Assurex GLOBAL | Private Client Practice Group

Chubb Personal Risk Services

Targeting the Rich:

Liability Lawsuits and the Threat to Families with Emerging and Established Wealth

Survey Shows Wealthy Have Growing Concerns But Underestimate Danger of Multi-Million-Dollar Verdicts

CHUBB®

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INTRODUCTION

A MESSAGE FROM YOUR ASSUREX GLOBAL PARTNER:

If you have a growing concern that your wealth could make you a target for lawsuits, you are not alone. Chubb conducted a survey of households with $5 million or more in investable assets and found that 82 percent of the respondents believe that their wealth makes them a target for liability lawsuits at least "to some degree." In this age of wealth disparity, your concerns are justified, according to defense attorneys for high net worth individuals also interviewed by Chubb.

As an Assurex Global Partner, we wanted to share the following white paper with you to ensure you are informed about the types of lawsuits to which you, as a high net worth individual, may be subject and the amounts potentially at risk. Unfortunately, you are probably not covered for the large payouts prevalent in our litigious society. For example, a brain damage case today can be settled for as much as $15 million to $20 million. Unfortunately, more than 40 percent of respondents to the Chubb survey reported having less than $5 million in coverage, which, in our example, would require $10 million or more in personal payout.

Read more to take the first step in developing a comprehensive plan for protecting your wealth, reputation, and lifestyle.

EXECUTIVE SUMMARY

IN THESE HIGHLY UNCERTAIN ECONOMIC TIMES, the issue of disparities in wealth, income, and taxation has become the subject of heated debate. As the controversy deepens and proliferates, newly released research by Chubb Personal Risk Services, the high net worth personal insurance business of the Chubb Group, shows that many high net worth families are concerned this environment is heightening the risk they will be the target of a high-stakes liability lawsuit. Their wealth, they increasingly fear, can attract lawsuits. Aside from the financial impact, high net worth individuals fear the stress of protracted legal proceedings and risk damage to their reputations and ability to earn an income.

These concerns are not without basis, legal experts say. Under the widespread doctrine of joint and several liability, if more than one defendant is responsible for a plaintiff's injury, any one of them may be held liable for the full amount of the damage award. This means that a lawyer will often concentrate on the person with the highest net worth, instead of the one most at fault.

Despite these dangers, people of means frequently fail to realize that many aspects of their lifestyle can lead to a costly lawsuit, such as employing household staff or serving as a volunteer board member of a charitable organization. They also tend to underestimate the potential cost of a liability lawsuit and misunderstand the affordability of effective protection. Consequently, they often lack both the proper types of liability insurance as well sufficient amounts of coverage.

This white paper draws from a survey commissioned by Chubb Personal Risk Services of high net worth households and from interviews with attorneys representing high net worth defendants in liability cases. The paper introduces these disquieting trends, while presenting a five-step plan for reducing the risk posed by liability lawsuits. As more wealthy families appreciate their liability exposures in today's charged environment, they will understand the importance of working with a qualified insurance advisor to build a comprehensive program for liability protection.

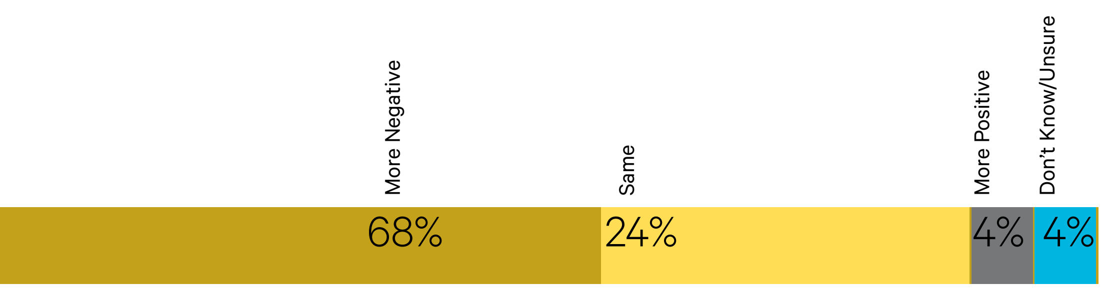
I: GROWING CONCERN

As millions of job seekers remain unemployed for years, as homeowners and college students alike stagger under heavy debts, and as America, in general, continues to struggle to recover from the Great Recession of 2008 and 2009, questions about the manner in which wealth has been acquired and the obligations to society of the so-called "one percent" have taken on an increasingly inflammatory tone. Is the system rigged to perpetuate wealth and favor the predatory or corrupt over the hard-working individual? Are the rich paying their fair share of taxes? How can government spending be cut in a way that is fair and does not stifle job growth? With the presidential election cycle in full gear and protest movements in the streets, the emotional pitch has reached a new intensity. Not surprisingly, this debate has alarmed people of means. According to a recent survey by Chubb of households with $5 million or more in investable assets, 68 percent of respondents said that since the financial and economic crisis reared in 2008, public perceptions of them have become "more negative." By contrast, only 4 percent said public perceptions have become "more positive."

Wealthy families increasingly feel targeted.

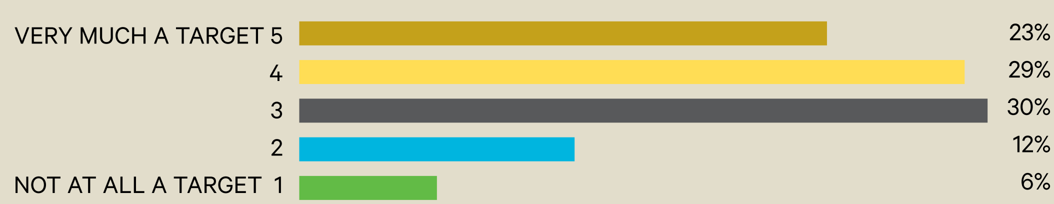
While raising taxes on the rich grabs the most headlines as a possible outcome of this negative perception, there is one time-tested method of wealth transfer also on their minds: the potential for a liability lawsuit. In the Chubb survey, 82 percent of the respondents believe their wealth makes them an attractive target for liability lawsuits "to some degree," with 23 percent believing that their wealth alone makes them "very much" a target. Only 6 percent stated that their wealth did not make them a target.

How have general public perceptions about the wealthy changed since the onset of the economic and financial crisis of 2008-2009?



