MarshMcLennan Agency

Private Client Services

Private Client Insurance Benchmarking Study

2023



Make Extraordinary Possible.℠

We are here to help you make extraordinary possible.

Contents

01 Executive summary 04

About the report 04
Key findings 05
Top concerns 06

02 The hardest insurance market in a generation 10

What challenges private clients are facing 11
How private clients are handling hard market challenges 14
Future outlook 17

03 Private client top concerns 18

Natural disasters and property risks 20
Cyber risks 23
Personal liability 26

04 Insurance coverage benchmarking 28

Homeowners or condo coverage 29
Natural disaster-related coverages 30
Personal cyber policies 34
Personal excess liability 35
Auto 38
Valuables 40

05 Balancing the equation 42

Executive summary

The private client personal insurance market is facing one of the most volatile situations in recent years. Driven largely in part by extensive losses due to natural disasters and nuclear verdicts emanating from social inflation, we are experiencing two major consequences. Personal insurance premiums are rising dramatically in many cases, and the availability of coverage is shrinking. These factors are pushing some carriers to cease writing new business and non-renew existing policies in certain states or exit certain product lines or states altogether. This trend is very visible in states like California and Florida which have a history of large catastrophic (CAT) events, yet it is spreading more discreetly and with pace across other states. This is compounded by overly restrictive regulatory environments at the state level. Although regulations were originally designed to protect consumers, they are now prohibiting flexibility and forcing insurers to take drastic actions, which are resulting in the opposite effect for the insured.

All these factors have now created the most challenging insurance market in a generation for clients and brokers, making the timing of this study more valuable.

Marsh McLennan Agency Private Client Services (MMA PCS) embarked on the most expansive study of the private client personal insurance market ever conducted. Our goals were to better understand how individuals and families approach their current challenges and benchmark their concerns, coverages, and outlooks. One critical takeaway that is explored throughout the report is the favorable correlation between advice and outcomes. In short, individuals and families who are the beneficiaries of education and advice, and who take action to mitigate risk, achieve better outcomes than their peers.

About the report

The *Private Client Insurance Benchmarking Study* was conducted in May and June 2023 using online survey data collection. MMA PCS partnered with our sister company Oliver Wyman to gather responses from more than 1,000 insured individuals. This included current clients of MMA and non-clients segmented by the amount of their annual personal property and casualty insurance premium.

Wealth Segment	Annual Personal P&C Insurance Premium
Mass Affluent	**$5,000-9,999**
High Net Worth (HNW)	**$10,000-49,999**
Ultra High Net Worth (UHNW)	**$50,000+**

To gather a complete picture, we approached the study from both qualitative and quantitative viewpoints. From the qualitative side, respondents provided their views of various concerns and the challenges they face in trying to understand and mitigate their risks. From the quantitative side, respondents were asked to provide details about the coverages in place to mitigate risk and how they have been impacted by the challenging insurance market. Question areas included:

- Areas of concern
- Reasons behind concerns
- Level of preparedness
- Impacts of the hardening market
- Cost saving actions
- Coverage priorities
- Property coverage details
- Valuable collections and coverage
- Liability risk and coverage
- Future outlook

Responses were evaluated in aggregate as well as by wealth segment. The resulting study leads with comprehensive trends while noting when there are marked differences in experiences, direction, or coverages between segments.

Key findings

It has never been more important for individuals and families in the private client space to work with a trusted personal insurance broker. In the current hard market, more homeowners are facing non-renewals, less carrier capacity, and carriers pulling out of states most at risk. This leaves homeowners with fewer, more expensive options or worse, no insurance options at all.

Private clients—especially those in the HNW and UHNW segments—increasingly face carrier actions such as non-renewals and premium increases. They also face large losses influenced by natural disasters, inflation, supply chain challenges, nuclear verdicts, and more. In fact, our study found that those purchasing insurance directly from the insurance carrier were more likely to self-insure (i.e., choose not to buy insurance), intentionally lower their coverage limits, and underinsure their risks. By not working with MMA PCS or any broker, these successful individuals and families paid the same premiums and obtained less coverage. These individuals and families were overpaying to be underinsured.



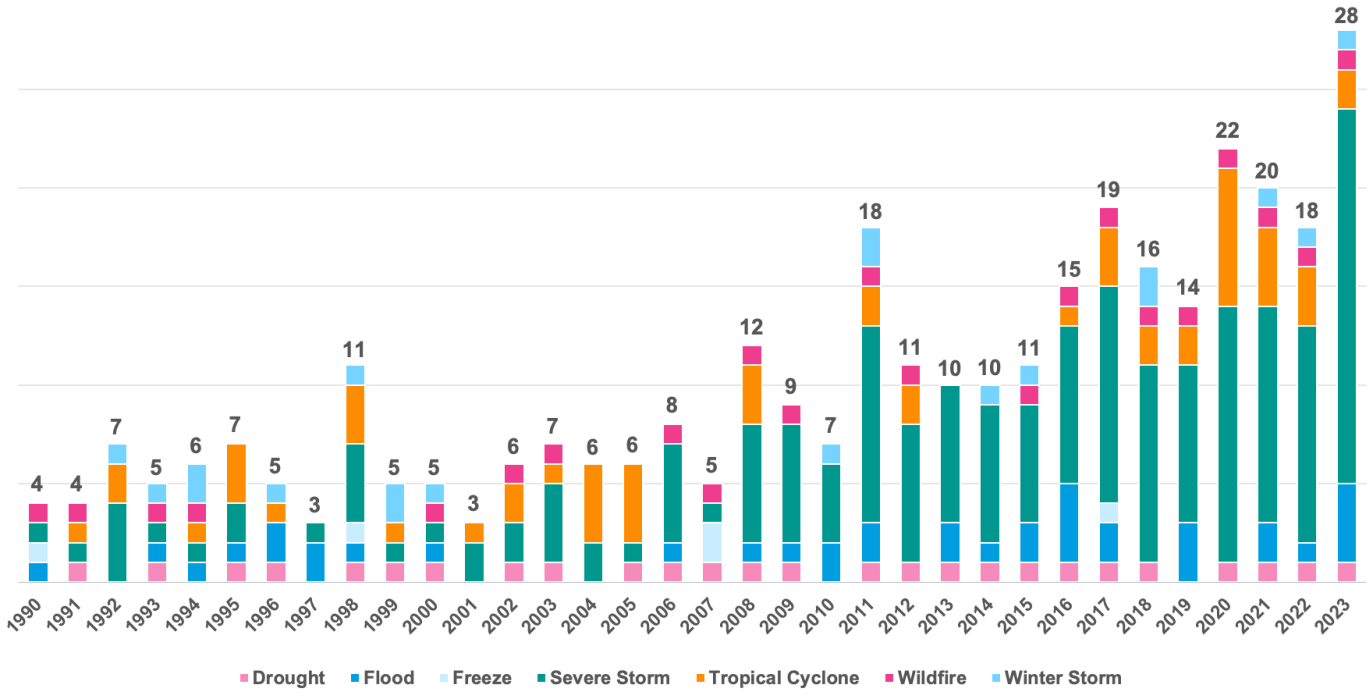
Top concerns

Digging into the top concerns of insureds across all wealth segments, it's not surprising to see natural disasters and related property risks, cyber risks, and exposure to personal liability are at the forefront of private clients' minds. The increase in billion-dollar weather events, the ever-changing unknown and ambiguity of cyber risks, and the growing financial implications of liability-related accidents are all concerning challenges faced by private clients across the country.

These are also the areas in which insureds feel least prepared. While most private clients have some levels of insurance coverage in place to protect against these risks, this does not completely alleviate the concern. Private clients would benefit from additional education around the risks as well as specific steps and access to resources for increased mitigation against loss.

Natural disasters and related property risks, cyber risks, and exposure to personal liability are at the forefront of private clients' minds.

Annual Count of Billion-Dollar Weather Disasters in the U.S.



Source: National Oceanic and Atmospheric Administration, National Centers for Environmental Information



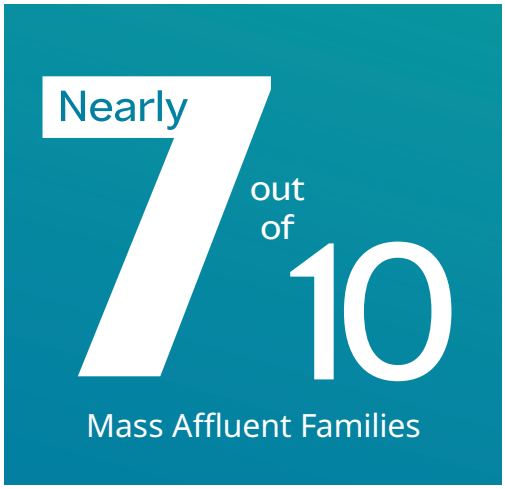
Underinsurance

After exploring specific coverages purchased by private clients across the country, three areas of potential underinsurance stood out—domestic employee concerns, directors and officers liability, and coverage for valuable collections. Of those who indicated they have domestic employees, just over half have employment practices liability insurance, even though liability is noted as a top concern. Similarly, of those who hold roles on boards of directors, less than 60% have purchased directors and officers liability coverage. Most MMA clients who have valuable collections have coverage in place. However, our broader industry research indicates that potentially 43% of high net worth private clients have collections that are uninsured or underinsured.

