

Insuring the High Net Worth Individual

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INSURING THE HIGH NET WORTH

Who is a High Net Worth Individual (“HNWI”)?

- HNWI is a term used by some segments of the financial services industry to designate persons whose investible assets (excluding the primary residence) have a value greater than US\$1 million.
- By 2007, the expansion of HNWI assets led to the creation of a super class of HNWI’s, known as Ultra High Net Worth Individuals (“UHNWI”) i.e. those with at least US\$30 million in liquid financial assets.
- At the end of 2016, there were over 13,000,000 HNWI’s and over 225,000 UHNWI’s in the world.
- The United States of America has the highest number of HNWIs (4,400,000) of any country.
- Wealthy families have relatively more complicated risk management needs and the real risk is often over insuring against minor threats and underinsuring against major ones.

** data from the Knight Frank Wealth Report and Billionaire Census

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What are the Risks of the HNWI?

- Risk – risk is the probability, i.e. the chance that an event or situation will come to pass, and mainly lead to a loss or an undesired outcome.
- Risk Perception - is the subjective judgment people make about the severity and probability of a risk, and may vary person to person.
- Exposure - exposure is the extent to which the risk can have an effect.
- Example – owning a \$10M home on the Florida coast, hurricane and flood is the risk, exposure is high because of location and the financial exposure is \$10M of potential total loss.

You must determine the risk appetite of the HNWI – risk taker or risk adverse.

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What are the Risks of the HNWI?

- Business Risk – assume for the purposes of this presentation the HNWI has the proper business protection should they own/operate a business.
- Personal Risks
 - Family Trust – naming on the policy
 - Spouse/Children – youthful drivers of exotic cars; included or excluded
 - Handyman, cook, cleaner, nanny, contractor – workers compensation, employment practices liability
 - Charitable Board representation – personal umbrella may respond
 - Aviation – private plane and helicopter travel
 - Attractive Nuisances – pools, trampolines, tree houses, play structures; measures taken
 - Kidnap & Ransom – protecting the family while on vacation in a foreign country or during international business travels with spouse/family
 - Real Property, Personal Property, Fine Arts, Jewelry, Collections – replacement cost, priceless items
 - Estate Tax Liabilities – life insurance funding mechanisms

Establish a personal risk profile to ensure risks and exposures are determined and properly addressed.

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What Insurance Products are Available to Protect the HNWI?

- Homeowners Insurance – a package insurance policy providing property and liability coverage tailored to the needs of most homeowners, condominium owners and apartment tenants.
- Personal Auto Insurance – an auto policy insuring private passenger-type autos providing a combination of liability, personal injury, medical payments, uninsured and underinsured motorists and physical damage.
- Umbrella Insurance – a policy to provide protection against catastrophic losses and generally written over various primary liability coverage such as homeowners and personal auto.
- Workers compensation, employment practices liability insurance, permanent/term life insurance
- The Issues – multiple homes, world wide locations, art, jewelry, guns, watercraft, snowmobiles, golf carts, exotic vehicles, collections (stamps, coins, etc.), vacant land, entertaining/parties, limited markets, etc.

Important to review the products for broadest coverage and appropriate limits to propose for consideration to purchase.

THE UMBRELLA POLICY

What Are the Benefits of Umbrella Insurance aka Excess Liability Insurance?

- Umbrella Insurance – a policy to provide protection against catastrophic losses and generally written over various primary liability coverage such as homeowners and personal auto.
 - Very reasonable cost for the extra coverage; underlying coverage responds first
 - Asset protection should the underlying liability limits not be sufficient to cover the cost of a claim
 - Umbrella provides world wide coverage in some instances (electronic equipment, etc.)
 - Libel or slander protection
 - Malicious prosecution, meaning you may file a suit against someone and in turn they sue for wrongfully or maliciously prosecuting that individual

PEACE OF MIND!!!



PROFESSIONAL LIABILITY INSURANCE

What Are the Benefits of Professional Liability Insurance?

- Professional Liability Insurance – aka professional indemnity insurance or more commonly known as errors & omissions (“E&O”) in the US, is a form of liability insurance which helps protect professional advice and service providing individuals from bearing the full cost of defending against a negligence claim made by a client, and damages awarded in such a lawsuit.
- The coverage focuses on alleged failure to perform on the professional advice or services provided for a fee, meaning an alleged error or omission in providing the advice/service caused third party bodily injury and/or property damage to occur.
- These are causes for legal action that would not be covered by a general liability insurance policy which specifically excludes professional liability claims.
- Professional liability insurance may take on different forms and names depending on the profession, especially medical (Medical Malpractice), legal (Lawyers E&O) and teachers (Educators Legal).

Beware of the financial loss component of coverage being excluded



PROTECT YOUR LOVED ONES

Do NOT let the best laid plans to protect a HNWI and their family be destroyed by oversight when it comes to personal risk management and insurance.



Establish a Trusted Insurance Advisor relationship with an insurance professional when it comes to advising the HNWI on risk management and insurance issues and review annually with them the changes and developments to their risk profile.

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How to Reach Us



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