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A FEW POINTS ON FIRE INSURANCE.*

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How much fire insurance he should carry on his stock, and in what companies to carry it, is a question which confronts the druggist as it does every other business man. As a matter of fact, few give to this question the attention which it deserves, because next to having something which will burn up, the most important thing to know is that somebody will make good to you if it does burn up. Now, I take it that there is no one who will deny the importance of owning property, and I am sure that all will agree that the more one does own, the better off he is. As stated, next in importance to being the owner of something, the more the better, it is to know that if it should be destroyed some one will make good the loss, and yet this feature next in importance is frequently disregarded.

How Much Insurance Should One Carry? This naturally depends first of all upon the value of one's property, and then on how the owner is financially situated. Whether the property is located in so-called fire proof buildings, or in frame shacks, should never control, because in both instances the property is subject to destruction by fire, and the cost of carrying insurance is dependent upon the relative safety from fire loss. The man whose risk is located in a so-called fire proof building owes just as a great a duty to himself and those dependent upon him to carry insurance, as does the man whose risk is located in an easily destroyed building, and the one can afford to do so, because he will secure his insurance at a much lower rate than will the other. It may, therefore, be stated that as a general rule the amount of insurance one should carry depends upon the value of the property, and the financial circumstances of the particular individual, and both of these features are of sufficient importance to require separate consideration.

The Value of Property. It goes without saying that no druggist can know the value of his property, unless he makes an inventory at regular intervals. To correctly insure property the very first essential is an annual inventory. This inventory should be made each year at about the same time. It should be accurately made; there ought to be no estimating or guess work about it. After the inventory is compiled, unless one has a fire proof safe at his store, it is best to keep it at some other place. At this point it may be well to briefly touch upon some of the added advantages of having an annual inventory, aside from

*Read before the Pennsylvania Pharmaceutical Association.

taking it as a basis for the amount of insurance to be carried. An inventory is essential for the proper adjustment of a fire loss. The man who is without an accurate, up-to-date inventory is at an enormous disadvantage in case he has a fire of any consequence. It is hardly necessary to direct your attention to the fact that no insurance company would undertake to pay your loss on your say so. They have a right to know that the property of which you claim to be possessed was actually contained in the building, for without having fair means of proving this, a man might claim to have $10,000 worth of property, when as a matter of fact he has only $5000 worth of property. Therefore, when you have a fire you are supposed to prove what has been destroyed by the fire, and how are you going to do it, unless you have an annual inventory, and a record of your purchases and sales. The man who has such annual inventory and record, may rest easy, while the man without such inventory has neglected one of his most important duties, which in case of fire will bring innumerable annoyances and difficulties.

After Value Ascertained, How Much Insurance to Carry. Having ascertained the value of your property, and in doing this having allowed for depreciation on fixtures and on stock which is more than a year old, it is comparatively easy to decide on the amount of insurance to carry. As already stated, this in part must be controlled by the financial circumstances of the particular individual. If a man is heavily in debt, he should carry full insurance; he owes it, not only to himself, but to his creditors and those who are dependent upon him. If a man has practically all of his worldly possessions in one place, he should carry full insurance, or at least insurance up to eighty (80) per cent. of the property value. On the other hand, if only a comparative small part of one's property is located in one given place subject to destruction in one fire, and is not greatly in debt, if any, then the matter of insurance is largely one of choice. Those who have their property widely distributed, so that one fire is likely to destroy only a small fraction, can afford to carry their own insurance in part, and to them the matter of how much insurance to carry is not so important, but it is rather the rule that druggists are not in that position, and consequently they are usually in need of insurance, and should usually carry an amount up to the full value of their property, or at least up to eighty (80) per cent. thereof. It is my judgment from the experience which I have had, that the man who has an investment up to $10,000 in one place, which represents practically all that he possesses, should carry insurance up to the full value of it. He certainly should do this if he is largely in debt; if he is not in debt, under such circumstances, insurance up to eighty (80) per cent of its value should be sufficient, and is in keeping with good business judgment and conservative management. This is particularly true, because out of every hundred fires not more than five are total losses, so that aside from the chance of having no fire at all is a further one, that in case of fire, in ninety-five instances out of a hundred, the fire will bring only a partial loss. The above rule for determining the amount of insurance to carry is, after devoting such study as I have been able to give, a fair one to follow, in my judgment. Assuming that in the average case it is best to carry insurance up to at least eighty (80) per cent. of the property value, I would add that where the premium is in excess of $10.00 per thousand, it is always well to carry insurance under the eighty (80) per cent. Co-Insurance Clause, because depending upon different sections the credit allowed for the use of the eighty (80) per cent. clause, is from fifteen (15) to twenty (20) per cent. of the premium charge, but in such case it is imperative to know that the amount of insurance is at least equal to eighty (80) per cent. of the property value, for otherwise the assured is a co-insurer for the difference. For the careful business man, the man who takes and has an annual inventory, and knows the value of his property, the Co-Insurance Clause is always of advantage. The man who does not know the value of his property, had best avoid the Co-Insurance Clause.

Where to Place Your Insurance. This part of my subject I approach with some hesitancy. It however is my endeavor to express an impartial and honest opinion, entirely separate and part from my connections. So far as I can understand the situation, it is never well to place your insurance in companies or concerns that are not licensed, and that are thus not under the supervision of the State Insurance Departments. Even with such supervision, insurance companies have failed and will fail, but without such supervision, it is nothing short of a gamble. State supervision at least is a guarantee of a company having the minimum amount of capital and reserve, which under the law is required, and the requirement for which has been determined and found necessary by past experience. Having made sure that the company or companies with which you would place your insurance are properly licensed by the Insurance Department, and under its supervision, then it becomes a question to decide as to the relative merit and reliability of stock companies and mutual companies. Stock companies as a rule are undoubtedly the most reliable and safest, but as a rule also their premium charge is higher than is that of mutual companies. Mutual companies may be just as reliable and just as safe as are stock companies, but the careful business man will avoid mutual companies which have not accumulated a substantial reserve and surplus. If a mutual company has been in existence for more than ten years, and has accumulated a substantial cash reserve and surplus, then one may with fair assurance place trust and confidence in it, but if it is still in its experimental stage, or without substantial reserve and surplus, then it is my advice to let the other fellow experiment with it. With mutual companies you are always running some risk, that you do not run with stock companies. In short, when you carry your insurance in mutual companies you insure yourselves, and your own liability and responsibility, coupled with that of other policy holders, determines the safety and reliability of your insurance, whereas in stock companies, the stockholders are the ones who have put up their money to assure safety, reliability and ability to meet losses. In the one case you insure yourself; in the other case, the other fellow insures you. With all fairness and honesty, it must be the general advice, that unless a man has the time, knowledge and opportunity to study the reliability of a mutual insurance company, it is better for him to avoid them, and place his trust and confidence in stock companies.