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Resources and Information for the P&C Insurance Industry

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In this issue...

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A Tribute to George Nordhaus

George Nordhaus recently passed. Most new people in the insurance agency world do not know the value George brought to the industry and for which he should be remembered. He and his brother Jack were a two-man internet for agents before there was an internet. They built a huge resource library for their members. They also brought together, especially in their IMMS 500 days, considerable expertise from a wide variety of disciplines to their members and their meetings.

George gave me the first opportunity at a national stage and to this day, I am appreciative of that opportunity. Without question, it led to more doors opening. But I wasn't so sure that first day about George or the opportunity. I was nervous, and those who know George will remember how he could talk and talk and talk. My presentation was scheduled for one hour. By the time he finished his "few" comments prior to introducing me, I had 35 minutes left. Balancing my appreciation for the opportunity and feelings of impending doom while mentally editing 45% of my presentation was a challenge.

George was also the promoter of probably the first insurance podcasts before there were podcasts. Once a month, all the IMMS members received a cassette tape with interviews from three to five people. He engaged Jack Burke to conduct the interviews. Jack was a great person and friend who taught me how to be interviewed for George's audio program. I am grateful to both.

George Nordhaus made a tremendous contribution to advancing independent insurance agencies and I hope this helps his contributions be remembered.

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Productivity and Leadership

What is the best way to reduce your exposure to EPL suits and DOL investigations? Employ fewer people. I received an email newsletter from a national law firm summarizing the new employment laws in each state. These laws are going to make employment so fair that, especially with Chat AI, employers will simply find alternatives to employees. That will take time. What can you do now?

Employ fewer people. Employing fewer people means fewer exposures to suits and investigations and those exposures will be easier to manage because there are fewer people to manage.

Productivity will increase because fewer employees doing more work, usually at higher wages, is an extremely effective solution for everyone except for those who are not that good at their jobs. Higher productivity is also not great for leaders who cannot lead. My agency clients with strong leadership do not have problems finding employees and they also do not need as many employees. The proof is clear that high quality leadership results in higher productivity.

Unless you are a strong, smart leader willing to address performance issues head-on, the following advice is not for you. If you are not that kind of leader and you attempt to implement the following points, the odds are you will make your situation worse, not better. Quality leadership must precede the following actions.

1. Employ High Quality People. High quality producers and staff can do more in eight hours than low quality employees can do in days. A reader may be thinking, "Easier said than done!" It is undeniable that this is easier said than done, but the real question is whether my suggestion is feasible. It is. A lot of work goes into the execution of this goal, but this is where leadership must prevail. Tough decisions must be made. Decisions that only quality leaders are willing to make. As one of the great leadership gurus of all time, Abraham Maslow (originator of Maslow's Hierarchy of Needs), noted, "...leaders have to be able to withstand [being] unpopular, without falling apart. The kind of person who must be loved...will not make a good leader in most situations."

   Most of the leaders in this industry advanced through sales. In sales being loved or at least liked is the key to success. Salespeople generally do not make good leaders because what serves them well in sales becomes a weakness relative to leadership.

2. Pay Your Employees More. When you offer to pay higher salaries, higher quality people will respond to your want ads and searches. Also, when you pay more, you have the right to expect higher quality work. You will pay more for your employees, but not enough to erode the extra profits.

3. Provide Quality Training Programs. Quality training is particularly important relative to hiring producers. My clients that have built an exacting new producer hiring and development process have new producer success rates 260% better than average. The net result is that one of their producers can achieve the same production within five years as agencies without quality training can get out of three to four producers in the same amount of time.

4. Institute First-Class Procedures And Require All Employees To Adhere To Them. I have evaluated this point thoroughly through my proprietary statistical systems and agencies with quality procedures can achieve the same amount of service (account manager level service) with 20% fewer employees. This holds true in both personal and commercial lines. If you combine this increase with higher quality account managers, the savings increases even more.

If you are an agency owner reading this article, the odds are nearly 100% that you did not build your agency so you could enjoy being an HR manager. Given all of the new laws and the expenses associated with those laws in the form of new taxes, compliance, and proof of compliance, you will be spending less and less time doing what you love -- selling and being with your clients. Instead you will be spending more and more time filling out paperwork.

