

# Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

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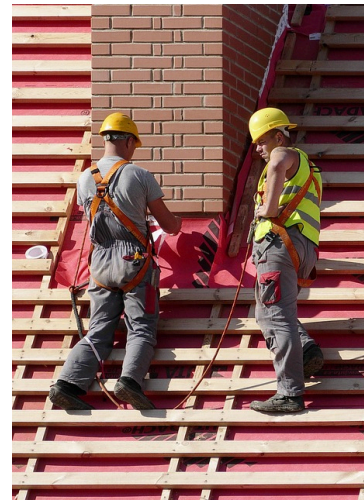
## In This Issue...



### Beating the Big Players on Large Accounts

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### Risk Management

A recent, very well-written article with great points, "Why Prevention is the New Protection," by Daniel Grimwood-Bird, prompted me to write this article. His points are dead-on accurate about how a majority of auto accidents are almost 100% preventable with the right risk management tools.

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### Private Equity

I've been alerting readers to the growing and serious risk of private equity owning insurance companies. The best podcast I've seen is Steve Eisman's: [podcasts.apple.com/us/podcast/the-next-financial-crisis-private-equity-private/id1818671690?i=1000752652001](https://podcasts.apple.com/us/podcast/the-next-financial-crisis-private-equity-private/id1818671690?i=1000752652001)

The *Wall Street Journal* has also been posting articles regularly. The latest, April 8,



2026, had the headline: "Insurers' \$1 Trillion Buildup in Private Credit Is Leaving Regulators in the Dust. Treasury Department officials plan to meet with states about market risk."

Considering the free market regulators in office now, for the federal treasury department to be considering having to take over part of states' regulation of insurance on this specific point suggests the problem is pretty serious. This article addresses the potentially inflated, fake, or at best, misguided rating of bonds. This means that maybe these specific insurance companies are rating the debt in their investment portfolios as being far safer than it is.

A.M. Best has expressed mild concern which may mean significant concern because in my experience, mild means important at A. M. Best.

A great book on how such ratings can ruin an insurance company, and possibly the first case of private equity owning and ruining an insurance company, is: "These are the Plunderers," by Gretchen Morgenstern.

There are a lot of red flags here. And don't think other companies are not playing similar games in their investment portfolios! My proprietary analytics suggests some regular P&C companies may be inflating ratings/values too.

## Admitted Carriers

I am happy the big dogs in the industry are agreeing with my analysis from several years ago that the regular commercial admitted carriers are becoming less relevant.

According to the *Insurance Journal* article, "Hedge Fund Money Is Reshaping a 180-Year-Old Insurance Model," April 13, 2026, (<https://www.insurancejournal.com/news/national/2026/04/13/865443.htm>), Brian Schneider, senior director of insurance at Fitch Ratings, said in an interview, if "more and more of this business [reinsurance] gets shifted to the capital markets, then maybe the traditional companies become less and less relevant."

That's what happens when an insurance company stops insuring risk and property (only 10% of cats were covered by reinsurance last year, so don't believe the admitted carriers' blaming reinsurers for hard or soft markets!). The regular admitted markets insure less than 20% of commercial property by value.

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## Beating the Big Players on Large Accounts

Many producers and entire agencies are nervous about competing for larger commercial accounts. Perhaps they believe they're too small, they don't have all the services, they don't have all the carriers, or they don't have whatever.

Success, especially in sales, is built on using your strengths rather than focusing on your weaknesses. Sales success is also built upon your competitors' weaknesses.

Focus on your strengths. Whatever your strengths are, build them stronger, advertise them, and if you have a serious weakness, address it proactively. But do not focus on all the reasons you cannot win. That is a losing proposition.

Understand your competitors' weaknesses.

- Just because a competitor is larger does not mean they do anything you cannot do and even do better. Many large distributors do a lot of very transactional business. One awesome option is to identify accounts that might seem large for you, where you could treat the accounts extremely well, but the accounts are too small for large competitors to really care. Go for the low-hanging fruit. If you have good sales management or, as a producer, you have good sales discipline, you will be making a list of these accounts as your priority prospects.

