



Personal Risk Management

Taking appropriate steps to protect assets and lifestyle

As we work with our high-net-worth clients, we sometimes discover their existing insurance programs may have been mismanaged, which could lead to significant losses in the event of a claim. While most claims are managed successfully, there are scenarios that incur costly outcomes. The following case study illustrates what can occur without proper insurance counsel and guidance.

Case Study - Mr. and Mr. Smith

Background

The Smith's were a retired couple in their late 60s, maintaining residences in two states. Their primary home was in a suburb of Chicago, and they had just purchased a second home near the Gulf of Mexico in Naples, FL. They also purchased two vehicles to be used while visiting their Naples home. Unfortunately, their State Farm agent in Illinois was unable to provide the needed coverage for their new acquisitions. The Smith's Realtor referred them to a Naples-based independent agent who quoted policies for their Florida-based assets. Surprised by the cost, Mr. Smith accepted only the homeowner's policy from a Florida-based insurance company (Tower Hill). In an effort to save money, he went online to insure the two autos through Progressive.

What Went Wrong?

Two years later, Mr. and Mrs. Smith were returning to their Naples home after a dinner party and were involved in a serious car accident. Mr. Smith inadvertently ran a red light and struck another vehicle that was entering the intersection. The Smith's vehicle was badly damaged and was ultimately considered a total loss; Mrs. Smith's injuries required approximately two months of hospitalization. The other car also was totaled and the couple were severely injured. The husband, a successful local attorney, tragically died two weeks later from his injuries.

Our Private Risk Services practice provides customized risk management programs for high-net-worth individuals and families, who commonly present more complex insurance challenges. We proudly represent more than 40 insurance companies, including those specializing in the high-net-worth market, including ACE Private Risk Services, AIG Private Client Group, Chubb Insurance, and PURE.

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The family brought a lawsuit against Mr. Smith for negligent driving that they claimed caused the accident. After almost 18 months of legal proceedings, a jury found Mr. Smith guilty and the surviving family was awarded \$3.5 million. During the legal process, the Smith's insurance policies were discovered.

The vehicle policy Mr. Smith purchased online only afforded \$50,000 of auto liability coverage. When he made that policy purchase, he knew he had a separate Umbrella Liability policy and assumed it provided enough protection. What Mr. Smith didn't understand was that the Umbrella Liability policy he had purchased from his Chicago-based agent required a minimum of \$300,000 underlying auto liability before coverage could be triggered. He also quickly realized that the \$1-million Umbrella limit he purchased had not kept pace with his total assets or with the escalating litigious realities across the country. He realized he was significantly underinsured.

What Was the Cost?

In order to satisfy the \$3.5-million judgment the following actions occurred: Progressive paid the full \$50,000 primary auto liability limit, and the State Farm policy paid the full \$1 million limit.

The Smith's were left with the personal responsibility of \$2,450,000:

1. \$250,000 for the "gap" in coverage between the Progressive Primary Auto policy and the State Farm Umbrella policy; plus
2. \$2,200,000 representing the balance of the judgment not covered by their insurance policies.

The Smith's were forced to liquidate a significant portion of their retirement fund to cover the amount they were legally obligated to pay.

Again, this case study is intended to illustrate how people can unknowingly put themselves in very difficult and costly situations by mismanaging what is often perceived to be unsophisticated insurance policies.

Our team at Gulfshore-Private Risk Services works collaboratively with other trusted advisors such as CPA's, wealth advisors, trust and estate attorneys, and family offices. We add a layer of consultation to ensure your clients' assets and lifestyles are properly protected.

Where relationships & trust are built.

Gulfshore Insurance has been managing our clients' business and personal risk for more than 44 years, and we are committed to serving them with the highest levels of honesty, sincerity and integrity. The firm is licensed in all 50 states and is currently one of the largest independent insurance agencies in the state of Florida, with offices in Naples, Fort Lauderdale, Fort Myers, and Marco Island.