

# INSURANCE FOR THE GLOBAL CITIZEN

## Negotiating the pitfalls for family office and trust managers

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**Will the insurance you've chosen for your client really perform in a claim? Or is it a “chocolate teapot”?**



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From Mike Taylor-West, La Playa Private Client & Marine

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Family office and trust professionals must deliver robust protection for the complex asset portfolios (and liabilities) of their clients. As clients' lifestyles are increasingly fluid across territories and asset classes, it's absolutely key that you have in place insurance arrangements that will respond when you need them to. What you don't want is a “chocolate teapot” policy that just goes into meltdown when you make a claim.

The spectre of under-insurance, particularly in property, haunts trust managers - with good reason: there's a clear duty to understand exactly how a loss could affect the beneficiaries and have in place the right cover at the right levels. Asset protection is one of the key drivers for creating trusts – so it's mission-critical for them to have the right insurance coverage in place, carefully structured to support that goal.

Sometimes entities wind up being inadequately insured, inappropriately insured or (usually inadvertently) not insured at all. This often occurs because where trusts, SPV's and insurance intersect, it can be a no-man's land where legal and wealth management professionals simply don't receive the sophisticated insurance input they need.

And quite apart from the impact of a refused claim on clients, there's the impact on your own work and business of a time-consuming contentious negotiation, or worse an Error or Omission.

# THE “WHAT IFS...” FOR MFO/SFOS AND TRUST MANAGERS

## ? UNDER-INSURANCE

If an asset is under-insured (perhaps due to lack of a recent reinstatement assessment), the insurer might apply an ‘average clause’ to claims, leaving the client out of pocket or in litigation. This in turn could mean a professional indemnity claim for you. Listed properties, in particular, demand periodic re-assessments due to the legal obligations of ownership.

## ? BREXIT

It’s hard to predict the impact of Brexit on the property under your charge – but property insurance requirements span across multiple jurisdictions. You need to work with an insurance broker who is prepared for Brexit and has arrangements in place to continue to provide cover under all eventualities.



## ? GAPS IN COVER FOR TERRORISM

Properties owned by a holding company or in trust (where the Trust beneficiary resides at the property) are now considered **commercial enterprises** for insurance purposes and therefore not automatically covered for Terrorism. The rules of **Pool Re** (brought in to shield the economy from the financial impact of terrorist attacks) mean that UK terrorism cover for domestic property in trust must be purchased separately, as for a commercial business. Some insurance for property in trust has seen 30% premium rises (especially in high terrorism risk zones such as central and west London).



# THE “WHAT IFS...” FOR MFO/SFOs AND TRUST MANAGERS

## ? MOVING ASSETS

If your client has art on their yacht and/or wine collections moving between their properties, who is protecting these passion assets and are they fully covered? Are the right customs declarations in place? Could there be gaps in cover - where marine insurers don't have the expertise to fully understand the art risk; and art insurers are not comfortable insuring such significant values of art afloat? It's important to take advice from a broker who's used to finding solutions for international high net worth clients.



## ? CLIENTS MIGRATING INTO THE UK

You'll want to help create a soft landing for clients moving to the UK for the first time - as regards their insurance as well as a multitude of other personal service needs. UK insurance requirements may be a new concept for them, and it can be helpful to have some information in Russian or Mandarin, for example. They'll also need an insurance adviser who can connect them with renovation insurance advice, physical and cyber security, collectibles valuations, car purchasing, wine, international private medical and other estates services.



## ? PRIVATE AIRCRAFT

If your principal owns and operates a private aircraft, the insurance portfolio needs some serious expertise. Unless your insurance broker has in-house aviation specialists, they'll need to sub-broke this (or indeed may decline to deal with it at all).



## 10 INSURANCE CONSIDERATIONS FOR SFO/MFOs AND TRUST MANAGERS:

- 1** | Check the policy schedule is in the **name of the trust or ownership entity** and that the UBO name, date of birth, nationality, and source of wealth have been approved.
- 2** | **Get the numbers right:** for multiple international properties, work with a global insurer who will include a **survey of each** and provide **Extended Replacement Cost (ERC)** cover, including on listed properties. This means the insurer pays the difference if a loss exceeds the assessed building sum insured.
- 3** | **Art/jewellery collections:** if pieces are moving between homes and/or yachts around the world, be sure to have worldwide coverage, check the valuation is shared with the marine insurer, and that the right customs declarations are in place.
- 4** | **Avoid gaps in cover:** with passion assets moving internationally, on and off yachts and between homes, it makes sense to have the same broker for property and marine risks, to ensure seamless cover and clear underwriting accountability.
- 5** | **Consider “portfolio policies”** to streamline administration and cost, presenting a better overall risk to the insurer.
- 6** | **Liabilities:** this is where significant unforeseen costs may lie – your (U)HNW client may be exposed to cyber risk, public safety risks on their property, libel and slander allegations – or liability for domestic staff. Those with perceived deep pockets are at risk – especially in a litigious society such as the US. Make sure your insurance includes robust coverage.
- 7** | **Terrorism:** If the property is in a key EU city location make sure to purchase Terrorism cover separately for a property held in trust, as these are treated as commercial properties under the rules of Pool re that provide quotes via regulated brokers.
- 8** | **Proof of no conflict and transparency:** work with an independent broker who is not tied to a single insurer and can undertake a broad analysis for you to optimize coverage and premiums.
- 9** | **Regular review meetings** with the broker for **ongoing risk and security advice:** with technology advancing as it is, both the risks and the security measures are changing fast.
- 10** | Opt for a full service broker and not just an agent – so you can be sure of **claims advocacy and support** when your client or trust manager most needs it!

**These measures will help you avoid the “chocolate teapot” scenario, where you’ve paid good money for insurance that ultimately goes into meltdown when you make a claim.**



**La Playa Private Client: Insurance with Intelligence®**

People like you like us. Passionate. Discerning. Independent.

T: +44 (0) 20 3865 0149 E: hello@laplayainsurance.com



LA PLAYA

# LA PLAYA PRIVATE CLIENT

An independent specialist broker based in London, Cambridge, Dublin and New York, La Playa delivers global capability with boutique style service for high net worth clients. Our aim is to make the insurance aspect of trust and family office managers' work easy. We can pull together all of your clients' assets into a well-structured portfolio, support you with risk and security advice, and protect you from time-consuming claims administration to give real peace of mind. No chocolate teapots!

- ✓ **Specialist high net worth policies** with exceptional cover
- ✓ **Claims concierge and advocacy with insurers**
- ✓ **Following a complimentary survey, Extended Replacement Cost** on buildings to guarantee that underinsurance is averted
- ✓ **Portfolio policies** for property, art, vehicles & boats – saving time & cost
- ✓ **International Private Family Medical** insurance
- ✓ In-house **Marine & Aviation** expertise

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**Mike Taylor-West ACII, Director**

**T:** +44 (0) 7500 109737

**E:** [mike.taylorwest@laplayainsurance.com](mailto:mike.taylorwest@laplayainsurance.com)



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