

Outlook.

Private Client

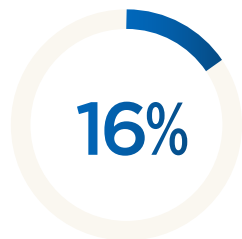
Safeguarding wealth by preparing
for the unexpected.





What to Expect in 2024

A growing number of increasingly destructive weather events and a rise in litigation and cybercrime has made personal insurance more expensive and coverage less available. Premiums are rising, insurance limits are declining and insurers are demanding more conditions on policies. Affluent individuals and their families will need to pay even more attention to risk management and adopt more proactive strategies to protect their homes, possessions, personal information, reputation and financial security.



Of affluent families have recently updated risk management procedures.

HUB International 2024 Outlook High Net Worth Survey.

Greater liability, extreme weather threaten resiliency of affluent families.

Elevated interest rates, economic uncertainty and the rising frequency and severity of serious weather events are among many factors making it more challenging to preserve wealth and safeguard it for the future than ever before. However, fewer than 8% of affluent families responding to the HUB International 2024 Outlook High Net Worth Survey¹ cite natural hazards, liability risks or water damage as threats to their financial security.

Many respondents are confident that their current insurance coverages provide adequate protection. But affluent families need to challenge those assumptions in 2024.

From the beginning of 2023 through mid-August, the U.S. experienced 23 weather events with losses exceeding \$1 billion, a new record.² Personal injury liability payments rose to \$53.1 billion in 2022, with social inflation increasing the amount of litigation and settlements.³

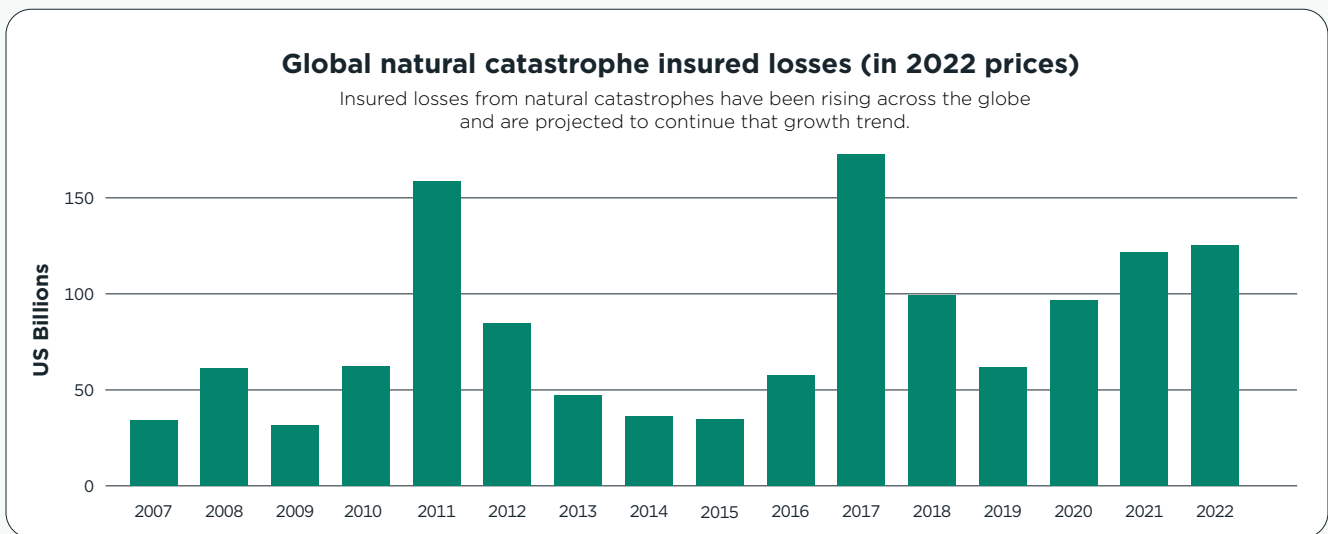
Recent art losses following severe weather events and vandalism are driving up the cost of coverage for those collections,⁴ and increasing repair costs are making it more expensive to insure watercraft, ATVs, motorcycles and other ancillary vehicles.



In California and Florida — the states with the greatest losses from catastrophic events and popular locations for second homes and beach or mountain getaways — several insurers have ceased writing policies or left the market altogether.⁵ Elected officials in both states have proposed legislative solutions, but several efforts have been defeated and those implemented are unlikely to have much of an impact on costs or availability.⁶

That means high net worth families — particularly those residing in areas prone to natural disasters — will likely have to assume a greater share of risk, pay more for protection and invest in measures to boost the physical resiliency of their homes.

