



Case Studies: Selling Insurance To Wealthy Clients

It's easy to assume wealthy clients have a good understanding of insurance, but cover for High Net Worth individuals is a specialist area. An experienced broker can bring a great deal of value to the table when it comes to covering the possessions and passions of more discerning clients.



One of the advantages of being wealthy is the ability to access necessary expertise when it comes to insuring assets. High Net Worth clients are not usually insurance experts and they value the substantial role brokers play to ensure they are covered if, for example, an important piece of art is damaged, an expensive piece of jewellery is lost or they experience damage to their home.

The best lessons are always learned by example, and the following case studies demonstrate the importance of having the right approach.

This couple had been at risk of losing millions of dollars. Consequently, the new policy was written to fully cover their interests in the event of these substantial assets being lost, stolen or destroyed.

Not only was the client impressed by the advice they received, they were happy to pay the increase in premiums, especially as it was a fraction of the amount they stood to lose as a result of being underinsured.

THE CASE OF OVER-FAMILIAR FORFEITURE

In this example, a wealthy couple had been insured by an insurance provider for many years. Another broker was invited to review their coverage and arranged with a High Net Worth insurer to conduct a full, no-obligation on-site assessment at the family home.

It quickly became apparent that the previous policy did not provide full cover. Over time, the value of the clients' assets had increased substantially but the previous broker had not visited them in their home nor had their assets reassessed since the policy was first written. The relationship between the first broker and the couple had become so familiar that the renewal happened as a matter of course, without careful regard to changing circumstances.

The appraisal conducted by the second broker revealed the following:

1. The home was underinsured by a factor of 100% which meant that in the event of a total loss, the clients would only receive half of what they would need to cover the cost of rebuilding.
2. The general contents of the home were also found to be underinsured based on the true cost of replacing possessions in the event of loss, damage or theft.
3. After a recommendation from the appraiser, wine experts valued the extensive collection of wines in the family cellar. This was subsequently valued at \$2 million, four times the amount in the original policy.
4. Again on the appraiser's recommendation, an independent expert valuer was brought in to assess the owner's substantial jewellery collection. The extensive collection took a week to appraise, photograph and catalogue. It was ultimately valued at three times the existing cover.

Moral of the story:
Challenge existing policies

The broker who had been covering this couple through another insurance firm was obviously dismayed to lose the business but at the same time realised the value of working with a new insurance partner. The attention to detail and willingness to provide unique services such as a free appraisal convinced the broker to switch his business to the new insurer and subsequently he recommended a switch in policy for his existing customers, helping them to use the dedicated in-home appraisal service to identify their real insurance needs.



A CASE OF HALF-A-HOME IS NOT A HOME

In another example, a client had built an exceptional multi-storey dream home in a dress circle suburb and requested a \$10 million policy for the home.

Further discussion revealed the cost of building the dream home had been twice as much as the insurance cover requested. Continued probing of the client's mindset revealed he had requested the \$10 million coverage as a nominal figure, based on the idea that the payout would be sufficient to buy a nice house in the same suburb in the event of a loss. After further discussion, the client realised he would not be satisfied with another home that would result in a diminished lifestyle and that the real preference would be to rebuild.

The client's policy was subsequently amended, ensuring the house was insured for its full replacement in the event of a total loss. The High Net Worth policy also included cover for alternative accommodation to ensure that the family would be housed in a similar property for a specific period, in the event their home needed to be rebuilt.

The property will be re-valued every three to five years, or sooner at the client's request, to ensure that in the event of a claim the full value of the asset is protected, rather than only protecting half its value.

Gaining a full appreciation of the cost to build the house and the client's involvement in the construction process helped the broker determine whether the client's assets were valued correctly for insurance purposes or whether there was an element of underinsurance. Generally, clients often assume the cost of engineering works, such as footings or foundations, don't need to be included in the sum insured as they'll never be damaged. But structural components can often be destroyed by catastrophic events such as fire or earthquake. Therefore they need to be included in cover.

Brokers help ensure clients are covered for the full value to rebuild their home and its outbuildings. The vast majority of clients will insure to full replacement value if they understand the risks and recognise the real component of the premium relative to the total exposures insured.

Moral of the story: Don't be shy about gathering detailed information

Providing High Net Worth policies is a specialist area, which is why it's important for brokers and their clients to work with insurers who have long-term experience writing this category of cover. AIG Private Client Group is one such specialist insurer and we demonstrate this every day by providing benefits such as access to concierge 24/7 claims phone service so they can notify their insurer of any claim at any time. A dedicated claims handler will discuss the details of the claim and agree how to action it while keeping the broker informed of the progress of the claim on an ongoing basis.



AN EXPERIENCED TEAM AT YOUR SERVICE

Our mission is to help you protect your clients from the risks they face every day. Our core focus is on wealth preservation and lifestyle protection. We deliver premier High Net Worth insurance products and services that can address the needs and risks of your Private Clients, locally or via AIG affiliates across the world. With AIG's 90+ years of experience across 100 plus countries and one of the largest Property & Casualty networks globally, Private Client Group offers you and your clients global capabilities, while providing solid local market expertise. The leadership at AIG Private Client Group includes individuals with many years of experience in insuring luxury assets, a real focus on risk management, and a consistent passion to provide underwriting innovation to help address your client's growing risks as they reach new levels of success. To talk to a member of our Private Client Group team about a new enquiry or for more information about our products [CLICK HERE](#).

For additional information, please visit our [website](#).



Bring on tomorrow

This document is provided as a general overview of the subject matter and should not be taken as providing any specific advice, legal or otherwise. The precise scope and breadth of policy coverage is subject to the specific terms and conditions of the policy wording.

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 100 countries and jurisdictions. Our diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange. Additional information about AIG can be found at <http://www.aig.com.au> and <http://www.aig.com/strategyupdate> | YouTube: <http://www.youtube.com/aig> | Twitter: @AIGinsurance | LinkedIn: <http://www.linkedin.com/company/aig>. These references with additional information about AIG have been provided as a convenience, and the information contained on such websites is not incorporated by reference into this brochure. AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc. For additional information, please visit our website at <http://www.aig.com.au>. All products and services are written or provided by subsidiaries or affiliates of American International Group, Inc. Products or services may not be available in all countries, and coverage is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. Certain property-casualty coverages may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds, and insureds are therefore not protected by such funds.

In Australia, insurance is issued by AIG Australia Limited ABN 93 004 727 753 AFSL 381686 © AIG – All rights reserved.
Copyright 2017. 11/000672