The fewer employees you have, the fewer HR headaches you will have. You will reduce your taxes. You will increase your profits. All else being equal, you will increase your agency's value -- at least with some buyers. Other buyers are so inefficient they will not pay for that extra value because they know they will ruin that value immediately upon acquisition.

Increasing efficiency, without cutting corners will also reduce your E&O exposures. Additionally, and possibly more importantly, more constructive efficiency, not the efficiency created in a sweathouse environment, results in a far better work environment. Fewer meetings are required. Your employees will feel a sense of accomplishment when they see the results which will then reinforce their sense of achievement. Employees will not feel they have to clean up after others' errors.

Leadership is the key. Being an owner in a leadership position does not make you a good leader. If you want to improve your productivity in a highly constructive manner, let me know. In fact, if you just want to know how productive you really are using the best metrics, let me know.

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How to Lose When You Think You are Winning

As I was drafting this article, there must have been something in my subconscious related to a love song. Hence my thought that agency owners and producers are awfully prone to falling in love with carriers that are incompetent but employ nice people.

In fact, I recently read two surveys that show the top carriers as rated by agencies. Seventy-five percent of the carriers listed as "great" have limited futures because their financial performance is so poor. I am not suggesting they will go insolvent, but I am suggesting they do not have the wherewithal to compete and are slowly but surely going out of business.

Many agency owners and producers who fall in love with a failing carrier will ask, "What difference does it make if the carrier is a loser, if they're nice and have the right price at this moment?" These agencies are showing their hands. They are selling price and if the carrier is nice and has the price (I am currently working on song lyrics for this one), then it is clear the agency is really just selling price. They do not have a value proposition. Additionally, the carrier may not have the financial wherewithal to compete because their price is too low which is preventing them from making enough profit to build organic surplus. Without building surplus, they cannot grow!

Currently, a carrier that is under immense pressure to completely rework the company before they are downgraded further has this exact problem. Their rates are most likely 20 to 40 percentage points too low. The agents using this carrier think they are great salespeople, but in reality, anyone could sell rates this low. Now the agents cannot find alternative markets that offer rates anywhere close to what they paid last year. Fortunately, the agents can blame the hard market and inflation.

This situation is an immediate problem. An example of a longer-term issue is that the carrier is slowly losing opportunity. People do not measure opportunity cost very well. It is difficult to wrap one's head around what could have been, and a person can so easily dismiss such thoughts as hypothetical, especially if they do not take the time to think through the lens of reality. But the long-term losses are definitively not hypothetical.

Here is an example to illustrate the losses using real numbers:

Carrier A is failing and can only increase surplus by borrowing money and achieving one-off unrealized investment gains. They have not materially grown in the last seven years even though that time period occurred when carriers were consistently growing <u>and</u> earning strong underwriting profits (between 2015 and 2021, Carrier A's premium increased by -0.9%). Carrier A has lost billions in profits.

Carrier B generates organic surplus faster than their growth. Carrier B always makes a profit. Carrier B averages growth at double the industry average. In other words, they are taking market share away from other carriers. It is difficult to imagine what happens when market share is taken away, if the losers still grow marginally. So, what is the problem, right?

Scenario (other than starting at $100, the numbers are real and growth rates are based on the last seven years):

	Carrier A	Carrier B	Industry
Initial Sales	100	100	
Carrier Growth	0%	8%	
Industry Growth			4%

Over seven years, this is what happens assuming there are only two carriers (there are actually around 1,000 P&C mother ship level companies and those growing more than about 4% are continually taking market share from those growing less than 4% so while not a zero-sum game, the ones growing more slowly than the market are losing, especially if they are simultaneously unprofitable):

Years	1	2	3	4	5	6	7	Market Share
Carrier A	$100	$100.0	$100.0	$100.0	$100.0	$100.0	$100.0	36.8%
Carrier B	$108	$108.0	$116.6	$126.0	$136.0	$146.9	$158.7	63.2%
Industry	$208	$208.0	$216.6	$226.0	$236.0	$246.9	$258.7	

(Note: Initially the growth rate is 4% for the entire market but Carrier B eventually gains so much market share while continuing to grow at 8%, that it increases the industry's total growth to 4.9% by the end of year seven.)

