Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

Vol 30, No 11 August 18, 2025

In This Issue...

Homeowners Insurance is a Societal Issue

Homeowners insurance is a disaster created by many parties, none of whom work together, but whose teamwork is required to fix the issues. The industry has created an insurance product that is not affordable for many consumers.

Furthermore, study after study shows a large proportion of homeowners are materially underinsured. What’s the value to a consumer of buying an inadequate policy at a price they cannot afford?

Read more...

Quite the Mess

The insurance industry suffers from a long legal history and a dictionary's worth of terms. This combination is toxic because the industry is scared to improve wording for fear that new wording will not comply with historical case law. The net result is we continue to build a Tower of Babel, more and more words used synonymously that are not synonymous, and terms that are oxymoronic to people outside the industry.

Read more...

Tired of beating your head against the wall?

Prices are up. Coverages are down. Workloads are up. Morale is down. Stress is off the charts. Clients are shopping and unhappy.

The single point of pain? Carriers.

The opportunity? Awesome carrier relationship management.

Rather than feeling powerless, take charge! **Key Strategy Metrics for Carrier Relations** will help you regain control.

Our Key Strategy Metrics (KSMs) are explicitly designed to make your life easier and more enjoyable, decrease your expenses, and increase your revenues. They are not for insolvency.

In other words, our KSMs focus on identifying carriers who are best positioned to aid your success. Those carriers can provide pricing stability, operational stability, capacity, and more revenue. They give their agents a competitive advantage versus those that make agencies' lives more difficult, more expensive, and more exhausting. KSMs also help identify the carriers your competition represents, whose accounts you should target.

The benefits of knowing a carrier's ability to enhance or disrupt your success are many. For example, many carriers are forcing agents to move business—a profit and productivity killer. Growth is hindered because the time required to move accounts could be better spent on sales, while workloads and E&O exposures increase. With Key Strategy Metrics, agents and brokers learn which carriers are most likely to force you to move business, and you will know years in advance because our Metrics are truly that good!

Armed with this knowledge, you no longer need to be at the carrier's mercy. You will be in charge.

Our proprietary KSMs are an indispensable tool for agents and brokers to:

Enhance Growth: Learn which carriers provide platforms for growth and which ones do not.

Improve Productivity: Stay ahead of forced moves and stop spinning your wheels on carriers that are not positioned to help you write business.

Build Competitive Advantages: Know how your carriers stack up against your competition. This is a fantastic competitive advantage ready to be leveraged.

Reduce E&O Exposure: Overworked staff, forced moves, and poor products all increase your E&O exposures. With every move, you must meet the Mirror Test and this is expensive. Reduce your exposures with carriers positioned to help you succeed.

Elevate Compensation: Learn which carriers are more profitable. Why try to negotiate with carriers with poor profits? That's like trying to squeeze blood from a turnip. Focus your efforts on carriers where your negotiations are more likely to be fruitful.

Increase Profits: All of the above reduce stress and directly benefit your bottom line!

Stop floundering in the dark. Minimize your pain and increase your success. Contact Chris today to learn more at chris@burand-associates.com.

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
Visit us at: burand-associates.com

Homeowners Insurance is a Societal Issue

Homeowners insurance is a disaster created by many parties, none of whom work together, but whose teamwork is required to fix the issues. The industry has created an insurance product that is not affordable for many consumers.

Furthermore, study after study shows a large proportion of homeowners are materially underinsured. What's the value to a consumer of buying an inadequate policy at a price they cannot afford?

On the other side of the equation, carriers are selling an inadequate product at a high price, and yet they still lose money!

This is a societal issue that is causing many people to forgo homeowners insurance. This is not a good result. Additionally, because people with homeowners insurance often discover they don't have nearly enough coverage after filing claims (see Los Angeles fires, Maui fires, and Florida hurricanes), they lose their homes. They cannot afford to rebuild.

Where do all these people go after they lose their homes, regardless of whether it is because they don't have adequate coverage or they've chosen to forego homeowners insurance entirely?

