

## Full Exposure: A Financial Advisor and His Client Correct a Common Oversight in Financial Management

How did someone who, despite working closely with a talented financial advisor, have several million dollars of exposed assets? This situation is more common than you think.

Bob Focazio's lifestyle is similar to many high net worth Americans. He often travels with his family. He enjoys an expensive hobby and volunteers by serving on a board of directors. In addition to his earning potential, he has approximately \$4 million in assets wrapped up in property such as home, jewelry, and collectibles, plus a well-managed, diversified portfolio handled by his financial advisor.

### One year ago it was all at risk

Years before Focazio built his wealth, he purchased property and casualty insurance through a direct carrier. Like clockwork he renewed his policy annually. His agent never recommended a policy review. This is a standard practice. Because direct carriers have restricted products and coverage there is no incentive for their agents to provide review and consultative services for their current policy holders.

*"I was blissfully unaware of my risk,"* recalls Focazio. *"While my wealth grew my coverage remained the same. I had a reputable and trusted financial advisor so why wouldn't I think I was safe?"*

Shortcomings in Focazio's coverage included inability to provide full property replacement value, immense gaps in his liability, and inadequate limits.

Focazio wasn't alone. He is part of the 70 percent of high net worth Americans who are insured with direct carriers such as Allstate or State Farm. The result is an entire population unaware of their vulnerability. **To exacerbate the problem, most of their financial advisors simply lack the education to consider the full scope of financial risk beyond their client's asset portfolio.** This knowledge gap on the part of a financial advisor can leave their client exposed to financial devastation.

### A Serendipitous Education

Focazio is a business consultant. Several months ago AIG Private Client Group (PCG) approached him, interested in his services. Like most professionals, Focazio wanted to research his prospect. He turned to Gina Teresi, Vice President of Sales and Marketing at PCG. Teresi suggested Focazio participate in what PCG refers to as a client lifestyle review. This way he could truly understand the depth to which PCG familiarizes itself with their clients to provide accurate coverage. Focazio agreed. It turned out to be an eye-opening process that revealed the depth of his vulnerability. Stunned, he called his financial advisor immediately.

Focazio demanded, *"How could you leave me exposed like this? You're supposed to be managing my finances!"*

### Challenge

A failure of awareness leaves a high net worth client's assets at risk.

A financial advisor's common misconceptions about insurance perpetuate fragmented financial risk assessment.

### Solution

AIG Private Client Group

### Results

Client retains his financial advisor who is now able to provide comprehensive financial risk assessment.

Advisor is able to increase the value of his services for clients.

Advisor enjoys increased job security on a client-by-client basis when client's assets are fully protected.

\$4 million estate is fully protected under an individualized plan.

Client enjoys the peace-of-mind that accompanies complete financial security.

His advisor explained he always assumed his clients took care of their insurance. This is a common assumption.

***“Most advisors don’t recognize insurance as personal risk management. For higher net worth individuals it’s not a simple product that’s bought and sold. It’s loss prevention,”*** explains Teresi.

### **Implementation**

PCG promptly assigned a broker to sleuth out all the details of Focazio’s lifestyle and the exposures that could put his assets at risk. The broker worked with PCG to make sure all Focazio’s property including home, vehicles, and jewelry were insured for full “like kind and quality” replacement value with no depreciation. His early worries about a cumbersome home assessment quickly vanished. In fact, he describes the assessment as, “efficient, friendly, and better than right.” His liability coverage was tightened to protect him from potential lawsuits including gaps in his coverage while serving on a board of directors.

Proper protection of Focazio’s assets required him to give thought and consideration to family passions, travel, and other lifestyle activities as well as possessions. While Focazio and his broker reviewed the gaps in his coverage the broker also collaborated with Focazio’s financial advisor to make sure nothing was missed. Focazio was very impressed with the broker and PCG’s level of efficient service but admits the process wasn’t entirely angst-free.

***“The most frightening week of my adult life was the period during the paperwork processing. It took very little time but every minute felt like an opportunity for something to happen that would erase my estate,”*** Focazio remembers.

### **On-going Results**

Today, Focazio has a total lack of fear and complete peace-of-mind regarding his financial protection.

- **Focazio’s \$4 million dollar estate is secure.**
- **He has increased trust in his new insurance broker and Private Client Group’s services and capabilities.** Three incidents solidified his trust: (1) while his car was being repaired from an accident he received his check before the car was complete; (2) during a property reassessment PCG went out of their way to accept the higher dwelling value; and (3) PCG has adjusted his policy to reflect increases *and* decreases in asset value based on their annual review.
- **He retained his financial advisor.** His advisor now includes property and casualty in the financial review process. From Focazio’s standpoint, his advisor’s new knowledge is a powerful sales tool setting him apart and adding value to his services. Plus with Focazio’s assets secure, his advisor enjoys greater job security on a client-by-client basis.



This case study was written for AIG Private Client Group by KMwordsmith. For more information please go to [www.kmwordsmith.com](http://www.kmwordsmith.com) or call (585) 342-2782.