Seven years is too far out for most producers, but it is a good time period for planning purposes. Carrier A has lost twelve percentage points of market share which is the equivalent of losing $32 million in premiums assuming the total available premium is $263,000,000. Losing $32 million in revenue because a carrier is poorly run is an enormous loss, albeit one that is difficult to comprehend compared with the clarity of losing a large book of $32 million. The latter is an obvious subtraction while the former never shows anywhere. It is still a loss and a real loss, even if the carrier's CFO is telling everyone that they have grown by 10% over the last ten years.

How did Company B succeed? They have a combination of better rates, products, and services. Given that they have better rates/products/services, better accounts gravitate to them. What is left for Carrier A? Adverse selection. Adverse selection is a key reason Carrier A's combined ratios are a full and consistent twelve percentage points worse than Carrier B's over the last TEN YEARS!

In all seriousness, how can anyone conclude that Carrier A has a bright future or even a good future?

At the agency level is it easier to write, and therefore grow more quickly by writing, with a carrier offering a combination of better rates/products/services or a carrier that is only getting adverse selection? If you answer the latter, then your agency is writing lousy business that no one else wants and your future will be limited too.

This is indeed the scenario playing out for many agencies and carriers. Therefore, when agencies are placing business with carriers that are hitting the surveys but do not have a business model, the agency owner really should be asking about the quality of the business the agency is trying to place. One of the surveys I reviewed had a collection of quite specific carriers that are indeed writing the business that few carriers want to write. In another, the collective annual growth rate of the carriers receiving the highest scores was about 1.5%. How great can those carriers be if they cannot even maintain industry pace?

At the agency level, if you write with the best carriers that have the rates/products/services to put wind in your sales, you can grow your agency 10%-20% faster than your current growth, significantly build your brand and make more money. Fact check: if a carrier has materially better loss ratios, then is it more or less likely your loss ratios will be better? If your loss ratios are likely to be better and your growth rate enhanced, then what is the probability that your profit sharing will be higher?

Quite a few carriers are led by executives promoting that they are winning when they are really losing. Do not drink their Kool-Aid. Focus on actually winning all the way through. Partnering with carriers that help you write the best business versus the business that you find available and searching for a market, is the ticket to success. If you want to accelerate your knowledge of carriers, contact me at chris@burand-associates.com.

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A Quality Free-fall?

This is a difficult article for me to write for two reasons. The first is that I really love how insurance, when done well, can make peoples' lives so much better. The second is that by writing this article I am taking the chance that some people might consider this article libelous or a violation of the much-outdated anti-disparagement laws.

A number of parties within the industry, not always the best players either, take advantage of anti-disparagement and libel laws knowing how difficult the laws make it for others to counter what they do. In effect, these laws protect the bad actors far more than the public. For those unfamiliar with insurance anti-disparagement laws, in a nutshell, these laws dictate that one cannot disparage an insurance company. You cannot say negative things about insurance companies.

For example, during the credit crisis an agency advertised that they did not represent a specific bankrupt company. Technically, as it turned out, the company mentioned in the billboard was not technically insolvent because the U.S. government had bailed them out and therefore, the carrier was not, technically speaking, insolvent at that time (at least a portion of that company has since declared bankruptcy). The agency was fined for disparagement. The law's purpose was to prevent competitors from making insurance companies appear weak or unfair to their customers without having absolute, definitive proof that the company is financially weak or unfair.

That makes sense in general, but when these laws are used to suppress the obvious or to suppress data simply through technicalities it results in unfair protection. It may not *technically* be unfair, but it is *practically* unfair. Take two highly rated insurance companies. One is a pure traditional mutual carrier and the other is an assessable reciprocal. One has actual money in the bank with which to support its surplus and the other's surplus is generated by assessing its policyholders who, though they may have signed a power of attorney relative to the assessment potential, have no real understanding of what they signed.