In the aftermath of the economic and financial crisis, do you personally believe you are more or less likely to be the target of a lawsuit?

On a scale of one to five, how much does your wealth alone make you an attractive target for lawsuits?



Chubb Liability Study Among Households with $5 Million or More in Investable Assets.
Numbers may not exactly add up to 100 percent due to rounding.

Moreover, 38 percent believe they are more likely to be sued in the current politically charged climate, with only 7 percent stating they were less likely to be sued. These percentages are sobering, to say the least.

► Deep Pockets

Attorneys defending high net worth individuals in liability lawsuits are not surprised by the survey findings. "If you look at the frequency of filings in auto accidents and 'slip and fall' cases, there is a greater inclination to file a personal injury or workers compensation lawsuit when times are economically tough," says Jeffrey O'Hara, senior equity partner in the Florham, New Jersey office of London-based law firm, Clyde & Co. "If the defendant is wealthy, this increases the potential for being hit with a suit. A situation that otherwise might have been viewed as a 'nuisance event' by the victim is now seen as offering a potential windfall."

John J. McDonough, co-chairman of the litigation group at New York-based law firm, Cozen O'Connor, offered a similar opinion. "There is a heightened resentment of people of wealth among the general public today, which you see in the Occupy Wall Street movement and in the wrath of many taxpayers following the government's bailout of the banks and other financial firms," says Mr. McDonough. "Perceptions of the 'haves versus the have nots,' and the 'underdogs versus the wealthy' have deepened."

Such negative observations pose financial risk for wealthier individuals. "They're perceived as having 'deep pockets,' and become a target," Mr. McDonough adds. "In times of high unemployment, we always see a jump in bodily injury and workers compensation claims, people hunting the rich to cash in."

► Legal Inequity?

Making matters problematic for wealthy households are common law joint and several liability statutes, used in cases where two or more defendants are found liable for damages. In such cases, the winning plaintiff may collect the entire judgment from any one of the parties.

Kevin Dunne, a partner and former chairman of international trial and litigation law firm, Sedgwick LLP, cited a particular case he handled as an example: Five male teenagers were horsing around when four of them got in a car and drove off; the remaining boy jumped on the fender of the car, fell off and suffered a brain injury.

"Although all of them were essentially culpable for the accident, the plaintiff's attorney only went after the rich father of one teenager," Mr. Dunne says. "The other boys got off scot-free." As it turned out, the family's insurance provided only $2 million in personal injury protection. Adds Mr. Dunne, "We settled for many millions of dollars more than the insurance they had."

Although joint and several liability rules vary from state to state, Mr. O'Hara commented that it is the plaintiff attorney's responsibility to assert a claim designed to recover the full value of damages incurred by the client. How this plays out varies.

In one instance, an individual was involved in a minor accident on his way to an airport. Both he and the driver of the other car agreed they felt fine and didn't need police assistance—until his relative arrived in a $200,000 car to help him catch his flight. Suddenly, the other driver complained of pain and insisted they call the police. The case was eventually settled for a substantial sum.

"Some lawyers may sue every potential defendant because they want to ensure all pockets are available for recovery," Mr. O'Hara explains. "An example is premises liability, in which the attorney may assert the claim against the homeowner, general contractor and various subcontractors, assuming that overlapping tasks were being performed at the location. Some lawyers, however, may sue just the homeowner seeking the full value of the claim, and leave it to that party to assert claims against the contractor entities. It all depends on an analysis of the full value of the damages and how best to achieve this."

The financial upshot is clear: If the defendants are of roughly equal financial worth, suing multiple people provides the means to recover full damages. But, if only one of the defendants is wealthy, suing just that person presents the same opportunity.

Even in states like California that require comparative fault (a tort law doctrine requiring that the fault of each defendant in a liability lawsuit is assessed), Mr. Dunne says, "The plaintiff attorney's strategy at trial will always be to have the most fault attached to the richest person." Moreover, joint and several liability still applies when applying punitive and other special damages, despite the comparative fault standard.

Joint and Several Liability: In many states, someone who is only 1 percent at fault can be held liable for 100 percent of damages.

► Twists and Turns

There are other legal issues that raise the stakes for high net worth individuals. In cases where a wealthy defendant has been acquitted of criminal charges, the person's financial means often will guide the subsequent filing of a civil case. "I represented a famous entertainer in a civil injury case after he and a half-dozen other defendants had been acquitted in a criminal trial," Mr. McDonough says. "The plaintiff attorney went only after my client because of his wealth."

The attorney advised his client that a financial settlement would be in his best interests. "We were confronted with interrupting this person's normal lifestyle, his ability to make a living, and the huge stress the ongoing legal proceedings—multiple depositions, court appearances, motions—would have on his peace of mind and reputation," Mr. McDonough explains. "We did not want to further damage his life-long work, since even one negative allegation during a trial can be the end of a career."

Another factor in settling the case was the uncertainty of a jury verdict. "You often don't see wealthy people on a jury or others who appreciate what it took for the defendant to achieve financial success," says Mr. McDonough. "Rather, you tend to see people of lesser means or from backgrounds that are dissimilar to the defendant's. ... The formula for success in business does not translate into success in the courtroom."

Mr. O'Hara agreed that settlements in cases involving high net worth individuals are advisable, given the oft-public nature of these lawsuits and the anxiety this creates for defendants. "I handled the case of a woman whose best friend asked her to host her daughter's bridal shower," he recalls. "The guests gathered on a raised deck for photographs when it collapsed. For three years this woman and her husband endured an extraordinary ordeal. The case was publicized and their reputation suffered. The stress was overwhelming. Ultimately, we settled and the amount was well beyond the insurance they had."

