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Umbrella Insurance Policies

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McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio management and Tax Planning.



As you are probably well aware, we live in a very litigious society. Lawyers are suing for larger amounts of money than ever. Homeowner, auto, and watercraft policies have a limit on liability insurance. If an unfortunate accident should happen that is your fault, do you have enough liability insurance from your current policies? Since no one can predict how much a judge may award the injured person, umbrella insurance is not just for the wealthy anymore, but a needed protection for many people.



Umbrella insurance policies were created to provide additional liability coverage when a lawsuit brought over injuries and/or property damage that exceed the liability limits on auto, home, boat, etc. insurance policies. Here is why most people should have an umbrella policy:

- It provides additional lawsuit coverage of \$1 million or more.
- It provides added coverage for legal defense costs, which can easily amount to \$100,000 or more.
- It can provide liability coverage for some lawsuits not covered by your auto or homeowners insurance. (e.g. sued over renting a boat while on vacation or a car rented in Europe).
- Since these policies provide “catastrophic coverage” that is unlikely to ever be needed, they cost as little as \$200 to \$500 per year. This cost is well worth the peace of mind provided by the coverage.

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Our Services

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services: Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services: MAM has retained several outside experts, whose services are available at no cost to our clients:

- Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

How to purchase a policy? In most cases, policyholders add this policy to current coverage using the same insurance provider as their auto and home insurance.

Who really needs such a policy? The more financial assets you have, the greater is your potential exposure to a lawsuit. Furthermore, families with teenage drivers, swimming pools and dogs are more at risk. Also, owning rental properties is a potential liability risk.

How much coverage should be purchased? Mark Schussel, a spokesman for the Chubb Group of Insurance Companies, which caters to affluent home and auto owners, was quoted in a New York Times article "Some people have some coverage. But they haven't changed the amount in years. Some people have a \$1 million figure in their heads, and it just doesn't make sense anymore." A major factor to consider in determining the amount of coverage is the amount of how much you have in financial assets (home, retirement accounts, brokerage accounts, etc.) that could be at risk to a lawsuit.

Why don't more people have umbrella policies? Banks force people to buy home insurance when they get a mortgage and states require drivers to buy auto insurance. But no one mandates buying a policy that could turn out to be the most important part of your insurance package.

What do the policies cost? The first \$1 million in coverage is usually the most expensive, at perhaps \$200 to \$350 annually, per Jeanne M. Salvatore, a specialist in home insurance at the Insurance Information Institute. Each additional \$1 million in coverage, she said, could cost \$100 to \$200 annually. The rates per million decline as coverage increases. But at \$10 million in coverage, the rate jumps because few customers buy that much, meaning insurers can spread the risk over only a relatively small group of customers