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**ACE PRIVATE RISK SERVICES**

# **FIVE STEPS TO PROTECT HIGH NET WORTH CLIENTS FROM HIGH-STAKES LAWSUITS**

Annmarie Camp and David Spencer

October 14, 2014

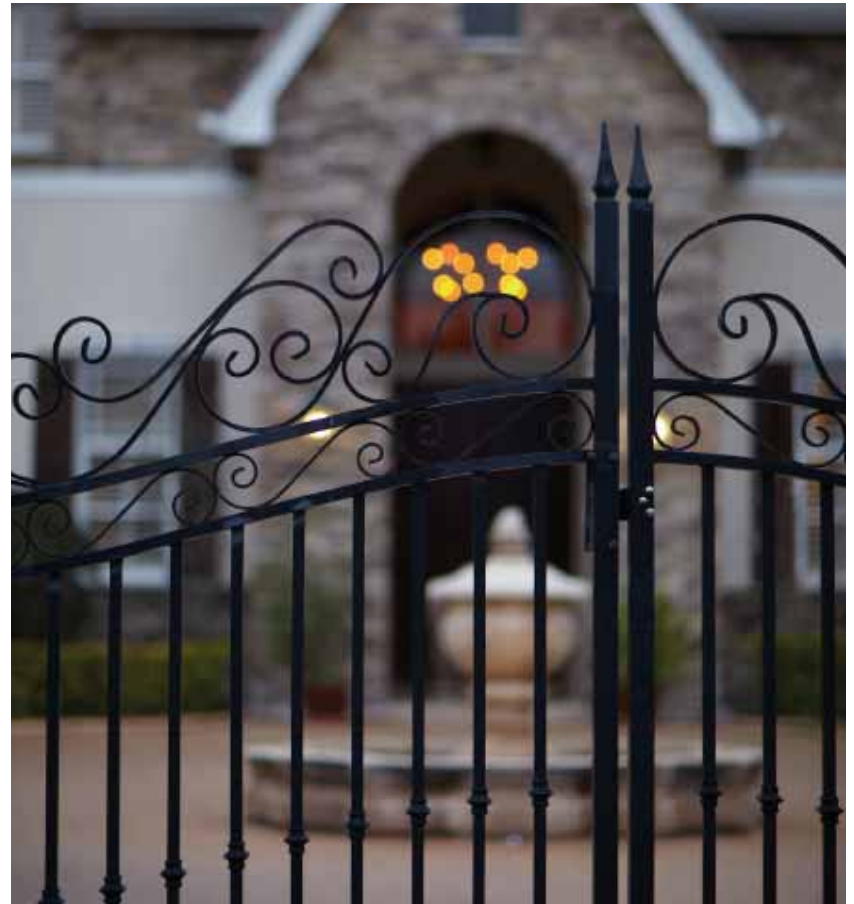


insured.™

## Liability Research Background & Demographics

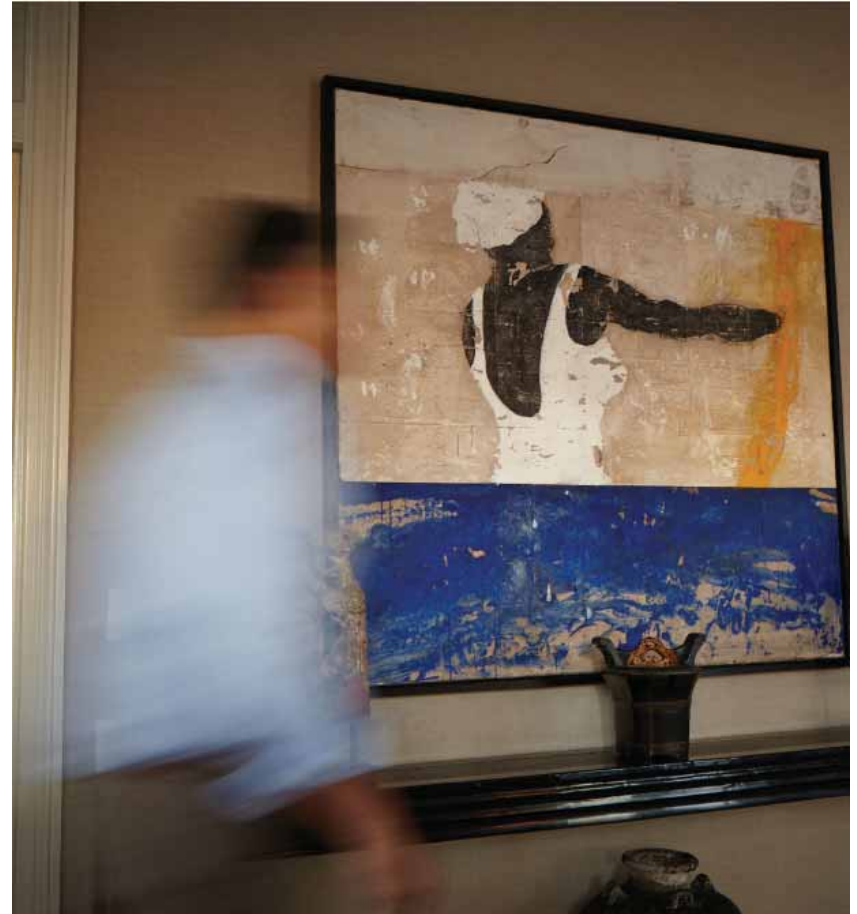
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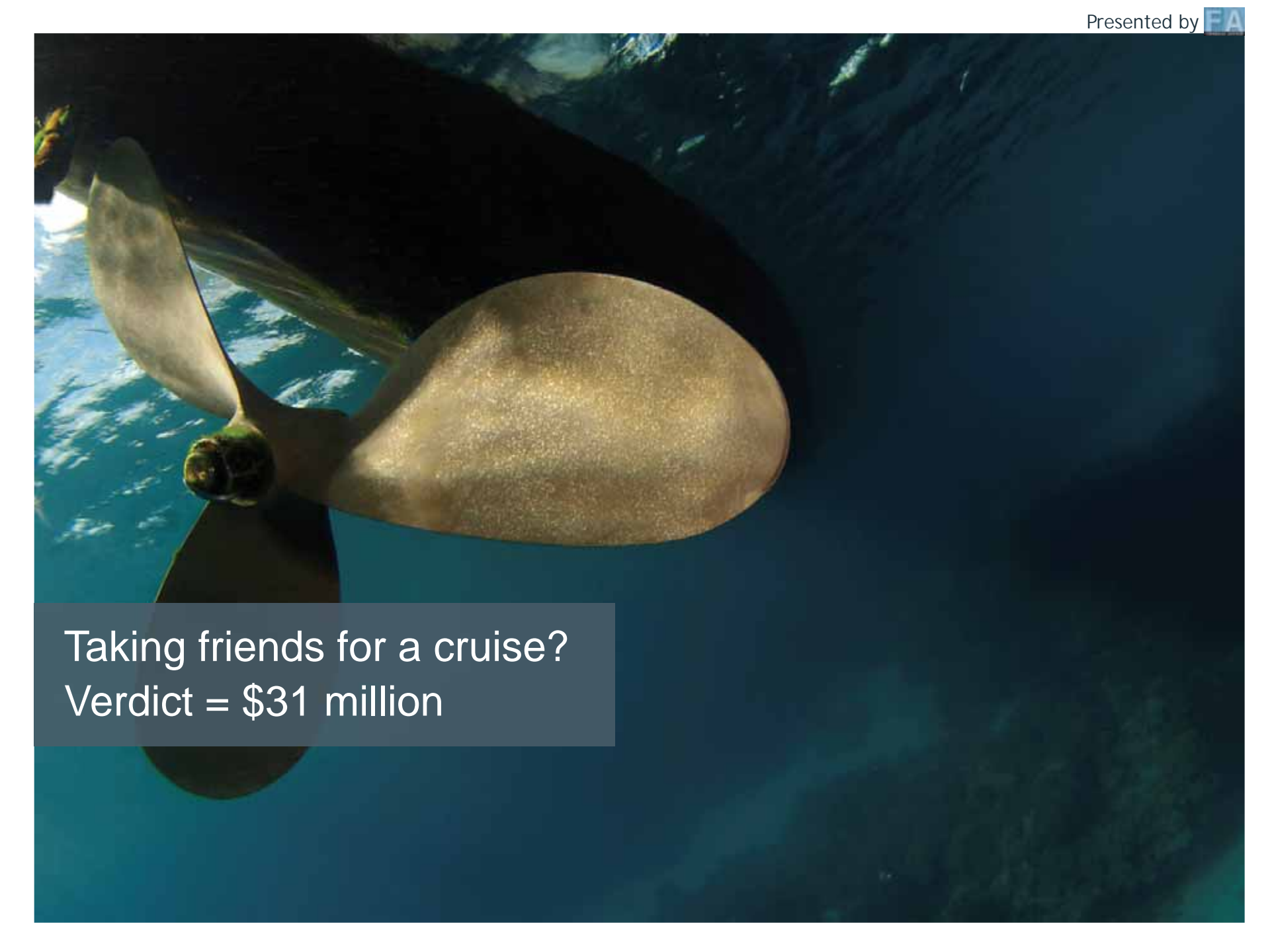
- Total household investible assets:
  - 45% had \$5M to \$10M
  - 39% had \$10M to \$25M
  - 16% had \$25M+
- Household income:
  - 20% \$1M to \$3M
  - 22% \$3M or more



