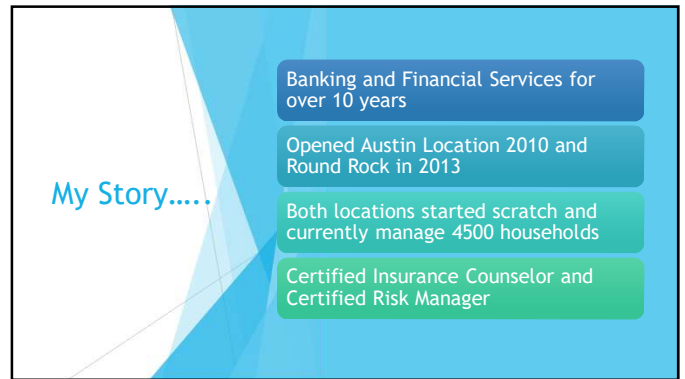




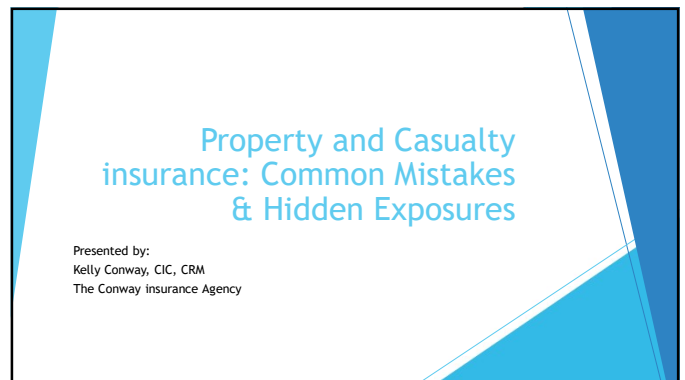
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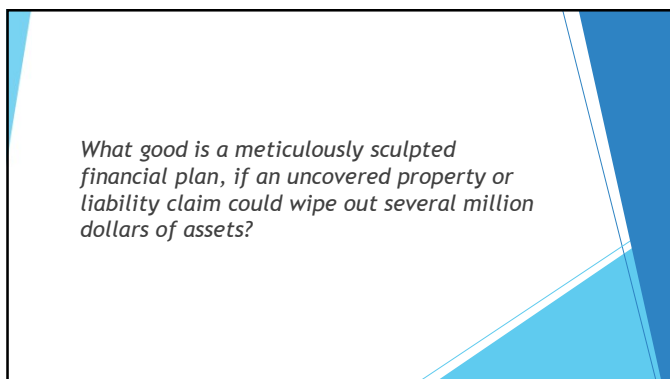
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6

Food for thought.....

- ▶ Chubb recently completed study that found only 28% of financial advisors address their clients' Property & Casualty (P&C) insurance needs.
- ▶ 77% of successful individuals want their advisors to provide that support
- ▶ 40% would consider switching to an advisor that did provide it.

7

Still hungry??

- ▶ 85% of successful families stated that it is of significant importance that their Financial Advisors act as a quarterback to help them navigate all of their financial matters.
- ▶ 77% of successful individuals want their advisors to provide that support.
- ▶ 40% would consider switching to an advisor that did provide it.

8

Why aren't advisors having these conversations?

- ▶ Advisors may be assuming clients have no personal P&C issues
- ▶ Think specialized knowledge is required to begin the conversation
- ▶ Focus is on accumulation and growth of assets

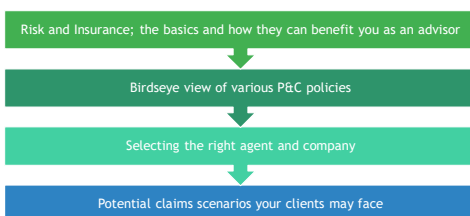
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Financial Planning is in part acting as a risk manager....

- ▶ The risk of losses due to litigation, natural disaster or theft may be no less than the risk of losses due to a bad investment strategy.
- ▶ The wealthier they are, the greater potential to have significant gaps.
- ▶ As a financial planner, you may be better suited to identify those gaps
- ▶ Clients will disclose their full financial pictures with their advisor, but that may not be the case with talking with a P&C professional.

