BRINGING INTO FOCUS
THE PROPERTY AND CASUALTY PROTECTION GAPS IN THE FINANCIAL PLANNING PROCESS AND HOW TO ELIMINATE THEM

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I'd like to bring into focus for you and your clients valuable information on Personal Lines Property and Casualty Insurance Gaps in the financial planning process.

This information will help you begin to understand what is likely out of focus in your client's and your own Personal Property and Casualty Insurance Coverage that I describe as "Protection Gaps" and how to bring into focus the steps that must be taken to eliminate them so assets are not redirected from their intended purposes which could negatively impact your client's and your own current and future lifestyle.

"Bridging the Property and Casualty Gaps" was an article in the November, 2007 edition of the Journal of Financial Planning, by Richard F. Stolz and I was interviewed by him for his informative article. This article can still be downloaded at our chapter's website under the Sponsors Tab.

In this article, Richard begins as follows:

"**You work hard to help clients build up the asset base that will enable them to meet their financial goals. *Would it not be a spectacular financial planning failure to see assets built up over years or decades evaporate overnight due to lack of appropriate or sufficient property and casualty insurance protection?***"

Failure to carefully address this part of the financial planning process, may result in what I describe as a "financial heart attack" that potentially will dramatically impact your client's and your own current and future lifestyle.

Why? Because failure to focus **<u>on these avoidable protection gaps,</u>** found in auto, homeowners, earthquake, and umbrella policies, the ones focused on in this article, may one day require your client's and your own assets to be redirected from retirement funds or other financial purposes in order to pay for an uninsured or underinsured event. Other types of personal insurance policies that still might need to be reviewed but are not discussed in my article include motorcycle, recreational vehicle, valuable items, and watercraft policies, if any of these items are owned.

<u>Bringing into Focus the Protection Gaps</u>

This article will address only some of the major protection gaps in the personal lines side of property and casualty insurance because business insurance, health insurance, life and long-term care insurance policy protection gaps are part of the Commercial or Health, Life & Disability part of the insurance industry and would require separate articles to address the protection gaps that can occur in those areas.

Besides looking at the policy declaration pages to see the coverage limits, **<u>the actual wording of the auto, home, earthquake and umbrella policies must be closely read</u>** because they also are where the protection gaps can be found.

An insurance policy is a legal and a complicated contract according to Professor Jay Feinman, author of Delay, Deny, Defend. Besides the dollar limits shown on the policy declarations page, the language in the policy will dictate what is covered or excluded.

How many people take the time to read their insurance policies? Professor Feinman, a specialist in insurance law, in his book tells the reader even he has a hard time figuring out what is and isn't covered. How, therefore, does anyone without a legal background figure out what is covered or not covered by the policies this article is focused on? I suggest the best answer is to work with a professional agent who has studied these policy contracts and has earned professional designations to help you navigate the process.

Although the industry has developed common insurance policy forms by a company called Insurance Services Office (ISO), many insurance companies have written their own policy language which differ from all the standardized ISO policy forms.

It is very important to pay attention to the wording in the actual policies because insurance companies compete not only on price but the coverage offered in the language of their policy forms.

When I conduct a professional insurance review, not only do I want to see the policy declaration pages, but I also want to receive complete copies of all the policy wording. This allows me to point out specific gaps in the actual policy wording that the typical insurance buyer does not know exist and how they can make a huge difference when a loss occurs.

For example, the standard ISO homeowners policy form, an HO3, which is designed to insure a single-family dwelling specifically excludes any additional costs the homeowner has to pay to bring their home up to meet current building codes when for example, a fire has either damaged or destroyed a home. The only way to get coverage for the extra costs that current building codes will require you pay for, which could potentially be a six-figure amount, is by adding the ISO form HO 277. If this form is not added, there is no coverage for building code changes that can be thousands of dollars.

In contrast, if you buy a homeowners policy from Chubb, PURE, Encompass Elite, Nationwide Private Client, Travelers High Value Homeowner, their homeowner policy language is written in such a way that 100% of any building code changes will be paid for after a fire or a major water damage loss!

