

Burand's Insurance Agency Adviser

Resources and Information for the P&C Insurance Industry

Vol 30, No 1

January 13, 2025

In This Issue...



How much insurance do I need?

Bill Wilson, retired coverage guru and author of the claims book that every insurance professional should have on their desk, "When Words Collide,"

[Read more.](#)



Picking and Choosing Your Attorneys

First rule: Hire the best attorney you can afford who has specific expertise fitting your exact need. Do not hire jack-of-all-trade attorneys unless you're just checking boxes and do not care if they know what they're doing.

[Read more...](#)

The Key to Greater Success? Better Carrier Choices!

If you want to grow more quickly while reducing operational friction, it pays to write with carriers who can and will grow more quickly too. I've been analyzing carriers deeply for my clients for decades. I can accurately predict which carriers are likely to give you the biggest competitive advantage.

As one example, for each of the carriers below, I predicted in 2020 that my clients would not be able to easily grow with them, and possibly not grow at all. Here are the subsequent results through 2023:

- Carrier withdrew from states and part of the company was downgraded.
- Carrier sold multiple divisions. Almost all their growth was in lines where their loss ratios were materially worse than normal, they had significant layoffs, and growth in 2023 was almost 60% less than the industry average.
- Carrier had virtually 0% growth, pulled out of lines, was downgraded, and had to borrow large amounts for surplus.

- Carrier had virtually 0% growth and pulled out of lines.
- Three carriers had virtually 0% growth and lost material positions in market share.
- Carrier lost material position in market share.
- Carrier had to stop growing.
- Carrier completely changed their distribution model, for the better. This is the exception and evidence of far better executive leadership than normal in insurance companies.
- Carrier had virtually 0% growth with a negative rating outlook.
- Two more carriers had virtually 0% growth.
- Carrier had negative growth.

How can agents profitably grow with a carrier who lacks the ability to grow? Either the carrier's rates, products, surplus, and/or management are inferior.

For context, premiums have increased by more than 30% in the same time frame and these companies have failed to grow. This means they actually went backwards by 30%!

Imagine the benefits of partnering with carriers that can support your growth rather than being tied to a sinking company. You need this information! Contact me today at chris@burand-associates.com to learn more.

Chris Burand
Certified Business Appraiser (CBA)
Certified E&O Auditor and Instructor
Burand & Associates, LLC
215 S. Victoria Ave., Suite E
Pueblo, CO 81003
719/485-3868
chris@burand-associates.com
Visit us at: burand-associates.com



How much insurance do I need?

Bill Wilson, retired coverage guru and author of the claims book that every insurance professional should have on their desk, "When Words Collide," posted a fascinating article on LinkedIn where he asked AI the question, "How much insurance do I need?" This was specific to personal auto and was limited to liability.

The response was better than I've heard 90% of agents and account managers give. The answer was truly a quality response and had two parts:

First part:

- Calculate the value of your assets
- Add the value of non-income assets you anticipate acquiring in the next 10-20 years
- Add a minimum of 25% of your total expected income over the next 10-20 years

This is truly an objective answer that makes sense. Let's say you are 30 and have \$100,000 in assets. All your real wealth accumulation will happen in the future. Let's say you buy a house and build equity in the house, retirement accounts, college accounts, and whatever else of \$1,000,000. So we are at \$1.1 million.

Then add 25% of your expected income. Let's say for ease of math, that you make \$100,000 a year, on average, over the next 15 years, or \$1.5 million.

In total then, you need \$1.1 million plus 25% of \$1.5 million for a total of \$1.5 million (rounded). \$300,000 does not cut it.

The beauty of this equation is that AI recognized that the values must be calculated on a gross basis, not a net basis. In other words, when a bad accident happens, damages are assessed based on how much value you have in current assets and future values, without including current liabilities. You get stuck with losing assets but keeping your liabilities. Few people think this through.

Second, your E&O exposure does not increase with this response. The answer is this is the minimum the insured should purchase, not how much they should buy. Furthermore, the answer is a reasonable answer that exceeds what most consumers will purchase. Therefore, if you recommend \$1.5 million, they only buy \$500,000, and have a \$2 million loss and sue you for not recommending a high enough limit, you have strong grounds (I'm not an attorney so don't take this to your legal fund bank) for winning. A great case that supports this position came out of Hurricane Katrina, Isadore Newman School vs J. Everett Eaves.

Second part:

Part two of the AI answer is probably more important. What moral and ethical responsibilities do you have to carry enough insurance in the event you injure someone? Few people have the money to provide enough to the severely injured without high insurance limits. A client once told me about one of his agency's insureds tragically killing a driver through an absolutely pure accident and how the insured was so thankful she had enough insurance to provide for the driver's family.

Most E&O instructors and guidebooks skate quality answers to this question. “Never tell anyone how much insurance to buy!” Where’s the exposure of advising someone to buy a minimum of \$X? And no coverage classes I’ve attended have expressed the amount in ethical or moral terms.

On the same day I read Bill’s great article, Chubb released a report showing huge gaps in the liability amounts businesses are buying versus how much those businesses most likely need. The gaps are startling. The question is whether agents are offering enough coverage. In the vast majority of my E&O audits, agents offer business owners \$1 million. That’s it. They don’t offer higher limits. They don’t offer higher limits because they “know” the insured only wants \$1 million, or they don’t want to waste their time because the price for higher limits is too high, or often I find they don’t even know higher limits may be available. Most importantly though, they never ask the insured. They never have the discussion.

