Stories from the Left Tail

Learn how optimized insurance can help ultra-high-net-worth clients protect their assets and their wealth from “Left Tail” events.

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Meet Malvika and Rohan:

Mid 50s
living in Weston, MA

Collectors
of post-war and contemporary art

Leak from upstairs bathroom damages Joan Mitchell painting

What happened?

When Malvika and Rohan spent a weekend at their Nantucket home, a plumbing problem caused water to leak in the upstairs bathroom of their Weston, MA, home and irreparably damaged a Joan Mitchell painting. At the time of loss, the market value of the work exceeded the stated value on their insurance schedule by $3,000,000. As a result, since Malvika and Rohan were insured for the stated value only, they were unable to replace the damaged painting with a comparable work. The couple s total wealth effectively declined by $3MM because they were underinsured.

Current Insurance

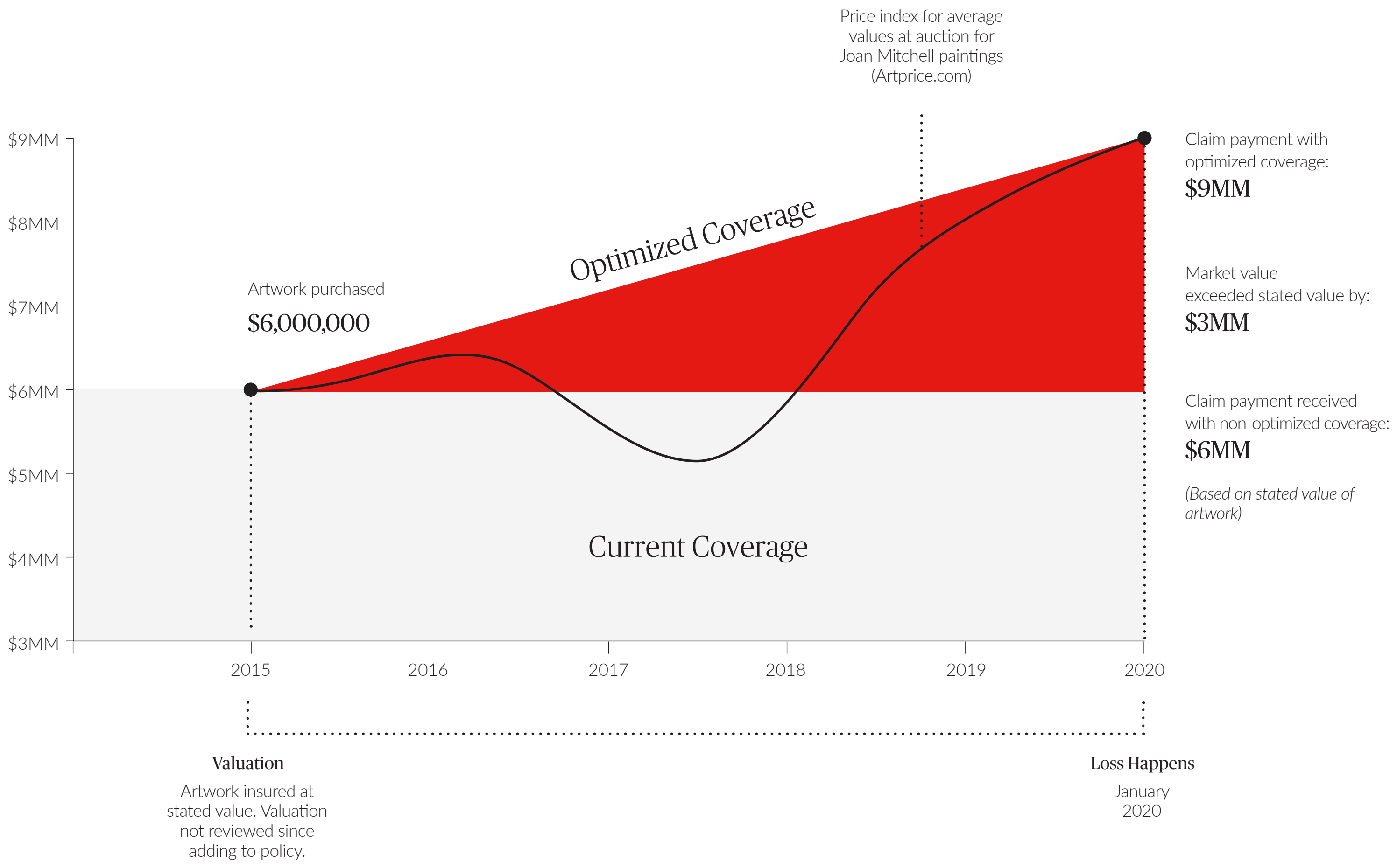
Art collection insured for $44MM with each item listed and insured. The insureds opted for their current insurance carrier and coverage based on price. Valuation on the art items has not been reviewed since adding on to the policy.

Premium: $28,000 per year

Optimized Insurance

Art collection insured for $55MM based on recent appraisal. Coverage has a market value enhancement clause providing coverage for up to 150% of each item's value (up to the policy limit). This insurance could have prevented the loss of $3MM to Malvika and Rohan's total wealth.

Premium: $49,500 per year



This example is illustrative only.

Current Insurance: $140,000 in premium over five years. Optimized Insurance: $247,500 over five years. Clients are locking in the value upfront and to help ensure that they receive the value of their artwork at the time of a covered loss. With Optimized Insurance as described (with the market value enhancement clause purchased with the policy), they are also protecting against market increases of up to 50% in case of a covered loss.

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Meet George and Susan:

Early 60s
currently have multiple estates in California and Colorado

Enjoying retirement
after selling their technology company for $300MM in 2015

Working with a wealth advisor
to maximize gifting to their alma mater

Sued by neighbor after renting land to farmer who oversprays and ruins neighbor's crops

What happened?

