Learn from an Insurance Producer turned Accidental Entrepreneur, by Jeff Kleid

Whether you started at an insurance agency and the owner told you "if you produce you get paid" and "if you don't, you don't get paid" or you entered the independent agency system with a base salary and incentives, chances are you got there through a relationship or networking.

However you got into the industry and regardless of the level you are presently at now, understanding who you are, your abilities, strengths and weaknesses are the only way to truly keep moving forward to grow your business. Starting as an insurance producer in the mid 1990's and working my way up to President and ultimately selling my shares and then building a completely new insurance agency which was all accomplished through networking and relationship building.

Fortunately in 2013, I sold my last book of business to a division of one of the large brokers. I embraced opportunities other than direct insurance placement as an agent or agency owner. Over the last couple years since that sale, I found myself coaching and consulting others on how to grow both their business and their producers individual thought process of business development. Ultimately, I ended up writing a book on networking, called "Networking with the Cards you are dealt."

So what is the value to you, in my sale of my book of business and subsequent epiphany to write a book? Well, if you are a Producer, the goal is for you is to really take a closer look at your style and if you have not already done so, hopefully that understanding will help you get out of your own way. And, if you are an agency owner or high level management, you will take a good look at your producers and really try to individualize your management to who they are and how you can help them have more success.

I have a very clear understanding of both who I am and how I am, and with the help and guidance of my producers over the years I have no doubt that we all benefitted from those relationships. And, if you can't make that statement about yourself either, your team or your boss, then now is the time to figure that out.

One of the first and most important things I learned all those years ago while still a producer was actually what type of insurance person I wasn't. I was not someone who was going to ask for 3 referrals, make X number of calls a day, cold call with no direct warm introduction, or walk in and tell people how much I liked to do the first thing I saw they had a picture of on that wall. If I didn't golf, fish or like soccer, than why would I engage them on that level? It was and is a simple philosophy I lived by and still live by to this day.

Life is too short to for you to try to put yourself in a position where you are not genuinely interested in what you are talking about. Don't get me wrong, there are plenty of times where you will need to dig deeper upon a first meeting or networking interaction to truly find a common denominator. It's also okay to not find value in an interaction or subsequent interactions and decide to move on. I know it is hard as a sales person to imagine moving on sometimes, but believe me success and the relationship will happen when you find the right one. Once you understand who you are, and the cards you are dealt, you will find the network and opportunity that is right for you.

About the Author:

Jeff Kleid started as a Producer and rose to Principal and President. In addition to having a substantial book of business, under Jeff's guidance his company grew from 15 employees and producers and revenue from around \$1.5 to almost 80 employees and producers with \$12 million revenue from 1995 to 2008. The agency Jeff constructed served traditional Brick and Mortar, multi platform program and specialty market driven full service, Property Casualty, Life/Health divisions for both commercial and personal lines clients. Jeff has been involved in a full spectrum of insurance products and programs and in 2013 sold a second book of instantly issued online insurance policies and relationships to K&K Insurance, a division of AON.

All of Jeff's success was based on an understanding what type of producer he was and then becoming an engaging agency principal, maintaining his own book and a creating a balance between sales and management. Jeff works closely with agency owners to guide them through growth, either specific or multi directional, by engaging and individualizing the owners' and producers' sales process based on their individual abilities, limitations and desires to help them and you maximize your bottom line profitability.

[\[Back to Top\]](#)

The DP: Blowing on the Embers of your Life, by Zane Robertson

In my coaching and retreat work, I often have the honor of working with people as they gain transformational insight into their own lives. Working with someone who finds their true purpose, their authentic self, or discovers a new and exciting path in their life is one of the greatest gifts I get from doing this work. And I know that that moment of insight can be just the beginning.

I've seen too many transformational experiences fade away as distant memories to believe that insight alone is enough. Real change is often hard. And can take time. And is worth it.

Here's what I believe: Transformational insight has a half-life. The insight, as amazing as it may be, will in many cases just fade away unless it is kept alive and developed into lasting change. It is like a glowing ember in a fire. Bright red at first, but slowly fading. Unless you blow on it, again and again. If you do this, it burns brighter each time, until one day it catches fire and ignites and burns with energy that sustains itself. Until new embers form. And so on.

Over many years, I've developed a tool for blowing on the embers of your life. I call it the Daily Practice, or DP. It takes five to ten minutes per day. Every day. And it is the single most impactful thing you can do to live the life you want to live.

The DP can have a variety of elements to it and it often develops over time, but there are five core steps, each of which should only take a minute or two:

Step 1: Find a quiet place where you can be comfortable and distraction free. I recommend sitting in a comfortable chair with your eyes open or closed, whichever you prefer. Breathe slowly and deeply, relaxing your body and allowing your mind to let go and just focus its attention on your breath.

Step 2: Identify what emotion or emotions you are feeling right now. Are you feeling joy? Anger? Sadness? Fear? Or something else? Just notice and feel the emotion without judging it or yourself. If you are aware of the source of the feeling, just notice that as well.

