Wealth at Risk: How High Net Worth Families Overpay to Be Underinsured

Research Reveals Many Opportunities to Improve Protection and Maximize Value in Families' Personal Insurance Programs

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Personal Risk Services

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Research Reveals Many Opportunities to Improve Protection and Maximize Value in Families' Personal Insurance Programs

Alanna Johnson

Senior Vice President
Premier Practice Leader

Personal Risk Services

Executive Summary

Independent insurance agents and brokers frequently find that families with substantial assets who insure their homes, autos, watercraft, and valuable collections with mass- market, heavily advertised carriers, overpay for protection that still leaves them exposed to severe financial loss.

What are the specific risks, and why are these high net worth (HNW) families paying more than necessary? To find out, Chubb Personal Risk Services surveyed more than 600 independent insurance agents and brokers in 2010 and again in 2012 about their new HNW clients who were previously insured by a mass-market carrier. The survey asked if the clients were likely overinsuring or underinsuring for 21 types of coverage. It also asked about the likelihood of 11 types of savings opportunities being missed.

A Widespread and Worsening Problem

The agents' answers reveal that the problem of overpaying to be underinsured has worsened overall. On average, significantly more agents in 2012 than in 2010 said each type of coverage was likely underinsured and each savings opportunity was likely missed

Average Percent of Agents Saying:	2012	2010	Ppt. Chg.
Each coverage underinsured	58.3%	54.9%	+ 3.4
Each coverage overinsured	7.5%	7.8%	0.3
Each savings opportunity missed	27.7%	22.1%	+ 5.6

Because families with substantial assets overlook many savings opportunities, most agents say they can typically rebalance a family's personal insurance program to achieve more effective protection without significantly increasing premiums.

Top Areas of Overpaying
Having deductibles that were too low, failing to earn package discounts, and not getting premium credits for alarm systems and other loss prevention devices continued to top the list of missed savings opportunities. The likelihood of missing the last two increased significantly from 2010 to 2012.

Percentage of Agents Reporting Savings Opportunity Was Likely	2012	2010	Ppt. Chg.
Deductibles too low	81%	78%	+ 3
Package discounts	62%	55%	+ 7
Loss prevention credits	50%	36%	+ 14

Top Areas of Underinsuring
Coverage for umbrella liability, valuable collections, uninsured/underinsured liability, and rebuilding a damaged home remained the most likely underinsured risks.

Percentage of Agents Reporting Client Was Likely Underinsured	2012	2010	Ppt. Chg.
Umbrella liability	92%	89%	+ 3
Valuable collections	86%	83%	+ 3
Un/underinsured liability	86%	82%	+ 4
Home structure	83%	86%	- 3

Equal Chance of Being Over or Underinsured
- As in 2010, about 30 to 40 percent of agents reported that clients likely had too much insurance for the other structures on their property (detached garages, swimming pools, fences, and so forth), minor losses (by carrying a deductible that was unnecessarily low), and the personal property in their home.
- But almost the same percentage of agents said these areas were likely underinsured.

Better Protection Need Not Cost More
Because HNW families overlook many savings opportunities, most agents say they can typically rebalance their personal insurance program to achieve more effective protection without significantly increasing premiums.

- Fully 51 percent said they typically reduce premiums by 5 percent or more when they place new clients with a carrier that specializes in serving HNW families (HNW-market carrier) and then rebalance the insurance program.
- Another 12 percent of agents say they typically keep costs within plus or minus 5 percent.

The rebalancing involves a thorough review of the client's assets and lifestyle to identify risks as well as an assessment of tolerance for those risks. The agent must also have access to a HNW-market carrier – a carrier that: 1) specializes in serving the needs of HNW families and 2) has the flexibility and breadth of coverages to make a customized approach possible.

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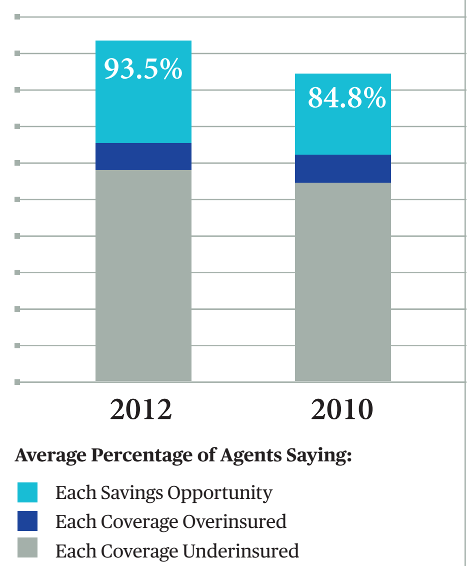
for resources

New Index Tracks Overall Problem

As one way of quantifying and tracking the problem of overpaying and underinsuring, Chubb has created an overpaying-underinsured index. The index works by adding together the three averages of coverages being underinsured, overinsured, and savings opportunities missed. The index climbed from 84.8 in 2010 to 93.5 in 2012.

An index of zero would suggest that no problem exists. An index of 30 would represent a reasonable amount of play between perfection and reality, allowing for 10 percent in each of the three averages. An index above 80 dramatizes the widespread problem of overpaying and underinsuring among HNW families who use mass-market carriers.

Overpaying-Underinsured Index



A Renewed Focus on Proper Protection

Families with substantial assets overpay to be underinsured primarily because they fail to adjust their personal insurance program as they build wealth. Faced with the complexity of insurance policy contracts and often reluctant to think about bad things that could happen, these families leave their insurance relatively unchanged year after year.

But events of the last few years have brought new urgency to the focus on proper protection. In 2011, the Federal Emergency Management Administration (FEMA) declared 99 federal disasters, up from the record of 81 in 2010 and well above the average of 35 federal disasters per year since 1953.[2] In 2011, disasters included Hurricane Irene, heavy flooding in the Midwest, the most damaging wildfire in the history of Texas, a magnitude 5.8 earthquake that cracked the Washington Monument, the deadliest tornado since 1947, and a 'super derecho' – a line of intense thunderstorms that cut a 700-mile swath of destruction from the Midwest to the mid-Atlantic. In 2012, Superstorm Sandy in the Northeast and the Waldo Canyon and High Park fires in Colorado continued to draw attention to the vulnerability of family and home.

While such events impose hardship on both rich and poor, the tendency of wealthy families to have second homes near the beach or in scenic mountain areas makes them especially vulnerable. Many have learned through costly experience about limitations in their insurance policies regarding the cost of replacing their home, the coverage for valuable collections, and the cause of loss, such as sewer and drain backup, earthquake, and flood.

In addition to natural disasters, man-made events have raised the need for proper protection. High levels of financial market volatility have encouraged many high net worth families to step up spending

In Colorado, 64 percent of homeowners affected by the 2010 Fourmile Canyon Wildfire were underinsured by an average of $200,000, according to a survey by United Policyholders, a consumer advocacy group.[1]

on jewelry, fine art, wine, classic cars and other valuable collections as a means of asset diversification. While this strategy may or may not diminish their vulnerability to market risk, it does expose their asset base to greater levels of physical risk from theft, fire, and other perils.

Finally, considering the weak recovery from the 2008-2009 Great Recession, families with substantial assets have grown more concerned about the general attitude in society towards those at the upper end of the income scale. In a 2011 Chubb survey about liability risk among households with $5 million or more in investable assets, 68 percent of respondents felt attitudes toward the wealthy had grown more negative.[3] This concern extended to a heightened fear of being hit with a high-stakes liability lawsuit, as opportunistic plaintiffs seek to capitalize on defendants with deep pockets.

