



## NEW ACCOUNT CASE STUDY

A successful insurance program protects the client's assets while taking advantage of available savings. In our review of a prospective client's existing insurance, we look for ways to rebalance the account to avoid underinsurance and overpayment. This may include placing coverage with a more appropriate carrier (one who specializes in coverage for high-net worth clients), amending coverages and limits, applying all available credits, and adjusting deductibles. This case study is based on an actual client and illustrates how we created a more robust, appropriate, and cost-controlled insurance program for a family who had clearly outgrown their insurance.

**Exposures:** The client owned two homes, a primary residence in IL and a secondary in a Western state. They had five autos and three drivers, including a youthful operator with an at-fault accident. They also owned a high-value motorboat.

**Current Program:** In our initial review, we found that the current program was fragmented rather than unified. The client had policies with two direct writers and a specialty earthquake insurer. The six policies were serviced by two different brokers. The client provided copies of the current policies except for the primary homeowner, which could not be located. The remaining policies had five different effective dates, with the auto on a 6-month policy.

### Insurance Review and Proposal

**Proposed Program:** After review of the current program and consultation with the prospective client, our goal was to more fully protect the client's assets, place coverage with a high-net worth insurer, fill some coverage gaps, provide more appropriate coverages and limits, and take advantage of all available credits to control insurance costs. We also wanted to unify the insurance program by serving as the sole broker, reducing the number of insurers, and simplifying the paperwork with one common effective date and consolidated billings.

**Marketing:** Three of our high-net worth insurers reviewed the account. Two provided quotations and one declined the account due to two auto losses, including the youthful operator's at-fault accident. We quoted the high-value motorboat with a carrier who specializes in watercraft of this type because they provide broad coverage with very competitive pricing.

### Coverage Improvements and Adjustments

**Primary Home**—The current home limit was unknown; we determined a replacement cost value of \$2,500,000. Our homeowner quotations included earthquake, which had been insured on a separate policy. We added basic flood coverage, which protects against water damage due to flood or water intrusion from outside the home (such as heavy rains or broken water mains). We quoted a \$5,000 deductible because the client was willing and able to handle a higher deductible in exchange for a premium reduction. Credits for central station alarms and a sprinkler system also resulted in a premium reduction.

**Secondary Home**—The home was underinsured and we increased the dwelling limit by \$200,000 for our quotations. We also reduced the deductible from \$10,000 to \$5,000, to be consistent with the primary home. The client declined earthquake and flood insurance on this home.

**Automobiles**—We increased the liability and uninsured motorist limits to \$500,000 for our quotations. We also added coverage for full glass, roadside service, and rental reimbursement. Physical damage coverage on the current policy was on an Actual Cash Value basic (replacement cost minus depreciation); our quotations included Agreed Value coverage on all autos. Comprehensive and collision deductibles were increased from \$100/\$500 to \$1,000/\$1,000 because the client was comfortable with a larger deductible in exchange for a premium reduction. The youthful operator qualified for a good student credit, which helped reduce the premium charge for a young driver. Our auto quotations were annual rather than 6-month terms.

**Watercraft**—Enhancements to the watercraft coverage included the addition of unattached equipment coverage and a deductible increase from \$100 to \$1,000.

**Excess Liability**—The current limit of \$2,000,000 was inadequate to protect the prospective client's assets in the event of a catastrophic liability claim. Based on the client's net worth, we increased the limit to \$10,000,000.

**Total Account**—By quoting all lines of coverage (with the exception of the watercraft) with one carrier, the client received additional "account credits" on the home, auto and excess liability premiums.

## Proposal Outcome

We presented a proposal to the client that compared the current coverages, limits, deductibles, and premiums with the quotations from our two high-net worth carriers. After a careful review and discussion, the client chose one of the programs, including the watercraft policy with the specialty carrier. With the additional coverages, limit increases, and deductible adjustments, the total account premium of \$17,300 was only 1% higher than the client's current fragmented, underinsured program.

Equally important, the new high-net worth carrier's policies included coverage enhancements that are typically not available (or specifically excluded) on "Main Street" policies. While each of our insurers has its own coverage enhancements, our new client now has an insurance program with many "added-value" coverages, including:

- **Guaranteed Rebuild Cost**—in the event of a total loss, the carrier will pay the full cost to rebuild the home even if the amount is greater than the insured limit.
- **Complimentary Home Inspections**—to confirm the replacement cost value of the homes and offer loss prevention recommendations.
- **Worldwide Contents.**
- **Earthquake Coverage for Contents** included in the homeowner coverage.
- **Large Loss Deductible Waiver**—if a homeowner claim is over \$50,000, the insurer waives the deductible.
- **\$30,000 Identity Theft and Fraud Coverage.**
- **\$10,000 Mold Remediation Coverage.**
- **Sewer, Water Backup and Overflow Coverage** (included up to homeowner policy limits).
- **Auto Repairs using Original Manufacturer's Parts** (unless no longer unavailable).

## How We Can Help

Our goal is to protect the client's assets and each step of the proposal process is based on one question: What is best for our client? As an independent insurance brokerage specializing in the affluent market, we understand the needs and concerns of high-net worth families, and we partner with the leading insurers whose products are

specifically designed to respond to those needs and concerns. Our Private Client Group team of professionals has the expertise and experience necessary to provide concierge-level client service to all prospective and existing clients.

While not every client will experience the ideal outcome of this particular case study—broader coverage and higher limits for little or no premium increase—all prospective clients will benefit from our risk management approach that includes a detailed review of the client’s risk exposures, evaluation of the current insurance program, coverage recommendations, and optional quotations for their consideration.

Like the family in this case study, many prospective clients have built wealth over the years but their insurance program has not kept pace. We can help clients review and evaluate their increasingly complex insurance needs and offer constructive recommendations for crafting a robust insurance program that appropriately and adequately protects their valuable assets.