## Liability Research Background & Demographics

- Net asset value of primary residence:
  - 45% worth \$1M to \$5M
  - 10% worth \$5M to \$10M
- Number of residences:
  - 30% had 2 residences
  - 14% had 3 or more residences



A large whale is breaching the ocean surface, viewed from below. The whale's dark, rounded back and tail are visible above the water, while its head and part of its body are submerged. The water is a deep blue color, and the scene is captured in a dramatic, low-angle shot.

Taking friends for a cruise?  
Verdict = \$31 million

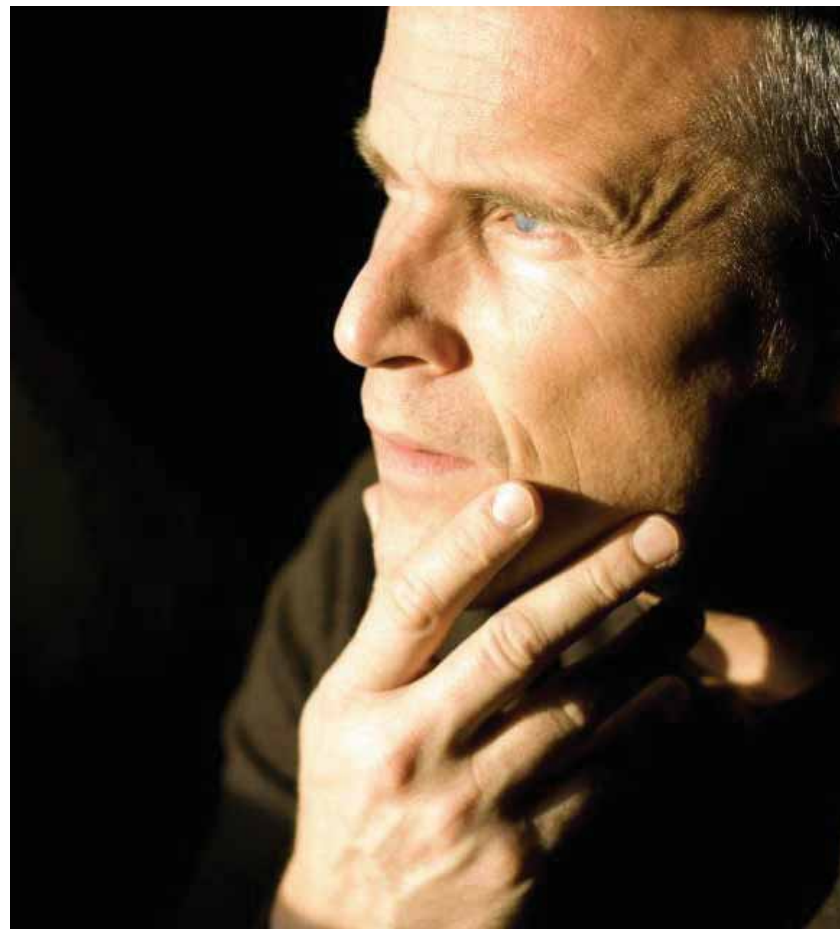
Venting online?  
Verdict = \$11 million