One of the most valuable benefits you may have is that the account will not be shoveled into a service center, especially an offshore one. And hopefully, your account managers will actually know what they're doing because you're not servicing so much debt. You can afford quality account managers with reasonable workloads.

- Just because a competitor offers lots of additional services you don't offer does not mean they deliver those services. And often, even when it looks like they're delivering those services, they don't. Many times, they are just going through the motions to keep up appearances, but not providing anything of value. Ask prospects to share these details with you and then go through each item, professionally inquiring whether the client gets any value or extra care from those "value-added" services. I recently saw a situation where the insured had never seen any evidence whatsoever of those services. It was easy to convince them to leave.

- Many quality value-added services do not require material dollar expenditures. They require discipline and education. If you cannot exercise self-discipline and obtain a quality education to generate more sales, that's on you.

Good examples of this involve coverage checklists, knowing coverages, taking the time to learn clients' true exposures, and often, simple but valuable safety services. Very often, it's about doing the basics well.

I'm a huge believer in quality stewardship plans. Quality stewardship plans can be built and tracked with nothing more sophisticated than Excel and Word. It is better to deliver value than pretty pictures, and quite a few brokers' fancy stewardship plans are stuffed with filler rather than real value. To do stewardship plans well, the most important element is discipline, followed by hard work and education.

- Many larger brokers grossly overcharge insureds for their "value." Their "value" might include their size to move markets, "value-added" services, consulting "expertise," or some other imaginary element. I have seen such charges exceed \$1 million for absolutely nothing. You might think large, sophisticated accounts would have risk managers and CFOs who would catch these ridiculous charges, but that is not always the case. It happens more than you might think.

A key to writing these accounts is learning what the prospect currently has. In most cases, I'm not a fan of reviewing the incumbent broker's program because it's often junk, so it's better to just start over. But in these cases, you want to know their current status so you can identify any extra charges. This is especially true if they are being charged fees or hiding the commission rate.

Then, when you identify the extra charges, especially when the client thinks they're getting a deal for some reason, you will now face interesting challenges. You might think, at that point, it would be easy to get the customer to change, but it often is anything but easy.

First, the customer must recognize they've been taken advantage of for years. No one likes to admit to themselves, much less to a new insurance agent, that they were duped. You must make them feel smart for figuring this out.

Second, don't offer to take over the account until you know your client can break the existing contract. Some contracts show evidence of working harder to trap the client rather than to solve their risk exposures.

Third, some carriers don't want to support the new agent because they, too, know that the incumbent broker was taking advantage of the client. In these situations, it might be best to use a different carrier rather than completing a BOR.

- Be educated on alternative options. Larger accounts have likely been approached by someone offering alternative risk transfer solutions such as captives, large deductible plans, parametric insurance, and so forth. You cannot approach these

accounts if you do not possess enough education to speak intelligently about these options. There is no need to be an expert, but you cannot be ignorant either if you expect any success. This does not mean you need to sell these products either. You need to be able to help clients make a decision, and sometimes this means making friends with true experts in these fields who can help your prospect make intelligent decisions.

Don't be intimidated. If you have the education and take these steps, you can compete effectively. I have relatively small clients taking large accounts from large brokers on a regular basis. In each case, they have taken these steps, so I know this advice works. And it is a lot of fun taking accounts from much larger brokers.

[Back to top](#)

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## Risk Management

A recent, very well-written article with great points, "Why Prevention is the New Protection," by Daniel Grimwood-Bird, prompted me to write this article. His points are dead-on accurate about how a majority of auto accidents are almost 100% preventable with the right risk management tools.

