

Liability Insurance: Commonly missed coverages by high-net-worth individuals

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Your way of life and your belongings are important. However, unfortunate events happen and protecting your personal property is often difficult. As your wealth grows, so do your needs. There are a wide range of liability insurance products that protect against complicated situations but are often missed by high-net-worth individuals. While you might believe that you have enough coverage already, it's important to note that basic insurance policies often lack the ability to shelter your possessions.

The following lineup lists the commonly missed insurance coverages that you might want to consider/reconsider:

- › HO3 policy vs. HO5 Homeowners Guaranteed Replacement Cost Coverage
- › Excess Flood Coverage
- › Unlimited Loss of Use Coverage
- › Mold Remediation Coverage
- › Renovation Coverage
- › Content Coverage
- › Workers Compensation Coverage and Disability Coverage for Household Staff
- › Social Media Liability Coverage
- › Automobile Coverage — Actual Cash Value Coverage, Agreed Value Coverage, Replacement Value Coverage
- › Umbrella Liability Coverage
- › Excess Uninsured/Underinsured Motorist Coverage

The following descriptions are helpful in detailing what is and is not covered. But before you purchase any type of insurance, consult an expert.

HO3 policy versus HO5 Homeowners Guaranteed Replacement Cost coverage—If you are currently paying for a basic HO3 homeowner's insurance policy, you might not be fully protected because the HO3 only insures against a specifically defined set of perils. On the other hand, the HO5 policy broadly insures against all causes of loss unless some specific exclusions are dictated by the insurer based on your personal circumstances. Therefore, in the event of water damage or unforeseen increased construction costs, an HO5 policy may be a more effective means of insurance protection.

Coastal Exposure and Excess Flood coverage—Homeowner policies do not cover flood protection. When purchasing flood protection, it's important to note that FEMA varies its coverage pricing depending on where you live. FEMA also categorizes its prices into zones by elevation. For example, if you live in a catastrophic zone, you will be categorized as A, AE, V, and VE (go to [fema.gov/flood-zones](https://www.fema.gov/flood-zones) for each zone's definition). The average cost is \$460 per year in a normal zone, but you can expect higher rates if you live in one of the catastrophic regions. If you decide to purchase flood insurance, FEMA only provides a maximum of \$250,000 in coverage on dwellings and \$100,000 on contents. Seawalls and docks also are excluded by FEMA policy. As a result, you'll want to consider additional policies such as Excess Flood protection that sits above the FEMA policy, and/or an All Risk policy to protect against basements that have water damage from backed-up sewers, drains and sump pumps.

Unlimited Loss of Use Coverage—When considering disaster situations like floods, you should know that additional living expenses are excluded from FEMA. Despite your need for post-disaster repairs, very few primary homeowners' policies will cover living expenses. To guarantee temporary rental coverage, it's a good idea to integrate Unlimited Loss of Use coverage into your primary homeowner's policy.

Mold Remediation Coverage—Frequently, mold damage is even worse than original water damage to a house. Despite the destruction that it causes, most standard homeowners' policies place limits on mold payouts. For example, there is a \$20,000 limit in New York State and \$10,000 in Florida, Connecticut, and New Jersey. You can increase this endorsement for an additional premium to provide better coverage.

Renovation coverage—In the case of renovations, some insurers have a surcharge if a claim is filed after an undisclosed renovation. To avoid this process, it's wise to consult with your broker and insurance company before renovating.

Content coverage—Articles such as fine arts, collectibles, musical instruments, wine and jewelry often are not covered under a standard homeowner's policy. If they are, minimal coverage is usually offered. There are valuable item insurance policies available to protect these belongings and you can receive discounts if valuables are kept in a bank vault or home safe.

Workers Compensation and Disability coverage for household staff—If you have household staff, you may be lawfully required to carry worker's compensation or disability coverage for your employees. Each state follows different rules, so make sure you research your state's requirements. Additional coverage called Employment Practices Liability Insurance (EPLI) is available for sexual harassment, wrongful termination and discrimination cases.

Social Media Liability coverage—In recent years, social media has exploded in popularity which led to a rise of related legal issues such as cyberbullying or defamation. A parent's standard insurance policy doesn't provide coverage for these issues. Though monitoring your children's electronic presence is advisable, Social Media Liability coverage helps protect your family from damages resulting from improper use of social media. This coverage extends to your child who may be in a position of responsibility (i.e., babysitting) and negligently causes harm due to being distracted from their responsibilities (i.e., using social media).

Automobile coverage—Auto coverage is a common purchase in the insurance world, but there are multiple options for insuring your vehicle against physical damage. Three options are Actual Cash Value, Agreed Value and Replacement Value coverages. Actual cash value generates less depreciation. Agreed value locks in the purchase price of a car. Replacement value is a new model that replaces your car with an up-to-date version. You may be able to receive special credit for defensive driving course or a young driver's good grades. Having your child driver away at school without a car can also trigger a discount in some cases. Make sure that your car is insured in the state in which it is registered.

Umbrella Liability coverage—Umbrella coverage is liability coverage that protects your assets in the event of an unforeseen accident or disaster. Your other insurance policies might not cover your entire liability costs, but umbrella insurance provides you an alternative. A form of umbrella insurance is Excess Uninsured/Underinsured Motorist coverage. Only a few companies provide this service, but it protects against hit and run, low liability or no coverage at all. Overall, if you really want to protect yourself from liabilities issues, then umbrella coverage provides a safety net for your assets.

Ownership entities

You should inform all of your property/casualty carriers of any ownership interests to assure proper coordination of coverage and prevent declination. Ownership entities, such as trusts, limited liability companies or qualified personal residence trusts, all need to be specifically identified and underwritten on each policy. These entities do not negate liability exposure totally. An expert can be helpful in minimizing your risk and matching your policies together.

Know all your options to limit liabilities

The variety of coverages that are outlined above shows the many insurance options that are available. Even though you purchased a policy, you still might be vulnerable from a liability insurance perspective. Without the right insurance, your important belongings will not be fully protected. So be as safe as possible and consult an insurance expert who can guide you in the right direction.

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