It has become essential for buyers to work with a broker to understand potential insurance coverage limitations — or whether the property is insurable — before they even consider purchasing a new primary or vacation home.



Greater risk mitigation will fall on the shoulders of the insured.

Insurers are requiring clients to shoulder more responsibility for protecting their assets and property. This may include greater cost-sharing through higher deductibles or implementing measures to better protect the property from exposures, such as wildfires, catastrophic weather events and earthquakes.



1 in 5

high net worth respondents are increasing insurance limits or layering policies to reduce their risk.

In high-risk markets, policies are being priced at levels that incentivize families to accept high deductibles and/or self-insure in whole or part. In Florida, for example, an estimated 13% of homeowners fully self-insure their properties — about double the national average.⁷ Insurers are adding exclusions for catastrophic (CAT) events like floods, wildfires and named storms, while eliminating coverage for cosmetic damage from weather events.

Currently, only one in five of respondents to HUB's survey are increasing limits or layering policies to reduce risk. But insurers are insisting policyholders implement specific measures to safeguard their homes and possessions. This includes securing roofs with hurricane straps, clearing brush around homes in wildfire zones and limiting the waters where yachts can dock.

Those choosing (or who are forced) to self-insure — essentially paying for any losses out-of-pocket in lieu of insurance — must consider the full financial impact if a significant event occurs.

For example, the real value of a policy is typically about 200% of a home's insurable value — covering not only the replacement costs of the main house, but other structures such as detached garages and pool houses, outside amenities like swimming pools and spas, contents and debris removal.

Added benefits of procuring a traditional insurance policy include free risk management assessments from carriers to mitigate property risks, as well as the help carriers can provide managing the incident, such as lining up residential restoration services and debris removal firms. Self-insured homeowners will need a plan for securing such services independently when vendors are stretched thin in the wake of a major event — and be prepared to pay the full cost of the cleanup, repair and rebuild.

However, other options exist outside of traditional markets, such as acquiring insurance from the non-admitted market. These policies offer flexibility by removing unnecessary coverages — such as accommodations for owners if their properties are uninhabitable — a superfluous addition for those with multiple homes. That coverage can be eliminated and save policyholders money on their premiums.

Nearly 90% of affluent individuals polled in the HUB survey believe they have a personal risk management program that adequately covers all aspects necessary to mitigate exposures. However, given the changing landscape, it's unlikely that affluent families' perception of preparedness meets reality.

High net worth families intent on minimizing their risk need to ask their broker pointed questions about their property exposures, such as: *Will insurance cover the yacht if I dock it in Palm Beach in the fall? Are my home mitigation investments adequate in case of a wildfire? Should I withdraw my bid for a house I really want in a high-CAT zone?*

The answers will help determine whether there's adequate protection for these families' assets — or if they're throwing money away.

Families will need to take a comprehensive approach to risk mitigation.

As the insurance market tightens, affluent families will need to approach risk mitigation holistically, looking beyond the traditional homeowners, auto and umbrella liability coverages to protect and support their lifestyle.

The most rapidly growing threat facing high net worth individuals is cybersecurity: A quarter of all affluent families have experienced a cyberattack within the past two years.⁸ The U.S. is the most targeted country for cyberattacks, and 1-in-2 Americans had an online account breached in 2021 — losing an estimated \$6.9 billion mainly from online investments, romance scams and compromised email.⁹

But according to HUB's Outlook High Net Worth Survey, fewer than one-third of families believe that they have adequately protected themselves from cyber threats.

As the rate of cyberattacks accelerates, insurers are demanding more stringent cybersecurity measures, including professional security scans, payment processing safeguards and multifactor authentication.

Lifestyle choices also affect risk, such as the exposures inherent in travel. Following the COVID-19 pandemic, the luxury and adventure travel market has rebounded strongly. However, 52% of respondents to HUB's survey do not have a risk mitigation protocol for travel and only 13% purchase kidnap and ransom policies.

Those traveling abroad, particularly to more remote locations, should be reviewing coverage limits of travel insurance policies they have purchased, note the protection provided by their credit card issuers and consider additional exposures.

