INSURANCE FOR DRUGGISTS.*

BY S. S. HUEBNER.[1]

Leading forms of insurance as a necessity to place the individual and his business on a sound basis—life insurance, property insurance indemnity insurance. The uses of life insurance as a means of capitalizing the earning capacity of life, as a means of borrowing, as a power for encouraging thrift and conserving earnings. Features designed to protect the druggist's vocation in property and indemnity insurance.

Insurance in its various forms has for its purpose the elimination of risk from our business affairs. Whereas little was said and written about insurance a decade ago, few subjects have received more emphasis in recent economic literature as a constructive force for betterment and for saneness in the business community. Heretofore, economics, the science of human industrial activity, has confined itself to a discussion of the problems connected with production, distribution, and consumption. Insurance constituted a perplexing problem to writers in economics since they found it difficult to place within any one of the aforementioned divisions. Insurance deserves a separate division in economic science, and it is to be hoped that before long economics will be discussed in our leading text-books from the fourfold standpoint of production, distribution, consumption, and *elimination of risk.*

LIFE INSURANCE AS AN ASSET.

Many, if not most of those present here, probably expect a discussion of property and liability insurance, to the exclusion of practically everything else. Instead, I shall first place greatest emphasis upon life insurance, because it is by far the most important. In every vocation, and druggists are not an exception, life insurance outranks all other forms of insurance as a real necessity and duty. This is particularly true in your vocation if I have been correctly informed. I have asked for advice from those who ought to know, and have been informed that druggists usually depend upon their own business until too old to work longer; that for most of them the accumulation of $15,000 represents a life's work, and that few retire on the income from outside investments; that not less than 75 percent of druggists carry financial obligations in the form of notes or mortgages; and that the average druggist requires from 7 to 15 years, under favorable conditions, to earn enough to free his business from debt, while, under unfavorable conditions, many carry these debts throughout their business life.

In presenting the cause of life insurance, I desire first to call attention to the fact that the most valuable asset in your vocation is the druggist himself. His life has a value that should be capitalized and conserved. It is high time that you should emphasize the value of your lives as contrasted with the value of mere property in your business. Certainly your personal value greatly exceeds the value of the material property in your business. Everywhere expression is being given to the fact that the productive lives in any community constitute

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by far the greatest econiomc value. Economic thought is rapidly turning to the incorporation of human values, and it is here that life insurance furnishes the only known method of capitalizing the income-producing value of a life.

In other words, life insurance is corporation finance applied to human values. From the moment the policy is signed and the premium paid an estate has been created. The policy is a callable, sinking fund bond issued upon the life of the policy holder. If Providence calls the policy holder the policy will be paid. In case Providence should not call the policy-holder, the policy, or bond, will also be paid at the time of maturity through the accumulation of its savings fund feature. Live or die, the payment of the bond is a certainty, so long as the premium is paid regularly. The value of the earning capacity of the life has been capitalized, and should premature death destroy this value the proceeds of the policy will act as a substitute for the former earning capacity of the deceased. At this point a few figures may indicate the extent to which this idea of human life capitalization is gaining ground. During 1917, $1,953,000 of life insurance was written every working hour in the year (assuming an eight-hour day); $32,545 every working-minute, and $542 every working-second.