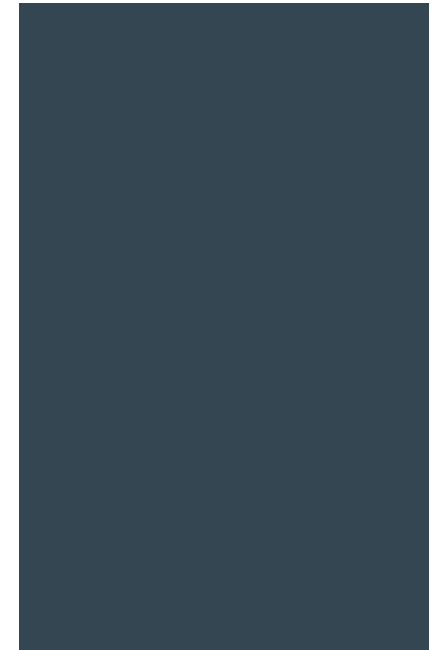
## Meeting Outline

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- Perception Vs. Reality
- 5-Step Plan for Structuring Protection
- Starting the Conversation



# LIABILITY RISK: PERCEPTION VS. REALITY





“I increasingly feel like my wealth makes me a target.”



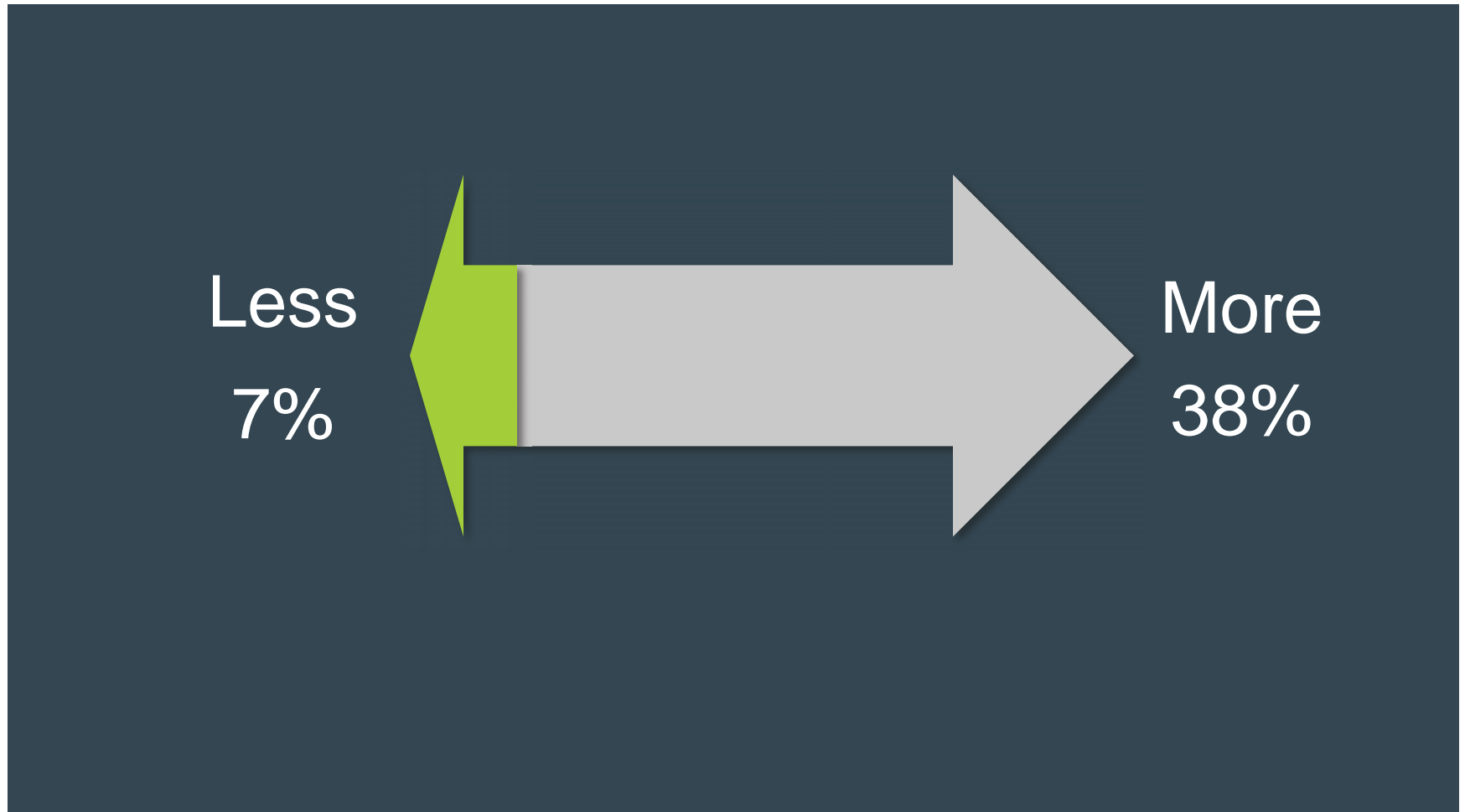
# How Have Perceptions of Wealthy Changed Since 2008?

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## Are You More or Less Likely to Be Sued Since 2008?

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# Joint and Several Liability

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If you're 1% at fault



## Joint and Several Liability

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If you're 1% at fault



You can be held liable for  
**100%** of damages.



## Joint and Several Liability

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Encourages plaintiff lawyers  
to go after **deep pockets**.  
Varies by state.