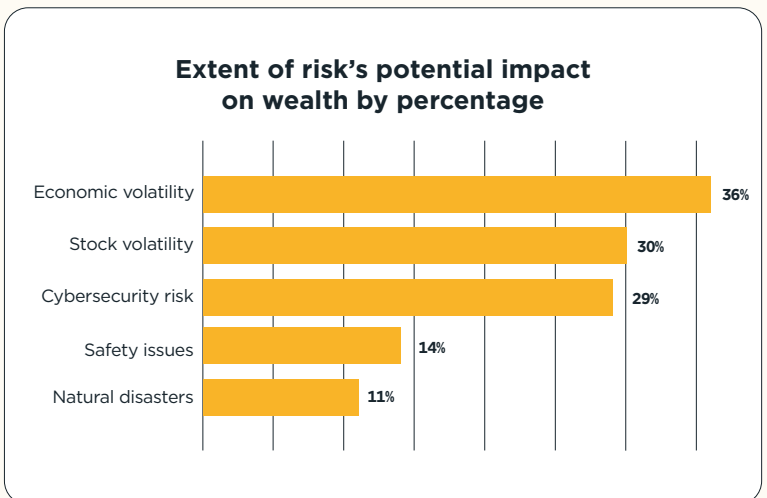
Business, philanthropic and lifestyle activities also may not be adequately covered under general policies. For example, those serving on corporate or philanthropic boards should ensure that directors and officers (D&O) policies provide protection from liability. Higher-risk activities, such as piloting small aircraft, may also fall into gaps in coverage.

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Another area chronically underinsured is umbrella coverage. According to HUB's survey, 53% of high net worth families believe they effectively address their liability risks, but a significant number of affluent families fail to purchase umbrella liability coverage that covers their net worth.¹⁰

With an increasingly litigious society and soaring jury awards, an incident such as a teenage son's drunk driving accident could bankrupt a family who failed to carry sufficient umbrella insurance.



Source: HUB International 2024 Outlook High Net Worth Survey

Families need to have ‘the conversation’ on multigenerational wealth and risk management.

Enduring legacies are built on preparing younger generations. Many affluent families and their family offices make concerted efforts to help develop financial literacy for those who will inherit wealth, but too often overlook risk management.

Younger generations will face an increasingly complex risk management landscape, and protecting the family’s homes and collections may become a far more expensive venture. Impending estate tax changes will leave many heirs with a high-tax burden after the settling of an estate, and insurance coverages that have long been taken for granted may no longer be available.

Education is the key to future risk preparedness. The next generation needs to understand exposures and vulnerabilities, and how those risks are being addressed — whether it’s through a policy, self-insured or a combination — as well as the policy details and exclusions.

One HUB client, a dynastic family with descendants whose number has grown four-fold over the past two generations, tasks individual families with managing their insurance for assets held outside any trusts. HUB advisors help each family assess and address their risk, educates them on replacement cost valuations and external factors that could affect premium, and reviews insurance policies during property renovations or new construction to prevent gaps in coverage.

Younger family members should understand what insurance actually covers, and how circumstances and behavior affect risk and security. For example, family members may not realize the potential liabilities of throwing a party at home and the fact that the family



could be sued for millions if a guest sustains an injury on the property or if an attendee drives impaired following the party and causes a car accident.

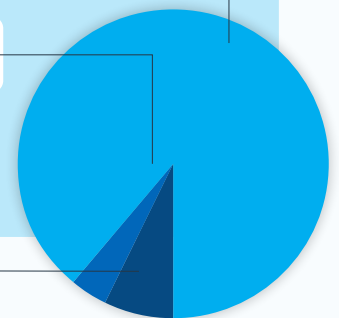
Of course, adequate liability coverage is important, but the ultimate aim is to protect every family’s most precious asset, their children. A knowledgeable broker can help the next generation gain an understanding of risk management, learn how to mitigate exposures and identify potential risks the family could face in the future.

Most affluent individuals believe their personal risk management program effectively mitigates exposures:

89% My risk management program has me covered

4% I have risk exposure

7% I don't know



Make a plan

HUB Private Client advisors will work with you to develop a tailored strategy to protect your properties and assets and build resiliency for 2024. Here are some initial considerations:



Invest time and money in mitigation measures.

From installing wildfire-resistant landscaping and water sensors to upgrading your home cybersecurity, a little bit of risk reduction can have an outsized impact on reducing your risk and increasing your insurability. Don't forget to protect your other assets by adequately safeguarding valuables, storing fine art in temperature- and humidity-controlled rooms and docking your yacht at a marina with 24-hour security.



Educate the next generation.

