

RISKY, RISKIER, GOING FOR BROKE?

Discovering Your Risk Tolerance

THE REALITY OF RISK

Nobody can escape it. The larger your portfolio of assets, the larger your set of risks.

Many types of risk exist, and the most important discovery you will make to keep your assets intact is proper risk identification of your total assets and how they are used. When you have a thorough understanding of your liability exposure, you can adjust your coverages to help protect your assets.

DISCOVERING YOUR PERSONAL RISK TOLERANCE

Risk tolerance simply means knowing how prepared you are to absorb the costs associated with an unexpected event or loss.

By participating in a Risk Tolerance Assessment, you will gain clarity from a trusted advisor about the type of personalized insurance program you need. Considerations in your discovery will include a review of your lifestyle, net worth, liquid assets, board participation, hobbies, children in the household of driving age, and more. Often, we find that insurance programs do not keep pace with life changes. The more an advisor understands and is updated about your lifestyle, the less cumbersome the discovery process will be to determine your risk comfort level or changes to it.

UNCOVERING YOUR TOLERANCE FOR RISK

As you take steps to identify your risk tolerance, your broker will want to identify areas of financial exposure and coverage gaps. This information includes but is not limited to:

- ✓ Is business conducted on premises?
- ✓ Do you employ domestic staff on a part-time or full-time basis?
- ✓ Do flooding, brush fires, landslides, or earthquakes affect your property?
- ✓ Is your property(s) located within two miles of tidal water?
- ✓ Does a swimming pool exist at any of your properties?
- ✓ How many properties are situated on more than five acres?
- ✓ What type of motorized recreational vehicles do you own for use on public or private roads?
- ✓ Do your dwellings meet current building codes?
- ✓ Is your residence or other property undergoing renovation or reconstruction?
- ✓ Is your property currently for sale?
- ✓ On which non-profit executive boards in the community do you serve?
- ✓ What is your disaster recovery plan?

AN INSURANCE RISK TOLERANCE ASSESSMENT WILL HELP IDENTIFY YOUR WILLINGNESS TO INCUR RISK AND INCREASE OR LOWER DEDUCTIBLES ACCORDINGLY—AND EVERYONE IS DIFFERENT. HOWEVER, EVERYONE NEEDS TO CONSIDER THE QUESTION, “WHAT IF?”



Oftentimes, the cost of remediating issues after a loss can end up being greater than what you might have expected. Going through a risk tolerance assessment helps you gauge your comfort level with covering the full scope of costs in the event of a loss.

Additionally, insurance is not something you can just set and forget. As you acquire and sell assets, your exposures will change and so might your appetite for risk. Regularly conducting a risk tolerance assessment helps ensure that your insurance is aligned with your risk appetite and evolving exposures.

HERE ARE SOME COMMON SCENARIOS IN WHICH A RISK TOLERANCE ASSESSMENT PROVES TO BE VALUABLE:

- 1 Accuracy of documentation**
When assets, like a primary residence, are not titled properly and do not match the current insurance policies, this results in more exposure to risk, as this can be grounds to reject claims. Is this a scenario you would want to experience?
- 2 Acquisition of valuables**
When individuals inherit valuables, like art or collectibles, that grow in number and value over time, the risk of potential loss can be great unless you work with specialized advisor who understands the complexities involved in protecting them. If your valuables are compromised, how would you go about recouping, repairing, or replacing them without the right policy and limits in place?
- 3 Aligning coverage with totality of assets**
Tallying future income streams correctly ahead of a potential claim or lawsuit is important. Because claimants may pursue future earnings in addition to current assets and streams of income, it's not enough to solely use a bottom-line number from a balance sheet to choose broader coverage and limits outside a homeowners or auto insurance policy. Would you want your future earnings to be at stake in a lawsuit, or would you want the financial protection insurance can offer?

Some people greatly value predictability, while others may be able to tolerate uncertainty better. Loss cannot be accurately predicted or always prevented, but for all, careful planning with knowledge of your risk tolerance will help preserve the assets you want to keep.

As you accumulate more assets over your lifetime, the need to work closely and align your risk management expert, your attorneys, and your financial advisor grows exponentially. They can help you see and protect all moving parts of your life.

NEXT STEPS

If a diagnostic review of your current insurance program has not been held in the last eight to 12 months, this presents more risk. Ask yourself, how willing am I to forgo the knowledge of how current market conditions can affect me and my family?

Our team of private risk management advisors incorporates a diagnostic lifestyle review to determine if your risk tolerance and coverage needs have changed. Once we have a holistic illustration of your lifestyle and goals, we will create an insurance program that matches those needs and your current tolerance to risk.



**CONTACT US TO LEARN HOW
WE CAN WORK TOGETHER TO
PROTECT YOUR NOW AND
YOUR FUTURE.**

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