

Since fire season seems particularly bad this year, I thought I would send this email about Property & Casualty insurance again as a reminder to make sure that your policies are providing you with the appropriate type and amount of coverage. Please take a moment to read it over and verify with your insurance professional that you are properly covered.

Today's **Let's Talk Wealth** topic is Property & Casualty insurance. Property & Casualty (P&C) insurance is one of those things that most all of us need and purchase, but it is very easy to forget about it once it is in place. After all, how often do we find ourselves having to exercise the benefits of our homeowner's insurance policy. In a perfect world, the answer would be **NEVER!**

Even though it's not something that we think about frequently, appropriate property & casualty coverage is a critical part of wealth preservation. For most people, their home and its contents is one of the largest (and most expensive) assets they will ever own. I specifically chose this topic because of the timing. As we move into summer, we are also moving into the start of fire season. You may recall that, in 2003 and again in 2007, we had very bad fire seasons here in southern California. Hundreds of homes were lost here in San Diego during those fires.

When the fires in October 2003 were happening, a friend of mine volunteered to help answer calls to the FEMA (Federal Emergency Management Agency) hotlines. Those calls were coming in from people that had lost their homes and weren't sure what to do next. As a volunteer, he had a list of questions that he asked each caller. The questions focused on their insurance. **The bottom line is that, out of the first 9 calls he took, ALL 9 WERE UNDERINSURED AND NOT GOING TO GET ENOUGH MONEY TO REBUILD THEIR HOME.** So, I'm writing this email as a reminder to have regular discussions with your property & casualty insurance specialist so that this doesn't happen to you.

My P&C advisor tells me that the primary reason why people don't get enough money to replace what they lost is because they put the policy in place years ago and have not had the coverage amounts reviewed. Most policies provide coverage up to a certain dollar amount, per square foot, to rebuild. The problem is that rebuild costs go up over time and most policies identify a specific maximum dollar amount. If that dollar amount was determined years ago, it may very well be inadequate if something were to happen today.

So, your homework is to contact your P&C expert in the next week and ask the following questions, as well as any others that you can think of.

1. When was the last time a replacement cost estimate was done on your property?

Your advisor has access to a database that will tell him or her what the replacement cost per square foot in your area is. It also depends on the quality of the fixtures in your home. Let your P&C advisor know if you have high quality fixtures. I've been told that a replacement cost analysis should be performed at least once every 2-3 years, if not more often. If they haven't done so recently, ask them to do so for you.

2. Should you schedule certain valuables (art, jewelry, wine, etc.) specifically in your policy? If you have anything of sizeable monetary value, ask your P&C advisor if it should be scheduled. One

of the benefits is that, if you ever needed to make a claim on it, it is not subject to the normal policy deductible.

3. Do you have an Umbrella policy and/or do you need one?
4. If so, what is the right amount of coverage?
5. Does it cover everything (toys, rental homes, 2nd homes)?

I am a firm believer in having an Umbrella policy. The rule of thumb that I use for determining coverage is that it should be enough to cover your entire net worth. Make sure to talk with your P&C advisor about this and have them help determine the need and appropriate coverage amount.

6. Loss Of Use – If I am forced to move out of my property due to an event that is covered by my policy, does the policy provide me with a “similar” type of place to stay while the work to repair my property is being done?
7. Do either my Homeowners policy or Umbrella policy cover any of the following:
 - Cyber liability
 - Equipment breakdown
 - Domestic employees
8. When was the last time your P&C advisor shopped your coverage between multiple insurance companies to make sure that you are getting the appropriate coverage for the minimum price?

My advisor shops my coverage with multiple insurance companies at least every 2-3 years to make sure that I am getting the best price and coverage possible. She also calls me 2-3 months in advance of my policy renewing every year to ask me if I’ve bought anything new that may need to be itemized, did I do any upgrades to the house, etc. Please make sure that your advisor is doing the same.

Lastly, but extremely important, you need to understand the relationship between you and your insurer. If you work with a company that sells you the insurance directly (i.e. Farmers, State Farm, Wawanesa, 21st Century, USAA, etc.) they have no legal obligation to you. That means that, if they give you bad advice on the coverage you buy, they have no liability. Their allegiance is to the company that they work for, NOT YOU!

If you work with a broker than can offer you coverage from a number of different insurance companies, they have a fiduciary responsibility to you. This means that, if they give you bad advice on the coverage that you buy, you may have legal recourse against them for any losses that you suffered because of their bad advice. As you can imagine, I ONLY use brokers for my insurance and NEVER go directly to the company.

So, while this is not an exhaustive list of questions, hopefully it will give you enough information to have an informed conversation with your Property & Casualty advisor in an effort to make sure that you are getting the appropriate coverage that you need for the best price.

Hopefully this information is helpful. Maintaining wealth isn’t just about your investments. Protecting your assets is a big part of the puzzle. Unfortunately, not all of the Wealth Managers out there also work with their clients to focus on these types of issues, even though they are really important. So, feel free to share this message with anyone that you think could benefit from it.