

# Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

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## Just one left...

We have just **one** seat remaining for the **2026 Rocky Mountain Agency Management Meeting!**

Join us Feb 26-27, 2026 in Breckenridge, CO. This meeting consists of a small group of industry professionals who meet only during the morning. The group discusses critical agency management topics, as well as attendees' ideas, roundtable topics, successes, questions and concerns.

The schedule leaves the afternoons free for skiing and enjoying the breathtaking Colorado Rockies.



The registration fee for this two-day meeting is \$800 per person. Please contact me at [chris@burand-associates.com](mailto:chris@burand-associates.com) for a registration form.

**This is a tremendous opportunity to network with a select group of industry professionals. If you're interested, don't wait. Contact me today!**

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## Carriers' Growth

Carriers have a growth problem, and they only have one likely solution to generate organic growth.

A recent research paper, "Valuation and Long-Term Growth Expectations," by Angel Tengelov of the University of Kansas, Josef Zechner of the Vienna University of Economics and Business, and Jeffrey Zweibel of Stanford University, identified key variables in determining long-term growth. In other words, what factors best predict long-term growth?

A factor that improves long-term growth prospects is a high barrier to entry. In the insurance industry, the barriers to entry are tiny, virtually insignificant, at the carrier and broker level.

The second factor is that the more debt a firm has, the more likely its long-term growth will be subdued. Carriers should ask themselves this question: "What percentage of our agents and brokers are highly leveraged?" Most of the PE buyout firms are highly leveraged. This is especially true, maybe even for a publicly traded broker or two, if important real-world adjustments are made rather than relying on GAAP accounting rules. If a company's primary production engine is highly leveraged, it should not expect those brokers to grow very fast. In fact, we know this is true.

Third, firm size and age affect growth. The larger and older the firm, the slower it grows. With concentration among brokers so high, growth will be slow.

The primary production source for carriers is large brokers, with lots of debt, in an industry with virtually no material barriers to entry.

We can test this using the publicly traded brokers' results, which show their organic growth rate trails industry growth. Based on the research and these results, any carrier CEO whose strategic plan depends on large and leveraged entities for growth should be fired.

The exact data on why these firms cannot grow is best detailed in another article, but reading the publicly traded brokers' 10-K's provides good clues. And I suggest the publicly traded brokers are likely in better shape than many of the PE-backed firms, so the 10-K's are the baseline.

The situation is likely to worsen based on Fitch Ratings' latest report showing that brokers are now pursuing larger acquisitions. This means more debt, more cumbersome integration, and somehow convincing themselves first and the market second that while the selling broker likely made a lot of acquisitions that did not generate organic growth, that when integrated into their firm over the next three years, organic growth will suddenly happen.

The same Fitch Ratings report shows broker growth is barely keeping up with GDP growth, further proof they cannot grow at the industry's pace (premiums almost always grow faster than GDP).

In general, we know the brokers' client retention and quality employee retention are both worse than average. We know their debt loads restrict their ability to invest in organic growth or attract and retain high-quality people. They can tout AI all they want, but that is not the reason for the layoffs. AI has arrived at the right time to provide cover for the layoffs they've needed to make for some time.

The solution for carriers is simple. They will need to buy other companies to camouflage their inability to grow organically, or they need to appoint different agents. The first solution will happen for many reasons, including how poorly capitalized many carriers are. Those carriers have no meaningful solution, especially if 60%+ of their agents/brokers are large, leveraged, and old. Those carriers will sell.

To generate organic growth, though, carriers must enter the Wayback Machine. Thirty years or so ago, carriers must have all gone to the same large consulting firm's conference, where the message from on high was that carriers gained no benefit from appointing new agencies. Pretty much all carriers adopted that strategy, and it was another stupid strategy.

The result was the origination of networks. Carriers agreed to de facto appoint every agency in the network and pay them more than they would have paid them had they appointed the agency directly! I was recently working on a project where this was crystal clear. The carriers are paying about two full percentage points more because of the network than they would pay without the network and they are gaining no net value.

Carriers should never have abandoned helping new agents get started. Many new agents have little leverage and are far more desperate to grow than any other distributor. Does this mean carriers must actually work on the due diligence of what agents to appoint? Absolutely! Most no longer know how to do this, which will require retraining.

A carrier client recently instituted a program I helped develop that is revolutionary and will generate huge rewards for agents of every size and age, while generating alpha ROI for the carrier. However, that carrier had to agree to a more effective evaluation system for distributors. I applaud them for having the courage and being willing to do the hard work.

By appointing new distributors, carriers can break the power some distributors have over them (and some carriers' distribution is so concentrated, they are down to less than 10 distributors that matter) over time. They can align with distributors possessing the characteristics more closely aligned with growth. They can pay them less. And the price is hard work and courage.