Asset protection and insurability

In this hard market, insurers are becoming increasingly prescriptive in requiring policy holders to take actions to mitigate risk. Many homeowners are reluctant to comply—23% indicated they would rather look for new coverage than implement protective recommendations. Yet, amid the increasing strains on market capacity, it's critical to focus on creating and preserving the value of the property. Doing so makes the asset more resilient, resulting in fewer losses and less disruption to the homeowners' life. Further, these steps promote insurability, resulting in better access to capacity at better prices. Adopting this approach, MMA clients have seen better outcomes with fewer non-renewals and significantly fewer large losses. Shifting to a more proactive mindset in this area is a critical piece of the puzzle to solve for increased rates of uninsurance.

How many people are overpaying to be underinsured







Balancing the financial equation

Although not a property and casualty insurance risk specifically, financial concerns were also ranked among the top issues on private clients' minds. Successful individuals need a private client risk advisor and advocate who can provide education and consultation on the creative ways to manage their insurance program—such as:

- Adjusting deductibles
- Selectively modifying limits
- Considering alternative coverage structures
- Implementing risk mitigation steps, or
- Exploring new carriers and products

These tactics can be used to balance adequate protection with reasonable premium and affordability.

More than half (56%) of insureds who do not work with MMA do not work with a broker at all. They purchase their coverage directly from insurance carriers, who do not typically offer strategic advice and consultation nor proactively explore various offerings from multiple carriers on behalf of their clients.

Private clients working directly with carriers is higher among the mass affluent (67%) and HNW (60%) segments. Most UHNW private clients recognize the benefit of broker relationships. Yet approximately 4 in 10 are still not benefiting from specialized coverage, consultation, and advocacy they would receive if they worked with a personal insurance broker.

Many simply don't realize that they have outgrown their present arrangements. Their risk profiles—the assets they own and the activities they pursue—have become more complex at the same time the market has become more challenging to navigate without advice and choice.

Even for those private clients who do not consider themselves as having complex insurance needs, the role a broker plays in the consultation around program structure, coverage amounts, and risk mitigation can make a favorable difference in the associated premium levels. An insurance broker is an advocate with a duty of care who sits on the same side of the table as the client. Independent brokers help ensure the best outcome for their clients, from the initial selection of insurance coverages to the claims process.

Our Private Client Insurance Benchmarking Study reinforces the need for private clients to establish a relationship with a trusted personal insurance advisor as a critical step toward protecting oneself, one's family, and one's financial future from loss due to insurable risks.

The hardest insurance market in a generation

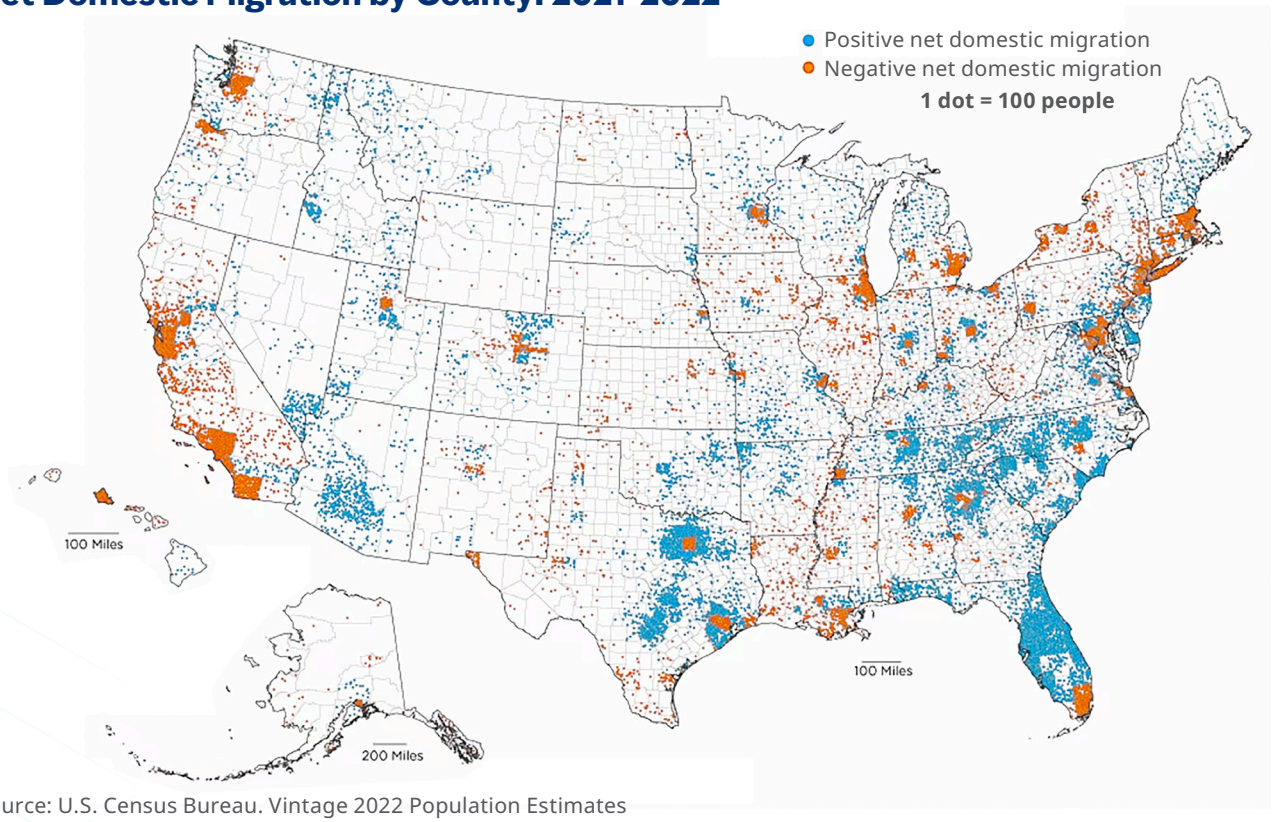
What challenges private clients are facing

Severe weather patterns, a strict regulatory environment, rising liability awards, supply chain strains, and economic challenges have led insurers to make significant changes, particularly in states where rates have been artificially suppressed within a rigid regulatory framework. They're taking drastic action in states where they feel they're not able to capture sufficient premium to match the risks they are being asked to accept. A more flexible regulatory approach will be required to enable a more stable and reliable insurance market for consumers in the future. Reinsurers will continue to restrict capacity until they feel they can generate a reasonable risk adjusted rate of return.

These factors have contributed to a significant and complex shift in the personal insurance marketplace. They also have clearly influenced the top concerns of private clients. Risks to homes, property, and assets are increasing. At the same time, insurers have been tightening their underwriting guidelines and taking steps to reduce their losses. This leaves insureds with fewer—and often more expensive—choices. Additionally, coming out of the COVID-19 pandemic and with inflation recently reaching its highest level in decades, people are more aware of their health and financial risks.

At the core of the present hard personal insurance market is the increasing frequency and severity of storms and other extreme weather events across the United States and globally over the past several years, as well as the rise in frequency of nuclear verdicts. In the U.S., the number of billion-dollar weather disasters each year has gone from an average of less than six per year in the 1990s to an average of 20 per year in the last five years.[1] In fact, there were a record 28 billion-dollar events in 2023. Although weather disasters are not limited to high-risk states, the U.S. saw significant population movement in recent years to vulnerable coastal areas of Maryland, North and South Carolina, and Florida. This only heightens the overall damage potential and makes the insurance picture even more challenging.

