



Five common property and casualty insurance mistakes

These are some of the most common insurance mistakes often seen when conducting personal insurance reviews.

1 High personal liability exposure, lack of sufficient liability insurance

Successful individuals have complex lifestyles, and with this comes increased personal liability exposure. Lawsuits can stem from injury to others when at the home, to injuries from automobile accidents and recreational vehicles, and to claims of libel and invasion of privacy from online activities.

Claims Scenarios

- The estate of a man killed in a motorcycle accident was awarded \$32 million from the plaintiff after alleging the plaintiff was negligent in her operation of a vehicle when she failed to yield to the motorcyclist before making a left turn.¹
- A teenager was killed while riding an all-terrain vehicle on the owner's property without adult supervision. The jury awarded the teenager's parents \$20 mil.²
- A state jury awarded over \$400,000 against a property owner after a fall on the exterior stairs caused an ankle fracture.³
- A jury in Florida awarded more than \$11 mil to a plaintiff who accused the defendant of posting defamatory statements about her online.⁴

Solution

Personal liability coverage can be found in a number of different places in insurance policies—homeowner's insurance, automobile insurance, and personal umbrella insurance, to name a few. A Willis Towers Watson insurance risk advisor will review the clients' policies to ensure sufficient limits are in place and coverages are coordinated in order to avoid any gaps in coverage.

2 A "messy" insurance program

As assets are acquired over time, your clients may find they have multiple insurance companies providing insurance. For example, the insurance for their first home may be placed with one carrier, a local insurance company might provide the coverage for a coastal vacation home, and a third carrier might provide the insurance for a rental property. Specialty insurance companies may then provide coverage for automobiles, boats, and other exposures. If the client is not working with a single insurance risk advisor, the end result can be different coverages, exclusions, and significant gaps in coverage that the client is not aware of, along with numerous bills and administrative hassle.

Claims Scenarios

- A client had placed his insurance policies for his three homes, vehicles, and valuables with different insurance companies throughout the years. As he purchased a new home or vehicle, he would purchase an insurance policy through a local agent or on the Web. The client had so many bills that he forgot to pay the premium for one of the automobile policies, resulting in a coverage lapse and ultimately a suspension of his license for failure to carry insurance.
- A client was involved in an automobile accident, resulting in catastrophic bodily injury to the occupants of the other vehicle, who sued the client for seven figures in damages. The client had invested in a personal umbrella policy years back, but at the time of the claim found there was a \$300,000 self-insured gap in coverage due to different insurance companies providing the various coverages. The client had not worked with an insurance risk advisor to review his policies for any gaps in coverage.

Solution

Consolidating coverages with one insurance company through a single insurance risk advisor is a smart strategy to avoid unnecessary gaps in coverage, and many times results in better coverage with premium savings.

3 The wrong coverage

Not all homeowners' insurance policies are built the same. Higher-valued homes require specialized home insurance protection to ensure there is enough – and the right – coverage in place. The same is true for other types of insurance policies, such as automobile and personal umbrella insurance.

Claims Scenarios

- A client suffered a water loss at a seasonal home, resulting in mold infesting much of the home. The client put in a claim, only to find out he had no mold clean-up coverage.
- A client suffered a fire in her home. The cost to rebuild the home with the same materials and craftsmanship cost the client double what the home was insured for.
- A client suffered a water back-up in her basement, resulting in total loss to the furnished basement. The insurance policy had a water back-up cap of \$2500, resulting in a significant out-of-pocket expense to restore the home.

- A client suffered a flood as a result of a storm, despite not being located in a flood-prone or coastal area. The client never purchased flood insurance, and she was unaware that it was excluded in her homeowner's insurance policy and available through a separate policy.

Solution

As part of a complimentary review, the Willis Towers Watson insurance risk advisor will provide recommendations for how to adjust coverage in order to provide the optimal protection for each client, and alternative quotes with other insurance carriers will be provided to the client.

4 Significant valuables not properly protected

A common misconception is that homeowners' insurance policies provide sufficient coverage for valuables, such as jewelry, fine arts, antiques, and other collectibles.

Claims Scenarios

- A client suffered a fire in his home, resulting in the loss of an expansive Contemporary art collection. The insurance company limited the amount paid to \$10,000 for all of the items, despite the collection being worth exponentially more.
- A client lost her luggage while traveling overseas and called the insurance company to put in a claim for several expensive jewelry pieces that were packed in the luggage. The insurance company declined the claim, advising that lost jewelry was not a covered loss.

Solution

Clients with valuables should consider special insurance policies designed to provide coverage for all types of valuables. An insurance risk advisor can work with a client to tailor coverage and make recommendations for how best to protect them.

5 Changing insurance terms, no awareness

If clients are not working with an insurance risk advisor for ongoing consultation, they may not realize that terms and conditions of their insurance policies may limit their coverage when certain lifestyle changes happen.

Claims Scenarios

- A client decided to renovate his home and moved out while work was being done. A fire happened during construction and the client put in the claim to the insurance company, only to realize then that no coverage applied when renovations were being done.
- A client purchased several all-terrain vehicles to use on his vacation property but did not notify his insurance company. During a party on the property, guests are injured when two of the all-terrain vehicles collided, and the injured parties sued the homeowner. The insurance company denies the claim because the all-terrain vehicles were never listed on the policy for coverage.

Solution

Willis Towers Watson insurance risk advisors meet and speak with clients on a regular basis to keep track of lifestyle changes and make the proper adjustments to their insurance policies.

Other Property & Casualty Insurance “Red Flags” To Consider

- Properties and valuables in alternative ownership structures (ex: LLCs) need to have insurance providing specific protection for these entities.
- Serving on a non-profit board creates an exposure for one's personal assets, should the board be sued and there not be enough insurance in place to protect the directors and officers serving on the board. Often times clients are unaware of any insurance in place for the board.
- Employing domestic staff creates liability exposure for clients if employment best practices are not carefully implemented.
- High-net worth individuals have significant cyber and social media exposure that can result in a personal liability lawsuit against them.
- Lifestyles, such as travel, yachting, racing, and equine, all escalate the exposures of clients and should be addressed on the insurance program.

Sources

¹ The National Law Journal, The Top 100 Verdicts 2019

² www.theinjurylawyers.com

³ www.lexisnexis.com

⁴ Usatoday30.usatoday.com

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WTW512405/11/2020

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