

# A path to riches

Targeting high-net-worth individuals  
to achieve high performance growth  
in insurance

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# Capturing a portion of the high net worth insurance market

The High Net Worth Individuals (HNWI) customer segment—generally individuals with more than \$5 million in liquid assets—continues to grow and change rapidly across North America, the single largest home to HNWI.

The population of HNWI in North America rose 8.6 percent in 2010 to 3.4 million, after rising 16.6 percent in 2009; their wealth rose 9.1 percent to US\$11.6 trillion.<sup>1</sup> This affluent customer segment is taking on new purchasing attitudes and behavior. For example, as the economy and net worth rebounds, HNWI are purchasing more experiential luxuries or “passion investment” goods such as yachts, jets, priceless art, numerous homes and luxury autos which add to the value of their assets. HNWI also are focusing more on risk management and asset protection, taking a hands-on approach to their finances. In fact, 41 percent of HNWI want more self-control over their financial behavior.<sup>2</sup>

The trends represent a huge growth opportunity for property and casualty insurance companies. Insurers that adopt more strategic ways to attract today’s HNWI and use segment-driven marketing innovation to help HNWI protect their wealth from complex property and liability exposures will be better positioned to capture and keep market share.

This report summarizes the key findings from Accenture’s analysis of the HNWI segment relative to their insurance needs. It also highlights key competitive strategies for insurers to attract and win this lucrative customer market.

# High Net Worth Individuals are not all the same

Accenture research and analysis show that there is much diversity in the HNWI market segment. Among their many traits, current HNWI in the US primarily:

- Have high-value primary residences on the West or East coast
- Maintain liquid assets in excess of \$5 million
- Require multiple complex policies that limit liability and protect collectibles, luxury vehicles, and second homes
- Prefer to purchase policies through non-specialist "Main Street" brokers

A notable sub-segment of HNWI are those in the mid-region of the US. They exist in a few, specific pockets of the region where they are underserved and under-targeted by incumbent carriers. They likely carry standard policies for high-value assets.

Future generations of HNWI are now emerging with their own set of unique characteristics. They will be professional, well-educated individuals who have no established loyalty to a specific insurer. They will insist on flexibility in their interaction with insurance carriers.

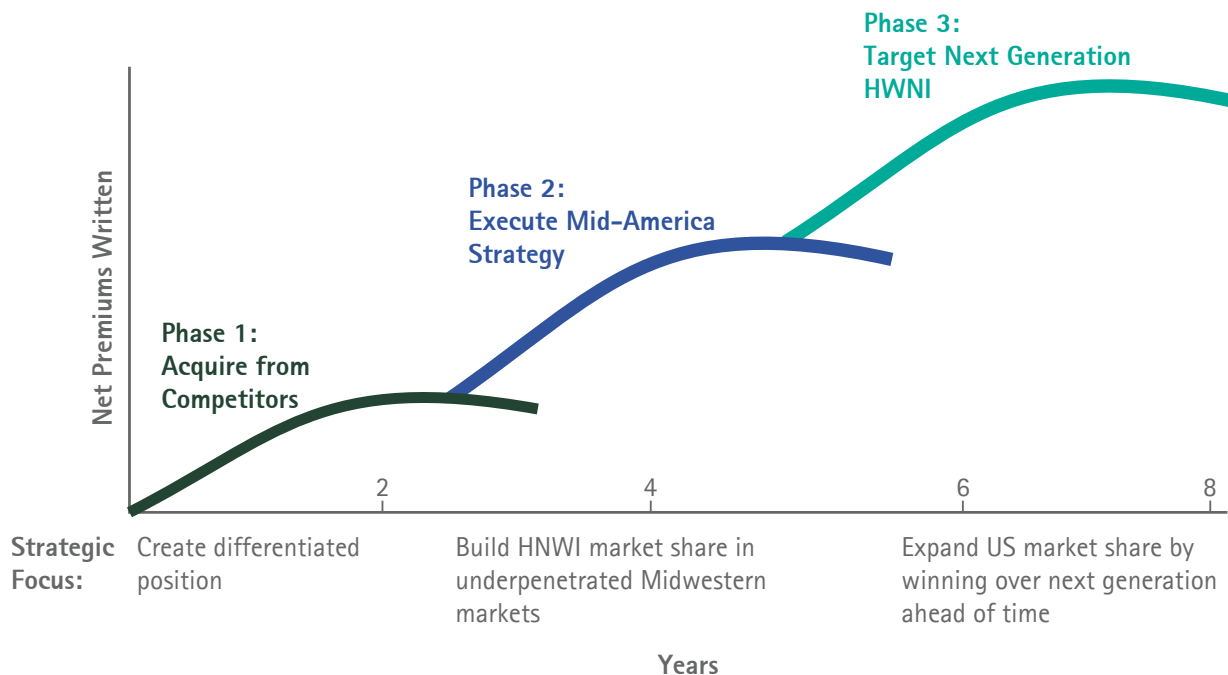
What is common across the segment is that many HNWI are underinsured, especially as asset values and personal liability risks increase. For example, seven out of ten luxury homes are not insured to value, often maintaining inadequate building and contents limits.<sup>3</sup> High jury verdicts are now more common in personal lines, shifting from \$2 to \$3 million to \$10 million.<sup>4</sup> While HNWI tend to purchase coverage for loss risks (though often inadequately), most fail to account for broader spectrum of incidental risks such as on-property injuries or social media. Online social networking, for example, is posing new risk for HNWI; children of wealthy individuals who post inappropriate comments on social networking sites could expose their parents' personal assets and net worth to costly risks and lawsuits.<sup>5</sup>

