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Commonly Overlooked Insurance Concerns P.1

# Commonly Overlooked Insurance Concerns

By David Beeton

## 1. Adequate Limits of Liability

Properly structured and adequate limits of liability insurance are an absolute necessity in today's litigious world, especially when combined with the greater risk of frivolous lawsuits targeting families simply due to the assumption of wealth based upon the car they drive and neighborhood they live in. Simply put, \$1MM - \$2MM of liability insurance does not go very far in the event of an accident or other event resulting in a third party seeking damages. Adequate limits of liability insurance protect a family's net worth from being liquidated due to a lawsuit. In addition to having adequate limits of insurance, it is also important to consolidate insurance carriers as much as possible in order to align all the insured's interests at the time of a claim as well as eliminate ambiguity when settling a complex claim.

## 2. Construction

When it comes to constructing a new home or undergoing a major remodeling project, there are many insurance-related concerns which are often overlooked. One of the worst things that can be done is to simply assume that a homeowner's insurance policy will cover everything and no additional

considerations will be needed. On the contrary, there are many negative consequences written into most insurance policies if an insurance-related claim occurs while the home is under some form of construction which was not previously reported to the insurance carrier. Negative implications can include an automatic 5% deductible, waiver of the additional replacement cost clause, and even the possibility of not being renewed by the insurance carrier at the end of the policy period. In order to avoid these and other negative insurance consequences, either a separate construction policy should be purchased or, if possible, the existing homeowner's policy should be endorsed to cover the construction period. Additionally, the contractors' insurance policies should be reviewed in order to verify that they are carrying appropriate insurance with adequate limits for the project.

## 3. Employment Practices Liability

Many families employ full and/or part time staff in their household, including nannies, maids, chefs, and personal assistants, but do not fully consider the additional risks this can entail. Initially, all potential employees should undergo a thorough background check, including a review of each

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person's driving record if he or she will be driving in the scope of his or her employment. These services can often be obtained from the homeowner's insurance company either free of charge or at a discounted price. In addition to proper screening, additional insurance should be purchased to protect against employment-related issues. The most common of these types of insurance are workers' compensation insurance and employment practices liability insurance. Employment practices liability insurance can often be added on to the existing umbrella policy and provides defense coverage for families against lawsuits arising from current and former employees suing for wrongful termination, discrimination, harassment, and other work-related lawsuits.

### 4. Directors and Officers

Non-profit board involvement is often a risk that is overlooked by families who may assume that the non-profit's own D&O policy will have adequate limits of insurance to cover its board members. Unfortunately, this is not always the case. What is not com-

monly known is that many insurance carriers offer, either automatically or for nominal additional premium, personal excess Not-for-Profit Directors and Officers liability coverage. This additional coverage protects a board member when a liability suit exceeds the not-for-profit's D&O insurance limits and goes after a board member individually.

### 5. Kidnap and Ransom

Whether an insured is planning on doing business in foreign countries or has a child or other family member planning to study abroad for an extended period of time, kidnap and ransom insurance may be something worthwhile to look into. Kidnap and ransom insurance has several benefits beyond the monetary ransom. The key benefit to purchasing the coverage is having a plan in place which is ready to be put into action immediately should something go wrong. An additional benefit is having a security consultation prior to the planned trip in order to help avoid getting into trouble. Kidnap and ransom policies can be purchased to cover an entire year or just specific trips.

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