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NKP - Brian Travers - Episode 14.wpp.m4a

Transcript

Welcome to the New Knowledge podcast. My name is Mark Singer, partner. Newton one advisors. As always, we aim to provide meaningful content to our valued advisor community and clients who are interested in learning more about sophisticated insurance related topics. Focusing on estate planning and executive benefit. We focus our discussions on content that will deliver unique insights into the people, processes and products that make our industry so critical. Week one is a national life insurance planning firm delivering customized insurance solutions structured to help clients and their advisors engaged in solving the state planning wealth transfer business, succession and executive benefits challenges. We are a member of the and Financial Group. Offering our clients access to the nation's most prestigious insurance carriers and innovative products available only through our network, today's topic is ensuring weak assets and our guest quick note. Before that, we try not to go over 30 minutes. Per episode. So if I read the bio that was sent over, which is very impressive, we'd be left with about two to three minutes to hit the meat potatoes of this topic. So here's the abbreviated version for my very good friend, Brian Travers. He is a senior private client advisor with Brown and Brown private client group. Brian is an expert in that field with over. A decade of experience in developing risk management solutions for successful individuals and families he's truly passionate about creating solutions that help his high net worth clients help protect their most valued assets and manage their risks. Brian holds his Bachelors and Business Administration, Finance and risk management from St. John's University, Philadelphia. Where he is one of the inaugural participants in schools risk management insurance program. Brian has his chartered private risk and insurance advisor designation and is pursuing his charter chartered property and casualty underwriting deck as well. It's taken way too long to have you on here Brian with our 14th episode so welcome and and how are you today on this rainy and? Miserable looking to.

Unfortunately, well, Mark as rainy as it is, it's always a pleasure to be in the presence of you and the new one office here in Newark DE. So I'm pleased to be here. It's my. First podcast experience, so certainly hope it goes well, but I'm very honored to to have the opportunity to be on here today. I have no doubt in my mind that you will be a pleasure to have one and be fantastic at this podcast experience. Is this your first time in the office? It is my first time so a lot of pressure to record this session but. We'll have some fun.

Today it should be. It should be a good one, so working closely together for the past few years. You know I've I've a feeling response to my first question will have some similarities in regards to. To how I would respond? Fundamentally not so much from the technical standpoint. For when we provide advice on different solutions, but we do have similar clientele as well as our white glove process, if you will and strategic approach and in certain engagements that said tell our audience about your your work specifically the services you provide. Your focus and the discussions. You enjoy having with your clientele? Sure.

So at Brown and Brown private client group, our our firm's sole focus is protecting what our high net worth and ultra high net worth families have spent really a lifetime building. Specifically, we're a full service independent property and casualty insurance brokerage firm focusing on personal risk management for our affluent clientele. We specialize in risk. Transfer via traditional insurance products along with risk avoidance and mitigation via proactive guidance for our clientele. So. So, you know, with respect to personal insurance, we offer products and services in all 50 States and internationally. Our services and products range from covering traditional assets such as homes and vehicles, art, jewelry or any really tangible asset that that a high net worth client is interested in collecting to some more unique ones such as watercraft. Aircraft. Left we get involved in travel, kidnap and ransom, and much more. So really the full suite and breadth of services that a high net worth client would need from a service perspective. We also partner with third party firms as well as insurance carriers to provide services to clients to help prevent a loss from occurring in the 1st place. So for example that can include. Contents and fine art inventory management and valuation. We get involved with Wildfire and hurricane prevention services, so there's a lot on the table from the service perspective that we get involved with. And as it relates to our process, our goal is to first and foremost become a trusted advisor to our clientele. So this really requires taking the time to sit down and understand the clients goals and objectives in their lives, their individual tolerance for risk and what their truest, greatest concerns are when they contemplate their day-to-day risk, everyone has a different perspective. And what that is when it comes to risk, right? So some rely heavily upon traditional insurance products while others are more open to kind of more proactive risk management and avoidance or even self insurance. So ultimately, our our goal is to simplify the transactional nature of insurance while also bringing Peace of Mind to our.

