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A REPORT TO THE ILLINOIS GENERAL ASSEMBLY



**BY THE
ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION**

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ACQUISITIONS

THIS REPORT IS RESPECTFULLY
SUBMITTED PURSUANT TO SENATE
RESOLUTION 474 ADOPTED BY THE
ILLINOIS SENATE ON DECEMBER 16,
1976

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SENATE RESOLUTION 474

This resolution, sponsored by the late Senator Norbert A. Kosinski, was adopted by the Illinois Senate on December 16, 1976, and is quoted below:

"WHEREAS, there exists in our State a perilous situation which threatens to destroy the lives and property of our citizenry; and

"WHEREAS, this situation has been created by the alarming increase in arson in our State, particularly in densely populated urban areas; and

"WHEREAS, the Illinois General Assembly is empowered to consider and enact legislation imposing criminal penalties and creating and defining new crimes; and

"WHEREAS, the Illinois General Assembly can be greatly assisted in its efforts to deal with the problem of an increase in the incidence of arson-related deaths and damage to property by the good offices of the Illinois Legislative Investigating Commission; therefore, be it

"RESOLVED BY THE SENATE OF THE SEVENTY-NINTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that the Illinois Legislative Investigating Commission be directed to investigate the problems involving arson in our State and to recommend to the Illinois General Assembly, as soon as practicable, the proper legislative response."

CO-CHAIRMEN:
Sen. John B. Roe
Rep. James C. Taylor



SECRETARY:
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Prescott E. Bloom
Samuel C. Maragos
James "Pate" Philip
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EXECUTIVE DIRECTOR:
Ronald Ewert

TO: HONORABLE MEMBERS OF THE GENERAL ASSEMBLY

This is a report of our findings, conclusions, and recommendations pursuant to Senate Resolution 474, adopted by the Illinois Senate on December 16, 1976.

Our predecessor organization, the Illinois Crime Investigating Commission, investigated arsons and bombings in Cook County in the mid-1960s. Unlike the current investigation, that inquiry focused on the involvement of organized crime in arsons--especially in the restaurant, cocktail lounge and tavern business.

The Crime Commission concluded that organized crime is not connected with all arsons. Insurance fraud and the desire to eradicate business competition were the most frequent motives for many of the arsons investigated. As a result of these earlier efforts, four persons were convicted of arson.

In the current investigation, the Commission was mandated to examine the arson problem throughout the State, with particular attention on the urban areas. This time the Commission was directed to recommend solutions and the appropriate administrative and legislative remedies for the arson problem.

In the course of this investigation, we interviewed a broad spectrum of professionals involved in the arson problem: police and fire officials; representatives from the insurance industry; prosecutors; State Fire Marshals; public adjustors; private arson investigators; crime lab technicians; and medical examiners. Our investigators traveled to Seattle, Houston and New York City to learn about their arson units and efforts to combat arson.

We learned firsthand how difficult it is to investigate a "suspicious fire," when our investigators conducted their own arson investigation. The investigators interviewed witnesses, gathered evidence from the fire scene, followed leads and researched records. Laboratory tests indicated that

accelerants had been used in this fire, although the arsonist was not apprehended.

We developed a questionnaire concerning the role and responsibility of the State Fire Marshal and circulated this across the country, and the responses are summarized in this report. Finally, we talked to 18 convicted arsonists, all of whom are incarcerated in Illinois penal institutions. From these interviews, we developed a profile of a convicted arsonist.

Throughout our investigation we tried to gather and verify statistics on the extent of the arson problem in Chicago, throughout Illinois, and across the nation. We found this to be an extremely difficult task since so few records are kept on arsons and suspicious fires and those that are kept are often incomplete or inaccurate. Therefore, we can only say that the arson problem appears to be worsening. At the same time, it seems that public awareness of the problem is growing, more cases are being investigated, and more fraudulent insurance claims are being challenged. But to what extent the problem is growing is impossible to judge.

The 80th General Assembly moved decisively in 1977 to combat the arson problem with the passage of four important arson-related bills which are summarized in the report. We applaud the legislature for its farsightedness and swift action in dealing with arsons in Illinois.

As a result of our investigation, our main conclusion is that arson must be dealt with on two levels: arson prevention and arson detection. In the area of arson prevention, more responsibility must be assumed by the private insurance companies, as well as the federally mandated FAIR Plan. Insurance agents must learn more about the individual and the property that they are insuring. In addition, city building departments must enforce the applicable housing and fire codes so that buildings are not left as targets for vandals and subject to arson-for-profit schemes.

In the area of arson detection, we conclude that more and better training is necessary for arson investigators throughout the State. In those urban areas where patterns of arson can be identified, or a number of suspicious fires are recorded, special task forces should be established to combat the problem, along with the initiation of grand jury investigations.

In Chicago and throughout the State, a better job needs to be done in developing and maintaining statistics on all

fires, especially "suspicious fires" and "incendiary fires." The State Fire Marshal is charged with the responsibility of gathering and assimilating these statistics, and the job must be done if we are to grasp the extent of the problem in Illinois. The City of Chicago, which has previously been remiss in providing this data, can no longer be excused from full participation.

The Commission offers a number of recommendations for improving the delivery of arson prevention and detection services throughout the State. We urge the insurance industry to cooperate fully with law enforcement officials in challenging fraudulent claims in both criminal and civil court. We recommend that the FAIR Plan revise its underwriting criteria so that it is not left insuring every deteriorating property in the State and indirectly assisting arson-for-profit schemes.

In the City of Chicago, we recommend that the arson investigating function be returned to the Chicago Fire Department and that the firemen in this unit be given full authority to follow through an arson case from detection to prosecution.

We also recommend that the State license public adjusters, which would help to make certain that the fire victim will be honestly represented in settling his losses.

Arson is not only a law enforcement problem, it is society's problem. Arsons are a response to deteriorating property and an economic situation which allows unscrupulous landlords to make a profit by torching their own property. As a result, we have a number of recommendations directed at various agencies which are further described in Chapter 8 of this report in our conclusions and recommendations.

Respectfully submitted,

Co-Chairmen:

Sen. John B. Roe

Rep. James C. Taylor

Senate Members:

Prescott E. Bloom

Samuel C. Maragos

James "Pate" Philip

Philip J. Rock

Frank D. Savickas

House Members:

Jane M. Barnes

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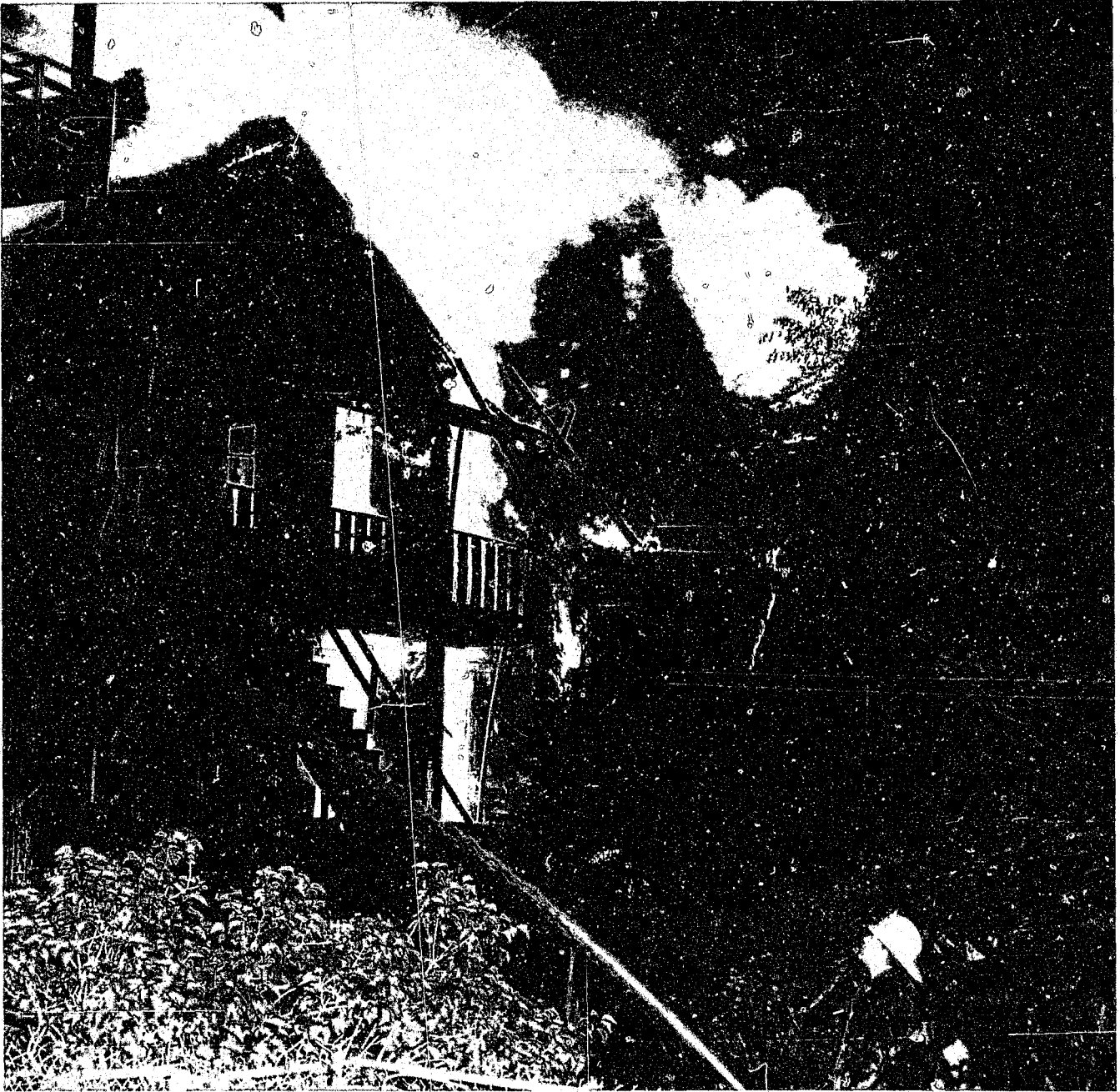
Aaron Jaffe

Peter P. Peters

W. Timothy Simms

Acting Executive Director:

Ronald Ewert



Arson affects all of us in the State. It is a unique crime which often combines the elements of violence and fraud, and in almost every case, there is the possibility that someone could have been killed or injured.

Chapter 1

INTRODUCTION

The alarming increase in the number of arsons in Illinois and the corresponding loss of life and destruction of personal property led the late State Senator Norbert A. Kosinski to sponsor Senate Resolution 474. This resolution asks the Commission to investigate the arson problem and recommend legislative remedies. Senator Kosinski had a personal interest in combating arsons, since his own neighborhood on Chicago's northwest side has been hard hit by arsons in the past few years.

In 1976, 44 persons in Illinois died in fires deliberately set. This was an enormous increase over 1975 when there were two arson victims. Arsons in 1976 totaled almost \$22 million in property damage and the projected losses for 1977 indicate that the property damage bill will climb even higher.

The news media has made the public painfully aware of the impact of arsons in Chicago's Humboldt Park, Lakeview and Uptown neighborhoods. Charred shells of buildings line blocks of these communities--the sad remains of arson-for-profit schemes, indiscriminate vandalism and revenge fires. In January, 1976, headlines announced the tragedy at Wincrest Nursing Home where 23 senior citizens lost their lives in a fire apparently set by an arsonist. The media has recently reported the deliberate torching of several Chicago suburban restaurants, allegedly the work of the so-called "Greek Mafia."

Arsons affect all of us in this State. It is a unique crime which combines the elements of violence and fraud. Thus, it is sometimes categorized as both a "street crime" and a "white collar crime." In almost every arson case, there is the possibility that someone could have been killed or injured.

There is also the ripple effect of an arson. In the case of a torched business, jobs and tax revenue to the municipality are lost. Arson of residential property is not only an eyesore and blight to the neighborhood--it also removes the property from the tax rolls, increasing the tax burden on the remaining taxpayers. Typically, available housing units are lost, and in many cases those persons least able to afford alternative housing are displaced. Arsons also consume scarce government resources for fire-fighting,

investigations and prosecution. Finally, there is the loss to the insurance company which must pay on the fraudulent claim and ultimately pass on its loss to other property owners in the form of higher premiums.

During the course of the Commission's investigation, the General Assembly moved swiftly to pass several bills aimed at reducing the number of arsons. The new "Class X" legislation made important changes in the "Aggravated Arson" statute (which was passed in 1977) and stiffened the penalty to a minimum of six years and a maximum of 30 years in prison, without benefit of probation, work release or conditional discharge. Another bill requires insurance companies to share information about their insured with law enforcement officials in the case of a suspicious fire. In return for its cooperation, the insurance company is absolved of any liability. Another bill prohibits insurance companies from paying insurance claims over \$5,000 until the property owner provides assurance that all outstanding taxes are paid. These bills are more thoroughly discussed in Chapter 6 of this report.

In order to learn the dimensions of the arson problem, our investigators interviewed police and fire officials, representatives from the insurance industry, prosecutors, State Fire Marshals, public adjustors, private arson investigators, crime lab technicians, medical examiners, even convicted arsonists.

The second chapter of this report discusses the extent of the arson problem in Chicago, throughout Illinois and across the nation. Lack of proper record keeping and incomplete statistics make it difficult to measure the growth of the arson problem. This chapter describes the most prevalent forms of arson in Illinois, as a result of vandals and arson-for-profit schemes.

Chapter 3 of this report examines the motives for committing arson and includes a profile of a convicted arsonist. Our investigators interviewed 18 convicted arsonists all incarcerated in Illinois prisons. Although none of them could be considered a prototype arsonist, these interviews provided us with information on how someone goes about hiring a torch and the role of the middleman in an arson-for-profit scheme.

This chapter also includes a description of the typical arson-for-profit scheme. In this case, an individual purchases property and lets it deteriorate, while milking it if all possible profits. At the same time, the owner insures the property for well over what he paid for it or its current

market value. Often a third party is hired to torch the property while the owner establishes an alibi. Unless someone is convicted of the crime or the insurance company wins a civil suit, the insurance company must honor the fraudulent claim.

Chapter 4 contains the heart of our report, an analysis of the arson problem and the difficulty of getting an arrest and conviction. In this chapter, arson is dubbed the "elusive crime" because it is so difficult to detect and prove. The jurisdictional squabble over who should handle an arson investigation is one problem, as is the lack of training for the arson investigators. There are the technical problems of gathering and packaging evidence, since most of it is burned in the fire or destroyed in the aftermath of clean up and demolition. Samples of evidence from the fire scene must be analyzed by the State Crime Lab for traces of accelerant. Human error and unsophisticated equipment interfere with this step of the investigation.

An arson investigation must begin at the hint of a suspicious fire, long before it is definitely determined that arson caused the fire. Our investigators learned first-hand how difficult it is to develop enough evidence to get an arsonist arrested and ultimately convicted. Many prosecutors hesitate to take arson cases for fear it will hurt their prosecution/conviction record. Judges have often never handled an arson case, and juries tend to decide against the insurance company in cases which depend totally on circumstantial evidence.

Insurance companies have often been a roadblock in arson investigations. Until the passage of recent legislation, law enforcement officials had to use a subpoena to get information about an insured property owner from his insurance company. The company feared being held liable for the information provided and subject to a lawsuit. Insurance companies have also taken few precautions to make certain that the property that they insure is really up to building and fire code regulations. They argue that the cost of inspecting all the properties that they insure is prohibitive.

This plethora of problems helps to explain why the national arrest statistics for arson is 10 percent of all those cases categorized as incendiary and the national conviction rate of those arrested is less than one percent.

To develop a first-hand understanding of the difficulties inherent in an arson investigation, our investigators checked out a suspicious residential fire in Chicago's Humboldt Park neighborhood which is described in detail in

Chapter 5. Our investigation and the laboratory analysis of samples taken from the fire indicated that arson had been committed, however we did not develop enough evidence for an arrest. Our investigation also demonstrated that the Chicago Police Department's Bomb and Arson Unit investigation of this same property may have been a bit cursory.

Chapter 6 contains a catalogue of the programs established to combat arsons in Illinois. A number of professional organizations, the State Fire Marshal's office, and most recently the Illinois Department of Law Enforcement are all involved in arson detection and prevention.

Our investigators traveled to Seattle, Houston and New York City to learn how other major urban areas handle the arson problem. These comparisons are contained in Chapter 7. In each city, an arson unit has been established, requiring inter-agency cooperation to investigate arsons. All three cities agree that this approach is working, that arsons are being reduced and that arrests and convictions are up.

Finally, in Chapter 8 the Commission concludes that the arson problem requires a two-pronged attack: expanding prevention efforts and upgrading arson detection.

In the area of prevention, more responsibility must be assumed by the private insurance companies and the federally-mandated FAIR Plan. Insurance agents need to know more about the individual and the property that they are insuring. There are enough well established signals to warn them of a bad insurance risk. Administrative guidelines of the Illinois FAIR Plan must be re-examined in light of the physical condition of most of the property located in major urban areas, where by default, the FAIR Plan has become the insurer of last resort.

The Commission also calls for more vigorous enforcement of building codes and fire codes by the building departments and the State Fire Marshal's office. Buildings with hazardous code violations which affect health and safety should be whisked into Housing Court, and in those cases where this condition is not eradicated swiftly, the property should be demolished at the owner's expense.

Law enforcement becomes involved in the arson problem only after the crime has been committed. This should be considered a second line of defense. With the new laws recently passed by the State better arson investigations may be possible and stricter sentences handed down to offenders. However, the jurisdictional squabble between the Illinois

Department of Law Enforcement and the State Fire Marshal's office, over who should handle arson investigations throughout the State must be resolved immediately.

To reduce arsons, more arson training is needed for investigators on an ongoing basis. And the insurance company must continue to challenge claims and sue suspected arsonists in civil court when there is not enough evidence for a criminal conviction. Only if these steps are taken--coupled with increased news media coverage about arson--can the enormous problem of arson be diminished.



The Commission concedes that the arson problem in Illinois has increased over the past few years. However, this increase is almost impossible to substantiate statistically since record keeping at the local, State and national levels is incomplete, or in some cases non-existent.

Chapter 2

THE EXTENT OF THE ARSON PROBLEM

A. Reporting Arson Statistics

1. National Level

This arson investigation was a direct result of the General Assembly's concern that the arson problem has reportedly reached "epidemic" proportions in Illinois and nationwide. Most of the officials and experts we interviewed agreed that the number of arsons has increased dramatically over the past few years. But when we tried to substantiate this claim with statistics we hit a roadblock. The claim is almost impossible to prove since the record keeping on arsons at the local, State and national level is incomplete or in some areas non-existent.

The National Fire Protection Association (NFPA), is one of the only organizations to keep national statistics on arsons, and their data base is drawn from a sample of selected fire departments throughout the country. *(See Chapter 4, page 46 for further discussion of the statistics problem.)* Since the NFPA is in the process of changing its method of gathering statistics, no national figures were released for 1976. Reporting of arsons at the national level appears to be getting worse, since the NFPA has also stopped reporting the separate categories of arson fires and suspicious fires.

Using statistics from the FBI's Uniform Crime Report and the NFPA, arson has been compared to several other crimes according to average dollar loss per reported offense. Arson far exceeds larceny-theft, robbery, burglary and motor vehicle theft in dollar loss. *(See Appendices A & B.)* (The 1976 figures for arsons came from the American Insurance Association (AIA), a trade association for the industry. The AIA told the Commission that their figures were derived from a variety of sources.)

After our investigators spent several days trying to secure additional statistics and verify the authenticity of published data, we concluded that accurate, meaningful arson statistics are not currently available.

We concede that the arson problem has increased over the years but to what degree, at what rate and in what locations of the country and State are difficult to ascertain.

2. Illinois

The general impression is that the arson rate in Illinois has soared, but again the statistics are either unavailable or insufficient to document this claim. According to data provided by the Illinois Department of Law Enforcement Crime Studies section, the number of arsons in the State (excluding Chicago) increased from 1,027 in 1973 to 1,661 in 1976, a 62 percent increase. The Metropolitan Chicago Loss Bureau (MCLB) indicates that the number of arsons in the Chicago metropolitan area has increased from 347 in 1974 to 979 in 1977 (a projected total which would mean a 182 percent increase). The MCLB estimated that the total dollar loss from arsons in Chicago during 1977 would exceed \$21 million as compared to \$8.4 million in 1974, a 150 percent increase. (These figures are for losses paid by companies represented by the MCLB.)

Some persons blame the recession, lack of effort by law enforcement officials, the temptation created by abandoned properties and cursory investigations for these tremendous increases. Our investigation has led us to similar conclusions. We agree that the arson problem is worse than it was, however, we also believe that the arson statistics currently available have often been used to embellish or hide the magnitude of the problem depending on who is manipulating them and for what purposes.

We can identify at least two reasons for the increase in recorded arsons in the last few years. First, some of the increase is no doubt genuine. During periods of economic decline and tight money it stands to reason that some business and residential property might be torched to collect the insurance profit or to bail out of a losing situation.

A second reason for the increase in statistics can be attributed to better detection. In the past few years, more training courses for arson investigators have been established and the arson detection equipment has been improved. At the same time insurance companies have also become more aware of fraudulent insurance claims based on suspicious fires and have begun to fight these claims in court. Now that the insurance immunity bill has passed in Illinois (*see Chapter 4, page 35 for further discussion*), insurance companies may be more willing to work with law enforcement officials to identify suspicious fires and fight these claims in criminal or civil court.

Better detection naturally results in more arsons being reported. And although we are critical of the lack of solid

reporting and incomplete data, there has been considerable improvement in collecting data on arsons over the past few years.

B. The Arson Problem in Chicago

1. Abandoned Buildings Targets for Arsons

Fire officials, investigators from the Chicago Police Department's Bomb and Arson Unit and Associate Judge Richard H. Jorzak (who presides over demolition cases in Housing Court), all told the Commission that the most common cause of arsons in Chicago is vandalism and destruction of abandoned or deteriorated property. As part of our research on arsons, we attempted to verify the hypothesis that the incidents of arson are directly related to the large number of abandoned properties in certain Chicago neighborhoods.

To test this hypothesis, we collected a list of all the arson offenses which occurred in the City during June, July and August of 1976 and 1977, from the Chicago Police Department's Bomb and Arson Unit. The summer months were selected because of the larger volume of arsons. Bomb and Arson has a very informal system of record keeping. Although they are a recently created organization, their only record is a rather crude log book which lists the date, case number, victim's name, address, beat number, officer assigned, type of call and case disposition. We compiled all the cases which were cleared (an arrest was made), open or suspended.

We located each of the fire scenes on a racial demographic map according to census tract. Using 1970 data, census tracts were classified as predominantly Black, Spanish-speaking, both or other. Black or Spanish-speaking tracts are those which contain 400 or more Black or Spanish-speaking persons. (Please note that 1976 and 1977 arson data was plugged into 1970 census information. In many of these census tracts, the minority population has probably increased during the past eight years.)

The findings are as follows:

Arsons in Chicago: June, July, August, 1976, 1977

<u>Total Cases:</u>	<u>1976</u>	<u>1977</u>	<u>Total</u>
Arson	298	301	599
Attempted Arson	34	57	91
*Possession of Explosives	11	7	18
Arson by Explosives	10	10	20
Total	353	375	728

**Possession of explosives is commonly associated with arsons.*

<u>Cases Cleared:</u>	<u>1976</u>	<u>1977</u>	<u>Total</u>
Arson	27% (81 of 298)	22% (65 of 301)	24% (146 of 599)
Attempted			
Arson	35% (12 of 34)	28% (16 of 57)	31% (28 of 91)
Possession of			
Explosives	91% (10 of 11)	71% (5 of 7)	83% (15 of 18)
Arson by			
Explosives	20% (2 of 10)	0% (0 of 10)	10% (2 of 20)
Total	30% (105 of 353)	23% (86 of 375)	26% (191 of 728)

Cases by Type of Neighborhood:

Black	33%	30%	31%
Spanish	26%	29%	27%
Both (Black			
and Spanish)	<u>5%</u>	<u>6%</u>	<u>5%</u>
Total Minority	64%	65%	63%
Other	37%	36%	36%

These statistics indicate that 63 percent of all arson-related offenses occurred in minority neighborhoods. The following nine communities accounted for almost 50 percent of all the arson offenses that occurred during the select time period: Austin, Englewood; Humboldt Park; Lakeview; Logan Square; Near West Side; Uptown; West Englewood; and West Town. Of these nine, West Town was particularly hard hit.

Next, we compared this information with data on housing abandonment in the City. Based on 1970 census statistics, Frank Keller of the Chicago Reporter did a study of "Housing Abandonment in Chicago--the Cancer of the Inner City." (Vol. 1, No. 6, December, 1972.) He found that 78 percent of the abandonment was concentrated in 17 of Chicago's 76 community areas. Sixteen of these areas were predominantly Black and the other is predominantly Spanish. According to Keller, those worst hit at that time were: the Near West Side, North Lawndale, Woodlawn, and to a lesser degree-- East Garfield Park, Englewood, and Grand Boulevard. Those neighborhoods considered to be on the verge of widespread abandonment included West Garfield Park, the south end of Logan Square, the east side of Humboldt Park, West Town, Austin, West Englewood, New City, Greater Grand Crossing, Auburn Gresham, and South Shore. (See maps on pages 12 and 13.)

By comparing the data on arsons and abandonment, the correlation between the two becomes quite clear. Those neighborhoods with the highest abandonment rates also have high arson rates. And some of the neighborhoods that Keller considered to be on the verge of widescale abandonment in 1972

are the same ones suffering from arsons in 1976 and 1977: Austin, Humboldt Park, Logan Square, West Englewood, and West Town.

This research verified a fairly obvious conclusion that abandonment and arsons are related. We also believe that if this type of information was maintained by an arson unit, more information about the problem would be available to the investigators. Armed with information on where the incidents of arson are most likely to occur, prevention and detection efforts could be concentrated in those communities and cooperation established with local community groups to make certain the abandoned structures are carefully monitored.