The insurance industry often points fingers at plaintiff attorneys, roofers, and government officials. Without question, these three entities have completely, selfishly, and unnecessarily caused rates to escalate. Government officials are particularly to blame because they add new building codes without any consideration of the cost of rebuilding to the new virtuous building codes. I'm fairly certain that if they had to live in a tent for a few months, they'd get past their virtue signaling.

But we cannot control what others do.

What can the industry do so that carriers at least break even on homeowners insurance, and consumers can once again afford an insurance product that was relatively inexpensive not long ago?

1. Employ far more capable lobbyists. The plaintiffs' bar would not be so powerful had the insurance industry employed better lobbyists.

2. Don't assume that carriers are on the same side as agents and consumers on this point. I've seen this firsthand between their lobbyists. Insurance is priced on a cost-plus basis. In other words, if they have a $1 million claim, assuming they don't go insolvent, they eventually pass that claim onto the population through higher premiums. It's just a timing issue. But what goes unsaid is by adding $1 million of new premium, the carriers get to count that as growth and growth means the C-suite is successful!

3. Go back to HO-1 and HO-2 offerings at significant discounts. Some coverage is better than no coverage if the rate is correct.

4. Get rid of the inanity of blanket underwriting. Be surgical in underwriting risks.

5. This means appreciating risk management. I have found few instances of carriers utilizing risk management, let alone appreciating its value. If someone has a new roof that meets hurricane standards, the odds of roof damage are minor. If someone has the money to invest in a hail-proof roof, odds are high they're a pretty good risk from every angle. If someone shows evident pride in ownership, the odds of a loss are minor because their gutters are likely to be better attached, among other factors. A person who is willing to clear their property to minimize wildfire risk is not the same risk as a person who must have a cherished tree rubbing their house. And it is not a matter of whether the house is written or not written. Pricing must be a factor because, as it stands, people who take care of their house are more likely to leave the market. They know intuitively their risk does not merit the rate being charged.

Personal lines is a quasi-public service business, like utilities. The government mandates auto insurance, and mortgage companies mandate homeowners insurance. As a public service business, the industry owes the public solutions instead of just increasing rates as though homeowners can afford whatever is charged. I see agents expressing far more concern for helping consumers than carriers. It's time for carriers to step up and do their part.

Back to top

Quite the Mess

The insurance industry suffers from a long legal history and a dictionary's worth of terms. This combination is toxic because the industry is scared to improve wording for fear that new wording will not comply with historical case law. The net result is we continue to build a Tower of Babel, more and more words used synonymously that are not synonymous, and terms that are oxymoronic to people outside the industry.

For example, how many different kinds of brokers are there, and yet we only say brokers. We have the publicly traded brokers who are entirely unique, part order taker agent, part retail broker, part wholesale broker, part insurance company, part reinsurer. They make a Greek Hydra look normal. Yet we call them brokers. And think about advising a consumer they should buy unowned auto or blanket coverage. Why should I buy insurance for an auto I don’t own? I don’t really need insurance for my blankets!

This overuse of a single term came to light when I read headlines regarding a study done on the Florida market. The study purportedly showed that some insurance companies are shipping profits out of the Florida-specific carrier to the home office while claiming they cannot make any money in Florida. That’s hypocritical, which everyone understands!

Except we need to clarify what an insurance company is. That seems like a simple term, but it is not in esoteric markets like Florida. When I first read the headline, and then after reading other headlines and articles, I was confused. I know insurance company financials well, and I was having difficulty understanding how or why this was happening because in my head, I was thinking of a traditional insurance company.

Traditional insurance companies often create state-specific subsidiaries in problematic states. That is a fact. I can only hypothesize as to why, and their true intentions might be different. But if I were running an insurance company and wanted to write in a problematic state while hedging my risk, I would create a state-specific subsidiary. I’d run the company normally except that if losses were too large, I’d walk away rather than endanger the rest of my company. This may be what State Farm is considering in California.

I would leave normal profits, if there were any, in that subsidiary to build surplus and avoid ever having to walk away. But the risks in these states are so high, a hedge makes all the sense in the world.

When I read the article initially, I thought the accusation was that regular insurance companies were making a ton of money and then shipping the profits to the parent company. I don’t see that usually happening when I study insurance company financials.