Five teens out for a joyride?  
Only the parents of one get sued



## Wealthy Lifestyle Also Contributes to Risk

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- Holding charity event at home
- Serving on charitable board
- Swimming pools, trampolines, recreational vehicles
- Renting out secondary homes
- Employing household staff
- Teens with hi-tech toys, risky online behavior, their own cars



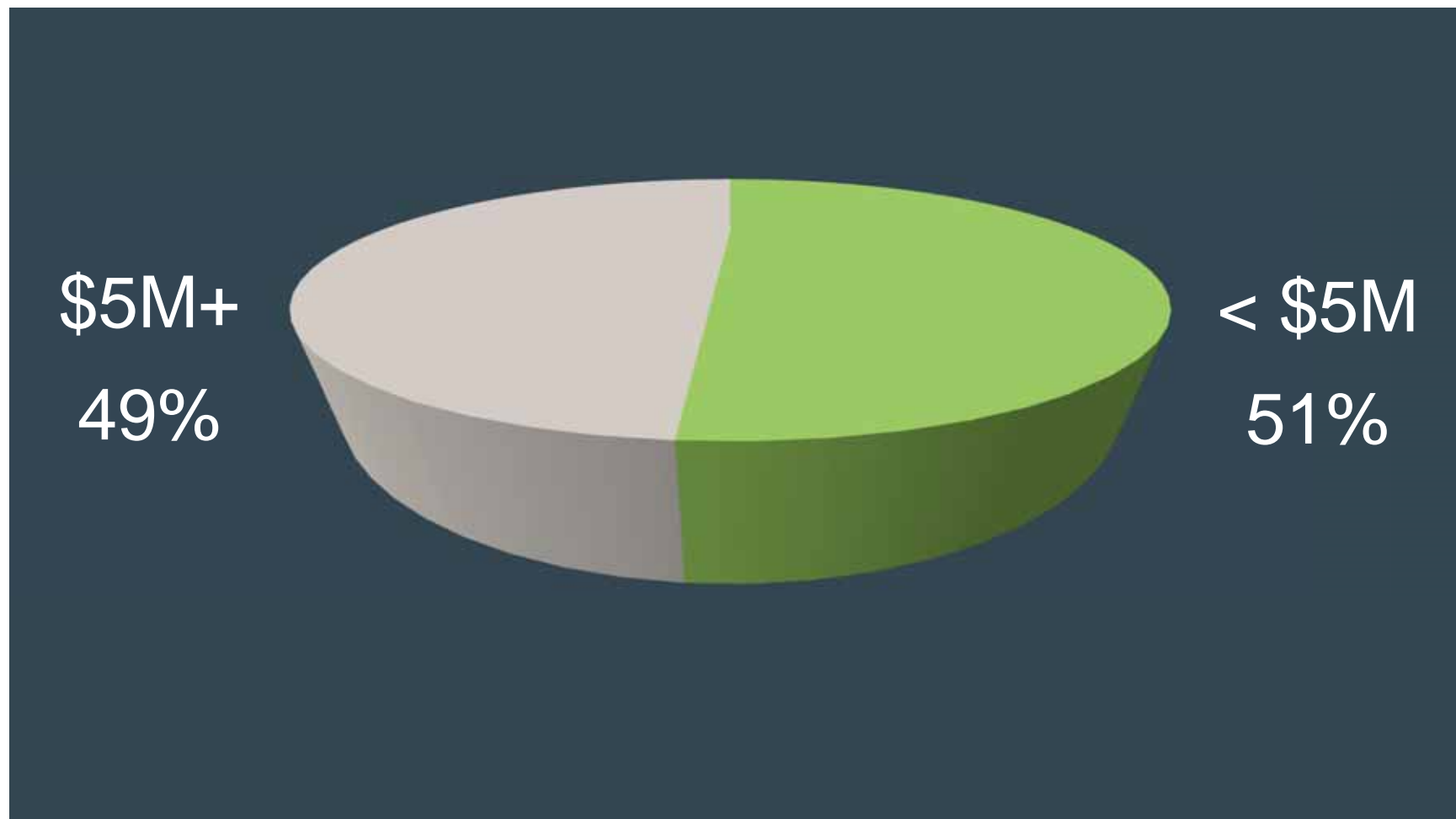


“The most I could be held liable for is less than \$5 million.”

