

Newsletter

Volume 1, Issue 1, Winter 2016.



NOT SO SMART HOME:

The Unintended Consequences of the IoT

For those unfamiliar, the promise behind the Internet of Things (IoT) is to enable technology enhanced objects—such as appliances, light switches, door openers, printers, etc.—with connectivity, thereby allowing them to communicate with homeowners and in many cases each other. Smart home appliances and other gadgets already help consumers perform a number of tasks remotely, including changing the thermostat, unlocking doors, adjusting interior and exterior lights, monitoring webcams, and operating home appliances.

Meanwhile, a recent article by CNET, “*Your smart-home network will be a mess,*” explains that there are a number of daunting challenges that homeowners face by leveraging the IoT. In fact, homeowners eager to become early adopters may want to consider the unintended consequences that may arise from digitizing one’s home.

The Devil is in the Details

While smart light bulbs, home appliances, sprinklers, alarm systems, and door locks are widely available and aggressively marketed, having all of these smart devices communicate with each other is a challenge. For those who

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Pitfalls of Transferring Home Ownership

Over the past two decades, an increasing number of Americans are transferring personal ownership of residential property to trusts, LLCs, limited liability partnerships (LLPs) and other asset-protection or tax-advantaged entities. While transferring real property to an entity can offer a number of benefits, this strategy can also create significant unintended gaps in insurance coverage.

In fact, there are several circumstances in which this strategy could prove risky. As an example, an entity is a “what” and not a “who” (or “you,” “your,” or “family member”). Without a “who,” there is no coverage **for an entity** on an unendorsed homeowner’s policy.

Luckily, Assurex Global knows the questions to ask in order to provide solutions for these situations.



Start with the Right Questions

Provided the entity that owns the property does not conduct any **business-related activities**, addressing the following questions

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DITCH THE DAMAGE:

Your Guide to Winterizing your Home This Season

The winter of 2014-2015 was one of the coldest and snowiest winters on record. The result: insurance companies paid the price as homeowners were saddled with addressing the damage. According to PURE Insurance, in 2015 there were more than 700 claims accounting for around 50 million dollars in losses, nearly 20 million dollars more than the claims the company experienced in the aftermath of Superstorm Sandy.¹

Yet, with proper planning, these claims and the homeowner headaches that went with them could have been avoided, or at least largely mitigated. This article outlines common causes of winter weather related claims and provides practical advice on how to prevent them.

Unoccupied Homes

Regardless of whether it's batten up your summer home on the shore, or closing the shutters on your main residence as you head south for the winter, it is critical to make sure that any unoccupied residence is thoroughly winterized. Here are several steps you can take to limit winter storm damage and thereby avoid higher insurance premiums and their associated personal stress.

■ Make sure pipes are well insulated

When pipes burst, water will continue to flow until the problem is noticed. This can cause damage costing millions of dollars, especially in an unoccupied home where it is left to flow freely. Insulating your pipes is a generally reliable way to prevent them from freezing.

■ Install leak detection and an emergency water shutoff system

A leak defense system will monitor the water flow in your home's plumbing system. If a plumbing leak is detected, it turns off the water and notifies you of the problem before any serious damage can occur.

■ Address your irrigation systems

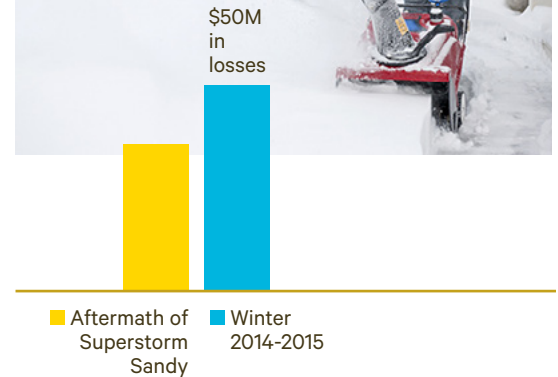
Since outdoor plumbing systems are connected to your interior faucets, frozen outdoor pipes have repercussions indoors as well—putting pressure on indoor pipes and causing them to burst. Winterize your irrigation system by replacing outdated outdoor faucets with frost-free ones, removing your hose during winter months, and draining water from spouts by blowing them out with compressed air.

■ Make sure your pool is properly closed for the season

The most important thing to remember when winterizing your pool is to drain the water under the skimmer. If this is not done, the water will freeze and expand. This can cause damage to the pipes and liner in your pool.

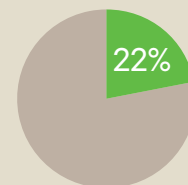
■ Defend against ice dams

Ice dams form after heavy snowfall when heat radiating from a home causes the underside of a snow layer to melt. The melted snow drains along the roof until it cools and freezes into an ice dam, preventing future runoff from draining. Protect your roof by scheduling an inspection before winter hits, making sure your attic is ventilated, and having heated gutter cables installed.



Winterizing Your Main Residence

Although weather damage can be much worse in a vacant home, the winter months can cause just as much damage to your main residence. In fact, according to the Insurance Information Institute, water damage and freezing make up almost 22 percent of all home owners' insurance claims. Make sure to follow the same precautions in your primary home as you do in your second home to ensure that damages don't occur or are at least minimized.



