



# HUD NEWS

U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT  
WASHINGTON D.C. 20410

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(Ernst)

FOR RELEASE:

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## THE FEDERAL CRIME INSURANCE PROGRAM

### Questions and Answers

1. Q. What is the purpose of the Federal Crime Insurance Program?  
  
A. The program was established under Title VI of the Housing and Urban Development Act of 1970 which authorizes the Federal Government, as an insurer, to provide crime insurance at an affordable price in any State which after August 1, 1971, has a critical crime insurance availability problem and does not have an appropriate State program to provide a solution. The program became effective on August 1, 1971. Reduced rates were made applicable to policies issued after August 1, 1972.
2. Q. In which States is the program available?  
  
A. In Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Kansas, Maryland, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, and the District of Columbia.
3. Q. Who is responsible for operation of the program?  
  
A. The Secretary of HUD has delegated administration of the program to the Federal Insurance Administrator in the U. S. Department of Housing and Urban Development (451 Seventh Street, S. W., Washington, D. C. 20410). Acting for the Secretary, the Federal Insurance Administrator conducts a continuing nationwide review of the market availability situation. In those States in which he concludes that a critical problem exists which is not being resolved at the State level, the Federal Insurance Administrator provides insurance against losses due to burglary and robbery through licensed property insurance agents and brokers and private insurance companies acting as servicing companies for the Federal Insurance Administration.
4. Q. Will the program be expanded to additional States?  
  
A. If the Federal Insurance Administrator finds a critical problem of availability in additional States which is not being resolved at the State level, he will designate such additional States as eligible for the purchase of crime insurance. Since the program

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began, Tennessee, New Jersey, Kansas, Florida, Delaware, Georgia, and Colorado have been added on August 1, 1972, February 15, 1973, April 1, 1973, February 1, 1974, March 1, 1974, June 1, 1975, and September 15, 1975, respectively.

5. Q. Who can buy Federal crime insurance?

A. A property owner or tenant or businessman within an eligible State or the District of Columbia may apply for crime insurance by (a) signing an application, and (b) paying a 6-month premium installment due at time of application. To be eligible for burglary insurance coverage, his premises must meet the protective device requirements of the program referred to in Questions 15-19 below. The protective device requirements do not apply to commercial insurance against robbery only.

6. Q. Where does a property owner or tenant obtain an application form?

A. Federal crime insurance applications may be obtained from any licensed property insurance agent or broker in any eligible State in which the premises to be insured are located or from the appropriate servicing company in that State as follows:

- COLORADO.....

CONNECTICUT.....

DISTRICT OF COLUMBIA

GEORGIA.....

ILLINOIS.....

KANSAS.....

MARYLAND.....

MISSOURI.....

OHIO.....

RHODE ISLAND.....

TENNESSEE.....
- Safety Management Institute

Federal Crime Insurance

P. O. Box 41033

Washington, D. C. 20014
- You may also call SMI by using a toll-free

number which is 800-638-8780. If you live in

D.C. or Md., you may call 301-652-2637. In

Md., call collect if outside the Metropolitan

Washington area.
- DELAWARE.....

MASSACHUSETTS.....

NEW YORK.....

PENNSYLVANIA.....
- Insurance Company of North America

Federal Crime Insurance Unit

1021 Georgia Avenue

Macon, Georgia 31201
- You may also call INA by using a toll-free

number which is 800-841-4961.
- In addition, you may obtain assistance from

INA offices at the following locations:
- 303 East Fayette Street, Baltimore, Md. 21202

(Telephone: 302-656-8345)

1 Center Plaza, Boston, Massachusetts 02108

(Telephone: 617-227-7300)

79 John Street, New York, New York 10038

(Telephone: 212-233-5010)

625 Walnut Street, Philadelphia, Penna. 19105

(Telephone: 215-925-8330)

- FLORIDA.....

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Aetna Casualty and Surety Company

5200 Kennedy Blvd., Tampa, Florida 33609

(Telephone: 813-871-2640)

NEW JERSEY.....