It's for the one thing that that comes to mind is you, you said wildfire. So right away I thought of California and some of the the unfortunate things that have happened there over the past couple of years along with, you know, what's. Happened in Florida. And and the loss of life is extremely sad. I can only imagine these circumstances having a significant. Inspector or impact on your industry is that is that so and if so, please elaborate.

Of course. So naturally, we're we're in the property protection business, right? So we have. Of many clients who love the sunny weather that Florida offers, and obviously it's a beautiful state to live in. But with that, as we all know, there are, there's the potential for hurricanes and natural disasters, flooding and all of those terrible incidents to happen. So we're fresh off Hurricane Ian making landfall. On the southwest coast of Florida. Made initial landfall in the Captiva Fort Myers area as a category four. It was, I think, two or three miles an hour short of a Category 5 hurricane when it made landfall. So in our industry what we would consider nearly A1 in 500 year event that occurred, you know what we consider hurricanes? We think of the southeast of Florida, right? We have a Miami Palm Beach. You know, those are traditionally the areas that are are impacted by an event like this. So for it to come up through the gulf over Cuba, make landfall on the West Coast, it's certainly. Led to an even more unfortunate result that we're seeing, so the initial estimates are that insured losses could potentially exceed $50 billion from this event in a marketplace that's already struggling and seeing some challenges. So market capacity is is, is is a significant challenge in Florida right now, so carriers. Are either pulling out of the seat entirely or financially being downgraded due to some of the losses that are being incurred in the state, many of which are driven by legal expenses which we could talk about another time. So, you know really this event is only going to further. Tighten up capacity and availability of coverage in the marketplace, specifically for wind and flood cover. And obviously our clients are the ones who could potentially be impacted the most as their homes are in areas that insurers are currently taking the greatest hits at. So you know we'll see this develop, but I would anticipate that this will further kind of put a challenge. On coverage placement in that state.

And you bring up a good point, depending on where you're located, where wherever your your second home may be, your your vacation home are there. So in in the the disability world, say if you have certain a certain medical history or or ailments, they may put exclusions on on. Certain products that you wouldn't essentially be covered for due to the risk now is that somewhat similar in in real world if you're located, if your homes located saying Tornado Alley or or in Florida and from a flooding standpoint, are there restrictions and limitations on certain policies and coverages due to the. Location of the.

Of the home. So yes, the the short answer is yes. I will say that our business is heavily regulated. So every insurance carrier operating on what's called an admitted basis. The state has to file their rate and form with the state Insurance Department, so if they wanted to file some sort of coverage exclusion in the policy, that would need to be sent to the state and the state would need to approve it before it would ever be implemented. So what you typically see in high risk areas such as Florida or catastrophic prone areas is that a lot of the. Coverage options in those states. Are actually through what's called the non admitted or accessed and surplus market. So those are markets that are not regulated by the State Insurance Department. They can really customize the policy contract, the wording, the exclusions, the rating and all of that to really meet the needs of the end client. Just understanding that obviously the coverage may be a little bit more limited, so for example. You may have a homeowners policy that excludes wind. Most homeowners insurance policies exclude flood as it is, but certainly in Florida wind is is a significant peril and a lot of clients do elect to self insure the wind exposure and purchase an ex wind insurance policy. So yes, there are there are ways to customize policy coverages to. Kind of carve out that greater risk.

What would you say day-to-day makes up the majority of the assets you?

