



PRIVATE CLIENT



The Benefits of Integrating Personal Insurance Into Estate Planning

NAEPC Webinar
April 17, 2024

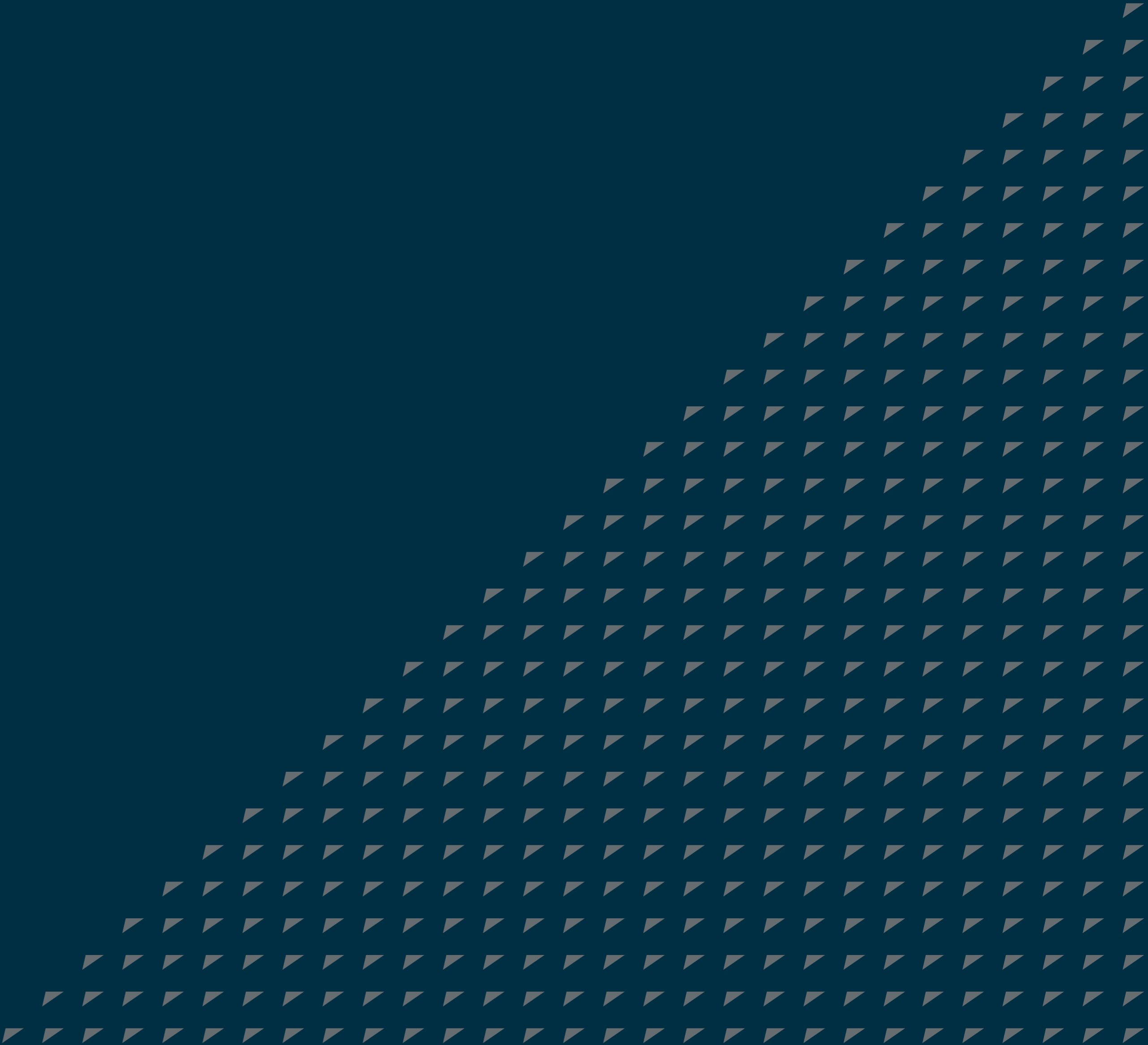
Speakers

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Agenda

- Affluent client profile
- Listening for risks in your client discussions
- Annual risk and insurance review process
- Case study
- Q&A



Affluent Family Profile

Own high valued fine art, jewelry and may have wine collections

Serve on non-profit boards and may also serve as trustee on a friend's family trust

Own multiple homes often in several states. For example: Primary home in New York, NY, vacation homes in Naples, FL and Vail, CO.

