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## Identifying Risk Using Personal Risk Management to Help Protect Your Clients' Wealth

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# Agenda

- Wealth creates risk
- Lifestyle red flags
- Trends
- Benefits of risk management
- Case studies



## Wealth Creates Opportunity and Risk

- Investment of wealth
- Structural ownership of wealth
- Preservation of wealth
- Enjoyment of wealth
- Protection of wealth

## Protection of wealth

- Avoidance
- Reduction
- Retention
- Transfer

## A Look at the HNW Lifestyle

People	<b>Who They Are</b>	<b>Who Surrounds Them</b>
	CEOs, Senior Executives, Business Owners, Entrepreneurs, Centers of Influence, Family Offices, Entertainers, Athletes	Nannies, Captains, Caretakers, Drivers, Accountants, Attorneys, Builders, Curators, Art Dealers, Jewelers
Places	<b>Where They Live</b>	<b>Where They Travel</b>
	Multiple residences in multiple states, catastrophic and remote locations, globally	Worldwide – remote areas, civil conflict zones, terrorism risk
Things	<b>What They Own</b>	<b>What They Do</b>
	Home, automobiles (luxury, exotic, classic), fine art, collectibles, jewelry, yachts, private aircrafts, horses, farms, wine collections	Sit on boards, charitable work, charter aircraft and watercraft, host parties, lend artwork to museums, own property in trust and LLCs, acquire new valuables, travel



## Lifestyle Red Flags

- Multiple homes in multiple states
- Valuable collections
- Domestic employees
- Young drivers, household pets, recreational activities
- Ownership of assets managed by staff or management company (e.g., yacht, jet, equine)
- Host social and recreational activities at residence
- Public profile
- Board participation and/or leadership



## Trends

- Homes not insured to value
- Inadequate personal liability protection
- No flood insurance
- Excess flood and wind limits not in pace with homeowners limits
- Uncertainties around directors and officers coverage
- Incomplete property (jewelry, art, contents) coverage
- Homes under construction
- Homes in name of trust or LLC
- No EPLI or worker compensation
- Inadequate watercraft pollution liability coverage



## Simple Warning Signs

- Client does not have a best practice to proactively review personal insurance
- Client has multiple relationships with insurance companies, agents, or brokers
- Client has significant life events taking place

# **Benefits of Risk Management**



## Benefits to Client

- Proper insurance coverage in place and adequate values set prior to loss
- Identification of overlaps or gaps in coverage
- Ease of management – potential consolidation of policies and policy effective dates
- Maximization of insurance dollars spent



## Benefits to the Advisor

- Providing clients with a resource to protect themselves and their property adds value to your client relationships
- Differentiates you from the competition
- Personal risk is managed as part of the overall financial plan by working with you
- Helps protect what you've worked with clients to build
- No cost to firm

# Case Studies



## Case Study I

- Business owner / Net worth over \$25 Million
- Residences
  - Texas: \$2.43 million
  - Missouri: \$773,000 lake house
- \$122,675 in jewelry; \$175,000 in fine art
- Three personal automobiles located in different states
- Several land and water recreational vehicles
- Active supporter of church youth group; lake house frequently used for retreats



## Case Study II

- High-profile CEO of oil company
- Net worth more than \$400 million
- Residences
  - Texas ranch: \$12 million
  - California waterfront home: \$5.25 million
- Four children: one in middle school, two in high school, one in college
- Frequently travels abroad with wife and children
- Full-time assistant who travels with them
- Both CEO and wife active in board roles in several not-for-profit organizations

## Case Study III

- High net worth client in Austin, TX
- Residence premises features a high-value horse stable and riding arena
- Gross income generated from equine activities: \$150,000
  - 12 separate personal insurance policies with three different agents
  - 8 homes in 3 states, 1 uninsured
  - Insufficient liability limits
  - Client assumed farm structures were insured by their homeowners policy under Coverage B: Other Structures

## Case Study III – Solution

- Reduced 12 policies to 4 policies
- Added earthquake to 2 homes, insured the uninsured home
- Doubled liability limits using a single insurer
- Obtained single farm policy to cover both personal and farm related exposures
- Maintained cost and implemented a simplified billing

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