

# High-Net-Worth Clients in an Insurance World All Their Own

In his short story, “The Rich Boy,” F. Scott Fitzgerald summed up the challenge facing insurers and independent agents who target elite personal lines clients—those with much higher-than average bank accounts, mansions, fancy cars, yachts, fine art, expensive jewelry and other trappings of extreme wealth. He said: “Let me tell you about the very rich. They are different from you and me.”

That observation is no less true for those carriers and producers who understand that the very rich pose some very complex risk management needs. The insurance professional’s job is to understand and provide coverage to this growing and often underinsured market.

Insurance company executives who specialize in catering to high-net-worth clientele make no bones about it. There is a significant market out there for the personal insurance business of millionaires—which, right now, is largely claimed by the direct writer market.

The major objective of independent agent carriers is to educate producers, the high-net-worth customer and other professionals looking for the high-net-worth client’s interests that there is a compelling need for special insurance products and services.

“The major objective is getting the message out to people who don’t know what they don’t know,” observed Jim Fiske, vice president and national marketing manager for Chubb Personal Insurance, a unit of Warren, N.J.-based insurer Chubb Group.

“The interesting phenomena in this business is that most high-net-worth people don’t realize they are high-net-worth and can benefit from a high-net-worth insurance solution,” added Charles Williamson, president of American International Group’s private client group.

What is a high-net-worth customer? The answer is simple: someone with a lot of expensive assets to insure.

Explained Bruce Petersen, chief operating officer of Novato, Calif.-based Fireman’s Fund, they are individuals with more than one home that needs to be insured (with a value usually in the millions of dollars), along with a number of other assets (or “toys”) such as multiple cars, fine art, or wine collections. These are clients who do a lot of traveling, often on their own yachts or private planes.

Often, the insurance answers for such prospects can involve a complex layering of policies to cover the multimillion-dollar home (or homes) for replacement value, the additional assets within a collection, and an umbrella policy for incidents in which someone is after the insured for their deep pockets.

Other coverage that may not readily come to mind can concern medical extraction from some remote location or, in the extreme, kidnap or ransom coverage.

Looking for a company with tradition and expertise in this line of business, the consensus comes down to three nationally known carriers: New York-based AIG, Chubb and Fireman's Fund, a subsidiary of Munich, Germany-based Allianz.

Of the three, Mr. Fiske contends that Chubb is the most experienced player in this niche, going back to the company's founding almost 125 years ago, with some connection through its history to insuring the wealthy.

Fireman's Fund appears to have second place in longevity with this line of business, going back more than 10 years, according to Mr. Petersen.

AIG is a relative newcomer to the scene, setting up its practice less than 10 years ago.

However, while Chubb claims longevity, Mr. Petersen said Fireman's was the one to begin concentrating on this market, offering specialized services, innovations and solutions to high-net-worth customers.

AIG, contends Mr. Williamson, has been the most innovative, entering a market that had grown "stodgy and stagnant." The carrier offered new innovations that "radically changed the landscape" for the buyer and made the product more compelling to sell.

"We saw an opening and went for it," Mr. Williamson explained.

Admits Mr. Fiske, without naming carriers, while Chubb has seen a number of carriers come and go in this line, recently the competition has sharpened.

"In the last five years, the competition has stepped up and forced us to improve our game," he said, noting that the target market itself is growing, with the number of millionaires in the United States alone up between 5 percent and 8 percent each year, presenting insurers with close to three million high-net-worth prospects.

Of the three million, the vast majority of those clients reside in the direct writers' market—possibly as much as two-thirds, insurance executives say.

The reason for this is simply that many of these millionaires, as they have accumulated wealth and all the trappings that go along with it, have not bothered to closely reexamine their insurance portfolios. When they began working as teens, they purchased their auto policy with a direct writer, these executives suggest, and never considered changing carriers.

While the direct writer market has the numbers, what it lacks is the specialized benefits, services, customization and limits that AIG, Chubb and Fireman's Fund are willing to write, these executives contend. In a sense, for them, they are writing standard policies for non-standard risks.

Often, the first part of the job in breaking into this market space is understanding the needs of such prospects, these insurers point out.

"If someone has \$5 million in net worth and \$1 million in insurance, they are out of balance between insurance and assets," noted Mr. Williamson. "We have to educate agents and the marketplace on this."

The need may go well beyond just personal assets. Yachts, airplanes and large estates require people to operate them, opening the door to workers' compensation and personal liability concerns. Then there are those who may be sitting on boards of non-profit organizations, which raises the specter of directors and officers exposure.

"The more [an agent] can handle the complexity of the business, the more trust you can gain with the person you are dealing with," said Mr. Petersen. "The agents I've seen are very knowledgeable and are expert in their capabilities in this line of business. They are experts at asking the questions and listening to insured's needs and having solutions for those needs."

In dollars, those needs can start with a premium as low as \$10,000 and run up to premiums equal to a midsize commercial account, these insurers say.

But catering to this niche market involves more than just finding the appropriate coverage, explained Mr. Fiske. It is also about providing risk management services aimed at reducing the risk for both the carrier and the insured.

"We are making an investment not only in our earnings but also in our client's lives," observed Mr. Fiske.

He related the story of one client whose \$3.2 million home was built without a fire alarm system. Chubb insisted a system be installed. One day, a fire broke out in the home. He credited the alarm not only with limiting the damage to the house to \$400,000 but also with saving the lives of the family living there.

"It saved Chubb money, but the customer was also thrilled that we insisted the system be put in place," he said.

One service AIG offers is wildfire protection, where a crew comes out to a home and sprays fire retardant on the house and grounds if a fire erupts, noted Mr. Williamson. He added that the service not only protects homes but can help raise the interest of prospective clients.

In the area of art and collectibles, each offers experts not only to appraise but also to advise on shipping and storage.

At Fireman's Fund, it is not exclusively about providing risk management consultation services but a nigh-net-worth concierge service; company employees assigned to a client act as liaisons between the company and the client when there are questions, problems or losses.

"The foundation is understanding the personal insurance space," said Mr. Petersen of Fireman's Fund. "It is about the relationship and coverage and finding solutions to a specific need."

The bottom line, these executives say, is not just providing insurance, but loss control advice and support. All three are running training program for producers to market to these clients.

"This does not work without the partnership with the agent," said AIG's Mr. Williamson. "They have to believe they are selling a whole risk management package to be successful. We are bringing commercial lines risk management techniques to personal lines. It's about risk management."

- *Ruquet, Mark E. National Underwriter Property & Casualty. 5 March, 2007.*