Like most Americans, many HNWI do not change their coverage limits as the value of their assets or risks increase. For the wealthy, this trend towards underinsurance leaves the individual open to substantial losses for which there is inadequate coverage. It is especially dangerous due to the wide fluctuations in the value of art, wine and other upscale collectibles.

While the risk exposure of HNWI is increasing, the number of insurers dominating the market remains few. The top three players in the sector account for less than 15 percent of the premiums in the market.<sup>6</sup> While four or five carriers specialize in the unique insurance needs of the wealthy, about 75 percent of these customers are served by independent, Main Street agents and brokers.<sup>7</sup> There is room for aspiring high-net-worth insurers to serve the wealthy. The low market penetration and demand trends of the HNWI segment point to huge opportunity for insurer growth amidst the various sub-segments.

Given that insurance buying behaviors vary within the HNWI segment, a market strategy tailored to the factors

Figure 1. Accenture believes a three-pronged strategy can fuel growth in the High-Net-Worth Individual customer segment over the short and long term.



that influence their behavior is a key component to insurer growth. As such, Accenture recommends a three-phase strategy for insurers to pursue and penetrate the HNWI market (Figure 1):

- Phase 1: Acquire current HNWI customers from incumbent carriers by offering a differentiated value proposition.
- Phase 2: Target prospective mid-US customers who are underinsured and not yet loyal to a high-net-worth carrier.
- Phase 3: Win the next generation of HNWI as their insurance needs evolve and before they become targets for existing high-net-worth carriers.

## Phase 1: Acquire from competitors

In a market, such as the HNWI, which is difficult to penetrate, keen focus on brand, prudent customer and broker selection, and service are key success factors. The aim for insurers in this phase is to create a differentiated position with independent brokers to take share away from leading HNWI providers, emphasizing the ability to curb risk and simplify the mechanics of doing business.

The growing base of current HNWI who are not yet brand loyal will likely rely on their personal network to select carriers. By positioning their advice and assistance on risk management as a service differentiator and building brand awareness among independent agents, wealth managers and stock brokers, aspiring high-net-worth insurers can begin to attract HNWI market share from dominant players.

For example, some wealth management “manufacturers” are positioning to “be the shelf” for agents. They integrate more directly

into the operations of independent agents and, effectively, become the back office for them—bringing capabilities, such as desktop tools, that make it easier, simpler, faster and cheaper to sell their products. Some insurers are focusing on delivering differentiated experiences to contrast an otherwise highly commoditized, easy-to-switch business while others are using analytics to reposition the company from a simple product manufacturer to a partner helping drive enhanced revenue potential across channels. Another strategy for independent brokers is to target the principals of their largest commercial accounts. The commercial relationship already exists and could be extended to the personal lines.

Attracting wealthy customers away from competitors is an option, albeit a more challenging and expensive strategy to achieve and sustain. HNWI have a lower propensity to change carriers, often due to the complexity of multiple policies, the requirement to reappraise custom homes, extensive jewelry and fine art schedules that are cumbersome to move and the higher levels of custom service required. At least one HNWI carrier boasts a retention rate in excess of 95 percent.

## Phase 2: Pursue untapped mid-America

With incumbent insurers largely focused on the US east and west coasts, there is a significant opportunity for aspiring high-net-worth carriers to service the currently underpenetrated US mid-western region. The focus in Phase 2 is to cultivate a cadre of agents and brokers, armed with brand awareness and a compelling value proposition, to focus on underinsured HNWI in the mid-west. Mid-America HNWI' buying

behavior is influenced by a regional culture that emphasizes loyalty and deep ties to the community. Moreover, pockets of mid-America HNWI require specialized products and will rely on strong local knowledge and presence for growth (such as ski and lake homes). Loyalty and trust-based relationships should be at the center of a tailored market entry strategy, taking into account subtle differences in customer asset profiles and buyer behaviors. For example, aspiring providers wanting to enter this market may need to consider partnering with local wealth management companies, prestige automobile dealers, architects who design custom homes and fine art appraisers and auction houses. It may also be necessary to support local arts and culture institutions, business groups and colleges rather than the larger and more prestigious organizations usually targeted for support.