Step 3: Review/Preview. Review the last 24 hours and preview the next 24 hours. This is like the Monday morning football team meeting that starts by watching the tape from Sunday's game, then starts preparing for the next game. Imagine you have your calendar in front of you (or actually have it) and look at yesterday, simply noticing what happened and asking yourself if there is anything you need to be aware of. Do this without judging anything as right or wrong, good or bad. Then look at your calendar for the upcoming day and ask yourself what you need to be aware of or what intentions you want to have for the day.

Step 4: Your container. This is a placeholder for specific things that you are working on or want to remind yourself of in your life. Examples might include your life mission, expressing gratitude, or asking curious questions. Often it is helpful to phrase these as positive present tense statements as if they were true.

Step 5: Return again to slow, deep, mindful breathing. Get in touch with the feeling of calm, peace, presence, and centeredness that can accompany this and hold as much of that as you can as you return to whatever is next in your day.

I strongly suggest keeping the overall DP to five to ten minutes so that it can be incorporated into your daily routine without significant disruption. Five minutes a day is worth far more than 35 minutes once a week. If you miss a day, don't despair, just return to it again the next day.

Over time, you should start to notice changes. They may be small at first, but the DP gathers momentum over time and can create profound shifts. Let me know how it goes. I'd love to hear from you.

About the Author:

Zane Robertson has been leading organizations for over 20 years. Zane's coaching experience spans a wide variety of industries and clients over more than a decade. He has worked extensively with individuals who are looking to take their lives from "good to great," often exploring the issues and challenges that can come with "success." Zane has also worked with groups and teams on dimensions ranging from peak performance, to trust, communication, collaboration, and more. Throughout his work, Zane focuses on helping clients clarify their vision for where they want to go and make the changes necessary to get there.

All of Zane's coaching and leadership work is built upon the foundational notion that adults can and do develop and change continuously over time and that this process can be guided toward clear goals and objectives. He brings extensive knowledge of current neuroscience and its relevance to adult development and learning, including what is known as "neuroplasticity" and the implications of this research for the change process for leaders. Zane is a frequent speaker at conferences and published author on the neuroscience of adult development.

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[\[Back to Top\]](#)

Fees & Rebating

Because a question is simple does not mean the question's correct answer is simple. The question, "Is my agency's fee procedure legal?" implies a simple answer. Maybe if the entire procedure is laid out, state by

state, a simple "yes/no" answer might be rightfully given. However, in all my E&O/Agency Valuation due diligence work, this is never happened.

The reality is:

1. Many agencies, maybe most, do not have a written fee procedure. This means the answer to their question is another question, "What is your fee procedure, in writing?" If it is not in writing, a true fee procedure does not likely exist. Furthermore, in the vast majority of agencies I've visited, each producer has the option of choosing their own fee structure if the agency does not have a written procedure that is mandatory.
2. Most agencies have completed minimum, to be generous, research into fee regulations. Mostly they go by hearsay. I have an extensive database of the most current fee regulations which is why I know their hearsay is not accurate.
3. Virtually no agency I have met distinguishes between fee procedures by state. The agency's state is a mostly a moot point and yet almost every agency tells me the applicable regulation is their own state's regulations. That is not true. The applicable state's regulations is the state in which the insured is located, not the state in which the agency is necessarily located.
4. Most agents' fee "procedures" have inadequate, if any, distinction between personal lines, commercial lines, benefits, standard lines, and surplus lines. Not all states differentiate but many do. The differences are material; the required procedures and forms are different.
5. Few producers or agency owners understand how fees can be interpreted as rebates if proper fee procedures are not written and abided by.

While it is true that nothing bad has happened yet to 99% of agencies which have no procedures or sloppy compliance and therefore, no price has been paid for not following the regulations/rules/statutes (some states use regulations and some states use statutes), I am sure a felon but a jail virgin is thinking the same.

I am not sure, but typically legal violations are not covered by agency's E&O policies. As most readers would advise their clients, it is always important to read your policies to be sure, especially if you are optimistic on this point.

Forgetting momentarily the possible criminal aspect, consider the reputational/processing price paid. When producers/owners do not follow the same fee procedures, inconsistencies are created. Inconsistency creates E&O exposures and wastes processing time. The staff is creating different forms, different signoffs, different fees, and different this and different that each time which is extremely inefficient and almost guarantees an eventual bad debt/E&O issue.

Also, morale suffers when CSRs do not believe producers care about following regulations. CSRs generally care a lot about being fair and when they see fees determined subjectively, without consistency, and in ways that increase their workload unnecessarily, they are not happy. Their displeasure is conveyed subtly, or not, to your clients and they have more contact with your clients than you or your producers.

Fee/Rebate procedures are complicated in most states. Even when the rules look simple, mostly the solution is not simple. The place to begin is obtaining absolute certainty of your clients' states fee rules by line of business and by whether each policy is with a standard or nonstandard market. For some states, the intricacy is even more detailed and must also consider whether the agency is acting as an agent, a broker, or as a producer. The permutations, because of all the variables in some states' rules, make the solution quite complicated.

