

Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

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Greed

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Cheap is always the best, right?

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A Great Opportunity for Industry Leaders

Join us February 25 & 26, 2027, in Breckenridge, CO, for the **2027 Rocky Mountain Agency Management Meeting!**

This meeting brings together a small group of industry professionals for morning sessions, leaving afternoons free to enjoy the slopes, other resort activities, and the breathtaking Colorado Rockies.

Discussion topics include AI, industry trends, and critical agency management issues, as well as attendees' ideas, roundtable topics, successes, questions, and concerns.



This meeting is a tremendous opportunity to network with a select group of industry professionals. We have only a few seats remaining, so if

you're interested, don't wait! [Contact me](#)
today for a registration form!

Relentless Health Value Podcast

A recent Relentless Health Value Podcast, with host Stacey Richter, features guest Frank Pennachio. In this episode, Frank shares valuable insights on level-funding plans.

Listen to "Level Funding Is Self-Funding: 5 Avoidable Contract Risks, With Frank Pennachio" here: relentlesshealthvalue.com/episode/ep533-level-funding-is-self-funding-5-avoidable-contract-risks-with-frank-pennachio

Maximizing Carrier Relations

Maximizing carrier relations generates cost savings and revenue enhancement, thereby accelerating profit expansion. We advise our clients on how to achieve these results through our proprietary metrics, while also addressing the human side, both internally and externally. Our advice is truly holistic.

Our Metrics:

- Our proprietary algorithms identify which carriers will aid your growth and profitability, as well as which carriers likely will not be of much use to your growth and profit goals. These metrics can also help create lead lists for your producers.
- Our deep analysis of carrier financials provides the insights required to negotiate much more successfully with carriers relative to earning additional compensation.
- Our contingency contract analysis generates strategies for how to best use your contracts and negotiate terms. We have the best software, which creates a true apples-to-apples comparison of contracts that goes far beyond the oversimplified methods typically used.
- We have built analytics to help our clients identify issues with claims. We have helped our clients recover considerable sums based on their carriers' questionable claims, reserves, and even their error-prone math.

The Human Side:

- We advise clients about how to approach and negotiate with each carrier based on that carrier's situation. We go even further and advise how to negotiate with the carrier's specific person. Our services include a full suite of advice on building a constructive business relationship with each individual carrier.
- We also assist our clients in building a persuasive position for dealing with their own internal objectors. We've found this critical because good carrier management requires focusing on fewer carriers, and producers always seem to want every

carrier. Having every carrier is self-defeating, and the bigger the distributor, the more the evidence supports this fact.

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Greed

A very intelligent client recently shared his frustration with insurance companies' lack of help with tort reform. The need for tort reform is significant. Businesses are being squeezed by high liability premiums and, often more importantly, many are sick and tired of a legal environment that leaves them vulnerable to ridiculous liability suits.

In this client's situation, various business groups were working constructively to make the case for tort reform. The data definitely supports the need for tort reform. However, the carriers refused to provide data or lobbying support. If you are an agent, or even a carrier employee, how often have you heard carriers say:

- Nuclear verdicts are a huge threat! The industry will fail if these are not controlled. Ask Google for a list of how many press releases exist on this subject authored or contributed to by insurance companies. (And by the way, nuclear verdicts are not a factor. Mathematically, they do not move the needle on overall surplus. Individual carriers lacking adequate surplus are at risk, but that's an individual carrier problem, not an industry problem.)
- We have to raise rates because we're losing money due to all the liability claims.
- The plaintiffs' bar is just too strong. Until something is done, rates are going to keep increasing.
- And whatever else.

Yet they will not support agents and other business groups in tort reform. I am talking real world, not ivory tower and press release world. Most will not support their agents or insureds.

Why is this? Because most carriers don't really care unless the liability claims truly threaten their livelihood, which, barring claims like asbestos years ago, never happens. Insurance is a cost-plus industry. A cost-plus industry is one where they tell the customer the price is their cost plus X% profit. If claims increase, carriers raise their rates.

As litigation continues to rise, insurance companies show growth and higher profits regardless of their ability or true success. They simply ride the wave of rate increases and take credit for it when they haven't done a thing. If they want to prove otherwise, they should produce the equivalent of a same-store sales report. In other words, divide their growth between net new customers' premiums and overall premium growth. That's simple to do, and some carriers already do it. I have noticed the carriers capturing the most market share are the ones most likely to provide this data because they are not just riding the wave.

Carriers have made record, unbelievably huge profits each of the last three years. They are averaging almost double their historic profits. A *Wall Street Journal* article on August 9, 2026, reported that almost 50% of all personal auto liability claims were closed no pay last year. And carriers want to ride the wave of more rate without doing anything to fix the underlying problem. As the saying goes, it is okay to be a pig, but not a hog. When almost 50% of claims are not paid, even if it is a legitimate no-pay because of fine print in the policy, when making record profits, the industry is not improving its image. It is no wonder politicians listen more closely to the plaintiffs' bar.

Historically, agents have gone a long way towards protecting insureds from carriers' poor behavior. This is one reason carrier retention rates have always been materially worse than agents' retention rates. If the carrier misbehaved, the agent moved the client to another market. I am not sure the entities buying agencies will all be of the same persuasion because it is cheaper not to remarket accounts, suffer some retention loss, and join the surfboard riding the wave of rate increases. I hope I'm wrong on this point.

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Cheap is always the best, right?

Almost every agency owner I know has expressed frustration that customers only care about price. And many agents and carriers are extremely willing to take advantage of customers.

