CHUBB®

The wealth report:

Closing the protection gap in a time of increasing risk

Introduction

Financial success is tougher than ever to achieve–and more challenging to protect

In a wide-ranging survey, Chubb asked 800 affluent North Americans how they view their wealth, what they value most, who they turn to for financial advice, and what keeps them up at night.

We learned that their passions and lifestyles drive many of their investment decisions when it comes to homes and collections. These assets represent more than their dollar value; they signify the places and experiences that bring friends and family together, the pursuit of a dream or a legacy for the future.

The report that follows examines the growing gap between what people value and how they choose to protect it against a myriad of risks through appropriate insurance, risk management, and loss control programs.

Survey respondents see many vulnerabilities to their future success: economic instability and the potential loss of wealth on the one hand and climate change and weather-related damage on the other. They also worry about being sued in an era when settlement amounts can far exceed any economic loss in a liability case. Yet many have not taken steps to understand how they can best protect against risks to their homes, their collections and their lifestyles.

Successful individuals and families worked hard to build their wealth. Now is a pivotal moment to take action and shore up protection of what they value most with comprehensive risk and insurance strategies.

Ana Robic
Division President,
Chubb North America
Personal Risk Services

Key insights

Shifting mindsets of the wealthy

Financial success is tougher than ever to achieve – and more challenging to protect. Many of America's most affluent people do not consider themselves wealthy.

What keeps successful people up at night? Economic instability, health care, artificial intelligence (AI) and climate change. 62% are concerned about how economic instability will impact their wealth.

68%

of respondents do not consider themselves wealthy, including many with investable assets of more than $10 million.

66%

say that building wealth is more challenging than ever before.

Investing in passions

Affluent North Americans are invested in assets that carry emotional as well as financial value: their homes, their collections and their lifestyles. They continue to invest in real estate (new homes as well as renovations), entertainment, travel and education.

Spending on home improvements is also set to rise, with a shift toward smart technology (40%) and alternative energy sources (29%).

81%

of respondents are collectors of fine art, jewelry, cars, wine and other valuables. 62% say they have a passion for what they collect; 38% see it primarily as an investment.

62%

see their home as an investment first and foremost; 56% say home signifies comfort and security.

73%

plan to increase discretionary spending on real estate in the next 12 months.

Understanding the risk gap

People with wealth are deeply concerned about the threat that extreme weather events pose to their homes, but liability risk is a lesser-known and potentially devastating risk, particularly with the rise in very large personal injury awards and settlements.

76%

of respondents perceive exposure to extreme weather due to climate change as the top risk to their home.

86%

of collectors believe that damage to their collections during travel is their biggest risk, and 77% are worried about theft.

92%

are concerned about the size of a verdict against them if they were a defendant in a liability case, yet only 36% have excess liability insurance.

Protecting against risks

There is a growing gap between the risks that wealthy North Americans see ahead and their understanding of how best to protect against them. An insurance advisor can break down risks and point out where coverage would be most comprehensive and responsive. And some risks can be prevented with the right advice and preventative measures.

To manage their wealth and protect it from risks, the majority rely predominantly on themselves (71%) and a financial advisor (73%).

Mindset

Changing times create a wealth conundrum: more affluence and more worry

There are more millionaires in North America than ever before. Between 2019 and 2022, the number of U.S. households with net assets over US$1 million leapt by 63%, according to the U.S. Federal Reserve. In Canada, the number jumped by 23% in 2021 alone, according to Credit Suisse estimates. But making it into the millionaires' club is not what it used to be. A Chubb survey of affluent individuals finds that despite achieving considerable financial success, two-thirds do not consider themselves wealthy, including many with investable assets of more than $10 million.

Whether their wealth was inherited (25%), self-made (40%) or a mix (35%), respondents to our survey stand out for working hard and playing hard. The vast majority (83%) are working, and almost a third say they would prefer never to retire.

Turbulent times globally – including geopolitical pressures and changing weather patterns – and greater risks from lawsuits all seem to leave most wealthy North Americans feeling less wealthy and far more insecure about their future. Two-thirds of respondents in the Chubb survey say that building wealth today is more challenging than ever before. 62% say they are concerned that the current economic climate will impact their wealth, even though the economy continues to grow at a fast clip, unemployment remains low, and fears of an imminent recession are receding. They worry particularly about their investments losing value and the impact of inflation, as both stock and bond markets face continued volatility.

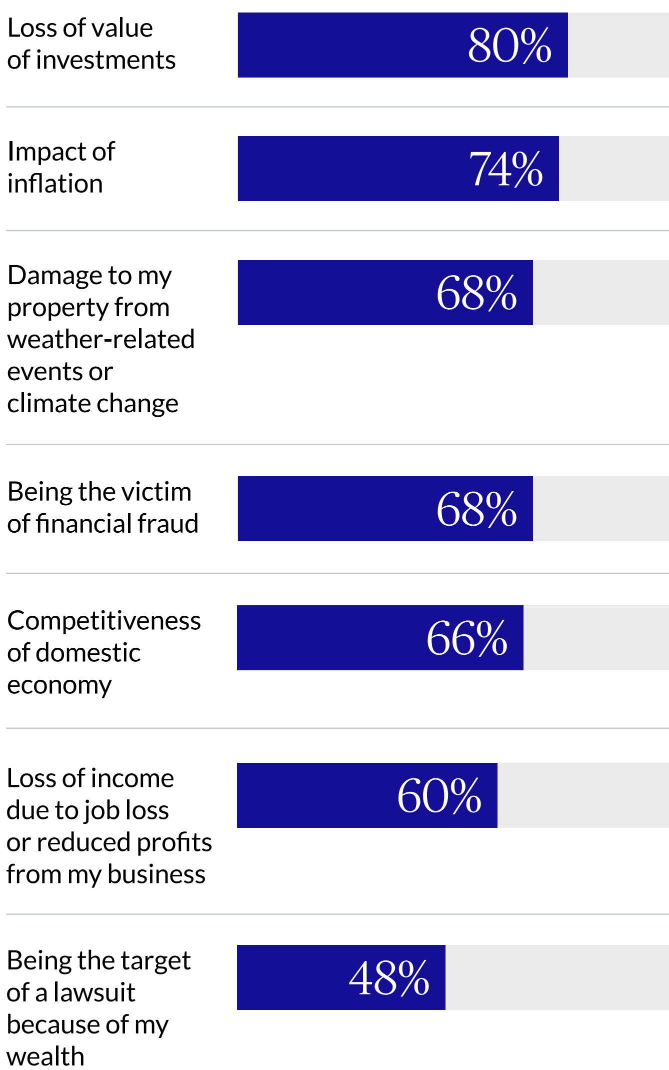
"A lot of our clients, even those who were born into wealth, continue to work because they enjoy the work they do. Their wealth allows them to do work that they really enjoy."

