

GOLDEN NUGGETS FOR INSURANCE OPTIMIZATION

Interviewee: Kevin Musico

Interview: BTS 8

Topics: Strategic Insurance Optimization Insights

Profile of the Interviewee

Kevin Musico is the co-founder and principal of a Goosehead Insurance franchise brokerage headquartered in Reno, Nevada. With an unconventional background as a turnaround and bankruptcy consultant who spent 50 weeks a year on the road, Musico brings a unique, systems-thinking analytical lens to the insurance industry. He and his wife, Lori, transitioned from being captive agents at State Farm to building an independent brokerage that now represents over 80 carriers across seven states, including California, Nevada, and Tennessee. Musico is widely recognized as a leading expert on the intersection of insurance and wildfire risk, frequently presenting to major real estate organizations on how to treat insurance as a strategic asset-protection tool rather than a mere commodity.

The Strategic Advantage: Independent Brokers vs. Captive Agents

- **Access to Choice:** A "captive" agent (such as State Farm or AAA) represents only one company, whereas an independent broker represents dozens of carriers simultaneously.
- **Customization:** Brokers shape coverage to fit the client's specific needs across 80+ carriers rather than forcing the client to fit one company's limited product.
- **Expert Recommendation:** Even insurance commissioners have publicly advised consumers to consult with brokers over captive agents to find the best value.
- **Strategic Fit:** Independent models allow clients to split different risks across different carriers to produce the most effective total coverage.

Long-Term Management and Risk Assessment

- **The 3-to-5 Year Rule:** Avoid "re-shopping" insurance every year, as carriers view frequent switching as risky behavior that can increase costs; instead, conduct a full review every 3 to 5 years.

- **Rebuild Cost vs. Market Value:** Always prioritize the actual cost to rebuild a home over its current market value.
- **The Underinsurance Gap:** Due to inflation, many owners are significantly underinsured; if your coverage is \$400k but rebuilding costs \$600k, you are personally responsible for the \$200k difference.
- **Clean Claims History:** Maintaining a clean history is essential to remain attractive to "preferred" carriers, especially as premiums are unlikely to drop due to rising reinsurance costs.

Liability Protection and Corporate Entities

- **Personal Liability Oversight:** Liability exposure often extends far beyond the physical home and is frequently underappreciated by property owners.
- **The LLC Gap:** Personal umbrella policies typically do not cover investment properties held within a business entity like an LLC; each entity generally needs its own umbrella policy.
- **The "Floor" for Liability:** Most umbrella policies require a minimum liability floor on underlying policies (typically \$300,000), but \$500,000 is recommended for better pricing and stability.
- **Trust Ownership:** If both personal and investment properties are held within a single trust, it may be possible to cover everything under one umbrella policy.

Tactical Claims Discipline

- **Avoid Small Claims:** Filing minor maintenance claims (e.g., small repairs or "gaming" for a new roof) can jeopardize long-term insurability and drive up future rates.
- **"Bite the Bullet":** It is often strategically wiser to pay for minor repairs out of pocket rather than involving insurance.
- **Pattern Recognition:** Carriers examine claims patterns and severity rather than just the existence of a single claim.
- **Documentation:** Proactively photograph and archive valuables and household contents before a loss occurs, as proof is significantly harder after damage.

Industry Evolution and Emerging Risks

- **Market Bifurcation:** High-risk perils, such as wildfire in the West, are being separated from standard policies into specialized pools like the California FAIR Plan.
- **Increased Consumer Responsibility:** The industry is shifting toward "skin in the game," requiring consumers to take more personal responsibility for maintenance and certain replacement costs (similar to depreciated value in auto insurance).
- **The Impact of Litigation:** High litigation rates in the U.S. (home to 80% of the world's attorneys) contribute significantly to rising insurance premiums.
- **Renovation Risks:** Standard policies may not cover injuries to contractors; ensure all hired help has active workers' comp and consider "builder's risk" policies for vacant properties under renovation.