

Protecting Your Personal Wealth

Ten Common Insurance Mistakes and How to Avoid Them

Property and casualty insurance — protection for your homes, cars, fine art, jewelry, liability, etc. — is a critical part of personal wealth management, yet many high net worth consumers still view it as a footnote in their overall plan. Private Client Group, a division of AIU Holdings and leading insurance provider for wealthy individuals and families, identified common mistakes made by consumers, which can mask advantages at your disposal and inadvertently put assets at risk.

1. Your insurance program is messy.

You acquire assets over time, so it's not uncommon to insure them in the same haphazard manner. Your summer residence, for example, may be with a different agent and carrier than your townhouse in the city. Your fine art may be insured independently from your cars. Whatever the combination, the end result is fragmented, making insurance more difficult and expensive to manage. This unorganized approach could also cause gaps in coverage that aren't revealed until a claim is denied.



2. You're not working with high net worth insurance specialists.

Generally there's a vast difference in quality and service between mass-market and luxury goods. The same is true for insurance, yet you don't need to be a billionaire to benefit from a specialized program. If you have a net worth in excess of \$5 million, a mass-market insurance carrier may not be equipped to address your complex personal risk management needs. The same concern holds true for mass-market agents and brokers.



3. You don't regularly evaluate your insurer's financial strength.

In the event of a hurricane or other large-scale event, will your provider be able to pay your claim? Look for financial stability when choosing your insurer. For example, the insurance companies used by AIU Holdings are rated "A" or "Excellent" by A.M. Best, the lead insurance company rating agency. Each company is strongly capitalized and able to pay current and future claims obligations.



4. You don't have enough personal liability insurance.

Does your net worth exceed your liability coverage limits? If a lawsuit puts your personal wealth at risk, the last thing you want to worry about is running out of insurance. A specialist provider like Private Client Group can offer up to \$100 million in liability coverage on a single policy — to safeguard you, your family and your assets against claims of property damage and personal injury. In addition, value-added services like complimentary background checks on domestic staff can further enhance your protection.



5. Your home is under-insured.

If you had to rebuild your home in today's market, would your homeowners' insurance sufficiently cover the expense? Many properties are insured based on values that are vastly underestimated, particularly after post-Katrina inflation on materials and labor. You can offset costs due to increased coverage limits by taking higher deductible options; assuming more of the up-front risk can result in premium savings.



6. You haven't insured valuable collections properly.

Distinct insurance coverage is available for fine art, jewelry, wine, antiques and other collectibles, yet many include these items within a homeowners' policy and unknowingly diminish their protection. Regardless of your overall policy limit, homeowners' policies generally cap limits on "contents" coverage. The value of covered items also may be subject to depreciation. Insuring high-value collections more appropriately can provide broader, more flexible protection. With Private Client Group, you also gain access to in-house specialists who focus exclusively on preserving the value of private collections.



7. You don't know what's excluded from your policies.

As with any contract, read the fine print. Each of your policies lists coverage exclusions. Don't wait until claim time to find out what is — and is not — protected. A high net worth insurance provider is more likely to address the special circumstances that can come with wealth, or simply offer coverages that traditionally have been ignored in the mainstream marketplace. Further, the guidance of a seasoned, high net worth agent or broker can preempt this problem altogether.



8. You haven't addressed your vulnerabilities.

When you have substantial wealth, "insurance" should transcend policies. There are steps you can take, with the right provider, to proactively reduce exposure from:

- Liability lawsuits (prominence and wealth can make you a target)
- Personal staff (housekeepers, nannies, chauffeurs, etc.)
- Teenage drivers
- Natural catastrophes such as wildfire and hurricane
- Flooding
- Yacht ownership
- Threats to personal safety and security
- Personal exposures from business pursuits (farms, vineyards, family office endeavors)



9. You don't demand choice.

The benefit of retaining an independent insurance agent or broker is that they are working for you. If you're not frequently presented with options on how to address your insurance needs, it may be time to find a new advisor. A good advisor will test the market at least every two years, because:

- The high net worth insurance landscape is evolving. Historically this was a stagnant market, but now there are frequent innovations.
- Better pricing may be available.
- As you accumulate assets, other offerings may become more relevant.



10. You're paying too much.

There are two costs of insurance: the insurance policy itself, and the hidden costs of a claim: out-of-pocket expenses, time and trouble, potential catastrophic loss after a storm or lawsuit, gaps between policies. With proper management, insurance becomes not only more effective at protecting you, but also more affordable overall.



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