

Property and Casualty Insurance: **A Case Study**

The Family

- Mid-40's successful business owner with spouse and three children ages 6 - 14
- Net worth: \$250-300mm, about 80% in an operating business
- Annual income: \$10-12mm
- Three homes in US of which one, a condominium, is rented
- Small sailing yacht flagged in the United States
- Private aircraft use through subscription and charters
- Small art collection

The Request

Review and analyze property, casualty, and liability insurance as part of a general risk assessment.

The Process

We were already paying the client's personal bills and had complete information on what policies were in place and the related premiums. Additionally, we requested copies of the policy declarations and endorsements and a claims history from the client.

We then performed an initial review of all of the Property, Casualty, and Liability insurance policies currently held by the client and his family, and charted out each element of coverage, premiums, sub-limits of coverages provided by primary policies, noted key exclusions, and evaluated each carrier's health. We then conducted the most important part of the process - an in-depth discussion with the family about their lifestyle, activities, history, and preferences to determine any gaps in coverage.

The Findings & Enhancements

▪ Multiple Brokers and Carriers

Because the client's wealth and personal assets were accumulated over time and were not coordinated, the three properties were insured by two different insurance carriers using two different brokers.

- **Enhancement:** We evaluated each incumbent broker and included an additional, third broker weighing each for their fit and capability ultimately consolidating the coverage into one of the existing brokers and carriers. This resulted in a nearly 20% reduction of premiums, and enhancements in key coverages.

▪ Insufficient and Incomplete Umbrella Coverage

The client had an Umbrella policy from one carrier in the amount of \$5mm, which given the level of personal assets and risk profile, was deemed insufficient. Additionally, the policy was issued by one of the two incumbent carriers and did not cover all properties.

- **Enhancement:** We recommended adjusting the coverage to \$10mm and scheduled all properties, vehicles, and the yacht. While this did result in a modest premium increase, the family was grateful for their reduced risk profile.

▪ Auto Coverage

All automobiles were insured in one of the base policies, however the family had moved one of the vehicles to another property in another state on a permanent basis. Further, it was not listed on the policy potentially jeopardizing coverage.

- **Enhancement:** Appropriately scheduled the location of each automobile ensuring coverage for all vehicles regardless of location.

▪ No Renters' Insurance

The rental condominium did not have coverage on the contents and was not scheduled under the Umbrella policy.

- **Enhancement:** Under the overall property policy, added contents coverage for the rental condominium, which automatically extended the base liability coverage, and scheduled the property on the enhanced Umbrella policy.



▪ **Insufficient Coverage on Artwork**

One piece of art was separately scheduled on one carrier's policy, however different pieces of art were located elsewhere, leaving them either uninsured, or insufficiently insured under the blanket policy limits. In addition, the one insured piece of art was located on the family's watercraft, contravening the policy requirements.

- **Enhancement:** We separately scheduled all current artwork with an agreed value inland marine/art & collectibles rider on the overall policy. Several appraisals were conducted to establish value. The location of each item was scheduled and we instructed the family about the proper process to maintain coverage should they want to move any piece. The family anticipates obtaining additional works of art in the future. Accordingly, we put in place a procedure to notify the insurance broker about future purchases

▪ **No Non-Owned Aircraft Insurance**

When using aircraft, the family frequently brought friends of both the adults and the children, and sometimes employees of the family business. This created a material liability for the family that was likely not covered in full by the aircraft owners' policies. In addition, other than the initial provisions in one air subscription agreement, no information was available regarding what coverage existed from the aircraft owners.

- **Enhancement:** we obtained certificates of insurance for the known aircraft owners and implemented a process to obtain same for any future different owners (i.e. charter operators). We applied for and obtained non-owned aircraft liability and non-owned physical damage coverage, and also suggested an enhancement to the business' policy to ensure full coverage for the entity when employees were flying.

▪ **No Earth Movement Coverage**

Although no properties were located in high-risk seismic disturbance areas, earth movement, whether natural seismic disturbances or otherwise, can occur anywhere. This common exclusion can and has caused catastrophic losses.

- **Enhancement:** For a very modest premium, this risk was mitigated with an earth movement rider covering all properties.

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