Gary Pasternack,
Head of Insurance Advisory,
Bessemer Trust

Mindset

The markets and the weather pose the greatest risks to future wealth

Which of the following do you see as a risk to your wealth and lifestyle?



Wealth today means more than accumulating assets. "The real value for the families we work with has to do with something more than what they own. It has to do with education and finding their own way in the world," says Pasternack. Wealth building and investing has always been linked to the pursuit of passions and values, even as those passions and values shift over time – from pursuing a higher quality of life to creating new experiences. Over the next 12 months, wealthy North Americans plan to spend more on their homes, their collections, travel, education and entertainment than last year.

As they invest more in creating a sanctuary at home, collecting fine art and luxury goods, and enjoying some of the experiences they missed during the pandemic, they face a complex set of risks to their wealth and lifestyle – and a growing gap in how they protect against those risks.

What keeps respondents up at night

Which of these following global issues keeps you up at night?

- Economic instability
- Healthcare / pandemics
- Artificial intelligence
- Energy insecurity
- Climate change
- Social change / diversity / income equity
- Government debt / spending
- Conflicts between great powers / nuclear war

Passions

Beyond Owning Things: Building Sanctuaries, Creating Experiences

For successful people, wealth is more than the financial assets on their balance sheet. It is also the memories and stories behind the things they collect, the way they style their homes and the experiences they choose to create. The pandemic accelerated a shift away from simply owning things and toward investments in entertainment, travel and education – areas where respondents plan to increase spending over the next 12 months. They also plan to devote even more resources to their homes.

Home is seen first and foremost as an investment for 62% of respondents, but it also represents comfort, security and family for nearly as many. The average value of respondents' primary homes is $6 million, and 46% already own more than one home – a number that is likely to rise. Nearly three-quarters of wealthy individuals plan to increase discretionary spending on real estate in the next 12 months, with 43% planning to upgrade or renovate their properties and 38% looking to increase the number of homes they own, continuing two trends that began during the pandemic.

> The average value of respondents' primary homes is $6 million, and 46% already own more than one home.

Reimagining their spending habits

62%

of respondents say home is seen first and foremost as an investment

43%

of respondents are planning to upgrade or renovate their properties

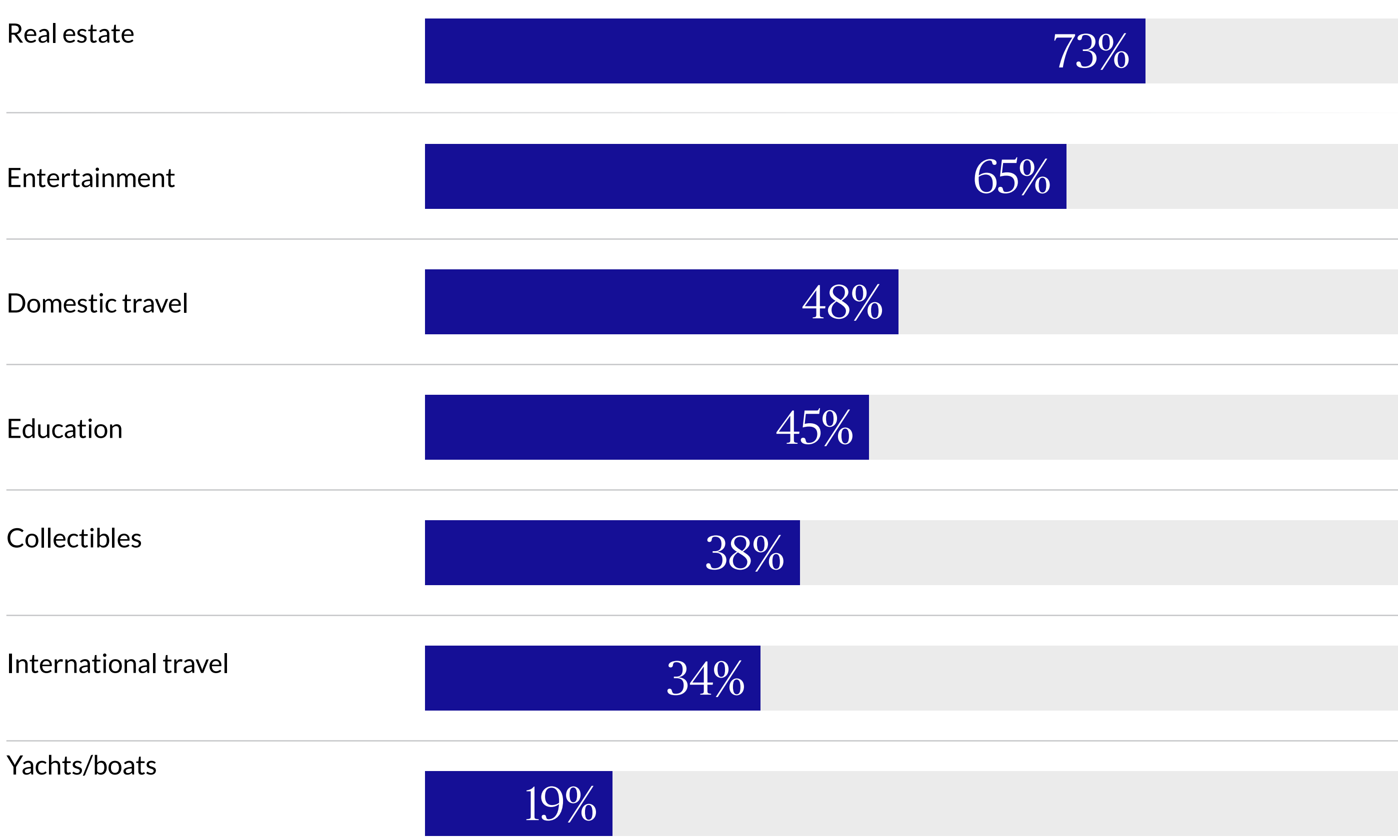
38%

are looking to increase the number of homes they own

Passions

Spending on real estate and entertainment set to increase

What do you expect will be your discretionary spending over the next 12 months as compared with last year? (Respondents who expect spending to increase)

