

# The Overlooked Gap in Financial Advice

How financial advisors can protect clients  
whose wealth may be at risk due to gaps in  
Property and Casualty coverage.

CHUBB®

 OLIVER WYMAN



Quick reference guide

## Executive summary

Most people have some home and auto insurance. But many successful families are not adequately protected. This makes these areas a good place to start the discussion.

**Expectation gap:** Clients want their Financial Advisors (FAs) to be “quarterbacks” for all of their financial needs; however most FAs are not familiar with property and casualty (P&C) insurance products and the protections they provide.

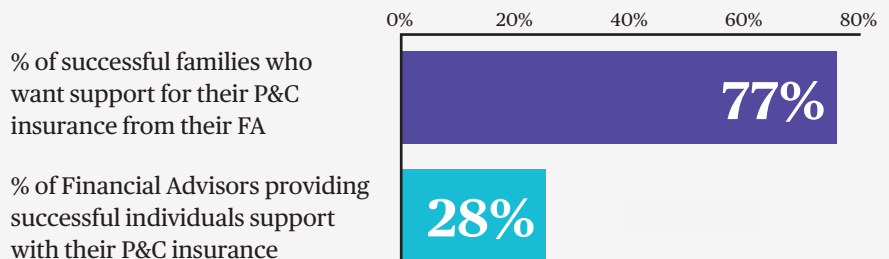
**The P&C need:** Successful families and individuals often have inadequate insurance protection for their homes, autos, valuable possessions, and/or liability risks.

**Call to action:** FAs could benefit greatly by understanding the basics of P&C insurance and connecting their clients with a P&C agent when they see a need for additional coverage. This can help FAs better safeguard their clients’ assets, deepen their client relationships, grow their networks, and differentiate themselves from their competition.

The wealth management industry is experiencing a period of change and disruption, leaving many financial advisors feeling that they need to find new ways to provide additional value and grow their businesses. In addition, clients want their financial advisers (FAs) to manage their finances holistically. In an Oliver Wyman survey, 85% of successful families stated that it is significantly important for their financial advisers to act as their “quarterbacks” for all of their financial matters.

One place that FAs can demonstrate additional value is by providing guidance and support for their clients’ property and casualty (P&C) insurance needs, i.e. protecting their home, auto, watercraft, personal valuables, and personal liability exposure. As shown in the chart below, successful families and individuals want their financial advisers to help them protect from their P&C risks, though most FAs do not provide this support. This creates a clear expectations gap.

Figure 1. *Expectations gap for personal P&C insurance support<sup>v</sup>*



To close that gap, FAs will need to understand how P&C insurance plays into their clients’ overall financial strategy. Without the right P&C insurance coverage, clients may face additional risks and exposure. While nearly all financially successful families and individuals have P&C insurance, many are not adequately protected against P&C risks, either because they lack the correct insurance products for their unique situation, purchased policies with the wrong features, or simply didn’t purchase enough protection.

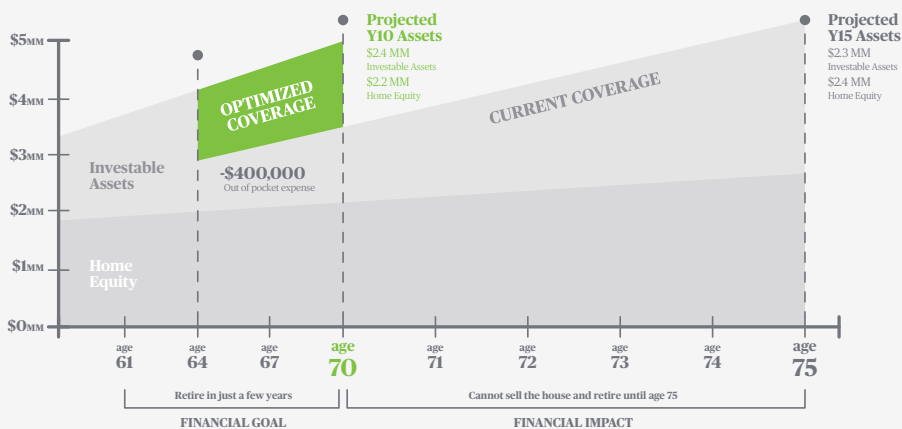
FAs don't need to know all the details of P&C insurance, but being able to identify inadequate coverage could benefit them and their clients. By proactively identifying gaps in their clients' P&C insurance and connecting them to the right P&C partners that can assist with the details, FAs will provide that "quarterback" service their clients want and will stand out from their competition. In addition, by helping their clients better understand and manage their risks, FAs can safeguard their assets to drive better returns, thus boosting client satisfaction and fees over time, as shown in Figure 2 below.

Financial advisors that provide holistic support for their clients will deepen their relationships with those clients and have additional exposure to their wealth. On average, individual financial advisors only manage around two-thirds of their clients' total wealth. However, by supporting their P&C needs, advisors could see their relationships with successful families improve, providing greater satisfaction, greater share of wallet, and more referrals.

FAs also have an opportunity to develop a productive and reciprocal referral relationship with personal P&C insurance brokers, which could drive new business. Given that advisors are facing increasingly competitive landscape, providing support for P&C insurance offers them a powerful differentiation tool.

Figure 2. How to turn P&C coverage into a win for both client and FA

**Tom and Ramona, a couple in their early 60's, plan to retire in a few years. A pipe burst and resulting damage to home delay retirement an additional 5 years.**



**Assumptions:** 0% equity growth

**Current Coverage:** \$1MM Coverage on Home \$300,000 payout

**Optimized Coverage:** \$2MM Replacement Cost Coverage on Home

Figure 3. By providing support for P&C needs, FAs could see client improvements in many areas

**46%** Enhanced satisfaction

**27%** Greater share of wallet

**41%** Improved longevity

**49%** Increased likelihood to recommend

**To take advantage of the opportunity to grow through P&C insurance, FAs can:**

- 1. Educate themselves** about P&C risks and, generally about the coverage available
- 2. Proactively identify** P&C risks for which their clients are inadequately protected
- 3. Develop a network of P&C agents** who specialize in financially successful families
- 4. Connect their clients with those P&C agents**, to ensure that they have the comprehensive protection they need to meet their unique needs
- 5. Follow up** with their clients to ensure that they remain protected, especially when their financial situation changes or grows, e.g. when they buy real assets, or have a significant life event such as the birth of a child, or when they are entering retirement.



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## OLIVER WYMAN

Chubb commissioned Oliver Wyman to assess how high net worth individuals (HNWIs) may be buying property and casualty (P&C) insurance sub optimally, and how their financial advisers could potentially help them get the right coverage. Oliver Wyman also analyzed whether doing so is in the interests of financial advisers. Oliver Wyman surveyed a random sample of consumers and financial advisers selected based on characteristics described in the report. The analysis of such survey data and the findings described in the report were developed independently by Oliver Wyman. This study is intended to be directional and is not meant to be a projection or prediction of future results. The primary audience for this report includes financial advisers, insurance brokers, and carriers. This report is not insurance or investment advice and should not be relied on for such advice or as a substitute for consultation with professionals, including accountants, tax, legal, insurance or financial advisers.

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