

Another Second Opinion

The attorney for a billionaire family called me one day at the behest of a mutual acquaintance. The clients were looking to procure \$100,000,000 of new coverage and simply wanted a second opinion.

The couple worked closely with a large bank and their advisor had brought in the bank insurance specialist. I went in with no preconceived notion as I have seen many similar situations and in some I supported the transaction and others I stopped it.

In this case the existing advisors had been doing a very good job. They seemed sincere and had looked at many angles. I am not sure how excited they were that I was brought in but they had to deal with me. I quickly realized they are among the “good guys” and all I did, after understanding the goals and objectives, was to challenge a few things, brought a couple of ideas to the table and offer some opinions. In the end, what they moved forward with was substantively what they had planned before I was in the picture.



Was this a waste of money on the client’s part? Far from it. The comfort level of the clients and of their attorney was increased by the fact an independent third party approved of the transaction. Neither the clients nor the attorney had any reason ability to know if this was a good deal or a bad one which could have squandered millions in premiums and threatened their entire estate plan.

Thank goodness an advisor saw the value in a fee for some advice. My entire fee was about 5 basis points of the premium and about 2 basis points of the death benefit.

If this was a real estate transaction, a business acquisition or a private equity deal, there is no doubt the clients would have paid seven figures for consulting, analysis, legal and accounting advice, appraisals, etc. The agents’ commission was seven figures and most of the time I see clients have no problem with a million bucks silently come going out the back door but would fight to not write a check for ten grand to make sure they were making the mistake of their life. Believe me, my work has stopped some of these huge mistakes.

So not finding problems and giving the deal a thumbs up is in no way a waste of money. After all, if you bought a house and the inspection came back good or you are buying commercial property and the environmental study came back clean or the appraiser came up with a number you already thought was reasonable, are you disappointed? Not a lot of people buy home insurance only to be disappointed when their house doesn’t burn down. It’s the same here.