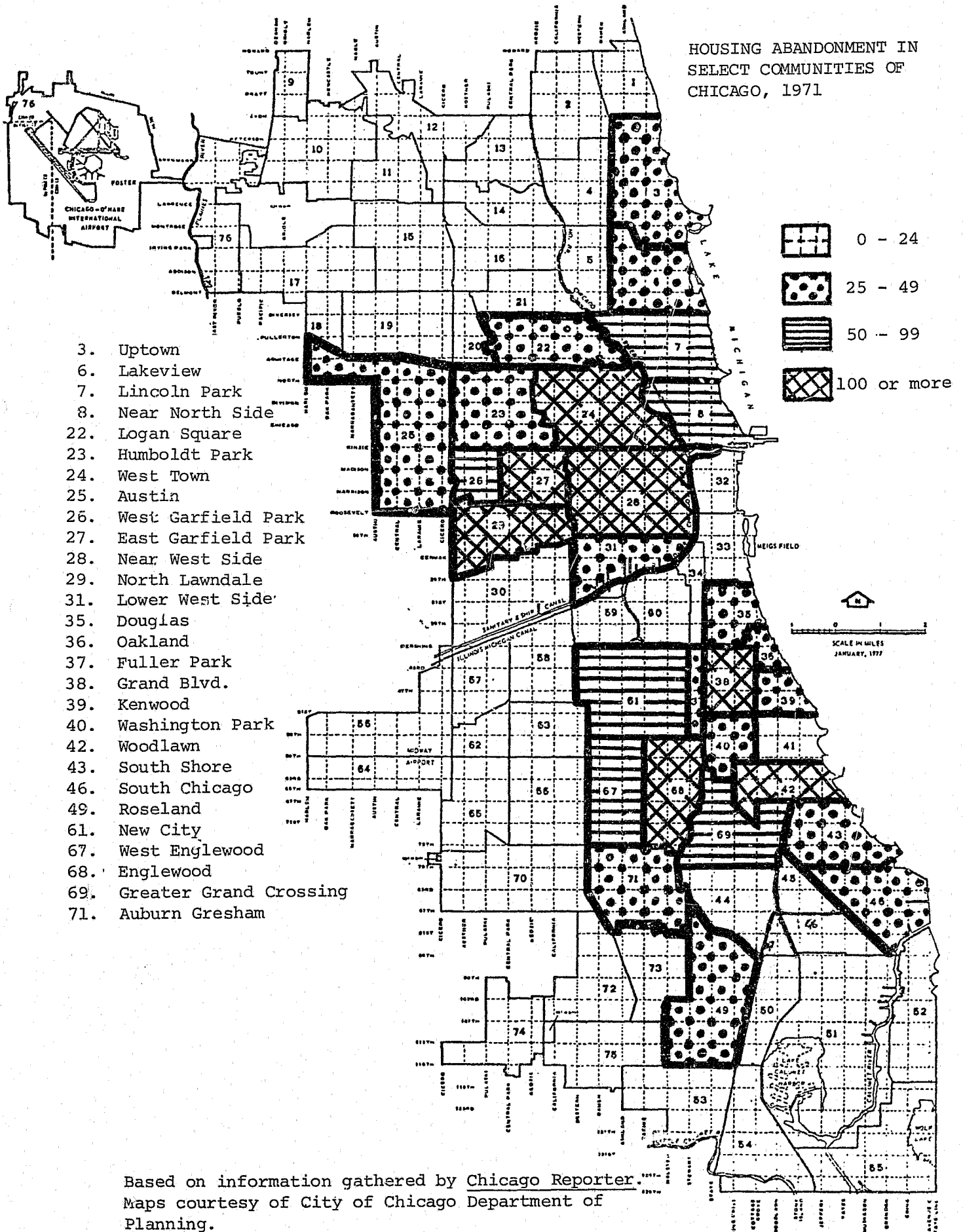
We have emphasized that record keeping on arsons is very poor at the local, State and national level, and we believe that improvement in the maintenance of records by the arson unit and better analysis of the problem is the place to start rectifying this situation. The research project that we conducted took time, but the information is readily available and once a system is established this type of analysis can be updated on a regular basis. We conclude that this sort of research should be a key function of any arson unit.

2. What Can be Done About Abandoned Properties?

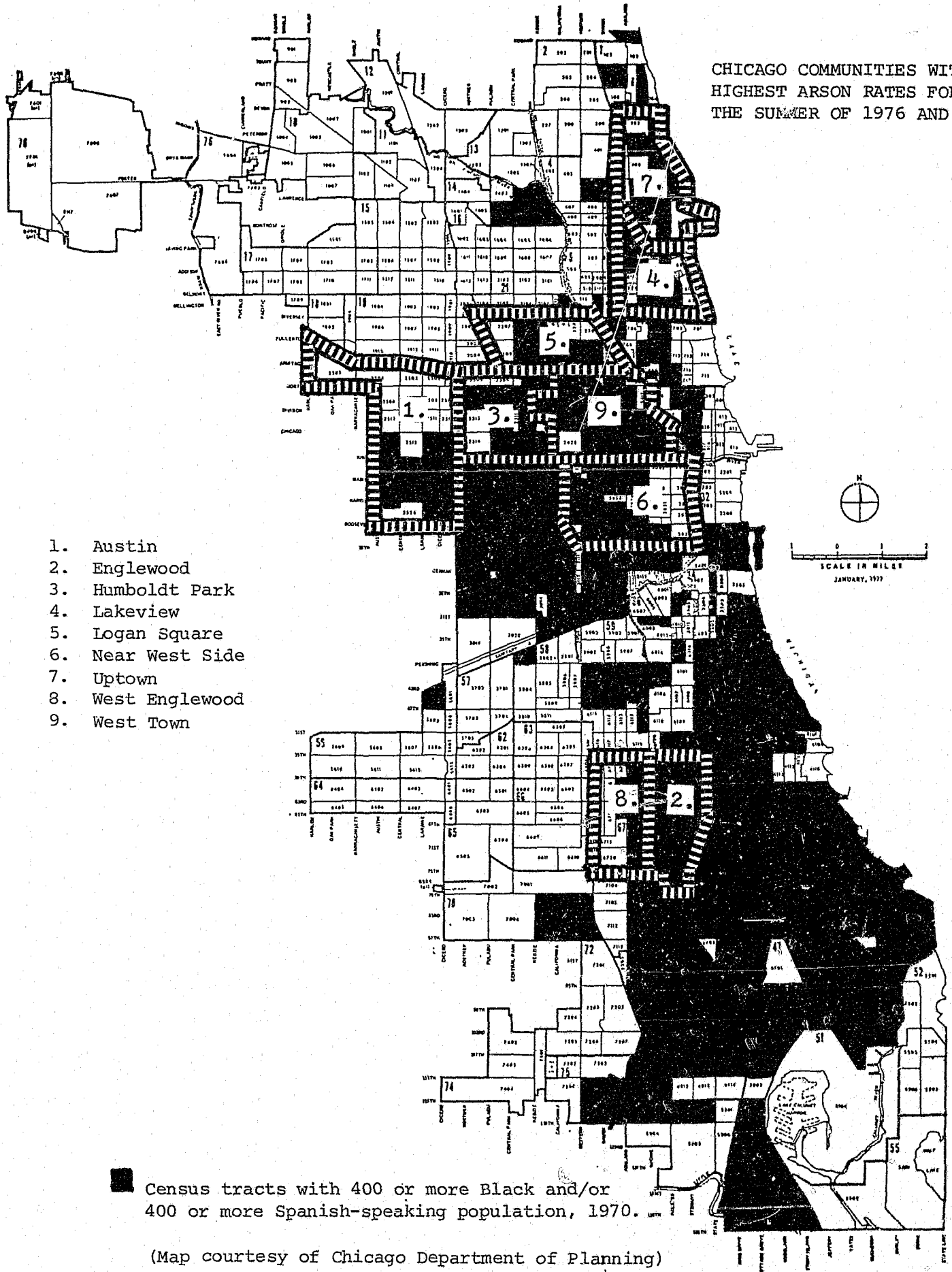
The Commission concludes that there is a close relationship between abandoned and deteriorated buildings and incidents of arson, and our investigation focused on what the City of Chicago is currently doing to reduce the stock of deteriorating and abandoned property. We followed the process from citing a property owner with serious building code violations to taking the owner to Housing Court and the Court's available alternatives.

Violators of the City's Municipal Housing Code are cited by the Chicago Building Department after an inspection of the premises. These violations are brought to the attention of the Building Department in several ways: a complaint registered by an irate neighbor; a complaint from a community group in the area; or a routine code enforcement inspection. In the Humboldt Park, Lakeview and Uptown neighborhoods of Chicago the community groups have applied pressure on City Hall to establish special arson task forces in their neighborhoods, patrol these abandoned structures and hopefully deter arsonists.

HOUSING ABANDONMENT IN SELECT COMMUNITIES OF CHICAGO, 1971



CHICAGO COMMUNITIES WITH
HIGHEST ARSON RATES FOR
THE SUMMER OF 1976 AND 1977



a. Housing Court

Violators of the housing code are brought to trial in Housing Court where cases are prosecuted by the City's Corporation Counsel. Housing Court has seven courtrooms which hear both municipal cases, (less serious violations of the code), and chancery cases (serious violations like fire and health hazards). Municipal cases are disposed of either by dismissal--the violations are corrected, fines, or the judge can elevate the matter to the chancery level for further action. The judge has the following courses of action in chancery cases: take possession of the building and place it in receivership to be repaired (a third party is given title to the property and told to bring it into code compliance), order a building vacated until the violations are corrected, or order a building demolished at the owner's expense.

It is a common complaint that Housing Court is overburdened and that the judges and Corporation Counsel's office cannot keep up with the volume of work, up to 60 or 70 cases a day.

During the course of our investigation, we repeatedly tried to learn more about the responsibilities, performance and problems of the Chicago Building Department. Our phone calls to schedule appointments and our letters requesting information were denied or ignored. The Commission wrote to Joseph Fitzgerald, the Chicago Building Commissioner, requesting an interview and never received a response. Follow-up phone calls were initiated by the Commission and they still refused to supply our investigators with information or cooperate in an interview. Therefore, we are unable to evaluate the performance of the Chicago Building Department or to make a judgment on their effectiveness in dealing with the problem of abandoned property and arson-prone deteriorating structures.

As a result, numerous continuances are granted and the property remains a threat to health and safety and a temptation for vandals to commit arson. Judge Jorzak said that in 1976, an average of 16,000 cases were handled in the Housing Court system. About 30 percent of these were disposed of and 2,000 of the 16,000 total cases resulted in demolition of the structure.

The court cannot compel an individual to repair his property, Jorzak said. Fines, threats of demolition, imprisonment or taking the property from the owner will not necessarily correct the code violations. He explained that problems inherent in the Housing Court process make it

difficult to take action on abandoned and deteriorating property.

First, it is often difficult, if not impossible, to locate the owner of the property and serve him with the appropriate legal papers to get his property into Housing Court. Jorzak said that lending institutions are required by law to disclose to the court who owns many of the properties which are held in secret land trusts. However, the owner has often walked away from the property by the time it is so deteriorated or abandoned that the City tries to take action against him. The process of searching for the owner is quite time consuming and may ultimately lead to a dead end. But the City must exhaust all the legal channels trying to find the owner before it can begin another legal maze to get the structure demolished. At this stage the City's only recourse is to pay for the demolition and place a lien against the owner, who rarely resurfaces. This entire process of searching for the owner and receiving a court order to demolish the structure can take over six months.

Second, Jorzak said that there are inherent problems with orders to vacate or demolish a building. It is a well-known fact, that in Chicago there is a severe shortage of suitable housing for low and moderate income persons. Consequently, an order to vacate a building or demolish it reduces the available housing stock and typically displaces those tenants least able to afford replacement housing.

A property owner could technically be held in contempt of court and presumably be imprisoned for failure to repair serious code violations. However, Jorzak explained that the Appellate Court has looked dimly upon imprisoning the property owner since this does nothing to rectify the situation.

Third, placing the property in receivership is not an option which can be used extensively since it is very difficult to find a non-profit organization or individual with the means or inclination to rehabilitate the property and bring it into code compliance. Thus, the tools available to the judge in Housing Court are quite limited.

b. HUD-Owned Abandoned Properties

Another element of the housing abandonment problem is the United States Department of Housing and Urban Development's (HUD) ownership of abandoned and deteriorating properties. Many of these properties have been foreclosed

and improperly managed during the long, drawn out legal process that ensues until the building can either be repossessed or demolished. Jorzak said that HUD used to sell some of its repossessed properties in public sale on an "as is" basis. Buyers ended up purchasing property with numerous, serious code violations. The new owner, unaware of these problems at the time of purchase, was subsequently hauled into Housing Court and forced to make expensive repairs to bring the property into code compliance. Rarely did the owner have the means to do so. Recently, HUD has worked out an arrangement with the City whereby some of the worst properties are demolished at HUD's expense, with the City paying for the inspections and the legal paper work.

So far, public pressure from community groups has been the most effective means of forcing HUD to take some action. The Mayor's Special Task Forces on Arson in Humboldt Park and the Uptown community are also directed to keep close surveillance on these HUD-abandoned properties.

c. Rehabilitation Assistance Programs in Chicago

Upgrading the condition of abandoned or deteriorating property through rehabilitation is indirectly another deterrent to arson, since property which is inhabited and well-maintained is a less likely target for vandalism. The public and private sector have jumped into the rehabilitation business in Chicago and provide limited relief to those owners who are willing to rehabilitate their properties but need financing. There is also assistance for some HUD-owned abandoned properties. These programs are typically geared to select neighborhoods in the City and are generally small in scale.

A property owner who finds himself before the chancery division of Housing Court for serious code violations is offered assistance from the Neighborhood Housing Services, Inc. (NHS) program if he lives in East Logan Square, Central Austin, Heart of Chicago or West Englewood, and wants to bring his property into compliance. NHS is sent a copy of all violation notices written by the building department in these four areas. NHS then contacts the owner and explains its package of services. It provides technical counseling to property owners and operates a revolving loan fund which is available to homeowners ineligible for conventional funding but deemed credit-worthy. This program is funded by 50 financial institutions and in three and a half years of operation, the program has helped secure more than 80 conventional loans worth \$1 million and more than 30 revolving fund loans. They process between eight and 12 loans a

month, according to Bruce Gottschall, Program Coordinator, and most of the conventional loans average between \$7,000 and \$10,000. The NHS program has received cooperation from Judge Jorzak in granting property owners time to make the necessary repairs.

The Mayor's Home Rehabilitation Plan is part of a City-HUD agreement aimed at reducing the number of HUD repossessed, vacant properties. Originally, 50 homes were placed in the City's receivership. These homes were rehabilitated with funds from a revolving loan fund supplied by six major Loop lending institutions. Once the properties are brought into compliance with the applicable municipal codes, they are sold to buyers who must meet conventional loan requirements. The buyer assumes a mortgage which covers the rehabilitation and purchase costs. The homes range in price from \$17,000 to \$37,000, and 35 percent of the buyers make a 20 percent downpayment. The program has sold 41 of the original 50 homes and plans to take on an additional 150 homes.

The Chicago Home Purchase and Rehabilitation Plan operated by the Community Services and Research Corporation and the Chicago Department of Human Services provides funds for the purchase and rehabilitation of inner-city homes. Over 20 financial institutions contribute to a \$7 million loan pool. Borrowers meeting normal credit requirements are eligible for mortgage loans at market rate interest and are only required to put 5 percent down. Home buyers also participate in an extensive counseling program. Special insurance policies, the lending institutions, and a separate contingency fund operated by the City share the risk on the outstanding loans. The program initially operated in the neighborhoods of Austin, East Rogers Park, Grand Boulevard, Lawndale, South Shore, Uptown, and Woodlawn. In late 1977, the program was expanded to include East Garfield Park, Englewood, Logan Square, South Chicago, West Englewood, and Wicker Park.

The Illinois Housing Development Authority (IHDA) financed large rehabilitation projects in neighborhoods like South Shore, Woodlawn and Evanston. IHDA finances its projects by selling its own securities on the national market, then making below-market rate loans to developers and community organizations, not individuals. No State revenues are involved in this process. Although IHDA has previously emphasized new construction over rehabilitation, it has made numerous grants for smaller rehabilitation projects to organizations such as the Hyde Park-Kenwood Development Corporation, and the Woodlawn Community Development

Corporation. IHDA also makes below-market rate loans to neighborhood lending institutions. This program indirectly alleviates deterioration and abandonment of property by infusing more money available for mortgages and rehabilitation loans.

Through the cooperation of Judge Jorzak, property owners are referred to programs like NHS to assist them in making the necessary repairs to bring their property into code compliance. Our investigation revealed that there is a growing need for programs similar to NHS that will provide financial assistance and technical counseling assistance to property owners. Consideration should be given to establishing a comparable program which would be available City-wide.

Chapter 3

PROFILE OF AN ARSONIST

A. Motives for Burning Property

There seem to be at least six general motives for arson: crime cover-up; vandalism; pyromania; insurance fraud; terrorist activity; and revenge.

Authorities agree that most arsons can be attributed to indiscriminate vandalism or revenge--one person gets mad at another and retaliates by setting fire to his property. Another cause is the age-old, lover's triangle--the loser in love gets even by taking action against the winner and burns his property. Or there are fires set to cover up crimes such as theft or murder. And since June 4, 1975, Chicago has had more than 17 terrorist acts of arson by explosives, allegedly committed by a Puerto Rican liberation movement known as Fuerzas Armadas de Liberacion Nacional (FALN)--which translates to the "Armed Forces of National Liberation."

According to some law enforcement officials there is little evidence that the "mob" is involved in arsons in Illinois, others disagree. In New Jersey and New York arson has definitely been linked with mob involvement. And recent police intelligence suggests that restaurant arsons in Chicago suburbs may be linked to the "Greek Mafia" (several owners of restaurants which have been torched are of Greek nationality). Donald Mershon, President of the Metropolitan Chicago Loss Bureau, an agency that investigates claims for insurance companies, reported that in the first three months of 1977 over \$1.1 million in claims were filed by owners of restaurants and bars in the Chicago area that had burned in arsons or suspicious fires.

Arsons among small businesses seem to follow the economic cycle--in times of recession, more fires, as owners find that they cannot make a profit or keep up with expenses.

Slum landlords who own deteriorating property and have milked all the profits that they can out of a building may resort to arson--a final profit to be made at the expense of the insurance companies. Ronald Benzel, of the community group Organization of the North East (ONE) explained the cycle leading to abandonment and arson of a slum property in a presentation before the Illinois Advisory Committee on Arson Prevention, in November, 1976.

A slum landlord buys a multi-unit, income generating property in order to make a profit. However, in the early years of owning such a property there are a number of costs to maintain the structure and the initial profit margin is very slim. Greedy for instant profits and unconcerned about the future life of the structure, a slum landlord often skips maintenance expenses (such as costs for repairs and replacements) and rarely pays property tax.

Technically, an owner who fails to pay property taxes and whose property is sold at a delinquent tax sale, will not lose the title to his property for at least two or up to three years from the date of the tax sale. If the property is not sold at the tax sale, the county must wait 10 years or longer to auction it at a "scavenger sale." When a building gets in this state, tenants leave and vacancies mount.

When the rental income disappears for the slum landlord, generally two courses of action follow. The owner may default on the mortgage and walk away from the property. The mortgagor is then left with a building that is in next to demolition condition, and is also on the tax delinquent list. The other escape is for the owner to hire someone to burn the building. The owner then collects from the insurance company--a nice profit especially if the property is insured for more than it is worth and the premiums are paid up.

B. Profile of an Arsonist

The traditional image of an arsonist--a pyromaniac, or a juvenile is not always the case. In Boston recently, 121 indictments were handed down against a ring of arsonists which included a retired state police lieutenant, a retired captain of the Boston arson squad, a retired Chelsea fire captain, a real estate insurance broker, a finance company president, and businessmen--all prominent leaders in the community. Thirty-three men were indicted on various charges of murder, arson, fraud, conspiracy, and bribery in connection with 33 fires which cost over \$6 million in damages and killed three persons. Fire officials have also been indicted in Rochester, New York, and Tampa, Florida on charges of plotting to defraud insurance firms through arson schemes.

Arsonists are also found at the other end of the socioeconomic spectrum. For example, a businessman may wish to liquidate his losses by hiring a "torch" to burn his business so he can collect the insurance. He locates a middleman to make the arrangements and the job is then subcontracted several times down to a kid, who may ultimately earn \$5 to \$50 and perhaps a six-pack of beer for pouring gasoline

throughout the building and striking a match. Typically, amateurs burn buildings and it is often a third party job not the owner of the building or someone immediately traceable to him.

Dan Econ, Director of Investigations for the Property Loss Research Bureau, has had years of experience trying to track down arsonists. The Bureau is a non-profit, Chicago organization which investigates fires and represents 110 insurance companies. He tries to prevent his clients from being defrauded by arsonists.

He said that some arsonists are contemptuous of the ability of police and firemen to prove arson. They mistakenly assume that the fire will consume the evidence. Often they use gasoline, lacquer thinner, timers and trailers (twisted pieces of cloth soaked in flammable liquids and used as wicks). They are often sloppy and leave the evidence all over the scene.

"They are careless about fingerprints too, because they think they'll be burned away. They set fires near an electrical outlet or a fuse box in hope of persuading us that an electrical defect started the blaze," he said. This type of arsonist will usually be caught since he incriminates himself--either by getting burned while setting the fire, leaving tell-tale evidence, or turning State's evidence against the person who hired him when he doesn't get paid.

C. An Arsonist Who Got Caught

In order to gain insight into the type of person who commits arson, and how one goes about hiring an arsonist, our investigators spoke with 18 convicted arsonists incarcerated at Joliet, Dwight and Pontiac Correctional Centers. Sixteen of these persons had been convicted of vandalism or revenge-type arsons.

One of those inmates interviewed was "Danny," who was hired to set fire to several businesses in order to defraud the insurance company. He admitted that he torched two buildings and was willing to tell his story. However, he cannot be considered a typical arsonist since he was caught because of his own stupidity. Obviously, most arsonists are never arrested or convicted as evidenced by the less than 1 percent conviction rate nationwide.

While in the Navy at Great Lakes Naval Training Center, "Danny," then 19 years old, began to frequent the entertainment strip of North Chicago along Highway 41--gambling, selling drugs and just hanging around. While on the base, he

got a part-time job operating a sandwich truck and began selling ounces of marijuana out of the truck for \$25 to \$30 each.

Eventually, he got a job at a local restaurant in North Chicago, a sort of haven for runaways, AWOL soldiers, prostitutes and drug users. The Greek owner of the restaurant had a brother with whom "Danny" became good friends. Some time later the brother offered to "test" him to see if he was suitable for membership in the "Greek Family." The brother challenged "Danny" to rob another Greek restaurant owner who was known to carry up to \$100,000 in cash and was armed. "Danny" accepted the challenge and teamed up with another man for backup support.

The robbery attempt was bungled when he failed to knock out his victim with a pool cue, but he got away unharmed and this exhibition of courage was enough to win the confidence of the brother.

After this initial test, his friend asked him if he wanted to make \$200 "carrying some boxes" (which turned out to be four giant Hefty bags, each filled with five gallons of gasoline) into a furniture store in Waukegan. Each bag had a quart of oil poured into the mixture and the brother had made straw fuses filled with gunpowder and coated with wax that could burn for seven minutes. Styrofoam cups with small explosive charges were also used to ignite the gas. The cups were to be placed on top of the bags with the fuses inside the cups.

After checking the premises for occupants, "Danny" (accompanied by the brother), placed one bag in front of the store, one in the rear and two in the middle of the building where the floor was weakest. Then "Danny" and his Greek friend left for a nearby bar and awaited for the explosion and fire. "Danny" received \$250 for his first fire--more than he was initially offered for "carrying some boxes."

A week later, the Greek asked "Danny" to burn down a restaurant in Lake Villa. He was to be paid \$500. Ten days after the furniture fire, "Danny" gathered a couple of pickle barrels and filled them with gasoline and oil. Then he made a Molotov cocktail out of a milk carton. He waited until 1:00 a.m., watching the place to make sure there were no witnesses. He shattered the window, emptied both pickle barrels of gas and threw in the Molotov cocktail. Instantly, the building exploded--right in his face! Somehow he managed to drive home, trying to relieve the pain of his first, second and third degree burns with numerous joints

of marijuana. Finally, the pain got to be too much and his girl-friend unwittingly called the fire department ambulance. At the hospital, he made up some story about how he got burned but there were obvious discrepancies in it and within five days the North Chicago police came to question him, oddly enough, about the furniture store fire in Waukegan. Supposedly the police got a tip--from his old pal, the Greek, who had hired him as a "torch" in the first place.

"Danny" ended up implicating himself in both fires and was eventually sentenced to three to nine years in April, 1975. He heard that the Greek had been caught for the furniture store fire two years after it happened. "Danny" has since cooperated with two FBI agents about this man's activities because he was angry at the Greek for never paying him for the restaurant job and underpaying him for the furniture store.

"Danny" has had a hopscotch period of imprisonment. In August, 1977 he was transferred to Pontiac Correctional Center where he remains in protective custody. He was denied parole on December 1, 1977.

Ironically, "Danny" told our investigators that arson could be a "helluva business" and "anyone with half a brain" could get away with it because you practically have to get caught lighting the match. It was even easier in his case!

Chapter 4

ARSON--THE ELUSIVE CRIME

On January 30, 1976, fire raged through the Wincrest Nursing Home in Chicago. The fire killed 23 senior citizens trapped helplessly inside. Denise Watson, a soft-spoken, 23-year old nurse's aid at the Home was later charged with arson and murder. In November, 1977, Ms. Watson was acquitted of those charges since the circumstantial evidence against her was not enough for a conviction.

In 1976, there were a total of 44 deaths attributed to arson in Chicago alone and well over a thousand deaths nationwide. The arson problem continues unchecked in cities, suburbs and rural areas.

Many news reports of fires include the phrase a "routine arson investigation has been ordered." In many instances arson is suspected but we rarely hear any follow-up that someone has been arrested or finally that someone has been convicted of the crime. The statistics tell the story of why arson is the safest crime to commit. In the period between January 1st and August 31, 1977, there were 2,113 fires in Chicago, according to the Metropolitan Chicago Loss Bureau. Of this total, the Bureau reports that 636 were arson, 117 showed "suspicion of arson" and 521 were of an "undetermined origin." The Chicago Police Department's (CPD) Bomb and Arson Unit investigated more than 500 of these arson cases in the same time period, and the unit made more than 290 arrests. However, there have been very few convictions and a number of cases are still pending. These figures for Chicago can be projected for the country to show that arson is indeed an elusive crime.

A. The Difficulty of Getting an Arrest or Conviction in an Arson Case

1. The Jurisdictional Question

Arson is unlike any other crime in one respect: investigations must be conducted long before it has even been established that a crime was committed. If recent events bear any lesson, firemen should not assume that a fire was accidental. In fact, in major urban areas, the reverse seems to be true, there is usually an initial suspicion of arson which must be proven or disproven.

Arson is also a crime which falls between the cracks bureaucratically. Is it the fire department's responsibility

or the police department's? More importantly, whose responsibility should it be? The answer to this question varies with the individual asked. Naturally, fire department officials contend that they are the best equipped to handle arson investigations. They argue that they know fire characteristics and burn patterns, and since each fireman runs the risk of serious injury at any fire, he has an intrinsic interest in determining the cause of the fire.

