INSURANCE SOLUTIONS FOR HIGH NET WORTH INDIVIDUALS

European special market briefing

SPONSORED BY CHUBB® Commercial Risk Europe
1 Underlying global growth. The numbers of high net worth individuals are predicted to grow substantially over the next decade, at the same time as their risks and insurance needs become increasingly international.

2 Underinsurance creates opportunities in Europe. Europe remains an attractive base for the world’s wealthy, yet many assets remain uninsured or are underinsured in the region. Chubb estimates European high net worth premium potential at around €5.6bn, of which only a fraction is currently insured by specialist high net worth insurers today.

3 An expertise gap may be emerging. Today, many high net worth individuals continue to insure their most treasured possessions with general insurers. Specialist brokers and insurers may be best placed to help them manage rising asset values and complex, and often increasingly esoteric, risks in future. In particular, there is arguably an opportunity for a more developed network of specialist brokers in several European markets, able to service the specialist needs of these high net worth clients.

4 Passions run high. Whether thanks to the search for yield on their investments or simply the fulfilment of a life-long passion, high net worth individuals are investing in a broader range of physical assets, including collections of fine art, jewellery or classic cars. Vulnerable to risks like flood, fire, theft and accidental damage, these will continue to drive opportunities for insurers and brokers. Clients will increasingly need and expect smarter solutions, such as more personalised appraisals and tailored cover that keeps pace with the evolving risks.

5 Moving beyond assets to lifestyles. Lifestyles of the wealthy are changing with the generations, while personal exposures for individuals and their families are increasing. Insurance and risk prevention services for lifestyle risks, such as identity theft, cyber bullying and aggravated theft, will be of increasing relevance in the future.

6 A borderless world. The world’s wealthy are increasingly mobile and international. This presents a challenge for insurers, sometimes constrained by national insurance regulation or the lack of a truly global network. A strong international footprint and service capability are likely to become an increasingly important ask from brokers and their clients.

7 The power of technology. The high net worth sector is not immune from technological revolution, which will impact both risk profiles and the way in which insurance is delivered. From driverless cars to smart homes, cyber risks will grow for high net worth individuals, while technology presents an opportunity for the market to deliver better and more efficient service.

8 Service will be key to success. High net worth individuals will continue to expect the very best. The acid-test for the market will be how underwriting and claims service keep pace with the changing risk environment, while risk prevention will be increasingly important in a sector where asset values are rising and risk profiles are increasingly complex and international.
Economic growth and globalisation have brought about a rapid increase in the high net worth population during the past decade, with a rise in the number of billionaires and millionaires around the globe.

Despite the 2008 global financial crisis, the numbers of wealthy people have burgeoned, especially in emerging markets but also in the economically important regions of North America and Europe.

The global population of ultra high net worth individuals (defined here as having more than $30m in net assets, excluding their principal residence) now stands at around 187,500 individuals worldwide—an increase of 60% in the past 10 years, according to wealth specialist Knight Frank.

High net worth individuals, defined as those with liquid assets above $1m, have also soared in number. There are now more than 13 million high net worth individuals around the world, a significant increase from 8.7 million in 2005. Tellingly, the total high net worth population now holds net assets of an estimated $66tn—more than the value of all global equities, according to Knight Frank.

Forecasts suggest that the numbers of individuals will continue to grow at a reasonable pace in the next ten years, albeit slower than the stellar growth rates experienced during the past decade.

Growth in the numbers of high net worth individuals has already showed signs of slowing, reflecting a slowdown in some emerging economies and lower commodity prices. In 2015, only 34 out of 91 countries tracked by New World Wealth saw a rise in the number of ultra high net worth individuals, while the total global population shrank by 3%.

According to New World Wealth, the total number of ultra wealthy individuals is forecast to reach 263,500 by 2025, a 41% increase on 2015, compared with a 61% increase in the previous ten years.

The fastest growth is expected in emerging economies, in particular Asia, which is expected to overtake Europe as the second largest market behind North America.

Even in Europe, the ranks of the wealthy are expected to expand significantly, albeit at a slower rate of growth than over the past ten years. During the next decade, more than one million new millionaires are expected to be created in...

“Clients want face-to-face contact and they want continuity. They want to be recognised and known. They are wealthy people and don’t give their trust easily”

Dave Foster, director, Lark Insurance
Europe, according to Knight Frank. Europe is also forecast to be home to around 569 billionaires by 2025, the wealth manager said in its Wealth Report 2016.

What it takes to be wealthy

Ultra high net worth and high net worth individuals come in all types, from varying backgrounds, countries and cultures. However, while there is no one template profile of a wealthy individual, there are some common characteristics from a risk and insurance perspective.

An ultra high net worth individual typically owns one large family residence along with additional properties, such as holiday homes or city apartments. In fact, the average ultra high net worth individual owns 3.7 properties in total. Each of these will also likely house valuable contents, such as jewellery, art and designer furniture, as well as fine wine collections.

Cars are typically another important asset for high net worth individuals, whether high performance or luxury vehicles, as well as collections of vintage or classic cars. In fact, the average number of cars owned by Chubb’s high net worth clients in the Netherlands is around six, while some of the insurer’s clients have car collections in excess of 100 vehicles.

One particularly interesting trend to analyse is the different ways that ultra high net worth and high net worth individuals tend to use their wealth today to pursue their interests and passions, which can often result in valuable collections like fine art or even owning a Premier League football club.

According to Chubb, classic cars have been one of the most notable areas of growing interest during the past ten years, both as collectable items and as investments.

However, collections come in many forms. For example, Chubb is often asked to insure unusual items and has insured some unique risks in the past, including a collection of dentists’ chairs worth several million dollars.