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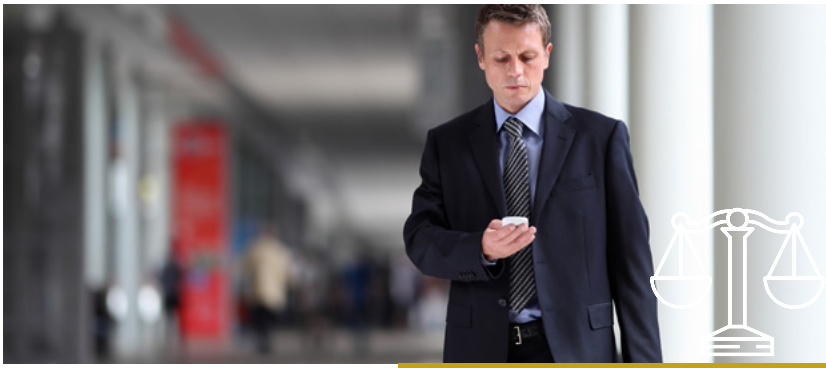
Jeff O'Hara,
Clyde & Co., LLP

The Chubb survey affirms these challenges. More than a quarter of the respondents (27 percent) cited their biggest fear as a result of being sued to be "the time and stress required to mount a legal defense." This factor was deemed more important to respondents than "the meaningful loss of savings, investments, home or other assets."

Other legal rules that can be detrimental to someone of significant financial means include "vicarious liability," a tort doctrine that imposes responsibility upon one person for the failure of another with whom this person has a special relationship, such as a parent. "I handled a highly publicized case involving a well-known socialite who borrowed her father's car and was later involved in an auto accident injuring numerous people," Mr. McDonough says. "The defendant did not have anywhere near the wealth of the parent. But, because the father loaned the car to the defendant, he, as the automobile's owner, had a vicarious liability. He therefore became the 'deep pocket' defendant, not the child."

Mr. Dunne noted other types of liabilities that can cause financial havoc. "I've handled cases where professionals like doctors, lawyers and stockbrokers continued to give free advice after they retired, only the advice turned out to be bad," he says. "Last year I represented an 82 year-old financial adviser who offered some advice on investing to a close friend, which turned sour. He was sued, but since he had retired, he no longer had 'errors and omissions' liability insurance transferring his professional liability. He had to pay quite a bit of money out of his own pocket."



In the Public Eye

Further complicating the risk of liability for many high net worth families is their public status. Many CEOs and other wealthy individuals have become de facto celebrities, their goings and doings a matter of media scrutiny and public knowledge. "When you are in the spotlight, everything is recorded or photographed, and it goes viral in a matter of seconds," says Mr. McDonough. "If you're a well-known person, and you say something that is unflattering about someone else, you not only risk a defamation lawsuit, you risk your career."

"… even one negative allegation during a trial can be the end of a career."

John McDonough, Cozen O'Connor

The widespread use of social media increases liabilities like slander, defamation and invasion of privacy for everyone, but the greater wealth of high net worth people makes them a lawsuit target. A similar threat confronts the affluent when they host parties. If a guest drinks too much and later is involved in an automobile accident, the host is potentially liable for personal injuries resulting from the accident. "Other people at the party may have cell phone photos or video of the guest walking unsteadily, which they then post online," Mr. Dunne says. "Private parties these days are anything but."

II: PERCEPTION VERSUS REALITY

Despite the increasing concern among the wealthy about the threat of liability lawsuits, they remain largely confused, unaware, and poorly protected against them. They underestimate both the breadth and degree of risks, and misunderstand the cost of effective protection.

► Appreciating the Breadth of Risks

Among the situations that could lead to a lawsuit, high net worth individuals are most concerned about an automobile accident, with 47 percent of respondents in the Chubb research expressing a high level of concern. They are right to do so. With the potential for multiple people gravely injured or killed in an accident, driving safely ranks among the most serious responsibilities in society. Workers or visitors who are injured while on the homeowner's property also earn a high level of concern.

Percentage of Wealthy Households Having a High Level of Concern* About Being Sued Due to the Following Incidents

An auto accident	47%
A worker or household employee is injured while on your property	31%
A visitor is injured while on your property	29%
Being accused of misdeeds or being held liable for incidents in connection with volunteer work	22%
Being sued as a result of a side-business you conduct on your property	19%
Being accused of libel, slander, or invasion of privacy	18%
Your pet causes someone injury or does serious property damage	18%
Being accused of sexual harassment, discrimination, abuse, or wrongful termination by a nanny or other household employee	17%
A dispute with a neighbor	15%
An altercation involving you or a family member	14%
Other	20%

*Based on a rating of eight or higher on a ten-point scale, with ten being the highest level of concern.
Chubb Personal Liability Survey of Wealthy Households

In the Chubb survey, 62 percent of respondents reported serving or having served as a volunteer board member or trustee of a not-for-profit organization. Among this group, 35 percent did not have their own directors & officers insurance to protect them, and another 10 percent were unsure if they did.

But the risks by no means stop there. The respondents in the Chubb survey, by and large, underrated the threat of employment practices liability, directors & officers liability through charitable institutions, libel, slander, and character defamation, and dog bites. Yet, the attorneys interviewed for this white paper agreed that these liabilities also pose significant risks.

- **Employment Practices Liability:** More than half (54 percent) of respondents in the Chubb survey employ domestic staff such as a nanny, housekeeper, cook, or driver, but many are not protecting themselves against potential lawsuits for discrimination, sexual harassment, wrongful termination, and other wrongful employment practices issues. In difficult economic times, disgruntled current or terminated staff may be tempted to file a suit, even if it is frivolous, in the hopes of getting a quick settlement. These types of suits are not covered by a homeowners or workers compensation policy. Separate coverage is required, yet 31 percent of survey respondents who employed household staff did not have this coverage. Another 8 percent were unsure if they did.

- **Directors & Officer Liability for Charitable Board Members:** To their credit, wealthy individuals contribute a significant amount of their time to charitable organizations.

In the Chubb survey, 62 percent of respondents reported serving or having served as a volunteer board member or trustee of a not-for-profit organization. Among this group, 35 percent did not have directors & officers insurance to protect them, and another 10 percent were unsure if they did. Most assumed the organization would fully protect them, but charitable organizations typically operate on meager budgets and cannot afford a gold-plated insurance plan that addresses the worst cases. Further, in difficult economic times, charitable organizations may be forced to reduce paid staff, increasing the likelihood of wrongful termination and other employment practices lawsuits.

- **Libel, Slander, and Defamation:** The explosion of social media platforms, blogs, and other means of electronic message distribution has greatly raised the stakes for libel, slander and character defamation. Comments and opinions once handled with the greatest discretion suddenly find themselves in the hands of millions. The results can be catastrophic. In one case, $11.3 million was awarded to a Florida consultant against a Louisiana woman for posting defamatory statements about the plaintiff on an Internet bulletin board.

