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VOLUME 19 | EDITION 03



Boston—Peabody, MA

Leading Wealth/Insurance Advisor

Robert H. Erdmann, ARM, President

Felton, Berlin & Erdmann Insurance Services Inc.

“What is the right personal excess liability limit for me?”

By Robert H. Erdmann, ARM

As an insurance advisor to primarily high net worth clients, I am asked this question nearly every day. While most of my current and prospective clients know that excess liability insurance is a critical component of their risk-management program, they are rarely clear about this coverage, or how much of it they need.

Many exposures must be considered when choosing proper excess liability limits. Factors such as youthful or inexperienced drivers (see sidebar), owning a pool, owning a vacation home, or entertaining frequently at home are but a few that must be considered when purchasing excess (umbrella) coverage. A client's personal net worth also helps to determine suggested excess limits. **Imagine this:**

You host a fundraiser to support a good cause or a political candidate. One of the guests leans against a railing on your deck, and it breaks. The guest sustains permanent back injuries and sues you for several million dollars.

Consider an employee who maintains one of your vacation homes and is terminated for poor work performance. She files a lawsuit alleging wrongful dismissal and quotes a remark you (supposedly) made that smacks of sexual harassment. (To cover this exposure, you can purchase employment practice liability insurance coverage as part of

an excess liability policy.) Also, if you rent any of your homes, you have exposure to a range of mishaps that tenants and their lawyers will consider a result of negligence on your part.

None of us wants to consider these eventualities because they highlight the more ignoble side of the human spirit. But like it or not, someone may sue you, so you must be prepared. The question is, how well prepared? How much of your assets do you feel compelled to protect?

For my highest net worth clients—and particularly those in the public eye—I regularly offer rates for coverage in the \$20 million to \$30 million range, even though excess liability rates do spike for limits greater than \$10 million. For a suit to reach the \$20 million plateau (including legal defense costs), the incident would have to be very serious—and usually involve the loss of life. It is a terrible thing to contemplate, but I strongly urge my clients to prepare by making personal excess liability coverage a component of their risk-management strategy.

Incidentally, I never fail to request that my clients consult with their trust and estates lawyers, wealth managers and/or accountants. These are specialists who are usually highly familiar with their clients' overall financial pictures. 

LIABILITY EXAMPLE: UNDERAGE DRINKING AND DRIVING

Two young college students (still dependents of their parents) leave a local sports bar around midnight. Both have been drinking. A witness says their vehicle was moving at a high rate of speed when it ran off the road and struck several billboards. It was determined the car was traveling approximately 60 mph in a 40 mph zone.

The driver registered an alcohol level of .13—well over the legal limit of .08—and was killed in the accident. The passenger suffered serious brain damage and has a life expectancy of 50 years.

The passenger's family sued, and was subsequently awarded a settlement of \$5.5 million from the young driver's parents, who had recently increased their personal excess coverage from \$2 million to \$5 million.

While nothing can compensate the driver's parents for the loss of their son, they avoided a devastating personal financial loss, and the passenger's lifetime expenses will be almost entirely covered by the settlement.

“While most of my clients know that excess liability insurance is a critical component...they are rarely clear about this coverage.”

– Robert H. Erdmann, ARM

How to reach Robert H. Erdmann

I can be reached at 978.548.3740.

MY HOBBIES ARE...

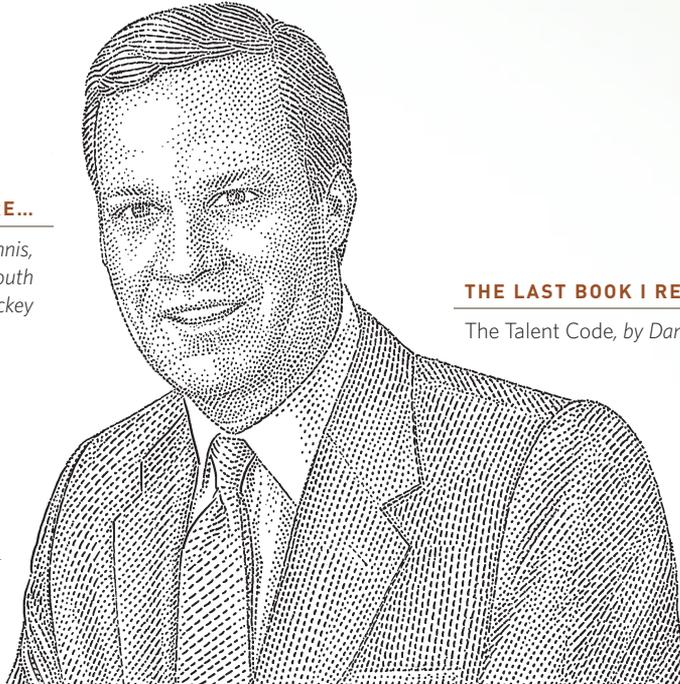
Squash, tennis, paddle tennis, golf and coaching youth lacrosse and hockey

THE LAST BOOK I READ...

The Talent Code, by Daniel Coyle

WHAT'S ON MY DESK...

Photos of my family



About Robert H. Erdmann, ARM

Robert H. Erdmann, ARM, president, Felton Berlin & Erdmann Insurance Services, has spent almost his entire career in the insurance business and received his associate in risk management designation in 1999. Prior to joining Felton & Berlin, he spent 13 years with Marsh USA Inc., the last six as a senior vice president and office head of the Boston Private Client Services Marsh office. He is an active member of the Boston Estate Planning Council, a member of the Professional Advisors Committee for the Boston Foundation, and sits on the Friends Board of the Northshore Educational Consortium. He is a graduate of Choate Rosemary Hall and Colby College.

For over 24 years, the mandate of Felton, Berlin & Erdmann Insurance Services has remained unchanged: develop sophisticated personal insurance programs for an affluent clientele. Personal insurance services offered include homeowners insurance, umbrella liability, valuable articles, flood/earthquake, auto insurance, yacht/watercraft and specialty coverage. Partnerships with Chubb, Chartis, Fireman's Fund, ACE and other top-rated insurers afford the agency's clients access to the most effective personal risk management services, delivered by Felton, Berlin & Erdmann Insurance Services' 14 licensed insurance professionals.

Insurance Services Experience
20+ years

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Professional Services Provided
Personal risk management

Association Memberships
Boston Estate Planning Council

Credentials
Associate in risk management (ARM)



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