Now why emphasize the value of a working life, and why capitalize it? In the overwhelming mass of cases a man's real value is to his dependents as the bread winner. We all pursue some occupation useful to our fellow men, it is true, but at bottom we serve them in our vocation in order to support a home. The home is the basis of society, and for nine men out of every ten it furnishes the motive for energy and progress. In other words, men have two businesses, one the vocation and the other the home. The first supports the second, and regard for the second furnishes vitality for the first. We must grasp the new economic concept of the family. As I have stated on other occasions we must view family economics in the same sense that we now apply economic thought to the conduct of business. The family is a man's first and most important business. It should be established and run as a business. It should be protected against bankruptcy. The death of the head of a family should no more bring about its impairment or dissolution than does the death of the head of a bank, a store, or a railroad. Every corporation respresents capitalized earning capacity and good will. Why, then, should not the business called a family be protected against the loss of the only real good will, namely, the earning capacity of the bread-winner? Why is it not fully as reasonable to protect the family, as to back every foreign bill of exchange with a marine insurance certificate? The voyage in the first instance is certainly much longer, surrounded with much greater hazards, and in case of ship-wreck the consequences infinitely more serious. Why should not the value of one's life be capitalized and protected when we are so careful about insuring our building and tangible goods, when obviously the value of the life is far the most important, in the great majority of instances? Is it not foolish for a man to put capital into himself and to build up his earning capacity, gradually from year to year, and then suddenly have all of this value snuffed out by death? From the standpoint of the family the capitalization of this value becomes a sacred duty. As Dr. Talmage once said in referring to a person who had this matter explained to him, and who nevertheless refused to adequately capitalize his earning capacity for the benefit of dependents: "He does not die, he absconds."

But life insurance also bears a definite relationship to business enterprise in that it furnishes the means to protect the payment of obligations in case of the premature death of the debtor. As already stated, probably 75 percent of druggists carry financial obligations in the form of notes or mortgages. Many also own homes financed under a mortage; while about 10 percent, I am informed, are regular borrowers from banks. Here life insurance affords a real opportunity. Every mortgage on a home or on the business should be hedged with a life insurance policy, the proceeds of which will retire the indebtedness and clear the property in case of the premature death of the debtor. Every building and loan association account should also be hedged with a life insurance policy. It takes time to save, and a life insurance policy protects against the contingency of the saving period being cut short by death before the saving fund, either under the mortgage or the building and loan association account, has reached a substantial figure. To regular borrowers from banks life insurance will also serve as a means of enhancing credit and of securing the most favorable rate of interest. Bankers are loud in their praise of life insurance. Recently a prominent banker called attention to his practice of asking for a statement of the amount of life insurance carried by the borrowers from his bank. When told by one of the borrowers that his insurance, although adequate, was all in favor of his family, this banker exclaimed: "that is all right; you have taken it and your act shows the man."

But, aside from its protective influence, life insurance should also be considered in its relation to saving. Not only does life insurance constitute compulsory thrift, but no other institution furnishes a more convenient method of saving. Life insurance is "compound interest in harness," and inculcates the habit of saving. In this connection let us remember that we do most things by habit, and saving is a habit. Life insurance may be compared to the conservation of by-products by the leading manufacturing concerns. The little odds and ends which otherwise would be frittered away are gradually accumulated at a very substantial rate of interest (4.9 percent in 1917) into a substantial sum at the end of a stipulated number of years.

Such systematic saving is especially to be encouraged in this country where rank speculation is so rampant. The words "guaranteed," "preferred," and "endorsed," carry with them a fascination in the United States as nowhere else. Every effort should be made to have the masses place their investments not directly, but indirectly, through the medium of large investment institutions. Such institutions have a threefold advantage: their investments are made through expert investment managers; their acts are regulated strictly by law; and they have furthermore the advantage of the law of average in such a way as to give the maximum return consistent with safety. By spreading investments widely, a loss in one direction is fully counterbalanced by a gain in another.

Of still greater importance is the fact that life insurance guarantees the saving period from being cut short by death. Let us never forget that it takes time to save and that a person is foolish to say: "I do not believe in life insurance, I believe in saving." What right has a man to say, "I will save $10,000 in twenty years?" In the first place he does not know that he will live twenty years. In fact, out of some 85,000 persons at the age of 30 over 15,000 will fail because of premature death. The value of life insurance in this respect may be illustrated by an endowment policy of, say, $10,000, maturing at age 65, the average age of retirement. Such a policy represents a combination of decreasing term protection with an increasing savings fund. When the savings fund has reached $1,000 the protection has declined to $9,000. Should death occur early, when the savings portion is only $1,000 the $10,000 estate, nevertheless, exists because of the $9,000 of protection. When the savings fund reaches $5,000 the insurance protection has decreased correspondingly to $5,000, the two again amounting to $10,000 in case of death. Should the insured be fortunate enough to survive the full savings period (to age 65 under our assumption) the savings fund will have grown to $10,000, this amount being paid to the insured, while the insurance protection, now no longer needed, is reduced to zero.