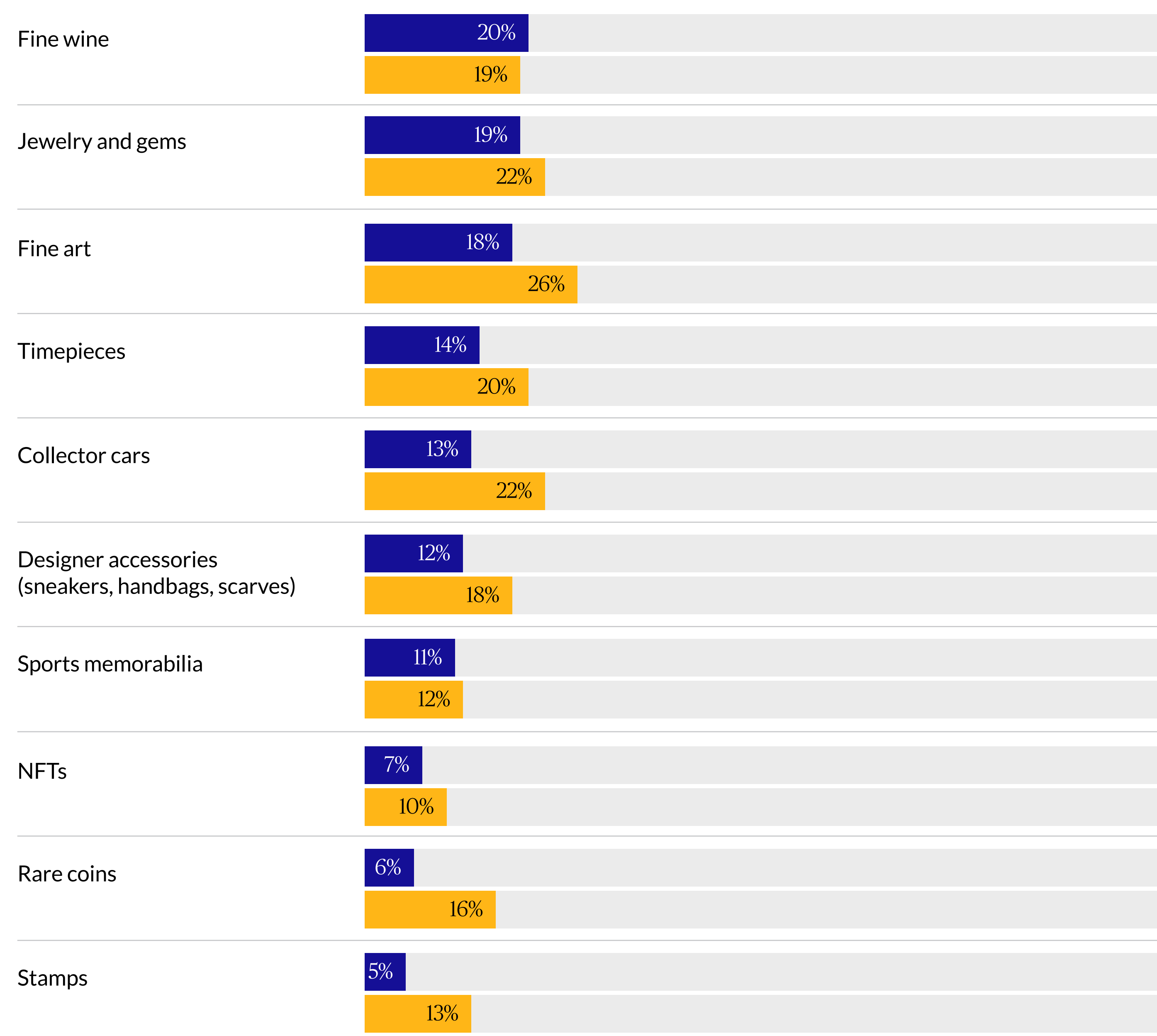


When travel was difficult, people with the means bought vacation properties - sanctuaries where they could escape and host family and friends.