Net Domestic Migration by County: 2021-2022

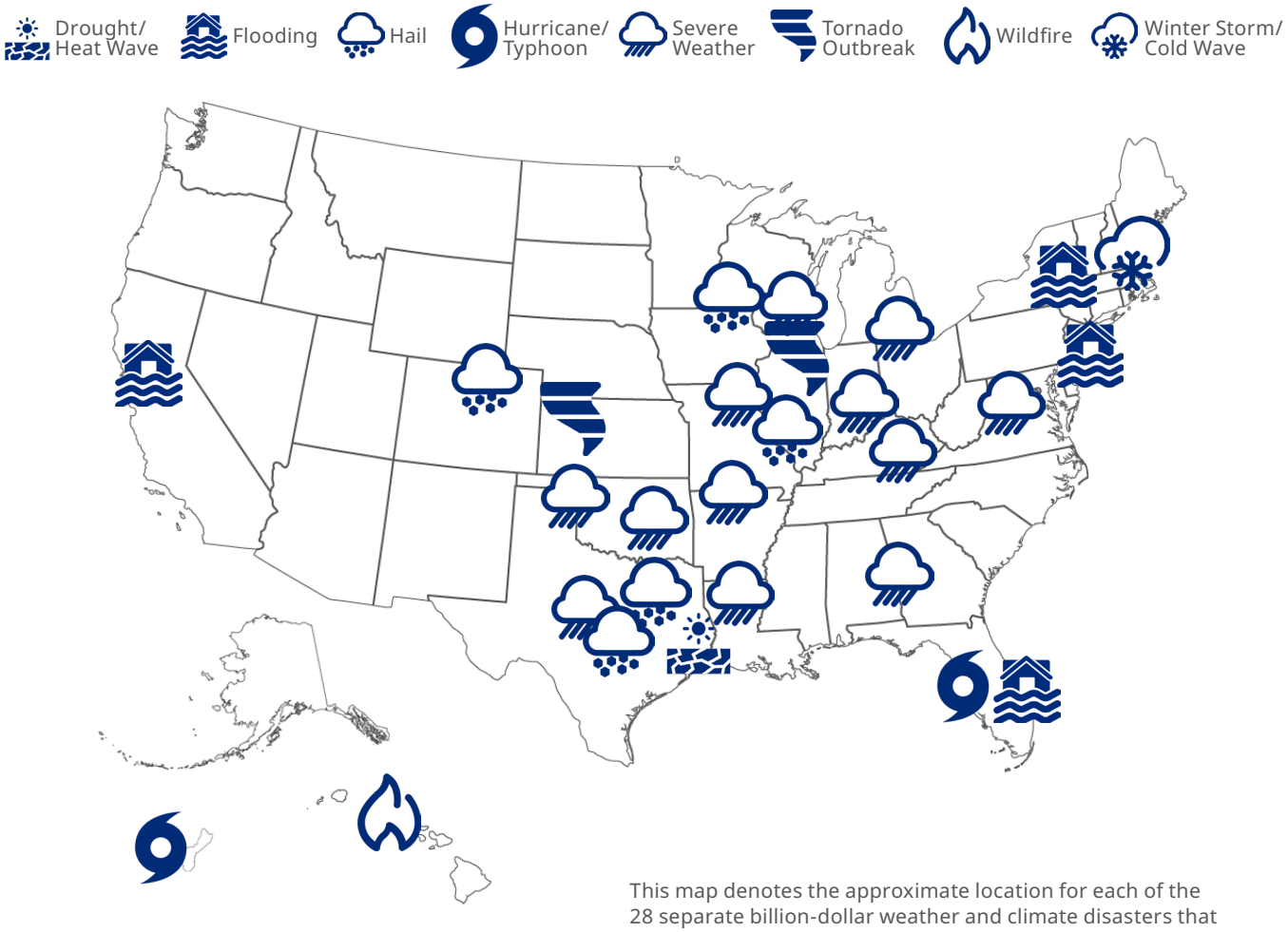


Source: U.S. Census Bureau. Vintage 2022 Population Estimates

The hard market is compounded by inflation, rising prices from increased technology in autos and homes, and supply chain issues. These have all contributed to the increased costs of claims for property and auto insurance in the U.S. Modern technology and features in homes and cars make it more expensive to repair, rebuild, or replace them when there is a loss. Plus, when there are large amounts of regional losses at once, it often results in a shortage of construction supplies as well as skilled labor. Costs are driven up, and homeowners may find that even the extended replacement cost coverage they purchased from specialized insurers is still not enough.

Insurers will continue to tighten their underwriting guidelines and take additional steps to reduce losses. Actions will include ongoing increasing premiums, non-renewal of policies, implementation of stricter coverage guidelines and mitigation requirements, or not writing new policies in certain states.

U.S. 2023 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.

Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2023).

Our study explored which of the challenges below private clients have faced in the past two years. We found that insureds who work with MMA are less likely to have experienced non-renewals, significant premium increases, and large losses across all wealth segments. More than half of MMA PCS clients had experienced none of these, whereas only 39% of non-MMA clients avoided market challenges.

Private Client Market Challenges

What challenges have you experienced in the past two years?	MMA PCS Clients	Non-MMA Insureds
Insurance policy non-renewal	**15%**	**19%**
Can generate premium savings	**38%**	**44%**
Large loss or insurance claim of $100,000+	**9%**	**22%**
None of the above	**52%**	**39%**

Survey participants in the HNW and UHNW wealth segments are much more likely to have experienced a non-renewal or significant premium increase than mass affluent clients. HNW and UHNW clients are more likely to own high-value properties in concentrated areas of high risk. This creates the increased potential for large, catastrophic losses that insurers must manage aggressively to ensure ongoing access to capital. Greater flexibility in terms of rate and program structure are critical to compelling insurers and re-insurers to deploy capacity back into these high-risk areas.

Strikingly, clients of MMA PCS were significantly less likely to have experienced a large loss or claim. Only 9% of MMA clients surveyed experienced a large loss of $100,000 or more in the past two years. Among the HNW and UHNW segments, the differences are even more pronounced in favor of MMA PCS clients with 9% and 12%, respectively, experiencing large losses vs. 19% and 40% of those not working with MMA PCS. A pillar of the service MMA PCS provides is achieving a deep understanding of one's risk profile and tolerance for risk, combined with education, advice, and risk mitigation strategies. Our approach is exclusively aimed at better protecting one's properties and loved ones, increasing asset resilience, improving insurability, shortening claim duration, reducing the number of non-renewals, and assuaging premium increases.

The advocacy and education provided by working with a broker who is on the client's side and has the strength of market relationships results in a more stable insurance program.

How private clients are handling hard market challenges

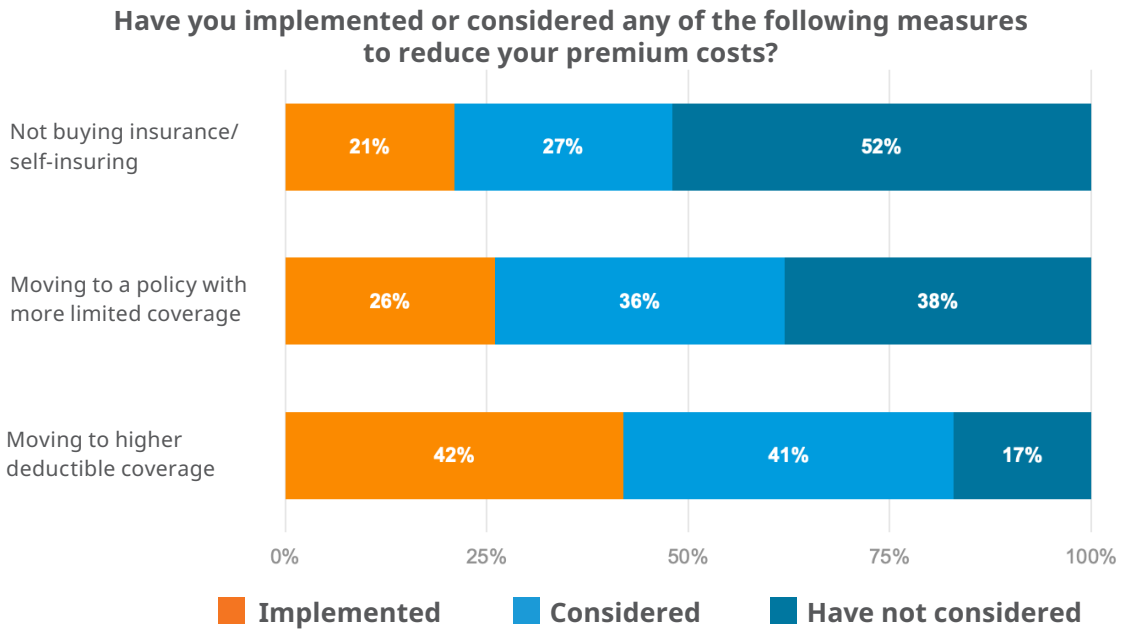
More than half (54%) of our respondents indicated they would pay more for expansive coverage. Sixty-three percent indicated that cost was a top consideration when choosing insurance products, followed by carrier reputation and easy/responsive claims experience.

As a result of the rising insurance costs, many private clients are taking on risks to reduce premiums including limiting their coverage, increasing their deductibles, or foregoing insurance. Further flexibility in permitting insurers to offer higher deductible options, consistent adoption of forward looking risk models, and more timely response to filed rate increase requests would be a welcome response by regulators to the growing capacity and pricing dislocation in those states most impacted by the hard insurance market.

Of respondents who have reduced their coverage or are purposely self-insuring, 58% indicate that cost was the main factor that prompted them to take on this risk themselves, and 43% said it was due to excessive risk mitigation measures required by the insurance carrier.

Proactive risk mitigation steps are common requirements by insurers. Yet 23% of homeowners indicated they have opted to search for new coverage rather than take steps to protect their property, e.g., ember-resistant vents in wildfire-prone areas, water shut-off valves or monitoring devices to prevent water damage claims, hurricane shutters, and wind-mitigation protection. (Read more about risk mitigation on page 22.)

Taking on risks to reduce premiums



Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023

Wavering risk tolerance

When ranking their risk tolerance, more than half (54%) indicated they were willing to pay more for expansive coverage, i.e., they are more risk averse. Whereas 17% indicated they'd prefer to use different types of coverage to save money. Many of those who would prefer broader coverage have also been surprised by the increasing costs of insurance—particularly auto and home insurance prices—prompting them to take measures to save premium.

Alternative solutions

Before committing to paying higher premiums, many private clients have opted to explore other coverage options. Among respondents not working with MMA, more than 40% said they had reached out to another insurance provider or 'shopped around' for additional coverage options. Among clients of MMA, 14% had requested a remarket of their program with different insurers than they previously had.