One pays with its own money and the other pays with its clients' monies. The companies' high ratings do not show this material difference because the odds of going insolvent might be the same even though one of the companies will not go insolvent due to the requirement that their policyholders pay for the claims. What is the difference, other than the dollars and timing, between a policyholder having to rely on a guarantee fund to have their claim paid and having to pay their own claims through a reciprocal agreement?

Agents must be extremely careful how they explain this crucial point to clients or risk violating the anti-disparagement rules. It is even more important now since many reciprocals are being created.

Another example is how insurance is now sold. Commercials that cost billions of dollars are produced that have absolutely nothing to do with protecting people or their assets. The legal contract sold could be for anything because the commercials barely mention insurance and when they do, the reference is either the price or the company's name. How regulators allow carriers to sell price without reference to asset protection and protecting consumers is beyond me. I read a politician's comments about high homeowner insurance prices and the need for correction. Great, but if homeowners insurance prices are not high in that state, there will be no private insurance. A trade-off always exists. The lower the price, the higher the odds that either coverage or quality of coverage will be less.

Regulators who allow companies to exist even though they cannot make money in non-catastrophe years in catastrophe prone states and then pretend those carriers have a winning strategy are a joke. The New Orleans *Times-Picayune* newspaper had an excellent article on this point in November 2022. If a property carrier in a high catastrophe risk area does not make money in years when catastrophes do not happen, then the probability their rates are actuarially sound are about zero. Filed rates are supposed to be tested.

The ruse is successful in the short run but when a failure happens, the public readily believes it is the greedy insurance company's fault. The politician mentioned above griped about how insurance companies created special subsidiaries just for that state and then shipped millions of dollars of profits out of the state back to the parent company and then tightened their stranglehold on that state's market. It is a readily believable claim and around 80% of the population probably accept it as the truth. The reality, in my experience, is that carriers create such subsidiaries only in states where their contingency planning requires an easy exit from a state with bad regulations and/or bad regulators. The carriers need a way to clearly separate their results in that state from their results in other states. It is not as if carriers dream up ways to create greater demands upon their IT systems, accounting departments, legal departments, or that they enjoy the headaches resulting from having extra subsidiaries hanging around.

This is an industry selling a product no one wants to buy. It is an industry selling a complex product that few people, including those selling it, fully understand. It is an industry selling legal contracts but the sellers do not have law degrees. In fact, the license to sell this complex product requires fewer hours of training than many states' requirements for manicurists and hair stylists (not that cutting hair is simple, but a failure does not cause a person to go bankrupt). So, we have unknowledgeable consumers buying a product they do not want to buy, sold by people who do not understand what they are selling, overseen by politicians who are clueless, and regulators who are probably so tired and have so much pressure to focus on fairness that they let much of the rest slip.

This is the perfect environment to ignore quality and true asset protection.

Many agents care deeply about protecting their clients. I meet both carrier and agency employees who care and even take the time to learn their coverages well. How do these people succeed in this toxic environment? They succeed one client at a time. These agents succeed by educating customers about the coverage they need. They succeed by educating their employees. They succeed by talking to people. Analogue service works and it works extremely well when a person knows their coverages and then convinces people, through conversation, to purchase the coverages they truly need. The ROI is phenomenal.

The opportunity created by poor quality and the protections offered by anti-disparagement rules (which would be more fair with better regulation) is significant because it makes it easier to stand out in the crowd. When you have a claim would you rather talk to someone living in your town or a call center? You are putting your entire home and all your assets on the line for $500 in savings. You are buying asset and liability protection from an entity whose standard of care is minimal because they do not represent you, ever. Therefore, you are responsible for knowing what coverage you need and understanding the coverage you are buying by reading and comprehending your insurance policy. Is this how you want to spend your time? Are you that expert? Would you (the consumer) go to Las Vegas and bet your home with $500?

Are you (the agent) enough of a true quality professional to ask those questions of your clients?