“We frequently get requests to insure unusual collections, artefacts or memorabilia but this is rarely a problem for our underwriters”

James Lindow, senior global client underwriter Chubb
Ultra high net worth individuals by region in 2015

North America
69,283 individuals
$6,928bn wealth

Europe
46,191 individuals
$4,619bn wealth

Asia
41,072 individuals
$4,313bn wealth

Latin America
9,492 individuals
$997bn wealth

Africa
2,620 individuals
$301bn wealth

Russia
6,105 individuals
$702bn wealth

Middle East
8,910 individuals
$988bn wealth

Australia
3,795 individuals
$417bn wealth

Africa
2,620 individuals
$301bn wealth

Global: 187,468 individuals  $19,265bn wealth

Source: New Wealth Data

Ultra high net worth individuals by region in 2025

North America
90,247 individuals
30% rise vs 2015

Europe
58,465 individuals
27% rise vs 2015

Asia
67,999 individuals
66% rise vs 2015

Latin America
13,380 individuals
41% rise vs 2015

Middle East
8,910 individuals
54% rise vs 2015

Africa
3,933 individuals
50% rise vs 2015

Russia
10,517 individuals
72% rise vs 2015

Australia
5,179 individuals
36% rise vs 2015

Global: 263,483 individuals  41% increase from 2015

Source: New Wealth Data
Seasonal fluctuations of multi-millionaire populations

Superbowl
US

WEF
Davos, Switzerland

The Masters
Augusta, US

Kentucky Derby
US

Monaco Grand Prix
Monaco

Aspen Ideas Festival
US

Art Basel
Basel, Switzerland

Monaco Yacht Show
Monaco

Oktoberfest
Munich, Germany

Frieze Art Fair
London, UK

Thanksgiving
US

Source: Knight Frank
As well as growing in number and in wealth, high net worth individuals are also more diverse than in the past, hailing from a much broader range of countries and backgrounds.

As already seen, the US and Europe are still home to the most billionaires, followed by Asia, with New York and London continuing to be the most popular cities of residence for the world’s most wealthy. However, ultra high net worth and high net worth individuals in emerging markets in Asia, the Middle East and Russia continue to grow in importance and today cities like Singapore, Hong Kong, Dubai and Shanghai are also in the top ten most favoured locations.

Ultra high net worth and high net worth individuals are also more international in their lifestyles – travelling more, owning properties and assets in a greater number and wider range of geographical locations.

Many ultra high net worth individuals undertake a seasonal migration, moving between locations to attend social, sporting or business events, as well as living in their various properties.

A typical social calendar could see an ultra high net worth individual networking in Davos in January, before jetting off to the Masters golf tournament in Augusta in April, the Monaco Grand Prix the following month and the Aspen Ideas Festivals in June before ending the year at Art Basel in Miami.

One of the biggest trends in the high net worth market during the past decade has been a move to investing in physical assets, either as an investment, a passion, or a combination of the two.

Tara Parchment, vice-president, UK & Ireland personal lines manager at Chubb, says: “High net worth individuals are getting wealthier and increasingly investing in insurable assets, like fine art, collectable cars, fine wines and jewellery.”

According to Knight Frank, passion was the second biggest driver behind investing in luxury investments, just behind status and ahead of diversification. The most common luxury investments remain fine art, cars and watches, although jewellery is expected to become more important during the next ten years.

Understanding the next generation

As well as geographical changes, there are also generational differences emerging within ultra high net worth and high net worth populations. Sources of wealth have been changing. While inherited wealth remains an important section of the market, self-made billionaires (some 55% of all billionaires) and millionaires have become more prominent. According to the Wealth-X Billionaire Census, fewer billionaires source their wealth solely from inheritance or from banking and finance, while more billionaires are making their money from technology, retail and industrial activities.

According to Wealth-X, technology has led to a new wave of billionaires, that are young, tech-savvy entrepreneurs and innovators, like Travis Kalanick, co-founder of Uber and Brian Chesky, co-founder of Airbnb.

Male billionaires are getting rich younger and are more entrepreneurial, according to Wealth-X. The average age decreased by six months in 2015, to 63.2. The study also found that 89.6% of male billionaires source their fortunes from their own initiatives.

There are 17 times more male billionaires than billionaire women. Some 56% of female billionaires inherited their wealth in 2015, compared with 65.4% in 2014, Wealth-X found.

More traditional high net worth clients might reasonably be expected to invest in fine art and vintage cars, while the emerging wealthy are more likely to invest in fine wine and hyper cars.
“There has been a real increase in passion investments as individuals look for alternatives to financial markets, such as classic cars, fine art, wine and jewellery”

Tara Parchment
vice-president,
UK & Ireland personal lines manager at Chubb

Generational fashions for assets can be seen in auction prices for collectable cars, for example, where values of vintage cars have plateaued while collectable and high performance cars from the 1980s and 1990s have been increasing.

The younger generation is also spending some wealth on passions, such as modern art and sports. The English Premier League, for example, has seen an influx of foreign ultra high net worth ownership, while six of the 14 top rugby clubs in France are owned by high net worth individuals.

A survey of ultra high net worth individuals by Knight Frank found that more than 56% in Europe are interested in owning a sports team or racehorse.

Wealthy individuals are also becoming more philanthropic. They are supporting the arts, education and are more directly involved in charitable works. Two thirds of the ultra high net worth individuals surveyed by Knight Frank said they are now more interested in philanthropy.

According to Wealth-X, philanthropy is the primary passion of global billionaires, with more than 56% of billionaires involved in philanthropy of some sort.

Cyber risk and smart technology

Technological advances are expected to shape the future of risk in the high net worth market, improving safety and reducing accident rates on the one hand, while introducing new risks on the other.