Increasingly in the current hard market, alternative insurance solutions may be offered through a "non-admitted" insurer. This means they are not required to file their rates or policy forms with a respective state regulator and don't participate in the state's Insurance Guaranty Fund. This means that if the insurer faces insolvency, there could be potential financial risks for the policeholder. Marsh McLennan Agency uses strict financial guidelines when selecting and presenting options from carriers, and it is important to speak with a personal insurance advisor about each of the carriers offering coverage for relevant risks.



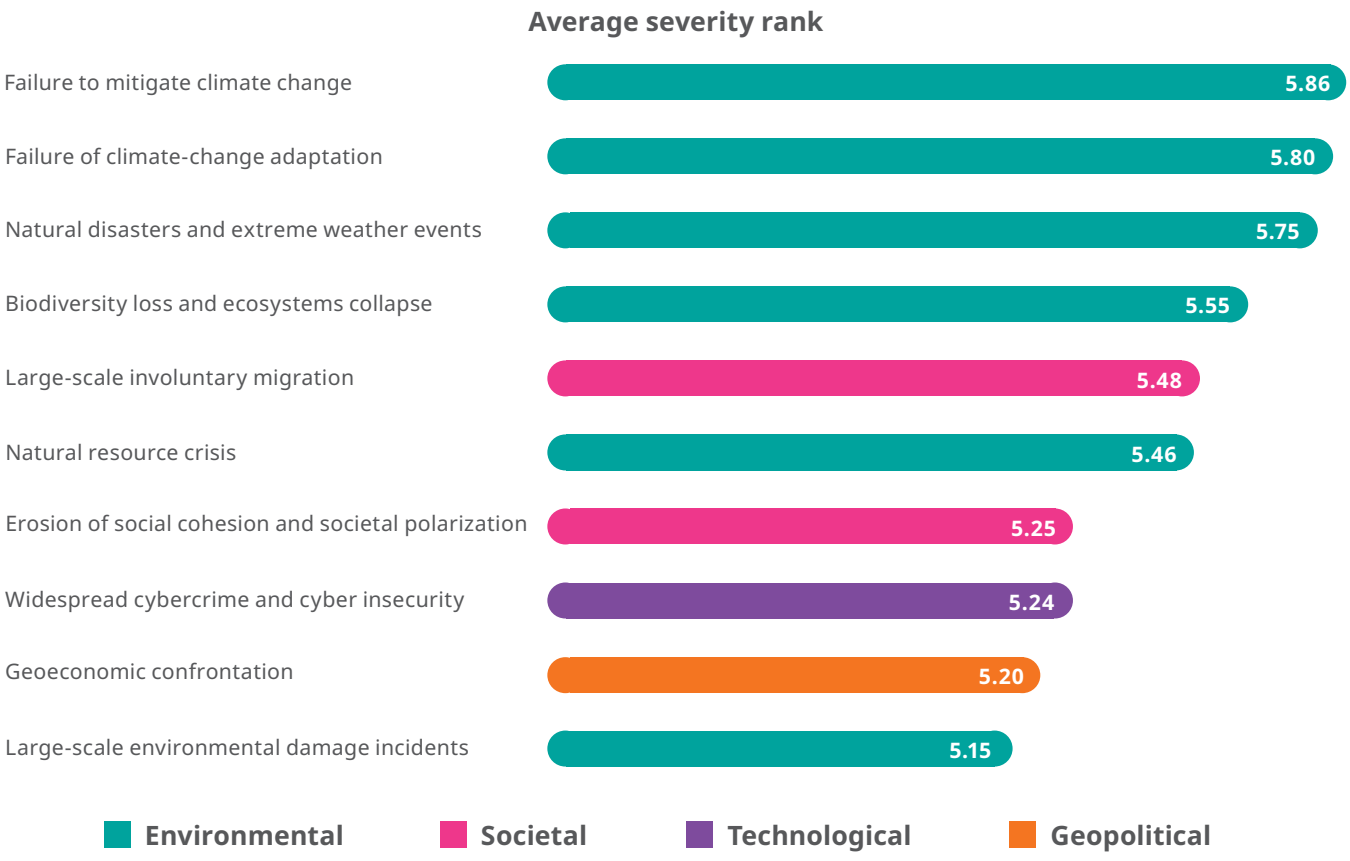
“1 in 5 private clients are opting to go without insurance protection.”

Private clients who do not work with MMA are *two times more likely* to go without insurance or deliberately underinsure their risks.

Future outlook

Future climate concerns are not allayed—58% of private clients named natural disasters as the most concerning risk of the next five years. Studies indicate that environmental risks will only worsen. In the Global Risks Report,[2] published by the World Economic Forum in partnership with Marsh McLennan, six of the top ten risks perceived to be most severe in the next decade are environmental, including climate and weather concerns. Further, according to Climate Central, if emissions grow unchecked by 2050, almost every area of the U.S. is expected to face at least one major climate hazard.[3]

Top 10 risks percieved to be the most severe in the next decade



Source: World Economic Forum Global Risks Perception Survey 2022-2023.

Private client top concerns

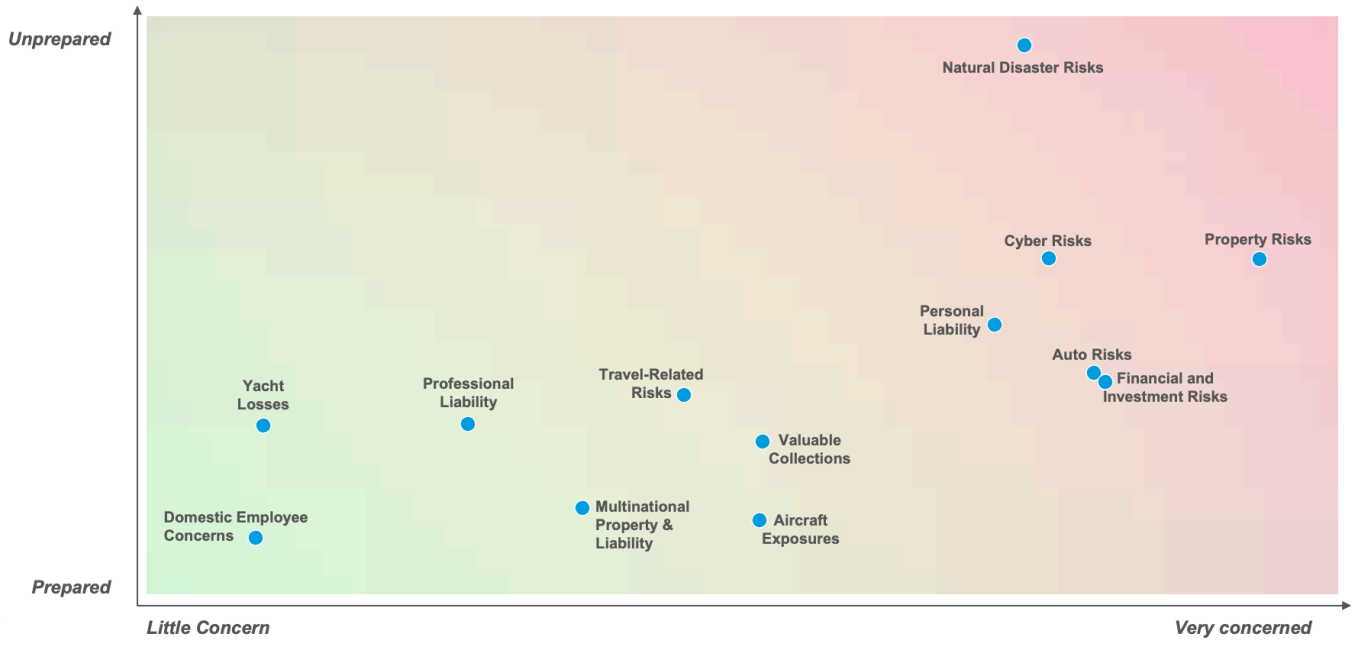
Private clients have been greatly impacted by extreme storms and wildfire events over the past several years. In addition to the initial hardening of the market in 2017-2018, the ongoing fallout from the COVID-19 pandemic and general economic instability have driven the concerns of clients across wealth segments.

In our Private Client Insurance Benchmarking Study, we asked insured individuals about their top concerns across various areas of risk, not limited to property and casualty-related exposures. We also asked them how they felt about their level of preparedness for their top concerns. Insureds across all wealth segments have similar top concerns.

The top concerns among private clients are natural disasters and property risks, followed by cyber risks, personal liability, and auto risks.

Looking at this chart, we can see the top concerns among private clients are natural disasters and property risks, which have some overlap, followed by cyber risks, personal liability, and auto risks. These risks are also where they feel most unprepared, hence their ongoing concerns. The exposures in the lower right quadrant indicate respondents who are more prepared for those risks. They have measures in place to address risks and are less concerned about those risks—they are safeguarded concerns. Auto risks, for example, rank fairly high on the concerns scale, but because relatively straightforward solutions are available to address that risk, private clients felt somewhat prepared. We'll focus on the areas of concern and unpreparedness in this report.