Those are the only options. Giving an old, slow broker great products is not the solution because they cannot use those tools effectively. Great tools are only useful to companies that know how to use them and have a significant incentive to use them.

Another option is to focus on the remaining independent agencies with no debt who have proven they know how to develop producers successfully. There are not that many left, but these agencies can be fantastic solutions, which likely deserve extra attention and maybe extra money.

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## Education and Transparency

I read the *Wall Street Journal* daily, and one of my favorite wealth writers, Jonathan Clements, recently passed away. Another columnist, Jason Zweig, wrote two articles about his passing. One included several insightful passages Clements had written regarding human psychology and investing.

One that hit home, from April 8, 2007, was, "Think you're immune to confirmation bias? If you are a regular reader of this column, ask yourself this question: Why do you keep reading my articles? Sure, I like to think I offer brilliant financial insights served up in peerless prose. But the reality is, I am not Warren Buffett...I peddle a limited array of prosaic ideas...So why do you keep reading? It's no great mystery. You don't read my columns because they open your eyes to the financial world. Instead, you read them because they confirm what you already believe. There is nothing wrong with this – provided you and I have truth on our side. But what if we don't?"

I had to reread this after a recent presentation because a very insightful audience member said I had given a very controversial presentation. From my perspective, my entire speech consisted of industry facts, coupled with explanations to provide context and understanding. The facts spoke for themselves, and I've never understood why facts are controversial. Facts are objects like rocks. Let's not confuse dislike of a fact with the idea that the fact is controversial.

I asked him why he considered my presentation controversial, given that it presented facts that were mostly insurance company financial statements filed with the NAIC and then compiled by A.M. Best. He advised that people in our industry prefer not to discuss difficult topics. I thought, "Why would anyone pay me to speak if all they wanted was confirmation of everything they already knew?"

In reading Jonathan Clements' words, my response was entirely naïve. Of course, many people do not want to learn anything new, not really. The audience wants the presenter to tell them how smart they are by confirming their thoughts are brilliant.

We further discussed how this industry has "Groupthink" patented and how people move from one company to another, leading all companies to think the same.

I'm not very good at telling people what they want to hear. My presentation described insurance carrier financials in a straightforward yet distinct manner. Transparency is good for the industry, and transparency requires education. The most intelligent people in the room will want to hire me because they inherently recognize the value of my insights, even if I don't confirm their desired belief. For the others, hopefully, they enjoyed a controversial program that they probably couldn't understand.

Education and transparency are essential because I recently heard an insurance company CEO describe insurance company financials incorrectly. I have zero doubt the CEO believed he was right, but he was not. His explanation did not consider key financial elements, and I am positive that the company's executive team made crucial decisions based on that inadequate understanding of basic finance.

Education and transparency are required to fix this industry. Circling back and forth between carriers with confirmation bias that the same seriously flawed financial management makes sense is irresponsible and aids plaintiff attorneys. For insurance companies to complain about nuclear verdicts after making almost three times the average profit last year, more profit than ever in history by nearly two times, is a losing proposition.

Moreover, transparency is required to explain this hard market. With a \$170 billion profit, carriers should have left most of it in surplus rather than distributing it to shareholders and executives, in some cases. That would have materially improved the surplus deficit, which is at its lowest point in at least a decade (1.21 surplus to NPW). I am sure your carriers, if you are an agent/broker or your employer, if you work for an insurance company, clearly articulated how much money the company made and how they left those profits in the company to support growing future premiums. They did, right?

The truly controversial aspect is asking that question.

Why should you listen to someone who is not a Warren Buffett was a question that Clements seemed to think through often in his columns. The *Wall Street Journal* has a few other financial writers who provide confirmation bias for me. I've often wondered why I

follow someone who is not a billionaire, giving advice when, if they were so smart, they should be charging a lot of money for their insights. Why should you listen to me offering advice regarding carrier financials and how to use that information to manage your carrier relationships and predict their future?

Because real-world, and even “controversial,” information is required to develop working solutions and strategies. I’ve conducted in-depth research of carrier operations and financial stability for over 30 years, and I’ve been instrumental in assisting top agents and brokers increase profits, avoid costly surprises, build competitive advantages, and decrease E&O exposures by identifying the most effective carrier strategies.

I enjoy helping my clients see the reality of which carriers will best support them with the tools to grow profitably, even if that means shining a bright light on financial facts. I enjoy working with insurance carrier executives, too, if they are willing to break their groupthink and override their desire for confirmation of their existing thoughts rather than using reality to chart a better course.

I strongly encourage everyone to read Jonathan Clements’ writings. Besides the *Wall Street Journal*, he founded [humbledollar.com](http://humbledollar.com) and authored many books on personal finance. A lasting theme throughout his writings is: don’t believe the hype. For insurance, read the financials, the numbers, the facts. Disregard the hype and so-called experts who do not truly understand how insurance company finance works.

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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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