Technology can help improve the security of property, improve safety and help prevent losses. Already, we see smart devices and automation finding their way into the consumer market, while drones are finding potential applications for surveys and security.

In the high net worth market, properties increasingly use building management systems and smart devices to control heating, lighting and security etc. These systems, which can help prevent loss, are also vulnerable to lightning strikes and water damage, and are very expensive to repair or replace.

Technology is also already a feature of the motor market. High end luxury models now include advanced driver assistance systems, while fully autonomous cars are being developed and tested on the roads.

Dave Foster, director, Lark Insurance, comments:

“There is a challenge to adapt to the needs of tomorrow’s high net worth clients and give them relevant cover. For example, the industry has been slow to develop cyber liability insurance for private individuals. We need to get ahead of the curve and make sure we have a solution ready.”

For now, technology is having only a relatively small impact on the assets and liabilities that high net worth individuals want to insure, but it is bringing new lifestyle risks for high net worth individuals.

Tara Parchment, vice-president, UK & Ireland personal lines manager at Chubb, says: “High net worth individuals are open to cyber attacks and identity theft, while their families are at risk of cyber bullying.”

Developments in technology, combined with increasing values and accumulations of wealth, are likely to see an increased focus on loss prevention services in the high net worth market in the future.

Services that help avoid damage to treasured possessions and valuable assets are greatly valued by high net worth individuals. Insurers in the high net worth market already provide risk management advice, and insurers more generally have begun seeking partnerships with technology companies to develop offerings that help reduce risk, alongside insurance.
Major sources of claims for high net worth risks

- Claims in the high net worth market can be large, although most are high volume and relatively low value. However, given the values involved, large claims can be very expensive indeed, when compared with the general personal lines market.

- Just 10% of claims by volume account for more than 90% of the total cost of claims, according to analysis of its own claims data by Chubb. The biggest claims can run into tens of millions, although 90% of Chubb’s high net worth claims are £50,000 or less.

- Claims can come from the most unusual sources. But the majority are often caused by environmental factors like weather and temperature. By value, flooding and burglary are the main cause of loss for property, while theft and accidents tend to dominate motor claims.

- Property damage has consequences and can lead to additional expense, such as the cost of providing alternative accommodation or courtesy cars. Additional costs can add significantly to the cost of claims, and can even exceed the cost of damage.

“There are still connoisseur collections of antiques, art and wine, but increasingly we see individuals purchasing physical assets as an investment”

James Lindow
senior global client underwriter
Chubb

“There high net worth people are often more resilient to recessions but even these individuals have had to make changes to their investment strategies, notably moving more into hard assets like classic cars and jewellery”

Alan Gorman
European property manager
Chubb
HIGH NET WORTH INSURANCE IS very different to run-of-the-mill personal lines insurance, which consists of highly commoditised products focused on price.

High net worth individuals expect the best. So, the high net worth insurance product is tailored to meet the profile of the individual and then matched with the highest of service levels.

Steven Walters, UK & I property claims manager, Chubb, says: “High net worth individuals have personal tailors and bankers and expect absolute service. We are expected to provide a comparable service.”

Whether it is arranging cover or handling a claim, high net worth insurance cover needs to reflect these high expectations, while at the same time also coping with the high values as well as complex and unusual risks.

**Flexible cover for fast-changing values**

With growing wealth, high net worth individuals have seen the value of physical assets grow and their personal liability risks increase.

At the same time, high net worth individuals have also been spending more on physical assets, which has created increased demand for specialist insurance protection.

As traditional investments in financial markets have shown lacklustre returns of late, high net worth individuals have invested in physical asset classes, such as jewellery, coloured diamonds, fine art, wine and classic cars. However, this trend is not only being driven by a desire for yield but also by a real passion for the assets and associated lifestyle.

Tara Parchment, vice-president, UK & Ireland personal lines manager at Chubb, says: “As high net worth individuals have diversified their investment portfolios or followed their passions, their need for insurance has been growing.”

Unlike financial investments, physical assets need protecting from risks like fire, theft, natural hazards and accidental damage. And the increasing investment in physical assets has been accompanied by huge increases in values and concentrations of values, something that ordinary motor and home insurance is unable to deal with.

Jeremy Miles, senior vice-president, personal risk services, Europe, Chubb, says: “Insured values have been increasing and we expect that they will continue to do so over the long term as the demographic changes and as high net worth individuals acquire more assets.”

The Knight Frank index of luxury assets most often purchased by ultra high net worth individuals increased by 200% in ten years. Classic cars performed the best, with values increasing by almost 500%.

By way of comparison, the value of the index rose by 7% in 2015, against a 5% drop in the value of the FTSE 100 and a rise of only 1% for the top end of the London residential market.

Rising values have resulted in high net worth individuals owning some extremely high value items – some collectable cars are insured for more than $30m, while oil paintings can easily be worth tens of millions.

Chris O’Rourke, European signature manager, Chubb, says: “Only the largest high net worth insurers can take on the large values and accumulations of assets.”

The speed at which values have been increasing also creates a challenge for high net worth individuals and their insurers. Historically, insurance for high value items was based on an agreed value. With today’s fast moving values, insureds can find that they are substantially underinsured within a policy period. This can, however, be solved with extended replacement cost insurance, which will pay the difference in increased values should there be a claim.

Alan Gorman, European property manager, Chubb, says: “We have had to be innovative and develop insurance to keep up with rising values. Some clients have purchased jewellery.”

![Best performing high value assets over ten years](source: Knight Frank)
“High net worth individuals need protection to match their lifestyles, covering all their buildings, travel needs and belongings – and it is not easy for most insurers to do this”

Charles-Henri Pavie
personal risk services manager, France Chubb

“Knowing your client is as important as the asset”

Jo Nixon
continental Europe manager for personal lines Chubb

only to find it is undervalued by the end of the same policy term, so we’ve created coverage to help protect clients from underinsurance.”