Remodel their existing home, or engage an architect and contractor to build a custom home

Employ part-time or full-time domestic staff

Have teenage children driving family automobiles, and/or have young adult children moving out of the household into their own apartment or college.

Listening for Risk

Recognizing risk in your client conversations can inform planning to protect your clients' wealth



“We’re planning construction for our new summer home to be owned in a family trust ”



Home Construction

WHAT TO KNOW:

- **Engage** broker and insurance carrier early to ensure coverage
- **Gaps** of coverage can occur when policies don't align with contractual obligations between contractor and owner
- **Failure** to notify insurance carrier can lead to a denial of claim
- General contractors' policies tend to leave owners exposed to risks
- **Accountability**: Confirm which party is responsible to provide insurance

TYPES OF RISKS:

Liability

- Trips, falls and injuries on your property
- Subcontractors
- Workers' compensation

Fire

- Construction materials
- Chemicals and electrical fires

Theft or Damage

- Construction materials
- Personal property

Contracts/Waivers

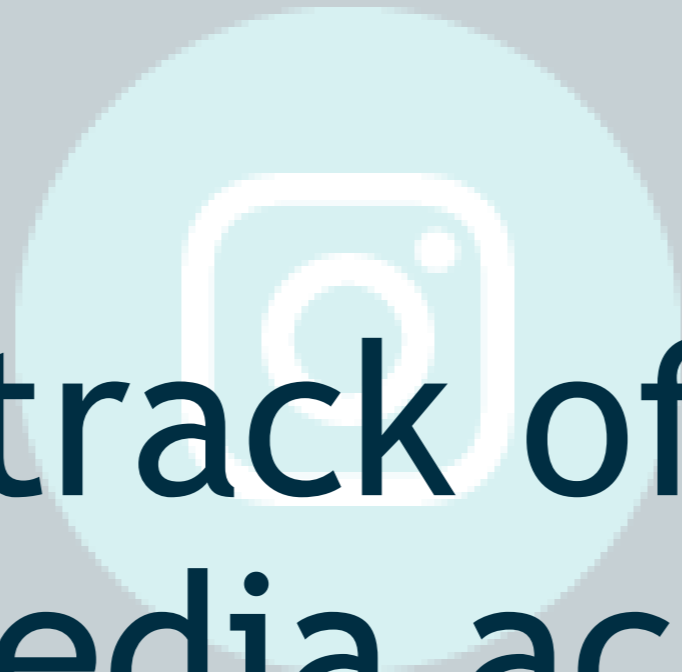
- Waiver of subrogation
- Extending contractor liability to clients

WHAT TO ASK YOUR CLIENTS:

- Are you planning any renovations or construction projects?
- What is the scope of the work?
- Have you notified your broker?
- Have you received pre-build advice for insurability? Especially in CA and FL?



“We lost track of our kids social media accounts”





Cyber Insurance

WHAT TO KNOW:

- Cyber coverage is an add-on endorsement to current policies for PURE, Chubb, and AIG
- Limits from \$25K to \$1M
- Covers the client and their families

TYPES OF RISKS:

Cyber Extortion

- Demanding payment through threats of malicious activity

System Attack

- Expose, alter, disable, destroy, steal, or gain unauthorized access to computer information systems, networks, or devices

Cyber Financial Loss

- Stolen account
- Fraudulent charges
- Lost salary
- Ransom-ware

Personal Cyber Attack

- Cyber breach
- Cyber disruption
- Cyberbullying

WHAT TO ASK YOUR CLIENTS:

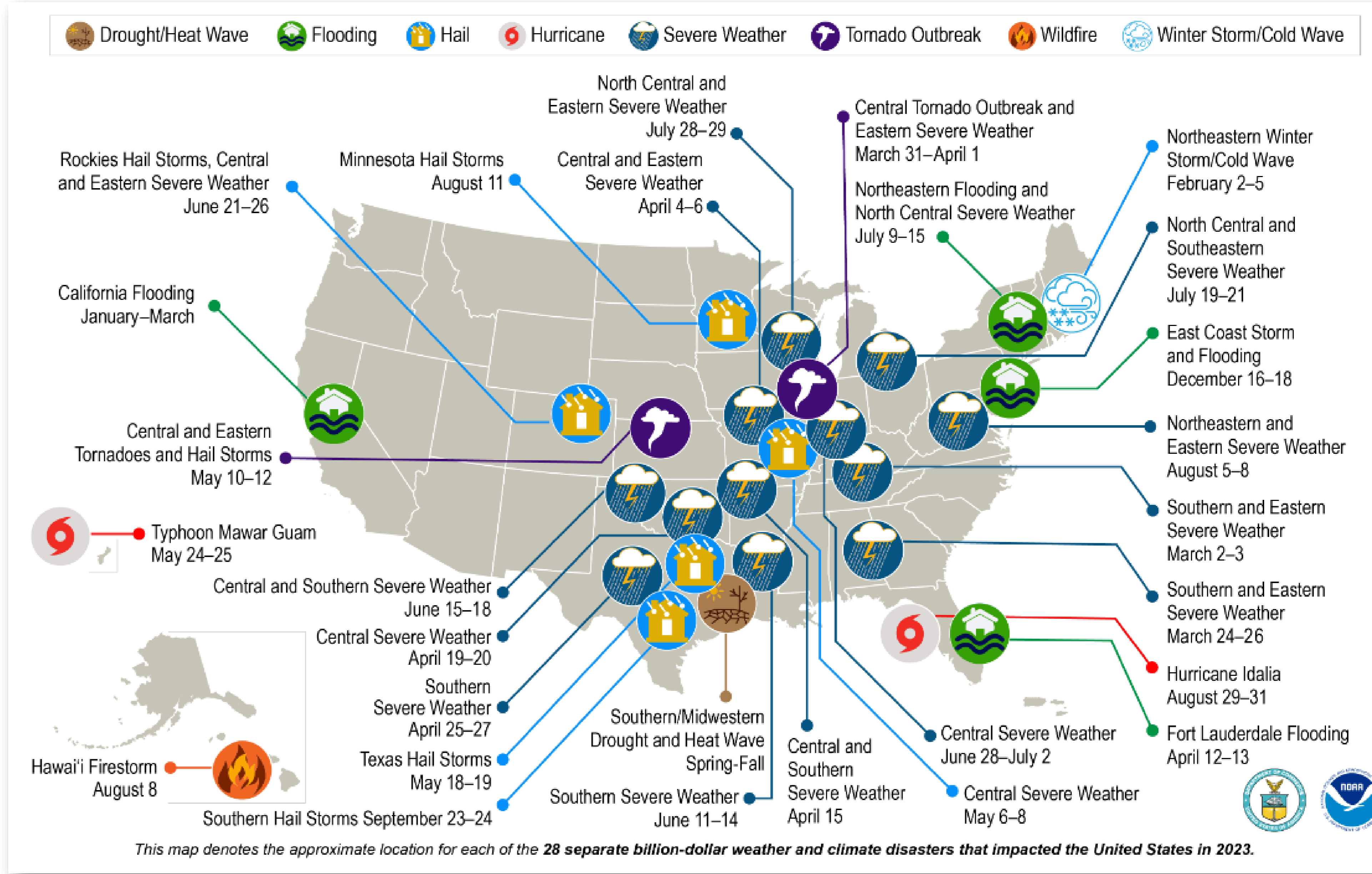
- Do you ever wire money electronically?
- How secure is your email?
- Are you aware of your family's social media presence?
- Do you use the same password on multiple sites?



“We just closed on our new winter home in Naples, Florida”



2023 Billion Dollar Natural Disasters





Catastrophe Zones

WHAT TO KNOW:

- Residents/ homeowners in natural disaster-prone areas are more challenging to insure and very expensive
- High-net worth carriers have developed programs for prevention and response to catastrophic events

TYPES OF RISKS:

- **Western States:** The various wildfires have resulted in multi-million-dollar losses, which has reduced most insurance companies' ability to provide coverage
- **Coastal States:** The increase in hurricanes year over year have resulted in significant losses and decreased insurance carriers' ability to provide coverage

WHAT TO ASK YOUR CLIENTS:

- Have you developed a preparedness plan for you and your family?
- Have you prepared for the next natural disaster?
- Have you had a risk mitigation consultation from an insurance carrier?
- Have you discussed applicable protection programs with your insurance broker?