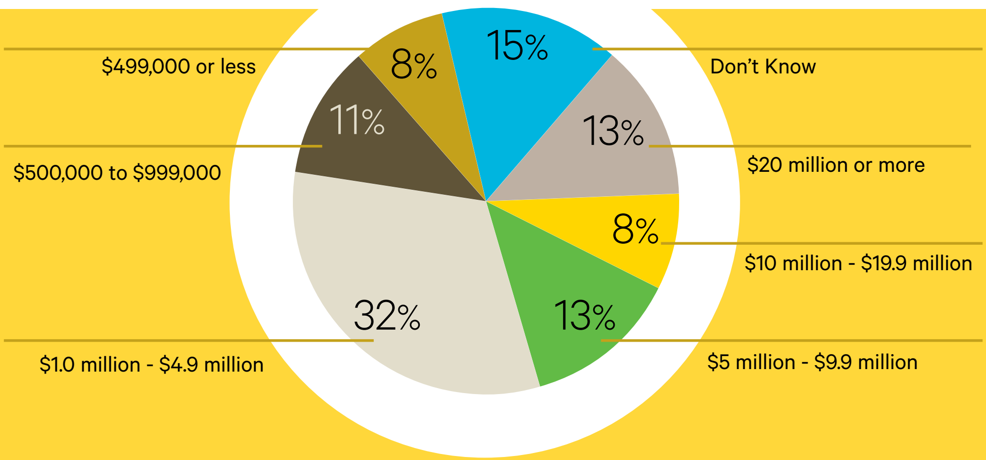
- **Dog Bites:** More than one third of all homeowner liability claims involved dog bites in 2010, according to the Insurance Information Institute. While the average cost of the claim was $26,166, severe claims can easily exceed the liability coverage in a homeowners policy, which rarely tops $500,000. For instance, a $7 million verdict was awarded against the owners of two dogs that mauled and killed an infant plaintiff in Texas.

Underestimating the Degree of Risk

Many wealthy people underestimate the potential cost of a liability lawsuit. Just over half of survey respondents believe the highest amount of damages they could be held liable for if someone suffered a serious injury as a result of an accident involving their vehicle or on their property is less than $5 million.

Half think a worst-case lawsuit would be less than $5 million.

If someone (or multiple people) suffered serious injury as a result of an accident on your property or an accident that involved your automobile, what do you think is the highest amount of damages you could be held liable for if you were found to be at fault?



Chubb Liability Study Among Households with $5 Million or More in Investable Assets

Yet, a review of recent verdicts and settlements indicates the true size of these potential costs:

- **A $49 million** verdict in California resulting from a multi-vehicle crash in which a 21 year-old college student was left in a coma for one month and expected to require lifetime 24-hour care;
- **A $31 million** verdict in California to two defendants who were swept off a boat and subsequently injured by its propellers;
- **A $29 million** verdict in Pennsylvania for a four year-old boy who suffered a debilitating spinal cord injury while riding as a passenger in a vehicle involved in a head-on collision;
- **A $21 million** wrongful death action involving a 21 year-old female college student killed in an auto accident in Texas;
- **A $20 million** award in Florida for the death of a teenage male riding an ATV on a neighbor's property without proper supervision;
- **A $19 million** award in New Jersey to a pedestrian suffering mild brain injuries and permanent scarring after being struck by a vehicle;
- **A $14 million** wrongful death verdict in Illinois involving a 22 year-old killed in an auto accident.

Even moderate brain damage can result in a staggering cost to the defendant. A 14 year-old plaintiff who suffered moderate brain damage in an auto accident in Indiana recently was awarded $15 million by the jury.

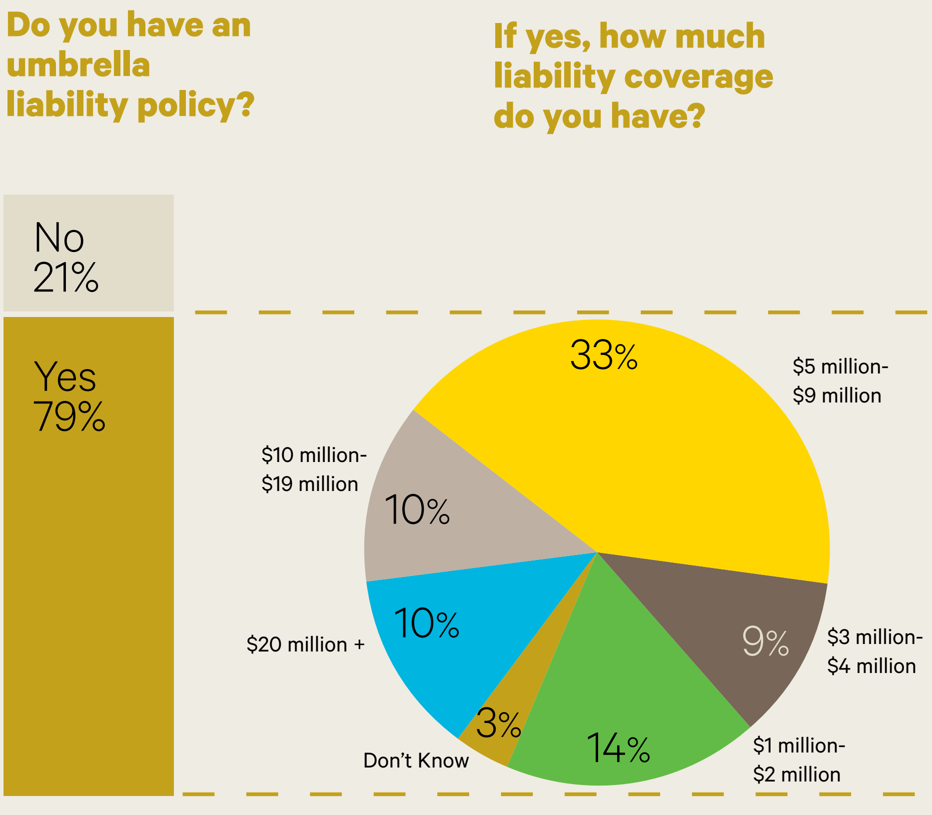
"I can't tell you how many clients I've had with $2 million in coverage, when today a case involving a brain damaged plaintiff is going for $15 million to $20 million and the defendant is worth more than $100 million."