Rising values are not the only issue to arise from the trend towards investing in physical assets. Many high net worth individuals collect high value assets, like cars and fine art, which creates large accumulations of values in a single location. Chubb, for example, insures art collections in excess of $200m, while some clients have classic car collections worth $100m.

The problem of exposure accumulation was highlighted by hurricane Sandy in 2012, which produced the art market’s largest loss after a tidal surge and flooding affected lower Manhattan.

Another feature of high net worth assets is their vulnerability to damage, whether it is theft, accidental damage, flood or fire. Unlike financial investments, physical assets are often in everyday use. Fine art hangs on the walls of homes or yachts, jewellery and watches are worn, while classic cars are driven and raced.

Mobility is also an important consideration for high net worth individuals and their insurers. As individuals move between homes and holidays, they are likely to take valuable assets like jewellery with them. For insurers, this means understanding the movements of clients and security arrangements at their various residences.

With such high values and potential vulnerability, high net worth underwriters will increasingly need to spend a lot of time and effort up front to understand the risks and to build a better profile of the insured, their lifestyle and how they look after their most treasured possessions.

Protecting lifestyles not just assets

High net worth individuals can be high profile and are a potential target of criminals, which creates the need to protect against certain ‘lifestyle’ risks in addition to their assets.

Some of these lifestyle risks can be insured against. Lifestyle cover from Chubb, for example, can provide protection around a range of such risks, including kidnap and ransom, carjacking, cyber risks, aggravated burglary and identity fraud.

Lifestyle coverage goes well beyond providing insurance and includes services to proactively manage the risk. These services include advanced driving courses, employee vetting and security advice. And should the worst happen, high net worth insurance can provide much needed support. For example, insurance can provide counselling following an aggravated burglary, or crisis management and public relations consultants to limit reputational damage in the event of an incident.

High net worth insurance will also seek to reflect the lifestyles of high net worth individuals in other ways. For example, high net worth individuals travel extensively and will want to take valuable items such as jewellery or cars with them. This requires insurance cover that is flexible and does not impinge on the lifestyles of policyholders through restrictive requirements and warranties.

Global assets and aspirations

The international nature of high net worth assets and lifestyles has become an important consideration for brokers and insurers, and one that raises a major challenge for insurers’ product and service offering.

Most high net worth individuals will have assets in more than one country, while ultra high net worth individuals are known to move frequently around the world between homes, and for business and holidays.

Many insurers lack the necessary international footprint to cover risks in other countries,
while national insurance laws often require locally issued household and motor policies. For example, regulations in the US often require locally issued policies for personal lines property insurance.

James Lindow, senior global client underwriter, Chubb, says: “Some brokers struggle to find an insurer that can cover high net worth international risks because most competitors do not have the international capability, presence or licences.”

Maintaining service standards across borders is also a complex task, given differences in time zones, regulations, local working practices and culture.

Tara Parchment, vice-president, UK & Ireland personal lines manager at Chubb, says: “We look to offer a global solution, it is important not to lose sight of claims service. In the event of a loss, we need to be able to respond in a way that meets clients’ expectations and that is aligned with Chubb’s reputation.”

Technology can help improve service

The embedding of the internet in everyday lives also has an effect on consumer service expectations, as shown by the growth in online sales and comparison websites in the mass personal lines market. High net worth individuals are not immune to such changes.

For example, most high net worth individuals are already requesting documentation, such as appraisal reports, to be issued electronically. There is also growing demand for client portals, which enable high net worth individuals to access information, such as policy documentation, appraisal reports and claims.

The digitalisation of high net worth insurance could reinforce and enhance the role of the broker, rather than making them redundant. Digital technology can help brokers and insurers improve service levels and provide a better product all round. In addition to helping mitigate risks, technology can improve response times, speed up claims processing and improve communication between insurer, broker and client.

According to Charles-Henri Pavie, personal risk services manager, France, Chubb, the high net worth market is still all about personal contact, but that does not mean that it would not benefit from digital forms of communication.

“The younger generation has grown up in a digital age and has different expectations. They will compare the insurance industry to the likes of Amazon and expect fast responses and decisions,” he says.

“IT MAY BE POSSIBLE TO HAVE A HIGH NET WORTH PRODUCT WITHOUT A BROKER BUT THAT IS A LONG WAY OFF. UNDERWRITERS NEED THE COMFORT OF KNOWING THE CLIENT AND THAT TAKES A BROKER”

Jo Nixon
continental Europe manager for personal lines
Chubb

"YOUNGER HIGH NET WORTH INDIVIDUALS HAVE DIFFERENT PASSIONS AND TRAVEL MORE. THEY WILL ALSO DEMAND MORE DIGITAL SOLUTIONS”

Charles-Henri Pavie
personal risk services manager, France
Chubb
A cornerstone of Chubb’s high net worth insurance offering is its personal appraisal service, which brings many benefits to the client, the broker and the insurer.

Chubb carries out an appraisal of all high net worth properties and contents, as well as car collections valued at £2m and above.

Each appraisal visit is very different. Depending on the size of the property and levels of coverage in place, a visit could take anywhere between one hour and three hours. The longest appraisal carried out by Chubb took three days on site.

Chubb’s Infrared Camera Service uses cutting edge technology known as infrared thermography to help customers learn more about their home and may help avoid losses.

Thermography is the technique of producing images using infrared wavelengths. The infrared camera detects these invisible wavelengths and assigns colours to the surface temperatures of the objects in the image. This gives the risk consultant an excellent method for analysing the images and diagnosing the condition of the overall building.