10

Our focus for today:



11

Principles of Risk and Insurance

12

3 Basic Components of Risk

- The risk or event that could occur
- The probability that the event will occur, likelihood
- The impact or consequence of the event if it occurs, penalty or price you pay

13

4 Ways to Deal with Risk

- Avoidance
- Education
- Sharing or Transfer
- Retention

14

Risk Transfer

Our focus today is on the use of insurance as a way to transfer or share risk.

With insurance, a specified risk or loss is passed from the policyholder to the insurer via a contract.

If you are not buying insurance, you are self-insuring.

15

What risks are your clients facing?

- HIGH NET WORTH/HIGH PROFILE
- MULTIPLE REAL ESTATE HOLDINGS
- COLLECTIBLES
- YOUNG DRIVERS
- ATTRACTIVE NUISANCES
- SOCIAL MEDIA
- CYBER
- BOARD MEMBERSHIP

16

Are your clients adequately insured?

Figure 3. Availability of P&C Insurance protection for financially accomplished individuals

Risk area	P&C Insurance Product									
Home	Dwelling	Home Property	Home Liability	Other Structures	Flood	Earth-quake	Mold	International		
Auto	Collision	Comprehensive	Auto Liability	Uninsured/Insured	Medical Pay	PIP	Specialty Vehicles			
Watercraft	Collision	Comprehensive	Liability	Medical	Operator	Trailer				
Recreational Vehicle	Collision	Comprehensive	Liability	Medical						
Valuable Collections	Wine	Jewelry	Fine Art							
Staff	EPLI	Workers Comp								
Non-profit	D&O									
Overall	Umbrella Liability									

17

They have some coverage, but may not be the right coverage.

- ▶ 70% of families said they never or rarely had a professional assessment.
- ▶ Not updating replacement cost values to appropriate limits.
- ▶ Missing out on savings for things like backup generators, water and gas leak detection systems
- ▶ Paying for features they don't need:
 - ▶ Low deductibles
 - ▶ Pre-determined other structures limits.

18

Insurance Policy and Company Selection

19

Homeowners Insurance

- ▶ Policies vary drastically among carriers
- ▶ Valuation is most important component when insuring a home
- ▶ Water Sewer Backup
- ▶ Limits on Sudden and Accidental losses
- ▶ Mold
- ▶ Water Damage to Foundation
- ▶ Named peril vs Open peril
- ▶ Additional Living Expenses
- ▶ Exclusions, exclusions, exclusions...

20

Things that may not be covered on a Homeowners Policy

- ▶ Renovations without an endorsement
- ▶ Motorized vehicles
- ▶ Flood Insurance
- ▶ Windstorm coverage if near the coast
- ▶ Earthquake
- ▶ Wildfire (Bastrop)
- ▶ Property Owned in an Estate or LLC name
- ▶ Business Operations inside of a home

21

Potential gaps on a Homeowners Policy

- ▶ 2 out of 3 homeowners are underinsured.
- ▶ This is especially important in the rising costs we are all experiencing.
- ▶ Personal Property is based on an arbitrary percentage and may not be standard practice for agent to review/discuss
- ▶ Not scheduling valuables
- ▶ Client failing to disclose significant improvements completed.

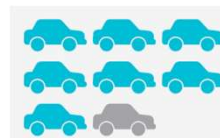
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Auto Insurance

- ▶ Not much variance among carriers
- ▶ Bodily Injury coverage
- ▶ Property Damage
- ▶ Medical Payments/Personal Injury Protection (PIP)
- ▶ Collision & Comprehensive
- ▶ Uninsured and Underinsured Motorist Coverage
- ▶ Actual Cash Value vs Stated
- ▶ Exclusions, exclusions, exclusions...