–Kevin Dunne, Sedgwick LLP

These high amounts should not be construed as unfair or undeserving. Indeed, in situations where the defendant is indigent or uninsured, the travesty is that an injured plaintiff may have scant financial recovery. The dynamic shifts, however, when the defendant is wealthy. Plaintiff attorneys are required to seek full financial recovery. In addition, because they typically are paid on a contingency basis and receive a percentage of the total payout, there is a personal motivation to wring the highest possible financial verdict or settlement.

Ensuring Enough Insurance

Despite the financial, reputational and emotional repercussions of liability lawsuits for high net worth families, many wealthy people have little knowledge of the amount of insurance they require to transfer the related risks. "I can't tell you how many clients I've had with $2 million in coverage, when today a case involving a brain damaged plaintiff is going for $15 million to $20 million and the defendant is worth more than $100 million," Mr. Dunne says.



Chubb Liability Study Among Households with $5 Million or More in Investable Assets

Mr. O'Hara concurred: "Given recent liability verdicts and settlements, many people face financial exposures well in excess of their insurance limits. Truthfully, the bulk of defendants are underinsured."

The Chubb survey gives further credence to these assertions. While most wealthy households have umbrella insurance to supplement the liability coverage in their auto and homeowner policies, they often do not have enough. Nearly one in four (23 percent) of the respondents in the Chubb survey reported having less than $5 million in coverage – a surprising result considering that respondents had to have at least $5 million in net worth, excluding the primary residence, to qualify for the survey. Only 20 percent had umbrella coverage limits of $10 million or higher.

Worst of all, 21 percent of the respondents stated that they did not have umbrella or excess liability coverage to supplement the liability insurance they had in both their automobile and homeowners policies. Since the liability coverage in homeowner and auto policies rarely tops $500,000, lacking umbrella insurance represents a life-changing risk.

More than 40% have less than $5 million in umbrella liability coverage, including 21% with none.

Misunderstanding the Affordability of Effective Protection

Why do wealthy households have no or not enough umbrella liability insurance? The top reason is that they do not think the risk is worth the added expense. Mr. O'Hara explains their rationale. "As a general matter, people overestimate the expense associated with higher levels of insurance," he says. "They also fail to account for worst-case scenarios, believing this won't occur to them. Thus, they feel they have sufficient coverage to address the exposure."

What happens when coverage falls short? The court orders the liquidation of assets, often starting with savings and investments, although retirement plans and trusts provide some protections. Real estate holdings and personal property may come next. Courts have little sympathy in targeting vacation homes, rental properties, and lavish primary homes. Lastly, high incomes can be garnished. While the courts won't throw a high net worth family out on the street, they can certainly force a radical change in their lifestyle.

How much insurance should an affluent person carry to offset his or her liability? Although there is no such thing as an average settlement because each liability case is different, Mr. O'Hara said that $5 million in coverage would be considered minimally adequate, "and I emphasize the word 'minimally,'" he adds. "Yet, I still come across wealthy people with $2 million in liability protection. Perhaps this is because successful people tend to be frugal. They're conservative in their business dealings, so there may be a propensity to be conservative in their insurance purchases."

Such conservatism can miscarry. In the aforementioned case that Mr. McDonough settled on behalf of the defendant entertainer, the amount of insurance held by the person was far less than the ultimate payout. Additionally, one of the two insurers involved was in liquidation proceedings. "I tell people all the time – 'buy enough insurance to cover foreseeable risks, and don't buy it from the cheapest outfit on the block,'" he says. "Insurance actually gets less expensive the more you buy. Fortunately, the law of averages says you will never need $50 million in insurance, but if you do you at least have it."

"As a general matter, people overestimate the expense associated with higher levels of insurance. They also fail to account for worst-case scenarios, believing this won't occur to them.

–Jeff O'Hara, Clyde & Co., LLP

The Basics of Umbrella Liability Insurance

Umbrella liability insurance provides additional liability coverage once the liability coverage limits in your home and auto policies are exhausted. Umbrella coverage is a critical component of an overall personal insurance program because the liability coverage in home and auto policies rarely exceeds $500,000, yet 13 percent of personal injury liability awards and settlements are $1 million or more, according to 2003-2009 data from Jury Verdict Research.

Not all umbrella policies are alike. Those from carriers that specialize in serving high net worth clients often have added benefits such as offering coverage limits up to $100 million, paying for legal defense costs without using up the liability limit, and covering the cost of having a public relations firm protect the client's reputation.

The cost of basic umbrella liability insurance depends primarily on: the number of homes, cars and boats owned; the number of drivers and their driving characteristics; and the amount of liability coverage provided by the underlying home, auto, and boat policies. Costs can also vary by geographic region

TYPICAL COSTS* FOR A CLIENT WITH ONE HOME, TWO CARS, AND TWO DRIVERS

Coverage Limit	Annual Premium	Cost/ Million
$1 million	$383	$383
$2 million	$474	$237
$5 million	$608	$122
$10 million	$999	$100

TYPICAL COSTS* FOR A CLIENT WITH THREE HOMES, FOUR CARS, ONE BOAT, AND THREE DRIVERS (ONE UNDER 25 YRS. OLD)

Coverage Limit	Annual Premium	Cost/ Million
$1 million	$563	$563
$2 million	$713	$356
$5 million	$933	$187
$10 million	$1,578	$158

Chubb's high net worth clients frequently offset the cost of additional umbrella liability coverage by increasing the deductible on their home and auto policies. For instance, increasing the deductible amount on one home from $500 to $2,500 might save $900 in annual premium. They wisely assume more responsibility for minor risks to better protect themselves against catastrophic loss.

*Based on the Chubb Platinum Portfolio policy. Costs also assume a $500,000 liability limit in the underlying policies, the inclusion of $1 million in uninsured/underinsured motorist umbrella coverage, and, in the table on the right, a boat less than 26 feet in length

Assets at Risk When the Insurance Runs Out:

- Savings
- Investments
- Real Estate
- Valuable Collections
- Future Employment Earnings

III: FIVE STEPS TO BUILDING A LIABILITY PROTECTION PLAN

The nature of personal liability risk continues to evolve in response to changes in the law and societal attitudes. To protect your wealth, reputation and lifestyle, as a high net worth individual, you must maintain a greater awareness of the shifting dangers and seek expert advice to develop a comprehensive plan for protection.

1.