Once the visit has been completed, the risk consultant drafts an appraisal report for the underwriter and the customer. This includes their rebuild calculations, evaluation of contents and valuables, as well as photos. Risk management advice is also included.

An appraisal will capture critical information for the underwriter and the client, especially for more complex and high value risks. The information can be used by the broker and underwriter to ensure the client has appropriate cover.

APPRAISALS:
A strong foundation to build on

Change in popularity of asset classes during past 10 years

% of respondents who said allocation had increased

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Europe</th>
<th>Global</th>
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</thead>
<tbody>
<tr>
<td>Investments (equities, bonds etc)</td>
<td>62%</td>
<td>54%</td>
</tr>
<tr>
<td>Primary residence and second homes</td>
<td>59%</td>
<td>49%</td>
</tr>
<tr>
<td>Real estate investments</td>
<td>64%</td>
<td>49%</td>
</tr>
<tr>
<td>Cash</td>
<td>41%</td>
<td>36%</td>
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<tr>
<td>Personal businesses</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>Collectibles (art, wine, classic cars etc)</td>
<td>39%</td>
<td>26%</td>
</tr>
<tr>
<td>Precious metals</td>
<td>9%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: Knight Frank
in place, based on up-to-date values, and that all valuable assets are included.

The risk consultant will review coverages to ensure the right amounts are being covered and under the right sections of the policy. Often, policyholders may have to provide their own rebuild cost to insurers, but an appraisal takes this burden away from the policyholder.

The appraisal is also an opportunity for the insurer to identify any potential issues and make recommendations to reduce risk and avoid loss.

For example, a recent Chubb appraisal for a client’s £6.5m property identified potential problems accessing fire hydrants, which were then resolved by involving the emergency fire services.

Third-party experts, such as security consultants or cyber security firms, can also be involved with an appraisal, offering specialist advice on protecting safes, as well as security or environmental control systems. In the past, Chubb has arranged for clients to meet with specialist wine valuers, African art specialists, tribal art specialists, and others.

Clients also benefit from advice on how to mitigate losses through crisis planning. The appraisal service includes planning for a potential loss, such as a fire or flood, thinking through how best to save valuable items – for example, valuable assets are identified and staff given responsibility and instruction on how to salvage them when safe to do so.

The appraisal is also a useful tool for brokers, who can agree changes to the policy there and then. In addition to ensuring that cover is appropriately tailored to the client, the site visit is a good opportunity to spend time with the client.

According to Stephen Wilkinson, European risk consultants manager, personal risk services, Chubb: “The visit is always easier if the client and broker are able to meet with us onsite. This gives all parties peace of mind, adequacy in cover, and extended replacement cost given on buildings and contents where appropriate, while risk management advice can be discussed in situ.”

It also presents an opportunity to cross-sell or to identify assets that are underinsured or not covered at all. Mr Wilkinson says: “On one visit, the client advised he had just purchased a high-value car and needed cover in place, so the broker advised he could assist them with this and, as a result, the broker and Chubb picked up the business.”

Information and photographic evidence gathered during an appraisal can also help when it comes to making a claim. With detailed information already to hand, the broker and the insurer can quickly understand the basis of the claim and potentially agree a settlement in a much faster time.

**Tailored claims that go the extra mile**

High net worth insurers have to be more flexible when settling claims than general personal lines insurers. They also need to be experts in a wide range of areas, using a network of specialists and contacts to repair damaged property or source replacements for rare and unique objects.

Given individual preferences and expectations, the claims service needs to be bespoke to the client, with the insurer willing to go the extra mile when accommodating the needs of high net worth individuals.

For example, Chubb has found many creative solutions for policyholders that have suffered damage to their homes and valuable possessions. These range from offering to send customers on holiday while their property is being repaired to arranging for a diver to locate a valuable watch from the seabed instead of simply treating the claim as a total loss.

The insurer has also helped one policyholder purchase a property to provide alternative accommodation, while it built a temporary structure at another client’s property to enable them to stay at their residence while work was carried out.

Anne Phillips, senior executive claims adjustor, Chubb, says: “When it comes to claims we are very flexible. We don’t follow a script and can be as creative as we like within the boundaries of the cover.”

High net worth insurers like Chubb have spent years and decades building up a network of experts to assist with claims and valuations. In addition to specialist loss adjusters and engineers, high net worth insurers have to seek out experts in fine wine, art, jewellery and classic cars, as well as highly specialised areas like tapestries or chandeliers.

For example, damage to soft furnishings like carpets and curtains, or unique designer furniture, require expertise to replace or repair. Such claims can run into the tens of thousands of dollars or euros and require high net worth insurers to work with designers and craftsmen as well as source unusual or one-off materials. In one claim, Chubb specially flew in designers from Italy to repair a piece of designer furniture.

Top designers are not only a consideration for home interiors. They are increasingly used outside the house too. Recent years have seen the value of gardens increase as high net worth individuals use garden designers and spend more money on landscaping and external art – all of which need to be captured and valued through appraisals and considered in the coverage and claims.

The same is true for jewellery and precious stones. Sourcing replacements for unique and valuable gems, like coloured diamonds, can be challenging if policyholder expectations are to be met.

Ms Phillips adds: “High net worth individuals have high expectations and specific requirements for how their claims are settled. Speed and quality of settlement is critical. High net worth individuals do not want hassle.”

