



Straight to the Point...

A Quarterly Personal Insurance Publication for Families and Their Financial Advisors



Inside this issue:

AIG to Provide Background Investigations for Domestic	1-2
Insuring your Wine Collection	1
Life Insurance: Creative Uses and Planning Techniques	2-3
What are the Odds?	4

AIG to Provide Complimentary Background Investigations

Courtesy of American International Group

AIG Private Client Group, a division of the property and casualty insurance subsidiaries of American International Group, Inc. (AIG), announced a loss-prevention initiative that will provide policyholders employing domestic staff with access to background investigations, at no cost. Kroll Inc.'s Background Screening Group, a leading provider of employee and vendor screening services, will conduct the investigations.

AIG Private Client Group, which focuses exclusively on personal insurance solutions and risk management services for high net worth individuals, initiated the venture with Kroll's Background Screening Group as part of its ongoing directive to help protect the safety and assets of its policyholders.

"Our goal is to minimize threats to the families we serve while reducing their overall cost of risk," said Gary Raphael, Vice President and Director of Risk Management Services, AIG Private Client Group. "Background checks are an important step in enhancing the safety of family members and personal possessions. This new offering allows our insureds to feel

comfortable about the integrity of potential candidates and hire domestic staff with confidence."

Once written permission to conduct a background investigation has been obtained from the current or prospective employee, Kroll can offer an AIG Private Client Group policyholder pertinent information on that individual, including:

- ◆ Verification of identity and address history;
- ◆ Confirmation of educational background;
- ◆ Verification of complete employment history and professional licensure
- ◆ Searching capabilities for federal, state and county criminal records.
- ◆ Policyholders have the ability to screen all of their U.S.-based employees, such as their nanny, housekeeper, driver, gardener, chef, or home health worker.

Fort Point Insurance Services, Inc.

Daniel Glunt, Principal

Direct: (415) 781-8801

Facsimile: (415) 781-8802

260 California St., Suite 801

San Francisco, CA 94111

dan@fortpointinsurance.com

www.fortpointinsurance.com

CA License #0E11805

Insuring your Wine Collection

By Dan Glunt

The Bay Area's largest wine auction will be held on July 25th at Bonhams & Butterfields. Will your new purchase be properly protected?

We understand that wine collectors have insurance needs that cannot be satisfied by a homeowners policy. That's why we offer wine collection coverage that addresses the unique needs of wine connoisseurs.

Coverage highlights:

"All-risk" Coverage - applies to a broad range of losses, including fire, theft, temperature change, earthquake and breakage.

Blanket or Itemized Coverage - one or more bottles valued at less than \$10,000 each -

blanket coverage insures items under one lump sum. For more expensive items, itemized coverage specifically lists each bottle and value.

Worldwide Coverage - your wine is covered anywhere in the world.

No Deductible - there's no deductible
Coverage for Newly Acquired Items - we provide automatic coverage - up to 25% of your itemized coverage for wine (up to \$50,000). This gives you peace of mind while adding to your collection.

Phone Dan Glunt at (415) 781.8801 for more information about insuring your wine collection.

“Background checks are an important step in enhancing the safety of family members and personal possessions.”

- Gary Raphael

Background Investigations (continued from Page 1)

Through Fort Point Insurance Services, AIG Private Client Group provides comprehensive insurance products and services to help meet the unique risk management needs of high net worth individuals and their families. Its innovative products are underwritten by member companies of American International Group, Inc., and are designed to enhance protection of, and minimize threats to, personal wealth and safety. AIG Private Client Group's portfolio of insurance products includes excess liability, homeowners, excess flood, automobile, private collections, kidnap and ransom, aviation and yacht coverage. In addition to its products, AIG Private Client Group offers an extensive range of risk management services that includes loss-prevention expertise for owners of fine homes, management of art collections and personal security consultation.

AIG Private Client Group distributes their products exclusively through a network of independent agents. For more information regarding insurance coverage with AIG Private Client Group, contact Dan Glunt at Fort Point Insurance – 415.781.8801 or dan@fortpointinsurance.com

Life Insurance: Creative Uses and Planning Techniques

Michael Coholan, Principal, Hilltop Advisors LLC



Michael Coholan, Hilltop Advisors

In partnership with Fort Point Insurance Services, Hilltop Advisors, LLC, provides a consultative approach to understanding how life insurance is used in advanced financial advising.

The majority of life insurance is purchased for basic continuity of lifestyle purposes. Our clients, who are insured adequately, have peace of mind. They know that they will be able to stay in their home, send their children to college and not have to find new sources of income in the event of an untimely death.

One should always begin an analysis of life insurance needs by asking the question: **Are our capital resources sufficient to continue the lifestyle we have become accustomed to?**

Many families with sufficient capital resources are, in essence, self-insured for continuity of lifestyle purposes. There are, however, other commonly used techniques utilizing life insurance to achieve your financial goals. Following are brief introductions to some of these techniques.

I. Estate Tax Planning

Estate taxes (both federal and state) are currently levied on the gross value (assets) minus liabilities of your estate exceeding \$1,500,000 (the tax rate starts at 37% and increases to 55%). For example, a family whose net worth is \$5,000,000 can expect to pay approximately \$2,000,000 in estate taxes. A married couple, utilizing a credit-shelter trust, can double the \$1,500,000 exemption to \$3,000,000; and thus reduce their estate tax significantly.