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Keeping, Leaving & Coping

An employee shortage is obvious to most agency owners, managers, and employees too. It is also obvious to almost everyone that hundreds and often thousands of agencies are bought and sold annually, and that there are about the same number of independent agencies starting up from scratch as there are existing agencies being are sold annually. So much M&A activity creates more employee movement than has ever existed in the independent agency space.

Add in all of the existing labor laws that are now being enforced with more regularity, along with the probability that non-competes will be outlawed for regular employees in the near future, and it is easy to see why some people feel they are facing chaos.

The labor problem goes both ways, for the employer and the employee. Here are some considerations to ponder with regard to employees of agencies with and without acquisition activity, employees who want to leave after their agency has been sold, and suggestions on how to cope with a new employment environment after your agency is sold.

Keeping Employees:
I would be very rich if I had a silver bullet solution to this stressful situation. The solution is unique to each agency and their employees and always involves a combination of enticements. For staff, high quality procedures create a richer, safer, and better environment. Almost all agency owners ignore this point. However, my clients that have enacted the best procedures, and where those procedures are also enforced upon producers, have the least staff turnover. This uniformity makes the work environment more fair and fair sells.

Obviously, compensation is important because staff wages are going through the proverbial roof. It is becoming more common to see high quality commercial account executives being paid more than producers, sometimes into the six figures. The idea then of paying low wages and getting and keeping quality staff is simply a bad idea. If you want to hire high quality people, regardless of whether you are in a small town, you must pay higher wages. The benefit, assuming the agency has good procedures in place and quality producers (who needs poor producers?), is that the best people can service larger books resulting in a win for both the employer and employee.

Most people, I assume, want a job that has meaning. Post pandemic, the need for a meaningful life has taken on additional emphasis (as an aside, young people seeking life's meaning should watch Monty Python's *Meaning of Life* for their solution). Insurance is one of the most meaningful industries that exists -- if it is done well. An agent called me the other day who has never read any of the policies he has sold. He is providing zero benefit to his clients. He is doing a poor job and adding no real value to anyone.

However, insurance that is crafted to fit each individual insured's true needs so that if they have a life changing claim they have coverage is absolutely one of the most meaningful jobs anyone can choose. Knowing a person has all the UM/UIM coverage they need to recover from a horrible auto accident is almost as important as that person having a great surgeon because you have created the means by which that surgeon is going to be paid.

Leaving an Employer:
Throughout my career I have never seen so many employees leave agencies and I have never seen such aggressive litigation involving employee departures. Many employees are leaving because they want more meaning in their life, a better work/life balance, or they are coping with family members who have serious health problems. Others are being offered huge wage increases. Many are very unhappy with the new work environment that developed after their agency was sold.

If you are contemplating leaving your agency for any reason, I encourage you to review any applicable contracts you have signed. If you do not understand what you signed, or perhaps you signed it 20 years ago and are not sure if the law has changed in some manner that would affect the contract, then get quality employment law advice (do not go to a regular attorney). Abide by the contract to the extent of your attorney's advice. Try to leave the agency without burning bridges because while this industry employs hundreds of thousands of people, it is really quite a small community. You might think burning a bridge will not matter, but ten years down the road you might be unpleasantly surprised.

If your attorney advises that a grey area exists that might enable you to, for example, take your clients with you, then you must decide how much angst and money you are willing to spend if your former employer sues. Some of the suits I have seen over the last three years have left me wondering about some of the parties' sanity because the basis for the suits seems insane. I share this insight because I hear a lot of people say their employer would "never" sue them.

Also, the fact of the matter is that some of the buyers of agencies create unpleasant work environments which causes a lot of employees to leave. In fact, the exodus that these employers create becomes such a problem for some agencies that they sue the employees who leave simply to send the message to other employees not to leave.

Coping With Employees And Employers In An M&A Environment:
Expect employment and personnel changes after an acquisition. The lack of such changes may actually indicate a poor acquisition strategy. Often the friction that arises post-acquisition is nothing more than a clash of personalities. Neither the employer nor the employee is wrong. That said, many people work in small agencies because they prefer that environment and when the agency is sold that atmosphere is lost. Those employees will leave and a buyer should not be surprised when they do so. If those employees had wanted to work for a large corporation, they would likely already be working for one.