Chubb, which handles around 6,000 claims per year from high net worth clients in the UK and Europe, provides a detailed first response to 91% of all claims reported within 24 hours and makes settlement payments within 48 hours of a claim being agreed for 93% of claims.
**CLAIM CASE STUDY 1:**

**Mysterious disappearance**

- Chubb recently reunited one high net worth policyholder with a watch of sentimental value after it mysteriously disappeared at home.
  - Following a call from the distressed policyholder, the company arranged for one of its in-house adjusters to visit the insured and better understand when they had last seen the item and when it could potentially have been misplaced.
  - It soon became apparent that the insured had recently engaged a firm of contractors to complete various internal modifications to their home and this had involved various trades accessing all areas, including the rooms where the watch was last seen.
  - Chubb appointed a firm of respected damage mitigation specialists to complete a thorough top to bottom clean of the house, with a specific brief to move all heavy furniture items to search underneath and around as part of the “deep clean”.
  - Although it was not possible to pinpoint how the watch had become misplaced, the mitigation specialists did locate the watch and return it to a very happy and relieved policyholder.

**CLAIM CASE STUDY 2:**

**Sourcing a rare sapphire**

- Chubb faced the challenge of replacing a rare and valuable sapphire after damage was noticed by the insurer’s jewellery expert.
  - The sapphire, valued at £1.5m, was set in an 18ct white gold sapphire and diamond ring. The sapphire was a rare natural, unheated Burmese antique cushion shape gemstone of 15.87ct.
  - The damage to the sapphire was noticed by Chubb’s jewellery expert in the UK – John Benjamin of the BBC’s Antiques Roadshow – when he was instructed by underwriters to value all of the jewellery.
  - Using forensic high resolution photos of the gemstone, Chubb was able to establish that the sapphire had been accidentally damaged and could not be repaired or safely re-set. A review of jewellers’ records confirmed that the damage occurred during the policy period.
  - The challenge for the insurer was to find an equivalent replacement gemstone, which is no easy task. The price of Burmese sapphires is extremely subjective and the carat price can range from $11,000 to $60,000. There is also usually a fee payable for sourcing such a gemstone as the net has to be cast worldwide, due to its rarity.
  - Chubb asked two respected jewellers to source the gemstone. Within two weeks, two stunning certificated gemstones had been located and they were shipped to the UK (at the insurer’s expense) for the policyholder’s inspection in Hatton Garden. One came via Hong Kong and the other was couriered from Antwerp.
  - The policyholder was able to choose between the gems, or take the option of a cash settlement.

**CLAIM CASE STUDY 3:**

**Hyper car, hyper claims service**

- When a high net worth policyholder crashed his LaFerarri hyper sports car, valued at £1.7m, Chubb had to go to extraordinary lengths to restore the vehicle to the owner.
  - Repairing hyper cars is far from straightforward and in this case was beyond the experience of the dealer that supplied the car. Chubb used its contacts to arrange for the car to be shipped out to the factory in Italy for repair.
  - The insurer flew one of its claims experts to Italy and agreed repair methods and costs and personally ‘concierged’ the repair. At a cost of £649,500, the repairs were completed and signed off in June 2016, six months ahead of schedule, and then shipped to the client’s yacht in Marbella.
  - The client praised Chubb for the efficient handling of the claim: “It is almost unbelievable that my only interaction has been one phonecall and one email. This is the most outstanding level of customer care and service I have ever experienced. I am glad I was protected by a fair and customer-focused broker and underwriter.”
Appraisal service

A European client recently purchased a large estate in the West Country and a London home for his family. Both locations housed significant but very different collections of fine art and valuables.

In line with its usual policy, Chubb arranged an appraisal for each location, which had very different requirements and required a bespoke approach. On this occasion, the same risk consultant visited both homes and met with the insured to discuss the policy, coverages in place, and offer risk management advice.

Chubb’s risk consultant assessed the architectural features of the home and its construction, the quality of the internal fixtures and fittings and took detailed measurements. This allowed them to calculate a rebuild cost following the visit.

The risk consultant also assessed the general contents onsite and then reviewed the schedule of valuables to ensure all items were adequately and appropriately covered. They also reviewed the security and fire protections onsite as well as other perils, using a thermal imaging camera to detect infrared radiation and surface temperatures to identify possible anomalies.

Chubb also made recommendations where they believed enhancements in the protections would be of benefit. On this occasion, the risk consultant identified that the fire alarm in the country residence was not as comprehensive as it could be and recommended adding further detectors to cover the attic floor where the insured’s young family’s bedrooms were located. In addition, as the property was going to be used mostly at weekends, water leak detectors were recommended.
Key insurable asset classes

High net worth individuals own a wide range of valuable items but there are a number of assets that emerged as particularly desirable in recent years, both as items of passion or just pure investments.

When investing in high value assets, high net worth individuals will want to protect their investment or treasured possession. The financial risk of losing a valuable car or work of art to fire, theft or flood can be more than some individuals are willing to take, so they will look to transfer the risk to insurers.

**Classic cars**
Classic cars have been the top-performing luxury asset class in recent years, with values rising 490% between 2005 and 2015, according to Knight Frank. Classic car values increased 7% in 2015, making them the second best-performing asset, although prices at auction have started to ease off in 2016.

In recent years, heritage cars from the 1950s and 1960s – especially with a racing pedigree – have soared. Ferraris from this period have done particularly well in terms of values.

However, as the generation of collectors changes from baby boomers toward millennials, some cars are proving more popular than others. Pre-war cars, for example, are proving a more difficult sell. Bonhams could not find a buyer for a 1931 Type 51 Bugatti Grand Prix Roadster at an auction last summer. At the same time, prices have been increasing for modern supercars, which are made in very limited numbers.

Cars are at risk of theft, which is often a chief concern to high net worth individuals, although the risk of fire may in fact be greater and more costly.

Key considerations for underwriters when insuring classic cars are where and how they are stored, as well as how often they are driven, while a car’s provenance can have a big effect on values.

**Fine art**
Fine art prices have also performed well in recent years, and are up 226% during the past 10 years. Values of fine art can be very high indeed – Chubb insures a Gustav Klimt painting for £32.2m, part of a £77.8m collection, as well as a JMW Turner painting valued at £31m as part of a £71.3m collection.