Private clients concerns vs preparedness



Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023

Natural disasters and property risks

Major weather disasters—such as hurricanes, wildfires, floods, convective storms, hail, and tornadoes—are happening progressively more across the United States including areas not typically impacted. Unsurprisingly, natural disasters are the risk private clients feel least prepared to deal with. Their concern is driven by a continually unbalanced equation of paying more for less coverage.

The costs associated with these events are rising due to their high frequency and severity along with the growing population in vulnerable areas, especially among wealthy individuals. Between 2017 and 2022, natural disasters caused global losses of at least $200 billion each year.[4] Sixty percent of respondents live in catastrophe-prone areas. Increased population movement to these vulnerable geographies, such as Florida and coastal North and South Carolina, will heighten overall damage potential.

The growing risk and frequency of severe events have led some large carriers to completely pull out of certain areas and other regional and local insurers to face insolvency. Carriers have few options other than raising premiums and limiting coverage to account for the increased risk they face. In fact, 2 in 5 of our survey respondents have faced a rate increase of 20% or more in the last two years, with HNW and UHNW clients being twice as likely. As a result, more than 1 in 5 private clients are opting to self-insure. They are deciding to go without insurance protection.



Private client perceptions

In addition to cost, which is the main driver of concern in this area of risk, other factors contributing to private clients' concerns include deductibles and coverage limitations. For example, in some policies, carriers have separate deductibles—which many private clients already feel are too high—for critical natural disaster-related exposures such as wind, hail, or wildfire. These require the insured to cover more of the losses themselves. Additionally, many policies have specific exclusions, such as mudslides, limiting coverage to only select natural disaster risks.

Private clients will benefit most by working with a broker who can help them comprehensively evaluate their program and discuss their options to help ensure they have coverage without overspending. Many respondents felt confused about the reasons behind price increases, why some properties are not insurable, and why certain risks are handled differently, flood in particular. A personal risk advisor will support and guide private clients through these difficult issues and provide education and counsel while facing the reality of less availability.

What is driving your concern with natural disaster risks?

42% Existing coverage is very expensive

29% Some policies have a separate deductible for high-risk items

22% My exposure is growing

21% Existing coverage doesn't cover all risks

20% Existing coverage deductibles are too high

The importance of a proactive approach to risk mitigation

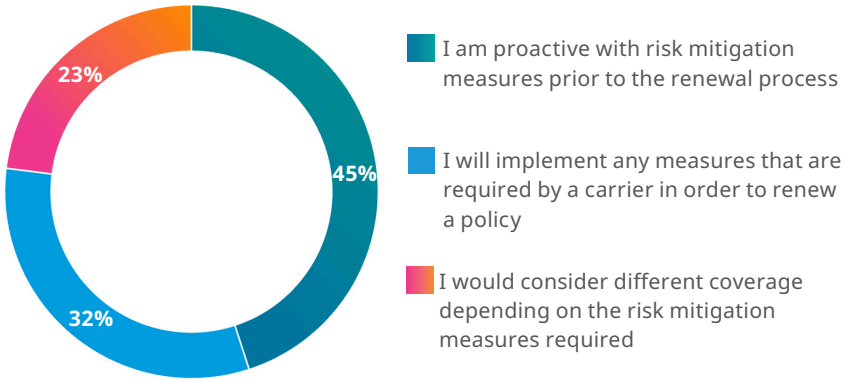
Insurers are becoming increasingly prescriptive in requiring policyholders to take actions to mitigate risk. Many homeowners are reluctant to comply. Yet, one of the most important things private clients can do to avoid costly, disruptive repairs and maintain insurability is to take thoughtful risk mitigation steps to proactively protect their home, which is likely their most valuable asset.Of concern, more than 1 in 5 would rather look for new coverage—which will be difficult in a challenging market—than implement risk mitigation recommendations. The most common risk mitigation steps include:

- Implementing new security systems (e.g., fire, security, water monitoring)
- Installing hurricane shutters or other wind mitigation devices
- Clearing brush around homes
- Adding ember-resistant vents
- Replacing cedar shake roofs
- Installing water shut-off valves or monitoring devices
- Replacing improper hoses inside the home

MMA PCS places a high priority on client education relative to proactive risk management and mitigation. We act as an independent broker to conduct a deeper discovery with the client and carriers to help determine the critical areas of exposure. Then, we help clients understand how certain steps will help protect their property and assets from loss, making them more insurable. When we give recommendations, we are considering not only current insurability but future insurability.

This approach has resulted in more positive outcomes for our clients as shown in our study. Fewer MMA PCS clients experienced non-renewals, premium increases, and large losses than those respondents who do not work with MMA. A shift in the mindset of homeowners toward proactive risk mitigation is an essential step in decreasing losses and increasing insurability.

Property risk mitigation approach



Property risk mitigation steps help ensure current and future insurability.

Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023



Cyber risks

For all of us, our digital footprints are complex, and our digital lives are more interwoven than ever before. As affluent families grow, each member's online behaviors can increase the family's exposure to cybercrime. Cyber risk can feel particularly unsettling because cybercrimes happen in the shadows and are erratic, volatile, and intentionally enacted. These criminals prey on people at scale, creating vulnerabilities not only to the loss of personal wealth but also the loss of one's identity. It can have potentially long-lasting consequences, affecting personal finances, safety, business operations, and stress levels.

Cybercrime is defined as any criminal act involving computers and networks, and traditional crimes conducted through the internet. From identity theft, phishing, social networking scams, and new technologies launching more quickly than ever, cyber risk is a rapidly evolving landscape that demands attention. Private clients in our study have made note.

Half of the respondents in our survey indicated they would like to learn more about cyber topics.

Private client perceptions

Private clients know they face growing exposure to cyber risk but find the nature of the risk and potential coverage and mitigation options confusing. This confusion is one of the main barriers to clients safeguarding this concern. Additionally, many cyber policies have specifically excluded losses due to social engineering, a growing area of fraud that is particularly difficult to catch until it's too late. However, new policies have recently become available that provide more expansive cyber risk protection, including social engineering.

Education around cyber risks and protection solutions is critical in helping private clients feel more safeguarded. Half of the respondents in our survey indicated cyber risk was the most desirable topic on which they would like to learn more. Private clients can make more confident decisions and lower their level of concern by working with a broker who can provide coverage options and protection tips.

What is driving your concern with cyber risks?

36% My exposure is growing

26% Existing coverage doesn't cover all risks

26% Existing coverage is very expensive

23% I don't understand the potential risk

MMA has a dedicated Cyber Center of Excellence that is available for consultation for personal and business-related cyber risks. MMA PCS has relationships with additional advisory resources that can help provide extra cyber security and consultation services, such as home cyber protection audits. With the proper education, mitigation, and coverage in place, private clients can avoid a major upset to their financial wellbeing after a cybercrime event.

What is social engineering?

Social engineering is a growing area of cyber risk. Cybercriminals commit identity theft or fraud by misidentifying themselves on social networking sites or through malware to learn about you, your family, and your habits. They may mimic your actions and deceive or manipulate others around you into giving them access to your finances or other personal information. These cybercriminals can fake everything about themselves online, including their names and business affiliations, gender, age, and location.

Social engineering isn't limited to social media sites. Criminals may also use email phishing scams to make potential victims think they are receiving messages from a trusted source. The victim may then click a link with malware or, believing the criminal to be someone they trusted, willingly send money to the fraudster.

While these types of losses historically may not have been covered under a cyber policy since the victim would have willingly participated in the loss, many insurers view this as online fraud. New policies are available that now include social engineering under covered losses. An MMA PCS personal risk advisor can provide information on available options as part of a comprehensive insurance risk review.



Personal liability

From accidents in a home or car to allegations of defamation or slander, unintentional actions can unfortunately trigger liability claims. Employing domestic staff or holding a board of directors role can also create liability risks.

Trends in litigation and rising jury awards are increasing liability exposures, especially for high–net-worth individuals and affluent families. Social inflation and nuclear verdicts make multi-million-dollar and higher lawsuits more common in the U.S. today. Cross-country comparisons suggest rising income inequality contributes to more plaintiff-friendly jury verdicts. Private clients may be aware of the growing judgments and translate this growth into a concern about their own exposure.

Private client perceptions

With larger settlements and awards becoming more common, it is increasingly important that wealthy private clients carry limits that are sufficient to protect themselves. Among respondents in our study, $17.5 million was the median amount of coverage across all segments. Yet, many respondents noted that the very existence of high limits of personal liability coverage makes them feel more vulnerable to lawsuits and claims, in some cases leading them to underinsure relative to their risk profile. This perceived cycle of risk may be why personal liability remains a top concern despite high levels of existing coverage.

Every individual and family has a unique risk profile that is influenced by their lifestyle, assets, relationships, and tolerance for risk. Working with a trusted risk advisor is a good place to start to uncover hidden liability exposures and better understand the options available. Many private clients discover that the cost of additional limits of coverage is significantly less than paying for a higher judgment.

What is driving your concern with personal liability risks?

