# Insurance as a Wealth Management Tool

Five ways to be sure that you and your loved ones are sufficiently covered

By Scott Justice

## Key Takeaways

- Even if you work with a high-end financial advisor or family office, you may not realize the broad range of exposures that can threaten your assets and legacy.
- You don't need to be an insurance expert to become more aware of the risks you face in life as well as the solutions at your disposal.
- Insurance is a key component of a comprehensive wealth management plan.

Consider the following:

- Your unoccupied vacation home is destroyed after a pipe bursts and the leak goes undetected for two weeks.
- After a matriarch's death, your family decides to sell her multimillion-dollar art collection, only to have it damaged during transit to the auction house.
- Your family is hosting a charity gala at your primary residence. During setup, a worker slips in the pool area, sustains severe injuries and sues for seven figures.

As your wealth grows, so does the complexity regarding how it should be protected. Following are five key steps to incorporating insurance into a comprehensive wealth management plan. Many affluent families are surprised to learn how much they really own—and how much they could quickly lose:

**1) Introduce an independent specialist.**

If your financial advisor has not already done so, make sure you have a trusted independent insurance agent. Choose an agent who has extensive experience managing the comprehensive and fluctuating needs of ultra-high-net-worth families. Surprisingly, the majority of successful individuals and families unwittingly outgrow the capabilities of their current insurance providers. Those who identify this disconnect before a substantial loss occurs can potentially safeguard family wealth for generations to come.

A skilled independent agent will start with a comprehensive "needs assessment" based on information gathered from personal discussions with clients. In addition to physical assets, family circumstances, travel frequency and other factors can contribute to personal risk. Agents must consider everything and design a customized insurance program with robust, unbiased solutions for their clients.

**2) Connect the residential dots.**

Families who own multiple homes may insure each one in different ways; people typically use local providers and resources. However, this approach can lead to gaps in overall property protection. In the event of a claim, the underlying coverage may not be as adequate as expected.

In addition, some families prefer property ownership structures involving an LLC, LLP or trust. If the underlying policy is not worded appropriately, protection could be compromised. While the insurance agent ultimately offers professional assistance with homeowners' insurance recommendations, you and your advisor can proactively raise some of these commonly overlooked concerns.

**3) Remember: We live in a highly litigious society.**

Insufficient liability insurance is one of the leading threats to wealthy families, and unfortunately if you're perceived as having "deep pockets" you are more likely than the average family to be targeted by claims of personal injury and property damage. Only a select few insurance providers can adequately address the circumstances that affluent family members face, including a need for higher umbrella policy limits (up to $100 million as compared with the average insurance provider limit of $5 million). Equally important is the availability of coverage for scenarios that aren't commonly faced by the average household, such as lawsuits brought about by domestic staff, risks stemming from sitting on the board of a not-for-profit organization and protection for incidents that occur while out of the country.

**4) Protect your passions.**

Fine art, estate jewelry or other valuables can change hands to heirs who are less knowledgeable about their protection—or who wish to liquidate the items and replace them with new assets that align with their own interests, such as contemporary art, collector cars or wine. You and your advisor may be extremely diligent about tax and estate considerations, but you want to make sure you are covered for physical risks that can threaten long-term value to your collectibles and heirlooms.

You may also own high-value assets tied to your hobbies, such as yachting or competing in the equine circuit. All of these pastimes present unique risk exposures that can be addressed through insurance and/or proactive loss mitigation practices.

**5) Recognize the needs of a family business.**

If you or your family owns a successful business, do you know if you are adequately covered? Insurance coverage is available to address circumstances such as business property ownership and liability, online/cyber threats, employee benefits and liability, trustee activity, and accident and/or health concerns.

### Final thoughts

Insurance is a critical part of the personal wealth management puzzle needed to secure the future of each of your family members. Your wealth advisor is in a highly advantageous position since his or her daily efforts likely include contact with a multitude of specialists in real estate, estate planning and other relevant industries.

## About the Author

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