But then I read more details and learned the carriers primarily being accused are a new breed of carrier, and the study likely has a point, if I’m understanding the details correctly.

The following is based on hypotheticals.

A new breed of insurance company was developed with the permission of insurance departments and even encouraged by some insurance departments. The “Innovative

Sandbox" for developing solutions was popular (I am not a fan of these). In other cases, problematic states needed to unload their state funds, so they opened up their doors to carriers who likely otherwise would not be approved. A carrier with $3 million surplus is not – let's be brutally honest – a legitimate homeowners carrier. They can insure six houses. Most agencies of any size have far more financial wherewithal than many of these companies, but the insurance departments waved the green flag, maybe crossed their fingers, and issued a press release about a new carrier in the state that would alleviate their problems.

I know that a good attorney would disqualify my testimony if I made the conclusion above in court, and that fact is a key reason we have the problem presented in the Florida report.

Here is what might happen. The new breed of companies is quite often associated with an MGA (a different kind of broker). However, these MGAs have the pen, usually with only one carrier. This can be good if used well. The MGA and the carrier are owned, effectively, by the same shareholders. The MGA makes its 20% commission on every policy sold. That leaves its affiliated insurance company with 80% prior to claims and other expenses. Arguably, the profits from MGA are sent out of state, and the carrier is left with less money to pay claims.

On the surface, this is not that different from a regular wholesale model, except that the same owners own both entities. There might be a conflict of interest here. For example, if I wanted to maximize my profits and reduce my risk, I might want to increase my commissions and leave less money in the insurance company. The commissions paid are risk free and ready to be spent on dividends unless the law finds a way to claw back commissions. The money remaining in the insurance company is not risk free by any means. The rational business person will move as much money as possible into the least risky of their two companies.

But that is not the worst of this new breed. Let's say that someone wants to create a new insurance company. They don't have any money, but they convince someone to loan them $50 million for their initial surplus. Some of these new companies might have a management deal with another affiliated company. They get X%, often between 10% and 20%, to "manage" the new company. Immediately after the loan is deposited, they write themselves a management fee check for, let's say, $5 million. The carrier then only has $45 million. The $5 million is moved out of the company. And this is prior to any regular expenses, and it is likely not a one-time fee.

Again, this is a way to move money into low risk environments and limit the money in high risk environments. The more of the pot moved out of high risk into low risk, the higher the risk of impairment/insolvency for the insurance company itself.

Possibly making the situation even worse is if the carrier is a reciprocal insurance company. A reciprocal is typically funded by the policyholders, not the shareholders, but the shareholders might be getting their management fee and MGA commission off the top. This leaves the policyholders to fund any shortage. The policyholders have the risk. It is possible the original shareholders have risk too, but they've moved a fair amount of money upstream prior to risking much of anything. And sometimes they take it further by borrowing the seed money. It is not their money at any stage – though this might be rare to take it this far.

An argument might be made that these problematic states are such awful insurance environments that what might seem unethical is the price to be paid to get any private insurance. It is a deal with the devil. I do not like deals with the devil unless the outcome mimics Charlie Daniels' heroic fiddle player. Better solutions exist, and I hope the political outcry resulting from the revelations in this paper causes politicians to examine logical solutions rather than throwing the baby out with the bathwater. If my hypothesis is correct, the problem was created by politicians, especially those allowing carriers with questionable surplus to write in their state. As I've written previously, nothing good comes from allowing highly leveraged and poorly funded carriers to exist. They only keep the better carriers away.

Most insurance companies are not intelligently writing property today, but if there is a smart, traditional carrier with a solid balance sheet, these states are great opportunities, provided two variables are met:

1. They write property intelligently, meaning they do their own thinking rather than using a third-party evaluator's AI and maps.
2. They get the regulators to regulate intelligently, which means to regulate in a manner that stops favoring these markets sending money upstream while being thinly financed, to address the trial bar before they run every insurance company out of the state, to encourage risk mediation, and to allow legitimate rate increases on a timely basis.

It's not rocket science. Insurance is a public good that requires lasting markets.

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.