Accidental damage is a main concern, especially for fine art that is on display. Chubb advises that fine art should be professionally hung and transit should always be handled by professionals. Keeping on top of values is also key when managing an art collection, while management and regular valuations by an expert are vital to avoid underinsurance.

**Jewellery**
Jewellery, gemstones and watches are also high value assets typically purchased and collected by ultra high net worth individuals and values have been increasing.

Chubb insures a number of rare gems valued in the many millions – one client owns three rings each valued at between $3m and $14m, which form part of a collection valued at $45m.

Security and travel are key aspects for jewellery and underwriters will want to know about jewellery wearing habits and travel patterns, as well as where items are stored when not being worn.

The majority of value in a piece of jewellery is usually in the precious stones, so it is prudent to regularly check the settings of any stones.

As with other assets, it is important to keep on top of jewellery values – even ‘off the shelf’ high end jewellery and watches can increase by between 5% and 15% year on year.

For classic cars, fine art and jewellery, damage can have a big impact on values, even after they have been expertly repaired. For example, accidental damage to a work of art – such as a tear in a canvas – can be expertly restored, but residual damage can have a dramatic effect on value. However, financial loss from the depreciation in value can be insured and reflected within a claims settlement, in addition to the repair costs.
given the high values at risk, their complexity, and the need for a bespoke service, the high net worth market is far removed from the high volume personal lines market. It is very much a market for specialist insurers and brokers.

In the past, high net worth individuals were mainly served by ‘national’ general insurance markets. But 20 years ago, a small number of insurers, including Chubb, developed insurance propositions specifically targeted to high net worth individuals.

Today, the specialist high net worth market in the US is estimated at around $7bn a year in premiums, while in the UK the high net worth insurance market is expected to exceed £750m by the end of 2017.

However, the various national high net worth insurance markets are at different stages of development.

Specialist high net worth insurance is purchased most frequently in the US and UK, where there are a number of high net worth insurers and an established network of specialist high net worth brokers. However, even in these mature markets there are thought to be high levels of underinsurance, while many high net worth individuals continue to buy their cover from non-specialist insurers.

In continental Europe, where specialist high net worth insurance is less well developed, underinsurance is thought to be even greater, while most high net worth individuals continue to purchase insurance from historical insurers, which do not have dedicated high net worth products and services.

Chris O’Rourke, European signature manager, Chubb, says: “Even for classic cars, some individuals still insure with general insurers. Motor insurance is still seen as a commodity purchase by many without revisiting the general market pitfalls, although as asset values continue to increase we expect this to change.”

Underinsurance is one of the big opportunities for high net worth insurers. According to Accenture, some seven out of ten luxury homes may currently go underinsured. The consultant also believes that many high net worth individuals do not increase their coverage limits to keep pace with the rising value of assets or risks.

The main factor in France is simply no insurance and underinsurance, according to Charles-Henri Pavie, personal risk services manager, France, Chubb. Many high net worth individuals in France are not aware that specialist cover exists for their assets, while sensitivities around disclosing assets and taxes are also a barrier.

“Penetration rates in France are low and brokers are key to increasing the take-up of high net worth insurance. There are opportunities for brokers in France that can provide the service standards required by high net worth individuals,” he says.

One of the biggest opportunities for brokers is through cross-selling property, motor and high value asset coverages. Cross-selling can pick up uninsured or underinsured items and transfer risk from the general market and into the high net worth market.

Tara Parchment, vice-president, UK & Ireland personal lines, notes: “It’s not just about helping brokers identify potential clients but also helping them cross-sell into other areas, like jewellery and cars.”
Challenges of access and price

While huge opportunities exist in underinsurance, there are some notable challenges for insurers wanting to expand in the European high net worth market – not least the underdeveloped high net worth broker network in many European countries, difficulties in identifying and accessing high net worth individuals, and a price-focused approach to personal lines insurance.

For example, the German market may be large but it is also difficult to access. Unlike the UK, where there are a relatively large number of high net worth brokers, some 80% of high net worth business in Germany is thought to be in the hands of general insurers and their tied agents. And also unlike the UK, where much wealth is concentrated around London, wealth in Germany is evenly distributed across the country.

Access to the German personal lines market, in particular, is limited. Although there are some 42,000 brokers and 250,000 agents, there are very few that specialise in high net worth insurance.

According to Till Waitzinger, Germany and Austria personal lines manager at Chubb, the traditional non-life market in Germany does not currently meet the needs of high net worth insurers.

“The number of wealthy people in Germany is increasing and there are huge insurable assets that are untapped and growing. Brokers can really succeed in this market if they put their minds to it and take care of these people,” he says.

Another challenge for high net worth insurers and brokers is to overcome the pervasive message of price in personal lines.

Dave Foster, director, Lark Insurance, says: “Often, clients start by focusing on price but we have to go through an education process. We need to overcome the commoditised message that abounds in the insurance world.”

An unsatisfactory claim result or poor service can prompt high net worth individuals to move to the specialist insurance market. But brokers and insurers need to more broadly address the issue and convince potential clients that it is worth paying the price for a specialist product with high levels of service.

In this context, some brokers may need to rethink their approach to the high net worth market, according to Charles-Henri Pavie, personal risk services manager, France, Chubb.

“Today, brokers talk only in terms of price but in this market we need to explain the difference in product and talk about why it is important to pay for the right cover.

“If brokers do not change their approach then we will not succeed, as there are others that better understand the needs of high net worth individuals, such as private banks, that will fill the space,” he says.

Identifying and accessing high net worth clients is also a challenge, although insurers are willing to share data and analysis with brokers to assist in their marketing.