Collection shifts: trends and changes

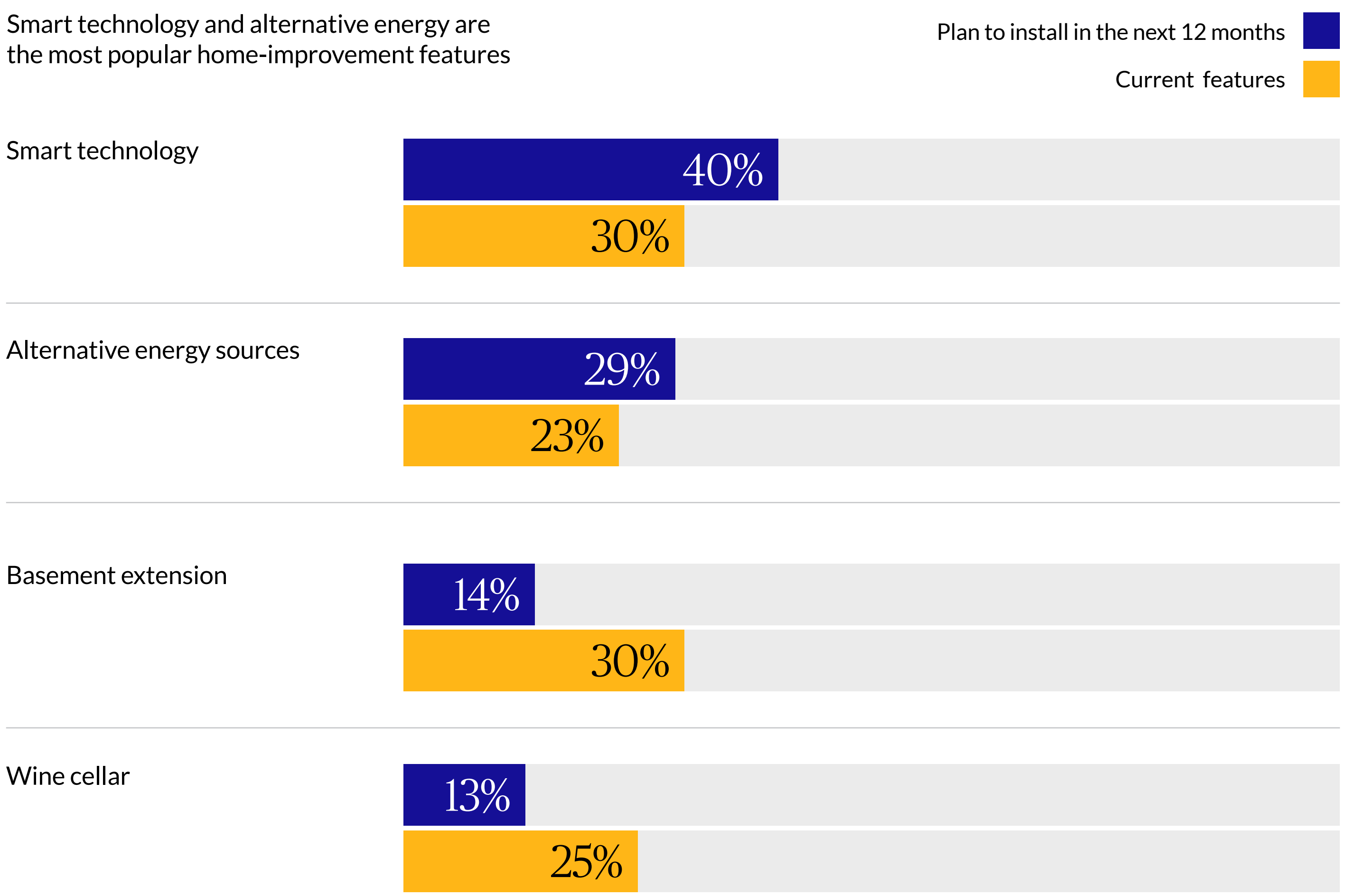
Plan to acquire in the next 12 months
Already own

Spirits, jewelry and fine art remain top choices



Passions

Creating a sanctuary at home



When travel was difficult, people with the means bought vacation properties, often along the coast or in the mountains – sanctuaries where they could escape and host family and friends. Being forced to stay within one's four walls also inspired people to create entertainment areas in their homes, says Jennifer Naughton, Executive Vice President and Risk Consulting Officer for Chubb Personal Risk Services.

"We saw a lot of people expanding patios into gourmet outdoor kitchens and fireplaces that give them more space and ability to enjoy the beautiful environments that their homes are in," she explains. People are still planning projects around home theaters, pools, and home gyms but at a slower rate. Over the next 12 months, two areas in particular will see a sharp rise in investment: smart technology (40%) and alternative energy sources (29%).

Eight out of 10 respondents are also collectors of fine art, jewelry, cars, wine and other valuables. Some see it primarily as an investment (38%), but most (62%) pursue it out of passion. "For a lot of clients, a work of art might be the focal point of their home, or they might know the artist personally," says Laura Doyle, Senior Vice President, Fine Art and Valuable Collections Product Leader at Chubb. Fine art, jewelry and luxury cars are still at the center of most collections, but a new generation of collectors are expressing themselves and pursuing their passions in new markets. Many of the new trends in collections are driven by millennials, who are now the largest buyers of fine art and jewelry.

"When it comes to fine art, younger collectors are really focused on contemporary and ultra-contemporary artists," says Doyle. "We are also seeing an overall uptick in fine jewelry, luxury handbags, sports memorabilia, wine and spirits," says Doyle. "The market for watches in particular has exploded over the last couple of years." Many young collectors own valuable articles and assets before they buy their first house, and may not think about insuring those items – this creates a challenge for insurers to find new ways to establish a relationship with them.

Personal collections are also part of the great wealth transfer between baby boomers and younger generations. "It's very important to have a clear discussion and plan for that transfer," says Doyle. Not all young people share their parents' – or their grandparents' – passions. "Make sure heirs actually want the pieces and that they're prepared to take those pieces on, because when you're inheriting a collection, you're inheriting everything that comes with that in terms of maintenance and care."

Many collectors have yet to make the kind of legacy plans that will ensure their collections will be enjoyed and maintained in the future. One in three respondents who plan to divest their collections soon would like to give it to family members, but only 39% say their children will continue their collection. Half of respondents have decided to whom they will leave their collections, but only 44% have taken legal steps to do so.

Risks

Compounding risks: creating more worry for the wealthy

Compounding risks – from extreme weather, the shift in collectable assets, and the rise in personal liability settlements – are creating a growing threat to wealth preservation and well-being. There is a growing need to rethink how best to protect what matters most with appropriate risk and insurance management strategies.

At the top of the list of current risks is climate change and weather-related damage. Many wealthy North Americans have homes in some of the most beautiful and most weather-prone areas. “There has been a major migration of assets to warmer climates, and that carries exceptional risks,” says Stuart Cowart, Co-President of Albert Risk, a risk management and insurance consultancy. “If you have your whole collection of art or anything else of value in a beachfront house in South Florida, that’s a very different risk than having it in your home in the Northeast or Midwest.”

Weather damage is on the rise everywhere: more intense, higher-frequency storms in the Midwest, wildfires in the Canadian Northeast and the growing risk of more deep freezes and ice storms in southern states like those that have led to burst pipes in recent years.