Retaining family wealth involves more than good investments and risk mitigation — it also requires preparation for the next generation. Educate the younger members of the family on how to manage risk. Ask your broker to participate in the discussion to answer any questions and provide a picture of the family's exposures.



Consider unconventional insurance options.

Today's challenging insurance marketplace requires creativity. Don't be afraid to look into options beyond the traditional marketplace. From excess and surplus (E&S) coverage to self-insurance options, your broker can find the best mix to mitigate your risk for generations to come.



Be transparent with your broker.

Let your insurance broker know about any major life changes or planned property purchases to ensure you're as protected as possible. Review exposures and insurance needs at least 90 days prior to your policy renewal to allow your broker to find the optimal mix of coverage for your family's needs.

1. Results taken from HUB's 2024 Outlook High Net Worth Survey, which polled 200 high net worth individuals, advisors and wealth managers on the issues affecting affluent families' profitability and resiliency.
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3. Wealth Management of Kentucky, "[The Higher Your Profile, the Bigger the Lawsuits](#)," April 29, 2021.
4. Reuters, "[Activists aggravate art insurers' climate headache](#)," November 25, 2022.
5. Insurance Business, "[Legislative bid to address California's insurance crisis fails to pass](#)," September 13, 2023.
6. Tallahassee Democrat, "[Florida Gov. Ron DeSantis signs home insurance fix — certain to raise costs for many](#)," December 16, 2022.
7. Miami Herald, "[Who needs homeowners' insurance in Florida? Here's what you should know](#)," June 27, 2023.
8. Barclays, "[Hackers turn their gaze on high-net-worth individuals](#)," May 20, 2021.
9. AAG IT, "[The Latest 2023 Cyber Crime Statistics](#)," February 10, 2023.
10. Forbes, "[How An Umbrella Insurance Policy Works And What It Covers](#)," August 8, 2023.

Private Client Rate Guide — U.S.

HUB International interviews personal insurance brokers and risk services consultants who specialize in Private Client business to bring you our proprietary rate report. Read the HUB 2024 Private Client Rate Report to know what to expect in advance of your next renewal.

Coverage	2024 Private Client Rate Outlook	Insights
Auto	+10% to 15%	<p>Expect rates hikes to offset insurer losses from increased vehicle replacement costs, production backlogs on part replacements, labor costs and higher medical expenses.</p> <p>With drivers back on the road post-pandemic, insurers that reduced rates during stay-at-home orders are adjusting their rates to account for increasing exposures, such as rising accident frequency and severity, and an uptick in auto claims from natural disasters compared with prior years.</p>
Homeowners	+15% to 20%	<p>The homeowners market is facing unprecedented challenges driven by natural catastrophes, including wind, flood, earthquake and wildfire losses. Reinsurers will continue to apply pressure behind the scenes.</p> <p>While the rate of inflation and some material costs are decreasing, increased labor costs, elevated claims activity and extended timelines for repairs and rebuilds are driving up rates.</p> <p>Expect underwriters to scrutinize properties and pay more attention to unfavorable brush mapping and/or protection classes. Carriers continue to decrease capacity on per-location insured values, impose per-location loss limits and increase deductibles.</p>
Personal Umbrella	+7% to 12%	<p>Social inflation continues to be a key underwriting concern for umbrella policies, particularly in jurisdictions that have seen a number of high-dollar verdicts.</p> <p>With more cases going to litigation and longer timeframes for resolution, capacity is decreasing.</p> <p>Expect increasing severity and frequency of auto claims to raise personal umbrella premiums.</p>
Catastrophic Perils	+10% to 20%	<p>Fewer traditional homeowners insurance companies are writing risks in CAT-prone areas. Expect rising reinsurance costs to drive rate increases. Many homeowners may need to tap into the non-standard excess and surplus markets for coverage, which is typically priced 30% to 40% above the standard market.</p>
Specialty: Motorcycle, RVs, Watercraft	+5% to 10%	<p>Similar to the auto market, specialty coverage rates will increase modestly to offset losses driven by increased vehicle replacement costs, production backlogs on part replacements, labor costs and increased medical expenses.</p>

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and expenses and provide an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.



HUB Private Client

When you partner with HUB Private Client, you're at the center of a vast network of experts who will help you reach your goals and remain resilient into the future. For more information on how to manage your insurance costs and reduce your risk, talk to a HUB Private Client Risk Advisor. We're here to help.

\$800M

in personal insurance premiums brokered by HUB Private Client

60,000

Private Client accounts

454

Private Client Risk Advisors

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