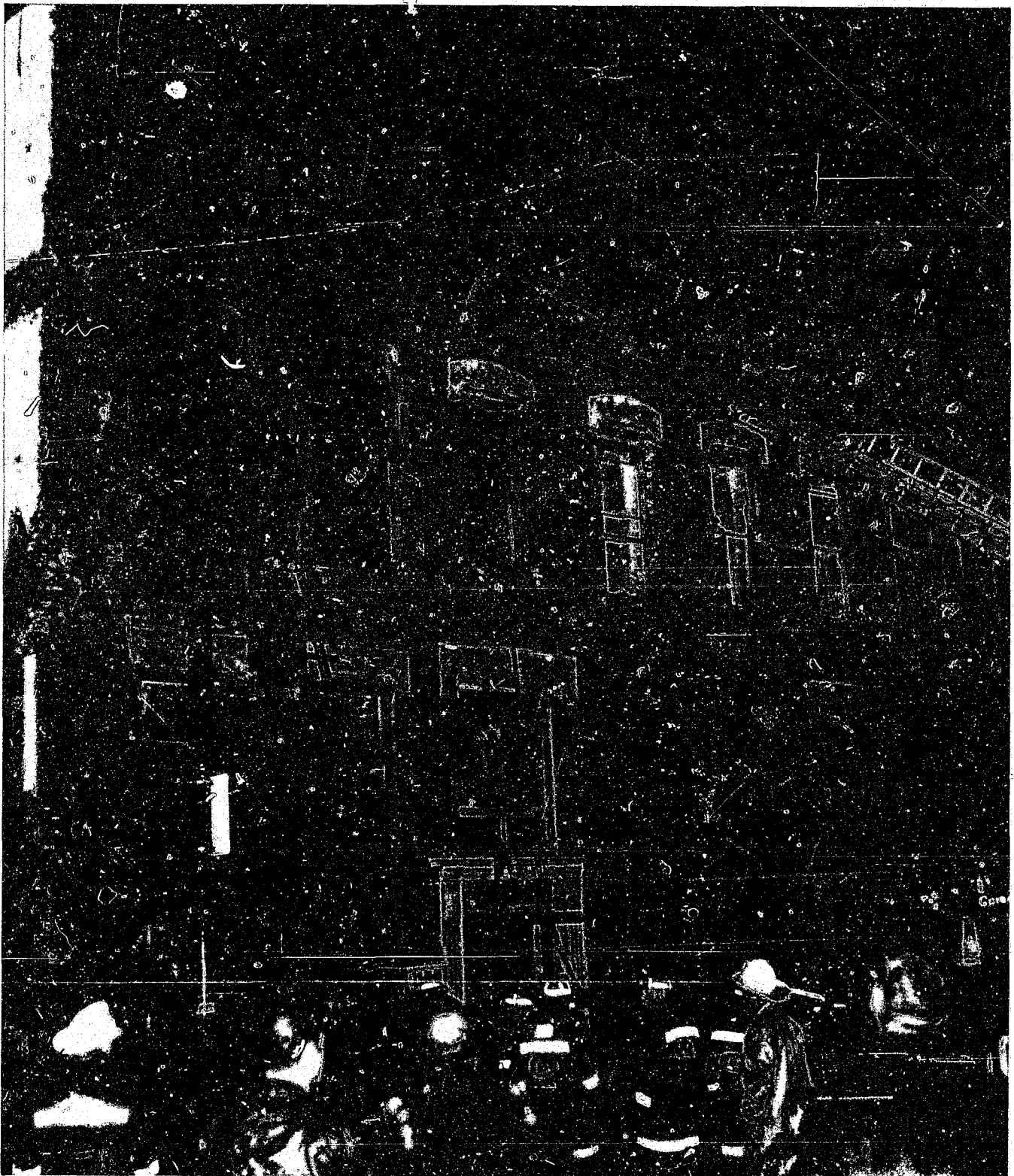
The police department, on the other hand, prides itself in combating crime, investigating and interrogating witnesses, following leads and checking out clues. Policemen also have the power to arrest individuals and are familiar with taking a case to court and testifying under oath. Therefore, they argue that they are best equipped to investigate arsons.

In Chicago, the Police Department's Bomb and Arson Unit has full responsibility for handling all arson investigations. Several firemen are assigned to the unit, but it is primarily composed of police detectives. It used to be the other way around. Up until January, 1976, the Chicago Fire Department investigated arsons with cooperation from the Police Department. Reasons for the shift are vague: duplication of efforts; budget constraints and manpower considerations are the publically-stated reasons. The shift still bothers former Fire Commissioner Robert Quinn, who has recommended that arson investigations be returned to the Fire Department.

Ultimately, both the Police and Fire Departments must be involved in an arson investigation. No single agency is involved from initial discovery through prosecution, so cooperation between the two agencies is critical in solving arson cases.

In many rural or less populated portions of the country, volunteer firemen handle fires. Their primary purpose is to extinguish the fire. They pay little attention to preserving evidence or doing a full-scale arson investigation.

The jurisdictional dispute and the lack of expertise of most volunteer fire departments has led to the popularity of the "task force" concept. An arson task force typically consists of police, firemen, representatives from the insurance industry, prosecutors and representatives from the State Fire Marshal's office. The expertise of a number of persons is combined since a combination of skills is necessary to conduct a complete and thorough arson investigation. Many city officials have learned from experience that it is impractical, if not impossible, to combine all of the investigative skill needed in an individual with only a police or fireman's background. The Task Force concept is founded on the notion that



Arson must be considered an elusive crime since it is so difficult to prove. The national arrest statistics for arson are 10 percent of all those cases categorized as incendiary and the national conviction rate of those arrested is less than one percent.

the basic responsibility for detecting and investigating arson fires should not be split between departments and that combined skills are better.

Our investigators visited the Seattle and Houston Arson Units to get an idea of how they were conceived, their manpower, budget and results (see Chapter 7). To summarize, the Seattle Arson Investigation Unit is under the direct supervision of the Fire Chief. Two police detectives, who volunteered for the assignment, are part of the unit. All members of the Seattle Unit carry arms and have arrest powers. They prepare their own cases and often testify in court. Their results after two years are impressive; the number of cases solved has doubled and the dollar loss from fires has dropped about 25 percent, they claim.

The Houston Arson Squad is also under the jurisdiction of the Fire Department. Unlike Seattle, there are no policemen on the Arson Squad; instead the firemen have received extensive training in criminal procedure and investigating. The firemen are also given police powers to arrest and carry arms. The police department may get involved in the case of a homicide or a burglary coupled with arson. Officials in both cities describe the combined arson unit approach as a productive and logical way to solve the jurisdictional dispute.

2. Problems in Gathering Evidence and the Lack of Training for Arson Investigators

No other crime scene, except a bombing, is characterized by as much destruction and disorder as an arson. Ashes, soot and charred remains amid debris and rubble characterize the fire scene. Water and foam left after the fire has been extinguished can further impede the search for clues and evidence. It is a dirty job.

The fire scene can also be dangerous for the investigator. Falling plaster, loose boards and exposed wiring all frustrate the search for evidence of accelerants. The imminent collapse of portions of the building make the work even more treacherous. The shell of the building left open to the elements makes work in the winter difficult and unpleasant.

In addition to the destruction caused by the fire, the investigator is also hampered by the clean-up and salvage operations which begin the minute the fire is extinguished. Telltale evidence of accelerants may be carelessly removed from the fire scene. Unlike a murder or a burglary scene, it is difficult, if not impossible, to cordon off the fire scene and preserve evidence.

By accompanying several arson investigators to the fire scene, our Commission investigators learned first-hand that much can be determined about the origin of the fire by a trained investigator in spite of the above-mentioned handicaps. The investigator can tell how fast the fire burned, whether the doors and windows were locked or open at the time of the fire, and he can trace the path the fire followed. The remnants of the fire really tell the story to a trained eye. Clues are everywhere and some can even be found months after the fire has been extinguished. However, good arson investigators are hard to find.

Unfortunately, in Illinois and throughout the country there is very little professional training for the arson investigator. In fact, members of the CPD's Bomb and Arson unit receive minimal training in arson investigation--new recruits learn primarily through on-the-job exposure.

With obstacles like these, it is little wonder that many fires are never investigated. As a result of poor investigations, a number of fires are placed in the nebulous category of "unknown cause" or "suspicious," which simply further understates the arson problem. Both the police and fire departments want to improve their statistics and solve crimes. Labeling a fire an arson tends to reduce their success rate since the criminal is rarely arrested and if arrested he is less likely to be convicted.

There is a special problem of investigating arsons in rural areas, where there is often no local law enforcement agency and where firefighters are typically volunteers. Robert E. May, former State Fire Marshal in Illinois, called arson "the most neglected crime on earth," in an article which appeared in Police Chief magazine in July, 1974. "About 75 percent of all firefighters in the United States are volunteers," he said. (It is estimated that 80 percent of Illinois fire departments are volunteer.) These fire fighters typically do not determine the cause of the fire since they are neither trained nor paid to do so. Their job is simply to extinguish the fire. When these municipalities ask for assistance, the State Fire Marshal has been given the responsibility to determine the fire's cause and origin. The Illinois Department of Law Enforcement is available to assist the local authorities with the investigation and prosecution.

In a "Survey and Assessment of Arson and Arson Investigations," prepared for the National Institute of Law Enforcement and Criminal Justice in 1976, 20 prominent arson investigators were asked to identify and rank current needs in arson investigations. All 20 respondents cited increased

training for arson investigators as the number one priority. This included the technical aspects of fire and fire investigations as well as police methods of criminal investigation. Increased manpower was ranked second and a computerized, nationwide arson investigation data system ranked third.

Both Houston and Seattle have extensive training programs for their arson investigators (see Appendices G and I). Lincoln Land Community College in Springfield has received a federal grant to develop a model training program for the National Fire Prevention Control Administration. After this curriculum is developed and tested, it will be made available to police and fire departments across the country. A less extensive curriculum will be made available to interested colleges and universities.

3. Analyzing Evidence and the State Crime Laboratories

The obvious way to check for the use of an accelerant at the scene of a fire is to smell gasoline, or find an empty gas can near the fire scene. Even in Hollywood, arson investigations are not that easy. It takes a careful investigator, who knows where to look for remnants of an accelerant, to dig up glass fragments, fingerprints beneath soot, or a hint of accelerant on a portion of a floor beam. Once bits of evidence are discovered, they must be properly packaged, preserved and shipped off to the State Crime Lab for further verification.

Analysis of evidence in the case of a suspected arson is anything but an exact science. The equipment developed is imperfect and the technicians who must make some sense of the analysis have had minimal training and are vulnerable to human error. These factors alone make analysis of arson evidence dubious.

The State Bureau of Identification has eight crime laboratories located throughout the State. During 1976 these eight crime laboratories received the following number of arson investigations:

Maywood	137
Joliet	81
Rockford	38
Quad-Cities	32
Springfield	52
Fairview Heights	78
De Soto	77
Pekin	32
Total	<u>527</u>

The Bureau had only 10 crime scene technicians for the entire State. Because of this limited manpower they respond only to major investigations and rely heavily on the work done by the local law enforcement departments. A crime scene technician must have two years of general law enforcement experience. There is no formal training procedure, instead it is all "on-the-job training."

State laboratory technicians are not permitted to testify in civil proceedings, according to the Illinois Revised Statutes. Our investigator checked with the State's Attorney and learned that immunity would have to be granted to the lab technician before he could testify. The applicable portion of the revised statutes reads:

Chapter 38, Section 206-207:

Records not to be public. No file or record of the Department hereby created shall be made public, except as may be necessary in the identification of persons suspected or accused of crime and in their trial for offenses committed after having been imprisoned for a prior offense; and no records shall be given or furnished by said Department to any person, bureau or institution other than as herein provided. Violations of this Section shall constitute a Class A misdemeanor.

In the course of our investigation we heard a number of complaints about the work at State crime labs in Illinois, for example, it often takes three to four weeks to get back results on evidence sent in for analysis. The labs are overloaded with work and much of their time is spent analyzing drug samples. The lab technicians are generally low paid so that there is frequent turnover in the positions which can create even more delays. The equipment used in the State labs is not as sophisticated as it could be; thus, evidence which is dated or contaminated in packaging becomes worthless as a sample. By contrast, the private laboratories seem to have much more sophisticated equipment which can detect traces of accelerants long after the fire has been extinguished.

These criticisms of the State crime labs in Illinois are the same ones used against the labs in Seattle and Houston. It appears that the few private detection labs in the country have much more accurate and sensitive equipment than what the State labs can afford. In a number of civil court cases, lawyers tend to rely on the private laboratories because of their detection capabilities and their unrestricted availability to testify.

Several prosecutors mentioned that arson investigators do not spend enough time trying to gather solid, physical evidence in arson cases. More often the investigator hopes for a confession or an eyewitness, both of which are infrequent. Thus, the gathering and analysis of evidence is another bottleneck to getting arson arrests and convictions.

4. The Prosecutor's Problem

Statistically, arson is the safest crime to commit. There is less than a one percent conviction rate nationwide. The lack of direct evidence makes it very difficult to take an arson case to criminal court where guilt must be proven "beyond a reasonable doubt." The jurors in a criminal case are hard-pressed to send someone to jail based on circumstantial evidence. Without an eyewitness or a confession it is difficult for the prosecution to make a criminal charge of arson stick. There appears to be more hope in civil court, where one needs only "a preponderance of evidence" to prove that an individual has tried to defraud an insurance company.

Prosecutors in Chicago, Houston and Seattle told our investigators that they hesitate to take arson cases because of what it will do to their prosecution/conviction rate, since the odds are against their winning a conviction.

Houston arson investigators said that a major stumbling block in getting an arson case into court or an indictment necessary for a warrant is the District Attorney's office. A felony review officer must review the case prepared by the arson investigator and decide whether there is enough evidence for an indictment. In many instances, the District Attorney does not want to bother with a case which relies totally on circumstantial evidence.

On the other hand, John B. Holmes, Jr., Assistant District Attorney for Harris County, Texas, was critical of the arson investigators. He said that too often they rely on confessions instead of depending on rules of evidence and interviewing techniques.

Several prosecutors interviewed felt that lawyers should head up arson investigating units or be involved with an investigation from the beginning to help shape the collection of evidence. In Bronx County, New York, five assistant district attorneys are assigned full-time to monitor investigative efforts on arson. Their office believes that arson investigations must begin "before the cinders have cooled." The assistant district attorneys "review and evaluate all arson arrests, present appropriate cases to the grand jury,

and conduct all plea negotiations and trials relating to arson matters. Cases are assigned to an assistant district attorney who is responsible for the case from the time the complaint is filed through the completion of the trial."

(The South Bronx area is one of New York City's poorest neighborhoods. In a Fortune magazine article, "How Government Helped Ruin the South Bronx," Herbert E. Meyer reported that "between June, 1974, and June, 1975, 2,250 families were burned out of their apartments, and in 1974, 40 civilians and three firemen died in fires. Half of those caught for setting fires have been juveniles 15 years old or younger.)

Lieutenant Edward R. Neville, head of CPD's Bomb and Arson Unit, voiced another complaint about the court system. As with many other crimes, a common defense used by an accused arsonist is that of mental incompetency, which could preclude him from ever standing trial. The problem is further compounded when the suspect is determined to be in need of psychiatric counseling and sent to an institution. If, at some point during the counseling, it is determined that the individual has made sufficient progress, he is released without ever standing trial.

Finally, several arson investigators complained that there is a lack of public awareness on the problem of arsons. The public needs to be more informed of the arson problem and what to do about it. This must be a shared responsibility which involves law enforcement, fire officials and the media.

5. Making the Punishment Fit the Crime

Governor James Thompson recently signed into law a bill which creates a "Class X" category for serious crimes including murder, rape, and "aggravated arson." This legislation not only stiffened the penalty for conviction of aggravated arson, it included another class of persons under its protections: anyone who is injured by fire. The new legislation provides:

A person commits aggravated arson when by means of fire or explosive he knowingly damages, partially or totally, any building or structure, including any adjacent building or structure, and (1) he knows or reasonably should know that one or more persons are present therein or (2) any person suffers great bodily harm, or permanent disability or disfigurement as a result of the fire or explosion or (3) a fireman or policeman who is present at the scene acting in the line of duty, is injured as a result of the fire or explosion.

Under the Class X legislation, a person convicted of aggravated arson could be sentenced to prison for not less than six years nor more than 30 years. The court could also order a fine, restitution, or both. The individual convicted of this crime would not be eligible for "probation, periodic imprisonment or conditional discharge." The fact that Illinois has reclassified arson into a more serious crime should be considered as a model for other states. Any person who commits arson and knowingly:

1. Damages any real property, or any personal property having a value of \$150 or more, of another without his consent; or
2. With intent to defraud an insurer, damages any property or any personal property having a value of \$150 or more...

is guilty of a Class 2 felony which means a minimum prison term of one year and a maximum term of 20 years. The individual could also be fined up to \$10,000. He would be eligible for parole in three years.

According to the Property Loss Research Bureau, arson kills about 1,000 persons a year nationally, including about 45 firemen, and it is one of society's most costly crimes when compared to other major crimes. According to the Federal Bureau of Investigation's (FBI) Uniform Crime Report, the average robbery in 1976 cost the victim about \$338, the typical motor vehicle theft cost \$1,741, and the average incendiary fire cost \$6,433 (See Appendices A and B).

A number of law enforcement officials complain that there is a problem in gathering solid statistics on incidents of arson because it is only classified as a Part II offense in the Uniform Crime Reports.

Records on Part I crimes--which include criminal homicide, forcible rape, robbery, aggravated assault, burglary, larceny-theft, and motor vehicle theft--are kept by local officials and reported regularly to the FBI. So there is a centralized collection of data and published reports showing trends in these crime areas. For Part I crimes, local officials report volume, trend, rate, clearance of cases, number of persons arrested, number charged, and the nature of each offense.

Arson, on the other hand, is batched with lesser crimes like counterfeiting, vandalism, gambling, drunkenness, and disorderly conduct. Most law enforcement officials feel that

arson should be elevated to the Part I status along with the other major crimes. For Part II crimes, police agencies report only arrest information to the FBI. More detailed statistics would help authorities and the insurance companies improve their attack on this fast-growing crime.

B. The Insurance Companies' Role

Losses from arson cost insurance companies an estimated \$2,000,000,000 nationally in 1976 (according to industry statistics), and the cost to society is much higher if one considers the ripple effect of crime. Employees lose jobs. Cities lose tax dollars. Property is damaged. Neighborhoods are blighted. Insurance rates soar for everyone. Faced with ever-increasing claims, the insurance industry is beginning to fight back by challenging claims in court.

The insurance industry has been severely criticized for being lax in writing insurance policies, for example: extending coverage to someone who has had a series of suspicious fires; or an individual who wants to insure his property for much more than its fair market value--even though the building is located in a declining neighborhood and riddled with code violations.

Until recently, insurance companies were afraid to withhold, question or delay payment on insurance claims for fear of a liability suit. For the same reason, insurance companies rarely cooperated with law enforcement officials in divulging information about their customer, unless they were served with a subpoena.

Under a new Illinois law, passed September 6, 1977, insurance companies are now bound to alert State fire and law enforcement officials of suspicious fires and provide access to their files. This information can include "any insurance policy relevant to a fire loss under investigation, policy premium payment records, history of previous claims made by the insured for fire loss, and any material relating to the investigation of the loss, including statements of any person, proof of loss, and any other relevant evidence."

In return for such cooperation, the insurance company is relieved of liability in any civil or criminal matter which might arise. Failure to cooperate with law enforcement officials or to release information is punishable with a fine up to \$100.

Insurance companies' involvement in the overall arson problem can be traced to the insurance agent's initial decision

to grant or deny an individual fire and hazard protection. Typically, at the time that this decision is made, the insurance broker has no knowledge of the insured's financial position, whether his properties have a history of suspicious fires, or the actual condition of the building itself. Representatives from the industry explain that it would be much too costly for them to send an inspector out to investigate every property that they insure. They claim it is cheaper for them to take their chances and pay for the few fraudulent claims they receive as a result of arsons. Economically, it is hard to make a case that the insurance industry should spend more on arson prevention than on after-the-fact investigations.

One of the best defenses an insurance company has against arson is a civil court case. Fire claims typically go into court when an insurance company refuses to pay a claim resulting from a suspicious fire. The policyholder sues for payment and the insurance company becomes the defendant in a civil case.

As mentioned previously, to win the case, the insurance company must prove by a preponderance of evidence that fraud was committed by the insured and that the claim should be denied. With the new immunity law, which opens communication channels between insurance companies and law enforcement officials, the insurance company is more likely to cooperate in litigation. However, insurance companies must carefully select their cases, since their reputations often hinge on quick payments to the insured. The Unfair Claims Practices Act still requires payment of certain claims within specific periods of time.

The insurance company can try to prove that there was "willfull misrepresentation" in the policy or an "increase in hazard." The insurance company can also call the insured as a witness in the case. Polygraph test results have limited admissibility in civil courts. For example, the fact that the insured either refused to take a polygraph or flunked the test, can be used by the insurance company as evidence that no malice is involved in their decision to withhold payment on a claim.

C. Arson-For-Profit

Arson-for-profit is another area of great concern for insurance companies. Illinois law stipulates that an insurance company must pay actual cash value (which is replacement cost less depreciation) in cases of total loss. In today's real estate market there is often an enormous discrepancy

between the fair market value of a property and its replacement cost. What this means is that an insured who owns a dilapidated property in a marginal neighborhood can insure this property for more than its fair market value. For example, assume the owner purchased the property for \$20,000 two years before. Repairs were left unattended so that the property became run down, and its market value decreased to \$15,000. At the same time, the owner took out an insurance policy on this property for \$50,000. The building is totally destroyed by fire, and by law the insurance company must pay the amount for which it was insured. The insurance company cannot argue after-the-fact that it was insured for more than it was worth, since the cost of replacing the building at today's building and labor costs could well exceed \$100,000.

Since there are so few inspections at the time the insurance policy is taken out or at the time the coverage is increased, the insurance company rarely knows that a property is under- or over-insured in advance. The owner, in this example, realizes a \$30,000 windfall on his initial investment of \$20,000. The only remedy to this dilemma appears to be on-site inspections of select property by insurance agents and an appraisal of the property before a fire insurance policy is written. In the case of a property already insured, the only alternative is to fight the fraudulent claim in civil court.

Walter D. Swift, Vice President of Property Claims Services, for the American Insurance Association, has suggested several facts an insurance agent should know about his client before writing a fire insurance policy:

1. Check to see if the property is bought for investment purposes;
2. Watch for unexpected or unusual increases in the amount of insurance coverage requested;
3. Note an unusual number of prior loss claims;
4. Determine whether the property is vacant or unoccupied.

Again, the industry's argument is that such a thorough inspection program costs too much to administer.

1. The Fair Access to Insurance Requirements (FAIR) Plan

- a. Background

In direct response to the racial riots and other major civil disturbances of the late 1960s, the United States Congress

passed legislation creating a "Federal Riot Reinsurance Program," in 1968. This program was intended to help private insurance companies, which had previously suffered tremendous losses as a result of riots and other civil commotion in many American cities. As a condition to qualify for the "Federal Riot Reinsurance Program," the property insurance industry had to agree to develop and administer state-wide programs which would make "necessary property insurance coverage against fire, crime and other perils more readily available for residential, business, and other properties meeting 'reasonable underwriting criteria'." This program, which is administered by the insurance industry, is called the FAIR Plan or "Fair Access to Insurance Requirements Plan."

According to Illinois statute, this program is designed to provide basic fire and hazard insurance to applicants in urban areas "whose property is insurable in accordance with reasonable underwriting standards, but who, after diligent efforts, are unable to procure such insurance through normal channels."

The FAIR Plan does not offer a complete homeowner's policy. It does not include theft or liability coverage. Since its inception, the Illinois FAIR Plan has underwritten over 70,000 policies which account for over \$2,000,000,000 in liability, according to Charles F. Cliggett, Director of the Illinois FAIR Plan. Over 90 percent of these policies cover property in Chicago, 5 percent cover property in East St. Louis and the remaining 5 percent are scattered throughout the State.

(A list of municipalities which are eligible for FAIR Plan coverage is included in Appendix D.) Cliggett said his office writes between 150 and 175 policies a day. Over 283 insurance companies participate in this Illinois Plan and share the risk of insuring in these select urban areas in order to avoid the insolvency of any single company.

The FAIR Plan is not a federal reinsurance program. However, Cliggett explained, it should be considered a subsidy program, since the private consumer must ultimately pay higher rates so that insurance companies can pool their resources for the FAIR Plan.

b. Program Administration

The FAIR Plan does not impose strict underwriting criteria. In fact, over 95 percent of the requests for FAIR Plan coverage are granted. It is almost impossible to deny this fire hazard insurance to someone except for extreme circumstances, Cliggett explained. If there is an unusual hazard, unrepaired fire damage, or a large apartment building

which is more than 35 percent vacant, we won't write a policy," Cliggett said. Failure to pay the insurance premium is another reason to deny a new policy or cancel an existing one, and evidence that a convicted arsonist owns or inhabits the property is grounds for refusal to insure! Building code violations or action taken against a property in Housing Court are not sufficient grounds to deny coverage, Cliggett said.

In multi-family dwellings of more than five units and on all mercantile properties, inspections are ordered before a policy will be written. There is never an inspection of an owner-occupied, single family dwelling before a policy is written. The FAIR Plan uses four private inspection firms: Equifax, Calumet Inspection Company, Inspection Services, Inc., and Hooper-Holmes Bureau, Inc. These inspectors use a checklist like the one shown in Appendix D. They only look for violations which could lead to a fire and increase the insurance risk on the property. The FAIR Plan cannot take into account the condition of neighboring property or the general neighborhood in deciding whether to write an insurance policy on the property.

If a building has hazards which are revealed in the inspection, a "conditional policy" will be written and a surcharge is made on each category of infractions: for example, problems with the heating system or faulty wiring. Supposedly, these properties are to be reinspected on a regular interval and if the hazards are corrected, the surcharge is dropped. However, Cliggett said most owners either will not or cannot afford to make the necessary repairs, so they continue to pay the higher premium.

FAIR Plan rates are currently lower than those of conventional insurance companies for single-family homes, but they are slightly higher for commercial property, Cliggett said. As a result, the Illinois FAIR Plan has requested a rate increase and this matter is now pending before the Illinois Department of Insurance.

c. Percy Criticizes the Program

Because the FAIR Plan accepts almost any property as an insurable risk, it has been severely criticized as a catalyst for the arson problem. Last August, Senator Charles Percy publically criticized the FAIR Plan and charged that the program promoted arson-for-profit schemes: "This program facilitates arson-related insurance fraud by permitting any property owner in a core-city area to insure his holdings far beyond the market value and to burn them for the proceeds." Percy

added, "because these insurance companies operate these pools on a cost-plus basis, they often have little incentive to contest suspicious claims or to prevent the over-insurance of deteriorated properties."