At the top of the list of threats to wealth preservation is climate change and weather-related damage.

Weather is not the only risk. A leaky toilet may not feel as catastrophic as a hurricane, but damage from issues that originate inside the home are far more common. Just over half of respondents expressed concern about non-weather-related water damage.

“Water is so destructive. Even with a small leak, water will follow the force of gravity and go to the lowest point of the home, causing destruction all along the way.”

Jennifer Naughton,
Executive Vice President
and Risk Consulting Officer
Chubb Personal Risk Services

An air conditioning system, for example, can pull up to 20 gallons of water a day in humid weather. “Most units are not in the homeowner’s line of sight, and they may not notice if condensation lines become dislodged and slow water damage starts – particularly in homes where units are installed in the attic,” she says.

Risks

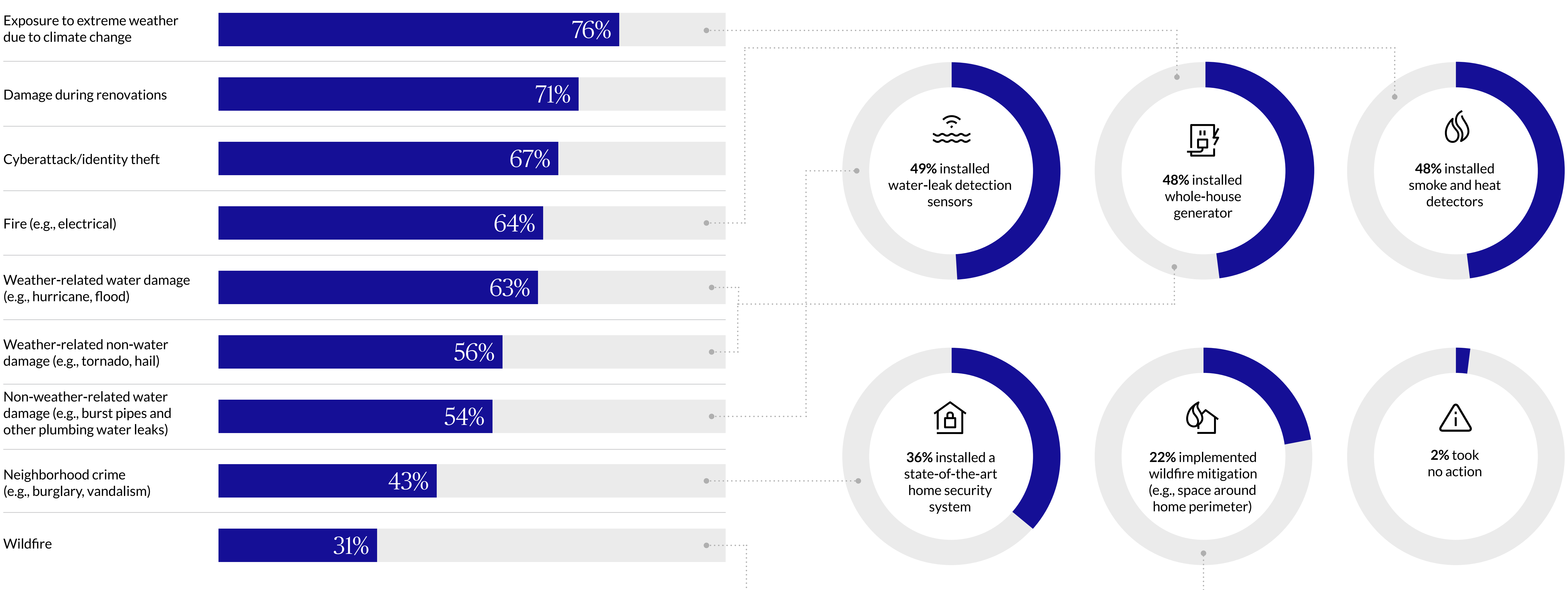
Too close for comfort: climate change named as the greatest risk to homes

What do you perceive as the top risks to your home(s)?

Avoiding damage: steps homeowners have taken to mitigate risks

Renovations are also a worry – and an opportunity to make improvements. Installing leak and smoke detectors is the most common step that wealthy homeowners have taken to minimize potential damage. Nearly half of respondents have installed leak-detection, smoke and heat sensors. Smart technology is the top category for home improvement in the survey, indicating that luxury homes will have more sensors and security systems in the near future. "Successful families tend to be early adaptors of new technology," says Naughton.

Which of the following steps have you taken to mitigate the risks of home ownership?



Risks

Fraud and damage top vulnerabilities to collections

To what degree are you concerned about the following risks to your collection?

Art fraud (e.g., provenance, forgery)	87%
Damage during travel/ transportation	86%
Environmental damage during storage/display (humidity)	78%
Theft/loss	77%
Loss/damage from fire	74%
Loss/damage from storms/ floods	64%
Loss/damage from internal water leaks, plumbing issues	59%
Accidents caused by children	59%
Accidents caused by pets	45%
Accidents caused by guests	45%

Collections are subject to all of the same risks that concern homeowners – storms, fires, floods, and water damage – as well as a host of other vulnerabilities specific to each item. Damage during travel or transit is a top concern among collectors. Many collectors like to share their art with the world through loans to museums they support, or they may consign a work to an auction house or a gallery when they want to sell, says Doyle. "We can review loan and consignment agreements and consult with clients on how to mitigate risks, providing guidance around packing, transit, and storage," she explains.

Deterioration is also a worry among collectors, and this can include installation hardware. If a work is hanging on the wall, the picture wires can start to fray. "We have seen some instances where the hardware gives out and a work falls off the wall," says Doyle. "We are advising clients to bring in a professional art handler every 10 years or so to check the installation hardware and to make sure that it's still adequate for the weight and fragility of the piece." Likewise, the settings and prongs for diamonds and gemstones can loosen over time and drop their stones – resulting in mysterious disappearance.

More than three-quarters of respondents are also worried about theft. Wearable collections – think watches, handbags, and other designer accessories and jewelry – are particularly vulnerable to theft. "There is now a large secondary market for watches – and an increase in robberies," explains Doyle.