Excluding catastrophe losses, almost 100% of property claims are also preventable. Even catastrophe claims can largely be mitigated, minimized, or eliminated. And yet carrier pricing gives a great indication of why risk management is ignored by insurance companies. The best example I have is the discount given to buildings with risk-mitigating properties, such as roofing material largely impervious to hail. The 1% credit I've seen does not give adequate pricing relief. Carriers would prefer not to insure these buildings, regardless of the dramatic decrease they'd pay for a hail claim.

Good-hearted people in the industry seem to think of risk management in a silo. In other words, risk management is smart only if the company can benefit by knowing how to price mitigated exposures so that it gains enough new premium to offset its premium loss on the existing book. In other words, if a carrier has \$1,000,000 in premium and all insureds converted to a technology that made them much safer drivers, that premium might decrease 10%, to \$900,000. Businesses do not like to report decreases in revenues regardless of the reason. Therefore, the carrier would need to write more than enough new accounts to offset that \$100,000 decrease.

A critical additional aspect is that the pricing likely cannot give policyholders full value for their risk mitigation. To partially offset the revenue reduction, if executives are willing to go that far, they must increase the profit margin. Therefore, if a 10% rate reduction is justifiable, the carrier likely wants to give only a 5% credit. These are examples only, but a 5% price difference is usually not enough to generate enough new sales given all the other variables involved. To make risk mitigation adequate to cause a material increase in quality new insureds, the value likely needs to be at least 15% so that the carrier can

create a price differential of at least ten percentage points over the competition, all else being equal.

A 15-percentage point underwriting advantage for risk mitigation is a tough hill for many to climb. And then the question is: "Is it worth it?" How long will that competitive advantage last? Does the carrier have everything else required to successfully use this strategy?

Even if all these points are answered affirmatively, the bigger picture is that risk management still very often does not work. Look at workers' compensation, where a safer work environment and smarter regulatory and litigation environments have resulted in huge decreases in premiums over the last ten years. If the entire industry realized these results across all lines, many insurance companies would cease to exist because there would not be enough revenue to go around, compounded by many carriers lacking the technical ability to adjust to this new environment.

Insurance companies benefit from expected, within reason, claims. Provided claims activity is sufficient to cause rate increases, they can always show revenue growth. Their profits do not suffer because they pass on losses to all their customers through higher premiums. Carriers screw this up when they decide to take large rate increases all at once rather than a little at a time, but overall, spreading premium increases across all insureds, because insureds ultimately pay claims through higher premiums, carriers have a pretty good revenue and profit stream model.

If 50% of auto claims are eliminated and even 25% of property claims are eliminated, how many carriers are required? Also, if preventable claims are largely minimized, do people really need the same kinds and amounts of insurance they have now? In property, the answer is easy: Absolutely Not! Consumers could take high deductibles on everything and immediately minimize their insurance premiums. This further reduces revenues and would eliminate some more carriers.

Where risk management is truly valued is in high-quality alternative risk management strategies. This is why so many commercial insureds have migrated to these strategies. Lots of variables affect a company's decision about whether alternative risk management is their best risk-transfer option. But if one can significantly reduce their probability of a claim, alternative risk management becomes quite attractive because these markets, when done well, reward insureds for being safer at levels standard markets do not appreciate.

This leaves adverse selection in the regular market. Adverse selection often includes insureds who do not care about risk mitigation. That is anathema to many, but it is a human reality. The more bad risks in any given market, the less the rates can keep up with rate needs. That becomes a vicious cycle and is likely already affecting a few carriers that cannot seem to make a profit, regardless of the overall insurance market.

I am excited about all the high-quality risk management tools that now exist. I want every insured to pay attention and take all the steps they can afford to mitigate their exposure,

because never having a claim is better than having one, even if it is paid without friction or frustration. But no one should count on carriers suddenly becoming gung-ho about risk management other than going through the motions, because it is not really in their best interest. Now, if you can find just one company far smarter than all others strategically employing risk management, hitch your wagon because they should realize unreal success over the next 60 months!

[Back to top](#)

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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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