A young woman with dark hair in a bun, wearing sunglasses and a black and white striped shirt, is driving a car. She is smiling and looking towards the right. In the back seat, two other young women are visible, also wearing sunglasses. The car's interior and the road ahead are visible through the windows. The image has a blue tint overlay.

“Jenny just got her license”



Personal Excess Liability

WHAT TO KNOW:

- Excess liability provides additional limits of insurance over homes, automobiles, watercrafts, and recreational vehicles etc.
- Most people do you not carry enough liability coverage. This then creates gaps between their personal policies and umbrella coverage
- People with multiple cars should have their excess liability policies reviewed

TYPES OF RISKS:

Bodily Injury

- Bodily injuries of another person, that exceeds primary policy limits

Personal Injury

- Any personal injuries including liable, slander or damages that may exceed your primary policy limits

Property Damage

- Cost for property damage that may exceed your primary policy limits

WHAT TO ASK YOUR CLIENTS:

- Do you currently have an excess liability or umbrella policy?
- When's the last time you reviewed your personal liability limits?
- Do you have other insurance in place for serving as Trustee, Director or Officer?
- Are you considering transferring ownership on any property or vehicle into the name of a trust or LLC?



Liability Assessment Tool

Personal excess liability coverage can help protect your client from costly lawsuits that might otherwise put their property and assets at risk. Our **proprietary tool**, *What's My Liability*, suggests the liability range appropriate for their personal protection.

\$29.5M

Amount awarded to a woman struck by a vehicle in a Manhattan intersection

\$10M

Settlement to a woman injured diving into a shallow end of a friend's pool at a party

\$22M

Judgment against a driver who fell asleep at the wheel, rendering a passenger paraplegic

\$10M

Settlement to a bicyclist rendered paraplegic by the teenage driver of an insured's vehicle

[whatsmyliability.com](https://www.whatsmyliability.com)

Find out how much liability insurance is right for your client.

A photograph of two men in a gallery setting. The man on the left is wearing a blue and white plaid shirt and teal pants, pointing upwards with his right hand. The man on the right is wearing a dark suit jacket and a blue shirt, looking towards the left. The background is a bright, modern gallery space with large windows and a white wall. The text "We realized we have become fine art collectors" is overlaid in the center of the image.

“We realized we have become fine art collectors”



Valuable Articles

WHAT TO KNOW:

- Most homeowner's policies limit coverage for valuable articles under contents coverage. Losses can erode policy limits quickly.
- Higher valued items such as fine art or jewelry should be appraised and insured under a valuable articles schedule
- Depending on your insurance carrier, scheduled valuable articles have worldwide coverage and are not subject to a policy deductible

TYPES OF RISKS:

Fine Art Damage

- Damage during fine art installation, care or cleaning in the home
- Damage during lending to museum or other institution: packing, shipping, installation
- Damage while in storage

Acquisition

- Forgery, lack of provenance, condition

Jewelry Theft & Partial Loss

- Theft, loss of pair/set or stone from jewelry items

WHAT TO ASK YOUR CLIENTS:

- Have you acquired any jewelry, fine arts, furs or collectibles such as fine wines, silver, stamps, guns or other items?
- Do you have current appraisals for jewelry or other valuables?
- Have you utilized a loss control expert in fine art to oversee installation, care and maintenance of valuable art?