But even assuming life and will power to save, what assurance is there that the saving can be retained through individual investment? Again, let us not forget that one-half of those who accumulate a decent competency by the time age 50 is reached, again lose the same before death. All these contingencies are overcome by relying upon life insurance because it furnishes a happy combination of sure saving and protection against the saving period being cut short. Live or die, an estate is guaranteed as long as the premiums are paid. Here again a few figures may serve to show how the saving concept in life insurance is gaining ground. During 1917, the accumulated reserve (savings fund) of 241 life insurance companies increased $160,000 every working hour of the year (assuming an 8-hour day), $2,700 every working minute, and $45 every working second.

FIRE INSURANCE—LIABILITY INSURANCE.

And now a few words with reference to property and liability protection. As regards fire insurance, the policy contract has been fairly standardized throughout the United States, and inquiry shows that the companies have no special form of policy, or of clauses, applicable to the property of druggists. The property is insured under the regular forms generally used in insuring stocks of merchandise, and the druggist's chief care should be in the selection of first-class indemnity, *i e.*, a company whose capital and surplus is indicative of financial strength.

The descriptive portion of the contract is practically the same as that used to insure any merchandise and store furniture and fixtures. This portion of the policy should enumerate fully (1) the various classes of property constituting a druggist's stock, being the property of the insured, or held in trust or on commission, or sold but not delivered, or for which the insured may be liable; and (2) the various classes of store furniture, fixtures, and utensils of every description as used in the business of the insured. As regards each of these two items it is customary to assign a separate valuation. Additional permits are also required where gasoline and other articles prohibited by the policy are kept on the premises. A careful reading of the policy by the insured is therefore essential to make certain that no avoidance of the contract exists in this respect. A special clause for permission to use electricity, for the obtaining of a certificate from the local underwriter's board showing the adequacy of the electrical equipment, and for notice to the board of any alteration in such equipment following the issuance of the certificate, is also required.

A so-called co-insurance clause is also required, the provision being to the effect that the company shall not be liable for a greater proportion of any loss or damage to the property described in the policy than the sum insured bears to a designated percentage (usually 80 percent) of the actual cash value of the property insured. In other words, the owner is expected to insure his property to at least 80 percent of its value. If the insurance taken is less, a loss will be paid only in the proportion that the insurance taken bears to the insurance required. Probably no practice has received so much adverse criticism on the part of property owners. Yet plain justice requires that the practice be enforced. It is the Golden Rule in fire insurance. It is manifestly unfair, in view of the fact that the great mass of fire losses are small partial losses to permit a property owner to take only a small amount of insurance and yet have all his losses paid in full. Fire insurance premiums are a tax on the community, and like ordinary property taxes should be paid in proportion to the value of the properties involved. He who refuses to bear his just share of the community's fire premium tax should be willing to have his loss claim scaled proportionately, *i. e.*, the insured should receive only as he was willing to give.