There are a number of steps that collectors can take to enhance protection, says Doyle, such as environmental control sensors and centrally monitored alarms. "If someone is going to be traveling extensively, they should make sure they have a climate control system that's monitored, or that someone is regularly checking on the home in case of a power outage or a water leak."

"We can review loan and consignment agreements and consult with clients on how to mitigate risks, providing guidance around packing, transit, and storage."

Laura Doyle,
Senior Vice President,
Fine Art and Valuable
Collections Product Leader

The new reality for liability:

Changing conditions call for better protection and prevention

Wealthy North Americans have particular reason to worry about personal liability. They recognize that the more they have, the more they stand to lose. Nine out of 10 respondents are concerned about the size of a verdict against them if they were to be a defendant in a liability case, yet only about one in three (36%) say they have excess liability coverage. For those who do, the majority of policies are in the $3 million–to–$5 million range.

Nine out of 10 respondents are concerned about the size of a verdict against them if they were to be a defendant in a liability case.

Calculating the right amount of liability coverage is notoriously difficult.

"When it comes to rebuilding your home, you can calculate a replacement cost. You can appraise the value of artwork or jewelry. But liability is very hard to pinpoint. What is the worst-case scenario?"

John Quinlan,
Managing Director of
Risk Management Cresset Capital,
a wealth management firm

Liability is by far the largest potential gap in coverage for most wealthy individuals and families, says Quinlan. "We have high-net-worth clients who don't have an umbrella policy," he says.

Protecting against the ultimate risk

Most people assume they have enough liability coverage with their homeowners or auto policy, but purchasing extra liability coverage could provide essential protection in the case of a liability claim.

With something like a jet ski at a lake house people might be satisfied that their family has adequate coverage in case of an accident. "But it's not only your own family you have to worry about; it's your guests, it's young kids who don't know how to behave around water. It's not their fault," says Quinlan. Most people feel a sense of responsibility if their actions cause harm to another, and they want to be able to make things right if they can.

When it comes to liability, respondents are most worried about auto accidents, allegations of assault or harassment, and someone working in their home getting hurt. They are also concerned about underinsurance of someone who causes harm to them.

But there are liability claims that go far beyond knowable risks. Laila Brabander, Head of North American Personal Lines Claims for Chubb, describes a case in which a client at a yoga studio fell onto the person next to her while doing a downward dog and was sued by the injured yogi for pain and suffering.

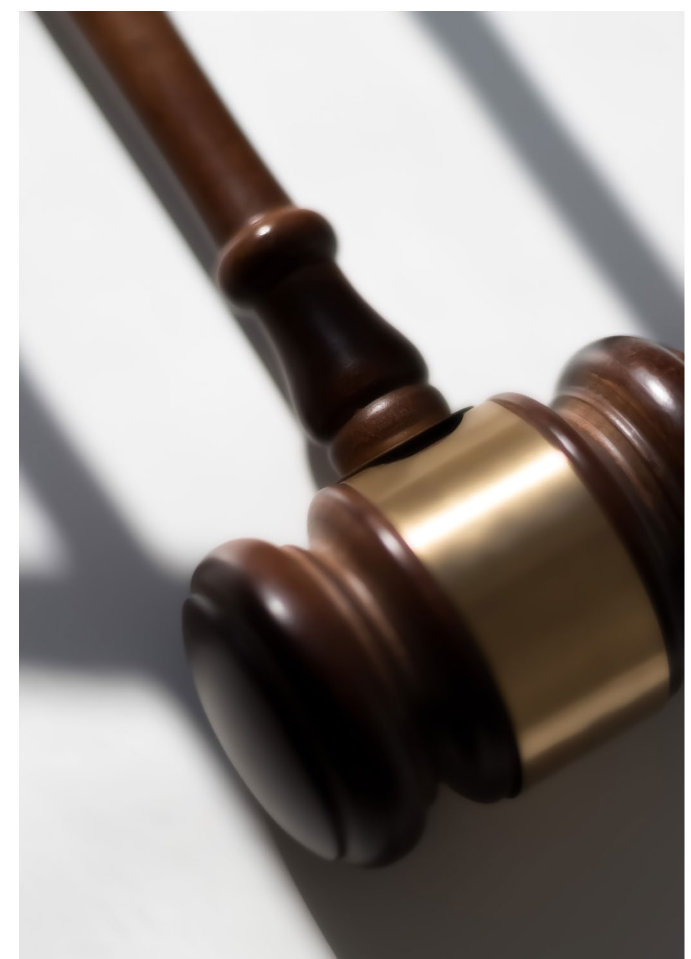
"If someone gets into an automobile accident, they can figure out fairly quickly if anyone involved is worth suing," explains Cowart. "Because information is so readily available, people know who you are just with the push of a button. We all need to be aware that there's little anonymity anymore."

Damage awards are rising dramatically for a number of reasons, explains Brabander. "Economic damages historically were based on factors such as the extent of an injury and resultant medical expenses or past and future loss of income, but we are seeing a rise in non-economic damages, such as pain and suffering and PTSD, that overshadow actual economic losses," she says.

Social inflation, which describes how the cost of claims exceeds economic inflation, comes out of shifting attitudes about who is responsible for absorbing risk. It is a phenomenon that began in commercial liability and is now migrating toward personal liability cases. "The same plaintiffs' tactics to encourage large verdicts in commercial trucking, auto liability, product liability and medical malpractice suits are now being utilized to push for larger jury awards against our high-net-worth clients," says Brabander.

Another factor driving up the cost of settlements is the third-party litigation funding firms that provide funding to plaintiffs and their lawyers in exchange for a percentage of the settlement. These private equity firms began in the commercial space and are now funding lawsuits against individuals and their insurers.

Quinlan recommends that people give careful consideration to how much liability protection they maintain.



Automobiles and allegations of assault top liability risks

Which of the following liability risks are you most concerned about?