It is a mistake to believe that if you have a name brand insurer, such as AAA, Allstate, State Farm, or Farmers, that has been the client's insurance company for many years "they'll take care of you" due to your long-term loyalty. ***Loyalty doesn't count when it comes to paying a claim. What counts is the policy language and limits of coverage at the time of loss.***

The Power of Your Insurance Premiums

Nobody wants to see their invested assets lose value, but it is possible, and when a person invests in an investment product, typically you see wording that states "May Lose Value, Past Performance is no guarantee of future Results". In contrast, the moment an insurance company accepts you as policyholder **"it agrees to provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy"** and this protection is available 24/7 for 365 days a year.

The Power of Your Auto Insurance Premiums

On my own auto policy, I pay $257.80 per year for a bodily injury liability limit of $1,000,000. This is what my insurance company would have to pay to an injured person if I am found legally liable for their injuries.

Is it possible to invest $257.80 in a stock, a mutual fund or other investment product and turn it immediately into $1,000,000 if needed today, tomorrow or in the future to pay a legal judgment for a serious bodily injury claim if $1,000,000 is needed to pay a legal judgment?

The Power of Your Home Insurance Premiums

California has had to back-to-back wildfires of historic proportions and more are possible, either from another wildfire event or fires that will follow a major earthquake.

One of my clients insures his single-family home for $1,916,000. Also included on the policy is coverage for other structures, $191,000, Personal Property, $767,000, and an "unlimited amount" for Loss of Use.

The potential minimum total payout after a total loss by fire is:

$1,916,000 Dwelling
$ 191,000 Other Structures
$ 767,000 Personal Property
<u>$ 200,000 Loss of Use (Assume this amount is needed over several years)</u>
<u>$3,074,000 Minimum Total Payout</u>

The policy also includes a provision that if the $1,916,000 is not adequate, an additional 100% or $1,916,000 will be available!

Total annual premium for the above is $3,759.

Is it possible to invest $3,759 in a stock, mutual fund or other investment product that would turn immediately into $3,074,000? If the above insured had just purchased their homeowners policy for $3,759 to go into effect immediately and that night a wildfire burns down the house, these policy limits are available to be used to rebuild the home, replace personal property, replace other structures and to pay the costs to live elsewhere. Not a bad deal for $3,759!

What makes the "power of your insurance premiums" possible is that insurance companies are collecting from millions of policyholders millions of dollars in premiums that allow for a spread of risk so that if a member of the "insurance pool" needs to collect, the insurance company has enough to pay for those policyholders who each year submit claims.

When I talk with anyone who tells me "my insurance premiums are high", I won't argue that they feel this way, and they may indeed be higher than necessary, but I point out to them when you view your premiums from the lens of how they will properly protect your assets so that your assets don't have to be tapped to pay for an uninsured or underinsured loss, insurance is "cheap". When you see how, for example $257.80 will protect $1,000,000 of my liquid assets or how $3,759 will buy at least $3,074,000 in protection for this homeowner and protect my client's liquid assets from being used to pay for a loss.

After I first identify exposures and look for Protection Gaps, I may still be able to lower the current premiums and get the limits of coverage needed as well as better coverage than currently in place due to policy language. Every situation is unique, **<u>but the main point is insurance is typically the most cost-effective financial tool if used thoughtfully to transfer catastrophic insurable risks to protect one's assets from being tapped which may result in a negative impact on one's future lifestyle.</u>**

What follows will be a few examples of major protection gaps and solutions for them that I constantly encounter when I am asked to review policies for a client of a financial planner or even the financial planner's very own policies.

<u>Auto Insurance Protection Gaps</u>

<u>Example 1: Low Liability Limits</u>

When I received the current auto policy from a referral from a CFP® where the AUM are going to be approximately $1,000,000, the bodily injury liability limit shows only $100,000. The individuals who sent me their policies on the advice of their CFP® told me, "Our CFP® told us you really need to look at all our policies!"

What can happen that can jeopardize this person's $1,000,000?