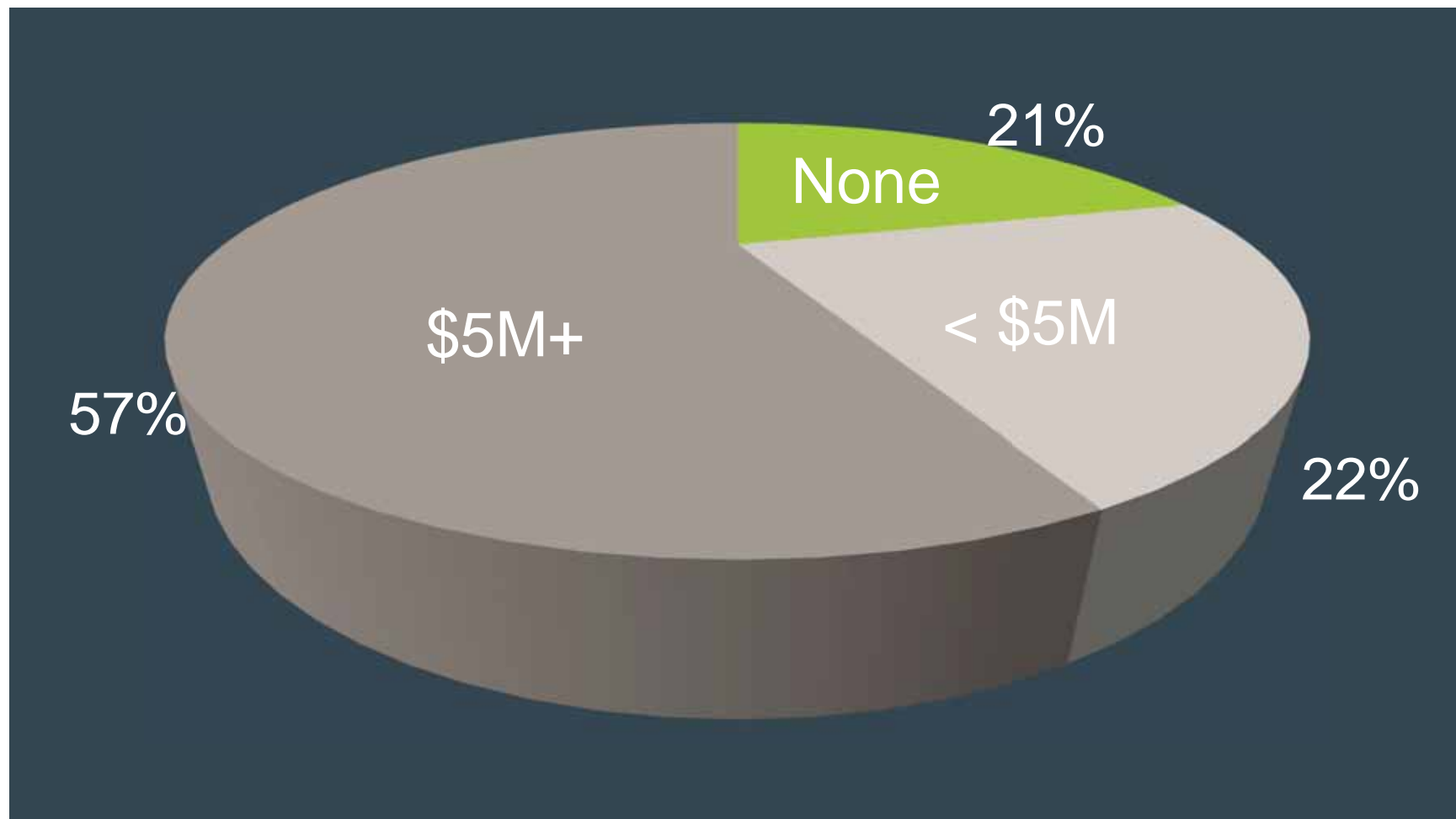


## Most You Could Be Liable For?

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## 43% Have Less than \$5M in Umbrella Coverage



## 4% of Personal Injury Verdicts Exceed \$5M\*

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- \$49M:** Multi-vehicle crash in which a 21 year-old student was left in a coma for one month, expected to require lifetime 24-hour care
- \$29M:** Four year-old boy suffered a spinal cord injury while riding as a passenger in a vehicle involved in a head-on collision
- \$21M:** 21 year-old female college student killed in an auto accident
- \$19M:** Pedestrian suffered mild brain injuries and permanent scarring after being struck by a vehicle
- \$14M:** Wrongful death of a 22 year-old killed in an auto accident

\*Source: Jury Verdict Research, 2003-2009



# What Can Be at Risk?

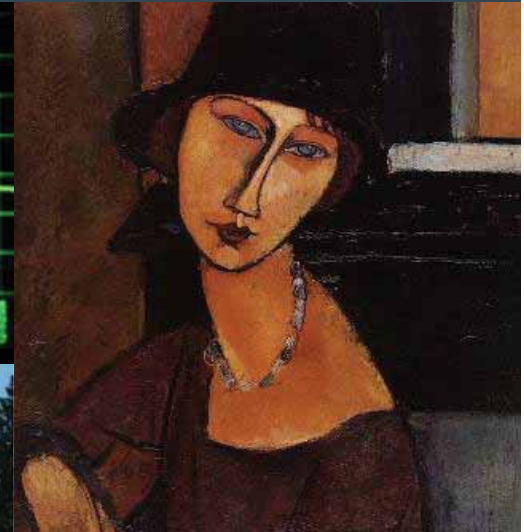
Savings



Investments



Collections



Toys

Homes

Future Income



“High amounts  
of liability  
coverage will  
cost too much.”



## Umbrella Liability Costs

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Typical costs for a client with one home, two cars, and two drivers.

Coverage Limit	Annual Premium	Cost/Million
\$1M	\$514	\$514
\$2M	\$615	\$307
\$5M	\$690	\$138
\$10M	\$1,109	\$111



## Umbrella Liability Costs

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Many ACE clients can save **\$900** annually by raising the basic home deductible from \$500 to \$2,500.





## Umbrella Liability Costs

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Typical costs for a client with three homes, four cars, one boat, and three drivers (one under 25 yrs. old)

Coverage Limit	Annual Premium	Cost/Million
\$1M	\$773	\$773
\$2M	\$936	\$468
\$5M	\$1,056	\$211
\$10M	\$1,729	\$173



## Umbrella Liability Costs

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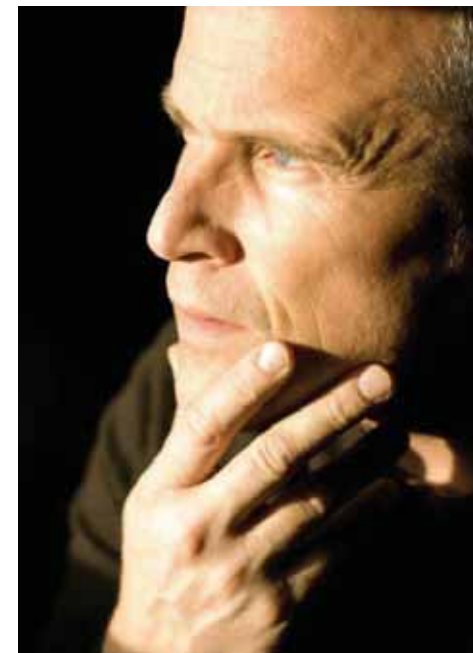
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Coverage Limit	Annual Premium	Cost/Million
\$1M	\$773	\$773
\$2M	\$936	\$468
\$5M	\$1,056	\$211
\$10M	\$1,729	\$173

Raise the home deductible from \$500 to \$2,500 on three homes and save \$2,700 annually.

