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Return on Investment High Net Worth Client Case Study

Jeff Ogard, CPCU, CIC | EHL Insurance | 800.929.1669

Dr. Jones (not his real name) was referred to EHL in order to obtain help with the employee benefits program for his 20 employee practice. Having had his expectations exceeded with both the process and outcome of his group medical insurance experience, he readily agreed to have us review his property and casualty risks from both a business and personal perspective.

High Net Worth clients are a hugely underserved market segment in the insurance industry. Most providers do little more than transact insurance, and they do that without a thorough understanding of the client's exposures or risk tolerance. There is much more to be accomplished however, in a thorough risk review. Insurance is only one of five categories of risk treatment.

AVOIDANCE – The least expensive way to deal with risk is to make it go away. In this case, there was a trampoline in the yard that hadn't been used since the client's children lived at home. Having it dismantled and disposed of, removed the exposure of injuring either a guest, or someone's curious, trespassing child.

RETENTION – Not all exposures can be treated, and some are sufficiently remote that the cost of insurance is not a good value. Even though the client's home is on waterfront property, it is sufficiently flat, and with adequate set back from the beach, that landslide was a peril the client was willing to retain. The biggest problem with retention is when it is unintentional or unknown. This particular client owned a rental condo unit, yet previously had no liability coverage extending to that location.

LOSS CONTROL – Sometimes a loss exposure can be modified to the point it is less likely to generate loss; or the potential loss severity has been sufficiently reduced, that one no longer senses a need to insure it. In this case, the care taken to protect jewelry from theft or simply a stone falling out of a setting, were such that insurance was not seen as a necessity.

NON-INSURANCE TRANSFERS – Both the client's children had completed their schooling, were living on their own, and were no longer dependants. However, they were both driving cars owned and insured by our client, meaning he could be sued if a claim involving one of these young adults would have pierced his liability limits. Both vehicles were gifted to the children, who were assisted in the process of obtaining their own insurance.

STRUCTURE OF INSURANCE – Once all non-insurance techniques have been exhausted, we are ready to construct an insurance program that is incorporated into a holistic risk treatment program. The client's home was appropriately insured for \$1.7 mil. However, their earthquake coverage stopped at \$1.0 mil on the

structure, and provided almost no coverage for loss of use or personal property. Their new program has no cap on dwelling or loss of use claims, including those caused by earthquake. The former umbrella policy only provided \$1 mil of excess liability with no additional coverage for Uninsured/Underinsured Motorist coverage. The new program provides \$10 mil of both liability and UM. The deductible on the previous homeowners policy was \$1,000, even though our client was comfortable self-insuring the first \$10,000 of property losses. Liability coverage was provided for the rental condo, and included under the umbrella. Total property and casualty insurance expenditures decreased by over \$1,000 per year for this family, even though the total amount of both property and liability coverages were dramatically increased. The key however, was in greatly reducing the likelihood of uninsured or underinsured claims