Percy asked the Government Accounting Office (GAO), the investigative arm of Congress, to investigate the program and to propose changes that would remove the incentive to destroy unprofitable or deteriorating but well-insured buildings. He also asked the GAO to evaluate the current federal training programs for arson investigators and prosecutors, the funding available at the State and local levels to halt arson, and the development of arson detection techniques and equipment. The final report of this GAO investigation has not yet been released.

d. Illinois Insurance Officials
React to Criticism

John F. Novak, Claims Manager of the Illinois FAIR Plan and Assistant Manager of the Metropolitan Chicago Loss Bureau, described Percy's criticism of the FAIR Plan as "ludicrous." The FAIR Plan has never operated on a cost-plus basis; in fact, it consistently operates at a loss which the insurance industry must absorb, he said. In 1976, the Illinois FAIR Plan had \$4,000,000 in losses. This compares to a total figure of \$41,000,000 lost nationwide since the inception of the FAIR Plan in 1968, Charles Cliggett said.

Both Novak and Cliggett refuted the allegation that the FAIR Plan facilitates arson-for-profit. Novak feels that it is not the FAIR Plan itself which contributes to arson; rather it is the social and physical condition of the inner-city which contributes to arson. Since the FAIR Plan serves only these areas, it is not hard to understand why it has a higher number of arson fires than the private insurance carriers. Both men argued that arson-for-profit existed long before the FAIR Plan was created.

Novak said that arson fires should be broken down into two broad categories: those set by the owner to collect insurance money (first-party arsons), and revenge fires, neighborhood vandal fires, pyromaniac fires, etc. (third-party fires). The ratio of first-party fires to third-party fires is one to seven. Of the first-party fires, only one-third manage to cheat the insurance company in the claim. In the other category of fires, the owner is the innocent victim, and the insurance company must pay the claim. Novak told our investigators that the only way to combat these third-party fires is through better law enforcement and tougher courts.

Each year the FAIR Plan pays out more money in claims for fire damage, and it is clear that in many instances it is paying fraudulent insurance claims resulting from incendiary or suspicious fires. Senator Charles Percy and other law enforcement officials criticize the FAIR Plan for being too lax in checking on the properties that it insures and too slow to cancel policies on those properties that become potential fire targets.

In the course of our investigation, we concluded that every property is not necessarily an insurable risk and that the FAIR Plan is not legally or morally bound to insure all properties. After reviewing the FAIR Plan's underwriting criteria, we also came to the conclusion that it could be more cautious in the risks that it does accept, insist on more information from the property owner, and gather more information on the property itself. In short, we found that the current underwriting criteria of the FAIR Plan needs to be reevaluated in light of the growing arson problem in Illinois' urban areas.

We tried to learn how and if these underwriting changes could be implemented by the FAIR Plan. Our inquiries led us in a complete circle. The Director of the FAIR Plan, Charles Cliggett, felt that his hands were tied because of the legislative intent of the program, and regulations established by the United States Department of Housing and Urban Development (HUD) and the Illinois Department of Insurance. Charles Mathias, Director of the Illinois Department of Insurance, said that it would be difficult to change the underwriting criteria because of the HUD guidelines and intent of Congress but the FAIR Plan could initiate such action and his office would have to approve the policy changes.

Finally, Robert J. DeHenzel, Director of Review and Compliance for the Federal Insurance Administration of HUD, said that other states have made changes in their underwriting criteria. He explained that the federal guidelines, written in 1970, have been left purposefully vague so that states could adopt regulations to fit their specific needs. He encouraged the Illinois FAIR Plan to initiate some changes and submit them to the State Department of Insurance for review. In fact, he volunteered to participate in any discussion of what could be done to alleviate the situation which perpetuates arson-for-profit schemes in Illinois.

The simple fact is that the Illinois FAIR Plan could go ahead and initiate some changes, but it has not done so. Instead of trying to reduce the potential for arson through better screening of properties and as a result reducing its losses, the FAIR Plan has filed a request for a rate increase

with the Department of Insurance. The Department must share in the blame, since it has really not paid close attention to the underwriting criteria that the FAIR Plan uses. In fact, a recent Department audit of the FAIR Plan makes no criticism or comment of the underwriting criteria. Instead, the audit concentrates on the business assets of the Plan, such as record keeping, accounting and contracts for services.

In 1972, the Illinois FAIR Plan initiated a policy which permitted a five-day cancellation notice to owners of insured property which represented a serious hazard. The policy, called "constructive abandonment," was approved on a trial basis by both the Illinois Department of Insurance and the Federal Insurance Administration. Under this program, a property owner would receive a five-day cancellation notice, instead of the customary 30-day notice, if the FAIR Plan found one or more of the following conditions present:

- at least 65 percent of the rental units in the building were left unoccupied and at least 25 percent of said unoccupied units are left unprotected against trespass;
- in the case of a building occupied only by the owner or a building with only one or two tenants (one of which may be the owner), at least 50 percent of the square footage in the building is unoccupied and a portion of said...footage is left unprotected against trespass; and
- fire damage exists and the insured has stated or otherwise indicated that the damage will not be repaired. The insured's statement must be made orally or in writing to Association staff...and shall be documented in the Association file in the form of a loss report.

Supporting evidence of this abandonment situation had to be presented to the Department of Insurance for its approval prior to sending the five-day cancellation notice.

This practice worked well until Illinois passed a law mandating 30-day notices for cancellation of fire insurance policies. This procedure was even recommended to other FAIR Plan states by the Property Insurance Plans Service Office, the trade association for all FAIR Plans. This Commission recommends that the FAIR Plan, in conjunction with the State Department of Insurance, seek an amendment to the law so that the "constructive abandonment policy" can be reinstated.

e. Action Taken by Other FAIR Plan States

DeHenzel described what other state FAIR Plans have tried to do to combat the arson problem. In New York City, the FAIR

Plan's underwriting department has a direct tie-in to the City Building Department's computer. The FAIR Plan can learn the assessed valuation of a property, and can obtain records of property tax payments and code violations. These factors may be taken into consideration along with results of an inspection of the actual condition of the house, when deciding whether to accept or refuse insurance coverage. These additional factors cannot be the only criteria used to deny coverage.

In some states, when property suffers fire damage and it is not repaired before another fire occurs, the owner is unable to collect the full value of his policy. For example, on a property insured for \$20,000, the first fire does \$5,000 worth of damage, for which the owner is reimbursed. If the property is not repaired before a second fire destroys the structure, the property owner would only be eligible to collect \$15,000. This policy of automatic reduced coverage required approval by both the state regulatory agency and HUD, and it had to be clearly stated in the insurance policy, DeHenzel said.

In Illinois (and many other states), the FAIR Plan is required to pay the actual cash value of a property when a claim is filed. Actual cash value refers to the replacement cost of the structure less depreciation. This formula for figuring claims becomes a definite problem in urban areas where the actual cash value of a property may be much higher than the market value of the structure. This discrepancy between the two assigned values on the structure--market value and actual cash value--make arson-for-profit schemes possible. In California and New York, however, the courts have permitted the FAIR Plan to take into account outside factors in settling a claim, for example, the fact that the property was in deteriorating condition before the fire or that previous fire damage had been left unrepaired.

In light of changing economic conditions and pressure on the FAIR Plan to be more cautious, some state FAIR Plans have taken action to deter arson-for-profit schemes through alterations in underwriting practices. In fact, the Property Insurance Plans Service Office, the trade association for all state FAIR Plans, is currently developing underwriting guidelines to deal with the arson problem. Once these guidelines are approved by its Board, they will be forwarded to the State FAIR Plans and the Government Accounting Office (which is in the process of reviewing the FAIR Plan nationally). The National Association of Insurance Companies is also developing underwriting guidelines which will try to combat the potential insurance fraud resulting from arson.

In the course of our investigation, we were told that any significant changes in the administration of the FAIR Plan would be criticized as discriminatory and harmful to those property owners who have nowhere else to turn. The counter to that argument is the fact that a property owner still has the right to appeal the FAIR Plan decision if he feels he has been denied insurance unfairly.

2. Arson Rings and the Potential Involvement of the Crime Syndicate in Arsons

The exact involvement of organized crime in arson is not known. However, Senator Charles Percy announced in late August that evidence collected by prosecutors in several cities indicates that there is an insurance fraud racket operating on an interstate basis. He said that organized rings of arsonists are providing a package of services to financially strapped building owners in Boston, New York, Chicago, Philadelphia, and elsewhere. He said that crime syndicate figures offer a combination scheme to defraud insurance companies, including inflating property values, arranging insurance coverage, burning a building and collecting and distributing the insurance proceeds.

A committee of the International Association of Arson Investigators concluded in 1973 that "criminal syndicates" at the local level were becoming more and more involved in fraud-type fires. They noted that in Portland, Oregon, and Detroit, Michigan, these organized rings were made up of repair contractors, public adjusters and agents working in tandem with "torches" to burn for profit.

In Chicago, the FBI and the United States Attorney recently broke up an arson ring and won a conviction against Anthony Tinchino and Barry Tucker. They were each sentenced to three years in prison and six years probation and have appealed their conviction. Tinchino and Tucker, both public insurance adjusters, were indicted March 2, 1977, for arranging to torch four businesses in a plot to collect over \$75,000 in insurance. The indictment charged that the two men established the four businesses, stocked them with merchandise, often purchased on credit, for the sole purpose of burning them. According to the indictment, the two men hired others to pretend to own the firms. They also arranged to obtain inflated invoices on merchandise which enabled them to pad their fire losses. Individuals responsible for the investigation and adjustment of the fire losses were bribed. As a result, Zurich American Insurance Company paid \$54,800 in fraudulent fire claims and Reliance Insurance Company paid \$20,000.

The specific charges against the two involved several federal laws: conspiracy to use the mails to defraud; mail fraud; and traveling in interstate commerce to advance a fraud. Mail fraud charges stem from using the mail to create the phoney businesses and filing insurance claims with the companies. The interstate travel and commerce charge resulted from the shipment of merchandise from other states, as well as the travel to other states by persons alleged to be fronting for Tinghino and Tucker.

At the time of the indictment, former United States Attorney Samuel K. Skinner said "this investigation is not complete. It has become apparent to this office and the FBI that there is an arson ring operating in this city. The scheme is carried out with help of some persons inside insurance companies."

Boston was recently stunned by the assortment of prominent individuals allegedly involved in a major arson ring which caused more than 33 fires scattered throughout Suffolk County. A dozen real estate brokers and land operators, six lawyers, lenders, and private public adjusters, a retired State police lieutenant, a retired captain of the Boston arson squad, a retired Chelsea fire captain and others were indicted in October, 1977. In all, there were 121 indictments, and Assistant Attorney General Stephen Delinsky, who headed the investigation, said, "I think we have only hit the tip of the iceberg." These indictments covered fires which destroyed property worth \$6,000,000 and killed three people.

In Peoria, Illinois, a group involved in local arsons was also implicated in fires in three other counties. This arson-for-profit scheme involved purchasing a house and counterfeiting repair bills to reflect large expenses for rehabilitation work never done. The building would then be sold on installment contract to a co-conspirator for a grossly inflated price. Insurance would be taken out by the new owner, then the house would be torched and the conspirators would collect the insurance money.

Several federal laws can be applied in cases involving arson rings and potential crime syndicate figures. The federal agency which claims to have the most active record in combatting arson is the United States Postal Inspection service, which attacks arson through mail fraud. Sending false and inflated insurance claims through the mail constitutes mail fraud, and arson need not be proven. The 1970 Organized Crime Control Act, which prohibits the conduct of business in a racketeering manner, can also be applied against arson rings involving two or more persons.

D. Problems in Reporting and Obtaining Arson Statistics

It is generally agreed that the arson problem in Illinois and in the United States is getting worse, that year after year more persons are killed in incendiary fires and more property is destroyed. This belief, however, is very difficult to prove since there is no good national data bank on arsons. Statistics are based as much on informed estimates as provable facts. In order to get a picture of current arson trends and the magnitude of the problems, one must rely on a variety of sources. Each year the National Fire Protection Association (NFPA) makes an estimate of the number, losses, and causes of building fires. (Beginning in 1978, NFPA will no longer list causes.) These statistics are based on a sample of 2,000 out of a possible 24,000 fire departments in the country and reports from the State Fire Marshals' Offices. Fires are also classified by type of occupancy and NFPA maintains statistics on motor vehicle fires. Estimates for the previous year are published each September in the National Fire Protection Association monthly Fire Journal.

Statistics on the number of arrests for arson are published in the FBI Uniform Crime Reports. In 1975, the Uniform Crime Report recorded 18,600 arrests for arson; meanwhile the National Fire Protection Association estimated over 114,000 incidents of arson in 1974 alone. There are no sources of national data on the adjudication, sentencing or incarceration of arsonists. Several states, including California, maintain this data on a statewide basis.

Fire department reports typically classify the causes of fire into five general categories:

accidental - for example, defective equipment, electrical wiring, careless smoking, children playing with matches, and other unintentional causes;

natural - lightning;

incendiary - intentionally set fires, including fraud fires;

suspicious - suspected of being incendiary; and

unknown causes - no cause established.

Legally, the cause of a fire must be assumed accidental or natural until proven otherwise. Because of a variety of factors previously discussed--poorly trained arson investigators and destruction of evidence--a number of fires get

classified as "unknown causes" which seriously understates the actual arson problem. Many arson experts believe that at least half the fires labeled "unknown cause" are actually intentionally set.

According to the American Insurance Association, without a general repository of fire loss information, investigators are generally unable to identify the following types of insurance fraud: claims involving ownership by crime syndicate figures; evidence on organized arson rings; cases where an owner acquires duplicate insurance from two or more companies--after which he torches his property and collects from multiple companies; "straw ownerships," which conceal the true identity of the property owner; and interstate arson-for-profit schemes.

Many FAIR Plans, metropolitan loss bureaus, insurance companies and others have developed their own data banks with various degrees of public accessibility and sophistication. The newly-created Illinois Department of Law Enforcement, which is now responsible for arson investigations throughout the State, intends to establish a computerized data bank of arson investigation information for the use of law enforcement officials throughout the State.

The American Insurance Association (AIA) recommended the creation of the "Property Insurance Loss Register." This would be a voluntary, self-sustaining, non-profit, service association, sponsored and financed by subscribing insurance companies writing property and casualty insurance. It would be administered for the benefit of these companies by AIA. Its stated objectives include:

1. To accumulate records of property loss claims as they occur and to make this information available to subscribers as an aid in combating the crime of arson and other insurance fraud; and
2. To compile these records so that they will be available for statistical research.

This Register will include losses of \$500 on up, adjusters will prepare reports on specific forms. The original copy of the form will be sent immediately to a central collection agency and coded into a computer. The facility will be open to all licensed insurance companies and all other insurance-industry related entities on a subscription basis.

The Loss Register will be used exclusively for evaluation of loss claims by the subscriber and investigators and

will not be used for insurance underwriting, policy cancellation or renewal.

Whatever form this or any computerized data bank takes, the following general information would be most useful to investigators (taken from p. 72 of the "Survey and Assessment of Arson and Arson Investigations" prepared for the National Institute of Law Enforcement and Criminal Justice in 1976):

- names, aliases, and modus operandi of previously arrested arsonists;
- unsolved arson fires, fraud fires, and fires suspected to be the work of organized crime;
- potential arson suspects, such as persons who have made many fire loss claims and owners of overinsured property;
- unscrupulous insurance agents, brokers and adjusters; and
- crooked fire repair and salvage contractor.

The problem in creating any sort of centralized data bank in this subject area will be to resolve conflicts with the "Privacy of Information Act" and the applicable anti-trust laws.

E. Board-Up Services and Public Adjusters

Besides the firemen, police, neighbors and those with macabre interests, one often finds a public adjustor hanging around a fire scene, especially in Chicago. On a ride-along with the Chicago Fire Department, our investigators watched first-hand as public adjusters, individuals who adjust the fire damage for the insured, solicited business.

The Commission investigators, accompanied by fire investigators, stopped at a fire scene and were surveying the damage when two independent insurance adjusters approached them attempting to locate the owner of the building. The men carried radio scanners which enabled them to immediately respond to all fire alarms. The Fire Chief on the scene said that these adjusters often beat the firemen to the fire! When questioned, the adjuster explained that his company gets 10 percent of the final adjustment for their service. This particular company also "arranges" for board-up services at the fire scene; in fact, the two businesses are connected. These adjusters seemed to prey on the fright and confusion of the owner and tried to convince him that he needed to be represented in settling with his own insurance company. An adversary situation is immediately set up between the insurance company and the insured.

Insurance companies also hire independent adjusters. One of the largest firms is the General Adjustment Bureau, Inc. (GAB) which was started shortly after the Chicago Fire and has become nationwide in scope. Owned by United Airlines, GAB receives its assignments through requests made by insurance agents, and then works with the insured and the insurance company to settle claims. GAB goes to the fire scene, diagrams the damaged areas to be reconstructed, and establishes the value of the structure.

The GAB adjuster also prepares a written set of instructions for the contractors doing the rehabilitating work. These instructions include a complete breakdown of the work to be done, products to be used and the unit cost of each. The individual selects his own salvaging company and contractors.

GAB often gets involved with public adjusters with whom it must reluctantly work, although GAB scrutinizes their work very carefully. Edward A. Beckemeier, District Manager of the GAB, said he has found that the public adjuster's figures "always seem to be inflated." He said that they will add a few inches here and there to the room dimensions so that, if anyone ever checked, they would find that the building ends up several feet longer than it was originally.

In the course of our investigation, several allegations were made against public adjusters. We did not find any proof of wrongdoing or illegal activity, except as has been noted, in the federal case against Barry Tucker and Anthony Tinghino, both public adjusters convicted of 12 counts relating to arson.

Officials from several insurance companies in Illinois agreed with this negative view of public adjusters--especially Chicago-area public adjusters. Outside of Cook County there seems to be fewer public adjusters, so the problem is diminished. However, our investigators did hear allegations against several public adjusters in Belleville and in the East St. Louis area. (This area is second to Chicago in number of arsons reported.)

The Commission asked several other states about the role of the public adjuster. In Washington, public adjusters are licensed by the state. To qualify an individual must be at least 18, a resident of the state, a "trustworthy" person, and have experience or special education "in handling loss claims under insurance contracts of sufficient duration and extent reasonably to make him competent to fulfill the responsibility of an adjuster." He must also pass a competency test and be bonded.

In Texas, public adjusters are not licensed. Officials interviewed in Houston said that adjusters were no problem since so few of them are in business. The reason there is no business for a public adjuster in Houston is that the insurance company's own claims adjusters provide speedy service, we were told.

In Missouri, public adjusters are not licensed, and in the St. Louis area fire officials said that there have been problems. Some fire department personnel were taking \$25 referral fees from public adjusters. Missouri fire officials would like to see the state license these businesses and establish a stiff ethical code.

Several Illinois officials from insurance companies, the State Fire Marshal's office and police and firemen recommended that the State license public adjusters. FBI Agent Joseph Doyle, who was instrumental in getting an indictment on Tighino and Tucker, said that they should be licensed by the State and a background investigation should be done on each individual to make certain that he does not have a criminal record. He suggested that the Illinois Department of Registration and Education be given full power to suspend or revoke public adjusters' licenses in instances of misconduct or illegal activities. *(See Appendix J for the Commission's bill on licensing public adjusters.)*

Chapter 5

CASE STUDY OF AN ARSON INVESTIGATION

Law enforcement officials understand why fires are set and they often have a general idea of the type of people who set them, yet they haven't figured out how to catch and convict the arsonists. This is partly because of the nature of arson: evidence is difficult to gather, there are rarely any witnesses, and catching an arsonist in the act of lighting the match is almost impossible. Instead, arson cases must rely heavily on circumstantial evidence and as a result very few cases end in conviction.

In order to gain first-hand knowledge of how difficult it is to investigate an arson, we conducted our own. Our investigators went through the process of gathering evidence, interviewing neighbors, researching public records, and talking to the property owner. In effect, we duplicated a routine arson investigation.

The fire we investigated occurred in a residential structure in the Humboldt Park area of Chicago, a neighborhood which has been plagued with "suspicious fires" lately and left with numerous abandoned structures.

A. The Fire

On July 10, 1977, a call for an extra alarm fire came into the fourth battalion of the Chicago Fire Department at 1901 North Damen. Richard Ziolkowski was one of the first firemen to arrive on the scene. He was surprised to find the building--an abandoned two-story brick residential property only a few blocks from the fire station--was already engulfed in flames. He recalled that flames leaped from the windows and that there was no front door on the building. The firemen did not have to force their way into the building since the back porch was practically "falling off." Flames and the billowing smoke made it difficult to notice anything else about the building, Ziolkowski recalled.

Five fire engines were used to contain the fire and prevent serious damage to the adjacent residential properties. Even so, there was slight exterior damage to the neighboring structures on either side and considerable damage to the interior and exterior of the burning building.

Only six days earlier, on July 4th, the Fire Department had been called to a fire at the same address. This previous fire was far less serious, there was only slight damage to

the interior and no personal injury since the building, which contained two flats, was vacant at the time.

Because the same property has suffered two fires in one week the Fire Department called in the Chicago Police Department's (CPD) Bomb and Arson Unit. The Fire Department's report lists "suspected arson" as the probable cause of ignition and the origin of fire is listed as "unknown."

The Bomb and Arson Unit responded that same evening and their final report on this property states that:

due to extensive burning on the first floor and previous fires, [we are] unable to determine the exact point of origin. No evidence of accelerant found.

The investigation of the...building indicated the fire originated on the first floor with severe burning there. The fire had spread up the stairs and through the plumbing walls prior to the arrival of the Fire Department resulting in damage to the upper part of the structure. Interviews conducted with a number of the neighbors disclosed that some of the neighborhood children have been seen playing in the building and committing acts of vandalism. There were no injuries as a result of the fire incident.

Their investigation was then stamped "CLOSED." (Under "persons interviewed" only the neighbors on either side are listed.)

B. The Commission's Investigation

The Commission's investigation included interviews with the owner of the building, with neighbors and officials from the local community group, and with representatives of the Illinois Fair Access to Insurance Requirements (FAIR) Plan--the insurers of the property. We also researched public records, and we submitted charred remains from the fire to the State Crime Lab in Maywood and to a private laboratory to check for accelerants.

The neighbors told our investigators that the owner of the property did not live in the neighborhood. We also learned that the property was insured for \$25,000 and that the annual premium was \$98. The owner's policy stipulated "an unlimited vacancy permit," which means that the building may be vacant, as long as it is secured (doors and windows locked, etc.). If these conditions are not met, then the building is classified as abandoned, and this may have some effect on whether or not the insurance company will honor a claim resulting from this fire. (See Chapter 4 on the FAIR Plan.)

FAIR Plan records revealed that there had been three prior claims for fires in this building. On May 19, 1975, a small fire did about \$420 worth of damage. On June 29, 1975, a fire did about \$1,600 worth of damage and the July 4, 1977 fire did about \$450 worth of damage.

1. Conversations with the Neighbors

One neighborhood youth said that he saw two male Puerto Ricans run out of the building before each fire (July 4th and July 10th). He knew only the first names of the boys who were in the 17-19 year old category. The boys were tentatively identified as brothers, who lived next door to the burned structure.

Our investigators located the family who last lived in the bottom flat of the burned building and learned more about the condition of the building prior to the fire. This family had moved out about a month before the July 10th fire. They complained that the building was completely run-down and that the owner never bothered to do any upkeep. The ceiling in the living room and washroom sagged and, according to one family member, part of the ceiling in the living room once collapsed. Water also dripped from the kitchen faucets. The rent was \$170 a month. According to this family, the owner promised repeatedly to fix up the building, but he never did. At one point, the owner even offered to sell the structure to the tenant. This family had lived there about four years with twelve people crammed into a three bedroom flat.

Other neighbors confirmed the fact that the building was not secured and that doors were left wide open, that windows were broken and that children had free access to the building before the fire.

The next-door neighbor reiterated the fact that the building was abandoned at the time of the fire. The second floor apartment had been vacant for about a year, she said, and there was no evidence that the owner ever intended to fix up either apartment.

This same neighbor said that she saw the owner at the building about 1:00 p.m. on July 10th, taking pictures inside and out. (The fire occurred that night at about 8:30 p.m.) Another neighbor claimed that she saw the owner removing material from the basement a couple of weeks prior to the July 10th fire. The material consisted of pieces of pipe and good pieces of wood, she said. At the time of the fire, there was little left in the building.



The Commission investigators conducted their own arson investigation of the fire pictured above. This property is located in the Humboldt Park neighborhood of Chicago. The fire, which occurred on July 10, 1977, quickly engulfed the vacant building. The CPD's Bomb and Arson Unit listed "suspected arson" as the probable cause of ignition.

2. Researching Records

Through research at the Cook County Recorder's office, the investigators learned the real estate tax number and found a legal description of the property. Armed with this information, one can learn who owns the property, when he took possession, who holds the mortgage, if any subsequent repairs have been made, if there are any pending code violations, and whether any legal action has been taken against the property by the City of Chicago for code violations.

In this particular case, our investigators learned that the present owner took possession of the property November 20, 1969, and he and his wife arranged for a \$15,000 mortgage at 7½ percent interest--a \$120.90 monthly payment. On February 16, 1970, the owner took out a second mortgage on the property for \$2,628.21 to do some exterior remodelling work. Sixty monthly payments of \$43.81 were made directly to the remodeling company.

Later, on November 5, 1973, the owner took out another loan of \$5,850. The payments on this particular transaction were for \$97.65 a month.

In January, 1976, the City of Chicago served the owner with a complaint notifying him that the frame garage/shed on the rear portion of his lot had to be demolished because it was a health and safety hazard and had numerous code violations. The owner was given the option of demolishing it himself at his own expense or having the City do it and place a lien against his property for the cost of demolition.

According to official records the owner was personally served with a notice of the action to be taken by the City against his property. The case was dismissed on October 19, 1976, with no fines for the owner since he demolished the structure at his own expense.

A Corporation Counsel attorney explained that the apartment building would have been inspected at the same time that the garage/shed was found to have numerous code violations. However, the building escaped any action or citation by the City.

The County Assessor's office confirmed that the owner had paid his 1973, 1974, 1975 and the first installment of his 1976 taxes in full. Records of the second installment of 1976 were not yet available.



Private laboratory analysis of samples taken from the fire scene pictured above revealed traces of paint thinner in all samples tested. This substantiated the Commission's conclusion that arson had been committed, however, an arson suspect was never arrested. *(Picture courtesy of Pan-Technic, Inc.)*

3. Interview with the Owner

The owner told our investigator that he bought the building for \$15,500 in 1969. Since then he has put about \$5,000 into it for repairs. Up until a year and a half ago, he charged \$150 rent, then he had the gas line changed so that each apartment unit could control its own heat. This cost about \$1,000 to install and he raised the rent to \$170.

In the past two years, he has had trouble attracting tenants because of the deteriorating neighborhood. He has usually been able to keep at least one apartment rented. The family on the first floor lived there about four years, he said, but he was led to believe that they had only four in their family when there were actually 12! The family on the second floor did not pay rent for five months and finally moved out over a year ago, he said.