Accidentally hitting a pedestrian	45%
Automobile accidents in which you cause bodily injury	40%
Allegations of assault or harassment	31%
Underinsurance of another person that causes harm to you	30%
Slip and fall claims, particularly from people working on your property	29%
Swimming pool injuries (e.g., at social gatherings, birthday parties)	24%
Skiing accidents	20%
Boating accidents	17%
Libel, slander or defamation lawsuits	14%
Dog bites	10%

Protecting your passions

It is a universal truth that most people don't like to deal with insurance

"When you don't like something, you avoid it," says Quinlan. It is also nearly universal – even for wealthy families – to put every insurance policy on auto-renew and not give it much further thought. But taking the easy approach may leave a lot of potential resources on the table and expose people to unnecessary risks. "People do not want to self-insure against risk unknowingly," says Cowart.

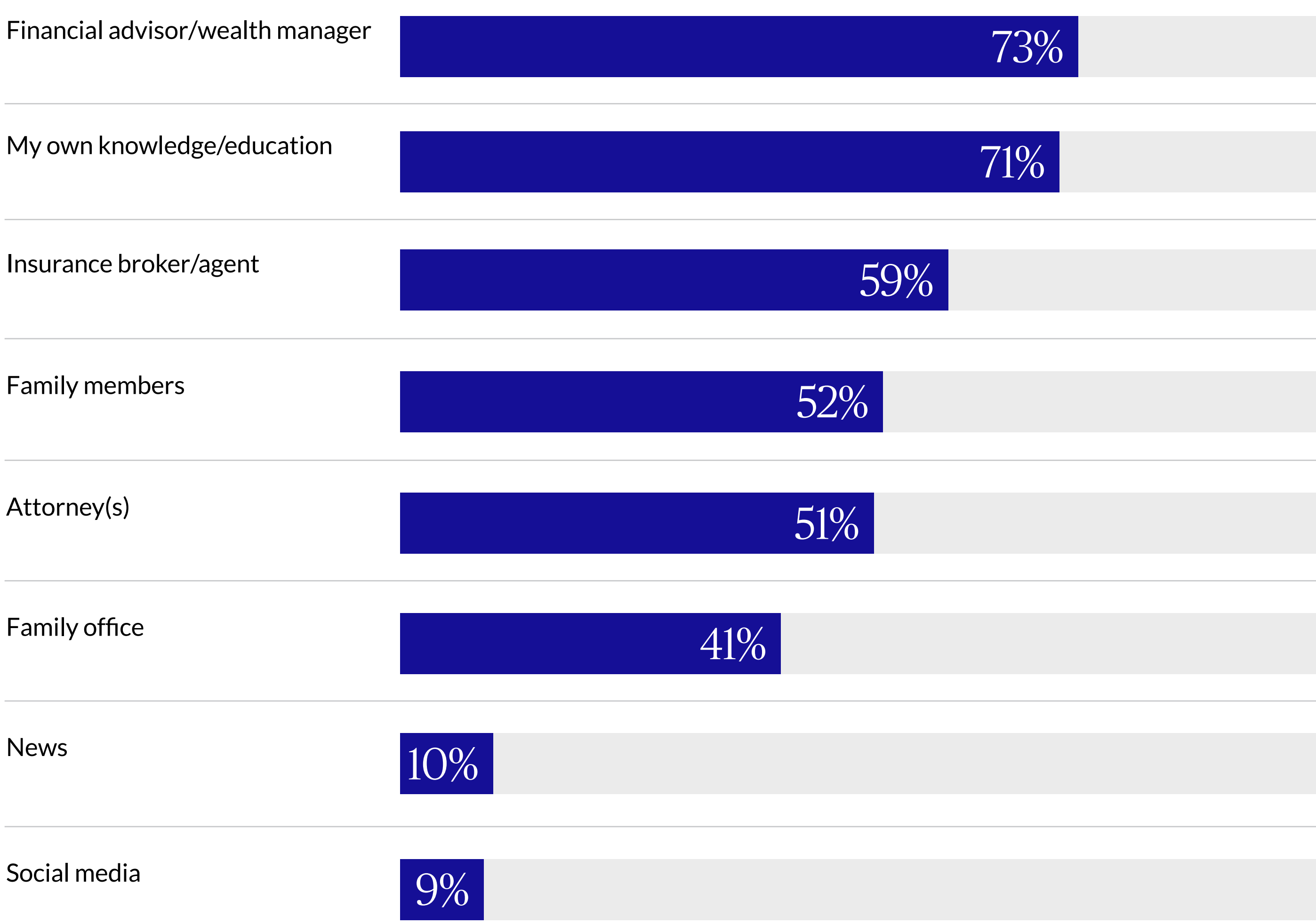
To manage their wealth and protect it from risks, wealthy North Americans rely primarily on their financial advisors (73%) and themselves (71%), according to the Chubb survey. "Insurance is just as important as any other aspect of a financial portfolio," Quinlan says. "But most people don't really understand their insurance. They think they do, but they often don't." Likewise, financial advisors tend to focus on financial assets rather than a complete balance sheet of all tangible and intangible assets. Some assets carry more emotional value as well, says Quinlan, such as a painting that one of his clients likes to spend time with over morning coffee.

> It is also nearly universal - even for wealthy families - to put every insurance policy on auto-renew and not give it much further thought.

Protecting your passions

Successful people rely on their advisors and themselves to protect their wealth

Which sources do you rely on to manage your wealth and protect it from risks?



A more practical approach to protecting wealth begins with a basic understanding of where risks lie, the likelihood and cost of an adverse event and the cost to insure against that likelihood. "First, you need to understand where the exposures are," says Cowart. Someone who drives a car that is owned by her business, for example, may assume that she is covered for personal liability while driving on her own time. Or that accidents involving watercraft, all-terrain recreational vehicles, and other toys are covered under a homeowner's policy.

Insurance by nature involves risk-sharing. A lot of wealthy individuals can afford to self-insure for some risks, and many do – particularly where insurance is prohibitively expensive. The number of catastrophic events and rising replacement costs, among other factors, are driving insurance costs higher in nearly every category. People with luxury homes are buying policies with very high deductibles, essentially self-insuring for any loss or damage that falls below the deductible.