23

Uninsured and Underinsured Motorist:



1 in 8
drivers are
uninsured

24

Things that may not covered on an Auto Policy

- ▶ Replacement Cost
- ▶ After market upgrades
- ▶ Your belongings inside of the car
- ▶ Driving for ride share services

25

Umbrella or Excess Insurance

- ▶ Form of Personal Liability Insurance
- ▶ Provides coverage for claims in excess of underlying policy
- ▶ Typically extends coverage to include Personal Injury Claims
- ▶ Worldwide Coverage
- ▶ Limit needs to match potential exposure
- ▶ Like having an attorney on retainer

26

Selecting a Company

- ▶ Rating
 - ▶ Moody's AM Best
 - ▶ Looking for rating of at least A
- ▶ Claims Reviews
- ▶ Some carriers more suited to affluent clients
 - ▶ Multiple properties
 - ▶ Assets in other states
 - ▶ Toys
 - ▶ Farm and Ranch
- ▶ Understand price is what you pay, value is what you get

27

Selecting An Agent

- ▶ Ask for recommendations from friends, family, colleagues
- ▶ Consider Experience
- ▶ Is location important?
- ▶ Review websites and social media
- ▶ Look for credentials
- ▶ Ask agent for references
- ▶ Knowledge and Trust are Key!

28

What is there to lose.....

- ▶ Liquid assets outside of retirement account
- ▶ Physical property: autos, fine arts, collectibles...
- ▶ Properties owned other than homestead
- ▶ Future wages
- ▶ Future assets: commissions, insurance payouts, royalties

29

Liability exposures to consider:

- ▶ Injuries on your property
- ▶ Damage to other people's property
- ▶ Liability coverage on rental units
- ▶ Personal Injury claims like slander, libel, false arrest, malicious prosecution and other personal liability situations
- ▶ Cyber Legality for online fraud, cybercrimes, cyber bullying, theft repair, credit monitoring
- ▶ Household staff Serving on a board

30

Nanny hazards...


- Workers Comp insurance
 - Clients typically treat them as independent contractors and not employees
 - But I pay them 1099...
 - But WC isn't required in Texas
- Driving client's car
- Driving their own car



31

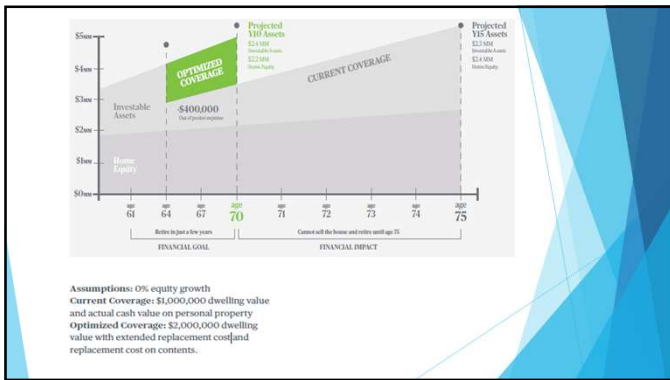
Scenario 1:

Pipe burst and resulting water damage to home delay retirement by 5 years



A pipe burst in Ramona and Tom's home while they were on vacation. The water runs for 5 days and severely damages the home. The great room and kitchen need to be gutted due to damage to walls, flooring, custom cabinetry and appliances. The water also damages the finished basement including the heating and cooling equipment, laundry room, electrical include the Creston Home Automation System. The standing water and humidity in home cause condensation throughout the home. The total damage including additional living expenses for having to move out of the home for several months was \$700,000.

32




33

If they had the right coverage:

- They could have avoided delaying retirement by 5 years
- Would have been able to fully recover the \$400,000 loss
- All of this for an additional annual cost of \$3500 more than existing premium.

34

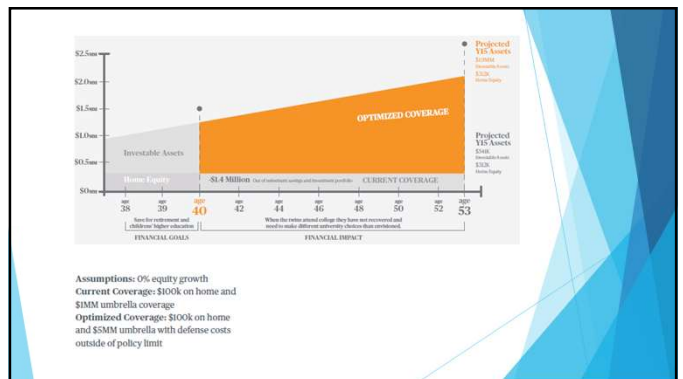
Scenario 2:



Trampoline Accident wipes out college savings, children not able to select their first choice private universities

While playing on the trampoline, one of their children's friends is severely injured. The child's parents sue Rick and Sue for \$2 million in medical damages and negligence because Rick and Sue weren't watching the kids. The lawsuit was lengthy with hefty legal fees (\$500k).