With these risks in mind, HNW families and their wealth advisors have a strong reason to look more closely at their personal insurance programs. According to the agents surveyed by Chubb, many will be even more likely than they were in 2010 to find significant savings opportunities that can partially or completely offset the cost of stronger protection overall.

Savings Opportunities

Compared to 2010, more agents in 2012 reported that families insured by mass-market carriers were likely missing a variety of savings opportunities. The survey asked about 11 savings opportunities, and the average percent of agents reporting each savings opportunity as likely missed in 2012 was nearly 28 percent, an almost 6-point increase. Responses by savings opportunity ranged widely – from 81 percent for having a deductible that was needlessly low to 9 percent for missing an accident-free credit in their auto insurance.

Percent of Agents Reporting Savings Opportunity As Likely	2012	2010	Ppt. Chg.
Deductibles too low	81%	78%	+ 3
Package discounts	62%	55%	+ 7
Loss prevention credits – home, car alarms, etc.	50%	36%	+ 14
Paying low collector car rates for a collector car	31%	19%	+ 12
New or rehabilitated home credit	22%	13%	+ 9
Storing infrequently worn jewelry in a bank vault	20%	16%	+ 4
Good student discount	11%	5%	+ 6
Credit rating (can it easily be lowered?)	10%	5%	+ 5
Accident-free credit	9%	10%	- 1
Accident prevention course credit	9%	6%	+ 3
Other	3%	3%	0
Average (excludes "other")	27.7%	22.1%	+ 5.6

Families should consider how much they could pay for a loss without significantly affecting their lifestyle, and then ask their agent to estimate the premium savings they could achieve with a range of deductibles up to their maximum amount.

To help families and their advisors understand the dynamics and potential of the most commonly missed savings opportunities, this white paper offers the following explanations:

Increasing Deductible Amounts

81 Percent Said Likely Overlooked Savings Opportunity
Many HNW families insured by mass-market carriers have homeowners and auto insurance policies with deductibles of $250, $500, or $1,000. Ironically, they pay a substantial amount in premium for these low deductibles, but they don't file a claim after a minor accident. They worry their insurance rates will go up, and they can easily afford to pay for repairs entirely out of their own pocket.

Instead, these families should consider how much they could pay for a loss without significantly affecting their lifestyle, and then ask their agent to estimate the premium savings they could achieve with a range of deductibles up to their maximum amount. This process allows them to assess the trade-off between risk and savings.

The savings can be substantial. Using the Chubb Masterpiece policy as an example, the annual savings in premium for insuring a $1 million home with a $5,000 deductible versus a $1,000 deductible could be over $1,100. So, the homeowner must weigh the risk of paying an additional $4,000 for a loss ($5,000 minus $1,000) against the certainty of saving $1,100 per year in premium. Since Chubb's typical client files a claim for a home only once every 21 years, taking the higher deductible would be the better choice. The total premium savings would come to $24,486 over 21 years, far outweighing the additional $4,000 paid at the time of the one loss. As the table below shows, the homeowner would come out ahead even if a loss occurred in the 5th year. The savings can be even greater for a higher value home and a higher deductible.

Example of Potential Savings with a High Deductible
$1 Million Home: $5,000 Versus $1,000 Deductible

Year #	1	3	5	10	21
Cumulative Premium Savings	$1,166	$3,498	$5,830	$11,660	$24,486
Additional Deductible Paid If Loss Occurs	$4,000	$4,000	$4,000	$4,000	$4,000
Net Cost/Savings	-$2,834	-$502	$1,830	$7,660	$20,486
$3 Million Home: $5,000 Versus $1,000 Deductible					
Cumulative Premium Savings	$2,392	$7,176	$11,960	$23,920	$50,232
Additional Deductible Paid If Loss Occurs	$4,000	$4,000	$4,000	$4,000	$4,000
Net Cost/Savings	-$1,608	$3,176	$7,960	$19,920	$46,232

Increasing the deductible on a $3 million home from $1,000 to $5,000 could save $2,392 per year.

Package Discounts

62 Percent Said Likely Overlooked
Enticed by promises of savings from heavily advertised auto insurance carriers, even high net worth families can find themselves tempted to place their auto insurance with one company and their homeowners insurance with another. But the apparent savings can be illusory. Spreading the policies across different carriers not only increases the potential for gaps in coverage, it can diminish or negate the package discounts achieved when multiple policies are placed with one carrier. These discounts can be 10 percent or higher.

To maximize the benefits of package discounts, families should choose a carrier that can handle a wide range of needs so that the discount applies across the most insurance policies possible. For instance, Chubb Personal Risk Services allows the package discount to apply across home, auto and excess policies. Additionally, the policies often can be written as part of one package with common term dates and one consolidated bill, saving the client time as well as money.

Loss Prevention Credits

50 Percent Said Likely Overlooked
Agents reported that many families with fine homes, valuable collections, and luxury vehicles fail to take advantage of credits for safety systems such as burglar alarms, water leak detection, and power backup systems. When combined, the credits for various loss prevention systems can reduce homeowner premium by 30 percent or more. For automobiles, safety systems could reduce the comprehensive premium from 5 to 20 percent.

The combined credits for various loss prevention systems can reduce homeowner premium by 30 percent or more.

Systems that Often Earn Loss Prevention Credits

Home Systems	Automobile Systems
Burglar alarms	Theft alarms
Fire alarms and sprinkler systems	Fuel cut-off switches
Signal continuity, lightning protection	Hood locks
Temperature monitoring	Steering locks
Water leak detection with auto valve cut-off	Ignition cut-off switches
Gas leak detection	Electronic homing device

In older homes, rehabilitating the plumbing, electrical, or heating system also helps prevent losses and lower premiums.

Finally, installing safety systems reinforces the choice of higher deductibles. When used together, the two strategies can reduce homeowner premium by up to half. Insurance companies such as Chubb that cater to HNW families offer such deep discounts for a number of reasons. Families who invest in safety systems and assume more risk for small losses through a higher deductible are more likely to be careful. Consequently, they usually suffer fewer losses, both large and small. It's a win-win outcome for both the client and the company.

"A client with us for a few months lost the chiller for his vacation home wine cellar. A $350,000 wine collection was ruined. Our HNW worth program insured him fully. His previous program with a mass-market carrier would not have covered him at all."
- Donald Batchelor, VP, Member of the LLC, Lipscomb and Pitts Insurance, LLC

The Real Savings in Loss Prevention: Avoiding Costly Damage

While premium credits reward the installation of loss prevention devices, the real benefit is avoiding costly, disruptive repairs and potential harm to your family.

Consider the Leak Defense System, a device that automatically detects leaks and then shuts off the water supply to minimize damage. It typically costs $2,500 to buy and install and earns a 5 to 7 percent credit on Chubb's base homeowner premium. If it helps prevent major damage from just one leak, it pays for itself many times over.

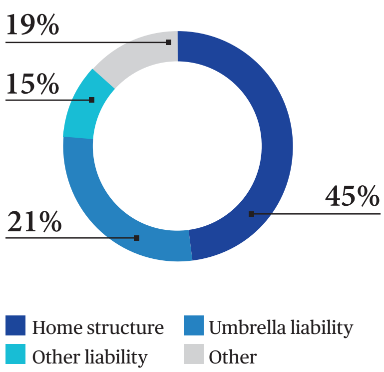
Guarding Against Significant Loss

More agents in 2012 reported that HNW families insured by mass-market carriers were likely underinsured for a wide variety of risks, many of them serious. The survey asked about 21 types of insurance coverage, and the average percent of agents reporting each as likely underinsured was 58.3 percent, up from 54.9 percent in 2010. The 3.4 percentage point increase just meets the threshold for being a statistically significant change.