In the survey, eight out of 10 homeowners said they were concerned about the increasing cost of homeowners insurance but would be willing to pay higher premiums to get the right coverage. "It's my job to help people understand where the ice gets thin, where risk transfer is very efficient and priced fairly from a buyer standpoint," says Cowart. Even for those who can afford to self-insure, sharing the risk with an insurer protects against the potential of having to liquidate other assets to cover a loss at a difficult time.

Ultimately, closing the protection gap can take some of the uncertainty out of the compounding risks faced by wealthy North Americans today. An insurer or insurance advisor can bring valuable resources and advice for protecting assets and preventing losses from happening at all. The survey shows that wealthy North Americans expect their agents, advisors, and insurers first and foremost to understand the risks they face, point out coverage gaps, and give them advice on how best to mitigate those risks.

Protecting your passions

What the wealthy expect from their insurance agent

Which of the following do you expect your insurance broker/agent to provide?

Keeping me up to date with potential insurance coverage gaps	55%
Thorough understanding of the risks I face/making sure I'm adequately covered	52%
Advice on risk prevention/ how I can best mitigate risk	52%
Making the purchasing process painless	50%
Selection of the best insurance carrier/products for my needs	48%
Being digitally savvy so that we can manage my insurance online	47%
Being available for questions	39%
Being empathetic/helpful when something bad happens/I need to file a claim	38%
Face-to-face time	31%

Chubb can visit a home and look for electric hotspots, which may indicate a potential fire hazard, and detect moisture below the surface, where there may be a slow leak invisible to the eye. "We are often engaging with our clients when they are new to their homes, and that is a great time to talk about how everything works, like the life cycle of a hot water heater, and how to proactively protect against potential damage by applying a water sensor," says Jennifer Naughton, Executive Vice President and Risk Consulting Officer at Chubb Personal Risk Services.

Chubb also shares resources to help clients protect their collections. "We can direct them to top-tier storage facilities and consult on how to display their collections – from guidance around environmental controls to lighting, security and fire detection for those collections. We can recommend professional art installers, so that those pieces are properly installed, as well as provide preservation guidance," says Laura Doyle, Senior Vice President, Fine Art and Valuable Collections Product Leader at Chubb.

Cowart works with clients to make sure they have a plan mapped out in case of emergency. "If there is a hurricane coming, for example, what do you do first? Who is responsible for communication?" It is important to determine which pieces of artwork to remove and where to store them safely, how to move vehicles to higher ground and the best way to secure a home. Communication might involve having satellite phones ready, depending on the complexity of mitigation plans.

Working through such a plan can really focus people on what matters most to them. Cowart worked with one family on a meticulously detailed evacuation plan, and at the end of the exercise, the owners realized that one very important thing was missing: a plan to secure a box of family photos and letters. Trackers were installed on the box, and it was added to the plan. The things that matter most are not always the ones with the highest price tag, says Cowart. "We would never have thought of that if we hadn't run through this exercise."

Conclusion

Protecting wealth is just as important as creating it and enjoying it

The wealthy face compounding risks and a growing gap in protecting what they value most. Their coverage requires more customization – especially for assets that carry an emotional value. Choosing insurance is more than a financial decision. The right insurance advisor understands the unique challenges of protecting the homes, the collections, and the lifestyles of the wealthy, and understands how to structure prevention and coverage for their risks.

Nobody wants to suffer a loss that could have been prevented. Insurance specialists can help mitigate loss and minimize damage. They can recommend an insurer that offers a deep knowledge of how to value and protect luxury homes, fine art, and the things their clients consider most important.

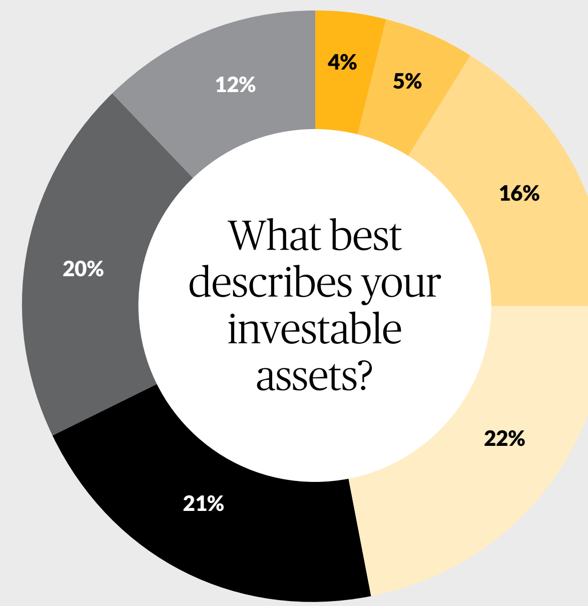
But not all damage is preventable. The best time to think about how to value and help protect any asset is before something happens. Partnering with an insurance company willing to take the time to understand their clients' individual needs is a first step.

Liability is one of the most feared and most underestimated risks to anyone with wealth. An umbrella policy comes with more than a financial backstop in a worst-case scenario. A good advisor can provide advice on how to prevent fraudulent lawsuits and protect against frivolous claims. And they can help their clients choose an insurance company with a track record of going to bat for their clients.

Methodology

Findings are based on a survey of 800 wealthy individuals in the United States (650 respondents) and Canada (150 respondents) conducted by iResearch Services in September and October 2023 with a margin of error of +/-4%.

Respondents have investable assets of at least $500,000, with the majority reporting assets of $1.5 million to $50 million and 12% reporting assets of more than $50 million.



- Under $500,000 (0.25) 4%
- Between $500,000 and $1.5 million (1) 5%
- Between $1.5 million and $5 million (3.25) 16%
- Between $5 million and $10 million (7.5) 22%
- Between $10 million and $25 million (17.5) 21%
- Between $25 million and $50 million (37.5) 20%
- $50 million and up (62.5) 12%

Profile of survey respondents

40%

self-made, 25% inherited wealth, 35% equal mix

83%

are working

79%

have assets of $1.5 million to $50 million

93%

are between the ages of 29 and 77

45%

are married