ENGAGE AN INDEPENDENT INSURANCE AGENCY OR BROKER SKILLED AT WORKING WITH HIGH NET WORTH INDIVIDUALS AND FAMILIES.

- Verify that the firm is independent in the sense that they represent a variety of carriers, including at least one that offers customized coverage and services for high net worth clients.

- The firm should have a team dedicated to personal property and casualty insurance, and not be serving individuals simply as a side activity to commercial insurance. Further, there should be some assurance that the operation has a solid base of affluent clients.

- The firm should have a well-defined process for periodically reviewing physical assets (homes, cars, recreational vehicles, etc.), financial assets, and lifestyle. Only by understanding all three can the breadth and level of liability risk be assessed.

2.

UNDERSTAND THE DIFFERENCES BETWEEN THE COVERAGES AND SERVICES OFFERED BY INSURANCE CARRIERS.

- Resist the temptation to choose an insurance carrier based on price alone. Your advisor should be able to help you understand the value of a carrier based on coverage and service quality.

- The umbrella liability policies offered by carriers that specialize in insuring high net worth clients have many advantages, such as:
  - Limits of coverage up to $100 million are often available, instead of maximums in the $5 million range.
  - Legal defense costs, such as law firm, court, and expert witness fees, do not count towards the coverage limit—an important benefit since these costs can often run into hundreds of thousands of dollars.
  - Clients can be reimbursed for having their personal lawyer shadow the defense effort, handle paperwork, and fulfill other tasks to make the process easier for them.
  - To protect reputations, clients can be reimbursed for the cost of hiring a public relations firm to protect their standing in the community.
  - There may be less pressure to use counsel from the insurance company's in-house legal department, allowing greater freedom to select from the best independent law firms that focus on a specific liability issue.
  - Claims practices often allow for more flexibility in making demands on a client's time, such as in the scheduling of depositions.

Considering that wealthy individuals most fear the cost, stress and time demands of mounting a legal defense in a liability lawsuit, many of these benefits can make a huge difference.

3.

MAKE SURE THE LIABILITY COMPONENTS OF YOUR AUTO, HOME, WATERCRAFT, UMBRELLA AND OTHER PERSONAL INSURANCE POLICIES WORK TOGETHER AS A SEAMLESS PLAN.

- Avoid gaps in coverage between the auto and home policies and the umbrella policy that acts on top of them. For instance, if the umbrella policy coverage starts when losses exceed $300,000, then the auto and home policies must provide coverage up to $300,000, not less.

- Don't forget to list company cars on the umbrella policy. The auto policy provided by the company may not provide coverage for extreme cases, especially if the car was being used for pleasure when the accident occurred.

- Choose an umbrella liability policy that will drop down to cover liability damages from the first dollar of loss if coverage is not provided by the home or auto policies in place. For instance, an auto policy may not provide liability coverage while you are driving a rental car abroad. A superior umbrella policy will step in to cover the loss, while others might not because they only follow on top of the coverage in the auto policy.

- If you employ household staff, make sure you have workers compensation and employment practices liability insurance (EPLI) as part of your program. Similarly, if you hire a contractor to remodel your home, have your agent review the contractor's insurance policy to make sure it is adequate.

- If you serve as an unpaid board member or trustee of a charitable organization, ask your agent to review the insurance carried by the organization and any state or federal laws that might indemnify you of liability. Consider adding not-for-profit directors & officers coverage to your program.

- Seek to combine as many of these policies as possible with one company. Using one company adds consistency to legal defense efforts. For instance, if you face a multi-million-dollar lawsuit after an auto accident, you don't want the legal team from the auto insurance carrier to be arguing with the legal team from the umbrella insurance carrier. Using one company also minimizes the likelihood of gaps in coverage and usually earns a package discount.

4.

PURCHASE THE LEVEL OF COVERAGE TO MEET EXTREME CASES, NOT THE LIKELY CASES.

- Remember, liability settlements and verdicts can exceed $10 million, $20 million, and higher. While trusts and other techniques can shield some assets from the court's reach, prudence suggests choosing coverage at least equal to your current net worth and present value of your employment income stream. It is also worth considering the moral obligation to be able to fully compensate someone who has perhaps suffered a lifelong debilitating injury for which you are responsible.

- Don't assume the cost of coverage will be exorbitant. Umbrella coverage typically costs a few hundred dollars in premium per million dollars of coverage, and the cost-per-million decreases as the amount of coverage increases.

- Offset the additional cost of coverage by finding easy savings elsewhere in your insurance plan. For instance, Chubb's high net worth clients can often save $900 in annual premium by increasing the deductible on their homeowner policy from $500 to $2,500. Many choose deductibles that are far higher. Essentially, they self insure for losses they can easily absorb and let Chubb insure them against liability losses that can threaten their family and lifestyle.

5.

PUT SAFETY MEASURES IN PLACE TO HELP PREVENT LIABILITY LAWSUITS.

Aside from common-sense rules such as don't drink and drive, high net worth families would be well served to consider the following:

- Have a safety expert review your home and surrounding property for potential dangers. Swimming pools, trampolines, tree houses, play sets, ATVs and other recreational vehicles, and dogs require special attention.

- Engage a professional firm to screen the backgrounds of household employees and contractors that come to work in your home. The screen can reveal a pattern of potentially frivolous or fraudulent liability lawsuits, among other dangerous behaviors. Don't rely entirely on friends' recommendations or the assurances of the employment agency. For domestic employees, consider developing a written set of job practices and guidelines to avoid misunderstandings.

- When entertaining, don't let intoxicated guests ruin the party and your lifestyle. Instead of allowing free access to liquor, hire a professional service to serve drinks and recognize when certain individuals have had too much. Identify a car service in advance that can quickly and quietly whisk party goers safely to their homes on short notice.

- If you have teen children, make sure they understand not just the risks of driving and entertaining but also posting content in social media forums. Because today's teens are often far ahead of their parents in using social media, parents may be unaware of their teens' risky behavior online. With the issues of bullying, sharing sexually explicit content, and teen suicide attracting increased attention, parents can be held liable for often tragic and avoidable consequences.

In many cases, the insurance agent and carrier will be happy to assist with these steps. For instance, carriers that specialize in serving high net worth families will frequently send risk consultants to the clients' homes to suggest safety measures. When additional expertise is required, they have often formed special relationships and discounts with reputable background screening firms and other providers.