The owner explained that the building was not vacant or abandoned at the time of the fire. He said that the first floor family was in "the process of moving" when the fire started and still had a few pieces of furniture left. (This contradicts what the family said and the fire department's report.) He added that the fire on July 10th was the only fire he has had in his building. (This statement was directly refuted by the records of the Illinois FAIR Plan.)

He claimed that the building was in "perfect condition" when the family on the first floor moved out and that he has no idea how the fire started. He added that no one in the neighborhood was mad at him or had a grudge, including the family that had lived on the first floor.

The owner and his family used to live in the building in Humboldt Park, but when the neighborhood started to deteriorate they moved and bought another building further north, where they now live. He had talked about selling the Humboldt Park building a couple of months ago, since he was having trouble getting tenants. He intended to ask about \$18,000 for it which would be a slight loss, since he bought the property for \$15,500 and put \$5,000 into it, he said.

He claimed that he visited the building every five or eight days to check on minor repairs, which he usually made himself. To the best of his knowledge everything in the building worked and was hooked up, including the gas pipes and the furnace. (Pictures taken after the fire show that the furnace was not hooked up.)

He mentioned that several years ago he was cited for building code violations, but that his building was not

targeted for demolition as far as he knew. Since he had the shed demolished no further action was taken against him. Before completing the interview, our investigator asked the owner to sign a consent form which permitted a private laboratory to remove samples from the scene of the fire to determine the cause and origin.

4. Evidence from the Fire Tested for Accelerants

About two weeks after the fire occurred, the Commission called in a private laboratory to look at the fire scene. Numerous photographs were taken at the fire scene and samples were gathered from the debris, and later tested for accelerants.

Six samples were taken from the structure and each sample was sliced in half. One half was tested by the private lab in Chicago and the other half of the same sample was carefully sealed and delivered to the State Crime Lab in Maywood. Both facilities use a gas chromatograph, however, the private laboratory relies on very sensitive, sophisticated and modified equipment. This equipment produces a tracing of any gas present, known as a gas chromatogram, which is similar to a human fingerprint.

The private lab found evidence of paint thinner in all six samples tested. The private analysis concluded that the fire "must have been of incendiary origin." This private report also concluded:

1. The presence of paint thinner in the type of samples in which it was detected would not be "natural"...
2. The flame pattern was found characteristic and representative of incendiary fires;
3. The fire appears to have originated almost simultaneously at a number of locations on the first floor level;
4. The first floor flat as well as the rear porch and the wooden stairway leading to the second floor were found heavily damaged by flame;
5. Neither the basement nor the second floor flat appears to have been set on fire;
6. Neither the front nor the rear door appears to have been kept locked prior to the fire; and

7. The condition of the appliances in the basement suggests that some of them at least could not have been in operation prior to the fire.

By contrast, the results from the State Crime Laboratory in Maywood showed no traces of accelerants on any of the six items examined. (The private lab found evidence of paint thinner in all six samples.)

The fact that these two laboratories reported different findings only further points out the problems inherent in properly collecting, submitting and analyzing evidence.

5. Conclusions From Our Investigation

The Commission's investigation of the fire in Humboldt Park revealed that arson had been committed. However, the arsonist was never identified. The Commission's conclusion is based on the private laboratory's finding of paint thinner in all six samples tested. This conclusion is further substantiated by the neighbor's testimony that the building had been abandoned and run-down for some time. The Illinois FAIR Plan, which insured the property, said that there had been three previous claims on this specific building in the past two years from the same owner.

Then there is the owner's story. He moved out of his own structure because the neighborhood was deteriorating. He had tried to sell the building even at a financial loss but could not find a buyer. He said it was hard to keep tenants who would pay rent regularly.

On the other hand, CPD's Bomb and Arson Unit closed the case after interviewing only two neighbors and learning that "neighborhood children had been playing in the building, and doing acts of vandalism." This Unit categorized the fire as "cause unknown." Likewise, the State Crime Lab found no traces of accelerants on any samples tested.

In the aftermath of this fire and our investigation--an eyesore is left in Humboldt Park. The building has been boarded up and stands as a target for acts of vandalism and more fires. The owner has filed a claim with the Illinois FAIR Plan, which had not honored that claim. The FAIR Plan might be able to avoid the entire claim or pay a reduced amount if it can be proven that the building was abandoned and not properly secured. It will be the task of FAIR Plan investigators to thoroughly review this case to see if they can prove fraud on the part of the owner.

Our investigation of this fire confirmed what we had already learned from a number of professionals--arson is a very difficult crime to prove. It also showed that sophisticated equipment needed to detect slight traces of accelerants is not currently available at the State Crime Lab. Finally, we learned that completing a thorough arson investigation is a frustrating, time-consuming process. Hours can be spent reviewing public records, interviewing witnesses, neighbors and others. The end result may not prove arson was committed; it may, in fact, produce only more unanswered questions.

Chapter 6

ILLINOIS' EFFORTS TO DETECT AND PREVENT ARSONS

A. Chicago Activities

In the first eight months of 1977 there were 636 "incendiary fires," 117 "suspicious fires" and 521 fires of "undetermined origin" in the Chicago metropolitan area. Losses from incendiary fires, including the loss from "suspicious fires," totalled \$24,068,325 in damages. Suspicious fires are defined as those with "claims which require expert investigation of origin and on which claims are being resisted or are in preparation for resistance on grounds of arson," according to the Metropolitan Chicago Loss Bureau. This figure already surpasses previous years totals.

The Chicago Police Department's (CPD) Bomb and Arson Unit is responsible for investigating all suspicious fires. It is called in by the Fire Department from the scene of the fire. The unit is composed of firemen and police detectives. The firemen attached to the Unit determine the cause and origin of the fire and work with policemen to do the follow-up investigative work. Currently, the Bomb and Arson Unit is budgeted for the following personnel: a lieutenant; 5 sergeants; 5 explosive technicians; an explosive technician trainee; 24 police investigators; 12 fire investigators; a stenographer; a review officer; and a patrolman (administrative assistant).

The Bomb and Arson Unit is comprised of seasoned investigators who transferred from other units within the police department and who volunteered and were selected for the assignment. There is no formal training for these investigators, instead everything is on-the-job instruction.

Prior to January, 1976, the Police and Fire Departments shared responsibility for arson investigations. The Fire Department had a Bureau of Fire Investigation which was sent to all 2-11 alarm fires to determine cause and origin. If arson was suspected, the investigation was turned over to the Police Department's General Assignment detectives. The entire function was switched to the Police Department in January, 1976, to prevent duplication of effort. Since then the Fire Department has been critical of the way that the Police Department handles arson cases and contends that it could do a better job. Fire Commissioner Robert Quinn said that the responsibility for investigating arsons should be returned to the Fire Department, with firemen deputized to

allow them to follow through on the investigations and arrest suspects.

1. Chicago's Special Arson Task Force

In previous years, high incidents of arsons were recorded in East Lake View and the Woodlawn community. But as socio-economic conditions change, activities seem to be centered in Humboldt Park which is scarred with over 400 charred and abandoned structures.

A special Arson Task Force, under the jurisdiction of Kenneth Sain, former Deputy Mayor of Chicago, was assigned to the Humboldt Park neighborhood in June, 1976. It is composed of members of the fire and police departments, Department of Human Resources, and the offices of Planning and Criminal Justice.

The Task Force is quite visible in the neighborhood. The fire department continuously patrols the street, especially the areas with abandoned structures. Cooperation with area residents is maintained in an effort to identify suspected arsonists. Quite a few fires in this neighborhood are set by gangs for revenge or vandalism, according to Hector J. Villafane, Jr. a member of the Task Force who works closely with the Latino residents.

Villafane said that community group involvement is needed to make sure the city organizations are doing their job--and to pressure the City's building inspectors, Housing Court judges and prosecutors to concentrate on tearing down some of the abandoned properties. He said that much has been done to educate residents in the area about fire prevention and to calm their fears. He has promoted the "Hotline" number which is to be used to report persons suspected of arson. Since the creation of this Task Force, 21 persons allegedly responsible for 10 to 12 fires in Humboldt Park have been arrested.

A federal grand jury has been investigating the rash of fires in the Humboldt Park area and a number of records have been subpoenaed, including those of insurance companies that have paid large sums in claims on fires. The investigation centers on whether landlords, whose identities have been hidden in secret land trusts held by lending institutions, have torched their own buildings to defraud insurance companies. The CPD's Bomb and Arson Unit has turned over its research and information to the United States Attorney. A citizen group from Humboldt Park, the Northwest Community Organization (NCO), brought the arson situation to the

attention of the United States Attorney last year. NCO charged that land speculators who want the neighborhood cleared for expensive housing are behind the arsons.

A second Arson Task Force has been established in Chicago's Uptown and North Lake View communities in response to a similar wave of arsons and suspicious fires. In Uptown, a special police operations group working closely with the Bomb and Arson unit has been assigned to investigate all suspicious fires. Police have also been asked to step up enforcement of "keep out" orders on vacant and dangerous buildings and to arrest trespassers. Uniformed fire officials will patrol the community in the evening and early morning hours, and, with the cooperation of gas station owners, inspect records of gas purchased in containers. Citizens have been asked to report any suspicious activity by calling the "Hotline" number.

2. Metropolitan Chicago Loss Bureau

The Metropolitan Chicago Loss Bureau (MCLB) is a non-profit organization whose purpose is to detect and discourage frauds in insurance losses, claims and adjustments. As a result the MCLB is interested in deterring arsons and other willful or illegal destruction of property. It maintains records of all losses and claims in the Chicago metropolitan area; specifically Cook, Lake, Du Page, Will and Kane counties in Illinois and Lake County, Indiana. MCLB also maintains statistics on the number of incendiary fires in the Chicago metropolitan area and the dollar loss from all types of fires. About 80 percent of the major insurance companies in the reporting area are voluntary members in the Bureau.

The MCLB gets involved after the member insurance company's claims adjuster determines that a suspicious fire has occurred. The Bureau is then called in to help investigate the fire and determine if insurance fraud has been committed. If the Bureau investigator has reason to suspect arson, he contacts a lawyer, who helps structure the case and makes certain that the proper legal precautions are taken. Karl Scheel, the Bureau's investigator, spent 17 years with the Chicago Fire Department, ten of which were with the former Bureau of Fire Investigation.

In appraising the arson problem in the Chicago metropolitan area, Donald Mershon, President of the MCLB said that the ratio of vandalism fires to fraud fires is about seven to one, however, that ratio describes the number of fires, not the dollar amount.

The MCLB assists its member insurance companies in defending against insurance fraud cases. Of those cases the Bureau has assisted in, it has helped defeat two dollars out of every three claimed in fire losses, Mershon said. These are typically civil cases and unfortunately, the average insurance fraud case resulting from an arson takes over five years in litigation, he explained.

3. Property Loss Research Bureau

The Property Loss Research Bureau (PLRB) is an affiliate of the American Mutual Insurance Alliance. As an insurance trade association supported by 110 member companies, this Bureau provides national education about arsons, offers investigative services to local police and fire departments, and provides field supervision services.

In the last few years the bulk of their work has been on arsons, but they also handle other property losses such as thefts and burglaries. The Bureau also collects evidence to defend member insurance companies against fraudulent claims in civil court.

Dan Econ, Director of Investigation Services for the Bureau, has been involved in the fire detection business for a number of years. He was president of the International Association of Arson Investigators from 1972-1974, and he was a former Army Criminal Investigator and is a lawyer. Based on his experiences, Econ said that about 40 to 45 percent of all fires are set to defraud insurance companies. He believes that arson is a form of "white collar" crime and says that the crime syndicate has become deeply involved in fraud fires throughout the country. (Econ's analysis differs sharply from Mershon's.)

Econ said that in 1976, the PLRB investigated 40 cases and consulted on 40 others. He estimated that his small team of investigators saved member insurance companies about 2.3 million dollars. Since few insurance companies have the manpower or expertise to uncover crimes and defend themselves against fraudulent claims they must turn to private investigative services like the PLRB for assistance.

In defending its member insurance companies, the PLRB relies on some legal maneuvers unavailable to prosecutors. For example, if an insured party refuses to talk to police under his Fifth Amendment rights, the insurance company may compel him to, since failure to talk under oath to the insurance company is grounds for refusing to pay the claim. Insurance contracts also require that the insured permit investigators to examine the scene of the fire.

B. Elsewhere in the State

During the course of this investigation, a questionnaire was sent to 20 of the largest police departments in the State requesting statistical information and comments on their efforts to control arsons. The 20 police departments polled include:

Alton	Galesburg
Aurora	Jacksonville
Belleville	Joliet
Bloomington	Kankakee
Carbondale	Pekin
Champaign	Peoria
Danville	Quincy
Decatur	Rockford
DeKalb	Rock Island
East St. Louis	Springfield

When asked about their arson training programs, most responded that their officers had attended only a day-long session or at most a two-week course. Several police officials complained of the lack of adequate training available for their investigators. Charles A. Gruber, Police Chief in Quincy, recommended that an arson investigation school be created at the University of Illinois for both firemen and policemen. He suggested that some form of tuition reimbursement be made available through the State, similar to the financial arrangements for those who attend the Police Training Institute.

1. Trade and Professional Organizations

Several of the larger cities in Illinois have established special arson units which range in manpower from four to nine officers: Aurora, East St. Louis, Kankakee and Rock Island. In the rural communities and smaller towns, fire department officials must rely heavily on trade and professional organizations for assistance in arson prevention and detection.

a. Illinois Advisory Committee on Arson Prevention

The Illinois Advisory Committee on Arson Prevention (IACAP) is composed of ranking representatives from the insurance industry, the State Fire Marshal's Office, the State's Attorneys Office, local fire and police departments, and representatives from some State educational institutions. Collectively these individuals work to improve the quality of arson education in Illinois and recommend legislative solutions to the arson problem.

The Illinois Fair Access to Insurance Requirements (FAIR) Plan was instrumental in getting the organization started through financial assistance. The FAIR Plan's support has been used to publish and mail out arson information pamphlets to fire and police departments, claims adjusters and underwriters. Much of the time and talent of the committee is donated.

The primary purpose of IACAP is to foster cooperation between the various agencies trying to combat arsons and insure convictions. The Committee assists in providing training for arson investigators, helps draft legislation and has recently designed a pilot "Informants Program" for the Chicago metropolitan area. This program, which has not yet begun, will be funded by participating insurance companies. Fire officials who suspect arson as the cause of a fire will advertise for information on the promise that the IACAP will pay a reward if this information leads to the arrest and conviction of the arsonist. Several times a year a committee will meet to distribute the award. The size of the loss and the value of the information will determine the amount of the award.

b. Southern Illinois Arson Investigator's Association

According to the State Fire Marshal's statistics, St. Clair county ranks third behind Cook and Du Page counties in the number of incendiary fires recorded each year. In 1974, for example, there were a total of 4,598 fires reported in the county, of which about 850 were arson fires. During this same period there were 14 arsonists convicted and 29 cases pending. St. Clair county has more arson fires per capita than any other county in the State, according to August F. Mazzone, former Chief Arson Investigator for the State Fire Marshal's office. To handle arson investigations in this area, the State Fire Marshal's Office had one investigator and one trainee assigned for 22 southern counties including St. Clair county--an impossible assignment. (This manpower situation has recently improved.) St. Clair county includes East St. Louis which has a growing housing abandonment problem and a number of arsons.

The Southern Illinois Arson Investigator's Association (SIAIA) was created two years ago to upgrade the training of arson investigators. The purpose of the association is to provide an exchange of information on techniques of detecting arsons, training, and intelligence on suspected arsonists. This association includes fire and police department officials, representatives from insurance companies and the State prosecutor's

office. The Association represents Madison and St. Clair counties and is headquartered in Collinsville.

In cooperation with the Sheriff of St. Clair County, this Association purchased a fully equipped "arson van," which is similar to a portable crime lab and can be used by any of the members of the Association to investigate suspicious fires. This mobile unit is a 14-foot step-van which cost about \$30,000, paid for primarily through federal Law Enforcement Assistance Administration funds (see picture on page 68).

The van comes fully equipped with a portable gas chromatograph, fingerprint kit, cameras and a tape recorder--everything necessary to supply a portable crime lab. The van is also made available for other crime investigations.

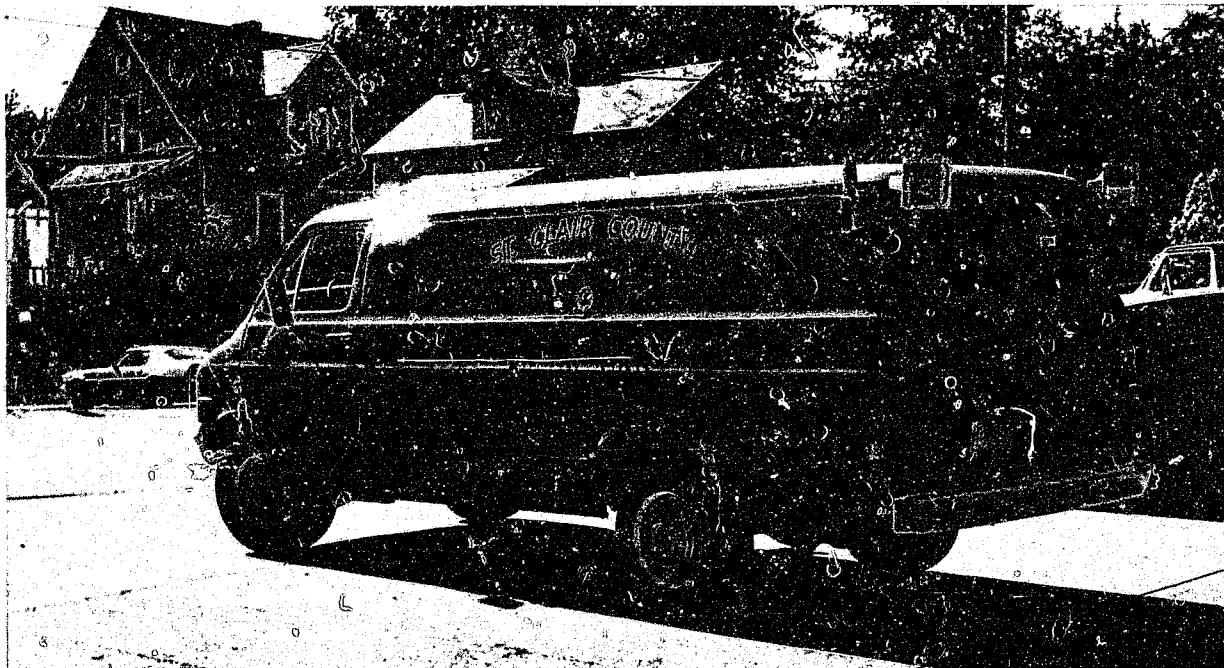
One of the major problems throughout Illinois is that 80 percent of all fire departments are volunteer. Whenever there is a fire, the men drop what they are doing, and put out the fire and return to their normal work. Thus, there is little chance for a thorough investigation, and volunteers often lack the sophisticated training or equipment to do an independent arson investigation. As a result of the SIAIA, several arson task forces are being discussed for the larger cities in St. Clair county; and arson investigations have stepped up. Already the Association's efforts are having some deterrent effect. The SIAIA sponsors and coordinates a number of training seminars and is trying to compile material for a reference library on arson investigative techniques.

Although this Association includes Madison county, members said that there is little participation and the largest city in the county, Alton, has not joined. Alton intends to create its own arson task force in the near future.

c. Central Illinois Arson Cooperative

The Central Illinois Arson Cooperative (CIAC) was originally composed of fire and police officials from Bloomington, Pekin, East Peoria and Peoria and began in October, 1975. Several months later, Champaign, Decatur, Springfield and Normal joined the Cooperative. CIAC is based on a concept of mutual aid among neighboring communities aimed at arson detection and investigation. The City Councils of each of the member municipalities passed resolutions permitting their fire and police departments to make available, on an as-needed basis, two fire investigators and at least one police detective to assist a member city in an arson investigation.

Other cities have asked to join the Cooperative but the members have agreed to limit their size based on their current



In cooperation with the Sheriff of St. Clair County, the Southern Illinois Arson Investigator's Association purchased a fully equipped "arson van." The van is similar to a portable crime lab and has a portable gas chromatograph, cameras, and a fingerprint kit. The van was paid for primarily through federal Law Enforcement Assistance funds and cost \$30,000.

geographic proximity. Instead, the Cooperative has offered to help establish similar organizations in other municipalities.

The CIAC, in conjunction with Professor Gerald E. Monigold of the Fire Service Institute at the University of Illinois, and John Bowman, coordinator at the Police Training Institute in Champaign, have been developing a comprehensive arson training course. Hopefully, the program will be written and accredited by spring, 1978. The instruction will include practical field problems, class work and should be about two-weeks in length. It is anticipated that this training program for firemen and policemen will be held at the Police Training Institute and should cost about \$350 a person. Efforts are being made so that individuals could collect some form of tuition reimbursement from either the State Fire Marshal's office, in the case of the firemen, or the State Department of Law Enforcement, for police who attend.

2. Arson Training Curriculum

a. Lincoln Land Community College Program

Lincoln Land Community College in Springfield has received a \$70,000 federal grant to design a model training program for arson investigators. The project, which is being developed for the National Fire Prevention Control Administration, is directed by Steven W. Hill. Hill, who has been a fireman, is coordinating the efforts of a number of fire science specialists, insurance representatives and law enforcement officials.

The program will be tested and evaluated by the International Association of Arson Investigators before it is submitted to the federal government for final approval. The curriculum will consist of an 80-hour training program. The complete, unabridged training program will be made available to police department personnel and all certified fire investigators nationally, and to cities with a population of over 250,000. This version will contain a great deal of technical information, including how bombs are made, the difference between incendiary devices, etc. A condensed version of the curriculum will be made available to volunteer fire departments, colleges and universities.

b. Greater St. Louis Police Academy's Program

The St. Louis Police Academy periodically conducts a five-day Arson Seminar Program. The seminar is about 40 hours long

and covers the following categories; arson definitions, types of perpetrators, arson prosecutions, fire frauds, determination of cause and origin, auto arsons, fire scene investigations, industrial and electrical fires, collection and preservation of evidence, gas explosions, and fire bombs. Each seminar is restricted to about 25 participants and costs about \$100 a person.

The highlight of the training program is a day of actual field experience. The class, composed of firemen and police officers, is divided into teams. Each team is asked to fight a fire in an abandoned building and conduct a thorough investigation into the cause of the fire. The following day each team presents the results of its investigation for comments and critique.

c. Arson Training Course to be Established
at the University of Illinois

The University of Illinois used to have a Fireman Training program, but budget cuts and lack of interest caused its termination. Assistant Professor Gerald E. Monigold said that there appears to be renewed interest in arson training and he hopes to have an arson course developed by spring, 1978. Monigold has helped author two instructor's manuals on arson, entitled "Arson Detection" and "Investigation of a Fire Scene."

d. Insurance Companies Offer Training
Programs

The goal of some major insurance companies is to create more civic awareness of the arson problem and of the fact that the public eventually must absorb the cost through higher property insurance premiums. The economic impact of arson goes far beyond property damage when the possibility of lost jobs and lost property tax revenue are considered. In recognition of efforts made by the State Farm Insurance Company in education and public awareness programs concerning arson, the firm received an award from the International Association of Arson Investigators in May, 1977.

State Farm holds seminars designed to make their claims adjusters more aware of suspicious circumstances surrounding a fire scene on a claim investigation. They are usually one and a half to two days long and the basic course outline has been provided to the rest of the insurance industry.

Key executives at State Farm travel throughout the State participating in arson seminars, making television and radio

talk show appearances and lecturing on the insurance industry's role in fighting arson. It is too soon to tell whether this increased awareness on the part of the insurance industry has reduced the number of fraudulent claims resulting from arsons.

Allstate Insurance Company, headquartered in Northbrook, has established a college in Wheeling for its claims adjusters. As of January, 1978, the school instructs adjusters in techniques of arson detection. The school is now used for fire-estimating purposes, but plans are to build a full-scale mock-up of a structure which has been intentionally torched, so that investigative techniques can also be taught. Allstate also provides an on-going series of seminars for its claims adjusters to make them aware of fraudulent claims and detecting arsons.

C. State Fire Marshal's Office

The role of the Illinois State Fire Marshal, as it relates to arsons, was altered by legislation passed in July, 1977. The State Fire Marshal's office is now a separate entity, and arson investigations have been assigned to the Illinois Department of Law Enforcement. Under this new legislation the State Fire Marshal's office will continue to perform the following functions:

1. Keep a record of all fires occurring in the State with all the facts and statistics including the origin of the fire. The State Fire Marshal's office will establish the format for this record keeping throughout the State and insure that the local authorities furnish these records in a prompt and thorough manner. The State Fire Marshal's office must insist that all municipalities, including the City of Chicago, comply with this record keeping procedure. As a token incentive for this record keeping the statute provides that "Chiefs of fire departments and mayors whose salaries exceed \$1,000 per annum as such chiefs and mayors, shall receive for each report made . . . fifty cents . . . All other persons charged with the duty of making reports, or such others as are specially appointed in counties not under township organizations, shall receive seventy-five cents for each report, and in addition shall receive mileage at the rate of fifteen cents per mile for each mile traveled to such fire."

2. If evidence is developed to charge a person with the crime of arson, or attempted arson, the State Fire Marshal "shall cause such person to be arrested and charged with the offense."

(Presumably the local law enforcement authority or an agent of the Illinois Department of Law Enforcement would be the arresting officer since the State Fire Marshal does not have arrest powers.) The State Fire Marshal can take testimony under oath and summon and compel attendance of witnesses before it to testify in matters relating to suspicious fires.

3. The local authority determines cause and origin of the fire, however, if the local investigators have trouble diagnosing the cause they can call in the State Fire Marshal to supervise and direct the investigation.

4. The State Fire Marshal also has responsibility for helping localities upgrade the training of their fire personnel--including arson investigating techniques. The State Fire Marshal shall "select and certify the fire training program at the University of Illinois and other schools within the State . . . for the purpose of providing basic training, and advanced or in-service training. . ."

The State Fire Marshal is appointed by the Governor and there are two subdivisions to the office; a Division of Fire Prevention, which performs periodic fire inspections throughout the state, and a Division of Personnel Standards and Education. The office is funded by contributions from all insurance companies in the State that write fire risk coverage. Each company is required to pay "one-half of one percent of the gross fire, sprinkler leakage, riot, civil commotion, explosion and motor vehicle fire risk premium receipts of all such companies, associations, partnerships, firms or individuals doing business in the State." This money is paid to the Department of Insurance which creates a fund specially earmarked for the State Fire Marshal's office in the State Treasury. [Our investigation revealed that the Fire Marshal's office received only about three fourths of the money collected in this fund.]

Any portion of this special fund remaining unexpended by the State Fire Marshal at the end of the year shall be paid into the General Revenue Fund of the State Treasury.

In essence, the State Fire Marshal has lost some responsibility--namely arson investigations under the new law. As yet, the division of responsibility between the State Fire Marshal's office and the Department of Law Enforcement on the subject of arsons remains unresolved.