31% My exposure is growing

26% I'm concerned the existence of higher liability limits will make me more vulnerable to claims

24% Existing coverage is very expensive

20% Existing coverage is not broad enough



Insurance coverage benchmarking

To help private clients gain more insight into the policies other individuals and families like them are purchasing, our study included benchmarks around certain types of property and casualty coverage lines.

Homeowners or condo coverage

Homeowners or condo insurance coverage is the foundation of a solid personal risk management program and generally insures the highest valued items owned by private clients. In addition to standard coverage for the dwelling and other structures, contents and valuables, and underlying personal liability coverage, endorsements can be added to the home or condo policy to protect select areas of exposure. Examples may include cyber risks and natural disasters or weather-related events, such as wildfire, windstorm, and sometimes flooding. It's important to speak with a knowledgeable personal insurance broker to determine which coverages are available as an endorsement and which may require a separate policy.



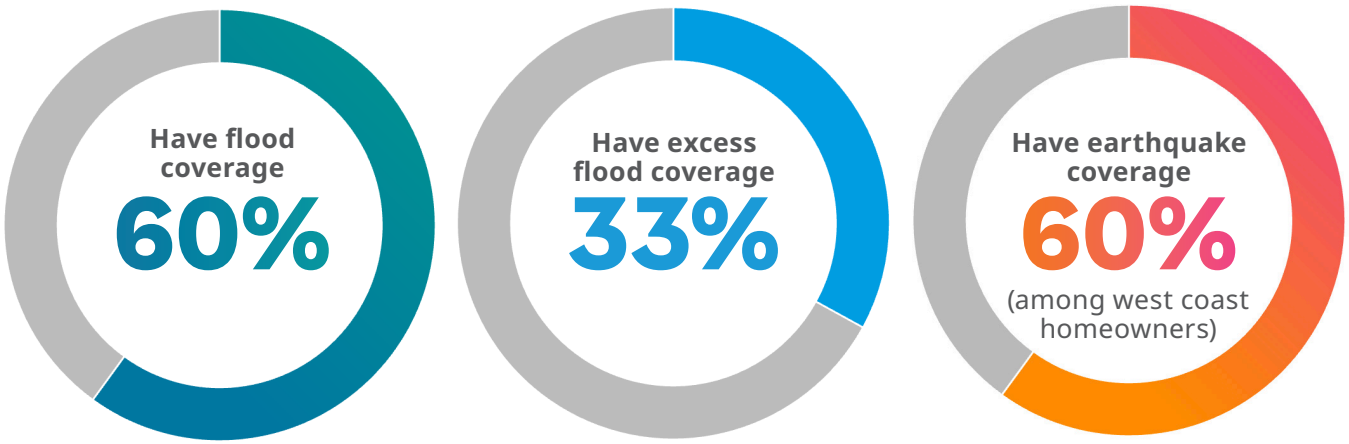
Natural disaster-related coverages

Flood and excess flood

Many homeowners incorrectly assume that their home insurance will cover damage caused by storm surge-related flooding. However, the homeowners insurance policy does not include protection for losses related to rising water including storm surge, sudden downpours and flash flooding, prolonged rainfall, or rapid snowmelt. These events may be covered by purchasing flood insurance.

A basic flood insurance policy backed by the federal government's National Flood Insurance Program (NFIP) is available in most communities up to a maximum dwelling limit of $250,000, which leaves higher valued homes significantly underinsured relative to their underlying value and exposure. Private flood policies generally provide broader coverage and more favorable loss settlement terms than the NFIP policy. However, they may not be as widely available in some high-risk areas. Some enhanced coverages that may be available on private flood policies include higher limits of coverage, additional living expenses, increased coverage for loss avoidance expenses, and more. If a primary flood insurance policy's limits do not typically satisfy the needs of private clients, a personal insurance broker may direct them to consider additional protection in the form of excess flood insurance. This additional layer of coverage provides higher loss payment limits for one's home and possessions compared to what is covered under a primary flood policy.

On average, less than 15% of homeowners in the U.S. carry flood coverage.[5] According to our Benchmarking Study, nearly 60% of private clients purchase primary flood coverage and 33% purchase excess flood coverage.



Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023

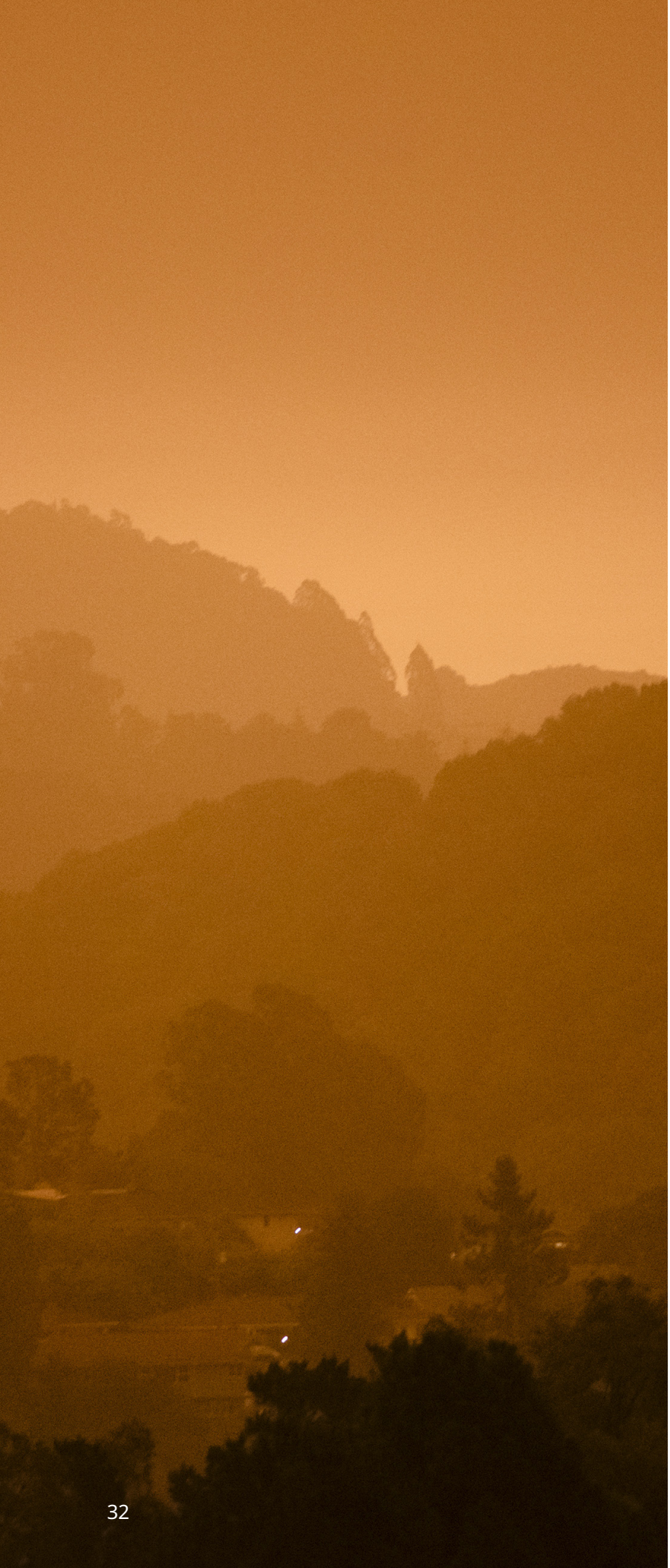
Earthquake

Most people are aware that standard homeowners insurance doesn't include coverage for earthquakes. Instead, coverage is typically available as an add-on policy endorsement or as a separate stand-alone policy.

Earthquake insurance offers protection for damage caused by the shaking and cracking that can destroy homes and property. Coverage for other types of damage that may result from earthquakes, such as fire and water damage due to burst gas and water pipes, is provided by standard homeowners policies. Earthquake coverage is available from most private insurers. In California, homeowners can also get coverage from the California Earthquake Authority, a privately funded organization, in collaboration with certain homeowner insurance providers.

In the continental U.S., earthquakes occur most frequently west of the Rocky Mountains. According to our Benchmarking Study, of the respondents who live in the western U.S., 60% have purchased earthquake coverage.





Wildfire

Wildfire losses in high-risk states are typically covered through a homeowners policy, but we are seeing carriers incorporate a separate deductible when these policies are placed with non-admitted carriers. Additionally, wildfire losses are sometimes excluded from homeowners policies for properties in the highest-risk locations. Private clients can access some wildfire-specific coverage options available through alternative markets accessed by a personal insurance broker.

Many premier insurers offer access to services to help private clients make their homes more resilient to wildfires and better protected during an event. These services can include preventive recommendations for clearing debris around homes, creating a fire evacuation plan, installing temporary sprinkler systems, or applying fire-retardant sprays. Often these services are complimentary and can improve your home's chances of surviving a wildfire and increase your family's safety.

Windstorm

Windstorm insurance provides coverage for your home if it is damaged by winds typically associated with hurricanes, tornadoes, or other severe storms. Your homeowners policy may exclude windstorm coverage or have a separate deductible in place that applies for windstorm, hurricane, or hail events. It's important to understand what type of deductible you have and how it will apply. Some states offer windstorm insurance coverage for homeowners in high-risk areas through a state-run insurance pool when insurers don't offer coverage through a homeowners policy.