A son of one of my clients sustained a life-changing brain injury when only eighteen years old that was caused by another driver who was determined to be at-fault. This young man was in a coma for six months before he came out of the coma and still requires 24/7 lifetime care. The cost of his care was estimated at 10 million. Legal action was initiated and it turned out the person responsible for this tragic event had the liquid assets to pay the legal judgment but didn't have an insurance policy to pay the $10,000,000 judgment that would have cost about $2,500 annually for a 10 million Personal Umbrella policy.

It is rare that an auto collision will result in severe bodily injury but none of us can predict if one day will be our unlucky day and we cause an at-fault collision that can ruin another person's life.

How would you feel if you failed to review each year the limit of liability for bodily injury on the auto policy of each of your clients, not to mention your own, and they or you didn't have an adequate limit to pay the legal judgment for causing an injury to another person? The results would be financially devastating and one's lifestyle changed forever.

Solution: In this case study, the insured is currently paying $189 for the $100,000 limit. With the policy I found that was most appropriate for this person, the highest bodily injury liability limit offered is $500,000 and the annual cost was $404 based upon all of the rating variables. On top of the $500,000 limit, I also put in place a Personal Umbrella Liability policy which is discussed later.

Example 2: - The Missing Car

This is an example of where the actual auto policy in force had adequate bodily liability limits including the umbrella limits to protect the AUM of approximately $5,000,000, the only problem was a car that had been purchased six months earlier was never added to the auto policy!

When a new car is purchased, believe it or not, sometimes the new car owner forgets to report to the insurance company that a car has been purchased.

Most auto insurance policies provide automatic coverage on a new car purchase. This is where the policy language must be reviewed.

In this insured's auto policy, the language for Newly Acquired Vehicles reads:

"***If you don't report this vehicle to us within 30 days after you acquire it, there is no coverage.***"

I have never seen an auto policy where the language reads a newly acquired auto is covered automatically for more than 30 days.

How do you eliminate this Protection Gap? When I review auto insurance policies, I review and make sure the list of vehicles listed on the current auto policy is up-to-date. Had this car owner been involved in an at-fault accident injuring another person after 30 days from acquiring the new car, there would have been **no coverage**!

Example 3 – Worldwide Travel

Do you have clients who enjoy traveling outside the USA? Probably you do and you may enjoy doing the same. How does your own auto policy respond to renting a car and liability coverage when you are in Europe, South America or some other foreign country?

Every auto policy will have a section labeled "Territory". In this section is the wording that states where the policy provides coverage. Typically, you will see the following wording:

"This policy applies to a loss or occurrence that occurs anywhere in the United States, including Puerto Rico, and other territories and possessions, and Canada. If you rent, borrow, or lease a non-owned auto outside the United States, including Puerto Rico, and other territories and possessions, and Canada, coverage applies provided "that the mandated insurance in that country is purchased or provided for the vehicle being operated, as defined by the country or jurisdiction. We'll only pay that part of a covered loss that exceeds the limit of liability of that underlying policy".

How do you eliminate this Protection Gap? If a car is being rented in a "Territory" other than defined by the auto policy where coverage is automatic for the full policy limits, while the car is being rented, you must buy ***liability coverage from the rental car company for the minimum liability insurance that is the required in that country from the insurer offered from the rental car company.***

Homeowners Insurance Protection Gaps

In a news story about Sherry and Paul Sharp, who lost their home in the catastrophic North Bay Fires in 2017, they told the reporter they had to go into their retirement savings for a few hundred thousand dollars to handle the shortfall from their home insurance policy ***which dramatically changed their retirement plans and future lifestyle***.

It is well known that almost 66% of homes are underinsured by at least 30%. The reasons for underinsurance of homes are many and would require an entire article just on this topic alone. What I can tell you is that your home and your client's homes are probably underinsured by several hundred thousand dollars or more.

United Policyholders (UP), a non-profit insurance consumer group headquartered in San Francisco, has studied the underinsurance issue since 1991 when the Oakland Firestorm occurred when many homeowners found out they were underinsured.

Amy Bach, the Executive Director of UP, stated in her analysis of the underinsurance problem after the North Bay Fires in October, 2017 that the average amount of underinsurance was $317,000.