D. Illinois Department of Law Enforcement

In an effort to centralize criminal investigations and criminal record keeping for the state, the Illinois Department of Law Enforcement (IDLE) was created. It is charged with investigating arsons and responding to calls for investigative assistance from local authorities after the cause and origin of the fire have been determined. A formal arson investigating unit has not yet been fully established. It is still in the planning stages and, to date, only a former arson investigator from the State Fire Marshal's office has been hired to help train and supervise the Department's arson investigators and crime scene specialists.

E. Recent Legislation

The Illinois General Assembly adopted four bills in 1977 which crack down on arsonists and aid law enforcement officials in obtaining information in cases of suspected arson.

1. Public Law 80-807--"Aggravated Arson"

Public Law 80-807--"Aggravated Arson," sponsored by the late Senator Norbert A. Kosinski (who also sponsored the resolution leading to the Commission's investigation of arson), stiffened the penalties against convicted arsonists and created a new category of arson involving injury to others.

A person commits aggravated arson when by means of fire or explosive he knowingly damages, partially or totally, any building or structure, including any adjacent building or structure, in which he knows or has reason to know one or more persons is present and such person or persons, or a fireman or policeman who is present at the scene acting in the line of duty, is injured as a result of the fire or explosion.

This bill carried a minimum four-year prison term. Under the old law, all types of arson were classified as felonies punishable by one to 20 years in prison and a fine up to \$10,000. Aggravated Arson was classified as a Class 1 felony instead of Class II.

2. "Class X" Legislation

In December, 1977, Governor James Thompson signed into law his "Class X" legislation which applies to serious crimes such as arson, rape, murder and repeated offenses. This legislation made important changes in Public Law 80-807 and stiffened the penalty for aggravated arson. Under "Class X" a person commits aggravated arson when he knowingly damages any structure and "he knows or reasonably should know that one or more persons are present therein or any person suffers . . . injury as a result of the fire or a fireman or policeman fighting the fire is injured." The individual can be sentenced to a minimum of six years and a maximum of 30 years in prison, without benefit of probation, work release or conditional discharge.

3. Public Law 80-488--"Insurance Company Disclosure"

In the past, insurance companies were hesitant to cooperate with law enforcement officials in sharing information about their insured. Subpoenas were usually required to get any information on the insured's past claim history, the amount of insurance carried on the property or the premium payment history. However, on September 6, 1977, a new law was passed which requires insurance companies to release information and cooperate with law enforcement officials in cases of fire loss and suspected arson.

Public Law 80-488 reads:

The Fire Marshal or personnel from any other authorized law enforcement agency charged with the responsibility of investigating a fire loss, may request any insurance company investigating a fire loss of real or personal property to release any factual information in its possession which is pertinent to this type of loss and has some relationship to the loss itself. The company shall release the information and cooperate with any official authorized to request such information pursuant to this section. The information shall include, but is not limited to:

- 1) Any insurance policy relevant to a fire loss under investigation and any application for such a policy;
- 2) Policy premium payment records;
- 3) History of previous claims made by the insured for fire loss; and

- 4) Material relating to the investigation of the loss, including statements of any person, proof of loss, and any other relevant evidence.

This law also requires insurance companies to notify the Fire Marshal or other law enforcement officials in cases of suspected arson. The law absolves the insurance companies of "any liability for damages in a civil action or criminal prosecution for any oral or written statement made or any other action taken" as a result of their cooperation with law enforcement officials. If an insurance company fails to cooperate, it is guilty of a misdemeanor and subject to a fine of up to \$100.

4. Public Law 80-904--Payment of Back Taxes

In an effort to take the profit motive out of torching slum property the General Assembly passed a law which prohibits the insurance company from paying any claim for damage on a structure until the owner proves that all taxes and demolition expenses owed on the property have been paid.

It shall be unlawful for any insurance company authorized to issue basic fire and lightning insurance policies in this State to pay any claim on any policy . . . for damage . . . if the total amount of the claim . . . exceeds \$5000 until the insured property owner submits to the insurance company, . . . proof that all general and special taxes with respect to such property have been paid and any demolition expenses incurred . . . by any unit of local government have been paid.

If the owner doesn't pay these expenses, the insurance company can withhold payment of the claim or deduct the amount needed to pay the taxes and demolition expense from the proceeds. This law went into effect January 1, 1978.

5. Licensing Public Adjusters - Proposed Legislation

House Bill 1184 is a bill designed to license public adjusters and is currently assigned to the Interim Study Calendar, after having passed two readings in the House. The bill creates the "Public Adjuster Regulatory Act" and would license and regulate public adjusters--those who adjust insurance claims for the insured. Claims adjusters who work for insurance companies are not covered under this legislation. The Director of Insurance would establish the rules and regulations and be permitted to conduct investigations concerning the qualifications of the applicants. The Director of

Insurance could also establish guidelines for public adjusters in writing contracts and maintaining records. The Commission has developed its own public adjuster's bill for consideration and it is discussed in Appendix J.

Chapter 7

ARSON: COMPARISON OF ILLINOIS TO OTHER STATES

A. Survey of State Fire Marshals

1. Illinois

The State Fire Marshal's office is an autonomous agency. The legislature transferred the responsibility for conducting in-depth arson investigations from the Fire Marshal's office to the Department of Law Enforcement (IDLE) during the summer of 1977. The Fire Marshal's office currently has the responsibility to make preliminary determinations into the cause and origin of a fire when called in by a local authority. In cases of suspected arson, the case is referred to IDLE for investigative follow-up. The effectiveness of this arrangement has not been determined at this writing. IDLE's success will depend upon the priority arson investigations are given, the competence of the personnel involved, and the amount of manpower committed to the investigations.

The State Fire Marshal's office will continue to inspect facilities that are licensed by the State prior to initial occupancy: all parochial schools; nursing homes and extended care facilities. The office will also provide training assistance upon request to fire departments throughout the State. (Statistics on the number of fires investigated by the State Fire Marshal, arrests and convictions from 1972 to the first half of 1977 are included in *Appendix F.*)

The Marshal's office receives a budget appropriation of approximately \$1.5 million annually from the State's General Fund. Funds are provided by levying a tax on all insurance companies providing fire and extended coverage policies in the State at a rate of one-half of one percent of the premiums collected annually from policy holders. This tax revenue accounts for more than the State Fire Marshal's appropriated budget, so the excess remains in the General Fund.

Fire Marshal Investigators have been criticized by some suburban and rural fire departments for their lack of thoroughness, incomplete reports and poor record keeping. The City of Chicago and the Fire Marshal's office have mutually agreed that the City will be fully responsible for its own investigations.

Former State Fire Marshal Robert Walsh acknowledged some of the problems with investigations: heavy case loads for the 15 investigators, inadequate detection equipment, and a low budget which results in low-paid staff. The current entry

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salary for an investigator is \$13,000. At this level it is difficult to obtain qualified applicants and to retain them once they are hired. Retired fire chiefs are often hired because they can supplement their income with pension benefits.

A common complaint of fire investigators is the lack of police powers. This handicaps the investigations and hinders them from collecting records from the Bureau of Identification and other law enforcement agencies. The results of their investigation must be turned over to other agencies for arrest and prosecution.

2. Other States

In order to learn what other states were doing to combat arsons, a questionnaire was sent to each State Fire Marshal requesting statistical information, copies of their arson statutes, and a description of the State Fire Marshal's duties.

Of the 49 questionnaires distributed there were 28 responses: 18 indicated that the State Fire Marshal had limited police powers.

Of the 28 respondents, 24 states have degrees of arson which provide different penalties according to the type of structure or item burned. Arson in the first degree generally covers damage to an occupied structure or dwelling. First degree arson in some states is defined as a set fire placing human life in danger of death or serious bodily injury. The state of Washington includes firemen in its statute as does Illinois' new "aggravated arson" law.

States vary on whether arson is a Class 1 or 2 felony. The typical punishment in most states is 2-20 years in prison and some states include a fine. Arson in the second degree is usually defined as a fire set to any other building not defined in the first degree arson statute, when human life is not endangered. These are usually Class 2 felonies with prison terms up to 10 years. The State of Virginia defines arson of a dwelling at night as Class 3 felony and during the day as Class 4 felony.

States that have a Class 3 arson felony usually define it as an intentionally set fire to the personal property of another, punishable by a maximum sentence of five years plus a fine. Wyoming and Alaska classify attempted arson as Class 4. Tennessee punishes attempted arson with 12 months in jail. In Maryland the maximum penalty is 10 years;

all other states which responded set the maximum at two years for attempted arson.

Several states have tailored their statutes to meet specific state problems. For example, in Wyoming intentional burning of standing timber is considered Class 1 arson. Rhode Island, California and Maryland specifically prohibit the burning of crops. Arkansas prohibits the burning of woodlands, including setting fire to your own land with the intent to let it escape to another's.

Hawaii does not have a separate arson statute, instead, arson falls under the criminal damage to property statute, which is divided into four degrees. A number of states use their malicious mischief and criminal damage to property statutes to catch anything missed in their arson statutes. Several states also provide for a section entitled "offense by a married woman" who sets fire to her husband's property!

B. Seattle's Arson Investigation Unit

1. Seattle's Task Force Study on Arson

In response to a sharp increase in suspected arsons and the corresponding dollar loss in Seattle, Mayor Wes Uhlman convened a task force on arsons "to reduce the dollar loss and incidents of arsons in Seattle-King County." In 1971, arson losses in Seattle totaled \$621,000. By 1975, just prior to the formation of the Task Force, fire losses attributed to arson for the entire year were projected to be over \$4,400,000. The direct economic loss from arson was projected to be six times greater in 1975 than in 1971. But economic loss was only part of the problem. Arsons in that same time frame had cost three lives, 187 civilian injuries and two injuries to fire fighters. City officials stated that arson hurt the local economy more "through the loss of jobs and tax revenues than through the direct loss of burned property." Arson also dramatically raised the cost of fire protection services, and as a result, fire insurance premiums. The task force recommended the following:

1. Place the Arson Investigative Unit under the direct supervision of the Fire Chief;
2. Arson investigations should involve the joint efforts and resources of the Seattle Police and Fire Departments;
3. The arson investigation skills of the fire fighters and police detectives should be improved through an extensive arson training program;

4. Effective public relations is necessary to communicate to the public that the City is making an all out effort to combat arson.

The Seattle Arson Task Force recognized that "the problem of controlling arson is compounded by the inherent difficulty of depending on two separate municipal agencies to initiate and complete arson investigations." A Stanford Research Institute Study on Arson reiterated this point.

Arson control unfortunately suffers from two handicaps. Arson is an inherently difficult crime to detect and prosecute, and it falls in a governmental gap between police and fire department responsibilities that is too often not effectively covered.

2. Creation of the Seattle Arson Investigative Unit

Following the recommendations of the task force, the Arson Investigation Unit was placed under the supervision of the Fire Chief in April, 1975. The Unit moved to larger quarters, additional staff was hired, and new equipment was purchased. The unit organization includes one Captain, one Lieutenant and eight investigators. Two police detectives volunteered to be assigned to the unit. The tentative plan is to make their assignment about two years with freedom to leave at anytime. The Seattle Fire Chief has operation control over the personnel which includes case assignments, hours, workload, etc., while the Seattle Police Chief maintains the administrative responsibilities--payrolls, vacations, etc.

The Unit operates on two, 10-hour shifts--7:30 a.m. to 5:30 p.m. and 4:30 p.m. to 2:30 a.m.--seven days a week and it is on-call the remainder of the day. All members are commissioned peace officers who carry arms and exercise arrest powers. Each member is responsible for his case preparations and he works closely with the prosecuting attorney. They all testify extensively in court.

Because of budget constraints and manpower considerations, the Unit investigates all fires accidental or incendiary with a loss value of \$1,000 or more. During 1975, "their overall apprehension rate of arson fires investigated (adult and juvenile) was 26 percent. The overall conviction and judgments were 19 percent, with the conviction rate for those charged running at 74 percent."

Coordination between the police department and the fire department provides continuity to the investigation and allows the investigative teams to complete cases for prosecution.

3. Arson Investigator's Training Program

The Task Force recommended a three-phase training program for arson investigators: basic training--similar to the Basic Law Enforcement Course taught by the Seattle Police Department; Crime Scene Investigation; and Advanced Arson Investigation. *(Copies of the course outlines are enclosed in Appendix G.)* This is one of the most comprehensive training programs in the country.

Total cost of this three phase program computed on the basis of an instructor receiving \$13 an hour and supplies is \$10,700. Several persons interviewed felt that the curriculum should include information on laboratory detection of arson and familiarity with the equipment and process, this is not currently included in the curriculum.

4. Effective Public Relations

Seattle authorities agree that informing the public of the City's efforts in arson investigation plays a major role in the reduction of arson.

Shortly after the Seattle task force on arson was announced, the media made an all-out effort to scare away potential arsonists by repeating, "If you start an arson fire in Seattle, you stand a good chance of being caught. And if you are caught you stand an even better chance of going to jail." Although it is impossible to prove, the Fire Department contends that this message repeated over and over helped prevent more fires.

Locally, the Seattle Fire Department enjoys excellent public relations with all news media. This cooperation has resulted in more positive news coverage and community support for Fire Department programs.

An "Arson Alarm" program is being coordinated by the State Fire Marshal's office, and insurance and State agencies help pay for the widespread media campaign. All 12 of the State's television stations and 115 radio stations broadcasted public service announcements while outdoor billboards and window posters for commercial buildings displayed related messages as part of "Arson Awareness Month" in June, 1977. Over 25,000 telephone decals and 15,000 bumper stickers were distributed by fire officials throughout the State.

A toll-free statewide "Arson Hotline" was established on June 1, 1977. Anyone having information that could lead to the arrest and conviction of an arsonist is asked to call this number. The Seattle Fire Department's Arson Unit then distributes this information to the appropriate law enforcement agency.

5. The Washington Insurance Council

The Washington Insurance Council has played an active role in arson prevention in Seattle. The Council established an "Arson Award System," which awards up to \$5,000 to any person who provides information leading to the arrest and conviction of an arsonist. To be eligible, information must be furnished to a member of the fire services who is investigating the fire in question, paid informants do not qualify. The Council accepts nominations for the awards from law enforcement officials after the case has been prosecuted. This is an annual award and may be divided among several people.

The Council developed an "Arson Information Coordinator Directory," which is designed to provide fire investigators with a source in each insurance company who can tell them quickly whether the information about a particular fire will be given without a court order or a subpoena. (Washington does not have an insurance immunity law like the one recently passed in Illinois.)

The Council is also responsible for the "Arson Bulletin," which is mailed to every fire department in the State as well as to major insurance companies. It is designed to exchange ideas and information about arson and fire prevention. The Council also funds the State-wide toll-free arson hotline and conducts seminars to instruct how to defend against arson fraud.

6. Fire Prevention Patrols

Seattle's Fire Prevention Patrol was formed in order to enhance community relations. These patrol units are similar to the special arson task forces created in certain neighborhoods of Chicago.

The Seattle Patrol is composed of uniformed fire personnel who utilize patrol cars. They select neighborhoods where the potential for fires, and especially arson, is greatest.

During the gasoline shortage, many car dealers throughout the nation suffered costly, "suspicious fires." It was alleged that businesses were set on fire intentionally, because of

declining profits, in order to collect insurance money. In Seattle, during this period, the Fire Prevention Patrol increased the frequency of their visits to car dealers, and as a result, not one fire of a "suspicious nature" was recorded. The routine patrol by this unit has also provided the local police with information on illegal or suspicious activities.

"CODE RED" is Seattle's latest residential fire prevention program. The program uses both firemen and civilian home inspectors. The entire concept is based on visiting a neighborhood which has just suffered a fire, since the residents are as fire-safety conscious as they'll ever be at that time. Civilian inspectors discuss the cause of the fire and prevention methods with neighborhood residents.

The "CODE RED" team consists of a Fire Department officer/moderator, the members of the engine company that actually handled the fire, and two civilian inspectors. When it's possible, the homeowners' group will actually visit the scene of the fire to learn about the fire's point of origin and to see how it spread.

Home maintenance and fire prevention tips are discussed and the session ends with a 20-minute film dramatizing the need for an early warning smoke detector system. "CODE RED" is known as a "residential, educational and early warning program that works."

7. Arson Information Retrieval Source

The Seattle Fire Department created an arson information retrieval system which is shared by fire and law enforcement agencies in 10 cities in the greater Seattle metropolitan area.

This system collects basic arson incident information from the participating departments. It is designed as a referral system. The recorded information is cross-referenced into five main categories: building and insurance information, corporate information, modus operandi, criminal information, and suspects. *(A copy of their retrieval form is enclosed in Appendix H.)* After the system is refined, it will be expanded throughout the State and separate regional centers will be established to store information.

C. The Houston Fire Department's Arson Squad

The Houston Arson Squad is the sole responsibility of the Fire Department. The firemen have been trained extensively in criminal procedure and investigation methods. There are no members of the Houston Police Department on the Arson Squad.

1. Background--The Growing Arson Problem in Houston

Alcus Greer, Houston's Fire Marshal, said that arson has been a major problem in the city for years, but little had been done about it until recently. "In 1959, we had 190 incendiary fires with a fire loss of \$750,000. In 1970, we had 557 incendiary fires with a loss of about \$2,500,000. The fires of incendiary origin and suspicious origin composed about 25 to 60 percent of our total fire loss in the last ten years." Up until 1970, the Houston Fire Department had neither the staff, nor the expertise to deal with the mounting arson problem.

2. The Arson Unit

Although the Police Department works closely with the Fire Department when needed, Houston Police officials believe that arson investigation responsibilities can best be handled by firemen. In the event of homicide or burglary, coupled with arson, the police officers will get involved in only the homicide or burglary portion of the case. The Arson Squad does not investigate every fire; instead the Battalion Chief determines when to call in the arson unit.

A total of 30 investigators work in the Arson Squad. In a matter of months after the unit was set up in 1970, arson cases were being broken, according to Fire Marshal Greer. "In 1970, over 350 subjects were charged with arson and kindred crimes. . . Incendiary losses dropped from 2.5 million to 1.5 million in 1971. In 1971, the Arson Squad cleared 341 felonies, not counting 80 cases where juveniles were released to their parents," Greer said.

3. Training Curriculum for Arson Investigators

To enhance the fireman's knowledge in the areas of criminal procedure and investigative work, an extensive curriculum has been established in Houston.

Arson investigators undergo the same training as police officers. This training must be completed within one year of their appointment to the Arson Squad. The basic course consists of a minimum of 240 classroom hours. In addition, the arson investigator must complete more advanced training, within two years from the date of appointment to the Arson Squad. (*Highlights of Houston's Arson Training Program are included in Appendix I.*)

After completing this training, the investigator must have one year's experience to receive the Basic Fire Investigator's Certificate.

The investigator may continue to obtain intermediate, advanced and master Fire and Arson Investigator's certificates providing he; obtains intermediate and advanced law enforcement officer's certificates, completes additional arson courses; and accumulates additional years of experience.

The Houston Fire Department has added additional training for arson investigators totalling over 400 classroom hours--one of the most extensive arson curriculums in the country. The instructors are local authorities from the District Attorney's office, local Federal Bureau of Investigation office, and other private agencies. Plans are being made to offer arson investigation courses to police officers as well.

4. The Arson Squad's Facilities

The Houston Arson Squad is fast approaching a self-sufficient bureau. Plans are now under way to build their own criminal investigation lab to replace using the department's and the University of Houston's laboratories. The Squad has three polygraph examiners, three fingerprint experts and plans to acquire a chemist in the near future.

John B. Holmes, Jr., Assistant District Attorney for Harris County, said that the arson investigators are not relying enough on criminal evidence to support their cases. Instead, he said most arrests and convictions are a result of confessions. As far as laboratory analysis is concerned, Holmes said that he has never seen any physical evidence in his arson cases. He pointed out that in arson cases, physical evidence in his arson cases. He pointed out that in arson cases, physical evidence is very rare, and that the arson investigators do not have much expertise in collecting what physical evidence there may be.

D. Bronx County New York's Arson Unit

The District Attorney's office of Bronx County, New York, plays a very active role in arson investigation. Five Assistant District Attorneys are assigned full-time to monitor arson investigations. They review and evaluate arson arrests, prepare cases for presentation to a Grand Jury or a court of law, and may be active in plea negotiations. An Assistant District Attorney is assigned and held responsible for the case from time of complaint until completion of the

trial. The arson program is funded by a grant from the Law Enforcement Assistance Administration.

Six trained investigators are part of the arson unit along with the full efforts of the police department and fire marshals who also assist in the investigations. The District Attorney's investigators respond to fire scenes, secure evidence, conduct interviews and aid in the preparation of arson cases. They are equipped with cameras, electronic surveillance equipment and other necessary tools.

Assistant district attorneys attend community meetings and contact local businesses in order to publicize the Arson Unit's programs and efforts to combat arson.

Public information is another vital component of this program. Arson convictions and significant arrests are released to the news media with the hope that they will serve as a deterrent to future arson attempts.

Chapter 8

CONCLUSIONS AND RECOMMENDATIONS

A. Arson in Illinois and Arson Prevention

The Commission's arson investigation identified arson committed by vandals and arson-for-profit schemes as the most costly and prevalent forms of arson being committed in the State. These two types of arson can be dealt with in a limited fashion, whereas fires set by a pyromaniac, or a person in a state of rage are virtually impossible to prevent.

Our research revealed that there is a direct correlation between Chicago communities with a large number of abandoned buildings and intentionally set fires. These structures become likely targets for vandals and gangs to commit arsons. Steps must be taken to remove or rehabilitate these structures and eliminate the temptation for the arsonist.

Lately, community groups in Chicago have played a key role in compelling local government to inspect these properties and drag the owners into Housing Court. Unfortunately, there is often a six month delay before any corrective action is taken and in the meantime, the structure remains a likely target for arson. The Commission recommends that the Chicago Corporation Counsel review Housing Court's legal procedures in an effort to streamline this process.

In those instances where it is economically feasible to rehabilitate the structure, the property owner should be referred to one of the City's rehabilitation assistance programs. Since this financial and technical assistance is only available in select communities, we recommend that the City of Chicago--in conjunction with private lending institutions--consider making this type of program available throughout the City.

In many instances, the owner of abandoned properties in Chicago is the United States Department of Housing and Urban Development (HUD). These structures are caught in the tangle of foreclosure. The Commission recommends that the City and HUD work out an agreement to insure that these buildings are properly managed and either boarded up or occupied on an interim basis until such time as the property is resold or demolished.

In neighborhoods with high concentrations of unattended properties, it may be necessary to create special arson task forces to patrol the area, similar to those created in the

Uptown and Humboldt Park communities of Chicago. At the same time, building code inspections and enforcement should be concentrated in these neighborhoods.

The other prevalent form of arson is that for profit. Weaknesses in insurance underwriting procedures, and the current economic climate which creates rapidly escalating property values, have made arson-for-profit schemes attractive.

The best offense against arson-for-profit is for the insurance agencies to know more about the property and the owner that they insure. By providing insurance coverage, an insurance company is insuring a property owner against economic loss. Therefore, the insurance company's decision whether to insure that property should be based upon the financial condition of the owner and the existing physical condition of the property.

Understandably, the insurance company cannot inspect every property that it insures or require financial disclosure statements on every owner. But our investigation revealed several indicators that would alert an insurer to make careful examination into the potential risk of insuring a property. These include: extensive code violations; accumulated debris; unrepaired fire damage; a high vacancy rate over a long period of time; or requests for dramatic increases in fire protection coverage.

We must stress that the insurance industry should screen its clients more closely and challenge suspected fraudulent claims in criminal and civil court. With the passage of the new insurance immunity legislation, the Commission anticipates closer cooperation between law enforcement officials and the insurance industry to ward off arson-for-profit schemes.

B. The Need for Closer Cooperation Among Fire Prevention Agencies

As has been stated throughout this report, the Commission concludes that fire prevention is the first line of defense against arsons. However, we found a number of incidents where inspectors responsible for enforcing building and fire codes did not bring violations to the proper attention of authorities or share information with one another to insure that the property owner was forced to bring his property into compliance.

In May, 1977, 164 people died in a tragic fire at the Beverly Hills Supper Club in Southgate, Kentucky. Although the fire has been attributed to blatant code violations and unsafe conditions, the irresponsibility of a variety of public officials and the lack of coordination between agencies

provides some lessons for Illinois. Illinois can learn from this Kentucky fire and take immediate steps to prevent a similar tragedy.

In an investigative report prepared for the Governor of Kentucky by a special task force in September, 1977, glaring code violations and shoddy construction were identified as the cause of the fire--violations which had either been noted or ignored by inspectors.

However, Beverly Hills (Supper Club) continued to operate although many of these code violations were known by the insurer, the operators and owners, and were noted as concerns as a matter of record in the (state) fire marshal's office. A frequent thread running through the testimony indicates that many officials relied on someone else to correct the situation, each in turn believing either that he was without power to act or that the other had acted. The only participants in the tragedy who were clearly ignorant of the latent danger hidden behind walls and within concealed spaces, were the patron-victims. (Page G-2, excerpt from the Investigative Report.)

Inspectors for the City of Southgate, the State Fire Marshal's office and the Kentucky Fair Access to Insurance Requirements (FAIR) Plan, which insured the property, had all visited the Supper Club and were aware of serious code violations. The inescapable question is why were hazardous conditions at the Supper Club, which had previously been brought to the attention of state and local officials, permitted to continue until the tragedy occurred.

Ideally, fire prevention efforts should involve numerous agencies at the local and state level, each one acting as a check against the other for the protection of the general public and the property owner.

C. Recommended Responsibilities for Various Agencies Involved in Arson Prevention or Detection

As a result of our investigation, the Commission has submitted its recommendations for improving arson prevention and detection services throughout the State. In some instances, we recommend that an agency fulfill its legislative mandate and perform the function that it has been delegated; in other instances, we ask agencies to expand their responsibility. Finally, in some cases, we recommend legislative change.

1. The Voluntary Insurance Industry

Over the past few years, the Illinois insurance industry has taken great strides in educating their own claim adjusters in detecting arson and most recently in developing public awareness on the topic of arson. It has sponsored a statewide "hotline" number to receive calls on suspected arson or arsonists, and it is in the process of setting up an "Informants Program" in the Chicago metropolitan area. This program would provide a monetary award to individuals who provide law enforcement officials with information leading to the arrest or conviction of an arsonist. We applaud these actions and urge the industry to go further with public awareness campaigns on fire prevention and arson.

But our primary recommendation to the insurance industry, both the voluntary market and the FAIR Plan, is to learn more about the property that it insures and the owner of that property. This can be accomplished by asking the owner questions about his financial means, history of fire claims, etc. and thorough on-site inspections of the property prior to accepting the insurance risk.

We recommend that the insurance companies cooperate in sharing information on the condition of property inspected with local code enforcement authorities and vice versa.