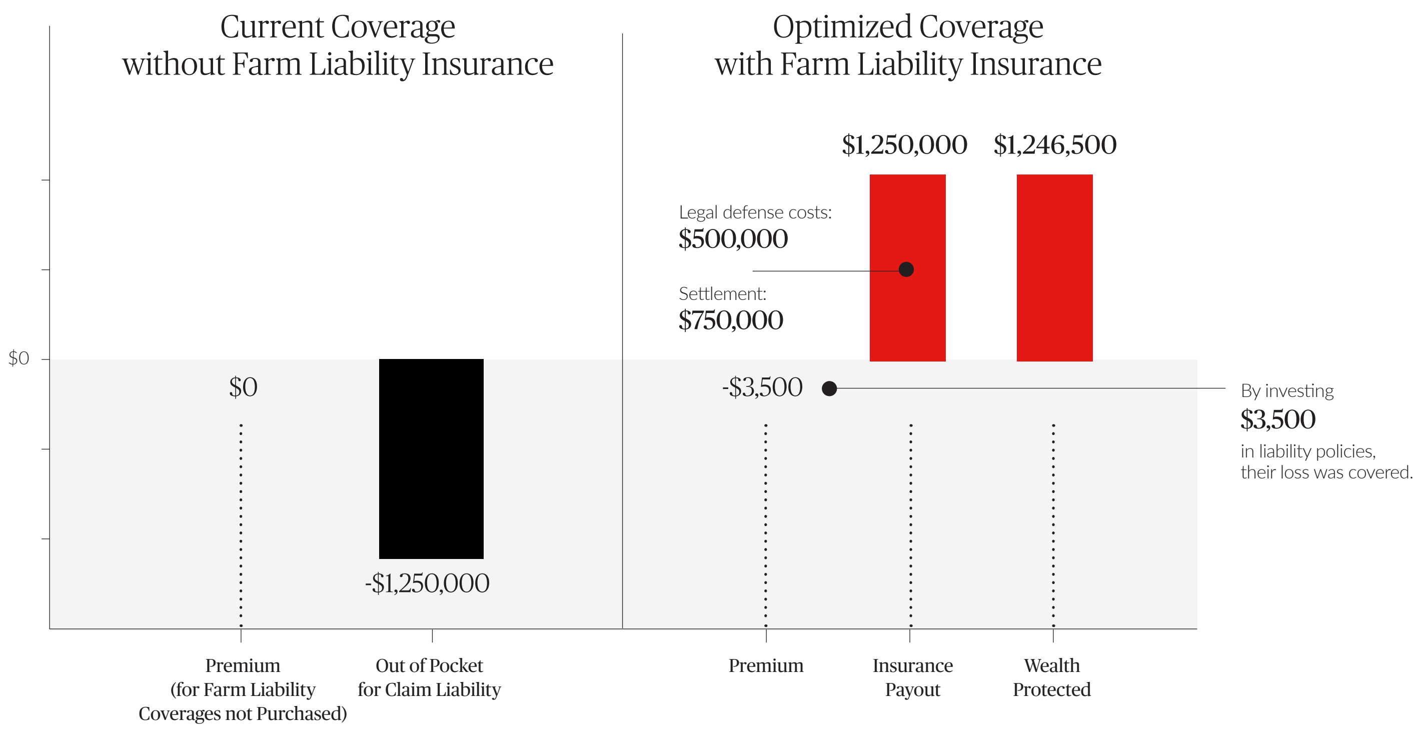
George and Susan decided to buy some vacant land next to their estate to prevent anyone else from building there. They called their insurance agent and told him that they had purchased the land purely as an investment and didn't plan to use it. Five years later, they decided to rent the land to a farmer, share the cost of running the farm, and in return receive a portion of the profit. The annual revenue is $70,000. The farmer mistakenly oversprayed and damaged the adjacent farm s crops. Recognizing deep pockets, the adjacent farmer sued George, Susan, and the farmer who rented their land for $3,000,000. In connection with this lawsuit, George and Susan settled for $750,000 and incurred $500,000 in legal defense costs. As a result, George and Susan cut back on their annual gifting.

Current Insurance

$1MM of personal liability coverage and $20MM of personal excess liability coverage. There is no coverage for the lawsuit, because of a business exclusion which is common on personal lines liability policies. Even though George and Susan were profting from the farm revenue, they assumed that since they owned the land, it would be covered under their personal insurance policy.

Optimized Insurance

George and Susan's wealth advisor routinely reminds his clients to consult with an independent insurance agent. At their agent's insistence, they now conduct a thorough review of all their activities annually. In addition to the $1MM of personal liability coverage and $20MM of excess liability coverage, George and Susan also purchased a $1MM per occurrence and $2MM annual aggregate farm liability policy with a chemical drift/overspray endorsement and a $5MM excess farm policy. The optimized coverage would have prevented the significant loss that George and Susan incurred because of the farming lawsuit.



This example is illustrative only.

Current Insurance: $1MM personal liability policy, $20MM personal excess liability policy. Optimized Insurance: $1MM farm liability policy, $5MM excess farm liability policy and $1MM personal liability policy and $20MM personal excess liability policy. In both scenarios, the personal liability policy and personal excess liability policy would exclude this type of loss. The difference is that with farm liability insurance, the claim in this scenario would have been covered.

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The clients and claim scenarios described here are hypothetical and are intended to show the types of situations that may result in claims. These scenarios are not based on actual claims and should not be compared to an actual claim. Whether or to what extent a particular loss is covered depends on the facts and circumstances of the loss, the terms and conditions of the policy as issued, and applicable law.