Example 1 – The Underinsurance of Home Protection Gap- The Biggest Protection Gap for Most Homeowners

I personally attended a UP meeting in Santa Rosa about the underinsurance issue of homes where hundreds were in attendance. Although the average amount of underinsurance was $317,000, one person I met told me she had a shortfall of $1,000,000!

After that meeting, I returned to my office the next day to answer, "how much would it have cost these homeowners in the North Bay to buy the additional average underinsurance amount of $317,000 or that $1,000,000 gap one woman told me about? Would it have been several thousand or several hundred dollars extra per year? Or just a few dollars more?

I started with an example of a home insured in Santa Rosa for $300,000 that should have been insured for an additional $317,000, or $617,000. At the $300,000 dwelling limit with a $1000 deductible, I calculated the annual premium at $1,049.

To raise the dwelling limit from $300,000 to $617,000 and leaving the deductible at $1,000, resulted in a revised annual premium of $1,671 or an annual increase of $622.

The Power of Increasing the Home Deductible

I advise all my clients not to carry anything less than $5,000 for a home deductible because if you submit small claims, the typical result is a policy cancellation for making too many small claims. I have even written an article for UP, "To Claim or Not To Claim, That is the Question" about this topic, which can be found at the UP website www.uphelp.org.

What if in the above example, the homeowner had increased the deductible from $1,000 to $2,500, $5,000 or $10,000 when the dwelling limit is increased from $300,000 to $617,000? Instead of the $1,671 premium, here are the results of the revised annual premiums with higher deductibles:

$2,500: $1,387 or an extra $388 annually
$5,000: $1,173 or an extra $124 annually
$10,000: $958, it's $91 less than at $300,000 with $317,000 in additional coverage!!

For the homeowner who told me she was underinsured by $1,000,000, when I ran the numbers to insure her house for the extra $1,000,000, with a $1,000 deductible the annual premium for a dwelling limit of $1,300,000 would have been $4,064. With a $10,000 deductible, the revised annual premium was $2,326. Obviously, it would have been a better decision to pay $2,326 annually than to come out of pocket the $1,000,000 shortfall.

Most of the insurance companies I represent will actually waive the homeowner policy deductible if the covered loss is $50,000 or greater. This deductible waiver isn't available from AAA, Allstate, Farmers or State Farm.

In addition, most insurers offer some sort of "Extended Dwelling Replacement" protection that will increase the dwelling limit at the time of loss by 10%, 25% or 50% at most. Only a handful of insurance companies will offer an additional 100% and hardly anyone offers what used to be called "Guaranteed Replacement".

If the home has been underinsured for whatever reason, even the 10%, 25% or 50% additional amounts may not be enough. Typically, you will only get the 100% additional amount option if you let the insurance company and not one of its agents, set the dwelling limit for you.

In California, the Department of Insurance in 2010 introduced regulations to prevent underinsurance of homes. ***It is my opinion these regulations are flawed and will leave many homeowners still underinsured***. Calculating the exact cost to rebuild a home before a fire occurs so after a fire you have enough coverage is not a simple matter. I leave it to experts on home construction costs to determine the rebuilding cost for my clients.

To read more about the difficulty to estimate the cost to rebuild a home, I refer you to my website where under one of my Insurance Blogs, you can download an article written by Kathleen Pender, "Your home's replacement cost isn't easy to figure out".

The good news is it is much easier to calculate the cost of the insurance premium for specific dollar amounts of coverage for the dwelling limit than to correctly figure out the right dollar amount to carry for the dwelling limit.

I prepare spreadsheets that assume the current dwelling limit on the policy is lower than really needed and what it would cost to increase it in increments of $100,000 with the different higher deductible options. I don't know of any other agents who will go to this level of detail to help a homeowner see what the higher dwelling limits will cost because many agents, who are mostly focused on making a sale, are afraid they will lose a sale if the cost of home insurance is more than is currently being paid.

Typically, the cost to buy an adequate amount of dwelling insurance is going to be a lot less than having to use other liquid assets to cover the shortfall especially if you choose a higher deductible to keep the premium lower.