Two laws recently passed by the State legislature should assist the insurance industry in arson detection. Insurance companies are now required to release information to authorized law enforcement officials in cases of suspicious fires, and the companies will not be held liable in any future legal action which may be taken against them by their insured. Also, insurance companies are now prohibited from paying insurance claims over \$5,000 until the owner proves that he has paid all tax liability and where applicable, the demolition expense.

In cases where there is insufficient evidence for a criminal conviction, we urge the insurance companies to vigorously pursue civil redress. Testimony from various prosecutors revealed that publicizing the fact that fraudulent claims will be challenged can create a deterrent effect.

The Commission requests that the media assist in publicizing the arrests and convictions of arsonists and report cases where an insurance company files a civil suit against an insured, challenging an insurance claim following a suspicious fire.

The Commission also supports the insurance industry's efforts in establishing a nationwide data bank, as described in Chapter 6. A centralized record keeping service would aid insurance companies and law enforcement agencies in determining properties that have multiple coverage, repeated fire claims, and other information of importance that could help prevent or deter arson crimes.

2. Fair Access to Insurance Requirements

In the Chicago metropolitan area, the Illinois Fair Access to Insurance Requirements (FAIR) Plan insures the majority of residential properties that are victims of incendiary or suspicious fires. According to the Chicago Metropolitan Loss Bureau figures, between January 1st and August 31, 1977, the FAIR Plan had 143 incendiary fires which amounted to \$2,991,497 in claims. By contrast, the regular market had 79 incendiary fires for a total of \$1,129,493.

The correlation between the FAIR Plan and properties that are being torched is too obvious and reoccurrent to ignore. It stands to reason that the properties most likely to be torched by vandals are those in the worst condition. And typically, the owner of these properties cannot get fire protection insurance from the voluntary insurance market and must resort to the FAIR Plan.

After reviewing the applicable federal and state statutes and talking with representatives from the Illinois Department of Insurance, we conclude that the FAIR Plan can and must tighten its underwriting criteria. This can be accomplished by simple administrative change. According to the FAIR Plan's attorney, a change in state law is not necessary to alter the FAIR Plan's criteria for insuring property, as long as it exercises "reasonable underwriting criteria" and stays within the legislative intent of the program.

The Commission believes that the FAIR Plan must make a closer examination of the owner and the property that it insures. In our discussions with officials from the FAIR Plan, they agree with being more selective in the properties they insure but complain that the State and HUD will not let them.

Yet, in conversations with the Illinois Department of Insurance, we learned that the FAIR Plan officials could go ahead and alter their underwriting criteria on their own and that the Department of Insurance would most likely concur. Rather than continue to say "we cannot," we recommend that the governing board of the FAIR Plan, in conjunction with the appropriate officials from the Illinois Department of Insurance

and the Federal Insurance Administration, review the current underwriting criteria with the goal of making certain that the FAIR Plan is not burdened with blatant insurance risks.

Several years ago, the Illinois FAIR Plan experimented with a policy of "constructive abandonment," which permitted an existing FAIR Plan policy to be cancelled with only five days notice (instead of 30 days). Under this policy, serious dangers or a dramatic change in the condition of the insured property, allowed the policy to be cancelled quickly. The Illinois Department of Insurance and the Federal Insurance Administration approved this policy change on an experimental basis. Although the new policy seemed to be successful, State law was amended to mandate 30 days notice to cancel insurance coverage, thereby eliminating the experimental policy. (See Chapter 4, page 42 for further discussion of "constructive abandonment.")

The Commission discovered that in urban areas the condition of property can change dramatically overnight. Therefore, we recommend that legislation requiring 30 days notice of insurance cancellation be altered to allow the FAIR Plan to reinstate a policy of "constructive abandonment."

The Illinois FAIR Plan, like other state FAIR Plans, is, in effect, a public subsidy program. The individual insurance companies participating in the FAIR Plan directly or indirectly pass on their costs associated with this program to their policyholders in the form of higher premiums. We conclude that those policyholders, who pay for voluntary insurance coverage, have a right to know exactly how much of their premium payment goes to the FAIR Plan. Therefore, we recommend that the State require that this contribution be shown separately on every premium bill [this is now being done in Ohio].

Last fall, Senator Charles Percy asked the General Accounting Office (GAO) to review the Federal Riot Reinsurance Program, which is the enabling legislation for the FAIR Plan. Senator Percy said that there is reason to believe the FAIR Plan helps to encourage arson-for-profit schemes. The Department of Insurance and the governing board of the Illinois FAIR Plan should review and become familiar with this document once it is published.

In general, our investigation of the FAIR Plan reflects that, until recently, the Illinois FAIR Plan has been allowed to function with little direction or supervision. We are aware that the Department of Insurance recently completed an audit of the FAIR Plan and criticized the administration of the program. We are also aware that the FAIR Plan's request for a premium

rate increase was recently denied by the Department of Insurance. We recommend that the decision on the rate increase be deferred until the underwriting criteria are reviewed.

3. Illinois Department of Law Enforcement

Last summer, the General Assembly passed Public Law 80-56, which reorganized the Illinois Department of Law Enforcement (IDLE). Under the new reorganization, the State Fire Marshal's office will determine the cause and origin of a fire, when requested to do so by a municipality. Once it is determined that the fire is of a suspicious nature, the Fire Marshal's office will relinquish the investigation to IDLE.

This change in the law has created some confusion between IDLE's and the State Fire Marshal's responsibilities. At the time of this report, this matter is still under discussion. Therefore, the Commission does not wish to take a stand on this matter since the law is new and the administrative agencies involved have not had the opportunity to work out a clear division of responsibility.

Instead, we will state the options as we see them. On one hand, arson should be viewed as a crime just like burglaries, murder, embezzlement, etc., and therefore, logically belongs under the supervision of IDLE for investigating purposes. Arson investigations must begin immediately, while the fire is still smoldering and evidence and leads are fresh. So it makes sense to have one agency responsible for an arson investigation from the beginning all the way through prosecution.

On the other hand, the State Fire Marshal has the personnel and experience to determine cause and origin of a fire and has developed working relationships with the local authorities, not only in investigating arsons, but in carrying out routine fire prevention inspections.

4. The State Fire Marshal's Office

Although the arson investigation function was transferred to IDLE, the State Fire Marshal retains the responsibility for fire prevention throughout the State and responsibilities previously held. Throughout our investigation, we were hampered by the lack of reliable statistics on fires in Illinois and specifically arsons. We realized an arson problem existed, but we could not accurately measure whether it had grown and/or to what extent. The State Fire Marshal has the responsibility for determining the reporting method to be used by all fire departments in the State in recording fires of any type:

suspicious, incendiary or undetermined. The State Fire Marshal must insist that the various municipalities, particularly the City of Chicago, comply with this request for information in the format prescribed by the State Fire Marshal's office.

We recommend that the State Fire Marshal join with other states in recommending that arsons be transferred from a Part II crime to a Part I crime in the FBI Uniform Crime reporting statistics. This measure would improve the statistics available on arsons both locally and nationally.

5. Arson Investigations in Chicago

Our investigation of arsons in Chicago revealed that a number of suspicious fires are not being detected and that not enough attention is being given to investigating them. Under the current arrangements, the Bomb and Arson Unit works under the Chicago Police Department. Investigators are called to the scene of a fire only when a Fire Battalion Chief determines that there is a "suspicion of arson." In many instances, the Bomb and Arson Unit arrives long after the fire has been extinguished, resulting in the destruction of valuable evidence, as well as other investigative leads. We also observed that there is the tendency to downgrade the fire to "undetermined origin."

For these reasons, we recommend that the arson investigating function be returned to the Chicago Fire Department. We also recommend that the Chicago City Council pass the appropriate legislation granting firemen assigned to this unit full authority to investigate an arson case from beginning to end.

Based on our interviews in Seattle and Houston, we believe the Fire Department to be the most logical and qualified agency to conduct arson investigations. The Chicago Fire Department will still require the continued cooperation of the Chicago Police Department and the prosecutors in making arrests and convictions. On an as-needed basis, policemen should be assigned to this arson unit.

6. Municipal Authorities

We recognize municipal authorities have a great deal of power through code compliance and regular building inspections to assist in fire prevention. In the City of Chicago, a property buyer may ask for a "certificate of compliance" with local housing and fire codes before he will enter into agreement to buy property. There is a small fee for this certificate. We agree that this is a useful safeguard and can

help in reducing the number of deteriorating and abandoned properties so prevalent in Chicago neighborhoods and elsewhere throughout the state. We recommend that local municipalities consider passing the appropriate legislation which would require a certificate to be issued before a property changes hands. This would serve as a safeguard against existing hazards.

In Chicago, special arson task forces have been created for select neighborhoods in response to community group pressure to investigate the arson problem. We recommend that similar special units be established in other neighborhoods and municipalities through the state as needed. At the same time, these neighborhoods should receive concentrated code compliance inspections. The local building department should work in harmony with law enforcement to upgrade some of the properties that are the most likely targets of vandals committing arson.

In the Humboldt Park community, on Chicago's northwest side, a pattern of arsons appeared and, as a result, a special federal grand jury convened to study the matter and determine if a conspiracy was involved. It is recommended that federal and/or state grand juries be convened as necessary when there is an apparent increase or likely pattern of arsons in a community.

7. Trade Associations and Professional Organizations

Throughout our investigation, we were impressed by the efforts of several professional organizations and trade associations in their assistance to local authorities in the detection of arson and in a public awareness campaign on the problem.

In downstate Illinois, organizations like the Southern Illinois Arson Investigator's Association (SIAIA) have been formed to investigate arsons in several counties. Manpower and financial resources have been pooled to help combat a common problem. We recommend that the State consider providing some financial assistance to organizations such as SIAIA in the form of training or for the purchase of equipment used in arson detection.

8. Community Groups

The assistance of community groups, especially in Chicago neighborhoods, has proven invaluable to law enforcement officials in preventing and detecting arsons. They provide

vital services by monitoring activities around abandoned properties, applying pressure on various levels of government to reduce the number of vacant and deteriorating properties, and working with law enforcement officials to identify arsonists. Other community groups must get further involved in working closely with law enforcement officials to reduce the incidents of arsons and identify suspected arsonists.

D. A Legislative Proposal to License Public Adjusters

Finally, the Commission recommends that legislation be adopted to license and regulate Public Adjusters. The Commission's "Public Adjuster's Licensing Act" is included as *Appendix J*, of this report. This Act requires any person who adjusts or settles claims for an insured to be licensed by the Illinois Department of Insurance. In order to qualify for a license, an applicant must demonstrate good character as well as familiarity with the terms and effects of insurance contracts.

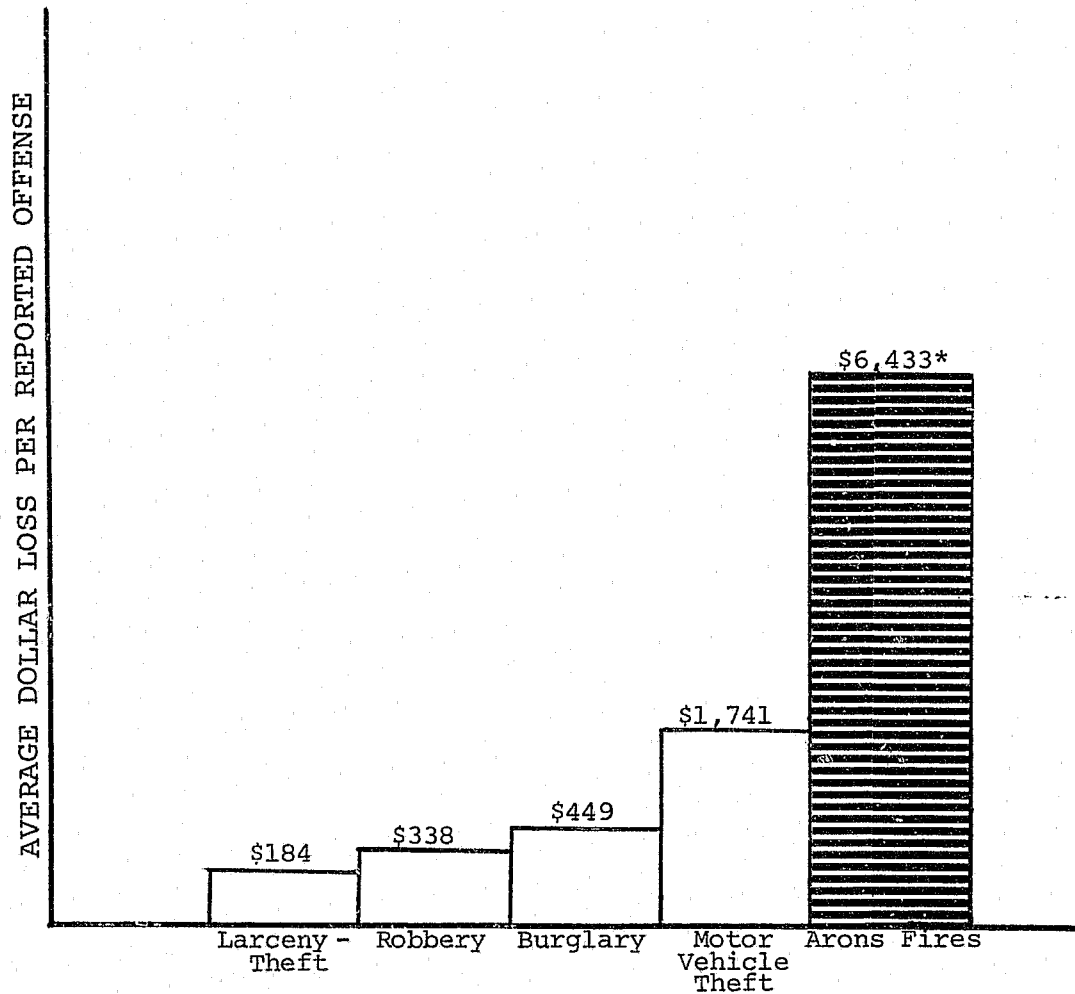
The Act requires an applicant to file a \$5,000 bond with the Department of Insurance as a protection for parties who may be injured by fraudulent or unfair practices by a licensee. Under this Act, an insured who enters into a contract with a public adjuster within 72 hours of his loss has the option of voiding that contract within 10 days. This legislation also imposes fines as well as the suspension or revocation of licenses for violations of the Act.

It is hoped that this bill will protect persons who have undergone the traumatic experience of an insurance loss from being further prey for unscrupulous public adjusters. Several states have recognized the need to regulate public adjusters and have passed legislation similar to that which is included with this report. The Commission urges the General Assembly to provide this same protection for citizens of Illinois and adopt this bill.

APPENDICES

Appendix A

ARSON COMPARED TO OTHER CRIMES
AVERAGE DOLLAR LOSS
(1976 FIGURES)



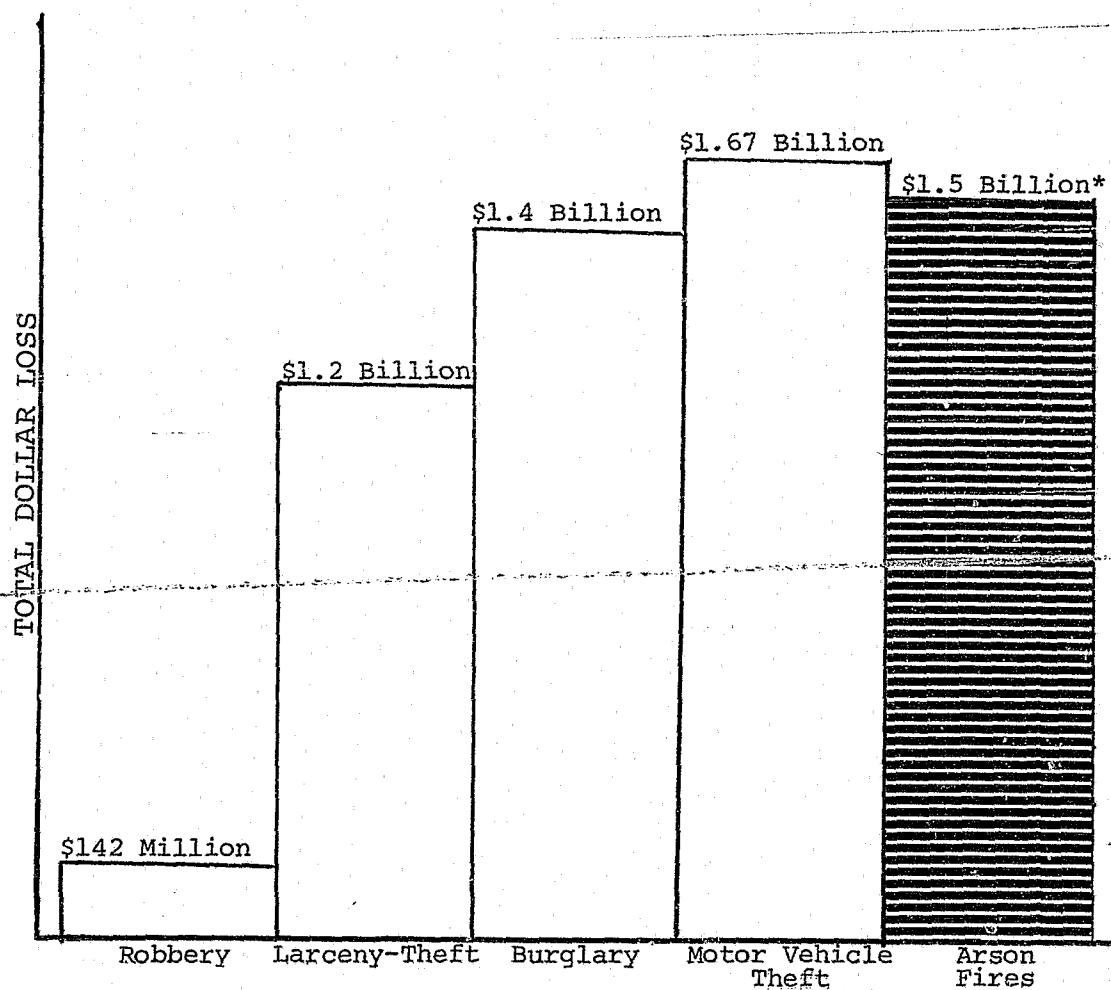
Sources: F.B.I. - 1976 Uniform Crime Report Statistics and American Insurance Association (AIA)

**AIA figures not broken down into separate categories of Arson Fires and Suspicious Fires.*

Insurance Information Institute unable to provide 1976 statistics.

Appendix B

ARSON COMPARED TO OTHER CRIMES
TOTAL DOLLAR LOSS
(1976 FIGURES)



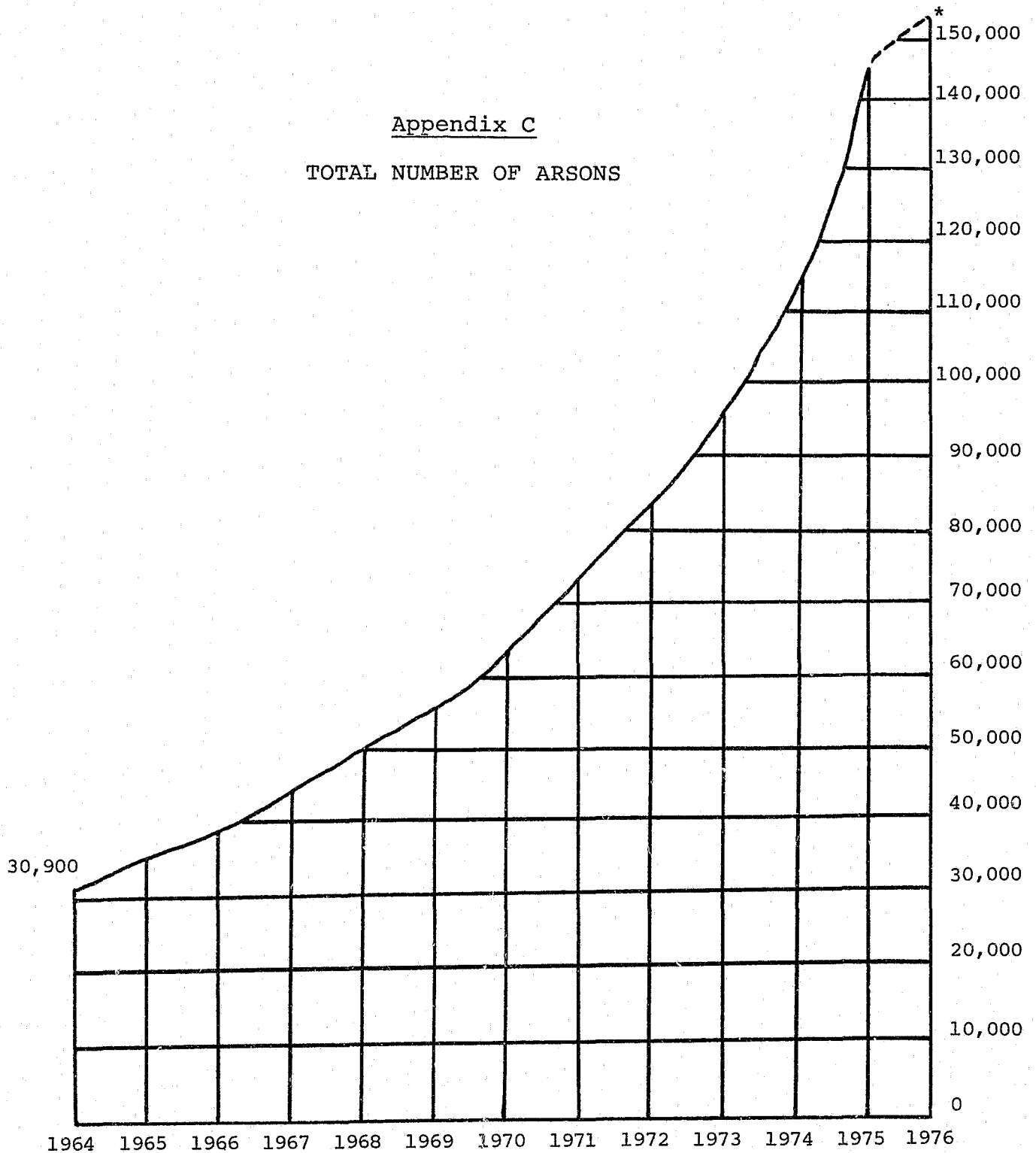
Sources: F.B.I. - 1976 Uniform Crime Report Statistics and American Insurance Association (AIA)

**AIA figures not broken down into separate categories of Arson Fires and Suspicious Fires.*

Insurance Information Institute unable to provide 1976 statistics.

Appendix C

TOTAL NUMBER OF ARSONS



Estimates from the National Fire Protection Association (figures include suspicious fires)

*Estimates for 1976 not available

Appendix D

LIST OF COMMUNITIES ELIGIBLE FOR ILLINOIS FAIR PLAN ASSISTANCE

The areas within the established limits of the following communities qualify as Urban Areas and therefore are eligible areas for FAIR Plan insurance.

Alorton	Edwardsville	Peoria
Alton	Edwardsville Twp.	Phoenix
Aurora	(Madison County)	Pontoon Beach
Belleville	Elgin	Posen
Berwyn	Evanston	Quincy
Bloomington	Fairmont City	Riverdale
Blue Island	Fairmont School Dist.	Robbins
Brooklyn	89 (Will County)	Rock Falls
(Lovejoy P.O.)	French Village Fire	Rockford
Burnham	Protection District	Rock Island
Cahokia	(St. Clair County,	St. Charles
Cairo	unicorporated areas)	St. Clair Twp.
Calumet City	Galesburg	(St. Clair County)
Canteen Twp.	Glen Carbon	Sauk Village
Carbondale	Granite City	South Chicago Heights
Caseyville	Gurnee	South Elgin
*Caseyville Twp.	Harvey	Springfield
Centreville	Joliet	State Park Fire
Centreville Twp.	Kankakee	Protection District
(St. Clair County)	Kewanee	(Near Collinsville)
Champaign	Madison	Stookey Twp.
Chicago	Markham	(St. Clair County)
Chicago Heights	Maywood	Summit
Chouteau Twp.	Milan	Swansea
(Madison County)	Mounds	Urbana
Cicero	Mound City	Venice
Collinsville	Mt. Vernon	Venice Twp.
Crestwood	*Mulberry Grove	(Madison County)
Danville	Murphysboro	Washington Park
Decatur	National City	(St. Clair County)
Dixmoor	Nameoki Twp.	Waukegan
East Alton	(Madison County)	Winthrop Harbor
East Chicago Heights	North Chicago	*Wood River
East Hazel Crest	*O'Fallon	*Worden
East Peoria	*O'Fallen Twp.	Zion
East St. Louis	Park City	

*Indicates New Addition

Appendix E

FAIR PLAN INSPECTION FORM for Dwelling Units

The form shown below is used by building inspectors hired by the FAIR Plan to inspect dwelling units. In each of the six categories shown, potential fire hazards are noted. Depending on the extent of the violations, the property owner is either surcharged until the hazards are corrected, or in cases of numerous, serious violations, he may be denied coverage.

Name of Applicant _____
 Location of Property _____
 Name of Person Contacted _____
 Date of Inspection _____ Time _____
 Was inside inspection made? ☐ Yes ☐ No Reason: _____
 Property Description: Number of Floors _____ Basement ☐ Yes ☐ No
 Construction: ☐ Brick ☐ Frame ☐ Brick Veneer ☐ Other _____
 Number of Family Units _____ Number of units occupied _____

HAZARDOUS PHYSICAL FEATURES

A. Heating

1. Type: ☐ Central ☐ Fixed Individual Units
☐ Other
2. Fuel: ☐ Oil ☐ Gas ☐ Coal ☐ Wood ☐ Other
 (Underline condition and explain)
3. Sub-Standard Heating Device(s) (not in good working order; unsafely arranged on wood floor; cut off switch not marked and not safe distance.)
4. Sub-Standard Fuel Supply (Unsafe piping; subject to damage; leak in supply line, etc.)
5. Sub-Standard Venting (if required) (vent in contact with combustible partition, ceiling, wall, roof, etc.)

B. Wiring: (Underline condition & explain)

1. Unsafe or Inadequate Wiring (loose, exposed or damaged wiring, not on proper supports; broken or missing switches or receptacles, plates missing; missing covers on junction boxes)
2. Nonstandard Extensions (exposed, damaged, spliced, fastened to walls or ceilings; extensively used)
3. Overloading or Overfusing (inadequate circuits; oversized or bridged fuses)
4. Other substandard wiring conditions

COMMENTS

A.

