

# The knowledge High net worth THE BUY

## Pinpointing client needs

A more segmented client base has developed in mid and high net worth, driven in part by new technology making it easier to pinpoint the needs of specific customers.

Oak, for example, has tweaked and updated its high-value home insurance policy from September to take account of varying client needs. Changes include lifestyle and leisure covers like stalking threat, aggravated assault, kidnap, kennel/cattery fees, and a new golfer's extension.

The ability to build bespoke policies is an opportunity for brokers, especially at the top end.

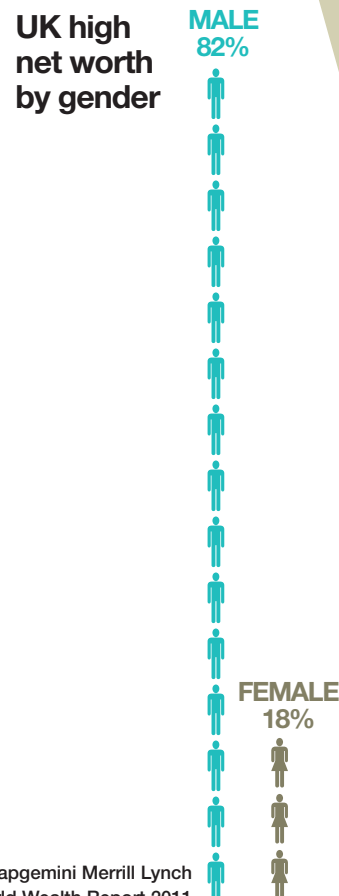
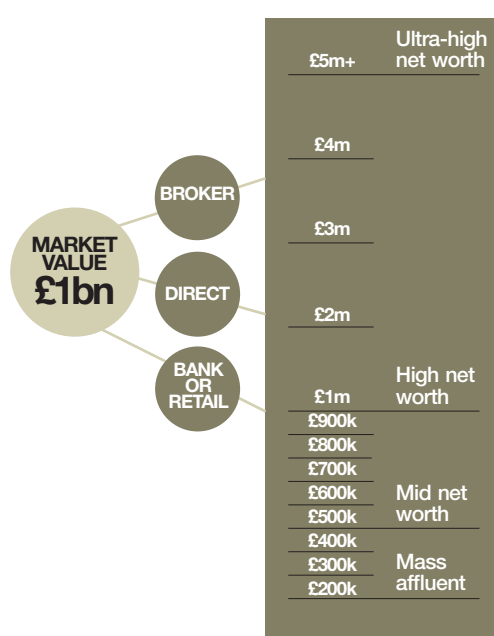
Insurance M&A specialist IMAS partner Olly Laughton-Scott says: "Where customers have become more differentiated between mid and high net worth, it's between direct and broker. It's about proposition – and brokers are historically better."

Chubb has three products aimed at emerging wealth, mid net worth and high net worth. Personal lines manager Simon Mobey says that there had been a blip in 2008-09. "It has been a challenge. We rely on brokers to do the vetting. We want to add premium profitably – we want the right customer, the right demographic."

Despite high broker penetration in the market – 61% in mid net worth and 75% in high net worth, according to Defaqto – the direct model is likely to make inroads.

"The next two years will see more direct coming in – they have the experience of mid net worth and know what to look out for," says Defaqto GI insight analyst Mike Powell. He also says that brokers will encounter stiffer competition from banks.

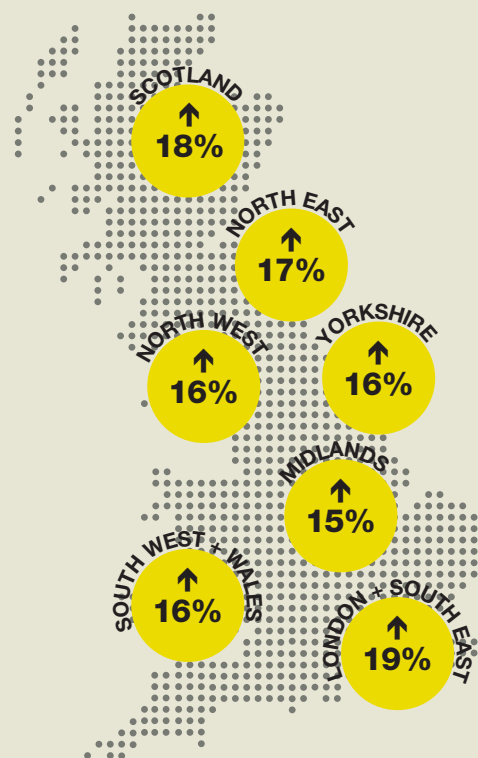
"The banks are going to look at mid net worth, using their private clients list. Insurance is becoming a big area for banks."



Source: Capgemini Merrill Lynch World Wealth Report 2011

## Prospects created by the changing patterns of wealth

The growth of UK millionaires from 2008-10



- Unemployment grew 3.3% to 2.51 million in the three months to July
- Home repossessions were 40% higher in H1 2011 than in H1 2007
- Consumer price inflation rose 4.5% in August

£5m+	Ultra-high net worth	<b>HOT</b>	<ul style="list-style-type: none"> <li>● £5m+ assets</li> <li>● +19% 2009-10</li> <li>● 86,000 in 2010</li> </ul>
£4m	High net worth	<b>HOT</b>	<ul style="list-style-type: none"> <li>● £1m+ assets</li> <li>● +17% 2009-10</li> <li>● 619,000 in 2010</li> <li>● Numbers are predicted to grow 33% to 826,000 by 2020</li> </ul>
£3m			<p><b>HIGH NET WORTH INSURANCE DISTRIBUTION</b></p> <p>Source: Defaqto</p>
£2m			
£1m			
£900k	Mid net worth	<b>HOT</b>	<ul style="list-style-type: none"> <li>● Young professionals: accountants, lawyers – high net worth of the future</li> </ul>
£800k		<b>COLD</b>	<ul style="list-style-type: none"> <li>● Some slipping down the wealth ladder as value of investments, savings and interest rates stay low</li> </ul>
£700k			
£600k			
£500k			
£400k	Mass affluent	<b>HOT</b>	<ul style="list-style-type: none"> <li>● Potential for growth among the 'untapped under-insured'</li> </ul>
£300k		<b>COLD</b>	<ul style="list-style-type: none"> <li>● Group dubbed the 'squeezed middle' likely to revert to a mass policy</li> </ul>
£200k			

Source: Barclays Wealth 2011 UK Wealth Map