



GOING FOR THE GOLD

Strategies for success in the high net worth market

By Elisabeth Boone, CPCU

“**T**here are people who have money and people who are rich.”

When high-fashion designer Coco Chanel uttered those words, she articulated an important truth about the differences between people who are merely comfortable and those who possess the kind of wealth others can only dream of.

Understanding those differences is crucial for agents and brokers who choose to pursue high net worth clients, according to experts and specialists in this challenging market.

Rough Notes spoke with Annmarie Camp, executive vice president and sales and distribution leader of Chubb Personal Risk Services; Lisa Lindsay, executive director of the Private Risk Management Association; and agents Spencer Houldin, president of Ericson Insurance Advisors in Washington, Connecticut, and June Taylor, president of Wilkinson Insurance in White House, Tennessee.

The high net worth market is strong and growing, says Camp, and insurers are responding with offerings that are custom crafted for affluent clients. “We’ve shifted from being an insurance carrier that’s just there to repair and replace post-loss to focusing on how to predict and prevent loss to protect our insureds from

experiencing a loss at all, or at least mitigating that loss to a much lesser outcome,” she notes.

Camp offers an example. “Almost anywhere in the United States there’s likely to be some kind of weather catastrophe. We invest heavily in helping people prepare for an event prior to its happening. In areas prone to wildfire activity, measures can be as simple as brush clearing and range to more sophisticated assistance when a wildfire is occurring.”

Chubb also consults with insureds who are planning to build a house in an area that may be subject to wildfire, flooding, or high winds, and agents have a key role to play in this endeavor, Camp asserts. “The more agents and clients can be persuaded to



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seek advice from us, the more we can help them use construction techniques and materials that are designed to mitigate risk.”

Safety is another area in which Chubb actively assists high net worth insureds and their families. “Whether it’s travel safety advisories for families who are vacationing or for those whose children are going away to school, it’s about engaging experts who can help them be mindful of techniques to keep them out of harm’s way,” Camp says.

Chubb’s advertising campaign, called “Move Up to Chubb,” is designed to encourage affluent people to contact their agent and ask about obtaining insurance from Chubb. “It’s designed to generate leads for our agency plant,” Camp explains.

“Our combination of several strong insurers—ACE, Fireman’s Fund, and Atlantic Mutual—has allowed us to build up a vast amount of data about consumer preferences, so we can target mailing pieces to communities where affluent prospects reside, and we work with our agency partners to develop those new business opportunities.”

What factors drive agency success in the high net worth market? “It’s about commitment, leadership, investment, and creating synergistic relationships with centers of influence and among the agency’s departments: personal, commercial, life, health, and benefits,” Camp asserts. “Agents should focus on becoming part of the high net worth client’s overall wealth management strategy.”

Going all in

Ericson Insurance Advisors is one agency that is dedicated to meeting the needs of high net worth clients. “We’re a second generation agency,” says Spencer Houldin, president. “My brother and I bought the stock from our father about 11 years ago. We decided to retool our agency to focus on the client who wants a different customer experience and who isn’t focused primarily on price. That led us to begin pursuing the high net worth market.

“When my brother and I took over, the agency wrote \$6 million to \$7 million in premium, and we’re now at \$30 million,” Houldin says. “Our office is about 90 miles from New York City, so



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President
Ericson Insurance Advisors

it’s a community of second homes for many people.

“Today we have about 20 accounts where the premium for auto and homeowners insurance is over \$100,000,” Houldin reports. “We have brought on a claims manager who is available to our clients 24/7. Internally we’ve developed expertise in areas of concern and interest to our clients, including fine arts, jewelry and antique cars. We’ve brought in partners who specialize in personal security to do background checks on our clients’ domestic employees, caterers, and others who will be in their homes.”

Working with high net worth clients requires a different skill set than those commonly used in working with Main Street clients.

Houldin points out, “It’s tough for a customer service rep to go from working with a Main Street client to doing whatever is necessary to satisfy a high net worth client. For this reason, we have CSRs who are assigned to serve our affluent clients. Accounts that generate \$12,500 in premium and up are handled by a dedicated team of CSRs, while accounts below that level are serviced by another team. The team that handles the higher premium accounts have cell phones provided by us with the expectation that they’ll be on call for emergencies, whether it’s for service or a claim. They have full permission to do whatever is needed to deliver an incredible client experience.”

A major exposure faced by high net worth clients, Houldin notes, is cyber

liability. “Picture kids on the Internet, telling the world where they are and what they’re doing,” he says. “They’re opening themselves to hacking of their parents’ system or even to kidnapping. That’s why today we’re talking a lot more about cyber security.”

Most of Ericson’s clients have domestic employees. “The client needs to carry workers compensation, but the employee exposure goes beyond on-the-job injury,” Houldin explains. “Many affluent clients employ chauffeurs, and these drivers tend to know everything about the family: They know their schedule, they can hear phone conversations in the back seat, and they know if the husband has a girlfriend or the wife has a boyfriend.

“In a case we had several years ago, a driver used the employer’s car without permission in the middle of the night and had an accident, and our client let the driver go. Next thing you know, the driver came back to the family and threatened to reveal information about them if they didn’t pay him off. This is why we work with security specialists to do background checks on our clients’ employees and educate them on how to avoid these vulnerabilities.”