Druggists' liability insurance should also commend itself to all druggists who desire to conduct their business with security and without worry. Reference is had to public liability insurance as distinguished from compensation insurance for employees which is now required by the law of practically every industrial State. Liability insurance has for its purpose the indemnification of the insured "against loss from liability imposed by law for damage on account of loss of life or bodily injuries suffered by any person or persons and resulting from any alleged civil malpractice, omission, error, or negligence in the practice of the insured's profession, or in the dispensing or sale of any drug, chemical, medicine, or pharmaceutical preparation, or other article regularly carried in stock by physicians or druggists, and not excepted in the Schedule, and occurring while this policy is in force; also against the cost of defense against any claims or suit based upon such civil malpractice, omission, error, or negligence, including the cost of any appeal to a court of last resort." No druggist can afford to go on the theory that errors resulting in injuries to customers will never occur, despite the utmost care in selecting his help. Even if we could assume that no errors would be made, no druggist can afford to remain unprotected against possible claims of unscrupulous persons. Where a suit is successfully prosecuted the recovery of damages for a single injury, if fatal, or totally disabling, may easily be so large, where the druggist's business is of ordinary size, as to cripple his financial standing. And even where the claim is unjust and the suit unsuccessful, the employment of counsel to defend is apt to be expensive in time and money. How much better it is to pay a definite premium of moderate size, and have an insurer protect the insured's interests by taking immediate charge of the case and by effecting an adjustment with the least delay and publicity. How much better it is to use insurance and to operate one's business on the basis of *certainty* instead of *uncertainty*.

Time limits forbid a detailed analysis of the contract, a copy of which may easily be obtained from any company. Suffice it to say that the contract is conspicuously free from onerous conditions. The limit of the company's liability is subject to agreement, but is usually $5,000 for injury or loss of life to one person; and, subject to the same limit for each person, the company's total liability for any number of persons is customarily fixed at $10,000. But it is usually provided that the expenses incurred by the company in defending any suit, including the interest on any verdict or judgment, and any costs taxed against the insured, will be paid irrespective of the limits expressed above. The contract also contains certain provisions which safeguard the company against paying losses which are incurred under irregular conditions. Thus it is common to provide some such clause as the following: "The company shall not be liable for any alleged error or mistake—(1) caused by any employee unless such employee is classified in said Schedule and at the time of making the alleged error or mistake is on duty in the occupation under which he is classified; (2) caused by the Assured or any employee in prescribing any drug or medicine (as distinguished from an alleged error or mistake as defined herein), or caused by the intentional substitution of any drug or medicine for the drug or medicine ordered; (3) unless a demand or claim has been made on the Assured while this policy is in force or within six months after the termination or expiration thereof; (4) for or on account of any criminal prosecution of the Assured or any employee; (5) if the Assured or any employee shall have violated any law or ordinance in connection with any alleged error or mistake; (6) if the Assured or any employee was to any extent under the influence of any anaesthetics, intoxicants or narcotics."

Brief reference may also be made to the customary method of arriving at the premium on liability policies. Two items comprise the charge, *viz.*, (1) the store charge, covering one store and its proprietor, and (2) the employees whom the proprietor may decide to cover under the policy. The store charge depends upon the size of the policy, while the charge for employees (an annual rate varying in amount for different classes of employees, such as registered pharmacists or prescription clerks, assistant pharmacists or junior prescription clerks working under one or more registered pharmacists, relief clerks, salesmen, porters, and soda-water clerks) remains the same irrespective of the amount of the policy. The insurer is not required to have all employees covered, but if any are excluded, it follows that the company is not liable for any of their errors. But if the insurer has decided upon the classes of employees to be covered (the above mentioned employees are grouped in classes, a separate charge being assigned to each class) it is required that he must include all the employees of that class. If two or more stores are operated by one concern, the charge for employees remains the same, but the store charge is reduced, usually about 10 percent for two stores, 15 percent for three, etc., until a maximum reduction of 25 percent is reached.

BUYING FOR A RETAIL DRUG STORE.*

BY CHARLES W. HOLZHAUER.

The importance of right buying—general principles, factors and conditions to be considered.

How—Systematic methods of ordering and keeping stock. Inventories, record of purchases, order forms, etc., price information and cash discounts.

When—A brief outline of the best time to buy certain lines.

Where—Available markets, source of supply, jobbers, manufacturers, specialty houses, buying clubs, etc.

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