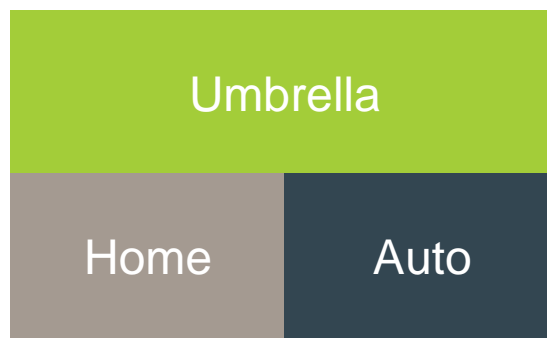


# 5-STEP PLAN FOR STRUCTURING EFFECTIVE PROTECTION



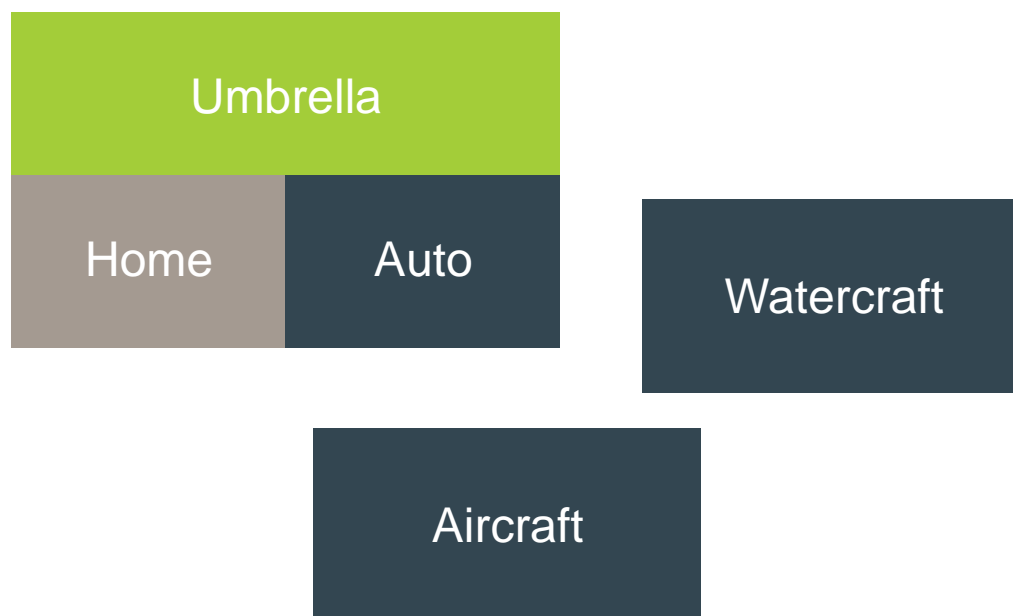
# 1. Identify the Risks and Appropriate *Types* of Coverage

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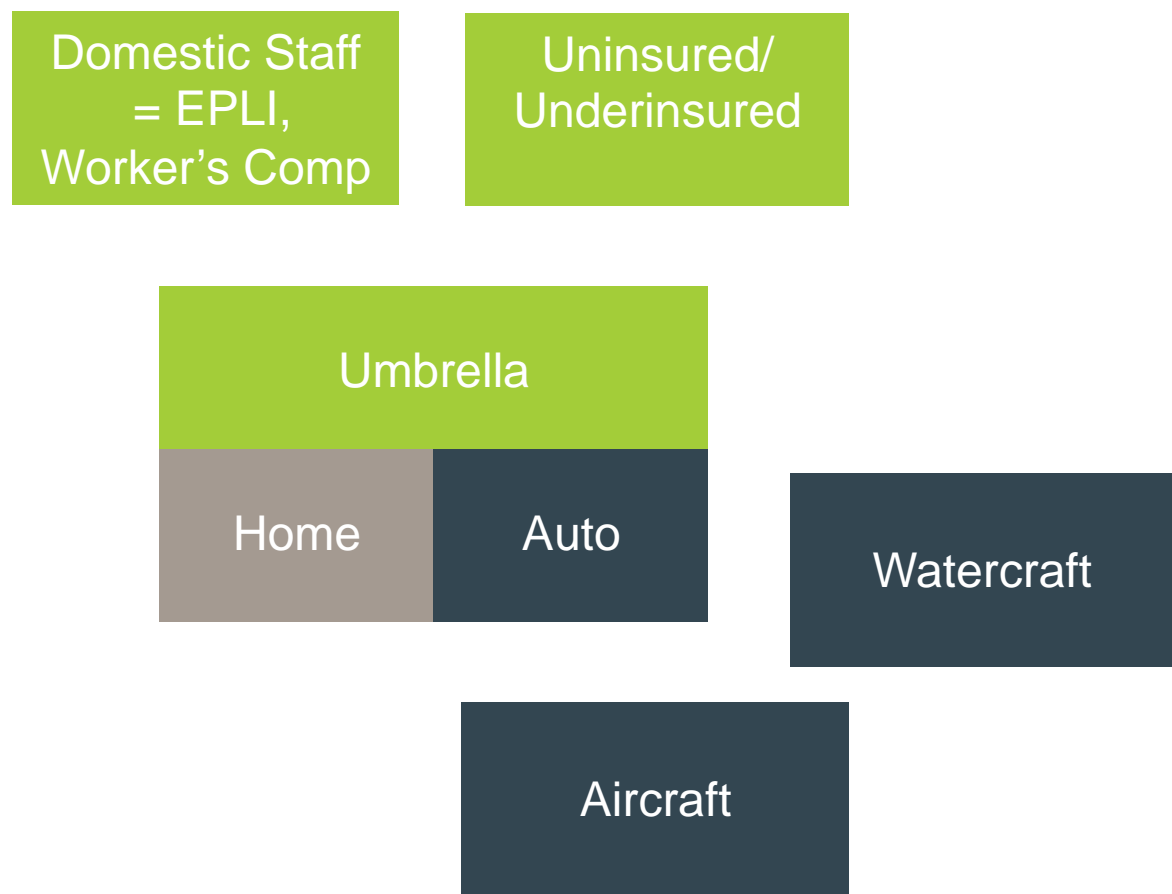
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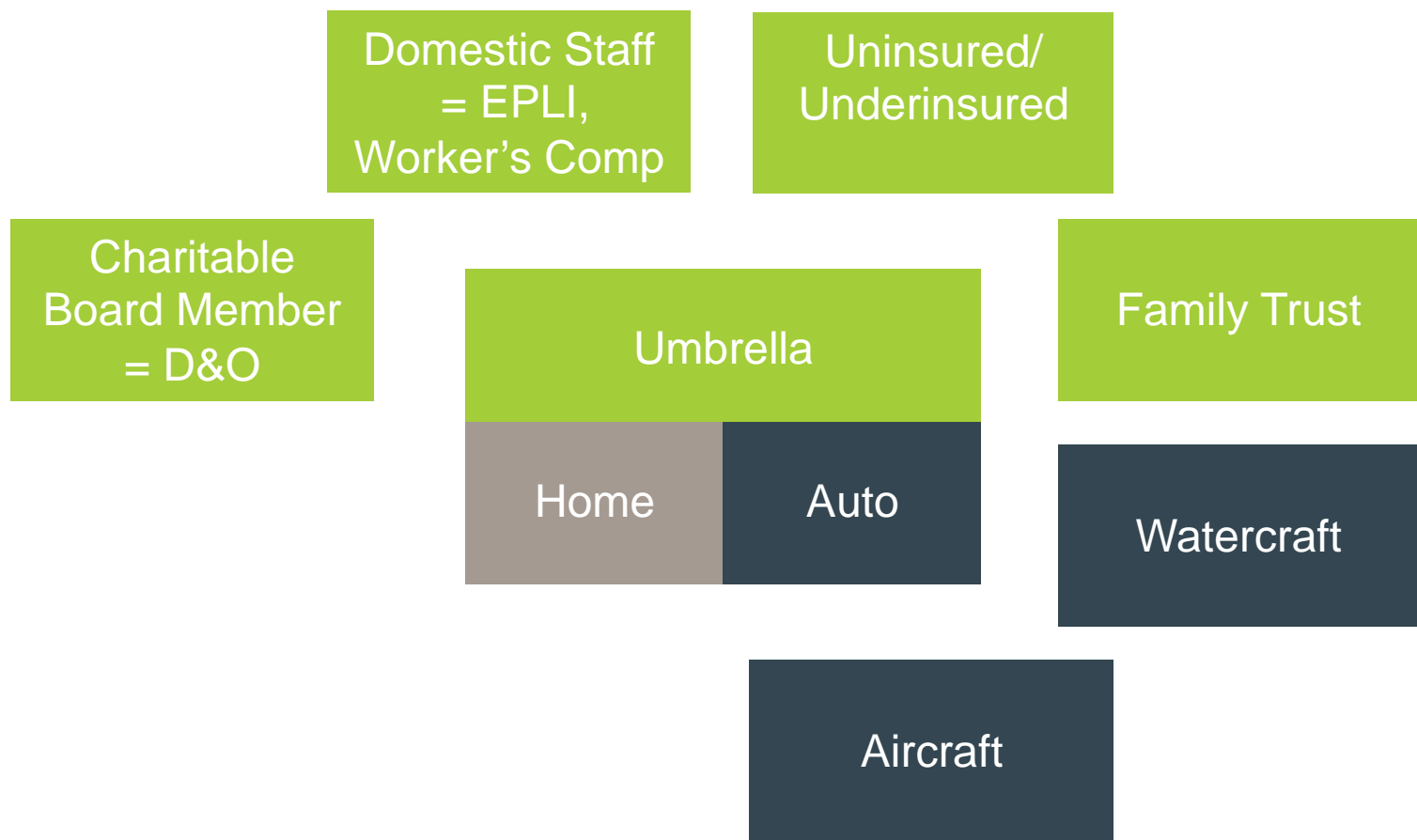