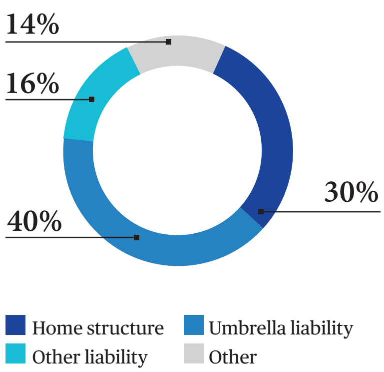
The most commonly underinsured risks – umbrella liability, uninsured/underinsured liability, valuable collections loss, and home structure damage – remained relatively unchanged from 2010 to 2012, indicating little progress has been made in reducing key dangers to these families. Of the top risks, uninsured/underinsured liability increased significantly, perhaps because the weak economy has drawn more attention to the number of people who drive without paying for insurance. Many of the less commonly underinsured risks also saw significant increases. These include earthquake, off-road vehicle liability, and watercraft.

Percent of Agents Reporting Insurance Coverage as Likely Underinsured	2012	2010	Ppt. Chg.
Umbrella liability	92%	89%	+ 3
Valuables	86%	83%	+ 3
Uninsured/underinsured liability	86%	82%	+ 4
Home structure (Coverage A dwelling limit)	83%	86%	- 3
Flood	75%	73%	+ 2
Mold	73%	72%	+ 1
Employment practices liability for domestic staff	72%	70%	+ 2
Auto liability	65%	66%	- 1
Not-for-profit director's & officer's (D&O) liability	65%	64%	+ 1
Earthquake	64%	56%	+ 8
Property association or club loss assessment exposures	62%	63%	- 1
Worker's compensation	61%	57%	+ 4
Loss of use of home (Coverage D limit)	57%	54%	+ 3
Incidental business activity exposures	54%	51%	+ 3
Off-road recreational vehicle liability	52%	45%	+ 7
Watercraft	40%	31%	+ 9
Personal property (Coverage C limit)	34%	30%	+ 4
Other structures (Coverage B limit)	33%	29%	+ 4
Deductibles too high (underinsured)	31%	22%	+ 9
Auto collision	20%	15%	+ 5
Auto comprehensive	20%	15%	+ 5
Average	58.3%	54.9%	+ 3.4

What Was the Area Most Likely to Be Underinsured?



Which Do You Consider to Be the Most Serious Exposure?



In addition to asking if a specific risk were likely underinsured, Chubb's survey also asked agents and brokers which risk was the most likely underinsured and which underinsured risk represented the most serious threat, or exposure, in industry terms. For each question, umbrella liability coverage and coverage for the home structure traded places as the top contender. Other types of liability coverage – such as uninsured/underinsured liability, worker's compensation, and employment practices liability – also figured prominently when lumped together.

How much umbrella liability coverage should someone purchase? The most prudent choice is to match the combination of your net worth and future income stream.

To help families and their advisors understand the dynamics and dangers of the most common areas of underinsurance, this white paper offers the following explanations:

Umbrella Liability

92 Percent Said Likely Underinsured
In today's economic and social climate, wealthy families increasingly fear that they will become the target of a high stakes personal liability lawsuit. According to a Chubb survey about liability risk among households with $5 million or more in investable assets, 38 percent felt they were more likely to be sued in the aftermath of the economic and financial crisis, while only 7 percent felt they were less likely to be sued.[3] Furthermore, 82 percent of the respondents believed their wealth alone made them an attractive target for a liability lawsuit.

Their fears are well founded. In some states, someone who is 1 percent responsible for an accident can be held liable for 100 percent of the damages to the injured parties under the laws of joint and several liability. Consequently, plaintiff lawyers often look to sue the party most able to pay instead of the party most at fault.

Moreover, jury awards and settlements can greatly exceed what wealthy families imagine as the worst case scenario. In the Chubb liability risk survey, half thought that the highest amount of damages they could be held liable for in an accident involving serious injury was less than $5 million. The truth: jury awards and settlements can reach into the tens of millions of dollars. In 2008, $29 million was awarded to the family of a four-year-old boy who suffered a debilitating spinal cord injury while riding as a passenger in a vehicle involved in a head-on collision. In 2012, a wealthy Floridian was convicted of manslaughter due to an auto accident and settled a related civil case for $46 million.

Despite these high profile cases, 40 percent of wealthy households have less than $5 million in umbrella liability coverage, including 21 percent who have none at all. Umbrella coverage is a critical component of an overall personal insurance program because the liability coverage in home and auto policies rarely exceeds $500,000. When those limits of coverage are insufficient, umbrella coverage kicks in to provide additional protection.

Without the additional protection, families can be forced to sacrifice their homes, their savings and investments, and their future income stream to pay damages. These dire consequences explain why agents ranked umbrella liability as the most serious problem of underinsurance. Fully 40 percent of agents gave it the top spot, more than for any other type of coverage.

How much umbrella liability coverage should someone purchase? The most prudent choice is to match the combination of your net worth and future income stream. Carriers that specialize in serving high net worth families typically offer up to $100 million in coverage. Their policies also pay for legal defense costs without using up the liability limit and cover the cost of having a public relations firm protect the client's reputation.

Surprisingly, the cost per million dollars in coverage can amount to only a few hundred dollars. Thus, the savings in taking a higher deductible and bearing more responsibility at the low end of risk can more than pay for protection at the high end of risk – the kind of risk that can devastate a family's financial well-being and lifestyle.

Besides encouraging clients to purchase the right amount of umbrella coverage, agents cited two additional mistakes to avoid:

- The umbrella liability coverage should start when the home and auto liability coverage limits end. For instance, if the home and auto policies provide up to $300,000 in liability coverage,

“A client’s daughter’s friend took a four-wheeler off premises. Was injured. The client was sued for a six figure amount and had no coverage for the incident with his mass-market carrier.”
- Donald Batchelor, VP, Member of the LLC, Lipscomb and Pitts Insurance, LLC

During a party at a hillside home, many guests were injured when the overcrowded deck collapsed. The medical costs quickly exceeded the host’s liability coverage.

the umbrella policy should start at $300,000. If it starts at a higher amount, say $500,000, the client could become responsible for paying the $200,000 gap.

- Recreational vehicles and company cars should be listed on the umbrella policy. In the case of company cars, the company-purchased auto insurance may prove inadequate, especially when the car is being driven for pleasure.

Uninsured/underinsured Liability

86 Percent Said Likely Underinsured
One in seven drivers has no insurance, according to the latest nationwide statistic from the Insurance Research Council.[4] In some states, the ratio can be one in four. Due to the difficult economy, many more may have only the state-required minimum level of liability insurance, which can be as low as $20,000 or even $10,000.

If one of these uninsured or underinsured drivers causes an accident that results in serious injury, the injured person would stand little chance of recovering expenses for medical care that could run into the millions of dollars. The other driver would probably have insufficient assets to pursue in a lawsuit.

No-fault auto insurance laws could help in the few states that have them. Health insurance could also help, but lifetime payout limits and co-pay percentages could still impose a significant financial burden. Also, health insurance does not compensate for lost income and pain and suffering.

