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INSURANCE UPDATE

Reviewing the Situation

If you haven't **evaluated** your clients' property/casualty coverage, you probably want to take a look

BY MARLENE Y. SATTER

WHEN ADVISORS DEVISE financial plans for their clients, there's plenty of work done on the asset management side. When it comes to asset protection, however, there can be a big gap if advisors don't thoroughly review all the types and levels of coverage their clients have, according to David Bibicoff, a planner from Strategies for Wealth Creation & Protection in White Plains, New York.

The first thing Bibicoff does with clients is review their coverage—in all areas. Advisors, he says, are always talking about assets under management, but that's not where their primary responsibility should lie. "What's the sense," he asks, "in taking in \$5 million in assets and then the client hits someone with a car and only has \$300,000 in insurance?" Wealthy people, he says, want to make sure that they won't lose that wealth; there can be a disconnect between clients who want to "be sure they don't lose their house" and advisors who "are focused on asset management."

James Fiske at the Chubb Group of Insurance Companies points out two types of policies that can have a huge impact on the exposure your clients face daily. Personal directorship liability coverage and employment practice liability coverage keep high-net-worth clients from exposure through their service on nonprofit or charitable boards or through the employees who keep their homes running and care for their families.

"Say I'm on the local Little League board, or Cub Scouts, and own a privately held company," Fiske says. "The policy will provide coverage on all those entities as long as we know what they are." Few carriers afford coverage, he cautions, for nonprofit boards, or they provide it only for personal injury or property damage. If a board is sued for fiduciary lapses by donors, for instance, who allege that their funds are being used in an inappropriate manner, there's "no coverage for residuals even if their other activities were picked up

by personal liability insurance."

Employment practice liability can ward off anything from discrimination, wrongful termination, or harassment suits to reputational injury from publicity related to such charges. "Whether or not the allegations are baseless," says Fiske, "the individual will suffer potentially severe reputational injury, costs in hiring public relations to manage that injury, and could be judged against in court" for the incident that allegedly took place. Celebrities have received a lot of press lately for suits involving wrongful termination. Even if there's a valid reason to dismiss a housekeeper or nanny, there's always a chance of escalation.

Even if a client has an excellent relationship with his employees, that's no guarantee of freedom from litigation or liability. "An agent told me," says Fiske, "about one of her clients who got sued because one of the housekeepers was sexually harassed by a guest." Whether or not the client knows she will do the right thing in an employer-employee relationship, he continues, "if the caretaker's harassing the nanny, you're responsible."

Chubb offers personal directorship liability insurance that covers individual directors who are independent of the company or entity of the board on which they're sitting. The company's employment practices coverage covers wrongful termination, sexual harassment, and employment discrimination, with a separate limit for reputational injury that covers judgment and defense costs, as well as PR expenses. **IA**

Two Cautionary Tales

DAVID BIBICOFF, A planner from Strategies for Wealth Creation & Protection in White Plains, New York, reiterates the need for planners to anticipate protection needs with these two client stories.

In the first, one of his clients, a young man who owns an antique and decorating business, was told at the time of his marriage by his new father-in-law to buy an umbrella policy. The client took his father-in-law's advice. When, at the age of 26, he was involved in an automobile accident in which someone was killed, the umbrella policy "saved his business," says Bibicoff. "The accident was enough to deal with emotionally, but he could have lost everything."

The second tale involves a client of Ron Altman of A. Zeeman Co. in Mount Kisco, New York. This client, a small business owner, did not have an umbrella policy and insured a vehicle used for his business on his personal car insurance policy. To make matters worse, he covered employees as other drivers on this policy. When one of his employees was involved in a serious accident, the lack of a business policy to cover the vehicle and the employee exposed the client's personal assets to potential loss in the lawsuit he now faces.

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