Sure. Well, often when a client comes to us, there's a specific need driving that initial conversation. So you know what we see in our business, unfortunately, is that a, you know, we're a relationship driven business. So when a client is kind of on the early part of their career or in their life, they may know an insurance professionally in their network. That they prefer to use and over time they as they acquire wealth and and you know advance in their career, they don't often go back and kind of review the insurance portfolio and unfortunately what that leads to is you know them outgrowing their portfolio portfolio and their relations. So where we typically see the initial conversation occurring is when they're acquiring some new asset and their current insurance agent or broker can't accommodate coverage placement. So for example, a home in a high risk. Area such as. A A beachfront property. If the clients with a direct ride or insurer, they may not like coverage in that state or certainly not in that area. So. That's typically where we get involved, you know, with the new client relationship. To answer your specific question, you know the the homeowners line of coverage is usually the one that drives the conversation. There's some sort of. Transactional incident occurring that leads us to get introduced to the client and assist. So the most common assets we're providing cover for our are really tangible property. So homes, whether that's a primary and secondary or seasonal home and investment property or rental property vehicles. So that could be. Private passenger vehicles, collector cars, antique cars, motorcycles, ATV's. You know E bikes and E scooters now are are getting more popular, you know, traditional contents in the home. So it'd be your furniture, clothing, small appliances, all the things that are inside the house itself along. With kind of valued and cherished collections, so our clientele have the means to diversify their asset portfolio and you know people are into different things, right? I'm into wine myself, but you know, we have clients that are into artwork or jewelry or spirits or all sorts of things. So anything that has a potential for. Physical loss more or less can be insured so and then of course liability, which is a a separate topic that's not a tangible property, but liability is probably the most critical component of a of a risk management program.

Liability. I just, if you don't mind touching on that a little bit since it's a huge component of.

Your practice that would be great. So liability is, you know, when we think of a high net worth or an ultra high net worth client liability protection is first and foremost most critical aspect of a of a called insurance or risk management program obviously you know. Homes and vehicles and other tangible property would be. A significant loss if they ever were to were to face a total loss occurrence. But you know, when you think of what is truly on the table from a client's net worth and assets, it's the risk of them losing everything in a catastrophic liability loss. So you know that could be a vehicular accident leading to severe injury or death. They could be a injury at one of their homes. They could be hosting a party. And someone maybe had a little bit too much to drink and left, and they were to kill someone in the car accident. And now our client is being brought into a suit for that. So these are all kind of things that our clients face. And, you know, our clients are high profile, a lot of them are celebrities, athletes. What color executives that have more of a presence in the media and are more readily Googled. If you will. So if an incident occurs involving one of them, the plaintiff side understands that there's assets to go after, right? So so that's our clients. Number one concern is liability and we get the question all the time. Well, what is the right limit of coverage to to carry to? And protect my net worth and my future generations kind of wealth preservation. And you know, that's something that, you know, we could touch on a separate time, but, you know, we look at, you know, what are the current assets in play? So there's tangible assets, there's investments, there's cash, there's retirement accounts and all of that as well as projected. Future earnings can be brought into a into an issue, so it's a deeper conversation than just picking a number out of a.

Hat it's very interesting from an underwriting perspective and. On our side, we deal with actuaries suggesting one's mortality based off their past, current and supposed future health status. If you will, what does the underwriting process look like in your world? Is there a evaluation process that's involved or or how does that, how does that?

Unfold. Yeah. So when it comes to underwriting most carriers. On the surface, they're generally looking for the same information. So. First and foremost, like who is the insured right? They want to know who they're insuring and specifically what they're insuring. So what property are they looking at? You know, they're looking for physical characteristics of the property being insured, such as construction type, year built, the geographical location. Obviously, they're looking at the limits being insured. A clients prior claims or loss history. You know their digital profile, their occupation, and they're even looking at a client's credit history so. Numerous studies have actually shown that poor credit is a predictable indicator of future insurance losses, and it's actually now approved in nearly every state to use as an underwriting mechanism. So pretty interesting, which certainly for our clients, a lot of them pay in cash, right? So you know, sometimes we do come across that where maybe the credit. Profile is not as superior because of, you know, some other mechanisms in place. In the high net worth marketplace who the insured is is critical. So at least like I said before, we're insuring very well known public figures such as athletes, celebrities, executives, many of whom have a high profile and are often represented regularly in the media. The higher the profile of the client, the greater potential risk to the insurance carrier. As they could easily be brought into a lawsuit that can go awry, so carriers in our space offer typically offer no cap on defense costs or legal expense in the defense of the law. There was a very well known lawsuit, probably a little over a decade ago, that I won't specifically mean names, but a very well known actor was brought into a sexual abuse allegations suit and the insurance carrier on the homeowner side was actually brought into that suit. From a defense perspective and millions of dollars in legal expenses were incurred. That claim, so kind of going back to my point, who the insured is, they want to know who they're underwriting and who they're offering cover for. And then finally, they're really keen on understanding what a client has done to prevent a loss from occurring in the 1st place or if they've had a loss or claim what they've done to prevent it from happening again in the future, so. For example, if if you have a client that had suffered a pipe burst or a leak in their home, you know what could be done to prevent that from happening again down the road. It's been showing that if you have any type of non weather related water damage loss, you're much more likely to have another one. So we proactively would recommend the installation of an automatic water. Shut off Valve, which shows to the carrier that the clients taking a proactive approach and protecting their property and ensuring something like that doesn't happen again. Rather than just relying on the insurance policy and saying, well, I have insurance that will be covered. It truly shows pride of ownership and that they're they're taking a vested interest in protecting their property.