35




36

If they had the right coverage:

- ▶ They would have avoided near bankruptcy
- ▶ Maintained their college and retirement funds
- ▶ All of this was for an additional annual cost of \$460
- ▶ Otherwise, it would have taken them 12 years to recover the college savings for their twins that they had to liquidate.

37

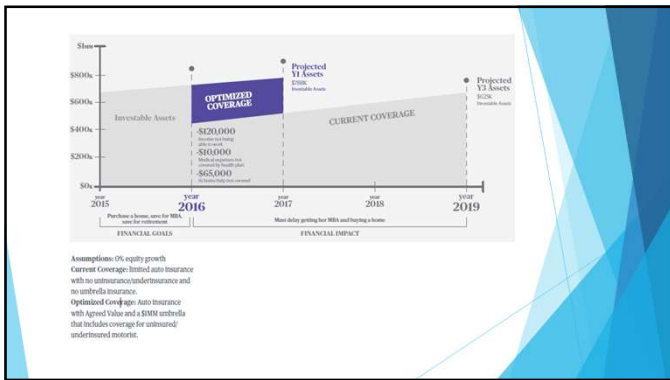
Scenario 3:



Car accident and injury puts her life on hold for 3 years

Sonja gets into an accident with a driver who had no insurance. Her new \$50k car was totaled, and Sonja is seriously injured and cannot work for a year, losing \$20k income. Her medical expenses of \$600k were mostly covered by her health plan, but she was still left with a \$10k bill.

38

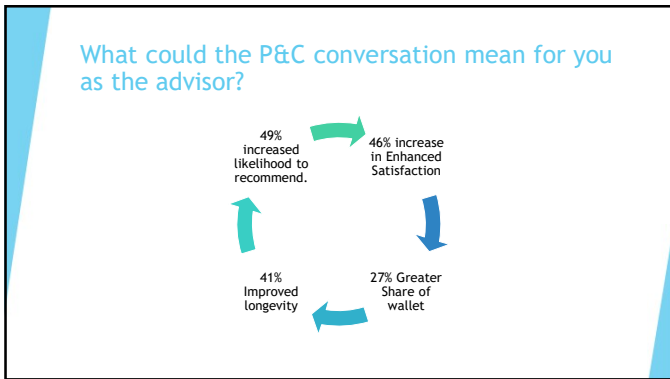


39

If she had the right coverage:

- ▶ She would have minimal disruption to her financial health
- ▶ She would not have to delay her MBA by three years.
- ▶ She can hold onto her rapidly appreciating shares
- ▶ She can afford to go back to school...
- ▶ AND buy a new home.


40



41

Could advising on P&C increase risk to your Professional Liability?

- ▶ Same as talking to people about tax and estate planning issues.
- ▶ You are not giving direct advice; you are directing them to the professional.
- ▶ Be clear about the limit of your expertise.
- ▶ Make note of any discussions you had around P&C.
- ▶ Also make note if they decide not to make any changes.

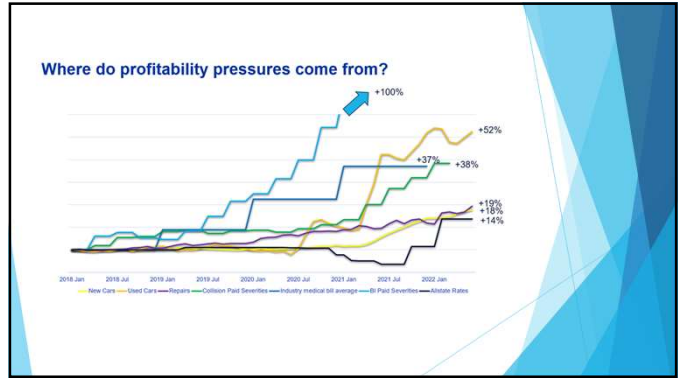


42

What is going on in the P&C insure industry??

Why does my rate keep going up??

43



44

What can you do as the CFP® practitioner in terms of Personal Insurance?

- Proactively discuss personal insurance
- Recognize changes in exposures
- Recommend annual insurance review
- Connect client with an appropriate agent to address a change in exposure or obtain an annual review

45



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46