

Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

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Insurance Words

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\$23 Million and 275 Employees

Those are the numbers from Brown & Brown's January 27, 2026, analyst call (as reported in the *Insurance Journal* on January 28, 2026) regarding the revenues lost to a start-up (likely meaning Howden) in 2025.

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Are you prepared?

The simple fact is: all agencies will change ownership. All agencies need a perpetuation plan and a perpetuation plan can take up to five years to implement.

Planning for perpetuation can be one of the most difficult and emotional decisions agency owners must make. By avoiding the inevitable though, they risk losing their agency and their financial security for their family and their retirement.



We then complete a thorough analysis of the agency's current situation and devise a plan to help the agency reach its perpetuation goals. An ideal plan is flexible and can be adjusted as the needs of the owner and agency change over time. As a

Don't let your agency--or your family--get caught unprepared! We help guide agencies through the intricate details of preparing for perpetuation. The process begins by learning, and sometimes defining, the owners' goals.

final step, we assist as the agency progresses through its plan.

A perpetuation plan is also a great way to increase the value of your agency! Contact Burand & Associates today to begin preparing for your agency's future.

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Insurance Words

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Here are a few that sometimes cause confusion:

Blanket: This is simple. For 99% of humans, this means some kind of warming device, usually placed on a bed. When you ask someone if they want "blanket" coverage, they may not admit out loud that they don't understand why you're asking if they want to insure their blankets. Take a moment to explain the insurance meaning, just in case.

Owned/Non-Owned Auto: Many first-time purchasers, and sometimes repeat purchasers, wonder, "Why in the world do I want to insure someone else's auto?" This is a great example of taking time to explain coverages because there is absolutely nothing in the term that is self-explanatory to insureds.

Replacement Cost: Don't use this term. To normal people, if they buy replacement cost coverage, they assume the extra money they're paying means they'll have their buildings fully replaced. And that is a reasonable conclusion.

But "replacement cost" only means replacement cost within a narrow window. First, not all replacement cost coverages are the same. Some are expansive and some are basically worthless. Second, replacement cost has limitations such as co-insurance requirements.

As an aside, it is unethical, and it should be illegal for agents to tell insureds something like, "I can save you money by only insuring your building to X% of its actual replacement cost and then adding a replacement cost endorsement that will make up the difference." Policies with co-insurance requirements typically will not make up the difference. Even if someone structures this perfectly to 80%, it does account for inflation, resulting in less than 80%, especially in a catastrophe. Any carrier that supports this approach is either a dupe, is being duped by their agents, or lacks adequate audit procedures. Or they are complicit, which makes their rate filings illusory.

Moving on, replacement cost does not include ordinance coverage. Many insureds are mightily upset when their claim check arrives for far less than necessary because they had replacement cost but inadequate ordinance coverage. Do not tell clients they have replacement cost without sharing the caveats and triple-checking their ordinance coverage.

Guaranteed Replacement Cost: See above, and under no circumstances use this term unless you enjoy creating E&O exposures.

Brokers: What in the world is a broker?

- We have retail brokers.
- We have wholesale brokers. These are materially different because the licenses, markets, and jobs are materially different.
- We have "the brokers," which usually means the publicly traded insurance intermediaries. These brokers, though, are usually wholesale brokers combined with retail brokering, retail agents, and a host of other revenue streams.
- We have "retail brokers" that are really agents. It is interesting to me that most health insurance company contracts list the agent as a broker, but most P&C company contracts list the agent as an agent. The exception is mostly in California, where these terms have been replaced by "Producer," but no one really knows the definition of a producer.
- We have agents that tell insureds they are brokers when they are really agents. All else being equal, brokers have a higher standard of care than agents. Some agents become brokers without knowing it. This arguably happens when they begin charging fees.

Co-Insurance: This term is rather confusing because I doubt the insured ever thinks of themselves as an insurer side by side with the insurance company. It's not as though the insured thinks of themselves as partnering with the company to insure their building.

Claims Made: All policies pay based on a claim made against the insurance company, right?

Claims Occurrence: Doesn't a claim have to occur to have a claim? There is absolutely nothing intuitive about these terms. Don't use them without explaining them. The differences in coverage are immense, so insureds deserve an explanation.

Words have meanings, and using them incorrectly does not benefit your clients while increasing an agent's exposures, and definitely a broker's exposures, to E&O claims. All too often, I see people, especially producers, throwing out terms and using similar ones as if synonymous, when they are not. Choose your words carefully and help your clients understand what they are buying.