If an agent cannot answer a fundamental question about buying insurance as well as AI, much less even ask the insured how much coverage they need, no one needs the agent. Agents need to improve their game if they are to remain relevant.

[Back to top](#)

Picking and Choosing Your Attorneys

First rule: Hire the best attorney you can afford who has specific expertise fitting your exact need. Do not hire jack-of-all-trade attorneys unless you’re just checking boxes and do not care if they know what they’re doing.

The very best attorneys may charge more per hour, but they generally work faster because they know what they’re doing. Besides, the full cost is not just the initial fee. If, for example, you hire an attorney to write a contract, but that contract is contested later, and especially if the contract has a lot of holes, the extra money you’ll pay to defend it will make the extra money you would have paid a high-quality attorney at the outset look like peanuts.

Second rule: I am a big fan of hiring an attorney who also goes to trial. If that is not possible, hopefully someone else in their firm is a trial attorney. The reason I like this is because I’ve seen a lot of contracts that are not likely to hold up in court. If the attorney never goes to trial, they never really experience what it is like to defend a weak contract. They are not likely to see all the points a good trial attorney will pick apart. Trial attorneys have this experience. I have found the extra insights they possess are quite valuable.

Third rule: Do not pay to train an attorney on your specific needs. If they do not already know quite specifically how to write a contract for an independent insurance agency, or defend an independent insurance agency, find someone who does. Or have them partner with someone who does, who may not even be an attorney. Or at least don’t pay them full rate for training. Might as well pay for their tuition.

Fourth rule: What do you do when you don't get to choose your attorney?

A recent article in A.M. Best regarding insurance defense counsel factors caught my attention relative to the collateral damage to agents and particularly in relation to agents' E&O.

96% of the E&O defense attorneys surveyed had experienced frustrations related to fee caps, billing, and payment timelines. Compare this to third-party litigation funding and contingency fees for plaintiff firms. The plaintiff firms may not get paid for some time, but they don't have to worry much about fee caps.

I think it is common knowledge carriers are doing their best to minimize loss adjustment expenses (LAE). This is putting pressure on defense costs. To some extent maybe it's a trade-off with loss ratios. But in my experience, really good attorneys not only go for the best money, but sometimes the more important issue is having clients that are not pains in the neck and if clients are nickel and diming you, they are a pain in the neck.

What might be more problematic is that 53% of the defense attorneys have encountered difficulties with insurers regarding case management/strategic decisions. This might mean the attorney does not value a second opinion, the insurer does not trust the attorney (then find another attorney), the insurer has more or less risk tolerance, or the insurer is a control freak. I have seen how this works in E&O cases where the carrier takes the least risky path regardless of the odds of winning because if through some oddity they were to lose, the loss would be significant. This benefits analysis is critical in legal cases but it sure can be frustrating for the insured who is confident they can win if the carrier would just push harder.

Also, I am not confident the carriers' trade-off analysis is working because I tested the five-year loss adjustment expense against pure loss ratios for 30 independent agency carriers writing the majority of premiums placed by independent agencies. No correlation exists between the LAE and loss ratios. The correlative factor is purely random. Insurance companies have a bad habit of budgeting just to budget and without a clear strategy of what they want to truly achieve with their budget. Cutting LAE without fully understanding the collateral effects is not likely the best course.

These factors put the defense on their back foot. Then, at least in my E&O experience, the good plaintiff attorneys are often paid more and have far more resources, even AI tools, than most defense attorneys. The best resources are not being employed, maybe those resources are the best available, but they are not the best.

The E&O insurance carriers, the best ones at least, have a tough and often razor edge to walk balancing insurance agents' demands and their probable losses/wins. Agents are a different kind of client because they know the industry. Being in the industry, some agents' emotions also get the better of them. But other agents have a high degree of knowledge about the plaintiff, the plaintiff's attorney, the facts, and sometimes even the judges.

Sometimes it might be worthwhile hiring your own attorney to work with your E&O defense counsel if your carrier is limiting what their appointed attorney can do.

If you have a carrier who does not pay claims well, leading to more litigation than necessary, consider taking extra steps to protect yourself before the claim.

First, get a good attorney to review your contract relative to your restrictions on what you can and cannot do. For example, you are unlikely to be able to advise the insured to sue the insurer no matter how much the insurer deserves to be sued.

Second, you are more likely to be sued when you represent carriers that do not pay claims well. If you truly do not need that carrier, get rid of them. If you must live with them, be sure you train your staff well and enhance your procedures, particularly your documentation to protect yourself.

Third, consider, in all cases, how your compensation is affected by bad claims practices and lawsuits. Is your loss ratio higher than it needs to be? I have clients that have completed this analysis and decided they can create more effective programs resulting in better loss ratios and simultaneously fairer claims settlements. They looked at the situation and decided that with better attorneys, they could avoid the problems created by insurers minimizing too much of their loss adjustment expenses.

The carriers are simply not following the first rules I listed in this article. Penny wise and pound foolish rarely works in the high stakes of insurance litigation. Hire the best attorneys you can afford, who know the specific area of law, and if you must accept an insurance company's attorney, know the restrictions they are under and consider how you can best help them make the case.

[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.

Copyright © 1995 - 2025, Chris Burand, Burand & Associates, LLC