► Conclusion

Given high net worth families' and individuals' increased concern about being the target of a protracted, embarrassing, and costly liability lawsuit, they and their wealth managers must gain a better understanding of the specific and varied incidents that present the greatest threat. They need to grasp the potential costs of jury awards and settlements and the assets and income they have at risk. Finally, they need to realize that easy savings opportunities in their insurance program can offset the additional and surprisingly affordable cost of high amounts of liability coverage. While these steps sound daunting, they are critical. And all can be facilitated by working with an independent insurance advisor with access to insurance companies that specialize in serving clients with emerging and established wealth.

As Mr. O'Hara succinctly sums up, "I can't tell you how many people after a financially devastating lawsuit say to me, 'I wish someone had talked to me beforehand about the risks I was facing and what it might cost.'"

That may be the best advice of all.

APPENDIX: RESEARCH RESULTS

Methodology

The Chubb Personal Risk Services Survey on Personal Liability Perceptions and Behavior Among Wealthy Households was commissioned by Chubb Personal Risk Services and conducted by the market research group of FTI Consulting using its proprietary Affluent Dynamics® online marketing research panel of wealthy individuals. The online survey was sent to 936 members of the Affluent-Dynamics panel and 168 completed responses were received, which represents an 18 percent response rate. Survey participants were limited to those panel members who held a minimum of $5 million in investable assets (total assets excluding value of a primary residence). The survey was conducted from May 16 to May 25, 2011. There is a margin of error of +/- 6.3 percentage points at the 90 percent confidence level.

For the questionnaire and detailed results,
contact James J Berthelon, 215-640-4744, James.Berthelon@ACEGroup.com

Questions

1. Do you think general public perceptions about the wealthy have changed since the onset of the economic and financial crisis of 2008-2009?

	% of Respondents
Public perceptions have become more negative	68%
Public perceptions have not changed	24%
Public perceptions have become more positive	4%
Don't know/unsure	4%

2. Please rate to what extent you believe that your wealth alone makes you an attractive target for lawsuits, using a scale of one to five.

	% of Respondents
5	Very much a target 23%
4	29%
3	30%
2	12%
1	Not at all a target 6%

3. In the aftermath of the economic and financial crisis, do you personally believe you are more or less likely to be the target of a lawsuit?

	% of Respondents
More likely to be sued	38%
No change	51%
Less likely to be sued	7%
Unsure/don't know	5%

Note: Percentages may not exactly add up to 100% due to rounding.

4. **Please rate how much you worry about each of the following situations occurring and resulting in you or a family member being sued, using a scale of one to ten with ten being the highest level of concern.**

SITUATION

Percent of Respondents Giving a Rating in the Ranges Below

	8-10	5-7	1-4	NA
An auto accident	47%	29%	24%	
A worker or household employee is injured while on your property	31%	43%	26%	1%
A visitor is injured while on your property	29%	46%	24%	
Being accused of misdeeds or being held liable for incidents in connection with volunteer work	22%	24%	51%	2%
Being sued as a result of a side-business you conduct on your property	19%	26%	44%	11%
Being accused of libel, slander, or invasion of privacy	18%	27%	54%	1%
Your pet causes someone injury or does serious property damage	18%	27%	32%	23%
Being accused of sexual harassment, discrimination, abuse, or wrongful termination by a nanny or other household employee	17%	27%	52%	4%
A dispute with a neighbor	15%	34%	49%	2%
An altercation involving you or a family member	14%	34%	49%	3%
Other	20%	13%	23%	45%

5. Which of the following, if any, represents your biggest fear as a result of being sued?

	% of Respondents
Time and stress required to mount a legal defense	27%
The expense to defend myself and family	26%
Meaningful loss of savings, investments, home or other assets	17%
Potential judgment with court costs and damages that won't be covered by my insurance	13%
Damaged reputation in my community/among peers, and possible loss of relationships as a result	6%
None	6%
Impact of the amount of money that will be left to heirs.	4%
Impact on my business	1%
Garnishing a portion of future income from employment.	0%
Other	0%

6. If someone (or multiple people) suffered serious injury as a result of an accident on your property or an accident that involved your automobile, what do you think is the highest amount of damages you could be held liable for if you were found to be at fault?

	% of Respondents
Under $250,000	2%
$250,000 - $499,000	6%
$500,000 - $999,000	11%
$1 million - $4.9 million	32%
$5 million - $9.9 million	13%
$10 million - $19.9 million	8%
$20 million or more	13%
Don't know/Unsure	16%

7. Do you have umbrella or excess liability coverage to supplement the liability coverage in your homeowner and auto policies?

	% of Respondents
Yes	79%
No	21%

8. [If "no" to Q7] You previously indicated that you do not have umbrella coverage. Why not?

	% of Respondents
Never heard about it	9%
Agent said I didn't need it	34%
Agent recommended but I'm willing to take my chances	14%
The risk is not worth the added expense	37%
Other	6%

9. [If "yes" to Q7] Which of the following, if any, best represents the reason you have umbrella liability coverage?

	% of Respondents
Recommended by broker	59%
Fully protects me from lawsuits	32%
Other	8%

10. [If "yes" to Q7] How much umbrella liability coverage do you have?

	% Among Those Who Have Umbrella Coverage	% Among All Respondents
$20 million or more	13%	10%
$10 – $19 million	13%	10%
$5 – $9 million	41%	33%
$3 - $4 million	11%	9%
$1 - $2 million	18%	13%
Less than $1million	0%	0%
Don't know/Unsure	4%	3%
Don't Have Umbrella Insurance	NA	21%

11. [If "yes" to Q7] How much did the following factors influence your decision about how much umbrella insurance to carry?

% of Respondents	Great Deal	Somewhat	A Little	Not at All
Overall Net Worth	65%	29%	3%	3%
Advice From Broker	50%	34%	5%	12%
Most Thought I Could Be Sued For	44%	36%	12%	8%
Equity in Home	38%	35%	10%	17%
Employment Income	25%	41%	17%	17%

12. Do you employ domestic staff who work 15 hours a week or more?

	% of Respondents
Yes	46%
No	54%

13. [If "yes" to Q12] Do you have worker's compensation insurance coverage, which is separate from a homeowners policy, in case they injure themselves on the job?