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Aetna Casualty and Surety Company

494 Broad Street, Newark, New Jersey 07102

(Telephone: 201-624-1900)

7. Q. What kind of criminal acts and losses can be covered by Federal crime insurance?

- (a) Burglary and larceny incident thereto, which means the

stealing of property from within a premises which has been

forcibly entered by means which leave physical marks of

such forcible entry at the place of entry.
- (b) Robbery, which means the stealing of personal property from

the insured in his presence and with his knowledge both

inside the premises and outside the premises. The term

robbery includes observed theft.
- (c) Damage to the premises committed during the course of a

burglary or robbery, or attempted burglary or robbery.
- (d) In the case of the residential insurance policy, the

burglary of an enclosed locked storage compartment of an

automobile, i.e., the trunk compartment.
- (e) In the case of commercial insurance against burglary, the

theft from a night depository and burglary of a safe,

subject to a \$5,000 limit on claims with respect to safes

of less than insurance Class E quality.

8. Q. Will a burglary claim be paid if there are no visible marks of forcible entry at the place of entry?

A. The Federal crime insurance policies do not cover mere disappearance of property. There must be signs of an entry by force evidenced by visible marks upon or physical damage to the exterior of the premises at the place of such entry.

9. Q. How much insurance can an individual buy?

- A. Residential insurance coverage may be purchased in amounts up to \$10,000. Commercial insurance may be purchased in amounts up to \$15,000. Such limits apply on a per-occurrence basis.

10. Q. Can an applicant choose the peril he wants to be insured against?

- A. The residential insurance policy is a combination burglary and robbery package policy that is not sold in separate parts. However, a commercial applicant can purchase robbery insurance only or burglary insurance only or combinations of both. A policy that protects against robbery only costs 60% of the cost of a package burglary and robbery policy. A policy that protects against burglary only costs 50% of the package policy rate. Robbery and burglary coverage purchased in a combination of different amounts costs the sum of the rates for the separate parts.

11. Q. What kind of personal property is covered?

- A. The residential policy insures against loss of all personal property including jewelry, after application of the \$50 deductible. However, loss of money is covered only up to \$100. The commercial policy can insure against burglary and larceny of merchandise, furniture, fixtures and equipment and against stealing of money, securities, and merchandise by safe burglary and against robbery of money, securities, merchandise, fixtures and equipment.

12. Q. Are claims payments subject to deductibles?

- A. (a) Claims under the residential policy are subject to a deductible of \$50 or 5% of the gross amount of the loss, whichever is greater.
- (b) Claims under the commercial policy are subject to minimum deductibles which vary according to the annual gross receipts of the insured, as shown in the following table, or to 5% of the gross amount of the loss, whichever is greater:

<u>Gross receipts</u>	<u>Deductible</u>
Less than \$100,000	\$ 50
\$100,000 - \$299,999	100
\$300,000 - \$499,999	150
\$500,000 or over	200

The deductible for nonprofit or public property risks is \$50 or 5% of the gross amount of the loss, whichever is greater.

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13. Q. How does a property owner or tenant report claims for losses?

- A. Losses which exceed the applicable deductible should be reported to the agent or broker through whom the application was submitted, or directly to the servicing company designated for the State in which the premises are located. A sworn proof of loss statement must be submitted.

14. Q. Will policies be cancelled or not renewed if insureds submit claims?

- A. No. The Federal Crime Insurance Program was established to make crime insurance more readily available in areas where people have been unable to buy or retain crime insurance. Federal crime insurance therefore will not be denied to any eligible insured because of the frequency or amount of his claims.

However, the making of a false statement in the application or in connection with the submission of a claim will result in refusal of coverage or cancellation and the denial of claims. Intentionally false statements may also result in criminal prosecution.

15. Q. What protective devices are required on a residential property such as a home or apartment before it is eligible for Federal crime insurance?

- A. For a residential property to be eligible for Federal crime insurance, its exterior doors, other than sliding doors, must be equipped with either a dead bolt, or a self-locking dead latch. Dead bolts or self-locking dead latches must have a throw of at least 1/2 inch, unless the lock utilizes a vertical interlocking bolt and striker. (The term "dead bolt" refers to the fact that the bolt cannot be made to retract except by turning a knob or key. The term "throw" refers to the distance which the bolt or latch protrudes from the body of the lock when the bolt or latch is in a locked position.) Horizontal or vertical dead bolts provide far better protection than a self-locking dead latch and the greater the distance of the throw, the less chance there is that the door can be pried open.

All sliding doors and windows opening onto stairways, porches, platforms or other areas affording easy access to the premises, must also be equipped with some type of locking device. Locking devices which utilize a key lock, while not required, are strongly recommended. See page 9 of this bulletin for illustrations of residential locking device requirements.

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16. Q. Will claims be paid if a residential premises does not have the required locking devices.