## Phase 3: Win up-and-coming HNWI

Identifying and targeting existing customers who are likely to evolve into HNWI is a smart approach for insurers to establish brand loyalty early and favorably.

Next-generation HNWI typically can be found within a narrow professional audience, such as doctors, lawyers, engineers and Wall Street specialists. They currently buy insurance as mass-affluent customers. They are geographically diverse, more independent-minded, younger consumers whose buying behavior is more likely to include insurance aggregator sites and social media as tools in making their insurance buying decisions. Getting their attention requires more innovative distribution channels than the standard agent-customer relationship. Their expectations are higher for electronic

document sharing, mobile bill paying, and multi-policy summary views—not just in their purchasing transaction but also in their ongoing policy maintenance and claims processing. They want easy-to-complete interactions throughout the service lifecycle.

By marketing to niche professional audiences, modernizing their customer service, and investing in innovative distribution channels, insurers can establish loyalty with up-and-coming HNWI and grow their US market share. This longer-term view towards building strong local relationships will help the insurer gain traction earlier, as the individual begins acquiring wealth, and help take advantage of the high retention rates that should shape the relationship in the years ahead.

## High performance insurance through consumer-driven innovation

In gaining a competitive foothold in the HNWI segment, the customer is truly king. Insurance companies can realize growth by tailoring their business model to address the different needs of each HNWI customer sub-segment: existing, mid-America and next-generation HNWI. Among their top priorities, carriers will need to embrace four key strategies according to their market entry or penetration approach:

- **Enable flexible distribution channels.** Innovative distribution channels are necessary to effectively connect customers and brokers and support strategies to strengthen the independent broker network to build market share. Fifty-nine percent of consumers would likely switch providers if their insurer was unable to provide all services across all preferred channels.<sup>8</sup>

- **Engage mobility and other technology solutions.** A robust mobile capability will be essential to the “retailization” of insurance as more than 70 percent of consumers expect to be using mobile devices in the next two years to interact with their insurer. Mobility solutions, insurance aggregators, social networking tools and other technologies will help insurers meet and surpass new HNWI expectations for quick, easy, on-demand customer interactions.
- **Maximize customer potential through analytics.** Because 76 percent of consumers would be willing to switch to an insurance provider that could offer products and services that were more relevant to them<sup>10</sup>, an advanced analytics capability offers a competitive advantage in identifying specific customers, understanding their buying behaviors, cross selling to their needs and meeting their expectations for personalized products and services.
- **Offer innovative pricing options.** For example, a major carrier now offers up to a 10 percent discount to households who employ a household manager. Managers live onsite to screen vendors, manage contractors, and oversee domestic employees.

Across these key strategies lies the secret to entering the HNWI market: the HNWI insurer mindset. Servicing HNWI require very different mind and skill sets compared to traditional underwriting that is common among standard insurers. For example, an appraiser versed in valuing \$500,000 homes may lack the skills to appraise \$5 million-and-up homes—well enough to ensure adequate coverage and the right premium for the risk. Likewise, the HNWI insurer will have a stringent policy for valuating jewelry, fine art and other collectibles and will know when such assets should

Accenture sees four key areas HNWI insurers must focus on to grow business:

- Enable flexible distribution channels
- Engage mobility and other technology solutions
- Maximize customer potential through analytics
- Offer innovative pricing options

be added to a policy. The successful HNWI carrier also will use dedicated, HNWI-savvy resources to collect information, underwrite each risk, and judge larger-than-usual and often eccentric claims.

The reward for taking steps to pursue HNWI is compelling. The segment represents an opportunity for significant premium growth due to its overall size as well as the larger than average premium per household. HNWI also show a continuous tendency to acquire collectibles, expensive cars and vacation properties, which in themselves provide continuous organic premium growth over their lifetime.

Accenture helps insurance carriers enter new and growth markets successfully. Insurers that adapt their approach to the HNWI lifestyle will be better positioned to capture a meaningful slice of this affluent market. If you are interested in exploring strategies to grow your high-net-worth personal lines insurance business, email us at: [insurance@accenture.com](mailto:insurance@accenture.com), or call us at +1 (877) 889-9009.

# Endnotes

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## About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 246,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is [www.accenture.com](http://www.accenture.com).