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Why Figures for Art Theft may be Dramatically Understated

Bill Anderson, *Art Guard*

FOR QUITE SOME TIME \$6 BILLION has been the default figure for art stolen annually, worldwide. Two former FBI agents, Robert Spiel and Gregg McCrary, proffered this number nearly 10 years ago. The figure has not changed since, even as the art market has exploded, making it highly suspect. Several factors contribute to the probability that it is perpetually understated.



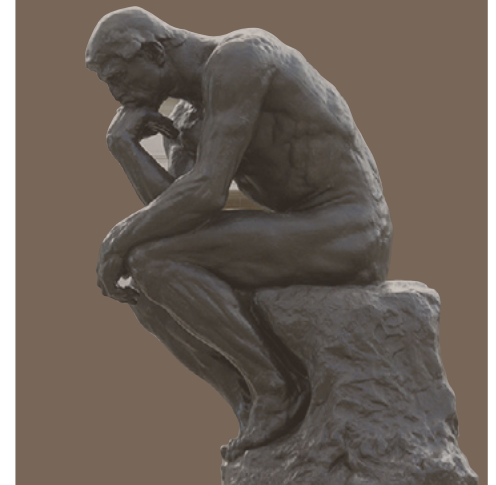
Organizations directly involved in recovery and prosecution of art theft crimes work at the same disadvantage as anyone endeavoring to understand the size of the market and its losses. Even though the market has become more transparent through auction and gallery sales, the desire to authenticate works and better sharing of information, many of the same issues cloud its dimensions. Ownership and transactions may still remain discreet for reasons of privacy and taxation. Dealing with the loss of a piece of art becomes a double-edged sword. Highly publicized thefts of extremely valuable work can alert the broader art market, making it difficult, but not impossible, to sell a work for close to its estimated value. However, as I have said before there are plenty of thieves, whether well organized gangs or petty criminals, satisfied with far less remuneration for a stolen piece or willing to keep it hidden until an opportunity arises to sell it, during which time its fate can become even more questionable.

Many victims never report the loss in order to avoid a host of unpleasantities, from unwanted publicity to financial exposure. Organizations of any stripe charged with safekeeping surely don't want to bring attention to their mismanagement of a collection, whether they depend on private or public funding. Much of museum theft is by insiders, and these incidents will never see the light.

If the works are not adequately insured it's likely that no accurate appraisal has been done. And if they are insured and a loss is experienced, insurers are under no obligation to add to our understanding of the problem by revealing figures for theft.

As the art market grows internationally, organizations with art crime experience have found it hard to keep pace. This includes the most prominent—the FBI, Interpol, Scotland Yard and the art division of the Italian police, the Carabinieri. They can only encourage reporting by victims. Many police agencies lack the knowledge to adequately pursue thefts. The only police department in the entire U.S. with knowledge of art and proper tools to address theft is the LAPD, after the NYPD's highly regarded "art cop" left. Having familiarity with art and recovery methods and gaining the faith of the public to feel there is any reason to even report a theft are first steps.

With the rapid expansion of the art market it is extremely likely that theft numbers are increasing nearly as quickly as transactions. Since we lack real clarity of the magnitude are we just ignoring the risk



NOT SO SMART HOME, continued



have had difficulty keeping a computer or tablet connected to their home WiFi network, it is easy to imagine the greater challenges of connecting disparate and critical home appliances with one another. After all, few homeowners can be expected to understand how to navigate the IoT's several competing connection standards that must work together to avoid a communications conflict.

So, what is the result of smart devices that cannot communicate with each other? Consider a smoke detector that cannot shut off your oven, a car that is unable to open your garage door, or a hot tub thermostat that cannot send a signal to the hot water heater. Think dumb home, not smart home.

Proceed with Caution

Interviewed by CNET, Lee Ratliff, an analyst with IHS Technology, explains that early adopters will likely have to deal with the "wild west period of smart-home connectivity." This could involve the need to install multiple network routers to bridge the different communications standards and replace some smart home devices that do not work together.

While industry insiders can foresee technologies will evolve to meet the current communications challenges, the future remains unclear. For those who remember the prolonged battle between Betamax and VHS, having competing technologies agree upon a common format will likely take a while.

Until a communications protocol is established that enables **all** smart devices to connect with one another, we recommend doing a lot of research before committing to a smart home, and we recommend starting with the article by CNET.

PITFALLS OF TRANSFERRING HOME OWNERSHIP, continued

will enable us to properly assess each risk and help structure coverage that reflects the specific exposure:

- Who will occupy the property?
- How will the property be used?
- In addition to the entity owner, what other parties have an insurable interest?
- Does the entity own other real property?
- Who are the parties to the trust, LLC, LLP, or other entity?

Protect ALL Parties

Protecting the insurable interests of all parties connected to an entity-owned personal residence requires careful planning and execution. This often involves protecting the interests of people **and** entities. For example, we consider:

- The trust (including those individuals acting as a beneficiary, trustee, or grantor)
- The LLC (and individuals acting as members)
- Or, the family limited partnership (and individuals who are managing partners and limited partners)

All of this in addition to the individuals who occupy and/or have personal possessions located at the residence.

Please contact our office immediately if we are placing coverage for a residence owned by an entity.



Private Client
Practice Group

Founded in 2014, the Assurex Global Private Client Practice Group consists of over 30 Partner firms that collectively leverage their resources and industry influence to better meet the personal protection needs of high net worth clients. Through this Group, Assurex Global Partners are able to provide their private clients with access to proprietary insurance solutions, specialty programs, and the collective thought leadership that can only be achieved in a culture of collaboration among best in class personal risk advisors.

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