A. Unprotected residences are not eligible for Federal crime insurance and a claim cannot be paid if a residential premises does not meet the protective device requirements.

17. Q. How can a residential applicant know whether his house or apartment meets the protective device requirements?

A. The residential requirements are listed on the residential application form and illustrations of the locking devices are shown on page 9 of this bulletin. By comparing the locks on his exterior doors and windows to those shown in the pictures, the applicant can quickly verify whether his house or apartment meets the minimum requirements. In addition, any property insurance agent or broker or the servicing company can explain the residential requirements.

18. Q. What protective devices are required on a commercial property before it is eligible for Federal crime insurance?

A. For a commercial property to be eligible for Federal crime insurance against burglary, its doorways or doors and accessible openings must be adequately protected during nonbusiness hours. The commercial requirements, which are more extensive than those for residential properties, vary by types of business. They are listed on the commercial application form. Illustrations of the locking devices referred to above are shown on page 10 of this bulletin.

19. Q. How can a commercial applicant know whether his property meets the protective device requirements?

A. The servicing company will make a physical inspection of the premises of every new applicant who applies for a commercial policy which includes burglary coverage. Such policies will be issued only if the inspection confirms that the premises meets the protective device requirements. If the property does not meet the requirements, the inspector will tell the applicant what he needs to do in order to comply. After a commercial premises has been inspected and a policy issued, claims for losses will be paid provided the insured has not removed or altered the protective devices previously approved by the inspector. Insurance coverage on all premises which meet the protective device requirements becomes effective at noon of the day after the application is signed by the applicant.

The servicing company will also provide one free inspection to commercial burglary insureds whose premises have never been inspected because they applied for coverage before July 1973. Such insureds will be given 30 days in which to bring any deficient premises into compliance.

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20. Q. What are the rates for residential or personal coverage?

A. Annual rates for residential crime insurance coverage are the following:

<u>Amount of coverage</u>	<u>In lowest crime areas</u>	<u>In average crime areas</u>	<u>In highest crime areas</u>
\$1,000	\$20	\$30	\$40
\$3,000	30	40	50
\$5,000	40	50	60
\$7,000	50	60	70
\$10,000	60	70	80

21. Q. What are the rates for nonresidential or commercial coverage?

A. These rates cannot be shown on a simple table since they are based on the class and location of the business and reflect the gross receipts from the previous year, as well as the amount of coverage selected by the insured. Complete details are contained in the program manual but, for example--

(1) A grocery store having gross receipts of under \$100,000 located in a high crime exposure territory such as Denver, Miami, New York City, Savannah, or Trenton would pay annual rates as follows (only 1/2 of the shown amount must be paid in advance):

<u>Amount of coverage</u>	<u>Burglary and robbery in equal amounts (Option 1)</u>	<u>Robbery only (Option 2)</u>	<u>Burglary only (Option 3)</u>
\$1,000	\$120	\$72	\$60
\$5,000	480	288	240
\$10,000	660	396	330
\$15,000	690	414	345

Option 4 (varied amounts of both coverages): Assuming a selection of \$1,000 robbery and \$5,000 burglary, the premium would be \$72 plus \$240, or \$312.

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(2) A drug store having gross receipts of between \$100,000 and \$299,999 located in an average crime exposure territory such as the District of Columbia, Atlanta, Baltimore, Boston, Chicago, Cleveland, Hartford, Memphis, Newark, Philadelphia, Providence, Pueblo, St. Louis, Wichita, and Wilmington would pay annual rates as follows (only 1/2 of the shown amount must be paid in advance):

Amount of coverage	Burglary and robbery in equal amounts (Option 1)	Robbery only (Option 2)	Burglary only (Option 3)
\$1,000	\$150	\$90	\$75
\$5,000	600	360	300
\$10,000	825	495	413
\$15,000	863	518	432

Option 4 (varied amounts of both coverages): Assuming a selection of \$1,000 robbery and \$10,000 burglary, the premium would be \$90 plus \$413, or \$503.