My favorite story of all time is about a consumer who told an agent that another agent was saving them a ton of money on the same coverage. My client was only recommending \$100,000 liability for the auto policy. The insured advised, "The other agent gave me the same amount: \$25,000/\$50,000/\$25,000. And it costs less!"

Lower prices are easy to achieve: just reduce coverage.

Many agency owners are no different when it comes to buying a valuation of their insurance agency. And there are well-known appraisers just as willing to take advantage of ignorant agency owners who believe all appraisals are the same, just as there are agents willing to take advantage of insureds thinking all insurance policies are the same.

Moreover, many agency owners think all agency owners have the same appraisal needs, just like so many insureds think that everyone has the same insurance needs and therefore, shouldn't one policy, the cheapest, be fine for everyone!

Don't read any further if you'd like to believe the cheapest is the best for everyone.

There are many kinds of business appraisals because businesses have many different reasons for being appraised, just as insureds have many reasons for buying insurance. The most basic is the back-of-the-envelope kind. These are common in this industry, and I see agency owners paying \$3,000, \$4,000, \$5,000, and more for them. They may look nice, but they are basically worthless for any official purposes.

Worthlessness is not my opinion. In the business appraisal world, accreditation and reporting standards matter a lot. The business appraisal accrediting boards have ruled that such reports are worthless for any official purpose. I'll define "official purpose" shortly, as definitions matter just as in an insurance policy.

Back-of-the-envelope calculations are what one accrediting board calls "A Calculation of Value". You might think all valuations are calculations, which is correct, so how can this be a problem? All business income insurance policies read the same, right?

As one source states, "Due to the reduced scope of a calculation engagement, the valuation analyst generally spends less time and effort in determining a calculated amount, resulting in lower fees for the client. However, many clients may desire a calculation engagement due to the reduced price without understanding the difference between a calculation engagement and a valuation engagement."

Calculation engagements should only be used for informal strategic planning and preliminary work. Calculation engagements DO NOT MEET valuation standards for anything official.

What is an "official purpose"? Anything that might involve tax, litigation, divorce, and estate, to name a few primary situations. This is one area where business brokers, in particular, take advantage of agencies. They use the same Calculation Report regardless of whether they're selling an agency or completing a report for official purposes. And you, the agency owner, don't know the difference.

I often get the question, which is really a statement, "My estate is too small, so I don't need a 'real' appraisal, do I?" And CPAs and valuation consultants will agree with them or suggest they do a cheap valuation report. These people are all wrong. Tax law does not

work like criminal law. In criminal law, you are innocent until proven guilty. In tax law, you're guilty until you prove yourself innocent.

This means the IRS has the right to assign any value they want to your estate, and if you disagree, you must prove yourself correct. A famous recent case involved a portion of Michael Jackson's estate (Estate of Michael J. Jackson et al. v. Commissioner). The estate completed a very, very good full valuation report. Their appraiser calculated a value of \$7 million. The IRS appraised it at \$1.25 billion! The Tax Court found for the estate and even lowered the number to a little more than \$4 million. But the estate had to prove themselves innocent. And \$7 million is far less than the taxable estate amount! If they had hired one of these charlatans to complete the valuation, the estate would likely have paid taxes on \$1.25 billion.

Moreover, when someone says their estate is too small, they're appraising their own estate. This is like the "O" in Errors & Omissions. It's not that something was done wrong. It's that something was omitted. The IRS and courts are clear: just as in an insurance policy appraisal requirement, you are not allowed to do your own appraisal.

100% of all transfers of ownership between family members must be valued under the Valuation Engagement standards, unless you want to take unnecessary risk. All estate scenarios require a Valuation Engagement. If your attorney is smart, they will require a full Valuation Engagement for divorces.

And for anything involving a buy/sell between partners, especially a disagreement, you would be very, very wise to get a full Valuation Engagement. So far at least, all my clients have won their litigation against others who went the cheaper "aren't all valuations the same" approach.

Valuation reports are discoverable. Therefore, a good valuation report is always written for two readers. The first reader is the party that bought the report. Unless they have an excellent CPA or attorney, they don't know that they need a report written for the second reader. The second reader is whoever is mad at you. It could be the IRS. It could be a disgruntled partner or even a partner's soon-to-be ex-spouse. It could be someone suing you.

I often also get a comment like, "Well, what difference does it make if a cheap report has the same value as the expensive report?" The cheap report is not defensible. I see a lot of owners whose agencies are worth far more than \$7 million paying for cheap reports. If Michael Jackson's estate had followed the advice of the same agency owners' accountants, attorneys, and appraisers, they would be paying tax on \$1.25 billion.

And that gets to an essential difference. The back-of-the-envelope report may, often accidentally, arrive at a value similar to that of a quality valuation report. But because it is cheaper, the documentation, the use of multiple approaches, the research, and the report's quality make it indefensible in court. Furthermore, courts may not even recognize those reports, but they are discoverable, which means you'll pay more legal bills trying to

explain what those reports show. Even if the number is correct in a Calculation Engagement, it will not likely hold up.

Last but not least, to pay \$5,000 for a Calculation Engagement is a waste of money. Get it for \$2,000. If they are worth anything, \$2,000 might be the right price.

If you want to know more, or if you need to, there is a lot of information on this subject online. Look for USPAP standards (which are also used in some insurance appraisal claims), NACVA standards, and if a CPA is involved, look for their AICA and ASA standards. Then make sure your appraiser is individually accredited because the courts and IRS generally require the appraiser to be accredited.

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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 the 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 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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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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