A number of buyers make changes to the environment of the acquired agency and then become upset when employees leave, especially if those who leave are the best account executives and producers. The more changes made, especially negative ones, the more employees will leave, especially in a tight job market. Some of the changes buyers make are especially negative such as greatly reducing the quality of the service to customers, cutting producer compensation, and increasing workloads.

All of this is great news for agency owners who need new employees because if you have a good working environment, and as insurance is a small industry and everyone knows which agencies have the best working environments, you may find people available to hire from recently purchased agencies. When you hire them, be sure to emphasize the importance of your new employee adhering to their prior contracts and take extra steps to document their compliance. If they allegedly do not adhere to those contracts, you can document that you did not aid them in violating (allegedly) those contracts. Again, many former employers sue just to sue and they sue the employee along with the new employer.

I see many producers who leave to start their own agencies with the focused purpose of building a more equitable agency as a result of the way they were treated upon the sale of their former agency. The good news is that it is currently easier to start an agency from scratch now than at any time over the last 30 years. For all practical purposes, no barriers to entry exist today relative to becoming an agent. Through networks, carrier contracts are easy to obtain, one does not need to know much of anything to get a license, and anyone can work from their bedroom. Such ease of entry is one reason thousands of new agencies have been created from scratch over the last four years.

The current employment market is quite chaotic. However, with a good working environment (and I do not mean all the soft silly stuff like playrooms, free lunches, and enlightenment seminars -- but the hard stuff like quality procedures enforced upon everyone), more opportunity exists to build something really special. I have clients that have already achieved this competitive advantage and are now growing quickly while their competitors are left scratching their heads. Are you enjoying life or scratching your head?

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Accountability

I have only been in the insurance industry for 35 years and have not seen everything by any means. I have, however, observed a large majority of sales consultants, including almost every prominent one. Sales consultants are kind of like whack-a-moles, they come and go and some go and come back again and again with new schtick each time. I have found that not many of their strategies work in a sustainable manner.

Strike the tactics some might question as unethical such as cutting coverage but only showing the lower price, misrepresenting risks on applications, presenting one's self as a risk consultant when no risk consulting is involved (especially if the producers are not qualified to be risk consultants because they do not know the applicable coverages), and so on and so forth. Their failure is frustrating from many angles but it is especially frustrating to those of us who want to see insurance sold well and in a manner that truly protects clients. There is a running joke about one or two such consultants that they must have incriminating photos of their clients because no one can figure out why their clients keep paying for their services. The answer is simple, salespeople chase shiny silver lures with more passion than fish.

I am not being mean. I am simply stating the truth.

About twenty or so years ago I was asked to review a complex alternative risk plan. The difference in funding between the way the program was promoted and the actual math was 100% -- literally 100% (well, maybe 97%). The seller of this program represented that the cost would be half as cheap as it actually was going to be. Producers loved it and sold a bunch of these plans. I recently described the plan to someone, including the issue that the cost was double what was presented, and the producers still asked where they could sign up, was it still available? Is your job to make sales, even the wrong sales, even disingenuous or arguably unethical sales? Or is your job to take care of your clients and be accountable to them?

I am currently seeing agents continually buying new agency management systems that they think will fulfill their needs. The systems may or may not work on a daily, micro basis. However, most do not work well relative to the overall management of an agency on a macro basis. One reason the agency management systems fail at the macro level is that the systems are not designed for quality agency accounting. Some sellers suggest using QuickBooks, but QuickBooks cannot do independent insurance agency accounting correctly without significant additional effort that will most likely require new coding beyond the ability of 99% of agency owners.

All these entities, and I could go on regarding other substandard products and advisors, exist because their ethics permit it, but also because too many buyers see a big "Easy" button. They get excited and fail to do any due diligence. A good recent example was when a sales consultant decided to be a captive manager who was associated with another consultant who set up a network with specific agents. My imagination is not creative enough to make these things up. To the best of my knowledge, none of the agents, NONE, did any due diligence prior to signing the contracts.