The second step is to take the applicable rules and build your agency's procedures. The third step is to create a compliance audit to be sure your people follow your procedures. Again, fees involve more than E&O. Fee rules/laws are regulations and laws. As the old saying goes, ignorance is not an excuse for not following the law.

I have an extremely current database by state and I can help you build your fee procedures. I am fairly certain no other publicly available database exists of this accuracy and current status. Prices vary by state. If you're interested in a specific state, please email me at chris@burand-associates.com.

[\[Back to Top\]](#)

Is it time to remove the pain?

Several times in my life and my family's life I've experienced how small and inexpensive diagnostics have identified the source of bodily pain that doctors using regular protocol, or perhaps they were just lazy, had failed to address. Sometimes the solutions were inexpensive and sometimes not. In all cases the solution involved enduring some extra but temporary pain. Whether it was a surgery or physical rehabilitation or a change of habits, extra but temporary pain was a side effect of the cure. What often has amazed me is how the cure identified pains the person does not even know they have. The body is an amazing machine and when enduring pain, it causes one to focus on the most pain rather than all pains. Doctors always ask where the pain is worse and yet the body is likely feeling pain elsewhere too. For example, quite commonly a person with a back problem will have much more pain in a specific spot but once that pain is addressed, they'll realize they're hurting elsewhere too.

The cumulative effect of all that pain, over time, negatively affects a person. They do not have the energy to participate in life. They can't get past pain thresholds to be active. Maybe they cannot sleep. Maybe they are irritable. Maybe they are outright mean. Then they get the quality treatment they need and the world literally awakens the next day a much brighter place.

Many people never get the treatment though and it is not for lack of medical care. It is because they cannot get past the idea of incurring additional, albeit temporary, pain. Even if they will no longer have to endure pain from where it hurts the most and they'll eliminate all the ancillary pain too, the extra pain is too much to bear. They continue to suffer, endure, and be so much less happy than they otherwise would be. They choose to go through life with a grimace rather than a smile.

What does all this have to do with running an agency? I see many agency owners enduring and suffering daily pain while they choose to avoid the extra, but temporary, pain required to live a much more successful life, a less stressful life, and a much happier life. Excluding those that are masochists, and I think some might be because their daily pain levels are more than normal people could bear willingly, why do these owners not undergo the solution?

Let's start with examples. The best example is the producer who does not produce and is overpaid to boot. That producer causes pain each and every day. The owner comes into the office and thinks that maybe today the producer will sell some insurance. That is the primary pain. The secondary pain is when the monthly income statement is printed and the owner is reminded once again how much money he is losing. More secondary pain is experienced when the staff complains or when the owner one witnesses how their morale is suffering as a result of having to support a producer who does not produce and is paid for not producing. Firing that producer hurts. That extra pain subsides quickly most often and all the good endorphins flow back into the agency. The agency realizes it was hurting in places it did not even know it was hurting as experienced by all the areas in which it is now feeling good.

Another example is the bookkeeper who cannot keep books. Everyone is afraid of firing her. Everyone always knows she is making mistakes but they are still too scared to fire her. Odds are high she has been at the agency as long or longer than any other employee. Some agency owners seem to believe that if they were to walk into her office and fire her, a monster would erupt out of her head and pronounce, "Fire me and you will risk certain death!" The extra pain is intense and scary but it feels so good to know your financial statements are correct. The extra sleep, the loss of stress on multiple levels, and the loss of fear make an owner feel so good.

These are just two simple but extremely common examples of agency owners willing to endure daily pain, likely not even realizing how much pain they and their people are experiencing simply because they cannot bring themselves to endure extra, but temporary, pain. One could use John Stuart Mills' economics of utility to mathematically show how the gain is worth the extra temporary pain and it really is that black and white. It would not make a difference though because the fear, and therefore the cost of the solution, is much greater than any outsider realizes.

The extra pain's origin is deep within the psyche of these agency owners and it is often so deep that it sometimes gives the appearance of the owner actually being masochistic. The pain is so deep that it is now masked which is why when someone does trigger the solution, the feeling is so much better than they ever expected. The most important pain is unmasked and eliminated.

That deep origin varies obviously from person to person and the exact nature varies. In the two common examples I gave, the issue arises from the pain of having difficult conversations. The pain comes from the thought of having to say something the receiver will not like. It might be minor or it might be major.

Extremely often, the actual dislike is imaginary. The receiver of the message will not care. The discomfort then is 100% emotional with no basis in reality. The agency owner is experiencing daily pain for absolutely no reason other than their own psyche.

Simple tests exist to identify these situations. The solutions may be simple and cheap or complex and expensive but is it not worthwhile to identify whether your pain is even necessary?

[\[Back to Top\]](#)

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 25 years' experience. He is a featured speaker across the continent at more than 300 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 and certified E&O Auditor.

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