No, that's great. And you know, as I think about, aside from reliabilities, most of the tangible assets, my mind naturally transitions to the estate planning side, hearing about the valuation potentially of wins net worth when aggregating all of these assets. So when the dust settles, these prized possessions make up the. Ascendance of state and a state equalization being a part of our practice life insurance policies for years, have assisted privately held business owners providing an immediate liquid transfer of value. You to certain areas that may not be involved or or gifted equity of the business endeavors in. In your case the question turns to who's receiving these luxury cars or oceanfront shore houses. As your relationship grows and and with such successful families and and and their businesses and their assets grow. Is this part of the discussions you're having or we're diving deeper regarding a state preservation and generational transfer?

Well, you know, I I'd like to think I have a pretty good relationship with my clients and I'm hoping one of these days I'm the one that's gifted the luxury car or the oceanfront shore house for such great service, but realistically you. Know we're we're. Fortunate that our clients are relatively sophisticated when it comes to estate planning, so. In our case, we're typically introduced to the next generation much earlier on in the process. We typically will ensure the assets of the children of the client as well as the clients. Assets and the children are most often the ultimate recipients of those assets. Upon death of the insured. So when we manage the portfolio of the next generation, the insurance of placement upon the death of the client becomes much easier to manage. For example, we already have a relationship with the client and their children. We already have experience with the risk being insured. Which makes the coverage placement easier in the ultimate event of that. During, you know, conversely, when we're brought into a conversation at a much later date, that one asset that's been transferred to the next of kin may be the only piece we're being asked to write coverage on, which presents an issue and makes it much more challenging to find coverage placement where we're not looking at the whole entire portfolio. So kind of establishing an earlier relationship with the next generation. Certainly makes that asset transfer process much easier for for all parties. Your second question related to.

Discussing estate preservation and generational transfer.

Right. So you know the biggest concerns we hear from our clients as it relates to generational transfer is is the next generation going to cherish or value the asset as much as they have. So what do you think of valued collections and passion assets? You know, for example, a piece of artwork, that artwork that's been in the family? Over 50 years, our clients are concerned. Do their children even want to keep the peace or are they going to just turn around and try to sell it so you know, they really want to have a firm understanding of who wants the assets upon death, who will take care of it, who will protect it and you know, will they rely upon the same expertise in us that they themselves have relied upon for many years?

No, it's it's great point and and a lot of our clients from a transfer perspective outside of of of the Roma state are charitably inclined. And when gifted appropriately, the tax advantages can be huge. What are the top three hurdles you and your team come across and must overcome when insuring certain? That's.

