

Private Wealth

ADVISING THE EXCEPTIONALLY AFFLUENT

INSURING THE ELITE

FRANK SENECA HAS SPENT DECADES HELPING HIGH-END PROFESSIONALS CATER TO THE LIFE INSURANCE NEEDS OF THE WEALTHY.

PLUS: CLIMATE PHILANTHROPY COOLS,
EMERGING ISLAMIC WEALTH
AND POPPING THE PRENUP QUESTION



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BY RUSS ALAN PRINCE

Frank Seneco is founder and president of Seneco & Associates Inc., an advanced planning boutique in New Haven, Conn., catering primarily to the exceptionally wealthy. In the following interview, Seneco talks about what it takes to deliver life insurance solutions to the very wealthy, including what's required in terms of state-of-the-art technology and building a business model that meets clients' needs.

Prince: How would you describe Seneco & Associates?

Seneco: Seneco & Associates is a boutique advanced planning firm specializing in life insurance. To be very clear, what we do very well and how we make most of our money is by providing sophisticated life insurance structures to the wealthy and very wealthy.

We can access every type of life insurance, and my affiliation with First Financial Resources and with other leading industry authorities ensures that we can deliver exceptional solutions. The life insurance marketplace is a constantly changing landscape, so we have to stay on top of those changes as we bring innovative solutions to clients. For example, our ability to make sure the right policy is provided to affluent clients means we need to be highly flexible from financing premiums to dialing down the commissions as well as using low-load products when they are appropriate.

Increasingly, for instance, we're finding that the very wealthy, such as family offices, are interested in private placement life insurance and private placement variable annuities. We're agnostic when it comes to the platform or insurance carrier, whether a domestic or offshore insurer, and are able to search out the best for any particular client situation. When we are involved in these cases, our responsibility is providing and monitoring the insurance wrapper. We have no involvement with the investments inside the policies.

Prince: When you talk about the wealthy and very wealthy, what kind of numbers are we dealing with?

Seneco: My firm is set up to provide an exceptional experience to every client no matter how wealthy he or she is. I prefer working with clients who are in the "very wealthy category." The situations tend to be much more interesting. In most cases these clients have already done some planning, whether it is life insurance in trust or other legal strategies such as GRATs, intentionally defective grantor trusts, family limited partnerships,

or charitable planning. We look at the whole situation to find ways to solve problems that may be hidden and to properly integrate the life insurance into the planning. For example, we recently placed \$100 million of new coverage on a billionaire who already had a significant amount of life insurance in place. In a case like this, with a significant amount of coverage already in place, the challenge is finding additional appropriate coverage available in the marketplace. This means navigating through the reinsurance marketplace and accessing multiple insurance carriers for their internal retention amounts. We're looking to do the same coverage or more on another billionaire. These types of cases are complicated and demanding, but they're challenging

and, in their own way, educational.

Now, I don't want anyone to get the idea that we spend all our time working with billionaires. That would be nice, but it's not reality. Many of our clients are in the \$30 million to \$100 million range. These are people who can benefit from sophisticated planning where life insurance is a part of the solution set.

Prince: Going beyond net worth, what type of clients do you tend to deal with?

Seneco: Most of our clients are business owners running companies in fields such as real estate, construction, retail and manufacturing. We usually provide them with life insurance to fund buy/sell agreements, address key person issues and pay future estate taxes.

Some of the work we do is with foreign nationals. These people have a need for large amounts of life insurance, which is not available in their country of residence. They like the fact that the policies are denominated in U.S. dollars, and the distributions are currently exempt from U.S. tax withholdings on gains in the policy.

We also have a number of hedge fund and private equity general partners as clients. Lastly, there are celebrities—both entertainers and athletes. Clearly, our clientele covers the spectrum of wealth creators with a handful of inheritors and divorcees mixed in.

Prince: Aside from life insurance, what other products do you offer?

Seneco: We provide traditional and high-limit disability insurance usually for business owners and celebrities. The only other meaningful offering is captive insurance companies.

We're finding a growing demand for the ability to customize risk coverage. In our experience, hedge funds and



Prince: What services and products don't you provide?

Seneco: If you take life insurance including private placement life insurance, disability insurance and captive insurance companies off the table, we're out. We're not in the money management business. We also don't provide credit or banking services.

While we're regularly involved in the planning process to address issues related to life insurance, we don't formally do any planning. Based on the way our business model works, when opportunities for these products and services like money management come along, we direct the wealthy clients to the professionals that brought us in.

Prince: Let's turn to how you source wealthy clients. Please explain your business model.