Annual Insurance Review

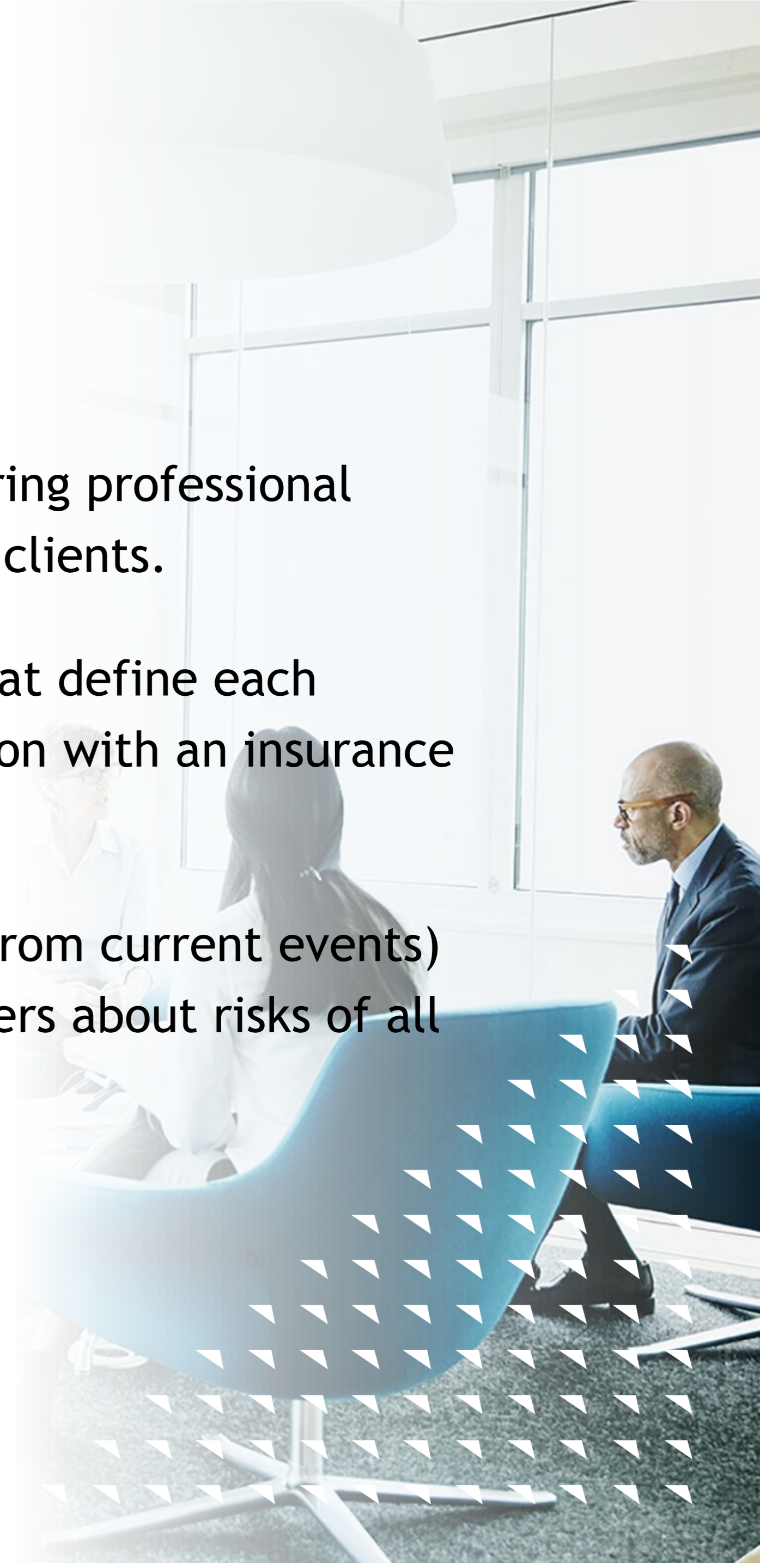
Incorporating an annual insurance review into client meetings can help make certain risks are addressed holistically



Interdisciplinary Approach

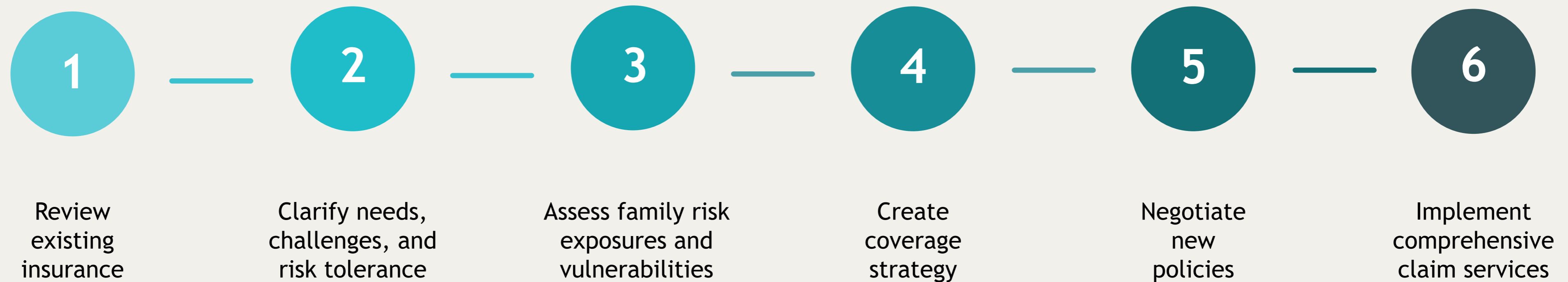
Benefits

- Allows for collective knowledge when delivering professional services to affluent and ultra high net worth clients.
- Assesses the characteristics and behaviors that define each family's unique risk "footprint" in coordination with an insurance professional.
- Turns heightened risk awareness (stemming from current events) into an opportunity to educate family members about risks of all types.



