

Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

Vol 30, No 16

December 17, 2025

In This Issue...



Accounting Advice

Recently, a few of my clients have identified structural issues within agency management accounting systems. I won't pretend to understand all the technical factors within these systems.

[Read more...](#)



Loss Runs and Underwriting

Why can't carriers generate quality loss runs and underwrite appropriately using those loss runs?

[Read more...](#)

Season's Greetings!

Be sure to serenade your friends and family this holiday season with **Insurance Carols** brought to you by the Insurance Journal! Listen here:

[youtube.com/playlist?
list=OLAK5uy_nmYGNP9u
ZRlyAvjKRLjGt_R-XWTLaPKOk](https://youtube.com/playlist?list=OLAK5uy_nmYGNP9uZRlyAvjKRLjGt_R-XWTLaPKOk)

May the holidays bring peace, laughter, and joy to you and your loved ones.

Best wishes for a fabulous
New Year!



Chris Burand
Certified Business Appraiser (CBA)
Certified E&O Auditor and Instructor
Burand & Associates, LLC
HC 66 Box 605
Mountainair, NM 87036
719/485-3868
chris@burand-associates.com
Visit us at: burand-associates.com



Accounting Advice

Recently, a few of my clients have identified structural issues within agency management accounting systems. I won't pretend to understand all the technical factors within these systems.

The net effect is that gross numbers may be materially overstated while the net numbers are correct. That is a problem, and absolutely no one should ever accept the response, "Well, the net numbers are correct so don't worry about the gross numbers."

For example, agencies often run aged accounts receivable reports on a net basis. The pre-collection will offset the old debts, and management therefore thinks they're in good shape. But that is not accurate. The agency does not own or have any title whatsoever to any monies collected prior to the effective date. Therefore, those amounts should never be applied to old receivables. This is the same as someone trying to offset their bills against their neighbor's bank account.

The same goes for credits. Maybe credits offset monies owed, but the agency never owns the credits. The client has title to the credits.

An aged receivables report must be run on a gross level because that is the only way to separate the numbers by who has title, who owns the monies involved.

If there is an accounting mistake that involves these reports, cash, or premiums payable, the distortions can cause management to make incorrect decisions. A very serious mistake is believing the agency's trust ratio is materially higher than it is, and then withdrawing or distributing cash that should not be withdrawn.

A partial but essential solution is to learn your agency management system's accounting module in detail. But that by itself might not solve the problem.

One thing to look for in particular is contra accounts. Many of the contra accounts I see on agency balance sheets are largely nonsensical. In a good accounting model, agencies would rarely have contra accounts. If you have a contra account, I strongly recommend analyzing why it exists and whether the amounts are correct.

Reconciling your statements monthly is a wise practice. At a minimum, have a third-party reconcile your accounts (this is separate from reconciling commission statements). An agent recently learned they had about 20% less cash than their monthly balance sheet indicated. A third-party audit identified an oddity and asked pertinent questions before they had spent the money. If they had spent it, they would have been out of trust.

(And for anyone who thinks they don't live in a trust state, ALL STATES ARE TRUST STATES! The Federal Government requires agencies remain in trust 365 days a year. Some states allow commingling of trust and operating monies, but even those states require agencies to be in trust at all times.)

This is a good reminder to pay close attention to your financial reports, especially your balance sheet, your aged accounts receivable report, and your trust ratio reports.

[Back to top](#)

Loss Runs and Underwriting

Why can't carriers generate quality loss runs and underwrite appropriately using those loss runs?

I know, I know, they're just waiting on AI to do all this for them. If that is the case, I strongly recommend all underwriters immediately begin looking for new jobs because your employer is not going to give you AI as an underwriting tool. They're going to replace you even if they shouldn't.

However, AI cannot work effectively with incomplete and inaccurate data. I was reviewing a national carrier's auto loss run, and they insist, INSIST, they cannot provide a loss run that differentiates between liability, physical damage, and UM claims. When I was an underwriter in 1987, I had complete access to loss runs with this level of detail, and so did the agents. AI is not going to solve data and IT incompetency problems of this severity.

Either the carrier is lying, lazy, or has data issues so significant, they are likely entering a downward spiral. How in the world can underwriters underwrite without this kind of data? In fact, one insured had 5 claims in less than 24 months, and the carrier had not nonrenewed them. Any driver with 5 claims in less than 24 months is a bad risk in my book. The large claim is just waiting for a time and place. Even the 5 relatively small claims exceeded several years' worth of premiums.

In this time of ridiculously high insurance premiums, it seems carriers may simply enjoy raising rates and whining about how they're not making money (which is disingenuous given they made profits in 2024 that were almost three times more than normal). Maybe the better solution for everyone, other than carrier executives who need to show premium growth, is to actually underwrite.

Another significant factor is the prevalence of underinsured properties. The enormity of the underinsurance problem cannot be reasonably blamed on incompetence. There must be a purpose. I just had my own carrier tell me I could rebuild my custom home for \$220 a square foot. I haven't found a contractor who quotes anything less than \$350 per square foot. \$220 a square foot is up from the \$158 per square foot they initially said was adequate.

Why might they be underinsuring property so severely? Incompetence for sure. Out-of-date data for sure. One reason they may be using a low number is they are purposely excluding foundations, dirt work, etc., but this is incompetence at a high level. A significant fire will cause concrete to distort, requiring the removal of foundations, completion of dirt work, and the pouring of new concrete. This is just an example of the coverage gap that happens when they exclude essential construction factors in their replacement cost estimates.

Another reason is financial. If they insured property to value, they'd have to increase their surplus, and they don't want to do that. In some cases, some carriers do not have the financial wherewithal to increase surplus because they're already in a hole. My suggestion for regulators is to require carriers to provide 100% full replacement cost, excluding Ordinance coverage, and waive the ITV/co-insurance penalties if they state the property is insured to value. In other words, the carrier should stand under the arch as Roman engineers did when the scaffolding was removed.

Some carriers are using alternative replacement cost estimators when adjusting claims, resulting in lower values. This practice should be banned.

Currently, state laws protect these carriers from losing the best business to alternative markets. Utah, though, recently approved captives for some personal lines risks. Good underwriting markets will eventually take the good business, leaving adverse selection with regular admitted carriers. Carriers promoting rate are cutting off their noses to spite their faces. Whether it is governmental price caps, as the *Wall Street Journal* covered in an Oct 21, 2025 article, or simply people willing to underwrite in new markets, good accounts should not be paying as much as they're paying. They just need an alternative so they can jump.

This has already happened in commercial lines. Admitted commercial premiums are already covering far less than 50% of commercial assets, and likely less than 20%. Almost all commercial premium growth over the last five years, adjusted for inflation, has been in surplus lines and alternative risk transfer. Admitted commercial carriers are falling increasingly behind. Of course, a few exceptions exist, but collectively, they are daydreaming their way to oblivion.

The public is furious about the high cost of insurance today. Carriers are making record profits. Carriers are materially underinsuring property. The industry is clearly on a path that is damaging to the industry and the public. And yet, there are opportunities, with careful planning and thought, to reverse the downward spiral that is consuming many carriers today.

[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 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.

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

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

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

If you wish to be removed from this mailing,
please e-mail AgencyAdviser@burand-associates.com.

Copyright © 1995 - 2025, Chris Burand, Burand & Associates, LLC