A MONOGRAPH THAT EXAMINES THE CLICHÉ
“I’M INSURANCE POOR”
ALL INSURANCE IS IMPORTANT, BUT . . . . . .
This year . . . chances are -

- **Fire Insurance**
  A consumer’s home will be destroyed . . .

- **Automobile Insurance**
  A consumer will have an auto accident

- **Life Insurance**
  A consumer will die

- **Hospital Insurance**
  A consumer will be in a Hospital (an average stay lasts 6.4 days)

- **Disability Insurance**
  A consumer will Suffer a Long-Term Disability

Long-term means three months or longer. The average duration of such disabilities is 5.3 years.
ALL INSURANCE IS IMPORTANT
But . . . a consumer can be Insurance Poor, or POORLY INSURED!

Consumers are not anxious to buy insurance. The product has no chrome strips, no moving parts, one cannot eat it, sit on it, or ride on it, and one surely would not hang it on the wall to show friends. It lays in a dusty drawer, unseen and out of mind except when the premium due notice arrives, or in the event of applying for a claim.

If there have been no claim benefits paid out under a policy, the consumer is likely to have little appreciation of the product. Peace of mind is a dividend from an unused policy. It is difficult to appreciate a policy when there is no dollar basis by which to measure it’s value.

“I’m Insurance Poor” is a standard cliché offered by many consumer’s to express their dislike of spending so much money on lackluster products. In many cases the consumer is saying, “I’m poorly insured” for most people first insure things they own rather than themselves. “Things” can be repaired or replaced. The human body cannot be replaced and in many cases it cannot be satisfactorily repaired.

HOME OWNERS INSURANCE
A consumer buys a house on a mortgage loan basis. The mortgage holder will insist on the house being insured against loss by fire. Even without the mortgagor’s insistence, the buyer would typically seek out such insurance. If the price of the house is $300,000 the perception of the buyer is that he or she is facing a potential $300,000 loss. Willingly, the premium charged is paid, even though the risk can be handled in other ways.

- The house purchase price: $300,000
- Subtract the down payment of: $60,000
- The mortgage loan to be paid: $240,000
- Subtract the value of the lot: $180,000
- Remaining Obligation $60,000

The remaining obligation can ultimately be paid off the same way the mortgage was to be paid off, on the monthly installment plan.

Homeowners Insurance pays the mortgage company in case of destruction of the house. It pays for the roofer who replaces the roof. The carpenters, painters and plumbers get paid for repairing the damage to or the rebuilding the house. The injured party gets paid in the event of bodily injury liability. The Homeowners plan yields no direct cash benefits to the premium payor.
AUTOMOBILE INSURANCE

Most families own several cars. The insurance premium will be substantially affected by the ownership of sports cars or having teenage drivers in the family. Statistics indicate that one out of every 250 car owners will have a claim on his or her auto insurance in a given year. Some states make auto insurance mandatory, but even with the mandating, most people seek out auto insurance. How valuable is it?

A $40,000 automobile may be stolen and never recovered. The auto owner would not like to sustain such a loss, but if the person lives, keeps his or her health, and continues to work and produce income, he or she can overcome a $40,000 loss.

If it’s a $2,500 dented fender, the cost can be put on his or her Visa card and paid off over a number of months. Insurance is nice but not necessary to overcome a $2,500 loss.

A great motivation to buy auto insurance is the liability protection provided by the policy. The fear of being sued and having to pay injury compensation to another person of $500,000 $1,000,000, or more conjures up visions of loss of home and all worldly possessions to satisfy the awarded damages. The consumer digs deep into his or her pocket to pay premiums on a plan that benefits others, such as the injured party, whom the consumer has knocked down in a crosswalk and broken all to pieces.

But consider the matter should the roles be reversed and the insured person lying in the crosswalk is the consumer. It is soon discovered that the driver of the car is an uninsured motorist. The driver did not reciprocate by sending his or her hard earned money to an insurance company to buy a policy to benefit our consumer, who is the injured party in this case.

If a consumer is sick of paying insurance premiums, then this examination of the practical cost-saving aspects of canceling the fire and auto insurance may be of great interest to the consumer.

The Auto Insurance pays the bank or lease company in the event of theft of the auto, the body shop for repairing dented fenders, the insured strangers who are damaged by the automobile in the event of bodily injury. It yields no direct cash benefits to the premium payor.

Life Insurance has many uses, but from the standpoint of the peril of death, there is one chance in 150 of death occurring in a given year.

With the divorce rate up to 6 out of 10, perhaps the person named as beneficiary should be making the premium payments, in the
event that love stops and reality takes over. This is said partially in jest and partially to focus attention on the logic of disability insurance.

Life Insurance pays a cash death benefit, but not to the premium payer. The Insured person must die to trigger a benefit that is paid to the beneficiary. It yields no direct cash benefits to the premium payer.

MEDICAL INSURANCE

The fear of sustaining budget busting medical expenses and the popularity of health care plans being a major employee benefit has conditioned consumers to believe that such insurance is an absolute necessity. Medical insurance is bought by 85% of Americans. It is a product never questioned as to a need factor, and only price is an item for discussion. Medical insurance pays physicians, surgeons, anesthesiologists, the hospital for its services and the pharmacists. These folks have their lifestyle supported by the consumer who generously provided insurance benefits to pay them. Everyone gets paid EXCEPT the consumer. Medical insurance yields no direct cash benefits to the premium payor.

Kiplinger's Changing Times Magazine has stated, “Even the individual of limited means can pay off big bills and big debts if only the person retains good health and continues to earn an income.”

Disability Insurance is the last insurance that many people buy, yet it is the keystone of all personal security. Disability insurance continues an income cash flow that pays for the home, the home insurance, the autos, the auto insurance, the medical insurance and the life insurance. There is one chance in 30 that the consumer will suffer a long-term disability beginning this year. Long term means 3 months or more. The average period of a long-term disability lasts longer than five years.

Disability Insurance is the only insurance that benefits the consumer directly! In the Case of Disability Insurance, the consumer pays, but the consumer also receives. The consumer receives CASH to do with what he or she needs to do or wants to do.

Only 27 percent of American income producers enjoy the peace of mind of owning Disability Insurance.
UNDERESTIMATION OF ASSETS
Professional third-party appraisals are demanded by banks relative to mortgage loans on real estate, business loans and any collateral to be pledged as security for any kind of loan.

Insurance Companies demand professional appraisals of buildings, jewelry, furs, art, autos and collectibles before insuring them.

The Sum of the appraised value of these assets make up one’s net worth. But most people’s greatest asset goes unappraised and overlooked . . . the capitalized value of future income

THE INCOME ASSETT VALUATION CHART

Instructions for determining future income asset valuation.

**Step 1:** Determine the number of years yet to work.

**Step 2:** Locate on the chart the Assumed Rate of Growth: that is appropriate

**Step 3:** Multiply current earned income by the number found on the Income Asset Valuation Chart.

**Step 4:** The product of this multiplication is the asset value of future earned income.

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**INSURANCE POOR OR POORLY INSURED**

Insuring the income that pays for all things, the house, the cars, the various forms of insurance, the retirement plan deposits AND food, clothes, home expenses, taxes, education and entertainment is simply the logical thing to do.

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