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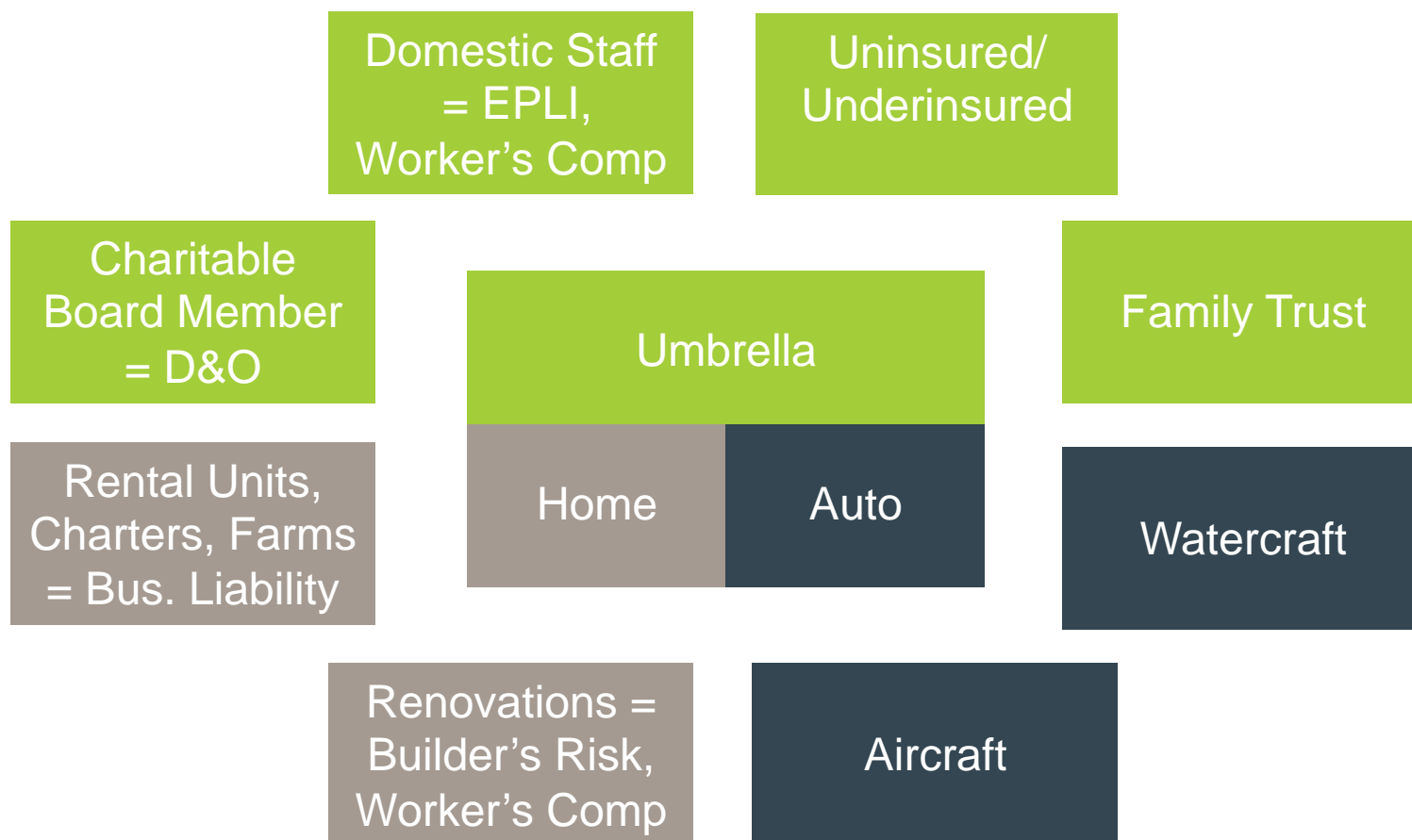
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# 1. Identify the Risks and Appropriate *Types* of Coverage