Captives done well are math intensive. Sales consultants are rarely math majors, but they can count dollars fairly well. Trusting a sales consultant who is selling captives is such an obvious mistake. Just retire your brain and turn in your license -- which is easy to say if you are not sitting with a person who offers such a trustworthy persona. Additionally, the easiest person for a salesperson to sell to is another salesperson, just like the easiest person to BS is another BSer. A salesperson WANTS to trust because they WANT to be trusted. Trust is their easy button.

This is why a PAUSE button needs to sit beside the EASY button. Hit the PAUSE button and ask yourself some hard questions. Get a third-party evaluation if necessary. I have seen many producer failures where the likelihood of failure was obvious even pre-hire. However, the owner liked the person so much, i.e., trusted them immediately, that they did not pay attention to the profile tests and other red flags. They ignored the objective data. It was easier to hit the EASY button and hire an extremely likeable person than to go through the mental evaluation and emotional pain of not hiring someone you like and knowing you must find an alternative. It is easier, but not smarter, to just roll the dice.

Knowing who to trust and what to buy is difficult when you do not have much experience with the product. I bought a big machine. I had never used this kind of machine and had no one to ask about which brands were the best, what features I should consider, and so forth. I was reliant on the gospel of the internet.

The reviews of the brand of machine I bought were high and yet my machine broke repeatedly. It was poorly constructed and poorly engineered. The machine was designed for light and infrequent use. The internet reviews were from people who used it lightly and infrequently, but I had no way of knowing this upfront. My due diligence was entirely inadequate and I too just wanted to trust someone's recommendation.

I have a seminar where I outline in a paint-by-number process the steps and specific resources needed (including naming consultants I consider trustworthy and highly competent) to aid agencies in hiring and developing producers successfully. No one mentioned in the seminar pays me anything for recommending them in my presentation. In the seminar I bluntly state that a high success rate is entirely dependent on hiring out each segment to these true experts. The audience's reaction? Many critiques stated they disliked the program because my recommendations would require too much work. The audience members were looking for that EASY button.

Would they have preferred a pretend easy solution that is doomed to fail? I think some would prefer that and plenty of advisors offer them. Those agents are the perfect future victims of predators selling easy solutions.

Other fun examples of choosing the EASY button without adequate due diligence include:

- Being impressed by a big agent/broker because they are big without ever pausing to consider that the broker has never made a profit. Is it better to be medium sized and highly profitable or huge and unprofitable? Moreover, what if that broker is highly indebted? Let's think this through. Is it more impressive to build a medium-sized agency that is growing at a solid pace with a high profit margin or be a large agency that borrows lots of money and loses money every year?

- Listening to a sales consultant advise the need to break the incumbent's relationship by building a better, gap free insurance program without knowing anything about coverages. How exactly is that going to work? I ask because the need to possess a deep enough coverage knowledge to use this strategy honestly is often not mentioned in these programs. The strategy makes sense but is useless if key required ingredients, like knowing where the coverage gaps are, are missing. It is like an insurance company strategizing to beat the competition in some market without possessing the surplus with which to write the business.

However, if sales consultants listed the prerequisites needed in order execute their prescribed strategies well, no one would hire them because their audience wants the EASY button. The consultants are shrewd about telling people what they want to hear.

- Joining a network based on all the cool tools and toys the network seems to offer even though the agent does not know how to use the tools. Or, the tools are cheap.
- Selling your agency to a buyer because you like them. Do your due diligence because the buyer's representative is not likely to be the person to whom you will be reporting post sale.

Agency owners have so many hats to wear, some of which they likely abhor, but they have a responsibility to the agency, employees, carriers, and of course, their clients. The EASY button can feel so good to hit, but it usually does not work. If something seems too easy, it probably is not going to work.

My best recommendation is that if you really need an EASY button, you probably need to hire someone else to do that particular job. The agencies of today need to hire quality management people at lower revenue levels than I have ever seen. That person, especially if they are not a salesperson, can be your PAUSE button and extremely complimentary to your skills thus enabling your agency to achieve true, hard earned success much more surely than success can be had chasing silver lures.

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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 and 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 35 years' experience in the insurance industry. 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.

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.