High net worth individuals tend to be very private, short on time, and will not naturally consider insurance a high priority.

“Identifying high net worth individuals is a challenge for brokers. Insurance is too often the poor relation to investment management. High net worth individuals will pay for the best of everything, but there is not the same focus when it comes to insurance,” says Alan Gorman, European property manager, Chubb.

Walther Muumans, owner of Assicuro Private Insurance, explains the lengths a specialist broker has to go to earn the trust of high net worth clients: “I eat with them, drink with them and live among them. It is important in the high net worth market to make that connection.

“They won’t reply to an advert. These relationships are built on many pillars,” he says.

Marketing to high net worth individuals is an expensive and time-consuming process, while many brokers are relatively small outfits with limited resources. At the same time, brokers are competing with better resourced private banks.

Selling high net worth insurance requires patience, as it takes time to win their trust and then build on the relationship and cross-sell from motor to property or vice versa.

Mr Muumans of Assicuro Private Insurance explains: “Clients don’t want us to sell them an insurance policy. You have to give high net worth clients time. They like to make decisions themselves and they do not like to be pushed into things.”

“Identifying high net worth individuals is very complicated if not impossible in France. Access is done only by word of mouth between clients and their friends”

Delphine Vermer
head of the private clients department, Diot S.A.
What can insurers do?

The high net worth insurance product is already considered very broad and flexible, so there are limited opportunities for insurers to improve the core offering. However, there are a number of areas where insurers can improve their overall high net worth proposition.

If high net worth individuals are paying for a specialist product, they expect a hassle-free experience in which they have to do the absolute minimum, and in which they receive an exemplary level of service.

Details really count in the high net worth market, according to Keith Monaghan, Private Client Director of Barrett Private Insurances. For example, some insurers are able to take payments from clients in their local currency, while others only take payment in sterling. This can really frustrate high net worth individuals, who then spend valuable time investigating unexpected bank charges.

“There is always more they can do to make life easier for clients,” he says.

High net worth clients also do not want to be bothered by the internal workings of insurance companies, nor do they understand why insurers may be able to cover some risks and not others.

For example, one broker contacted for this report recalled a longstanding customer was refused travel insurance because of their age. A better approach would have been to continue the cover but charge an additional premium, the broker says.

Insurers could also look to offer all-encompassing coverage, according to brokers. For example, if a carrier is not able to cover a particular specialist risk, such as a yacht or a light aircraft, they could find alternative solutions, such as partnering with another specialist provider or managing general agent.

Mr Monaghan of Barrett Private Insurances urges insurers to become the “complete solution” for the wealthy and successful:

“Insurers should aspire to become the true high net worth insurer. It needs to be easy for the client, slick, impressive and a solution that catches all things. It’s not just about cars and houses. If someone has made their money out of the music industry, look to see if you can offer intellectual property cover,” he says.

Insurers can also use their size and resources to better promote the market more directly to high net worth individuals, pushing the value proposition of the specialist product and how it differs from that of the mass market.

Dave Foster, director, Lark Insurance, says: “Insurers could use their brand more intelligently. They need to speak of things other than price and focus more on trust. There needs to be a more intelligent conversation that goes to the heart of insurance.”

Some brokers would like more targeted assistance when marketing to high net worth individuals, who are difficult to identify and gain access to.

Mr Foster of Lark Insurance says: “Insurers offer assistance with marketing, but they could do more to help us target future business. Insurers have the scale and data and analytics to better identify opportunities.”

Courting high net worth individuals takes a lot of investment and time, according to Walther Muumans of Assicuro Private Insurance.

A classic car enthusiast, Mr Muumans attends classic car rallies and concourse events in order to meet high net worth individuals. However, such an approach requires the support of high net worth insurers, both financial and in terms of commitment, he explains.

“This is not a typical product and a lot of effort has to go into building a book of business over a long time, and that requires a long-term partnership with an insurer,” he says.
SECTION 4: CONCLUSION:
A market with lots of potential

Given the clear trends of continued wealth creation, an increase in physical assets and values, high levels of underinsurance, and low penetration of specialist brokers and specialist insurers in some markets, the high net worth market clearly has plenty of room to grow in Europe.

Despite an expected slowing of growth in the numbers of ultra high net worth individuals during the next decade, the prospects still look good for the specialist high net worth insurance market.

New wealth will continue to be created, while many markets in Europe and Asia are still relatively untapped. The combination of low market penetration and growing demand suggests there are significant opportunities for high net worth insurers and brokers. Even in more mature markets like the UK, there are still opportunities in plugging the gap of underinsurance and attracting business currently insured in the general insurance market.

Growth opportunities in the continental European high net worth market could be particularly attractive, given the region’s growing high net worth population and considerable underinsurance, with much risk remaining in the traditional national insurance markets.

“Weas brokers, we need help to fund the promotion of our brand and to attend key events, like historic car rallies, where I can meet prospective clients”

Walther Muumans
owner of Assicuro Private Insurance

Chubb estimates that the US high net worth market could be worth around $40bn a year in premiums, although insurers only manage to capture around $7bn.

In the UK and continental Europe there is less certainty about the size of the market since little of it is visible and because clients are more prone to underinsurance or no insurance. However, Chubb estimates the European premium potential at around €5.6bn, of which only a fraction is insured by specialist high net worth insurers.
I am a homeowner. Protect me.

I have a city penthouse and a country home.

I have vintage wine in my cellar and classic cars in my garage.

I have art and jewellery handed down through generations.

I have many irreplaceable assets and my family’s lifestyle to protect.

I want a particular kind of protection and level of service that comes from decades of experience insuring individuals and families and their valuable possessions.

Not just coverage. Craftsmanship.SM

Not just insured.

Chubb. Insured.SM

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