# 1. Identify the Risks and Appropriate *Types* of Coverage





## 2. Choose the Right *Amounts* of Coverage

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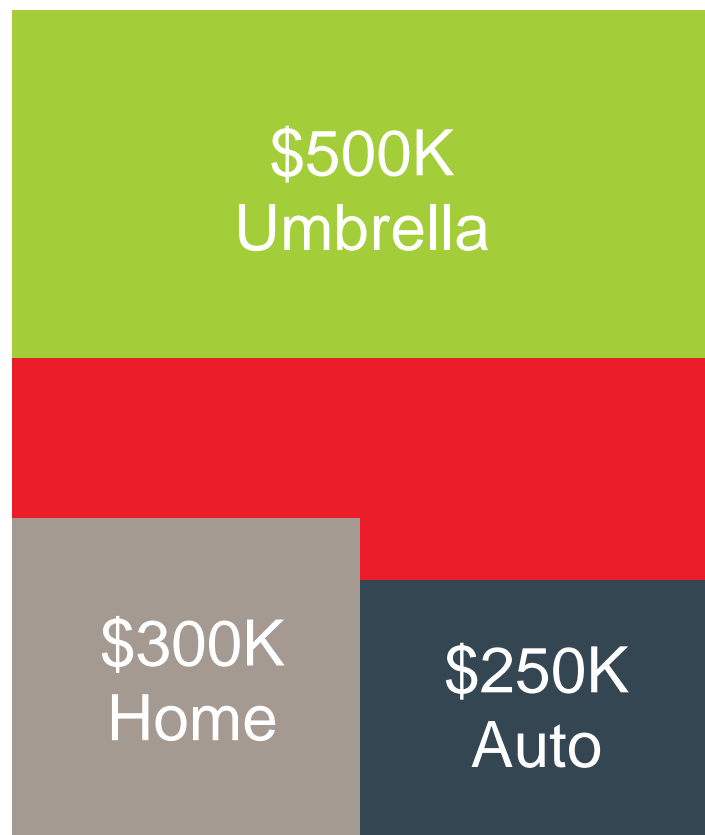
- What is your liquid net worth?
- What is your tangible net worth (homes, valuables)?
- What is your reputation worth?
- What is your future earning potential?
- Consider extreme risks, not the likely risks.
- Is your current limit where you want it to be?



### 3. Make Sure *All* the Components Work Together

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- Avoid gaps



## 4. Don't Choose a Carrier By *Price* Alone

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### Standard Carrier

- ✓ Limits up to \$5M-\$7M
- ✓ Will not fill gaps
- ✓ Defense costs within limit?

### HNW Carrier

- ✓ Limits up to \$100M
- ✓ Drops down to fill gaps
- ✓ Defense costs outside limit



## 4. Don't Choose a Carrier By *Price* Alone

---

### Standard Carrier

- ✓ Limits up to \$5M-\$7M
- ✓ Will not fill gaps
- ✓ Defense costs within limit?

### HNW Carrier

- ✓ Limits up to \$100M
- ✓ Drops down to fill gaps
- ✓ Defense costs outside limit
- ✓ Shadow counsel coverage
- ✓ Reputation defense coverage
- ✓ Less pressure to use in-house counsel
- ✓ Scheduling flexibility
- ✓ Options for UIM, EPLI, D&O, Family Trust



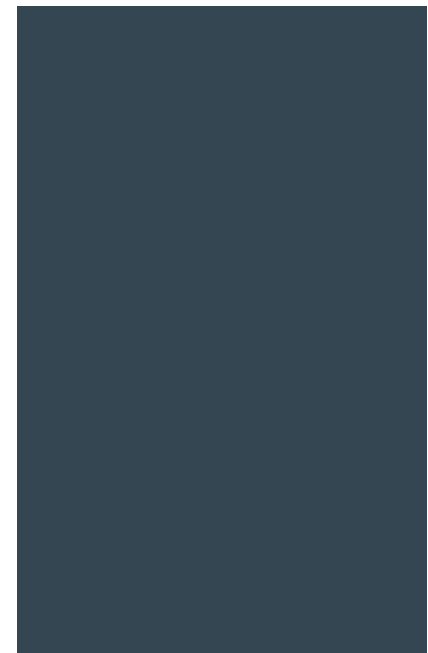
## 5. Put *Preventative* Measures in Place

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- Home inspection can reveal premises risks
  - Swimming pools, trampolines
- Teen training – driving, recreational vehicles, social media
- Background screens of domestics staff, contractors
- Professional bartenders, car service at parties
- Protect yourself with Third Party Liability



# STARTING THE CONVERSATION



# When

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- Annual review / plan
- Sudden acquisition of wealth / liquidity event
- Starting retirement
- Buying boat, plane, recreational vehicle, second home
- Noteworthy cases making the news



# Recap

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- Wealthy view themselves and are viewed as targets
- They are more likely to be sued.
- Joint & Several liability can further target those with deep pockets.
- Perception that \$5 million is the cap in awards and availability.
- Everything, including future earnings can be at risk.
- Perception that Umbrella Liability costs are much higher than actual.
- Umbrella Liability may be purchased easily, affordably, covering while alive and all family members. It's not life insurance it's LIVE insurance.
- Can potentially be added or increased without premium expenditure.
- When to start the conversation.
- 5 easy questions to assess need / gap.
- Awareness – the ounce of prevention.





## Learn More

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- Free white papers at [aceprs.com/wealthadvisor](http://aceprs.com/wealthadvisor)



ACE Private Risk Services®

### Targeting the Rich: Liability Lawsuits and the Threat to Families with Emerging and Established Wealth

Survey Shows Wealthy Have Growing Concerns But Underestimate Danger of Multi-Million-Dollar Verdicts



Insurance Intelligence  
White Paper



## Learn More

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- Other white papers at [aceprs.com/wealthadvisor](http://aceprs.com/wealthadvisor)
  - Managing Home Renovation Risks for High Net Worth Homeowners
  - Wealth at Risk: How HNW Families Over-Pay to Be Under-Insured
  - Breakthroughs in Managing Tangible Assets: Completing the Picture of Wealth
  - Retire with Confidence: How to Structure a Personal Insurance Program
  - Passionate Investing on the Rise: Spotlight on Asset Protection for Collectors Insurance



## Questions

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### Annmarie Camp

- SVP, National Sales and Distribution Leader
- [Annmarie.Camp@acegroup.com](mailto:Annmarie.Camp@acegroup.com)



### David Spencer

- SVP, Premier Client Services
- [David.Spencer@acegroup.com](mailto:David.Spencer@acegroup.com)



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