

How Stupid Agents are Ruining Insurance for Everyone

by Chris Burand

Here's a true story: A close friend asked me about her auto insurance. Her daughter, who does not live with her, was still on her auto policy. Her daughter's car was on her policy too. She had no insurable interest on her daughter's car. Moreover, her daughter is married and she is not a driver on her husband's auto policy, even though she has an insurable interest on her husband's auto. My friend's agent advised it was just easier to leave her daughter on her policy.

When I explained the issues involved and the simple solution, my friend asked, "But will it cost more?" Cost more than what? Currently she's paying for partial coverage and all kinds of headaches in the event of a claim involving her daughter. What is a few dollars more or less for real coverage? What is the difference between a fake policy and a real policy? No price comparison exists. It is not even apples to oranges. It's dog food to caviar.

The insured is a smart, well-educated person. She trusted her either stupid/imbecilic or cheating agent to take care of her insurance. She trusted because like 99% of consumers, she is not educated in insurance. The dreariness of reading an insurance policy dissuaded her from wanting to learn more. While this cluster wreck is especially egregious, such incompetency is not uncommon. It happens so often that some company underwriting offices probably have weekly contests for the stupidest agents. Sometimes they probably have the equivalent of photo finishes. If potential E&O claims or actual claims could be published, the title might be (think Jeff Foxworthy "You might be a redneck..."), "You might need your license revoked if you've done..."

I am not throwing all agents under the bus by any means. The industry has many excellent agents. I am only throwing the idiots under the bus. Readers up to this point likely fall into one of three categories. The first will not believe other agents can be that stupid/lazy/incompetent. Another category is upset with me and their fellow agents. They are upset that I'm writing about the problem and they're upset with their fellow agents for being so poor at their jobs. The third group has not a clue that I'm pointing out their incompetency.

Their incompetency ruins lives so I have no problem being direct. They ruin lives when insureds need coverage but do not have the right coverage because the agent was too stupid/deceitful to even offer the right coverage. I am not writing about some unusual gap or even the occasional mistake. I am writing about the obvious and continuous. These agents ruin it for the good agents because they're the epitome of one bad apple. One reason commoditization occurs is the public begins believing all agents/insurance companies are incompetent. What is

the price difference between one bad policy and another bad policy is really what my friend was asking.

The solution: The good agents need to find a stronger voice to point out the mistakes of the incompetent. Quit asking for decs to compare prices. Instead, understand the client's exposures and build an insurance policy that is specific to that family/business. A coverage checklist is a foundational rock upon which to build the exact and correct coverages each individual needs. Even better though, use the coverage checklist in the exposure language. People care and understand about exposures. They do not care about coverages. In other words, coverages are the insurance industry's language. Translate the coverages into exposures because exposures are the language of all but the most sophisticated consumers.

If you must ask for the expiring dec, point out the mistakes and errors boldly. However, point them out in the language of exposures rather than coverages. While I appreciate why anti-disparagement rules exist, these rules are now dampening the good agents and good carriers' voices. The fear of being sued for simply pointing out incompetency is usually overblown, but stick to the facts and not conjecture when pointing out errors and omissions. The maleficent companies and agencies take advantage of the better agents/companies' fears. Disparagement only applies as I understand it, and I'm not an attorney, to opinions versus fact. Be factual. Incompetence is usually easier to diagnose factually anyway.

Another option, one that I encourage, is to push for tougher licensing especially if combined with more realistic disparagement laws in some states. Clearly the CE requirements to maintain licenses is being used and abused through online programs. Taking a three-hour online course while doing something else the entire time, does not improve one's insurance education.

Commoditization and incompetence hurts the best agencies the most because the value of their brand is diluted unless a bright line of differentiation is drawn. The industry and regulators are not going to draw this for you. Some courts are helping draw this line but most agencies are seeing this advantage as a disadvantage. Some courts are truly differentiating through the standards of care the difference between peddlers and professionals. Unfortunately, I see most agencies looking at the rulings and feeling sorry for themselves rather than recognizing the advantage being handed to them. These courts are saying, publicly, that some agents are incompetent. The courts are classifying these agents and they are clearly stating these peddlers' standard of care is low. They are telling consumers, caveat emptor because these agents are so bad, the consumer better beware.

Sadly, better agents see this and always ask the same question, "Why do those agents get the advantage of having such a low standard of care?" BECAUSE those agents are so bad! You too

can join the race for the bottom if you choose. Alternatively, the bright line these courts are providing can be an excellent marketing tool if you will fully accept a higher standard of care (odds are if you are an independent agent you are going to be held to the higher standard or an effort will be made to hold you to the higher standard anyway so why fight it?). By accepting the higher standard of care and advertising it, you get the opportunity of proving to consumers/businesses that you are a professional per the courts and therefore, you are worth more than a peddler. My clients that use this to their advantage fully often make 20% more than their peers.

The only way to beat incompetence in this market in today's environment is to advertise your competency and professionalism, then be the absolutely most competent and professional agent you can be. It is your brand, your value, and your livelihood. I can put my hand on a bible and testify that my clients who sell professionalism this way enjoy better client relationships, enjoy more referrals, and take better vacations. Most importantly though, they go to bed each night knowing their clients' lives and livelihoods are much better protected. For those readers with a strong conscience, this is the greatest reward.

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