The danger from the uninsured and underinsured goes beyond auto accidents. Consider a child flying off a neighbor’s trampoline and suffering a permanent brain injury requiring life- long care. The expenses for medical treatment and care could amount to millions of dollars. But most homeowners have no more than $300,000 to $500,000 in liability coverage.

To address this risk, families can purchase additional uninsured/underinsured liability coverage as part of an umbrella policy from a HNW-market carrier. Coverage typically starts at $1 million for as little as $500 in annual premium, with options up to $100 million. The family should check that the coverage is not limited to vehicular accidents. This coverage can also help when traveling abroad because it extends worldwide. The uninsured/ underinsured motorist coverage contained in an auto policy usually stops outside of the U.S., its territories and possessions, Puerto Rico and Canada.

Other Key Liability Concerns

Personal liability tends to be one of the most misunderstood and neglected categories of insurance. In addition to umbrella liability and uninsured/ underinsured liability, two additional types of liability coverage bear mentioning:

- **Employment Practices Liability for Domestic Staff**

  72 Percent Said Likely Underinsured

  The standard liability coverage in a homeowners or umbrella insurance policy does not cover lawsuits brought by domestic employees for wrongful employment practices. These practices include discrimination, sexual harassment, wrongful termination, and other claims. In many cases, disgruntled nannies or housekeepers file baseless suits, hoping the family will settle to avoid onerous legal expenses and possible damage to their reputation and career.

  Adequate protection requires employment practices liability coverage, which may be available as a separate policy or as an optional endorsement to an umbrella policy. This coverage will pay for damage awards and legal fees to defend against even groundless suits.

- **Not-for-Profit Directors & Officers Liability**

  65 Percent Say Likely Underinsured

  Many high net worth individuals volunteer as board members of charitable organizations. While commendable, this behavior creates liability risk. Volunteer board members can be held liable for the actions or inactions of the charitable organization. The most common suits involve wrongful employment practices, such as discrimination, wrongful termination and sexual harassment. The organization may carry insurance to protect board members, but a limited budget typically prevents the purchase of a heavy duty insurance program. Furthermore, these types of suits are not covered by a basic personal umbrella liability policy.

  To guard against this threat, volunteer board members should consider not-for-profit directors & officers insurance.

Valuable Collections

86 Percent Said Likely Underinsured

Families with substantial assets often hold a significant portion of their total wealth in jewelry, art, wine and other valuable collections. In a Chubb study about collections among households with at least $5 million in investable assets, 94 percent claimed to be collectors.[5] Of those, 69 percent had collections worth $500,000 or more, including 21 percent with collections worth more than $5 million. Furthermore, 55 percent planned to increase their spending on their collections over the next 12 months. According to a 2012 Barclays report, high net worth individuals in the U.S. hold an average of 9 percent of their wealth in collectibles.[6]

While collectors may go to great lengths to acquire the items they desire, they frequently fail to adequately protect them. Fully 86 percent of agents said the families probably had their collections inadequately insured. The lapse stems mainly from three factors:

- **Crude tracking and valuation:** Insuring a collection properly starts with knowing what you have and how much it would cost to replace. Too often, collectors fail this task. Many use simple spreadsheets that cannot easily capture and organize supporting documents such as photos, bills of sale, and formal appraisals. They may also fail to track the current market value of their collections. In the Chubb collections study, one in three was not updating the market value of his or her collection every three years. That is not often enough, considering the significant shifts that have been occurring in the market value of gold, silver, art and other types of collectible items.
- **Homeowners insurance limitations:** Collectors may not realize that homeowners policies restrict coverage for jewelry, silverware, furs, stamp and coin collections, and breakage of fragile items such as marble statues, musical instruments, and bottles of fine wine. In standard policies, the coverage limits may equal only $1,000 or $2,000. Policies from HNW-market carriers contain higher limits, but they exist nonetheless.
- **Poor loss prevention:** Many collectors display or store their precious possessions in ways that increase the risk of damage or theft. For instance, they hang artwork above an active fireplace, where the hot, dry air and soot accelerates deterioration. Or, they store a valuable stamp collection in a closet beneath a bathroom. If the tub overflows or the toilet develops a leak, the stamps could be ruined. A professional risk consultant can help collectors avoid these mistakes, but 40 percent of collectors do not take advantage of this service, according to the Chubb collections study.

"Working with a woman today who suffered a major fire loss with a mass-market carrier. Her home was insured for just over $1 million when it should have been nearly $3 million. The six figure amount she has been paid was just for replacing the basement, renovating some of the interior, and the damaged furniture."
– Denise Koslowsky, Principal, Advocate Brokerage Corp.

Benefits of a Valuables Policy

To gain the best protection, families should seek the added insurance protection of a valuables policy for their collections. Often known as scheduling an item or adding a homeowners policy rider, a valuables policy allows the collector to declare the value of each piece, or group of pieces, on the policy. This valuation is not restricted by the limits in the homeowner policy, and the coverage applies to all types of perils, including those excluded by homeowners policies such as flood. Also, no deductible applies.

Policies from HNW-market carriers have additional advantages. They provide a buffer against temporary fluctuations in the replacement cost of valuables articles by paying market value up to 50 percent higher than the scheduled amount of coverage in case of loss. Standard policies do not. In fact, some may pay even less than the scheduled amount if an actual cash value clause is in effect.

Also, standard policies will often not pay for losses due to breaks or fractures of fragile items if, for instance, a precious statue or vase is accidentally knocked over. Such losses are typically covered by policies from HNW-market carriers.

These carriers also provide the ability to cover groups of items, such as a wine or art collection, on a blanket basis in which an overall coverage amount is set for the group. This approach eliminates the tedium of trying to estimate the value of each individual item, and makes the overall policy easier to manage.

Differences exist beyond coverage. HNW-market carriers will often bring in experts to suggest safety measures, such as a backup generator to keep a temperature-controlled wine cellar operating during a sustained power outage. They may also be able to assist in the evacuation of precious items from homes caught in the path of a hurricane.

Home Structure

83 Percent Said Likely Underinsured

The main home and any vacation homes often represent a significant, if not the largest, component of a family's net worth. Therefore, having the proper coverage in the homeowners policy is critical to a wealth protection plan.

Nevertheless, after almost every natural disaster, news stories describe families who have discovered they lack sufficient insurance to rebuild their home. According to a study conducted by United Policyholders one year after the 2010 Fourmile Canyon Wildfire in Colorado, 64 percent of respondents who lost their homes reported being underinsured by an average of $200,000. In a similar study by the organization two years after a series of 2007 California wildfires, 66 percent reported being underinsured by an average of more than $319,000.[7]

These disturbing numbers parallel the findings of MSB, a leading worldwide provider of building cost data and estimating technology for the property insurance industry. Its 2012 study estimated that 61 percent of American homes are undervalued for the purpose of insurance.[8]

For owners of custom-built or historic homes, the problem may be worse, especially if they insure their home with a mass-market policy. Standard industry tools that estimate the cost of rebuilding a home can undervalue the higher quality materials, superior craftsmanship, and unique architectural features in these types of homes. Furthermore, the owners may have expanded the size of the home or built a lavish entertainment center in the basement. Like most people, they forget to tell their insurance agent.

