

## **Overcoming the Pitfalls of Insuring the Wealthy**

**By Mike Nightingale, James Hallam Insurance Brokers**

If there is one thing that can be said about the asset insurance requirements of the wealthy and super-rich it is that no two clients are the same. Many will own multiple homes, often overseas, valuable works of art, expensive jewellery and luxurious cars. Yachts and aircraft regularly make up the portfolio of assets requiring specialist insurance not catered for on the high street or through mainstream internet providers.

Many private clients lead international lifestyles requiring a flexible approach from their insurance to ensure valuable items and possessions are covered wherever they may be in the world. Homes are often left unoccupied by the family for extended periods, increasing the risk of loss or damage, a situation often overlooked by policyholders.

So what are the common pitfalls associated with this often complicated sector, and what can specialists, such as James Hallam Insurance Brokers, do to address them?

Underinsurance is probably the single biggest challenge facing policyholders. The industry estimates that around 70-80% of high-net-worth properties are underinsured. The figure is similar for valuable items such as jewellery. The value of gold in January 2007, before the economic downturn, was \$650 an ounce. The corresponding figure is now well over \$1000. The picture is similar for gemstones and silver.

Specialist brokers use their experience to pick out valuations that simply do not look right and point out the implications of underinsurance. They will often recommend insurers that provide a valuation service to avoid the potential for under valuing the cost to reinstate a property following a large loss, and recommend that jewellery valuations are kept up to date.

Another challenge facing busy private clients is simply keeping on top of the administration associated with insuring multiple properties, numerous cars and other valuable assets.

It is not unusual for an individual to have multiple relationships across many insurers and brokers with different renewal dates and points of contact. The potential for errors and oversights is greatly increased. Thankfully, the high-net-worth industry has a solution, portfolio insurance products.

Many of the leading insurers in this market make available to specialist brokers policies that can accommodate multiple properties, home contents, valuables, cars, yachts, breakdown and travel etc. Having a single policy through one insurer with one renewal date and one premium managed by a specialist broker can not only bring time savings, but also cost benefits and alleviate the potential for errors.

The case study below, which draws on work we undertook for one of our private clients, highlights the benefit of this approach to insuring multiple assets.

Mr & Mrs Y own a 16<sup>th</sup> Century Grade II listed property in West Sussex. It is set in ten acres and has numerous outbuildings. Most of the latter house Mr Y's car collection, including two collectable Aston Martins worth over £750,000.

Of particular importance to Mr & Mrs Y was the cost to reinstate the property following a catastrophic loss and adequate cover for the collectable cars and daily drivers. Ideally, they wanted a single policy to cover all the assets. Organising separate insurance for 13 vehicles, all with different renewal dates, was a real administrative headache.

Through working closely with one of our insurer partners we were able to arrange a single policy covering the family home, possessions, fine art and the car collection. The cost to rebuild the property was assessed by the insurer at £2.8 million and cover was provided on an "extended replacement" basis.

This means that the insurer will rebuild the damaged property exactly as it was before, even if it costs more than we originally agreed in the policy. Clearly given the listed nature of the home having this guarantee is invaluable. The cars are covered on an 'agreed value' basis so that the value of the cars is locked in for the entire policy period.

If a claim is made to replace the vehicle, the insurers will pay 100% of the value whether its day 1 or day 365 of the policy. Given the specialist nature of some of the cars, the policy also allowed Mr Y to choose his own repairer not one dictated by the insurer.

This is just one example of how a specialist broker working with insurers in the high-net-worth market can meet the challenging demands and lifestyles of private clients. With increased wealth, insurance requirements become more complex – the key is to find solutions that streamline them.

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