

# The Disconnect Between Personal Insurance and The High Net Worth

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A common misconception enhanced by the overwhelming amount of advertising is that all insurance products are the same. **This is false**; the difference between a commodity and a luxury good is analogous to standard or market policy forms and policy forms created for High Value Homes, High Net Worth individuals and families.

This is a problem because the direct and middle market companies are not suited for the high values and exposures inherent with the lifestyle that comes with high net worth individuals and families. The volatility and complexity of risk is vastly different than that of a typical American family, which is the ideal appetite of the middle market and direct writing companies. (Direct writing companies are Insurance companies that insure consumers directly rather than through an Agent or Broker) **The most basic examples of how the standard market policies are inadequate include underinsurance of property values, insufficient excess liability offerings and inadequate coverage vis-a-vie the lifestyle of the HNW individual or family.**

Successful and accomplished individuals and families have complex financial planning, asset management and estate planning needs. Often insurance is overlooked as a paramount tool for wealth preservation.

This document will briefly describe the differences and benefits of insurance companies that have custom forms designed for responsible and successful families. Prime examples of the companies that specialize in this arena are:

- 1) AIG Private Client Group
- 2) Chubb
- 3) Pure Insurance
- 4) The Cincinnati Insurance Companies

This document will also show how **Deland, Gibson's model is a difference maker** in diagnosing

and managing the unique risks of individuals and families.

Many individuals and families often overlook their insurance situation. It is set up early in their life and rarely modified and adapted to fit their ever-changing situation. While there is no “cookie cutter” programs, **many of the following coverage options should be a mainstay in the insurance programs of the high net worth and often are not:**

- **Personal Directors and Officers**
- **Hurricane Protective Services**
- **Forest Fire Protection**
- **Mechanical Breakdown**
- **Risk Control Strategies**
- **Primary and Excess Flood**
- **Extended Umbrella Limits**
- **Increased Uninsured Motorist**
- **Increased Underinsured Motorist**
- **Travel Accident Insurance**
- **Employment Practices Liability**
- **Yacht Protection & Indemnity**
- **Private Collections**
- **Cyber Risk**
- **Proper Property Valuations**
- **Water Shut-off Valves**
- **Theft of funds electronically / Wire Fraud**
- **Jewelry Schedules**
- **Fine Art Collections**
- **Fine Art Home Assessments**
- **Domestic Employee workers compensation**
- **Vendor Management**
- **Personal Property Inventory System**
- **Collection Consultation**
- **Kidnap, Ransom and Extortion**
- **Employee Screenings and Background Checks**
- **Blanket Property Limits**
- **Medical Evacuation Coverage**

To break down the difference between the policies forms of the standard market homeowners policies and the policies manuscripted for complex risk profiles are intricate as there are many factors and policy types.

Below is a snapshot of the most important coverage parts that translate best to fit the needs of the High Net Worth that are **NOT** standard and potentially not available in homeowners policies:

### **COVERAGE ENHANCEMENTS**

<u>Coverage</u>	<u>Difference or Comparison</u>	<u>Why it matters</u>
<b>Building coverage</b>	<ul style="list-style-type: none"> <li>• Cash out option</li> <li>• Guaranteed Replacement Cost</li> <li>• Onsite appraisal service</li> </ul>	Because you don't want to have to worry that you have the proper dwelling coverage and you would like flexibility if you didn't want to rebuild on the same plot of land.
<b>Contents Coverage</b>	<ul style="list-style-type: none"> <li>• All risk vs. named perils</li> <li>• Replacement Cost vs. Actual Cash Value</li> <li>• Cash out option</li> </ul>	Because you want the best coverage possible for your belongings and in the event of a loss you don't want to have to buy used furniture or clothes – you want cash or to be able to go buy new items.
<b>Loss of use</b>	<ul style="list-style-type: none"> <li>• Unlimited vs. 20% of dwelling coverage</li> </ul>	Because in the event of a loss and you are displaced from your home you want to be able to maintain your lifestyle and not pay out of pocket or bothered by certain amount of money to cover the extra living costs by being out of your home.
<b>Ordinance or Law</b>	<ul style="list-style-type: none"> <li>• Unlimited vs. 10%</li> </ul>	If you have a home that is not completely up to code, you don't want to have to pay out of pocket to rebuild your entire house to code in the event of a loss.
<b>Debris removal</b>	<ul style="list-style-type: none"> <li>• Unlimited vs. "reasonable expense"</li> </ul>	If your home is damaged and things need to be removed from the property, the last thing you want to worry about is negotiating with the claims adjuster about "reasonable expense"
<b>Liability</b>	<ul style="list-style-type: none"> <li>• Higher limits and broader coverage definitions</li> </ul>	<p>Included is:</p> <p>Personal injury</p> <ul style="list-style-type: none"> <li>• Bodily injury, shock, mental anguish, mental injury, sickness or disease, including death:</li> <li>• Injury because of false arrest or imprisonment, malicious prosecution, wrongful entry or eviction, humiliation, liable, slander, defamation of character, or invasion of privacy</li> </ul> <p>Medical Payments of \$25,000</p> <p>Kidnap Expense</p>

		<p>This matters because personal injury exposures are only growing:</p> <ul style="list-style-type: none"> <li>○ Social media libel</li> <li>○ Bullying</li> <li>○ Tenant issues from property ownership</li> </ul> <p>Hired and Non-Owned Automobile coverage.*If no auto policy. Not available in all states.</p>
<p><b>Valuable articles: scheduled jewelry</b></p>	<ul style="list-style-type: none"> <li>• Higher limits and better coverage</li> <li>• Up to 150% of scheduled value</li> <li>• Blanket Limits available</li> <li>• Cash out option</li> </ul>	<p>Why let an insurance company find you a replacement defined as “like kind and quality”</p>
<p><b>Claims Settlement</b></p>	<ul style="list-style-type: none"> <li>• Highest level of Customer Service</li> </ul>	<p>Because after a claim you need to be taken care of. There is no “nickel and diming”. Deland, Gibson and the HNW company are there to indemnify clients as soon as possible to the highest degree of service possible. HNW insurance companies know their domain and this is where they differentiate and earn their reputation. These companies have not and can not establish themselves in this marketplace without truly superior claims settlement.</p>

Deland, Gibson has positioned itself to seamlessly handle the needs of the high net worth. DG employs a four-step process that creates long-range risk reduction plans to lower a client's Total Cost of Risk (TCOR). The trademarked risk control plan is called Gibson Risk Improvement Planning: GRIP.

The correct insurance and risk management system works together to protect from the direct (financial) and indirect (stress, time out of work) costs of one's TCOR.

- 1) The first step in the process is identifying the risks. This is done by asking questions; not merely completing standard applications but getting to know the lifestyle and risk tolerance of a family.
- 2) The next step is to create a plan. This plan will highlight risks identified, showing the impact to the family and how we will respond with an appropriate solution to manage that risk.
- 3) Implementation is as simple of Deland, Gibson taking the lead in certain situations to lower risk for a family, place broader coverage and help clients manage risk.
- 4) The final step monitors for success, catering to each client's specific needs. Deland, Gibson will check in when necessary to make sure the family is properly protected.

To learn more about the initial steps for creating an insurance and risk reduction plan appropriate for you and your family, please contact Chip Gibson @ [cgibsonjr@delandgibson.com](mailto:cgibsonjr@delandgibson.com)