I think my answer to this question would be totally different five years ago, but obviously I'm looking at it from the lens of today's perspective. So you know, first and foremost it's it's going back to a point I made around Florida. It's it's definitely market capacity. So the insurance marketplace is going through what's known as a hard market. Essentially rates are rising. Coverage availability is more scarce. Underwriting is much tighter due to kind of increase in loss costs, loss severity and frequency, things of that. Nature. So in addition to that, we're seeing significant patterns and losses. So for example, weather events such as wildfires, out West flooding across the country, including in areas that are not designated as special flood hazard areas or high risk flood areas. So I think the status 35% of all flood losses occur in a quote. Non hazardous flood zone or flood zone X so little tidbit if anyone ever says I'm not in a flood zone. That's actually incorrect. Everybody is in a flood zone. It's just a matter of are you in a high risk zone or a low risk zone. So and traditional weather events such as we just talked about hurricane in Florida. So you have all these kind of weather impacts going on that are not anything that we haven't seen before, but on top of the geographical pressures carriers are seeing, you're also seeing external pressures such as supply chain issues, lack of skilled labor, the current inflationary market. Driving up claims costs along with the phenomenon of non weather related. Water damage. So that's any type of water damage in a home not caused by a weather event such as a storm or hurricane. So and actually on on that point to touch on that, it's estimated that one out of every two claims that occur in the clients home is due to non weather related water damage and the average clean now. It's over $66,000 to repair, and the most recent stat is 95% of those claims are actually preventable or largely mitigated through some loss mitigation measures. So, you know, we talked a little bit about proactive guidance. There's things we could do as an advisor. To inform our clients on hey, how do we, obviously the insurance policy would cover something like this, but how do we prevent it from ever happening in the 1st place to where you and your family aren't displaced from your home for three months, having to rip up your floors, you have potential for mold issues. You know your kids are going back to school and you're worrying about, you know, where am I going to stay temporarily? All my homes being repaired. So these are kind of all things that that we look to advice on. So when you Add all of those pressures. Up loss costs are increasing dramatically for for our insurers, leading many to take significant rate increases or even pull out of the marketplace entirely, so.

Who makes that? Who makes that decision?

That's something that internally they look at their book of business and they look where they have aggregation and concentration of business and. Where the losses are coming in and when you have out in California, you have the brush issues. The wildfire, surprisingly earthquake and things like that aren't as much of A concern nowadays. It's for the the wildfire issue. The problem is carriers in California are are taking insured losses in the 10s, if not hundreds of billions of dollars. Where California is a very consumer friendly state. So the Department of Insurance won't approve higher than I believe it's 6.9% rate increase per filing. If you're losing hundreds of billions of dollars and looking to take 6 1/2% increases on your portfolio, you're it's going to take you essentially to make up those losses, so. It's just not sustainable long term to operate in so.

So.

You know, it's ultimately a business decision to say for us to remain a viable insurance carrier and remain in business. We have to decide and make tough decisions to potentially even leave their exit marketplaces due to these conditions.

From a competitive standpoint on the carrier side, as carriers drop out due to their loss ratios, I can only see it being an opportunity for other carriers unless you're. Going statewide, there's just a it's a loss regardless, it's not.

So yeah, so you know, you're you're definitely a business minded like myself I think of wow what a great opportunity to you know there's all this business but you know everyone is is suffering the same issue now. So it's not this particular carrier that's been hit it's everyone and it's it's more of a matter of time as the losses. Continue to come in. Where things are going to go, and I think it's going to be some involvement from the state and local government. Kind of kind of assist in coming up with a solution to where clients can actually purchase insurance coverage. I mean, we have situations where clients with multi $1,000,000 homes are having to go to a direct rider and insurer or even go to the California Fair Plan which is a government run entity to get insurance coverage for. You know, six $7,000,000 homes. So we'll see kind of what happens in that marketplace. But things will definitely kind of shift. So yeah, talking about just kind of going back to market past capacity, that's kind of what we're seeing kind of in the space now. So I would say it's, it's definitely the most difficult time we've ever had in the industry and. In terms of coverage placement?

You brought up. Government and I don't want to dive too deep into this, but legislation has a huge impact on some of the advice or planning we provide for our clientele and valued partners of our firm. From an estate planning perspective, whether that be the exemption being as high as it's ever been or the potential. Change to to grant to our trust and how that's going to be transferred to future generations and our planning comprehensively can and will be adjusted depending upon those decisions and what's implement. Is that the case with your industry at all? Is there any legislative impact that can affect, I guess carriers decisions or or product decisions?