These homeowners should secure full replacement cost coverage (also called guaranteed replacement cost coverage) for the home structure. Available in all but

“A client had a mass-market carrier. I moved him to a HNW-market carrier. Soon thereafter, a windstorm pushed a tree through his home. The HNW carrier paid for the windows to be hand blown to match the original windows, while the neighbor had to accept stock windows that did not match the rest of the home.”
- Chris Chatfield, Director, Private Client Group, Kemmons Wilson Insurance Agency

a few states, this coverage will usually pay to rebuild the home with similar quality materials and craftsmanship, even if the cost exceeds the coverage limit in the insurance policy. In effect, this coverage shifts the responsibility for properly estimating the cost of replacing the home from the family and insurance agent to the insurance company. Therefore, the carriers will often send an expert to the home to document its features and estimate the replacement cost. The visit also gives the expert a chance to suggest ideas for better protecting the family and the home.

By contrast, mass-market policies typically offer basic replacement cost or extended replacement cost coverage. The former will pay to rebuild a damaged home up to the coverage limit in the policy. The latter will usually extend the amount it will pay up to 20- 25 percent above the coverage. As the real-life disaster stories illustrate, even the extended replacement cost coverage might not make up for the shortfall.

Other Coverage Optimization Opportunities

Roughly three of four agents said that the amounts of coverage for personal property (the contents of the home) and other structures were likely to be set improperly, but they had about an equal chance of being too much or too little.

Other Structures

41 Percent Said Likely Overinsured / 37 Percent Underinsured

In addition to the primary dwelling structure on the property, homeowners policies list a coverage amount for other structures such as detached garages, swimming pools, driveways, and fences. Frequently, the amount of coverage for other structures is automatically set at 10 to 20 percent of the coverage amount for the primary dwelling.

Standard percentages usually work well for standard homes and properties. For high value homes or condominiums, however, the standard approach can be too restrictive. A home insured for $2 million would have $200,000 to $400,000 in coverage for other structures. If only a fence and a driveway exist on the property in addition to the home, the coverage may be excessive. A New York City brownstone with no other structures provides an extreme example. By dropping the coverage for other structures to zero in a policy for a $3.5 million brownstone, the owner could save about 4 to 5 percent in annual premium.

On the other hand, underinsurance could occur when a home insured for $1 million has a swimming pool, a tennis court, and a detached garage with a second-story guest room. The cost of rebuilding those other structures could far exceed $200,000, or 20 percent of the dwelling value.

Faced with such uncertainly, HNW-market carriers will often send a professional appraiser to examine the property and determine the coverage required for other structures, instead of assuming the standard percentage range of the home coverage amount will suffice. The policy itself should also have the flexibility to drop the percentage to zero if no other structures exist or go as high as the homeowner needs.

Personal Property

37 Percent Said Likely Overinsured / 34 Percent Underinsured

Few people take the time to list everything in their home – the furniture, rugs, artwork, appliances, kitchenware, electronics, clothes, lawnmowers, and so forth – and then estimate how much it would cost to replace. Fewer still keep the list and values up to date. Consequently, they often rely on a rough guess or a standard percentage of

"The challenge in this space is that the [insurance] industry spends so much money commoditizing the product which creates a perspective / expectation in the clients' minds that it's all about premium. When we can get the prospect to focus on managing the risk, the most consistent comment is that the new program is one that they finally understand what they have purchased."
- James Kane,
Senior Vice President,
Personal Risk Services
USI Insurance

the home's structural value, usually 50 to 70 percent, when deciding how much coverage they need.

But the amount of personal property relative to the home value can vary greatly. Perhaps a couple has just traded up to a multi-million-dollar home and does not yet have the resources to furnish it in anything more than a Spartan manner. Or, perhaps the home is a skiing getaway with only the bare necessities. The standard amount of coverage could easily be excessive. Reducing it could achieve significant impact on premium. For instance, lowering coverage for personal property from 70 to 40 percent could cut total premium for the home by 9 percent.

The reverse could apply for empty-nesters who have downsized to a luxury condominium or townhouse in an exclusive community. They may have accumulated fine furniture and other possessions that far exceed in value the standard percentage of coverage in relation to the residential structure. Indeed, a Chubb study of 400 homes found that underinsurance for contents occurs frequently for homes with structural values between $2 million and $7 million.[9] Half the homes had insufficient coverage, and the average shortfall was $600,000.

For owners of high value homes, the potential benefits of getting the coverage right could justify hiring a specialist company to handle the inventory process for them. Companies are developing convenient and powerful methods for families to capture and manage information about their personal property online.

One last and powerful tip: personal property such as antique furniture, precious rugs, and rare books may qualify as fine art. Surprisingly, moving these items from general contents to valuable articles coverage as fine art can both cost less and strengthen protection, since a valuables policy typically has no deductible and covers a broader array of risks.

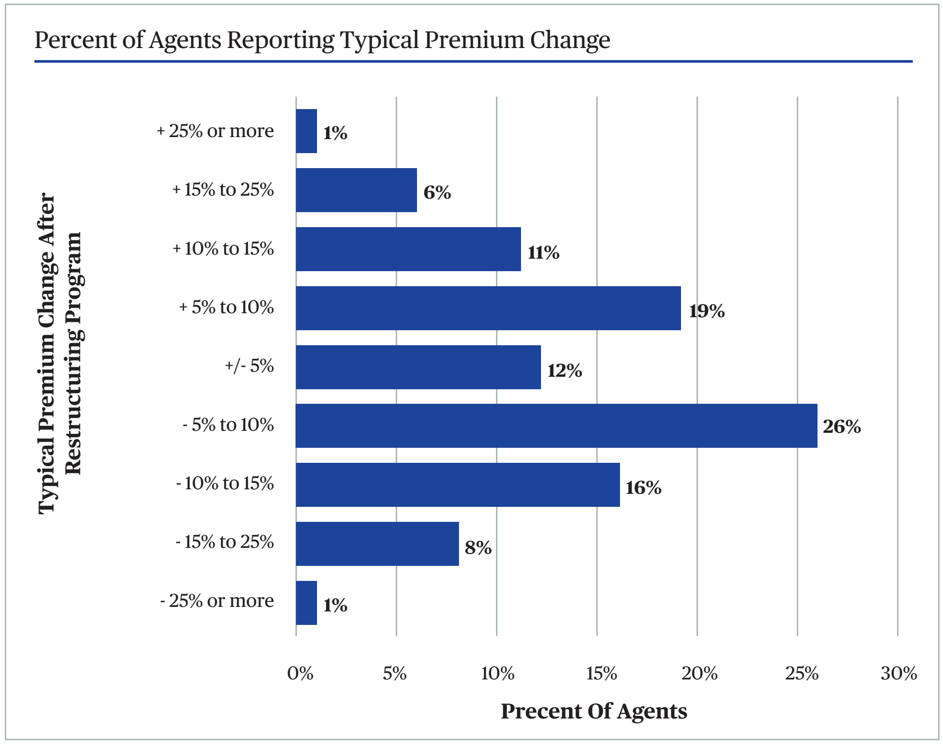
The Personal Risk Review: The First Step Toward Superior Protection and Value

Correcting the flaws that cause HNW families with substantial assets to both overpay and underinsure requires a customized approach, because risks tend to grow in number and complexity along with wealth, making each family's situation unique. As a result, structuring a sound insurance program should begin with a thorough personal risk review.

Best conducted by an independent insurance agent or broker with experience in working with HNW families, the personal risk review typically covers three topics:

- **Physical and financial assets:** What homes, cars, recreational vehicles and watercraft does the family own? In particular, the agent should probe for high-value collections. Reviewing financial assets is also important. Otherwise, the agent will be unable to determine net worth for the purpose of recommending liability coverage limits.
- **Occupation, activities, and family status:** Do family members work from home, volunteer on the boards of charitable organizations, manage a family trust, employ domestic staff, travel internationally, or plan to renovate or expand their home? Are there particular concerns for family safety? Is a child about to reach driving age?
- **Tolerance for risk and safety habits:** Is insurance seen primarily as protection against catastrophic loss, or is it also expected to cover relatively small losses? Are alarm systems and other protective measures in place to reduce the risk of both small and large losses?

