

# Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

Vol 31, No 9

July 1, 2026

## In This Issue...



### An Alternative Universe

In the famous book *Coraline*, by Neil Gaiman, a young girl steps through a door into a different universe. Lewis Carroll had a different take in *Alice in Wonderland*. Jefferson Airplane had a different version of *Alice in Wonderland* and a very different take on an alternative universe in their famous song, "White Rabbit."

[Read more...](#)



### New Business Acquisition Costs

Not that long ago, I heard an executive at the IIABA declare that Progressive would soon be losing money because they were spending so much on advertising . I'll be blunt: this is an ignorant statement.

[Read more...](#)

---

HAPPY   
*Fourth of July*  
INDEPENDENCE DAY

---

**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](mailto:chris@burand-associates.com)  
Visit us at: [burand-associates.com](http://burand-associates.com)



---

## An Alternative Universe

In the famous book *Coraline*, by Neil Gaiman, a young girl steps through a door into a different universe. Lewis Carroll had a different take in *Alice in Wonderland*. Jefferson Airplane had a different version of *Alice in Wonderland* and a very different take on an alternative universe in their famous song, "White Rabbit."

While teaching a class a few weeks ago, I felt as though I'd walked through one of those doors. I realized my universe was not the participants' universe. In the producers' universe, only the portions of contracts they liked applied. They simply ignored the portions of the contracts they disliked.

An alternate universe may be necessary as a bridge between reality and the act of selling insurance to people who do not want to buy it. I'm not really sure why anyone tries so hard to sell people something they absolutely do not want to buy.

Most consumers do not understand what they are buying and do not want to spend the time to learn about it. Many deeply distrust insurance because they know they don't know enough about what they are buying, and they believe people running insurance companies are unethical (with some reason for specific companies). If they had their choice, they would not buy insurance but are forced by the government (mainly auto and workers' compensation), banks (all property), business partners (contractors requiring sub-contractors to carry insurance), and customers (who demand suppliers to prove they have insurance in case something goes wrong).

Selling an expensive ethereal financial product to someone for all the reasons above requires, in some producers' minds, creating an alternative universe. Producers do this in several ways, and if measured only by sales success, unreality works for many. The fictional elements commonly include:

- No need to read the commercial client's contracts to know what coverage they need. That's just an unnecessary complication. Furthermore, it only matters if there is a claim involving the contract's stipulations, and that kind of claim is unlikely.

- No need to abide by the agency's carriers' contracts. The contracts contain multiple hindrances to making sales, and most of the time, if ignored, nothing bad happens. And maybe if something bad does happen, the producer believes they can successfully ask for forgiveness. Items to ignore, in particular:
  - Ignore the lack of binding authority. Telling a prospect the producer cannot bind makes the producer appear less powerful. That's a bad image, so it's better to tell them, "I'll get that bound today!"
  - Ignore that they are not claims adjusters and confidently tell clients their claim is or is not covered. Or tell clients they don't need to turn in claims, and do not advise clients the agency is contractually an agent of the company specific to claims and has a clear duty to report all claims and losses of which the agency is aware.

Independent agents are legally in an extremely unusual position: they are a dual agent to both the carrier and the insured, but not exactly at the same nanosecond. This legal theory of duality is the only reason independent agents can exist. This means independent agents cannot portray themselves as representing only the insured. That is not honest advertising, and if disclosed, it makes sales even harder. So why disclose it?

- Keep talking because if you talk enough, even if it's nonsensical, the client will eventually agree with you.
- Likewise, there's no need to listen. That just opens the door for questions.
- Absolutely pretend insureds know what they need and only offer them quotes for exactly what they request. Artificial intelligence excels at this, so it must be the correct way.
- Definitely do not ask too many questions about what the commercial insured does or how they operate. A producer does not want to know too much. The less they know about the risk, the better. Too much knowledge is an impediment. Ignorance is a much safer path.

This alternate universe can lead to sales success. Being able to convince someone who does not trust insurance and does not want to buy insurance that you are all-powerful and knowledgeable, while your own knowledge is marginally more than the customer's, is a great strength. It works as many great cons do. Trust is everything.

But I do not know why projecting fantastical power and knowledge is key to creating that trust. Would it not be even more powerful to be honest with clients and be more knowledgeable than competitors?

[Back to top](#)

---

# New Business Acquisition Costs

A while ago, I heard an executive at the IIABA declare that Progressive would soon be losing money because they were spending so much on advertising. I'll be blunt: this is an ignorant statement. It does not matter if a carrier spends \$1 million or \$5 billion on advertising. The nominal amount is completely immaterial.