(3) A book store having gross receipts of under \$100,000 located in a low crime exposure territory such as Utica, New York; Meriden, Connecticut; Reading, Pennsylvania; Albany, Georgia, and Steubenville, Ohio; would pay annual rates as follows (only 1/2 of the shown amount must be paid in advance):

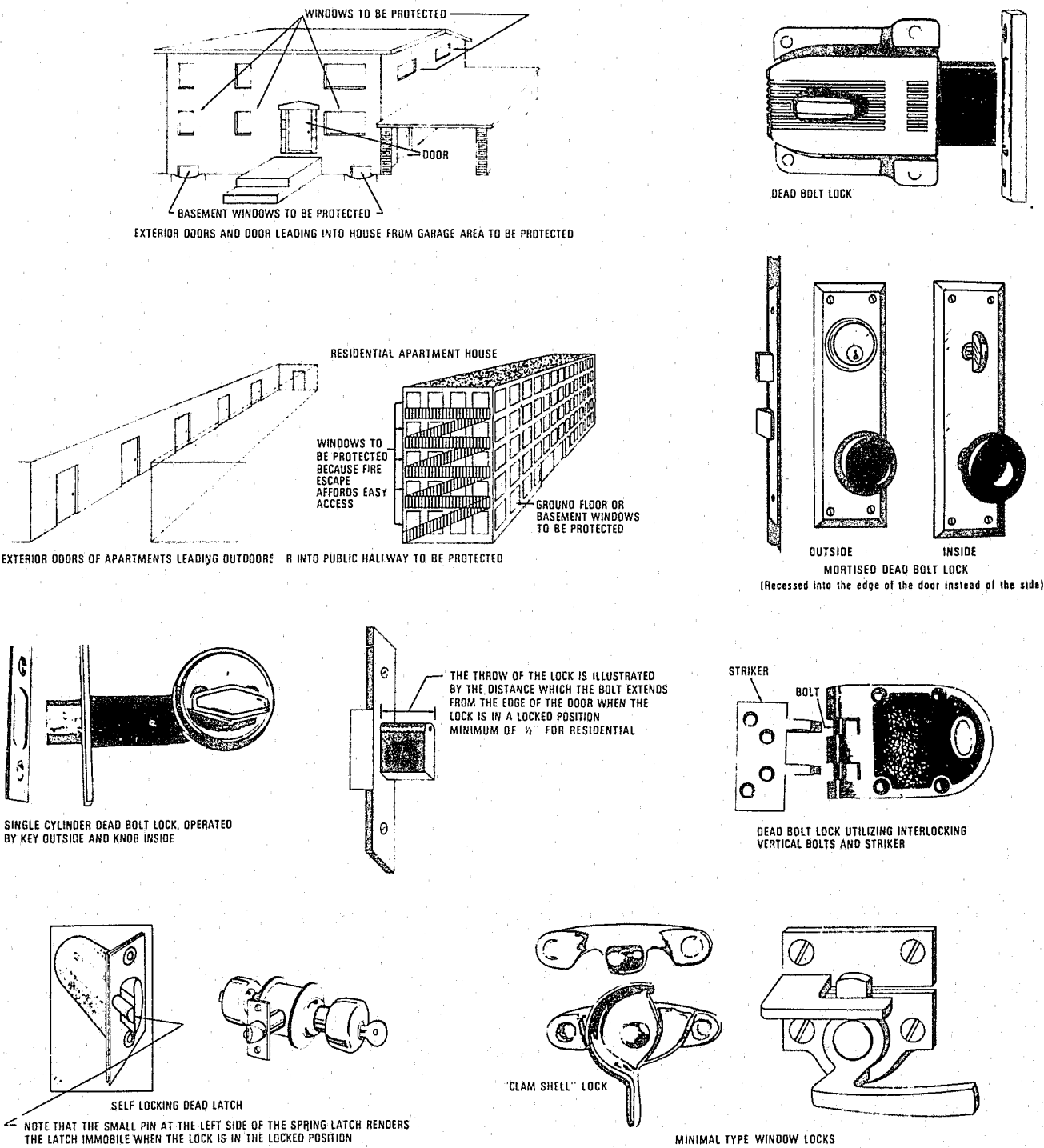
Amount of coverage	Burglary and robbery in equal amounts (Option 1)	Robbery only (Option 2)	Burglary only (Option 3)
\$1,000	\$70	\$42	\$35
\$5,000	280	168	140
\$10,000	385	231	193
\$15,000	403	242	202

Option 4 (varied amounts of both coverages): Assuming a selection of \$1,000 robbery and \$5,000 burglary, the premium would be \$42 plus \$140, or \$182.

The cost increases for stores having higher gross receipts.

