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

Cliff Layfield, Regional Growth Leader

Marsh Private Client Services



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 | Who They Are | Who Surrounds Them |
| | 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 | Where They Live | Where They Travel |
| | Multiple residences in multiple states, catastrophic and remote locations, globally | Worldwide – remote areas, civil conflict zones, terrorism risk |
| Things | What They Own | What They Do |
| | 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

Marsh Private Client Services Contacts

| Role | Contact | Phone | Email |
|----------------------------|------------------|--------------|----------------------------|
| Dallas/Houston Office Head | Chuck Hoffmann | 214.303.8514 | Chuck.Hoffmann@marsh.com |
| Regional Growth Leader | Cliff Layfield | 214.303.8156 | Cliff.Layfield@marsh.com |
| Account Executive | Jason Dagelewicz | 214.303.8150 | Jason.Dagelewicz@marsh.com |
| Account Executive | Alison Davis | 214.303.8151 | Alison.L.Davis@marsh.com |
| Account Executive | Jason Moreland | 731.276.8789 | Jason.Moreland@marsh.com |

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