	% of Respondents
Yes	71%
No	23%
Don't know/Unsure	5%

14. [If "yes" to Q12] Do you have employment practices insurance coverage, which is separate from a homeowners policy, in case they sue you for discrimination, sexual harassment, wrongful termination or other employment practice violation – even if the suit is baseless?

	% of Respondents
Yes	61%
No	31%
Don't know/Unsure	8%

15. [If "no" to Q14] Which of the following is the primary reason you do not have employment practices coverage?

	% of Respondents
Never heard about it	29%
The people I employ at home would never sue me	25%
I thought my homeowners policy would protect me if a domestic employee sued me	21%
My agent said I didn't need it	21%
My agent recommended it, but I'm willing to take my chances	4%
Other	0%

16. Do you serve, or have you ever served, as an unpaid board member or trustee for a not-for-profit organization?

	% of Respondents
Yes, currently serve	36%
Yes, served in the past	26%
No, I have never served	38%

17. [If "yes" to Q16] Do/did you have directors and officers liability coverage separate from what the organization may have provided to protect you from lawsuits brought against the organization?

	% of Respondents
Yes	56%
No	35%
Don't know/Unsure	10%

18. [If "no" to Q17] Which of the following is the primary reason you do not/did not have your own directors and officers liability coverage?

	% of Respondents
Thought the organization would fully protect me	44%
I didn't realize I could be held liable for the actions or inactions of the organization	11%
I have not heard about this type of coverage	19%
My broker advised that I not invest in this	11%
My agent recommended it, but I'm willing to take my chances	3%
Other	11%

Household Characteristics

1. What is the value of your total household investable assets? This is the total of all your equity and fixed income investment portfolios, alternative investments, partnerships including real estate investments, etc. but excludes the value of your primary and secondary residences?

	% of Respondents
Less than $4,999,000	0%
$5,000,000 to $9,999,000	45%
$10,000,000 to $14,999,000	21%
$15,000,000 to $24,999,000	18%
More than $25,000,000	16%

2. What is your household income?

	% of Respondents
Less than $200,000	4%
$200,000-$499,000	21%
$500,000-$999,000	32%
$1,000,000-$3,000,000	20%
Over $3,000,000	22%

3. If you own your primary residence, what is the net asset value (current market value less any outstanding mortgages or home equity loans) of your primary residence?

	% of Respondents
Do not own primary residence	3%
Less than $1,000,000	30%
$1,000,000 to $1,999,000	28%
$2,000,000 to $4,999,000	17%
$5,000,000 to $9,999,000	10%
More than $10,000,000	13%

4. In addition to your primary residence, how many other residences do you own?

	% of Respondents
0	22%
1	34%
2	30%
3+	14%

About the Quoted Experts

JEFFREY O'HARA, PARTNER, CLYDE & CO.

Jeff has handled over 65 jury trials in a wide array of subject areas, including personal liability. He is the engagement partner for the National Counsel Program with a publicly-traded franchisor, currently serves as primary trial counsel in the New York-New Jersey region in a wide spectrum of general liability matters for one of the world's largest retailers, and is national discretionary panel counsel for an international insurer. Jeff is a three-time recipient of the "Bullseye Barrister" distinction for outstanding trial service from Target Corporation, was recently named to The International Who's Who of Franchise Lawyers 2009, and is a Fellow in the American Board of Trial Advocates. Clyde & Co focuses on international trade and the insurers that underwrite commercial endeavor worldwide and has 270 partners and 2,350 staff operating from 27 offices worldwide.

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John focuses his practice, both nationally and internationally, on general litigation and complex insurance defense matters including directors and officers liability, errors and omissions litigation, personal liability, complex product liability matters, and mass tort litigation. John is a frequent author and lecturer for many organizations, including the Defense Research Institute (DRI), the Torts and Insurance Practice Section of the New York State Bar Association, the Defense Association of New York (DANY), and the American Conference Institute.

Established in 1970, Cozen O'Connor delivers legal services on an integrated and global basis, with 575 attorneys in 22 cities and two continents. Cozen O'Connor lawyers counsel clients on their most sophisticated legal matters in all areas of corporate and regulatory law as well as litigation. The firm represents a broad array of leading global corporations and ambitious middle market companies in major industries.

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Kevin J. Dunne represents corporations in class actions, unfair trade practice, products liability, personal liability, and other complex matters. An active trial attorney, Mr. Dunne is a fellow in the American College of Trial Lawyers and is a fellow of the International Academy of Trial Lawyers. He has been an Adjunct Professor of Law at the University of San Francisco and a faculty member of the College of Advocacy, Hastings Center for Trial and Appellate Advocacy. Based upon a survey conducted by the National Law Journal, he was ranked as one of the top defense lawyers in the country.

Sedgwick is an international litigation and business law firm that provides counseling, risk management, litigation management, trial, appellate and transactional legal services to sophisticated corporate clients. The firm represents companies in difficult matters involving significant potential exposure, high stakes business deals, sensitive public relations issues or industrywide impact.

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About Chubb Personal Risk Services

Chubb Personal Risk Services is the Chubb Group's high net worth personal insurance business, which provides specialty coverage for homeowners, automobile, recreational marine, umbrella liability and valuable collections insurance for individuals and families with emerging and established wealth. Additional information can be found at: www.chubbprs.com. The Chubb Group is a global leader in insurance and reinsurance serving a diverse group of clients. Headed by Chubb Limited (NYSE: Chubb), the Chubb Group conducts its business on a worldwide basis with operating subsidiaries in more than 50 countries. Additional information can be found at: www.chubbgroup.com. Media Contact: James J Berthelon, 215-640-4744, James.Berthelon@ACEGroup.com

Founded in 2014, the Assurex Global Private Client Practice Group consists of over 30 Partner firms that collectively leverage their resources and industry influence to better meet the personal protection needs of high net worth clients. Through this Group, Assurex Global Partners are able to provide their private clients with access to proprietary insurance solutions, specialty programs, and the collective thought leadership that can only be achieved in a culture of collaboration among best in class personal risk advisors.

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The white paper does not include all of the benefits and limitations found in the policy. The insurance policy itself, not this white paper, will form the contract between the policyholder and the insurance company. The safety information is advisory in nature. No liability is assumed by reason of the information in this document. Policies issued by Bankers Standard Insurance Co., Chubb Insurance Company of the Midwest, and Atlantic Employers Insurance Co.

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