Based on the review, the agent or broker can build a plan to address risk on a



strategic and comprehensive basis. Many families find they can strengthen protection against catastrophic losses while holding costs roughly the same, or even cutting premium payments, by taking advantage of easy savings opportunities.

Cost Versus Value

Indeed, 51 percent of the agents reported that the cost of a newly structured program with a HNW-market carrier was usually 5 percent less than the cost of the previous program with a mass-market carrier. Another 12 percent said the cost came within plus or minus 5 percent of the previous program

The remaining 37 percent of agents reported that premiums typically increased 5 percent or more when they restructured a new client's program and moved coverage from a mass- market to HNW-market carrier. Despite the increase, agents said clients often appreciated the move once they considered value instead of price alone.

Maximum value cannot be achieved, however, unless the insurance company chosen has the capacity and flexibility to allow a tailored approach. Capabilities to seek include:

- Full replacement cost for the home structure and other structures
- Ability to properly estimate the cost of replacing a unique high value home
- Flexibility to adjust other structures as needed
- Flexibility to set personal property coverage well above or below the standard industry percentages of the home's structural value
- Protection for market value increases in valuables coverage
- Ability to cover groups of valuables on a blanket basis
- Umbrella liability limits available from $1 million up to $100 million
- Ability to add uninsured/underinsured coverage that goes beyond vehicular accidents
- Ability to add employment practices liability and not-for-profit D&O liability coverage
- Ability to combine a variety of policies into

one package earning a package discount
- High deductible options for home and auto coverage that significantly reduce premium
- A robust selection of loss prevention services to reduce the risk of minor and major losses

Only a handful of companies offer such policies. As one of the few, Chubb Personal Risk Services offers the Chubb Masterpiece program, which can bundle homeowners, auto, valuable collections, watercraft and umbrella liability coverage into one package policy that offers the savings of a package discount and the convenience of one bill.

Case Studies

To illustrate the benefits of rebalancing an insurance program to strengthen wealth protection and better manage expenses, the following case studies present a before-and- after comparison* for three typical families with substantial assets.

1. Kelly and Steve: Escaping the City

Living in the Seattle area, Kelly and Steve are successful software engineers in their late- thirties with two children in elementary school. They have recently left their city condo for a comfortable home in Sammamish, WA. They drive a BMW X5 and an Infinity G37 Coupe, and employ a full-time nanny to take care of the kids and help with household chores. They also own a Secondary home in Montana.

Their insurance plan, which costs $13,501*, exhibits many of the typical patterns of overpaying and underinsuring. Kelly and Steve could significantly improve their financial security while reducing their total premium by $2,600 by rebalancing their program as follows:

Savings Opportunities
- Raise deductibles on the homeowners policy from $1000 to $5000 and on the auto policy from $500 to $2500
- Earn at least a 10 percent portfolio discount by placing their homeowners, valuables, auto, and umbrella policies with the same carrier.
- Reduce personal property from 70 to 50 percent, since they have not had the time or financial resources to furnish their new home lavishly or accumulate many valuable items.
- Take advantage of loss prevention credits for water and gas leak detection systems, backup generator, and gated community credits in their homeowners coverage.

Coverage Improvements

- Acquire full replacement cost coverage for their home and secondary, which requires increasing the insured value of their home from $1 million to $1.5 million and the secondary home from $400,000 to $600,000.
- Raise the excess liability limit from $2 million to $5 million to protect their net worth and future income stream.
- Add uninsured/underinsured liability coverage and, because of the nanny, employment practices liability coverage, which protects against lawsuits claiming discrimination, sexual harassment, wrongful termination, and other employment practice violations.
- Move $25,000 in coverage for china, fine art and miscellaneous jewelry from personal property to blanket valuables coverage, which is also less expensive.
- Add auto road service and full window glass

* For the purpose of before-and-after comparisons in the case studies, all premium estimates are based on coverage rates for Chubb in 2016. Rates are subject to change and may vary by location and other factors.

The table shows a before-and-after comparison of policy characteristics that address the imbalances. Kelly and Steve could significantly improve their financial security while reducing their total premium by $2,600 rebalancing their program as follows:

Young HNW Couple - Insurance Program Comparison		
Home in Sammamish, WA	**Before**	**After**
Home structure limit	$1.0 million	$1.5 million
Other structures limit*	20% ($200,000)	20% ($300,000)
Personal property limit	70% ($700,000)	50% ($750,000)
Basic deductible	$1,000	$5,000
Water leak detection credit	No	Yes
Backup generator	No	Yes
Portfolio discounts (vac/auto)	No	Yes
Secondary in Montana		
Home Structure Limit	$400,000	$600,000
Personal property limit	70% ($280,000)	40% ($240,000)
Deductible	$1,000	$5,000
Water leak detection credit	No	Yes
Gas leak detection credit	No	Yes
Gated community credit	No	Yes
Homeowners premium	$7,972	$5,439
Valuables		
Jewelry limit (scheduled)	$30,000	Same
Jewelry limit (blanket)	$0	$10,000
China (blanket) limit	$0	$5,000
Fine Art (blanket) limit	$0	$10,000
Portfolio discount	No	Yes
Valuables premium	$390	$557
Auto		
2009 BMW X5	$500 deductible	$2,500 deductible
2009 Infiniti G37 Coupe	$500 deductible	$2,500 deductible
Portfolio discount	No	Yes
Auto Premium	$4,581	$3,522
Excess Liability		
Excess liability limit	$2 million	$5 million
Uninsured/underinsured liability limit	$0	$1 million
Employment practices liability (1 staff)	No	Yes
Portfolio discount	No	Yes
Excess liability premium	$558	$1,350
Total Premium	$13,501	$10,868

2. Ellen and Alex: Riding High

Ellen and Alex are a couple in their early fifties with two children in middle school. They live in a historic, professionally decorated home with a tennis court and detached garage in Lake Forest, IL. They also have a ranch home outside of Park City, UT, with a stable and horses. They own a Jaguar XF, Mercedes S550, Cadillac Escalade, and, at the ranch, a Jeep Grand Cherokee. They employ a full-time caretaker to tend the horses and grounds of the ranch.

Paying $30,522 annually for an insurance program with the usual problems of overpaying and underinsuring, Ellen and Alex could better secure their long-term financial well-being while saving more than $6,000 or 27 percent of their premium by rebalancing their programs as follows:

Savings Opportunities

- Raise deductibles on home policies from $1,000 to $5,000 and on autos from $500 to $2,500.
- Earn at least a 10 percent portfolio discount by placing their homeowners, valuables, auto, and excess policies with the same carrier.
- Reduce personal property for the ranch home from 70 to 40 percent, since the ranch is not the primary residence and is sparsely furnished.
- Take advantage of loss prevention credits for water leak detection systems,gated community, full time caretaker and a temperature monitoring system.
- Store several high value, rarely worn pieces of jewelry in a bank safe deposit box.