How do you eliminate this major Protection Gap? If you don't want to see the future lifestyle of any of your client's or yourself be impacted by the underinsurance of a home, I highly recommend you get estimates for what it would cost to increase the dwelling limit in increments of $100,000 and look at how higher deductible options will lower the premium.

Example 2 – The Rebuilding to Code Protection Gap

As discussed earlier, most homeowner policies exclude or limit how much is paid to account for additional costs to bring the home up to current building codes that are required by the city where the home is located.

It is nearly impossible to determine what those building code upgrades costs will be before a fire destroys a home which can be in the six figures.

Without the appropriate building code coverage on the home policy, it won't be known until an event happens, how much is the dollar shortfall.

How do you eliminate this Protection Gap? It is important to review your own and your client's home insurance to see 1) the specific dollar limit available for building code issues and 2) the policy language if no dollar limit is specified.

Most name brand insurers, AAA, Allstate, Farmers, State Farm and many others limit how much coverage is available for building code changes.

How do you eliminate this Protection Gap? 1) Ask the current insurance company insuring the house if it offers a minimum of 50% to 100% of the dwelling limit **as additional coverage** for building code upgrades, it typically won't cost that much to add, or 2) find an insurer willing to insure the home, such as Chubb, PURE, Travelers, AIG, or Nationwide Private Client that actually offer built-in to their policy language 100% coverage for building code changes after a covered property loss, such as a fire.

Example 3 – The Loss of Use Protection Gap

There is currently a shortage in California of home building contractors and a shortage of the various sub-contractors who perform framing, plumbing and electrical work for the general contractor.

This shortage has been exasperated in Northern California where in the last two years almost 20,000 homes have been destroyed in the North Bay and Camp Fires in 2017 and 2018.

Some insurance companies limit by time, but not by dollars, how long you will get paid to live elsewhere after the home is destroyed. The coverage is limited to either 12 months or 24 months and it can take longer than 24 months to rebuild a home after a catastrophic fire.

How to eliminate this Protection Gap? Look for a home policy that has 1) no time limit for Loss of Use and 2) no maximum dollar limit to pay for loss of use.

Earthquake Insurance Protection Gaps

The Hayward Fault, where we all live, is considered one of the most dangerous earthquake faults in the world. This is because there is a huge concentration of people living in homes near where its destructive power will occur.

Example 1: The Lack of Earthquake Insurance - The Biggest Protection Gap

Recent studies in California have shown that only 1 out of every 10 homeowners carries Earthquake Insurance. Therefore, it is likely you and very few of your financial planning clients have earthquake insurance.

Therefore, an individual's assets are at risk if the "Big One" that the USGS is predicting could happen at any moment in the next thirty years severely damages or destroys one's home.

Because only 1 out of every 10 of your clients may carry earthquake insurance, if even that many, the biggest protection gap for them is simply "no earthquake insurance".

There are many options today in California for earthquake insurance. I have authored an entire article about earthquake insurance options today in California that can be downloaded under the Resources Page at my website that delves deeper into the topic of earthquake insurance and risk management strategies.

How do you eliminate this Protection Gap? To avoid having to use other assets for earthquake damage, either 1) earthquake insurance should be purchased, or 2) perhaps earthquake retrofitting of the home may be a more appropriate option for those who don't want to purchase earthquake insurance.

The cost of earthquake insurance varies greatly for a variety of reasons discussed in my article about earthquake insurance.

My office provides estimates for earthquake insurance not only from the California Earthquake Authority (CEA), but all other insurers that will offer the coverage that my office represents so an informed decision can be made on how to handle this Protection Gap.

Example 2 – Earthquake Insurance with Protection Gaps

Even if earthquake insurance is currently in place, the earthquake insurance policy must be closely examined for possible Protection Gaps.

In a recent referral from a CFP®, the client's CEA policy had only $1,500 for Loss of Use Coverage. Nobody had been paying attention to this policy until I was asked to do a review.

I pointed out that the CEA offers up to $100,000 as the maximum limit for Loss of Use Coverage, typically costing about $200 extra a year compared to the state required minimum of $1,500 for loss of use. In addition, the home was underinsured by about $300,000 and had a 15% deductible when lower deductibles are available and usually a better option than 15%.