Well, the answer is yes. You know on the spot, if I had to think of something locally that came legislatively that had an impact on our marketplace in this area, I'd have to think about it a little bit. But certainly tort reform and other legislative issues ultimately trickle down to the insurance business, right, so. If decisions are being made at at the government level, which change the legal environment or building codes or whatever, it may be that ultimately has an impact, then on how an insurance carrier would ultimately respond in a claim or how the coverage itself would be worded. So yes, the answer is yes. Just we need to give a little bit more thought as to a.

Specific example for you. It's interesting. What are your client concerns when approaching certain types of protection?

So most agents out there who will say it's price, which is just not the case, right. I mean while Price is a consideration, our clients in the high net worth space, they want stability, right. They want to ensure. Or in a really difficult situation they have someone there for them, a broker who they know they can reach out and speak to, one that can offer them guidance to the process and insurance carrier who will show compassion and flexibility in settling of their claim. One that's not going to ask for pages and pages of documents require constant back and forth. Or make it challenging situation. Even more challenging. You know a an insurance claim you could be with the cream of the crop insurance carrier and broker and you could still have a very difficult time with a claim. It's just an unpleasant thing to have to go through. So as much as you can improve that process, the better, right? So and really looking for a carrier that can literally weather the storm by having a strong enough balance sheet to endure, endure a significant weather event. So clients want to be treated like a human being, just like all of us, they want to be treated fairly promptly with compassion and they want to make sure that they're broker and their insurance carrier is there for the long haul and and offer. Possibility for them.

One of my. Final questions and I'll go to you know when people ask me, well, what are you doing? I say I I have the opportunity and privilege to work with very successful individuals and families and people who are passionate about their, their practice and people who have accumulated wealth over the years, whether by starting a business and investing. Or inherit it and we allow or put appropriate planning together to give them the right to make the decision on where those assets should go and should be received when they're no longer here. And I'm truly passionate about that. And so is our firm to segue into my question for you. What is your favorite part of your work and why?

Well, by far the best part of my job is. Is meeting and working with people of all backgrounds similar to you, right? We're dealing with successful individuals and families who have spent their lives building what they have, whether it's a business or a passion. Or whatever it may be. So I I really love building a personal relationship with my clients and getting to know them and their families and their interests and hobbies at a truly intimate level. You know, insurance can be very transactional in nature. So anytime we can offer more of a true trusted advisor relationship, it's it's mutually beneficial. For everyone. So, and of course I always love it's it's rewarding to provide a solution to the client where you know they can take a deep breath and know they're going to be taken care of in the event of something, you know, really unfortunate happening. So that is rewarding in itself. But but yeah, definitely the the personal relationship I get to have with with my clientele is. Is the best part of what I do did today and you know I would. I would also say my platform gives me the opportunity to be more involved in the Community. So you know, Brown and brown, we we regularly participate in activities. You know that support the community. So we actually we established the brown, brown Disaster Relief Foundation, which is designed to support the needs of those impacted by. Natural disasters such as Hurricane Ian or other forms of emergency hardship. So. Brown and Brown employees even get to contribute via their paycheck to this fund, so you know you don't need to put a ton of money. But if you can contribute a few dollars every paycheck that you know in the aggregate adds up to significant amounts of money to help kind of communities rebuild after a significant event, it's it's pretty awesome. So, and then really the insurance industry. In in a in general is very good about giving back and being charitable in nature, so there's always opportunities to get involved and and support some of the greater good in the community.

Brian, it's been an absolute pleasure to connect with you. It always is. I really appreciate your time coming in today and and sharing the information you did. Obviously you're you're extremely knowledgeable and you're practicing and planning with. Your firm and where? We're privileged to have the opportunity. To work with you and is. There anything else you would like to? Add before we conclude our. Sooner.

Not that I can think of. I I want to thank you again for having me on and again this was my first podcast experience. You know, hopefully not too much editing to go on on your end, but you know I I enjoyed the opportunity to kind of share some of the things we're seeing day-to-day and I would welcome the opportunity to to share that knowledge elsewhere wherever it may. Maybe in value, so thanks again for having me out and hopefully we can do another.

One of these soon, this one went so so well that TomTom will be able. To edit this one so this is. Thanks again for coming in and and we'll. Talk soon. Thanks, mark.

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