An expert broker can help access creatively structured programs to provide alternatives to traditional insurance to help solve complex risk and high-catastrophe exposures. There are also options to insure certain catastrophe perils (earthquake, wildfire, and windstorm) individually through stand-alone policies or difference-in-condition policies to supplement their existing coverage. Each private client's program is unique. It's important to work with an expert broker when considering these alternatives due to their complexity and uniqueness in the marketplace.



Personal cyber policies

A number of insurance carriers offer personal identity products to help protect individuals and families from cybercrime threats. Some carriers include coverage for identity theft and restoration services as part of their homeowners insurance policies. Other companies sell more comprehensive coverage as a stand-alone policy or as an endorsement to a homeowners insurance policy. There are also services that offer restoration or resolution services to guide victims through recovering their identity. This can include working with credit card companies, credit bureaus, creditors, and businesses on their behalf to correct any covered identify fraud issues.

In addition to products and services related to identity theft, some insurers now offer products to protect non-fungible tokens (NFTs) and digital assets.

One of the most prominent areas of concern related to cyber risks is social engineering scams, which have been specifically excluded from cyber insurance policies in the past. MMA PCS now has access to new policies covering social engineering losses. The addition of this type of expanded coverage, combined with ongoing education, may help private clients more confidently address this prominent risk.

Our Benchmarking Study results indicated that although more than half (54%) of respondents noted they have some type of cyber insurance in place, most of this coverage is through an endorsement of the homeowners policy. This may have unintended and unnecessary limitations that may fail to address cyber-specific concerns. For those who have opted out of coverage, 50% of respondents indicated that a limited understanding of the coverage as the primary reason why, and nearly a quarter believe they do not have exposure to cyber risks.



Reasons for not purchasing cyber coverage

50% Limited understanding of the coverage

24% I don't have exposure to cyber risk

18% Cost

7% Inadequate coverage available (e.g., social engineering)

Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023

Personal excess liability

Although there is typically some level of liability coverage included in a homeowners policy, it is rarely enough if there is a significant claim. A personal excess liability policy, often called a personal umbrella, protects against claims for personal injury, bodily injury, or property damage. This extra coverage sits above primary policies on an individual's home, automobile, watercraft, and other assets and provides expansive protection against a potentially devastating financial loss.

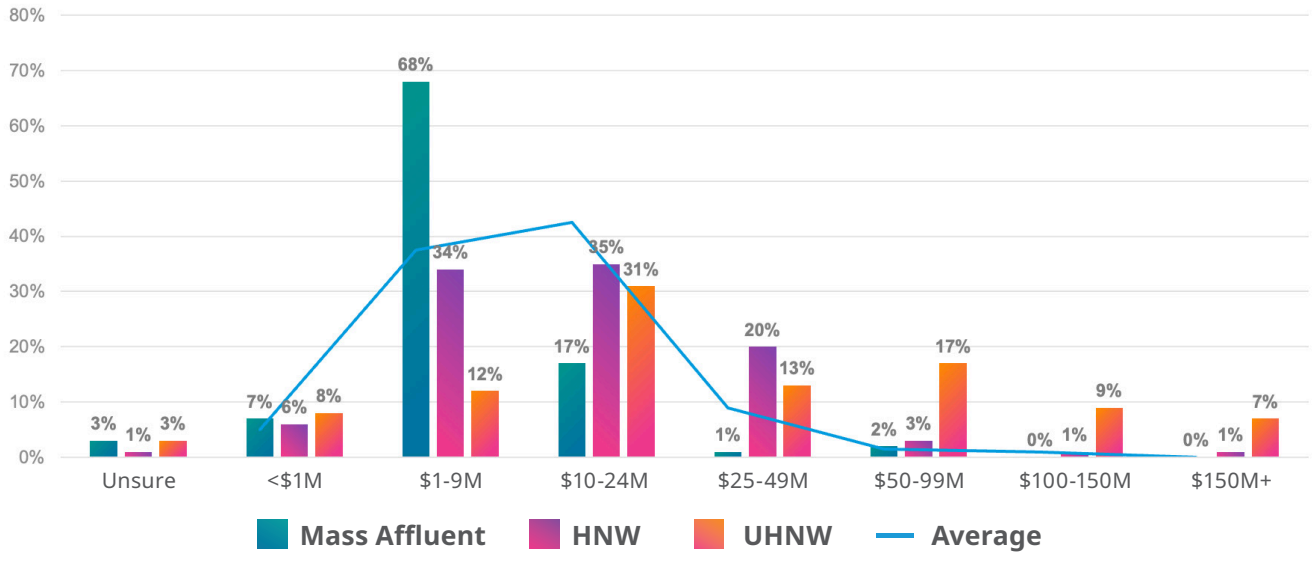


Although 88% of respondents indicate they have some personal excess liability coverage, unsurprisingly, the limits selected vary widely across wealth segments. Mass affluent respondents typically fall in the $1-9 million range, whereas those in the HNW segment are more likely to have between $10-40 million in coverage. Interestingly, the UHNW segment has selected a broader spread of coverage limits that extend into the upper limits of $100 million and above and down to $1 million.

Based on the spread of coverage limits selected by those who do not work with MMA, there is a strong likelihood that many are paying for too much coverage. There are also many who are significantly underinsured in this area. A trusted insurance advisor can help private clients evaluate appropriate limits based on exposures and lifestyle and help them avoid overpaying for too much or too little coverage.

Of concern, we noted nearly 1 in 5 of those respondents who do not work with MMA have no personal umbrella liability coverage in place. These individuals would be financially liable for any accidents or personal injury settlements that exceed the basic level of coverage included in their homeowners policy.

Liability limits purchased by private clients across wealth segments

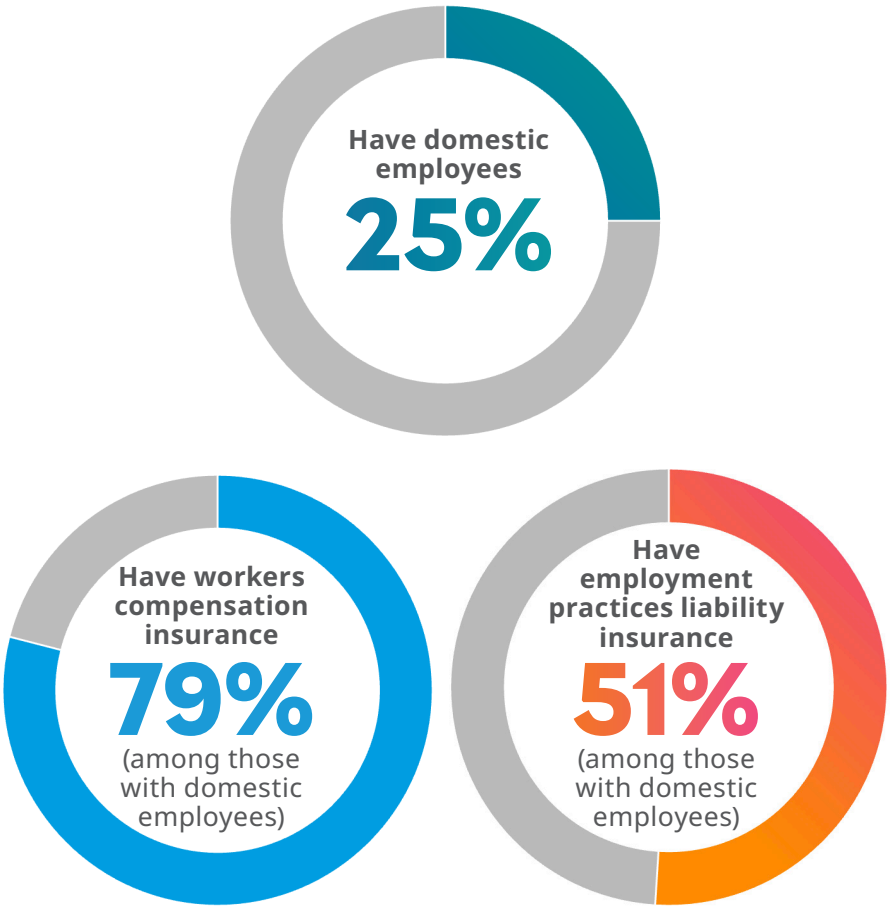


Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023

Domestic employees

Employing even a small number of domestic staff can require individuals or families to provide workers' compensation insurance, under state laws. This form of coverage provides statutory benefits for medical care as well as lost wages and death benefits. Additionally, claims by current or former employees alleging discrimination, wrongful discipline or termination, harassment, breach of contract or other charges can result in costly litigation. Employment practices liability insurance (EPLI) is designed to respond to employment-related claims, such as wrongful termination, workplace harassment, and discrimination, which homeowners and excess liability policies generally exclude.

Liability exposures related to household employees came up in our Benchmarking Study as a potentially hidden area of exposure. Approximately 25% of respondents have domestic employees, and although those who do have employees are likely to have workers' compensation (79%), they are less likely to have EPLI (51%) leaving them uncovered and exposed to employer related lawsuits. Given the interest in personal liability coverage, it would be natural to expect a comparable appetite for EPLI coverage, yet the data indicates otherwise, suggesting a potential education gap.



Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023

Directors and officers (D&O) liability

Serving as a director or officer can bring liability exposure, even for non-profit and charitable organizations. Although there may be some coverage provided by the organization, over the past decade, numerous directors have faced personal liability in D&O lawsuits, with courts ordering them to pay awards out of personal assets. In such cases, specialized coverage for individual directors and officers, as well as excess D&O coverage, is available.

In our Study, of those private clients who hold board roles, only 57% have separate D&O coverage in place to protect against this liability exposure.



Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023



Auto

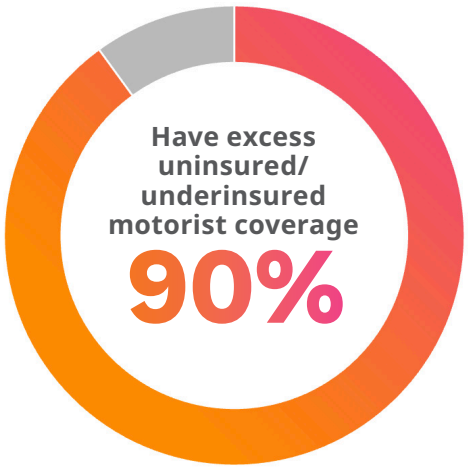
Along with homeowners insurance, auto coverage is a foundational piece of one's personal insurance program. While it seems straightforward, respondents in our Benchmarking Study ranked auto concerns rather high on the list. There are a number of factors that may be contributing to these concerns. Advancing car technologies introduce complexities and additional expenses if repairs are needed. The semiconductor chip shortage reduced supply and increased costs for vehicles for several years, which may be exacerbating concerns.

Nearly 1 in 8 drivers are uninsured.

Further, auto insurance costs have increased, which private clients noted as the most surprising. There has been a rise in loss severity due to drivers engaging in more risky behavior, such as speeding or distracted driving. Fatalities from speed-related crashes were at their highest since 2007,[7] and in 2021 traffic fatalities increased by 10%.[8] This has all led to significant losses among carriers with respect to auto coverage, resulting in higher auto premiums for private clients.

Another concern among car owners is uninsured or underinsured motorists (UM/UIM). Although automobile liability insurance is required in most states, many drivers choose not to comply. In fact, nearly 13% of all motorists, or about one in eight drivers, are uninsured.[9] If you are involved in an accident where an uninsured or underinsured driver is at fault, unless you have UM/UIM coverage in place, you may end up without financial recourse for your damages. In our Benchmarking Study, approximately 90% of MMA clients have excess UM/UIM coverage in place as part of their personal excess liability policy.

While private clients are concerned about their auto risks, they ranked their level of preparedness in the middle of the scale indicating they may still benefit from guidance and reassurance around their insurance protection. A personal risk advisor can help access beneficial auto insurance features such as agreed value, original replacement parts, full-glass coverage, roadside assistance, lease gap coverage, transportation expenses, as well as UM/UIM coverage to help private clients feel more prepared.



Source: Marsh McLennan Agency Private Client Insurance Benchmarking Study 2023


CALIFORNIA
555 555

Valuables

For many wealthy individuals and families, collecting valuables such as fine art, jewelry, wine, and more is not only based on interest, these passion investments can be a prominent asset class. Because of their value, these collections often require specialized insurance coverage as even the most comprehensive homeowners policy is limited in its protection of valuable articles and collections.

A better solution for private clients with valuable collections is a valuable articles policy. Depending on the collection, a personal risk advisor may help determine if it's best to itemize or "schedule" each individual piece or opt for blanket coverage that includes many pieces with a per-item limit. There are benefits to either type of coverage depending on the collection and collector.

Among private clients in our Benchmarking Study, clients in the HNW (51%) and UHNW (63%) segments were more likely to own significant collections than the mass affluent segment (32%). Concern over these collections was moderate, and respondents who had collections felt generally prepared for the potential risks.

Jewelry, fine art, miscellaneous collectibles, and wine and spirits were the most popular items to collect. Other common collectibles include automobiles, coins, silverware, designer handbags, and more. A small private client segment is starting to collect digital art, such as NFTs.

Almost all private clients who have large collections have a specialized valuable articles policy in place to protect their investment. To maintain adequate protection, periodic valuation updates are important; it's also a good practice to reappraise the most valuable items every few years to ensure that fair market valuation is recorded in the policy.

Interestingly, we found that approximately 43% of HNW individuals likely have valuables that are uninsured or underinsured. This may be due to a misconception that the items they collect are not significant or valuable enough to warrant protection or that coverage is too costly. The cost of valuable articles coverage depends not only on the value of the item, but also how it's used, where it is kept, and how it is displayed. For example, there is much more risk of loss for jewelry that is worn frequently compared to a special piece that is usually stored in a safe.

An expert personal risk advisor will understand the risks associated with passion investments and collectibles, refer you to reputable appraisers, and help you secure appropriate coverage for your treasured belongings. It's worth a conversation with a personal risk advisor to discuss your valuables and what coverage options are available.

Percent who own valuable collections



What do you collect?

78% Jewelry/Watches

58% Art

22% Household items
(antique furniture, rugs, etc.)

16% Wine/Spirits

15% Coins

15% Silverware

15% Automobiles
(collector, exotic, etc.)

15% Couture items
(sneakers, handbags, etc.)

12% Books
(comic or rare)

10% Sports cards

10% Furs

10% Other

8% Stamps

8% Digital art
(including NFTs)

8% Firearms/Guns

7% Toys

Approximately 43% of high net worth individuals likely have valuables that are uninsured or underinsured.

Balancing the equation

The benefit of a personal risk advisor

With more carriers taking steps to limit their own risks, private clients will continue to face rising costs and fewer options in the near future. It's critical for insureds to develop a relationship with a trusted personal risk advisor to help navigate the marketplace and find coverage for the critical risks facing clients today.

The good news is that private clients' top concerns and least prepared risks are often solvable through the education and advocacy provided by working with a private client broker who understands the market and has access to proprietary tools, emerging options, multiple carrier relationships, and industry expertise.

Knowledgeable brokers understand their role and take on the duty of care, digging deep to understand the needs and exposure facing private clients, creatively working to solve the problem, and advocating on the client's behalf to help achieve a balanced risk program. They offer convenience, value, and peace of mind, making them a valuable resource for individuals seeking comprehensive, tailored insurance solutions.

As a leading insurance broker in the private client segment with deep market strength and the global resources of our parent company Marsh McLennan, Marsh McLennan Agency Private Client Services (MMA PCS) has been helping clients address their exposures through education, creative program structures, remarketing in many cases, and advocacy for more than four decades.

If you need help finding coverage in this challenging market or would like to schedule a complimentary personal risk review, please visit mmapcs.com.

Additional thought leadership from Marsh McLennan Agency

If you are also a business owner, you may be interested in these studies from Marsh McLennan Agency:



Business Insurance

Better mitigate and manage your firm's risks. Stay current with Business Insurance Trends.



Employee Health & Benefits

Employee expectations are evolving. Learn how to predict and respond to their needs with our Benefits Trends.



Retirement

Prepare for the future of retirement benefits. Explore our Financial Trends Report.

References

1 NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2023). https://www.ncei.noaa.gov/access/billions/, DOI: 10.25921/stkw-7w73

2 "Global Risks Report 2023," World Economic Forum Global Risks Perception Survey 2022-2023; World Economic Forum and Marsh McLennan, January 2023; https://www.marshmclennan.com/insights/publications/2023/january/global-risks-report.html

3 "Climate Pile-Up: Global Warming's Compounding Dangers"; Climate Central, 2019; https://www.climatecentral.org/report/report-climate-pile-up-global-warmings-compounding-dangers

4 "Natural Disaster Risks: Rising trend in losses" 2023; MunichRE; https://www.munichre.com/en/risks/natural-disasters.html

5 National Association of Insurance Commissioners, Center for Insurance Policy and Research; Flood Insurance/National Flood Insurance Program (NFIP), April 2022; https://content.naic.org/cipr-topics/flood-insurancenational-flood-insurance-program-nfip

6 National Highway Traffic Safety Administration (NHTSA) Traffic Safety Facts, Speeding, July 2023; https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813473

7 National Highway Traffic Safety Administration Traffic Safety Facts, 2021 State Traffic Data, September 2023; https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813473

8 Insurance Research Council, 2021; https://www.insurance-research.org/sites/default/files/downloads/UM%20NR%20032221.pdf

MAKE EXTRAORDINARY POSSIBLE℠

About Marsh McLennan Agency Private Client Services

At Marsh McLennan Agency Private Client Services, we serve clients whose lives are anything but ordinary. That's why we design insurance solutions that are just as unique – with the expertise, personal approach, and in-depth industry knowledge necessary to protect our clients' wealth, safeguard the things and people they love, and keep making extraordinary possible.

This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Marsh and McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affected if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change. d/b/a in California as Marsh & McLennan Insurance Agency LLC; CA Insurance Lic: 0H18131. Copyright © 2023 Marsh & McLennan Agency LLC. All rights reserved.



02_1186037781_0224