The question then becomes how do we fund the estate taxes (due nine months after death)? Basically, there are five methods for funding: 1) Sell Assets, 2) Borrow (Sec. 6616, private lending); 3) Cash; 4) Life Insurance; and 5) Gifting/Charity.

Life insurance, owned by an adult child or an Irrevocable Life Insurance Trust (ILIT), is paid out free of both income and estate taxes. The leveraging and cash liquidity opportunities are significant even for elderly and individuals with health issues

Planning Tips:

- Find out what the current ownership designations of your existing life insurance policies are.
- Life insurance benefits are always free of income tax but a policy owned by you or your spouse is includable in your gross estate.
- Determine, with assistance of your estate planning attorney and/or financial advisor, your approximate estate tax liability both currently and projected at life expectancy.
- Review your options of how the estate taxes will be paid at death.



Life Insurance (continued from Page 2)

II. Business Succession Planning

It is common for closely held corporations and partnerships to carry life insurance on the shareholders or partners lives. In the event of an untimely death, the tax-free death benefit is used to “buy-out” the deceased owners’ interest in the firm.

The combination of a properly drafted business purchase agreement, “funded” with appropriate levels of life insurance, assures a smooth transition of ownership and business continuity.

Planning Tips:

- Do you have a business purchase agreement with the co-owners of your firm?
- Is the agreement “funded” or merely a promise to pay (“unfunded”)?
- Consider using a low-cost term life insurance product to provide peace of mind that business disruption will be lessened in the event of an owner’s untimely death.



III. Key Person Protection

Most businesses have an individual(s) who are critical to the ongoing revenue generation and/or growth of the business. The unexpected death of such a “Key Person” can result in significant disruption to the business, and/or its failure.

It is critical, for business continuity reasons, to have an adequate amount of life insurance on key individuals. Typically, underwriters will allow up to five times salary in life insurance on Key Persons. The inflow of tax-free capital at death is used to hire the replacement and minimize financial stress on the firm.

Planning Tips:

- Identify the “Key Person(s)” in your firm (remember, you are probably one of them).
- Consider low-cost term insurance to protect the business from the unexpected loss of a key individual.

“Are our capital resources sufficient to continue the lifestyle we have become accustomed to?”

- Michael Coholan

IV. Non-Qualified Executive Benefits

Life Insurance is often the funding vehicle of choice for non-qualified deferred compensation plans and supplemental executive retirement plans (SERPs).

There are numerous benefits to using high cash value permanent life insurance policies to fund such plans. It is, however, primarily the tax deferred advantage (as provided through the Internal Revenue Code) of the cash value build-up that makes these policies so attractive.

Planning Tips

- Does your business offer non-qualified executive benefits to attract, retain and reward its highly compensated key personnel?
- Are you maximizing the amount of money you can defer through traditional qualified plans (e.g. 401(k), Sep IRA, Profit Sharing Plans, etc); and would you like to save more dollars on a pre-tax basis?

Michael Coholan, CLU, ChFC is the founder and principal of Hilltop Advisors, LLC, in San Francisco, California. For 17 years, Mr. Coholan has worked with individuals and businesses consulting as an advisor for their life insurance planning. Please feel free to contact at (415) 733-6511 or email: michael@hilltopllc.com.

What are The Odds?

Concerned about an untimely death? We should worry less about flying and more about talking on our cell phones in the car. What are the odds?

<u>Cause of Death</u>	<u>Lifetime Odds</u>
Shark attack	1 in 3,700,000
Amusement-park ride	1 in 920,000
West Nile virus	1 in 520,000
Bear attack	1 in 410,000
Plague	1 in 240,000
Hurricane	1 in 220,000
Food-born illness	1 in 57,000
Airplane accident	1 in 40,000
Lightning	1 in 39,000
Drowning in a bathtub	1 in 11,000
Killed by intimate partner	1 in 1,800
Flu	1 in 1,700
Homicide	1 in 240
Automobile accident	1 in 88
All cancers	1 in 7
Heart Disease	1 in 4

* From *Risk: A Practical Guide for Deciding What's really Safe and What's Really Dangerous* by David Ropeik



Fort Point Insurance Services, Inc.

260 California St., Suite 801

San Francisco, CA 94111

Phone: 415-781-8800

Fax: 415-781-8802

Email: info@fortpointinsurance.com

www.fortpointinsurance.com

CA License #0E11805

About Fort Point Insurance:

Fort Point Insurance Services, Inc. is an independent agency serving business and personal insurance. We specialize in the design, placement and servicing of innovative personal insurance programs for individuals with considerable assets. Based in San Francisco, we work with clients across the United States.

The Fort Point Insurance process:

- Consultative review of current coverage
- Recommendations, solutions and services
- Pricing options and alternative quotations
- Continued expert advice and periodic reviews

Our Principal Carrier Relationships:



Fort Point Insurance Personal Insurance Solutions and Products:

Personal liability – primary, excess and umbrella limits up to \$100 million

Dwelling - high-value, standard, historic, multi-state, foreign, rental property and seasonal/secondary

Automobiles – high-value, standard, collector, RV and motorcycle

Collections - jewelry, fine art, wine and other collectibles

Vineyards, Ranches and Horse Exposures – horse mortality, liability, transportation and ranches

Earthquake, hurricane and flood

Kidnap, ransom & extortion

Identity theft

Aviation – jets, helicopters and other (private-owned, corporate and/or fractional ownership) aircraft.

Watercraft – yacht, small boat, sailboat and personal watercraft

Family office coverage

Employment practices liability for domestic employees

Workers compensation for domestic employees

Personal Directors & Officers Liability