The annual CEA premium for this example was $1,295. After an extensive review of all the other options, a more appropriate policy was purchased that used a $750,000 dwelling limit compared to the current $442,000 limit, with a 10% dwelling deductible and $150,000 for loss of use coverage for an annual cost of $3,766.

Personal Umbrella Liability Protection Gaps

Your clients and you personally may have AUM that are well over $1,000,000 or one day could be in this range. Those AUM are at risk most likely from a liability claim that results in a legal judgment involving an at-fault car collision in which one or more people are seriously injured.

On auto and home insurance policies, typically the maximum bodily injury or personal liability limits offered vary between $250,000 to $1,000,000. How do you get higher limits to protect the AUM? You must purchase a Personal Umbrella policy that starts in increments of $1,000,000 and increases in increments of $1,000,000.

<u>Example 1 – Umbrella Policy in Force but Limit not Adequate Protection Gap</u>

On a recent referral from a CFP®, the AUM are approximately $5,000,000. The current umbrella liability limit is $2,000,000.

How do you eliminate this Protection Gap? Review the umbrella limit each year. After this Protection Gap was noticed for the first time by me, I provided estimates for an umbrella policy with a $5,000,000 limit that was accepted.

The current $2,000,000 limit has an annual premium of $308. A $5,000,000 limit for this particular client, resulted in an annual premium of $754, an extra $446 per year. Obviously, it is a lot cheaper for this individual to spend an extra $446 per year to protect the at-risk $3,000,000 and avoid having his future lifestyle negatively impacted if he had to pay this out of his own funds to satisfy a legal judgment.

<u>Example 2 – Umbrella Policy in Place but Protection Gap between Required Minimum Limits required on Underlying Auto Policy</u>

All Personal Umbrella policies require the auto bodily injury limits be somewhere between $250,000 to $500,000 per person before the umbrella policy pays after those limits have been paid. What happens when the underlying auto liability limit required is $500,000, in this particular case, and only $100,000 in bodily injury limits are on the auto policy? The answer is there is a Protection Gap of $400,000!

This means if an at-fault collision happens and there are injuries and a legal judgment is rendered for a $1,000,000 judgment, the insured has to come up with the $400,000 difference. The umbrella policy would only pay $500,000, the auto policy would only pay $100,000 and the $400,000 gap would come out of the personal assets of the at-fault driver.

For a small additional premium, it was about $300 total per year for two cars, the liability limit was increased from $100,000 to $500,000 to eliminate this $400,000 Protection Gap.

How do you eliminate Protection Gaps between the underlying auto and home policies and an umbrella liability policy? You have to review the underlying liability limit requirements on the umbrella policy and make sure they are in place on the auto and home policy.

<u>Example 3 - No Personal Umbrella Liability Policy Protection Gap</u>

Believe it or not, there are people I have met with in the past and continue to meet who need this coverage and don't have Personal Umbrella Liability policy! How do you eliminate this Protection Gap? You recommend this coverage, determine appropriate limits and the costs, and buy a Personal Umbrella Liability policy.

<u>Who is regularly reviewing the Protection Gaps that any of your financial planning clients or you may currently have</u>? To my surprise, I have met CFP®'s who haven't been paying attention to their own Property and Casualty polices and have serious Protection Gaps.

Your clients trust you to do the best job for their financial planning needs. I highly recommend you become more proactive in addressing the Protection Gaps in Personal Property and Casualty Insurance or if you lack this expertise, you refer your clients to a professional insurance resource like myself to help identify and eliminate Protection Gaps that are avoidable and will impact your client's lifestyle and possibly your own.

Who is the current agent involved, if any, for your client? How often does the agent contact the insured to review coverage? Is the agent merely a salesperson trying to meet a monthly sales quota? Does the agent have any professional designations? Is the agent only able to represent one company's insurance products, such as from AAA or State Farm where their insurance products might not be the most appropriate policies for your clients? Or is it a Professional Independent Insurance Agent like myself, who offers more choices?