Seneco: Let me start with the way the firm is structured. As I said, our principal business is life insurance. On my team are experts in life insurance products and life insurance portfolio design. While we're not practicing lawyers or accountants, we have professionals in house who can assist in developing and implementing sophisticated estate plans, asset protection plans and wealth enhancement solutions. To fill in any technical limitations we have, we set up our organization structure so that there are external authorities—some nationally and internationally recognized private client lawyers, some award-

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private equity funds, as well as middle-market companies, are increasingly finding captives can provide real advantages. For example, we're seeing more and more hedge fund managers using captives to address very specific risks such as cyber-liability, tortious interference and intellectual property infringement. Not only are captives able to address specific risks with customized solutions, but also if there are few or no claims and the excess capital and surplus builds up, there are some very substantial ways the captive insurance company can enhance its owner's personal wealth.

winning tax accountants and a couple of industry-recognized actuaries—available to us whenever we need their expertise.

Now, let me explain how we find the wealthy. While we're responsible and accountable for the life insurance solutions, and while we have a very intricate relationship management system and approach to work with the wealthy, our principal clients are other professionals. Our entire approach to business development is to be the very best life insurance resource for other advisors.

Our ability to coordinate seamlessly with other professionals, to adapt to the way they work with their affluent clients, to

exceed their expectations, has made us the go-to life insurance provider for a handful of bankers, accountants, lawyers, independent investment advisors and some investment professionals at multi-family offices. For each of these clients, we have a dedicated two-person relationship management team. These people work closely with the other professionals, making sure we're giving them just what they want, the way they want it, and always being amazingly responsive.

These professionals are our advocates with the wealthy. They bring us in to address the life insurance needs of their affluent clients. Then it's our responsibility to find the optimal solution. Many times, there are a number of possibilities, and we spend a lot of time reviewing the options with the profes-

Prince: On those occasions when you directly work with affluent clients, do they ever refer other people to you?

Seneco: Now and again we get affluent client referrals. As per our understanding with the introducing professional, we follow up on the referral while quickly informing the person who brought us in. The way we see it, the affluent client who we're writing the life insurance on and any referrals they make is a new business opportunity for the introducing professional.

What's more common are requests by the affluent client for referrals to other types of professionals. So we might be asked for an introduction to a great money manager or a topflight attorney. When these requests are made, we back

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sional who knows the affluent client and client situation best. Based on his or her understanding and insights, certain options are selected that are presented to the affluent client.

Prince: As you're working with various professionals who have brought you in, how do you work with the affluent clients?

Seneco: There's a lot of variance when it comes to how we work with the wealthy. It all depends on the preferences of the introducing professional. By our insistence, there is never a handoff. By that, I mean the professional never says something like, "Call up Frank, he'll take care of the life insurance for you." Our clients are the professionals just as much as our clients are the affluent. We only work with professionals who want to stay closely involved with their affluent clients, even when the issue is life insurance.

Some professionals prefer for us to go with them when they see their wealthy clients. In those cases, they have the lead, and we're usually there to answer technical questions. On the other hand, we've worked with professionals who are knowledgeable about advanced planning strategies and life insurance and prefer to have us do the analysis and create the presentations for the affluent client. For example, this was the way we wrote the \$100 million on the billionaire I mentioned. We created the life insurance portfolio, oversaw the underwriting and developed the presentations, but the multifamily office executive who has extensive expertise in law and accounting was the person working directly with the client.

Most professionals we deal with have a preferred way of integrating our services into their business models. However, there are exceptions depending on specific affluent client situations.

off and immediately inform the professional who brought us in. Like I said, these introducing professionals are our principal clients. It's up to them to decide how to follow up with what great money manager or topflight attorney to introduce to the affluent client.

Prince: What kind of financial or other type of arrangement do you have with other professionals?

Seneco: We do a lot of joint work with other insurance producers and investment advisors. In those cases, we have a commission-sharing agreement. They bring us in for our advanced planning expertise and policy design strengths. Our ability to work with attorneys and accountants in the design and structure of the overall plan and life insurance integration is key.

Besides sharing in the revenues, we also bring in external resources to enhance the practices of the professionals we're working with. This often includes providing specialists to help them develop thought leadership materials. We also provide educational programs for professionals addressing how to maximize affluent client relationships and obtain a steady stream of new wealthy clients through referrals. We pay for all these external resources. For the professionals they are a very powerful form of value-added.

In today's competitive marketplace, it's not enough to be good—even very good. It's also not enough to do joint work. I know quite a few excellent life insurance producers who will split cases. Providing business development value-added services in addition to being technically capable and highly responsive, combined with sharing revenues, is instrumental in enabling us to build long-term mutually beneficial relationships with a select number of really quality professionals. *Rw*