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National News

## High Value Homeowners Market Healthy Despite Tough Economy

By Amy O'Connor  
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One of the most important features of writing high net worth business is high value homeowner's coverage — but these policies can be complicated for agents to understand because they have many more components than traditional personal lines homeowner policies.

In addition to more expensive residences, high net worth clients also have more things in their homes that need to be insured, including cars, jewelry, art work and other miscellaneous objects that need higher limits than a traditional homeowners policy would cover, said Dan Olmstead, president of personal lines at insurer Ironshore.

"They have more stuff," Olmstead said. "It's more complicated to figure out what that stuff is worth and there are fewer companies that can do a good job protecting that stuff."

Because these policies can be so complicated, they need to be handled more carefully and looked at more closely to make sure that all of the insureds exposures are covered in the event of a loss.

Olmstead said Ironshore, which works with Hull & Co. in Florida, inspects every property they insure so that the appropriate amount of coverage is applied. He says knowledge of this sector is crucial.

"If you make an error of judgment on a lower valued home there is a cost, but the same mistake on a high value home is a lot more expensive," he said. "As you would expect, the customers probably have a more complicated financial decision to make [when purchasing coverage] and that's where the advice and counsel of an independent agent and broker comes to play. This is an area of the market where expertise and consultation are really critical and make a difference in the lives of the insured."

Bruce Callander, president of Sweet & Baker, an insurance agency located in San Francisco, agreed. "High value homeowners need to be worked with more, watched closely, given more care," Callander said.

Pam Samra, president of Affluent Programs, which is chartered out of Palm Beach, Fla., said agents should develop an analysis for these clients to help form a relationship and make sure their assets are covered.

"Do a simplified checklist so you can say to them, 'do you realize you could put your secondary home along with your primary home into one policy,' — things of that sort," she said.

Underwriters say that agents sometimes shy away from writing high value homeowner policies because it seems too complicated. Instead, they should seek advice from a broker or carrier on these policies.

"Many agents as I'm bringing them on board have an apprehension of dealing with a high net worth individual — it is daunting for them," Samra said. "They will turn away a high net worth person because they are daunted and intimidated. They are afraid they won't be able to do the job they need to do for them. That's where we can step in and take care of that for them."

## Two Halves

Callander says that a typical high value homeowner policy has two halves to it. One half is the liability side and the other is the property. On the property side, there is insuring the house itself and the replacement cost in the event of a fire or other tragedy.

There is also coverage for personal property inside the house, either blanket scheduled coverage or scheduled coverage. Callander, whose agency mostly concentrates on the California market, says in the last couple years more clients have been moving to blanket coverage so that each piece of their personal property does not need to be itemized, but it is still a good idea for the insured to document their contents.

"What I do with my clients is we go out and get appraisers out to their house," Callander said. "Let's look at all your jewelry, all your artwork, put a book together and you get to keep the book so now you have documentation and descriptions of each item."

He also said agents need to keep in touch with clients to make sure any new purchases are also documented.

On the liability side, agents need to discuss with their client if they are on any boards of directors, what types of vehicles they have and who is driving them, as well as if they will need umbrella coverage to cover any gaps in coverage and for what amount in the event they are sued.

"You have to be careful with umbrellas on the liability side," Callander said. "A lot of times, clients mix and match carriers to get a great price on the umbrella. It doesn't work. I always find gaps in coverage. It's really important clients try to combine it all with one carrier because they don't have the gaps in coverage this way."

## Economic Concerns

Callander said that there are insureds in this market that are having a hard time and some carriers have responded by offering specific features on high value homeowner policies, such as waiving the deductible on a catastrophic loss of over \$50,000. In California, earthquake coverage is something high value homeowners usually purchase and they haven't been deterred from doing so to save money.

"My clients are not really interested in reducing coverages, they still want to insure those houses right," he said.

Olmstead said in Florida there are many insureds that have very expensive homes built by the water and the economic slowdown has not changed this, so the potential for hurricane-related claims is very great.

"In general, obviously the economy has an impact but the general trend around the world is people with money looking for properties closer to the water where catastrophes occur," he said. "With the economy there's a blip, but the upward trend is people with considerable assets have these expensive properties on the water."

Affluent Programs, which utilizes Chartis Private Client Group as well as ACE, has seen shifts in what its clientele are looking for in terms of coverage because of the economy, but Samra said the company has not experienced a big decline in business, unlike in other areas of the insurance marketplace.

Samra said the high value homeowner market is very healthy even with the economic problems, and there is still plenty of growth potential for agents.

"It's a market that agents should be marketing for within their agencies," she said. "There are areas in the country that are very untapped and under-represented. It's a very exciting marketplace."