Coverage Improvements

- Raise the insured value of the historic Lake Forest home from $3.0 million to $3.7 million. Slightly increase coverage for other structures and personal property too.
- Raise the insured value of the stable at the ranch home by $120,000 to reflect its true replacement cost.
- Raise the amount of jewelry and fine art coverage by $175,000 to reflect market value appreciation. Secure valuables coverage for a wine collection ($20,000) and a piano ($30,000).
- Increase umbrella liability protection from $5 million to $10 million
- Add employment practices liability coverage because of the caretaker.
- Add road service and full window glass on vehicles

The table shows a before-and-after comparison of policy characteristics that address the imbalances. Ellen and Alex could better secure their long-term financial well- being while saving more than $6,000 or 27 percent of their premium by rebalancing their program.

Established HNW Family- Insurance Program Comparison

Home in Lake Forest, IL	Before	After
Home structure limit	$3.0 million	$3.7 million
Other structures limit	30% ($900,000)	25% ($925,000)
Personal property limit	70% ($2.1 million)	60% ($2.2 million)
Deductible	$1,000	$5,000
Water leak detection credit	No	Yes
Gated community	No	Yes
Portfolio discounts(auto,vac)	No	Yes
Ranch Home near Park City, UT		
Home structure limit	$1.2 million	$1.2 million
Other structures limit	20% ($240,000)	30% ($360,000)
Personal property limit	70% ($840,000)	40% ($480,000)
Deductible	$1,000	$5,000
Water leak detection credit	No	Yes
Temperature monitoring system credit	No	Yes
Full time caretaker	No	Yes
Total homeowners premium	$22,305	$15,790
Valuables	Valuables	Valuables
Jewelry (stored at home)	$75,000	$50,000
Jewelry (stored in bank vault)	$0	$100,000
Musical instruments	$0	$30,000
Silverware	$5,000	Same
Wine	$0	$20,000
Fine art (scheduled)	$200,000	$250,000
Fine art (blanket)	$0	$50,000
portfolio discount	No	Yes
Total valuables premium	$1,514	$1,915
Auto*		
2011 Jaguar XF	$500 deductible	$2,500 deductible
2009 Mercedes S550	$500 deductible	$2,500 deductible
2007 Cadillac Escalade	$500 deductible	$2,500 deductible
2006 Jeep Grand Cherokee	$500 deductible	$2,500 deductible
Portfolio discount	No	Yes
Total auto premium	$4,916	$4,189
Excess Liability		
Excess liability limit	$5 million	$10 million
Uninsured/underinsured liability limit	$1 million	$1 million
Employment practices liability (1 staff)	No	Yes
Portfolio discount	No	Yes
Total excess liability premium	$1,787	$2,490
Total Premium	$30,522	$24,388

3. Terri and Bill: An Appreciation of Art

Terri and Bill are a couple in their early-sixties whose children have started promising professional careers and live independently. Thus, they have recently downsized from a Westchester home, to a luxury condo in Tribeca, NY . They also own homes in Kennebunkport, ME, and in Stowe, VT. Avid art collectors, they have a significant collection of paintings. They also collect antique furniture, and Terri has a large jewelry collection. They drive an Audi A8 and Porsche Cayenne. They employ one full-time housekeeper.

Overall, Terri and Bill pay $34,412 in annual premium for their homeowner, auto, valuables, and excess liability coverage, but like HNW couples, they are missing opportunities to tailor coverage to their specific needs to maximize the value of their program. By making the following adjustments, they can save more than $10,000 while also strengthening protection against a catastrophic loss.

Savings Opportunities

- Raise deductibles in their homeowners policy from $1,000 to $5,000 and in their auto policy from $500 to $2,500
- Earn a 10 percent portfolio discount by placing their homeowners, valuables, auto, and umbrella policies with the same carrier.
- Reduce the personal property coverage percentage at the Stowe home from 70 to 40 percent because it is sparsely furnished.
- Take advantage of loss prevention credits for being in a gated community and having water and gas leak detection and temperature monitoring systems.
- Store half the jewelry collection in a bank safe deposit box.
- Add anti- theft credits for vehicles

Coverage Improvements

- Increase the insured value of the Maine home by $500,000, its other structures (including a swimming pool) by $100,000, and personal property by $250,000 to reflect their true replacement cost.
- Put the New York condo on a condo specialty policy
- Increase coverage by $265,000 for the fine art and antique furniture to account for current market values.
- Increase the umbrella liability coverage limit from $5 million to $10 million
- Road service , full window glass, (auto.)
- Add employment practices liability coverage due to the full-time housekeeper.

The table shows a before-and-after comparison of policy characteristics that address the imbalances. By making adjustments, Terri and Bill could save more than $10000 or while also strengthening protection against catastrophic loss.

Empty-Nester Affluent Couple- Insurance Program Comparison		
Condo in, Tribeca NY	**Before**	**After**
Condo additions & alterations limit	$1.0 million	Same
Personal property limit	50% ($500,000)	80% ($800,000)
Building security	No	Yes
Home in Kennebunkport, ME		
Home structure limit	$2.5 million	$3.0 million
Other structures limit	20% ($500,000)	20% ($600,000)
Personal property limit	50% ($1.25 million)	50% ($1.5 million)
Water leak detection credit	No	Yes
Gas leak detection credit	No	Yes
Temperature monitoring system credit	No	Yes
Gated community credit	No	Yes
Home in Stowe, VT		
Home structure limit	$1.5 million	Same
Other structures limit	20% ($300,000)	Same
Personal property limit	70% ($1.05 million)	40% ($600,000)
Water leak detection credit	No	Yes
Temperature monitoring system credit	No	Yes
Deductible - all locations	$1,000	$5,000
Portfolio discount - all locations	No	Yes
Total homeowners premium	$20,881	$12,760
Valuables	Valuables	Valuables
Jewelry (at home / in bank vault)	$200,000 / $0	$100,000 / $100,000
Fine art	$500,000	$750,000
Antique furniture	$15,000	$30,000
Silverware	$5,000	Same
China	$5,000	Same
Portfolio discount	No	Yes
Total valuables premium	$5,475	$3,674
Auto*	Auto*	Auto*
2009 Audi A8 -	$500 deductible	$2,500 deductible
2004 Porsche Cayenne -	$500 deductible	$2,500 deductible
Portfolio discount	No	Yes
Total auto premium	$5,928	$4,860
Excess Liability		
Excess liability limit	$5 million	$10 million
Uninsured/underinsured liability limit	$2 million	$2 million
Employment practices liability (1 staff)	No	Yes
portfolio discount	No	Yes
Total excess liability premium	$2,128	$2,729
Total Premium	$34,412	$24,023

Conclusion

HNW families who insure with mass-market carriers are even more likely than they were a few years ago to be overpaying for insurance that leaves them vulnerable to significant financial loss. To better protect their assets and lifestyle, these families and their wealth advisors should work with an independent insurance agent or broker who understands the unique needs of HNW clients and has access to one or more HNW-market carriers. By conducting a thorough personal risk review, the agent or broker can create a customized insurance program that offers more effective protection, often with no significant increase in premium.

About Chubb Personal Risk Services

Chubb Personal Risk Services is Chubb's high net worth personal insurance business, which provides specialty coverage for homeowners, automobile, recreational marine, umbrella liability and valuable collections insurance for individuals and families with emerging and established wealth.

