



## High Net Worth Insurance: The Nuts and Bolts Of Getting It Right

High Net Worth insurance policies are often tailored to meet wealthy clients' needs. So just how does this style of insurance differ from more standard household policies?



People with extensive wealth and assets are often accustomed to being highly valued and sought after clients. Yet when it comes to insurance, it may be surprising that not every insurer may be interested or equipped to cover the uniquely valuable items that are often accumulated as part of one's personal wealth.

The reason for this is that many insurers may provide a high volume of low cost policies to general consumers that share relatively standard requirements for home and contents coverage. That means very valuable assets that may be considered high risk will tend to attract a higher premium.

There are fewer such insurers that offer policies catering to High Net Worth individuals and this can lead to the assumption that specialised policies are more expensive than more standard options. However, this need not always be the case.

Insurers with long-term experience developing policies that meet High Net Worth individuals' needs are more accustomed to handling the very specific requirements of clients in this category. Insuring high value collections of Grange wine or historical artefacts are par for the course, rather than a special circumstance.

Need a Whiteley painting insured? What about a Ming vase or a Steinway piano? The insurers in this market know how to appropriately price policies and, at the same time, offer value for money.

This is because High Net Worth providers assess risk very differently and more often than not, can save their customers money on premiums and improve the level of cover offered under the policy. In fact, perhaps the biggest difference between a High Net Worth policy and a standard home and contents offering is that terms can often be more favourable; this is especially the case with policy limits.

## WHAT ARE YOUR LIMITS?

Given High Net Worth individuals' specialised insurance requirements, it is important to recognise the cheapest policy won't always deliver the right cover. High Net Worth clients should expect value for money, but the risk of selecting the cheapest policy is that there will be significant gaps in cover. This means that when it comes time for a claim, the client may not receive full value for their items. This could represent a substantial out of pocket loss as standard policies often have a set cover limit.

For instance, the policy might only provide a limited amount of cover for any items lost whilst overseas on holiday, if at all. If a client has their \$25,000 Birkin handbag and a \$20,000 bracelet stolen whilst on holiday, they may find that a non High Net Worth specialist policy has single item limits, such as \$1,000 for a stolen handbag or \$10,000 for a stolen item of jewellery, that will leave them significantly out of pocket.

AIG Private Client Group provides worldwide contents coverage as standard, and would pay the full cost of replacing the stolen handbag and bracelet on a 'new for old' basis in the example given above. Unspecified jewellery is subject to item and maximum sublimits.

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## UNIQUE AND INDIVIDUAL

It is useful to understand how risk is calculated and underwritten by insurers that specialise in High Net Worth customers. While other insurers may use a standard policy with premiums calculated using a computer algorithm, specialist insurers such as AIG Private Client Group, develop every policy based on the unique and individual circumstances of their customers. No two clients are the same.

The underwriter may seek to gain an appreciation of any potential catastrophic exposure associated with a particular location and construction type, such as flood, storm, cyclone, bushfire and earthquake risk. The level of security and fire protection appropriate to the contents and private collections to be insured would also be taken into consideration.

Every situation is unique. Specialists that know how to ask the right questions can save their customers money. For customers, it is helpful to understand that every small detail can have a positive effect on the way policies are priced, if it affects the way risk will be underwritten.

For instance, if a customer has a monitored intruder alarm or fire detection system, this will often help reduce their overall premium because the insurer knows there can be a fast response by emergency services to a burglary or fire at the home, even if no one is home. Premiums may also be lower if live-in domestic staff occupy the house when the owners are away. If the contents of a home include a jewellery collection, High Net Worth providers can consider safe protection and the clients' wearing habits. If a client only wears certain pieces at certain times of the year, the insurance premiums may be lower to reflect this fact. If such collections are kept vaulted with a bank for a certain period every year, premiums may also be reduced or different excess options could be offered that would also reduce the price of the policy.

For every policy, the broker acts as the intermediary and advisor between the client and the insurer, making sure the client has provided full information in order to receive the best cover possible at the most competitive price.

This human relationship makes a real difference to the process. Let's take for example an instance where two brokers are competing to provide cover to the same client. Broker A requests a quote based on \$250,000 of contents and \$250,000 of works of art. Broker B requests a quote for \$500,000 of contents.

In this example, Broker A can take advantage of the lower premium that applies to works of art rather than standard contents. By identifying art as separate to the contents, Broker A is also ensuring that the client's art collection potentially benefits from broader coverage and often without an excess being payable in the event of a claim. Simply by asking a few more questions Broker A may be increasing their chances of winning the client's account.

## EASY AND STRAIGHT FORWARD

While it can be easy to assume that insuring assets for discerning collectors and aficionados is difficult, this typically is a very easy and straightforward matter. Assets such as art works are often priced based on an independent, third-party valuation supplied by an auction house or specialist art dealer, stating the current market or replacement value for the artwork. This valuation is used to formulate pricing, based on historical actuarial data for losses for works of art, be it due to theft, damage or other insurable events.

While standard policy providers may balk at the risk associated with covering such items, for the right High Net Worth insurer, art collections can be a good risk.

In fact, AIG Private Client Group actuarial data suggests around four per cent of claims are burglary-related and of those, only one to two per cent of these claims involve artwork theft. It can also be very difficult for thieves to sell precious art on the open market without being detected, which is another reason why insuring art and other important assets is a more straightforward process for the right provider.

### DID YOU KNOW?

AIG Private Client Group visits over 500 client's homes each year to provide Asset Protection Appraisals. These are designed to estimate the cost of rebuilding a client's property, estimate the cost of replacing their general contents and provide suggestions to help ensure client's insure their collections correctly. The appraisal also enables our Risk Management team to often provide recommendations to help protect a client's home and possessions.

The Asset Protection Appraisal is also a great way for brokers to meet their clients face to face, often for the first time, and gain a better understanding of their lifestyle and insurance needs.

### QUESTIONS TO ASK

Arranging the right cover involves asking the right questions. Here are some questions to ask to ensure your clients' home and contents are properly covered:

- Does their current insurance policy meet their needs?
- Have their circumstances changed in the last year?
- Have they bought anything new that would increase the sums insured?
- Have they sold items that would reduce sums insured?
- Have they carried out renovations that would alter the rebuilding cost?
- Has their existing insurer settled claims in the last twelve months to their or your satisfaction?





## 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](#).



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