<u>Insurance Quotes Vs. Comprehensive Insurance Reviews</u>

I believe you want to do the very best for your financial planning clients and yourself to avoid Protection Gaps in Property and Casualty Insurance that are easily avoidable if someone is paying close attention to the personal insurance policies this article is about.

In Richard Stolz's article he states:

"***The chances are high that many or even most of your clients today lack adequate protection from both common and uncommon hazards, according to P & C experts who pay close attention to their clients' insurance needs. The results can be financially devastating***".

Even though Richard Stolz wrote this article in 2007, nothing has changed in my opinion about the above observation.

When I started my insurance agency in 1983, I have always focused on 1) existing Protection Gaps, 2) appropriate coverage, and 3) finding that appropriate coverage from the most cost effective financially sound insurance company.

I hope this article helps bring into focus for you and your clients some of the Protection Gaps in Personal Property and Casualty that should be part of your professional financial planning that if not brought into focus, can have devastating consequences on the financial plan you have created and on the future lifestyle the plan was intended to make possible.

I am not a CFP®. I believe in the financial planning process and I work with a CFP® for my own personal financial planning needs.

I have tremendous respect for those of you who are CFP®'s and the hard work you do to create a financial plan.

As you know it takes many hours to create a really good financial plan and to keep it updated annually. Likewise, a really good Personal Property and Casualty Protection Plan cannot be created in 15 minutes or less.

Therefore, you shouldn't be recommending to your clients to simply "get quotes" but instead to contact a Professional Insurance Agent, like myself, to get a thorough review of existing policies and ***<u>who will spend the many hours, not fifteen minutes to just provide a quote, but to thoroughly understand the person's needs</u>*** **<u>before the costs of doing things right is quoted</u>**.

I follow with any referral to my office the same basic six-step process CFP®'s follow to create a financial plan described at my website www.davidshaffer.com under the tab "Our Approach". ***<u>My office will not provide quotes to anyone just looking to save money. We will only work with individuals or families prepared to follow our six-step process who really want to avoid the Protection Gaps described above</u>***.

My goal in this article has been to bring into focus the most common major Protection Gaps I constantly see and how to avoid them when I conduct a comprehensive insurance review in the Personal Property and Casualty Insurance your clients and you personally as a CFP® are likely to have right now that, if not addressed before a catastrophic claim happens, are likely to have an negative impact on your clients' and your own future lifestyle.

You can add tremendous value to the great professional work you now provide to your clients in the financial planning process by having a professional resource like myself uncover and eliminate the Protection Gaps discussed here because you can't be an expert in all the subject areas of financial planning.

It is rare that I have been referred to anyone that hasn't benefited from my expertise and experience so that if one day, a catastrophic property or liability event occurs, when they call to report the loss, they will find out the insurance protection currently in place at the time of loss, will be there when needed most because of thoughtful and careful planning.

My clients below, who were fully covered after their home was a total loss in 1991 from the Oakland Firestorm are now both retired and living comfortably. ***My professional insurance work makes a huge difference in the lives of my clients and that is a really good feeling***!

DAVID SHAFFER INSURANCE SERVICES

Focused on Protecting Your Lifestyle

I have forty years of insurance industry experience. I have owned and operated my own independent agency, David Shaffer Insurance Services, since 1983. In 1991, I helped establish United Policyholders (UP), www.uphelp.org, a national insurance consumer non-profit group headquartered in San Francisco.

My business objectives are to protect my clients' assets and to identify, reduce and/or eliminate potential financial catastrophes that can be appropriately handled by implementing the right cost-effective insurance products and risk management strategies to meet each client's individual needs and goals.

My clients include art collectors, bank presidents, CPAs, attorneys, doctors, Certified Financial Planners™, business owners and other successful individuals and families who appreciate working with a knowledgeable and detail-oriented insurance professional.

I have two professional insurance designations that show my commitment to my professional work: Associate in Risk Management (ARM) and Chartered Private Risk and Insurance Adviser (CPRIA). I can be contacted by email: **david@davidshaffer.com** or by calling my office: 925-944-7100 to discuss how I can help you and your clients avoid Protection Gaps in Property and Casualty Insurance. You can learn more about my insurance agency at **www.davidshaffer.com**.