About Chubb

Chubb is the world's largest publicly traded property and casualty insurance company. With operations in 54 countries, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. As an underwriting company, we assess, assume and manage risk with insight and discipline. We service and pay our claims fairly and promptly. The company is also defined by its extensive product and service offerings, broad distribution capabilities, exceptional financial strength and local operations globally. Parent company Chubb Limited is listed on the New York Stock Exchange (NYSE: CB) and is a component of the S&P 500 index. Chubb maintains executive offices in Zurich, New York, London and other locations, and employs approximately 31,000 people worldwide. Additional information can be found at: www.chubb.com

Contact Information

Wealth Advisors

Go to www.chubb.com/advisors

Exhibits

I. Ten Questions Help Reveal If You Are Overpaying to Be Underinsured

II. Survey Methodology and Additional Results

III. References

Exhibit I

Ten Questions Help Reveal If You Are Overpaying To Be Underinsured
These questions can help to identify the key areas where families with substantial assets are likely underinsured or missing savings opportunities, based on our survey of independent insurance advisors.

If you answer “no” to any of the questions listed below, you are likely at risk.

You should strongly consider a consultation with an independent insurance agent or broker experienced in dealing with financially successful families.

Are you underinsured?
1. Do you have umbrella liability coverage, and have you chosen a coverage amount that matches your net worth and future employment income stream?

2. Will your homeowners policy pay to rebuild your home with similar quality materials and craftsmanship no matter how much it costs?

3. If you recently expanded or upgraded your home, did you discuss it with your insurance agent?

4. If you own a significant amount of artwork, oriental rugs, antiques, and other collectibles, have you insured them with a valuables policy and made sure to account for any change in their value from year to year?

5. Do you have at least $1 million in uninsured/underinsured liability protection, and does it apply to more than vehicular accidents?

6. If you employ household staff such as a nanny, caretaker, or chef, do you have employment practices liability insurance?

7. If you serve as an unpaid board member of a not-for-profit organization, do you realize the organization’s insurance program may not fully protect you from liability lawsuits brought against it?

Are you overpaying?
8. Have you recently evaluated the potential for reducing the cost of your insurance program by raising your homeowners and auto policy deductibles?

9. Have you consolidated your homeowners, valuable collections, auto, watercraft, and umbrella liability policies with a carrier that offers a package discount?

10. Have you and your agent discussed all the safety and loss prevention devices in your homes and autos?

Exhibit II

Survey Methodology and Additional Results
Chubb Personal Risk Services conducted its survey in June 2012 and March 2010 among independent insurance agents and brokers who serve the personal insurance needs of high net worth clients. The online survey was sent to more than 3,000 individuals in 2012 and more than 2,000 individuals in 2010. It was completed by approximately 670 respondents in 2012 and 600 respondents in 2010.

The survey asked respondents to consider all the new high net worth clients (defined as paying $5,000 or more in annual premium) that previously had a mainstream carrier when they first came into contact with them. They were then asked to assess how well the clients' previous insurance program matched their needs based on an analysis of their risk profiles. The margin of error is + / - 3.4%.

Following are additional results that were not previously displayed in this white paper:

Percent of Agents Reporting Insurance Coverage as Likely Overinsured			
Coverage Type	**2012**	**2010**	**Ppt. Chg.**
Umbrella liability	0%	1%	- 1
Valuables	1%	1%	+ 0
Uninsured/underinsured liability	0%	1%	- 1
Home structure (Coverage A dwelling limit)	4%	5%	- 1
Flood	0%	1%	- 1
Mold	0%	1%	- 1
Employment practices liability for domestic staff	0%	0%	0
Auto liability	0%	0%	0
Not-for-profit director's & officer's liability	0%	1%	- 1
Earthquake	0%	1%	- 1
Property association or club loss assessments	0%	1%	- 1
Worker's compensation	0%	1%	- 1
Loss of use of home (Coverage D limit)	5%	3%	2
Incidental business activity exposures	0%	1%	- 1
Off-road recreational vehicle liability	0%	1%	- 1
Watercraft	2%	1%	+ 1
Personal property (Coverage C limit)	37%	33%	+ 4
Other structures (Coverage B limit)	41%	37%	+ 4
Deductibles too low (over-insured)	40%	44%	- 4
Auto collision	14%	15%	- 1
Auto comprehensive	13%	15%	- 2
Average	7.5%	7.8%	- 0.3

Percent of Agents Saying Coverage Is the Most Likely to Be Overinsured

Deductible too low	41%	30%	+ 11
Coverage C personal property limit	23%	23%	
Coverage A dwelling limit	20%	6%	+ 14
Coverage B other structures limit	6%	26%	- 20
Auto collision	4%	4%	
Other, please specify	3%	6%	- 3
Auto comp	1%	2%	- 1
Valuables	1%	0%	+ 1
Coverage D loss of use limit	0%	1%	- 1

Percent of Agents Saying Coverage Is the Most Likely to Be Overinsured

Coverage	2012	2010	Ppt. Chg.
Coverage A dwelling limit	45%	58%	- 13
Umbrella liability	21%	18%	+ 3
Uninsured/underinsured liability	7%	3%	+ 4
Flood	5%	4%	+ 1
Auto liability	4%	4%	+ 0
Valuables	3%	4%	-
Mold	2%	2%	0
Worker's comp	2%	0%	+ 2
Coverage B other structures limit	1%	1%	0
Coverage C personal property limit	1%	1%	0
Coverage D loss of use limit	1%	1%	0
Earthquake	1%	1%	0
Property association or club loss assessments	1%	1%	0
Other, please specify	1%	1%	0
Not-for-profit D&O liability	1%	0%	+ 1
EPLI for domestic staff	1%	0%	+ 1
Deductible too high	1%	0%	+ 1
Off-road recreational vehicle liability	0%	1%	-

Percent of Agents Saying Coverage Is the Most Serious Problem of Overinsured			
Coverage	**2012**	**2010**	**Ppt. Chg.**
Umbrella liability	40%	32%	+ 8
Home structure (Coverage A dwelling limit)	30%	41%	- 11
Uninsured/underinsured liability	7%	5%	+ 2
Auto liability	7%	6%	+ 1
Flood	5%	3%	+ 2
Mold	2%	1%	+ 1
Valuables	2%	3%	-
Off-road recreational vehicle liability	1%	0%	+ 1
Personal property (Coverage C limit)	1%	0%	+ 1
Employment practices liability for domestic staff	1%	1%	0
Loss of use of home (Coverage D limit)	1%	1%	0
Other structures (Coverage B limit)	1%	1%	0
Other	1%	2%	-
Earthquake	0%	1%	-
Worker's compensation	0%	1%	-

Percent of Agents Reporting Insurance Coverage As Likely About Right			
Coverage	**2012**	**2010**	**Ppt. Chg.**
Umbrella liability	8%	10%	- 2
Valuables	13%	16%	- 3
Uninsured/underinsured liability	13%	17%	- 4
Home structure (Coverage A dwelling limit)	12%	9%	+ 3
Flood	25%	26%	- 1
Mold	27%	28%	- 1
Employment practices liability for domestic staff	28%	30%	- 2
Auto liability	35%	34%	+ 1
Not-for-profit director's & officer's liability	35%	36%	- 1
Earthquake	35%	44%	- 9
Property association or club loss assessments	38%	36%	+ 2
Worker's compensation	39%	42%	- 3
Loss of use of home (Coverage D limit)	38%	43%	- 5
Incidental business activity exposures	46%	49%	- 3
Off-road recreational vehicle liability	48%	54%	- 6
Watercraft	58%	68%	- 10
Personal property (Coverage C limit)	29%	37%	- 8
Other structures (Coverage B limit)	26%	35%	- 9
Deductibles not too high or low	28%	34%	- 6
Auto collision	66%	70%	- 4
Auto comprehensive	67%	70%	- 3
Average	34.0%	37.5%	-3.5

Exhibit III

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