Identifying Your Property/Casualty Insurance Gaps

Standard insurance policies cannot adequately address complex needs. Here are 5 key questions that can reveal critical coverage gaps.

Key Takeaways:

- Standard insurance policies may not adequately address your complex needs.
- Disconnected polices from multiple companies are potentially dangerous.
- If you have a custom home, an active lifestyle, luxurious possessions, domestic help, a public profile and young drivers in your family, get your comprehensive personal insurance reviewed on a regular basis.

From a consumer's vantage point, insurance is typically viewed as a necessary evil. Because standard insurance carriers commoditize their offerings through their advertising campaigns, it's tempting to think that the simple act of buying insurance equates to being adequately protected—a belief that can prove perilous.

Much like seeking out a specialist for a particular medical issue, you should consult an independent insurance agent who focuses exclusively on successful professionals, business owners and other affluent people. If you're not sure where to find a great agent, or not sure if your longtime agent has all the expertise that you need, ask your wealth advisor for assistance.

A good insurance pro should be asking you "trigger" questions that point to potential vulnerabilities in your insurance coverage. Here are five of the most useful:

1. Do you have enough personal excess liability insurance?
If a lawsuit puts your personal assets at risk, the last thing anyone wants to worry about is running out of insurance. Most standard excess liability (umbrella) policies cap out at $5 million, a figure that might not be sufficient considering your net worth. Don't worry. It can be surprisingly affordable to obtain higher coverage limits, but this sort of solution can be accessed only through the independent specialist channel. Limits of up to $100 million are available on a single policy to address allegations of property damage or bodily injury.

2. Are your insurance programs complicated and disorganized?
You acquire assets over many years, so it's not uncommon to insure them in different ways. A summer residence, for example, may be insured with a different agent and carrier than a home in the suburbs. Fine art may be insured independently from cars. Whatever the combination, the end result is fragmented. This can create dangerous insurance gaps and makes coverage more difficult and expensive to manage. Don't wait until claim time to find out what is—and is not—protected!

3. Is your home properly insured and protected?
If you had to rebuild your home(s) in today's market, would you have enough homeowners' insurance to cover the expense sufficiently? Many properties are insured based on values that are vastly underestimated, especially those that have undergone extensive home improvements and

renovations. For those living in wildfire- or hurricane-prone areas, value-added services also are available to maximize safety and preparedness.

4. Do you employ private staff?
It's not uncommon for nannies, housekeepers, private assistants, gardeners and others to take their employers to court. Employment Practices Liability Insurance (EPLI) responds to allegations of sexual harassment, wrongful termination and discrimination. However, this coverage is not included in a standard excess liability policy. In addition to more precise coverage, carriers that specialize in safeguarding HNW people may offer services to proactively manage risk, such as complimentary background checks on prospective or existing private staff.

5. Are you involved with charities or foundations?
Not-for-profit organizations typically operate on tight budgets and carry a minimal amount of liability insurance for their board members. If you or your spouse sits on the boards of not-for-profit organizations, you should look for additional individual protection on top of existing board coverage. Again, this sort of coverage will not be included in a standard excess (umbrella) policy.

A good independent insurance advisor will conduct annual lifestyle reviews to identify circumstances that usually are excluded from standard policies. If you haven't had such a review within the last three years, now would be a very good time to do so.

Conclusion

Property/casualty insurance and personal risk exposure are complex areas for successful people who have more assets than the average American has--and therefore much more to lose. Because so many wealthy people are not receiving counsel about their insurance-buying choices, you can raise questions with your advisor to help them spot potential gaps in your coverage and give you significantly greater peace of mind.