To place coverages for its high net worth clients, Ericson works with Chubb, AIG Private Client Group, and PURE. “For extremely high-value exposures like art collections that are worth \$100 million, we use certain specialty programs,” Houldin says.

“You need to realize that working in this space requires a very different mindset than dealing with Main Street clients,” he adds.

Small market, big risks

White House, Tennessee, located some 25 miles north of Nashville, has its share of affluent clients, and Wilkinson Insurance has recently begun to pursue this market, says President June Taylor.

Wilkinson is a family-owned agency; Taylor bought the firm from her parents, and her 28-year-old son also works there, representing the fourth generation of the family. The agency has nine employees.

“White House is a town of about 12,000 people, and our target area is within a 50-mile radius that includes metropolitan Nashville,” Taylor explains. “About 65% of our volume is personal lines and 35% is commercial, mostly accounts in the \$5,000 range.”

In terms of affluent prospects, Taylor says, “White House has the highest median income in our county. We began to seriously pursue the high net worth market about four years



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Private Risk Management Association

ago, and I realized that to succeed in this space, I would need to develop a new kind of expertise, so I focused on acquiring these skills.

“I’ve gone through the Certified Personal Risk Manager (CPRM) program offered by The National Alliance for Insurance Education & Research. It’s a five-part program to train agents to meet the insurance and risk management needs of affluent and high net worth clients,” she explains. “The program combines risk management, technical information, and account development.” (For information about the CPRM program, visit The National Alliance website at www.scic.com.)

“We have a growing book of high net worth business,” Taylor continues. “Of course we don’t expect high net worth prospects to respond to a message on our website, so we focus on obtaining referrals and on building relationships with centers of influence in our target area. It’s a slow process, but the investment of time and effort is necessary to cultivate the connections that result in our acquiring some very profitable accounts.”

Taylor herself produces the agency’s high net worth business, and is assisted by a dedicated customer service representative who is familiar with the clients and has the characteristics required to service these high-touch accounts. “A person in this position not only needs technical skills and an understanding of what makes high net worth clients different from Main Street accounts, but also must be a great problem solver. These client relationships are long-term as opposed to price shoppers. The retention rate on high net worth clients is higher than that on commercial accounts, where even the large accounts tend to shop price.”

Some of Wilkinson’s affluent clients own farms, which creates a set of exposures that goes beyond the realm of personal lines. “I have a client with a farm who invites his friends to hunt and fish on his property, and that creates a significant exposure not addressed in traditional farm coverages. The major high net worth carriers don’t offer this kind of protection, but I have markets that can write this type of risk, so I won the account.”

Some farms, Taylor notes, have airstrips and the owner may have a plane. Additionally, “owners of farms usually employ labor, so there’s a workers compensation exposure. Some owners keep horses so family and friends can ride. Farms can present a wide range of exposures, some of which are unusual and may be hard to place,” Taylor points out.

Key markets for Wilkinson’s high net worth clients are Chubb and AIG’s Private Client Group, which the agency accesses through a master agency as a member of the Strategic Insurance Agency Alliance.

Networking group

For professionals and organizations that pursue the high net worth market, the Private Risk Management Association (PRMA)—a network of insurers, agencies and brokerages, and third-party providers—offers educational programs. The Chartered Private Risk and Insurance Advisor (CPRIA) certification is earned by completing a six-part online program with corresponding exams. (More information is available at www.privateriskmanagement.org.)

“PRMA was established in 2014, and our trustees represent some of the leaders in the high net worth

market, such as Chubb, HUB, PURE, and USI,” says Lisa Lindsay, executive director. “We launched PRMA for two reasons: first to serve as an advocate for the high net worth insurance industry, and second to elevate the advice that’s given to high net worth consumers. We accomplish this through education, thought leadership, and peer group collaboration.”

PRMA currently has more than 850 members. “The majority of our members are agents and brokers who are active in the market, ranging from large firms like Aon, Arthur Gallagher, and Willis to local and regional firms. Our other members are insurers like those named above, third-party providers that offer services required by high net worth individuals, such as appraisers, restoration specialists, risk mitigation experts, and wealth advisory services,” Lindsay explains.

Although the number of affluent Americans is on the rise, Lindsay observes, that isn’t translating into increased market share for the insurers that specialize in this market. “That’s because many of these individuals are still purchasing homeowners, auto, and other coverages that traditionally are offered to Main Street clients, rather than the customized coverages that are available from the specialist carriers. We attribute this to lack of information about the importance of working with specialists,” she says. “When it comes to affluent and high net worth individuals, one size definitely does not fit all.”

With respect to the high net worth marketplace, Lindsay remarks, “Carrier innovation and a focus on risk management over the past 10 years have been extraordinary, long overdue, and very welcome by agents, brokers, and consumers. The increased level of interest from agents and carriers can be tied to the profitability and stickiness of high net worth accounts. These are clients who value a higher level of advice and service and really want to understand how to manage their risks in the best way possible.”

Lindsay concludes: “The keys to success for agents in the high net worth market are investing in the right talent, having a clear understanding of clients’ lifestyles and individual needs, a desire to educate the client about his or her exposures and provide value beyond the placement of a traditional insurance policy, a willingness to partner with the client to create a personal risk management strategy, and a commitment to making the process as easy as possible for the client.” ■