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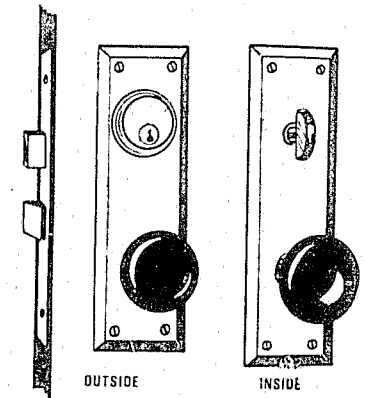
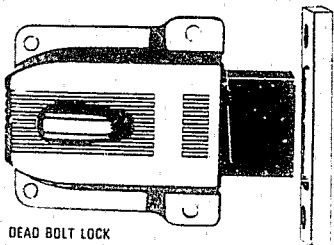
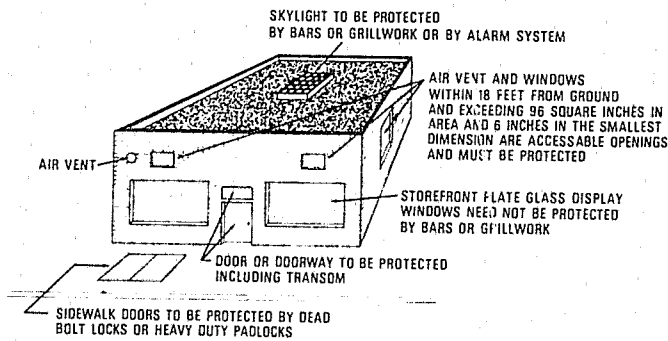
Federal Crime Insurance Program  
RESIDENTIAL PROTECTIVE DEVICE REQUIREMENTS  
(EXAMPLES OF ACCESSIBLE OPENINGS AND LOCKING DEVICES REFERRED TO IN THE PROTECTIVE DEVICE REQUIREMENTS)



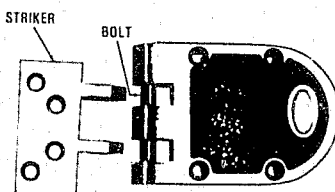
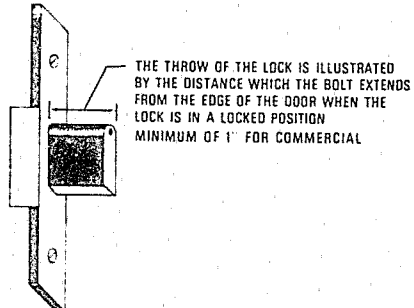
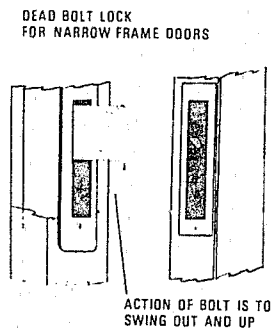
Federal Crime Insurance Program

COMMERCIAL PROTECTIVE DEVICE REQUIREMENTS

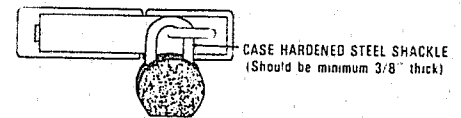
(EXAMPLES OF ACCESSIBLE OPENINGS AND LOCKING DEVICES REFERRED TO IN THE PROTECTIVE DEVICE REQUIREMENTS)



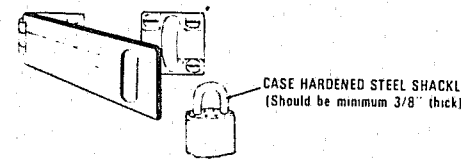
MORTISED DEAD BOLT LOCK  
(Recessed into the edge of the door instead of the side)



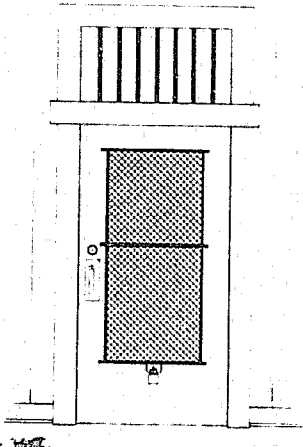
DEAD BOLT LOCK UTILIZING INTERLOCKING VERTICAL BOLTS AND STRIKER



A HEAVY DUTY PADLOCK (3/8" Case hardened steel shackle) FIVE PIN TUMBLER OPERATION. THE STEEL BAR AND STAPLE OF THE HASP SHOULD BE CASE HARDENED AS IS THE PADLOCK SHACKLE. RECESSED SCREWS SHOULD BE CONCEALED WHEN THE HASP IS CLOSED.



EXAMPLE OF BARS AND GRILLWORK



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