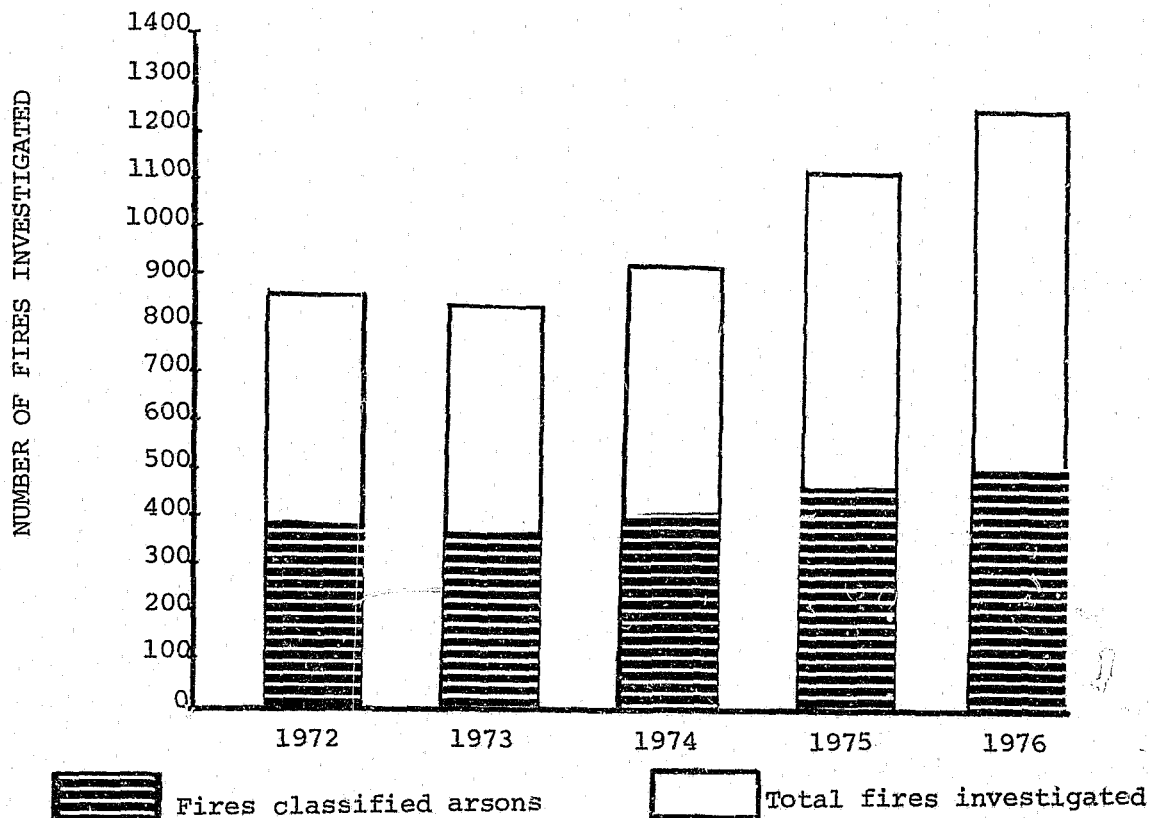
B. Fuses:

<p>C. Conversion (<u>Underline conditions and explain</u>)</p> <ol style="list-style-type: none"> 1. Use of premises beyond designed occupancy limits. 2. Subdivision or conversation or original living or other occupancy spaces into multiple units with overcrowded occupancy 3. Other substandard conversion features (Specify) 	<p>C.</p>
<p>D. Physical Conditions (<u>Underline condition and explain</u>)</p> <ol style="list-style-type: none"> 1. Building not in good repair (broken windows or plaster; sagging floors or roof; deteriorating walls; loose wallpaper, etc.) 2. Roof or chimney deteriorating 3. Exterior wood surfaces unpainted or decaying 4. Garages or porches not well maintained 5. Evidence of previous fire damages (See instructions) 6. Other substandard physical conditions (Specify) 	<p>D.</p>
<p>E. Housekeeping (<u>Underline if applicable, state if hazard is Light, Moderate or Severe and explain</u>)</p> <ol style="list-style-type: none"> 1. Rubbish, Litter or Debris in: <ol style="list-style-type: none"> a. Basement (or under open foundation) b. Floor (specify which) c. Hallways or stairways d. Attic e. Yard (of property) 2. Other Substandard Housekeeping Conditions (combustibles stored near hearing devices, etc., Specify) 	<p>E.</p>
<p>F. Special Consideration</p> <ol style="list-style-type: none"> 1. Is the property vacant? <input type="checkbox"/> Yes <input type="checkbox"/> No 2. Is the property occupied? <input type="checkbox"/> Yes <input type="checkbox"/> No 3. If vacant or unoccupied, is the building fully secured? <input type="checkbox"/> Yes <input type="checkbox"/> No 4. Is there any commercial occupancy? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, specify 5. If property is being rehabilitated, is there evidence of work in progress? <input type="checkbox"/> Yes <input type="checkbox"/> No 	<p>F.</p>

Appendix F

FIRES INVESTIGATED BY THE ILLINOIS STATE FIRE MARSHAL (1972 - 1976)

	FY72	FY73	FY74	FY75	FY76
Total Fires Investigated	889	852	950	1162	1282
Fires Classified Arson	375	354	400	454	513
Arrests	75	63	82	80	103
Adults Convicted	36	31	51	44	55
Adults Hospitalized	6	10	7	2	7
Juveniles Apprehended	50	42	30	33	37
Staffing (No. of Investigators)	6	8	9	13	14



Appendix G

SEATTLE'S ARSON TRAINING PROGRAM

Phase I - Total Hours - 166
Fire Investigations Training School

<u>COURSE</u>	<u>HOURS</u>
1. Listening and Note Taking	1
2. Report Writing	10
3. Perception and Communication	2
4. Arrest, Search and Seizure	14
5. United States Constitution	2
6. Justice System	4
7. Criminal Law	20
8. Abnormal Psychology	16
9. Use of Force	4
10. Firearms	24
11. Fire/Police Relations	1
12. Rules of Evidence	9
13. Criminal Investigation	16
14. Court Testimony	2
15. Juvenile Procedures	3
16. Fingerprinting	6
17. Liquor Control and Gambling Commission	
18. Vice	
19. Crime Lab Techniques	4
20. Narcotics	4
21. Medical Examiner	2
22. Mock Scenes	16
23. Critique	2

NOTE: Course titles and content are those offered in the Basic Law Enforcement Training Program conducted by Seattle Police Department Academy.

Phase II - Total Hours - 40
Crime Scene Investigations

<u>COURSE</u>	<u>HOURS</u>
1. Introduction to Physical Evidence and the Police Lab	3
2. Fencing	1
3. Legal Aspect of Physical Evidence	1
4. Law Request and Other Reports	1
5. Narcotics	2
6. Trace Evidence (Hair, Dirt, Paint, etc.)	3

7. Notes, Reports and Statements	1
8. Physical Evidence in Vice	1
9. Physical Evidence in Assaults, Death Investigations	2
10. Crime Scene Sketches	1
11. Auto Theft	2
12. Physical Evidence in Traffic Offenses	2
13. Physical Evidence in Rape Investigation	1
14. Medical Examiner	2
15. Crime Scene Photo	1
16. Burglary and Safe Burglary	3
17. Fingerprints	1
18. Explosives	2
19. Interviewing Witnesses and Canvassing Neighborhoods	2
20. Practicum	4
21. Practicum	4

NOTE: To participate in Phase II, it is necessary to successfully complete Phase I.

Phase III - Total Hours - 80
Arson & Fire Investigative Techniques

- I. Introduction
 - A. Course Objectives
- II. Responsibility in Arson Detection and Investigation
- III. Fire Losses and Causes
 - A. Historical Analysis
 - B. Operational Analysis
- IV. Determining Point of Origin and Cause
 - A. Exterior Observations
 - B. Interior Observations
 - C. Sources of Ignition
 - 1. Field demonstrations regarding specific areas, points of origin and related causes
- V. Recognition of Arson
 - A. Arson Rings
 - B. Plants - Devices
 - C. Accelerants
 - D. Trailers
 - E. Removal of Property
 - 1. Field demonstrations regarding detection or recognition of unusual or abnormal circumstances, situations or conditions

- 2. Common incendiary methods
 - a. Field demonstrations of common incendiary methods and devices, fire bombs, timing devices, etc.
 - 3. Automobile fires
- VI. Incendiary Fire Motivations
- A. Hate Fires
 - B. Insurance Fraud
 - C. Juvenile
- VII. Collection and Preservation of Evidence
- VIII. Arson Investigation Progression
- IX. Reports and Records
- X. Court Procedure
- XI. Panel Discussion by Cooperating Agencies
- XII. Critique of Field Demonstrations, Photographs, Point of Origin, Ventilation Factors, Fire Fighting Factors, etc.
- XIII. Final Examinations - Written and Field
- NOTE: Some classroom activity although the majority of work is in the field.

Appendix H

SAMPLE OF QUESTIONNAIRE USED BY
SEATTLE/KING COUNTY ARSON INFORMATION RETRIEVAL SOURCE

CONFIDENTIAL INFORMATION

FILE # _____
DATE OF REPORT _____
INVESTIGATOR _____

BUILDING & INSURANCE INFORMATION

Date of Fire _____ Time _____ Loss _____
Location _____
Street _____ City _____ County _____
Owner _____ Occupant _____

CORPORATE INFORMATION

Corporate Name & Officers _____
Occupancy _____ PHONE _____
Insurance Company/s _____ PHONE _____
Adjuster _____ Agent _____ PHONE _____

M/O INFORMATION

Accelerant (Type, amount, containers, etc.) _____
Ignition Source _____
Motive (Possible) _____

CRIMINAL INFORMATION

Type of Fire _____
_____ Unknown (Believed criminal, but unable to establish)
_____ Criminal by persons known (Crime proven, but responsibility unknown)
_____ Criminal by persons unknown (Charge, if any, Explain)

SUSPECTS

Name	DOB/SSN	Phone	Address
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

NOTES: Any notations regarding additional criminal information will be
confined to this section;

NOTE: In using reverse side indicate by section number.

Appendix I

HIGHLIGHTS OF HOUSTON'S ARSON TRAINING PROGRAM

Courses Offered:

ARSON MOTIVES

POLYGRAPH AS AN AID TO INVESTIGATION

PYROMANIA & THE PSYCHOPATHIC FIRE SETTER

THE JUVENILE FIRE SETTER

INTERVIEWING WITNESSES

TECHNIQUES OF ARSON INVESTIGATION

EXAMINATION OF THE CRIME SCENE--FIELD TRIPS

RECORDS AND SOURCES OF INFORMATION

COLLECTION AND PRESERVATION OF EVIDENCE

INTERROGATION

COURT ROOM TESTIMONY

DETERMINING CAUSE AND ORIGIN OF THE FIRE

CHARACTERISTICS OF FLAMMABLE LIQUIDS AND GASES

CORPUS DELECTI IN ARSON CASES

LAW OF ARSON

REPORT WRITING

FUNCTION OF AN ARSON BUREAU

BOMB DEMONSTRATION

STATE AND FEDERAL LAWS RELATING TO ARSON

Appendix J

PUBLIC INSURANCE ADJUSTER'S LICENSING ACT

AN ACT to license and regulate public adjusters who adjust insurance claims representing the insured.

Be it enacted by the People of the State of Illinois represented in the General Assembly:

101. Short Title. This Act shall be known and may be cited as the Public Insurance Adjuster's Licensing Act.

102. Definitions:

(a) Public Insurance Adjuster: any person who, for money, commission, compensation or any other thing of value, acts or aides, in any manner, in negotiating, adjusting or effecting settlement of a claim or claims for loss or damage on behalf of an insured caused by, or resulting from, fire or explosion, or who advertises or solicits for employment or otherwise holds himself out for claims, or who, for money, commission, compensation or other thing of value, solicits, investigates or adjusts such claims on behalf of any such public insurance adjuster.

(b) Department means the Department of Insurance.

(c) Director means the Director of the Department of Insurance.

(d) Insured: any holder of an insurance policy or contract, including a policy or contract issued by the Fair Access to Insurance Requirements (FAIR) Plan Association, whether or not an insurer has admitted or denied liability.

(e) Person: any individual, aggregation of individuals, corporation, association, firm or partnership.

(f) Policy: any insurance policy or contract issued by a foreign or domestic insurance company, fraternal benefit society, assessment company, mutual benefit association or the FAIR Plan Association.

103. Necessity of Certificate of Registration. It is unlawful for any person to act within this State as a public insurance adjuster, or to advertise or assume to act as such public insurance adjuster, or to receive, directly or indirectly, money, commission, compensation or any other thing

of value for services rendered in the negotiation, adjustment, or effectuating of settlement of any claim or claims under an insurance policy without a valid Certificate of Registration issued by the Department of Insurance.

104. Exception. This Act shall not apply to the following:

(a) an attorney at law admitted to practice in this State who acts or aides in effecting, negotiating or effectuating settlement of a claim or claims as an incident to his practice and does not hold himself out, by advertising or otherwise, as a public insurance adjuster;

(b) an officer, agent or regular salaried employee of an authorized insurer or underwriter, or attorneys in fact of any reciprocal insurer or Lloyds underwriter licensed to do business in this State, who adjusts losses arising under his employer's or principal's own policies, or any agent or broker acting as an adjuster for his company;

(c) an underwriter, by whom a policy of insurance against loss or damage or other casualty has been written upon property within this State, in adjusting loss or damage under such policy;

(d) an adjustment bureau or association owned and maintained by insurers to adjust or investigate losses of such insurers or any regularly salaried employee or agent of such adjustment bureau or association;

(e) any licensed agent or employee or officer of such agent or agency of an authorized insurer who adjusts losses for such insurer solely under policies issued through such agency;

(f) any independent adjuster representing an insurer.

105. Application for Certificate of Registration;
Examination; Bond.

(a) Every person who desires to obtain a Certificate of Registration shall make application to the Department, in writing, on the form prescribed by said department. Each application shall set forth and include the following:

(1) the name and address of applicant;

(2) evidence that the applicant is at least 18 years of age and a citizen or legal alien;

(3) the business or employment in which the applicant has been engaged for the five years preceding the date of application, and the name and addresses of his employer or employers;

(4) fingerprints of both hands and a photograph, in duplicate, in passport size;

(5) a record of all convictions of felonies and misdemeanors occurring under the laws of any State or the United States;

(6) all pending criminal or civil proceedings involving the applicant in which fraud or dishonesty is an essential element;

(7) certificates of approval of said application, signed by not less than five reputable citizens of the community certifying that such person has known the applicant for a period of at least three years prior to the filing of the application, that the application has been read and all statements found therein are true, that said person believes the applicant to be of good character and competent, and that the applicant is not related or connected to the person by blood or marriage. The certificate of approval shall be subscribed by such reputable citizens and affirmed as true under penalties of perjury;

(8) the appropriate fee;

(9) any such other information as the Director may require.

(b) Within a reasonable time after receipt of a properly completed initial application, the Director shall conduct a written examination of the applicant to determine fitness and competency. Examination shall be held in such place in this State and at such time as the Director may designate. Said examination shall determine whether the applicant has sufficient knowledge concerning the adjustment of damages or losses under insurance contracts (other than life and annuity), is sufficiently informed as to the terms and effects of the provisions of those types of insurance contracts, possesses adequate knowledge of the laws of this State relating to such contracts, and any other knowledge deemed proper by the Director which will enable and qualify the applicant to engage in the business of public insurance adjusting fairly and without injury to any member of the public;

(c) At the time of application for Certificate of Registration every applicant shall file with the Department a bond in favor of the People of the State of Illinois executed and issued by an authorized surety company and payable to any party injured by fraud or unfair practices in connection with the applicant's business as a public insurance adjuster. The bond shall be in the amount of \$5,000 and shall be continuous and remain in force while the applicant is licensed. If the bond shall be cancelled, said license shall automatically terminate when there is no bond in force. The surety company shall notify the Director within 30 days after the company has been notified or otherwise made aware of the termination or cancellation.

(d) Before approving any application for Certificate of Registration, it shall be the duty of the Director or his authorized representative to compare the fingerprints of the applicant submitted with the application with fingerprints filed with the Bureau of Identification of the State Department of Law Enforcement, to determine if the applicant has ever been convicted of a felony or any crime or offense involving fraudulent or dishonest practices.

106. Issuance or Denial of a Certificate of Registration.

(a) The Director of Insurance shall issue a Certificate of Registration to any person who is trustworthy and competent to act as a public insurance adjuster.

(b) The Director shall not issue any Certificate of Registration to any applicant who has been convicted of a felony or any crime or offense involving fraudulent or dishonest practices or who within three years preceding the day of application has been guilty of any practice which would be grounds for suspension or revocation of a Certificate of Registration as a public insurance adjuster or who has failed to meet any of the provisions of this Act; provided, however, that said Director may issue a license to any applicant who has been convicted of a felony or crime or offense involving fraudulent or dishonest practices if the applicant has received an executive pardon or has adequately demonstrated to the Director that he is competent and fit for the position notwithstanding the felony or other crime and offense conviction.

(c) If the applicant has been convicted of a felony, crime or offense involving fraudulent or dishonest practices and desires to be licensed according to the provisions of this Act, he shall submit a written request for hearing to the Director, within 60 days after the date of application

or 30 days after the mailing of the notice of refusal, whichever is later. The Director shall promptly conduct a hearing upon receipt of said request in which the applicant will be given the opportunity to demonstrate that he can be relied upon to exercise traits of honesty, fidelity, integrity, and obedience to the law in the performance of his duties. Among the criteria upon which the Director may rely in determining fitness of the applicant are the following:

(1) the felony, crime or conviction does not involve a fraudulent or dishonest practice or otherwise would have no relevance to an individual's performance as a public insurance adjuster;

(2) the conviction of the felony or other crime or offense had occurred 10 years prior to the date of application and no subsequent convictions of crimes and offenses involving fraud or dishonesty have occurred since that date;

(3) the work record and performance of the applicant has been steady and exemplary;

(4) any other criteria that the Director may feel adequately demonstrates fitness for licensing.

If the Director determines, after the hearing, that the applicant can be relied upon to exercise traits of honesty, fidelity, integrity, and obedience to the law in the performance of his duties and will not adversely effect the public welfare, morals and safety, the Director shall issue a Certificate of Registration.

107. Necessity for Written Contract: No adjuster shall provide his services to a client or be entitled to any compensation from any insured for services rendered unless such right to provide services and receive compensation shall be based on a contract, in writing, signed by the party to be charged, on a form approved by the Director, clearly defining the amount or extent of compensation. A contract which is executed within 72 hours after conclusion of the loss-producing occurrence shall be voidable at the option of the insured for 10 days after execution of the contract. This voidable option shall be clearly stated in bold print on the written contract. The written contract shall constitute the entire agreement between the public adjuster and the insured. A copy of the contract shall be given to the insured when the contract is executed.

108. Prohibited Acts: No licensee shall, in connection with his business as a public adjuster:

(a) make any misrepresentation of fact including any misrepresentation that he is an adjuster or representative of an insurer, or that he is a fire investigator or connected with a fire department;

(b) advise any insured to refrain from retaining counsel to protect his interest or advise any person on questions of law;

(c) create a disturbance, trespass, interfere with the work of fire police or other officials, or conduct himself in an unethical or improper manner detrimental to the public interest during the solicitation for fire repairs.

109. Fee for Certificate of Registration; Renewal; Expiration.

(a) A fee of One Hundred Dollars (\$100.00) shall be paid to the Director of Insurance by the applicant for a public insurance adjusters license before the initial application. The initial Certificate of Registration shall be effective for 12 months following the date of issuance.

(b) A fee of Fifty Dollars (\$50.00) shall be paid to the Director of Insurance for each subsequent renewal certificate. Renewal can be made for the following year without examination. The renewal certificate shall be effective for 12 months following date of issuance.

(c) If an application for the renewal of a certificate shall be filed with the Director before expiration of the previous year's certificate, the certificate of registration sought to be renewed shall continue in full force and effect until issuance by the Director of the new certificate applied for or until five days after the Director has refused to issue a new certificate and notice of such refusal has been served on the applicant. Service of such notice shall be made by registered or certified mail directed to the applicant at the place of business specified in the application.

110. Refusal to License; Suspension or Revocation of Certificate of Registration Notice; Hearing.

(a) A request for Certificate of Registration or a request for renewal of a license may be refused, a license may be suspended for a period not to exceed two years, or a license may be revoked by the Director of Insurance, if he finds that the holder of or the applicant for such license:

(1) has willfully violated any provision of this Act;

(2) has failed to meet any of the requirements of this Act;

(3) has intentionally made a material misstatement in the application to qualify for such license;

(4) has been convicted of a felony or has been guilty of fraudulent or dishonest practices;

(5) has been convicted of a felony or has been guilty of fraudulent or dishonest practices and has failed to demonstrate fitness for a license in accordance with Section 106 (c) of this Act;

(6) has misappropriated or converted to his own use or illegally withheld monies required to be held in a fiduciary capacity;

(7) has materially misrepresented the terms and conditions of the written contract;

(8) has obtained from any claimant an assignment of a claim;

(9) has employed, paid, or compensated any person to solicit, investigate or adjust any claim for loss knowing that such person has not been licensed as a public adjuster or that such license has been suspended or revoked;

(10) has demonstrated incompetency or untrustworthiness to act as a public insurance adjuster.

(b) If a request for license or the request for renewal of license is refused or a license is revoked or suspended, the Director shall serve upon the applicant or holder of such license the order of suspension, revocation or rejection, either personally or by registered mail to the last known address specified in the application to qualify for license. The order of revocation shall take effect 30 days from the date of mailing but may be stayed if within the 30-day period the applicant or licensee has, in writing, requested a hearing. Upon receipt of the request, the Director shall promptly conduct a hearing in which the applicant shall be given an opportunity to show compliance with this Act.

(c) The Director may issue an order of immediate suspension when he determines the public interest requires emergency action and incorporates this finding in his order. The suspension shall be effective on the date specified in the

order or upon service of a certified copy of the order, whichever is later. In the event a hearing is requested in writing, the Director shall conduct a hearing on the suspension within a reasonable time but not later than 20 days after the effective date of the immediate suspension unless the person requesting the hearing requests a later date. At the hearing the Director shall determine if the suspension should be continued or withdrawn, and if proper notice is given, whether the license should be revoked. The Director shall announce his decision within 30 days after conclusion of the hearing. The suspension shall continue until the decision is announced.

113. Powers of the Director. The administration of this Act is vested in the Director of Insurance, who may from time to time make, amend and rescind such rules and regulations as may be necessary to carry out this Act.

The Director may, upon his own motion, and shall, upon the verified, written complaint of any person setting forth facts which, if proven, would constitute grounds for refusal, suspension or revocation of a license, investigate the actions and circumstances of any person who applies for, holds or represents that he holds a Certificate of Registration.

The Director may compel by subpoena the attendance and testimony or witnesses and the production of books, records, papers and memoranda which are necessary in his investigation of a public adjuster. Any Circuit Court of this State, upon petition of the Director, may, in its discretion, and after notice to the person named in the subpoena and opportunity for hearing, compel compliance with a subpoena issued by the Director.

114. Review under the Administrative Review Act. All final administrative decisions of the Department shall be subject to judicial review pursuant to the "Administrative Review Act," approved May 8, 1945, and all amendments and modifications thereof and the rules adopted pursuant thereto.

Such proceedings for judicial review shall be commenced in the Circuit Court of the county in which the party applying for review resides.

The Department shall not be required to certify any record to the court or file any answer in Court or otherwise appear in any Court in a judicial review proceeding, unless there is filed in the Court with the complaint a receipt from the Department acknowledging payment of the costs of furnishing and certifying that record, which costs shall be computed at the rate of 21 cents per page of such record.

Exhibits shall be certified without cost. Failure on the part of the Plaintiff to file such receipt in Court shall be grounds for dismissal of the action.

115. Violations:

(a) Any person required to obtain a certificate of registration to act as a public insurance adjuster, who adjusts any insurance losses without previously having obtained the required certificate of registration or who adjusts any insurance loss after a certificate of authority has been suspended or revoked, shall be fined not less than \$500 nor more than \$1,000 for each loss adjusted without a certificate of authority. For second and subsequent violations, said party shall be fined not less than \$1,000 nor more than \$5,000 per loss adjusted without such certificate of authority.

(b) Any person violating any provision of this Act, excluding violations provided for in (a), shall be fined not less than \$100 nor more than \$500, and for second and subsequent violations of this Act shall be fined not less than \$500 nor more than \$1,000.

(c) The penalties provided in (a) and (b) of this section shall not limit the authority of the Superintendent of Insurance to suspend, revoke or refuse to issue a Certificate of Registration, as provided for in this Act.

Appendix K

ACKNOWLEDGEMENTS

During the course of the arson investigation, our investigators interviewed scores of individuals: police and fire officials; representatives of the insurance industry; prosecutors; State Fire Marshals; public adjusters; private arson investigators; crime lab technicians; training instructors and programmers; medical examiners; judges; Federal Bureau of Investigation agents; members of the news media; and a range of officials from state and municipal agencies.

We wish to publicly thank everyone who helped us in this investigation, without whose knowledge, interest, suggestions and guidance, this report would have been impossible. We extend our most sincere appreciation to the hundreds of individuals who provided valuable information. While we can not name everyone, we would like to cite some key individuals, organizations and agencies, who provided us with repeated assistance and encouragement.

Some of those in this category are people like Ralph J. Jackson, who serves as Chairman of the Illinois Advisory Committee on Arson Prevention. Another member of that Committee, Dennis M. Michaelson, operates his own arson detection laboratory and proved invaluable to this investigation with his candid expertise and generous efforts in assisting the Commission in its own arson investigation.

Valuable information and insight were gained through the continuous support and help offered by various members of the Chicago Fire Department, most notably Deputy Chief George Schuller.

William Buxton and Ronald Bell, both arson investigators for the Southern Illinois Arson Investigators Association (SIAIA), supplied our investigators with information on arson investigation assistance available to volunteer fire departments in rural areas.

Among those valuable contacts in the insurance industry, Donald H. Mershon, President of the Metropolitan Chicago Loss Bureau provided assistance on a number of occasions, as did Dan Econ, Director--Investigation Services, of the Property Loss Research Bureau. We are most grateful for their contributions.

The structure and problems encountered by the Illinois FAIR Plan were elucidated by its Manager, Charles F. Cliggett and members of his staff.

Our investigators visited Seattle, Washington; Houston, Texas; and New York City to learn more about their highly praised arson prevention and detection programs. Diligent consideration by those in charge assured worthwhile visits in each city. Houston Fire Marshal Alcus Greer, his Chief Arson Investigator, L. H. Mikeska, and the men involved in the administration and operation of the Houston Arson Unit deserve special thanks for their contributions to this investigation.

Likewise the arson team in Seattle, headed by Fire Chief Frank R. Hanson, aided us in our quest for answers to the complicated arson phenomenon. Of particular note was the effort put forth by Arson Investigators Henry T. Gruber and D. J. Reed, as well as the entire Fire Investigation Unit.

Information and experience shared on the arson problem in New York City was facilitated through the cooperation and assistance extended by Michael J. O'Conner, Chief Fire Marshal of New York City.

These are but a few of the many individuals whose expertise and suggestions have been incorporated into this final report on arsons.

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