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\$23 Million and 275 Employees

Those are the numbers from Brown & Brown's January 27, 2026, analyst call (as reported in the *Insurance Journal* on January 28, 2026) regarding the revenues lost to a start-up (likely meaning Howden) in 2025. Per the statements made on the call, most employees were not producers, and most were in benefits.

This fascinates me on multiple levels. First, Howden is making waves because of the many employees they're allegedly taking from other brokers. In some cases, I find it funny because some of the aggrieved brokers were known for similar practices. But Howden's taking of employees is at a level never seen in this industry. Marsh McLennan sued Howden over one event in which 140 employees left on the same day. It appears many large brokers have lost people to Howden. I don't know the total number of people Howden has allegedly acquired in this manner, but my rough estimate is around 700! That is a lot of people to take from other brokers, much less in less than two years!

But the Brown & Brown statements, in particular, are fascinating. (I want to be explicit that I'm using Brown & Brown only because they publish their numbers and not because they are any worse or better than any other affected party.) Brown & Brown, per their 2024 10-K, reported 10,962 employees in their retail segment. They reported \$2.7 billion in revenue from their retail segment. Therefore, \$23 million and 275 employees are immaterial. It's 2.5% of the employees and 0.8% of revenue. So why even make a significant point during the analyst call?

Their 2024 numbers suggest overall revenue per person is approximately \$240,000. However, if \$23 million was lost directly due to the departure of 275 employees, I am not sure I'd be unhappy, because those employees generate only \$84,000 in revenue per employee. Or maybe employee benefits as a whole is a revenue drag? Or maybe revised numbers will be presented in this year's 10-K? Also, why would Howden even want a group of employees who can only bring \$84,000 each? I imagine there is more money at stake than \$23 million.

More importantly, this battle is happening due to business models. It is cheaper to take employees and accounts and pay attorneys than it is to grow producers. In reality, this might not be the case, but given current accounting rules, investors can be misled into thinking it is cheaper. This is because firms that grow through acquisition do not amortize approximately 50% of the purchase price, with some not even amortizing a dime, making that part of the cost appear free on the income statement and, consequently, the all-important earnings per share (EPS). And the part that is amortized is amortized over a long period. Given the way many of these companies are structured, especially those with foreign domiciles, it is still often cheaper to buy and amortize the cost rather than develop producers.

And if a good producer exists, steal them because that is even cheaper than the sky-high prices buyers are paying. This is a good model by many measures.

If you are a carrier expecting organic growth from these entities, you are likely excessively optimistic or inebriated. An insurance distributor taking business like this, or buying agencies in a manner that hides the true cost on an EPS basis, is unlikely to have the focus required to generate material organic business, especially given the transition, bad will, and integration. Furthermore, they may not be able to afford to grow producers, and they have given up the skills and enterprise to grow producers.

And yet, carriers are paying these entities more money than other distributors, but to what end? Carriers would be wise to focus their money and energy on distributors that can grow organically, because as the market softens, they'll go backwards if they don't.

I suspect courts will rule mostly in favor of Howden if the cases aren't settled first because the genie likely cannot be put back in the bottle. At 700 employees and an estimated \$200,000 in revenue per person, they are already at \$140 million in revenue in almost no time. The former employers would be nuts to take back their former employees, and the customers are not going to go back. They might go to a third broker, but they are not going back to the incumbent brokers. Some settlement will likely be agreed upon that is less than the 3 or 4 times revenue being paid for acquisitions. Even after legal fees, Howden will likely have executed a Machiavellian strategy well.

And last, a warning on acquisitions. It appears that some of the people leading departures may be former top leaders of acquired firms. Paying a lot of money to sellers and then having the same people leave, take employees, and millions of revenue in the form of accounts might be considered expensive, unfair, and ungrateful. When the only way a firm can grow is by overpaying for acquisitions that can be made to look inexpensive through financial engineering, and that model is damaged, expect a cat-in-the-corner reaction. The financial engineering unravels when they must declare an impairment as their purchased business runs out the door.

If you are a competing distributor, this is an excellent time to build a true organic growth strategy. Almost no carriers or distributors have true strategies (Howden, though, does seem to possess one!). A strategy must consider how the competition will respond to your

actions. Virtually no insurance entity ever considers this in their “strategic” plans, so they don’t really have strategic plans.

Some employees are clearly ready to leave if poached, and many others are restless and uncertain. Now is the time to ask if they want a better work environment. Ask if they want to work in an environment where they can write new business. I like the idea of honoring their restrictive agreements while still taking the employees.

Customers are uneasy, too. Many are aware of these battles, and they do not want to be caught in the middle. They want a focused broker taking care of their needs. It is a great time to capitalize on the unsettled environment. Build your strategic plan and take action!

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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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