Annual Insurance Review Process

To manage the complex risks inherent in the life of affluent and ultra high-net-worth clients, there should be a clear and focused process that results in smart, customized insurance solutions.



Affluent family lifestyles needs change over time,
an annual risk review as part of ongoing financial and wealth planning.



Historic Insurance Market Changes

Market Update

The historic number of catastrophic events and the corresponding claims from the past several years have triggered **premium increases, non-renewals along with difficulties in obtaining coverage across the U.S.**

Insurance carriers are applying an average annual replacement cost inflation guard of 15%+. This is to ensure property coverage limits will increase according to the rising costs of building materials and labor depending on U.S. region. Additionally, there has been an increase in the cost of re-insurance.

Primary Insurance Markets

All insurance placements for your clients should be made through insurance carriers maintaining an A.M. Best Rating of A-VII or higher. There are six primary carriers in the high-net-worth marketplace.

Admitted

- AIG
- Chubb
- PURE
- Cincinnati
- Berkley One
- Vault

Non-Admitted

- AIG Select and Lexington Ins. Company
- Chubb Custom
- PURE Programs
- Cincinnati Specialty Underwriters Ins. Company
- Vault Custom



Family Risk Review Example

Business Owner With Complex Personal Assets

- 7 U.S. based properties, 1 in the Caribbean
- \$30M fine art collection, 21 classic cars, and a \$4M jewelry collection
- 8 domestic staff
- 6 different insurance policies and effective dates



Case Study: Insurance Review

Key Issues:

1. **Incorrect Named Insured:** Executive Assistant was named insured—no financial interest in the properties.
2. **Distressed Coverage:** Caribbean home covered under the country's national catastrophe fund (limited coverage).
3. **No Entity Coverage:** Homes owned by trusts and LLCs had no trusts and LLCs listed on policies.
4. **Personal Excess Liability:** Scheduled under commercial business policy. Excluded personal injury and shared limits with the business policy.
5. **Inconsistency:** Limited coverage for flood, earthquake, mold remediation (\$20K on each home), and no coverage for equipment breakdown.
6. **Inaccurate Values:** Collector cars, art, and jewelry had outdated values.

Solutions:

- **Property Policy:** Insured all homes with one carrier on concurrent renewal date. Carrier risk mitigation services applied. Arranged coverage for flood, earthquake, mold remediation and equipment breakdown. Secured standard homeowner's policy for Caribbean home.
- **Personal Excess Liability:** Re-structured policy to provide dedicated limit for the family separate from business. Included personal injury coverage and employment practices liability (domestic staff).
- **Corrected Name Insured:** Removed Executive Assistant as a named insured. Correctly reflected trusts and LLCs within insurance structure.
- **Expert Resources:** Specialized appraisers accurately valued cars, art, and jewelry for insurance. Cars moved to classic car insurance and art and jewelry to valuable articles policies due to premium savings, broader coverage, and no deductible.
- **Risk Education:** Recommended emergency travel and medical response through a membership organization, educational resource for understanding duties of trustee, and first aid training for domestic staff.



Annual Planning: Four Steps

By addressing family risks holistically, advisors can help their clients increase their level of risk preparedness and become more resilient over time.

These steps will help address the evolving family risk landscape.

- Raise the topic of risk at your next client meeting: Begin the conversation about what constitutes risk and what is being done to mitigate it. Design the conversation to encourage family clients to ask questions that will educate all generations.
- Start an annual review of family risk areas: Assess the family's risk footprint and profile.
- Develop an actionable plan: Include an insurance strategy for the family's particular areas of risk
- Utilize insurance as a strategic risk management tool: Adjust it annually as the lifestyle and concerns of family members change.

Q&A