What matters is the return on investment for those dollars. If the return on investment is 18% for \$5 billion but only 12% for \$1 billion, spend the \$5 billion. Calculating the ROI can be challenging and is susceptible to bad inputs, bias, and manipulation, but that is at least the correct approach. Because much of insurance advertising, though not all of it, is aimed at attracting new customers, the goal is to increase ROI by reducing the cost of acquiring each additional dollar of premium. This means that for every \$1 of advertising, can we get \$1.50 in new premium rather than \$1.25?

I analyzed the advertising dollars and new business of the primary insurance advertisers a few years ago, and the results were astonishing. One of the main advertising carriers actually lost more premium the more they advertised. Whether this was because of their advertising or they are simply incompetent, I don't know. But other carriers' advertising dollars were extremely good investments. Using 2021-2023 advertising and premium data, my dataset shows a strong correlation between the change in advertising spending and direct written premium. Quality advertising generates net new growth.

If a carrier spends 2% of premium on advertising, but only pays 9% commission, then 11% is a good deal compared to a carrier that spends 0.5% on advertising but 15% on commission, especially if the former is growing twice as fast as the latter and simultaneously achieves a better loss ratio (which are real-world examples).

Another consideration is whether retention is impacted. That is difficult to measure other than on a net new basis because retention data is not readily available, and many insurance company IT systems cannot track retention correctly, even if the data were public.

New business is much more expensive than renewal business. Some advertising focuses on reinforcing why existing policyholders should remain with their carrier. This advertising is very subtle and not easily identified. Only a few carriers have worked on this strategy, while others take their existing clients mostly for granted. The focus is, otherwise, 100% on getting new clients.

Therefore, if I can decrease the cost of putting new business on the books, I don't have to be as concerned about my retention.

At the agency level, the details are different, but the overall situation is the same. Assuming the producer is paid the same for new and renewal, and no time or resource differences exist between placing a new piece of business and a renewal, new business is very expensive because new business hit ratios are optimistically around 25%, while retention in a good agency is around 92%. If it costs \$500, excluding producer

compensation, for a \$1,000 new or renewal piece of business, then for 100 proposals, the agency incurs \$50,000 in costs, but at a 25% hit ratio, it only generates \$25,000. Add 35% producer compensation, and the cost climbs to almost \$60,000 to make \$25,000.

On the other hand, on 100 renewing accounts at \$1,000 each, with 93% retention, the agency makes \$93,000 in revenue for \$79,000 in expenses, including producer compensation.

My numbers are for example purposes only and are meant to illustrate the significantly higher cost of new business, largely due to differences in hit ratios. These numbers significantly underestimate the additional time and money required to place new business, so the spread is materially larger than my example indicates.

What happens, though, if my hit ratio greatly increases to 50%? I don't have to emphasize retention nearly as much.

Every carrier I know is focused on reducing new business acquisition costs for these reasons. Some agencies are doing the same. But this emphasis, if achieved, changes the dynamics of customer service and customer value. Keeping customers becomes less important. At the carrier level, this might also benefit cherry picking loss reserve numbers, so there is a hidden benefit. If new business acquisition costs decrease enough, churn problems will increase. So will E&O exposures for agencies.

But maybe most importantly, compensation will change. If, as a carrier, I don't need agencies to put so much effort into keeping clients because my advertising is so good I can always get more clients, then I can cut renewal commission rates. The same goes for producer compensation. It means that carriers and agencies that are not prepared for this change might find themselves at a serious disadvantage. Some already are because they put too much emphasis on retention relative to writing new business. They do not possess an adequate balance between the two, and the balancing point is shifting.

Insurance sales are mostly a zero-sum game. If an agency or carrier writes a new account, odds are almost 100% they are taking that account from someone else. Therefore, if a carrier or agency discovers a way to write new business at a much lower cost, they can put more resources toward writing new business (e.g., the effective advertising a couple of carriers have employed). That means retention decreases for the incumbent carrier (which is obvious when analyzing competitive carriers' financials) and the agency. And the incumbents won't have the means by which to recover because their new business acquisition costs remain too high.

I don't think most carriers or agencies are adequately sophisticated to have thought through these dynamics. But they should because even in the very hard market, around 15% of carriers shrank each year. A carrier has to work hard to go backward when rates are increasing so quickly. And many distributor acquisitions are ideal camouflage for not actually growing; i.e., competitors are taking more commission dollars in this zero-sum game, and therefore they're forced to buy commission dollars at a high price.

Because a few very intelligent carriers have figured out how to materially decrease their new business acquisition costs, they have already changed the dynamics of the industry. And most in this industry are asleep at the wheel when it comes to what has already happened.

[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](mailto:AgencyAdviser@burand-associates.com).

Copyright © 1995 - 2026, Chris Burand, Burand & Associates, LLC