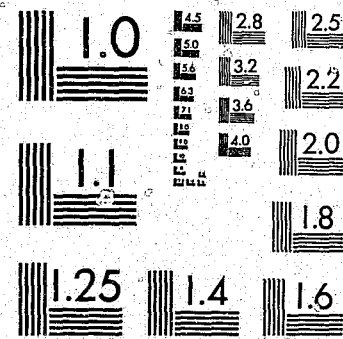


National Criminal Justice Reference Service



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3/8/82

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FIRE/ARSON INVESTIGATION

RESEARCH PAPER

JULY 13-31, 1981

ARSON FOR PROFIT

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NCJ# 80542

ARSON FOR PROFIT

(A status report on the insurance industries efforts to combat the problem)

Arson has become the fastest growing crime in the United States. The rapid increases from 64,000 arson fires in 1965 to 258,500 arson fires in 1975 motivated the insurance industry to produce an all out attack on the arson problem.<sup>1</sup> Losses reaped from the insurance companies have been estimated to be in the area of five (5) billion dollars annually as of 1980.

The attack has been mounted on three basic fronts: Legislative, Criminal and Civil Prosecution, and Public Education.

LEGISLATIVE

By grouping together insurance companies have begun to attack such legislation as the FAIR Plan. Fair Access to Insurance Requirements Plans (FAIR) established by states and authorized under Federal law, are providing property insurance in urban and other areas where the insurance industry will not. The over-riding objections are:

- 1) insurance is being provided in amounts the owner requests not actual property values;
- 2) in 20 states, insurance companies are required to pay owner face value of their policies in the event of a total property loss;
- 3) under the FAIR Plans insurance companies do not have the same prerogatives that are normally allowed to the insurance industry; an example would be a person cannot be refused insurance on the grounds of character or past background;
- 4) several FAIR Plans require a 30-day notice before a policy can be cancelled.<sup>2</sup>

The following recommendations have been made to the Secretary of Housing and Urban Development:

- "1) require that all FAIR Plans establish property value at the time of underwriting and eliminate the practice of giving property owners any amount of insurance desired;

- 2) require all FAIR Plans to obtain and consider information concerning the character of the property owner in its determination of insurability, as the insurance industry does;
- 3) permit FAIR Plans to use a 5-day cancellation notice with state insurance department approval in each instance."<sup>3</sup>

CRIMINAL & CIVIL PROSECUTION

The insurance industry has begun the attack on the threat of Civil and Criminal liability. Confidential information about the insured is disclosed to law enforcement authorities, under the Model Arson Reporting-Immunity Law (1977). Under the Model Arson Reporting-Immunity Law, insurance companies are required to:

- " • Allows authorized agencies (defined as state and Federal fire marshals, law enforcement officers, Insurance Commissioners and prosecuting attorneys) to require that insurance companies release all information concerning a policyholder involved in a fire loss. This information includes history of premium payment and previous claims, as well as investigatory files.
- Requires insurance companies to notify authorized agencies of suspicious fire losses. Such notice constitutes a request for official investigation.
- Grants limited civil and criminal immunity to those insurance companies that provide information under the provisions of this act.
- Provides for the exchange of information between the insurance companies and the authorized agencies, and the exchange of information between authorized agencies.
- Provides for confidentiality of released information."<sup>4</sup>

The following two page chart was developed by the All Industry Research Advisory Council (AIRAC) to aid in tracking the status of arson reporting immunity legislation.<sup>5</sup>

			CIVIL IMMUNITY	CRIMINAL IMMUNITY	AGENCIES GET INFORMATION	COMPANIES INITIATE CONTACT	COMPANIES GET INFORMATION	NOTICE TO ONE AGENCY	AGENCIES SHARE INFORMATION	AUTHORITIES TESTIFY
			1	2	3	4	5	6	7	8
ALABAMA	1979	SB359	X	X	X	X	—	X	X	—
ALASKA	1980	SB303	X	X	X	X	X	X	—	X
ARIZONA	1979	HB2014	X	X	X	X	—	X	X	X
ARKANSAS	—									
CALIFORNIA	1978	SB1386	X	X	X	X	—	X	—	X
COLORADO	1979	SB30		X*	X	X	—	X	X	X
CONNECTICUT	1977,9	SB385	X	X	X	X	X	—	X	—
DELAWARE	1980	SB251	X	X	X	X	X	X	X	X
FLORIDA	1978	SB754	X	X	X	X	—	X	X	X
GEORGIA	1977	HB257	X	X	X	X	—	X	X	X
HAWAII	1979	HB988	X	X	X	X	X	X	X	—
IDAHO	—									
ILLINOIS	1980 1977	SB1994 HB2220	X	X	X	X	3*	—	X	—
INDIANA	1979	HB1940	X	X	X	X	X	X	—	X
IOWA	1979	SF339	X	X	X	X	X	—	X	X
KANSAS	1979	HB2134	X	—	X	X	X	X	X	X
KENTUCKY	1980	HB106	X	X	X	X	X	X	X	X
LOUISIANA	1978	SB419	X	X	X	X	—	X	X	—
MAINE	1977	HB959	X	X	—	—	—	—	—	—
MARYLAND	1978	HB370	X	X	X	X	—	—	—	—
MASSACHUSETTS	1978	HB5914	X	X	X	X	X	X	X	X
MICHIGAN	1978	SB1264	X	X	X	X	—	X	X	—
MINNESOTA	1979	HF1324	X	X	X	X	—	X	—	X
MISSISSIPPI	—									
MISSOURI	—									

This two page chart was developed by the All Industry Research Advisory Council (AIRAC) to aid in tracking the status of arson reporting - immunity legislation.

			CIVIL IMMUNITY	CRIMINAL IMMUNITY	AGENCIES GET INFORMATION	COMPANIES INITIATE CONTACT	COMPANIES GET INFORMATION	NOTICE TO ONE AGENCY	AGENCIES SHARE INFORMATION	AUTHORITIES TESTIFY
			1	2	3	4	5	6	7	8
MONTANA	1979	SB148	X	—	X	X	—	X	X	X
NEBRASKA	1979	LB301	X	X	X	X	X	X	X	X
NEVADA	—									
NEW HAMPSHIRE	1979	HB742	X	X	X	X	X	X	X	—
NEW JERSEY	—									
NEW MEXICO	1979	SB216	X	X	X	X	X	X	—	X
NEW YORK	1980 1977	AB10319 SB4383	X	X	X	X	3*	X	X	—
NORTH CAROLINA	1977	SB408	X	X	X	X	—	X	X	—
NORTH DAKOTA	1979	HB1500	X	X	X	2*	X	X	—	—
OHIO	1980 1976	SB198 SB462	X	X	X	X	X	X	X	—
OKLAHOMA	1979	HB1031	X	X	X	X	3*	X	X	X
OREGON	—									
PENNSYLVANIA	1980	HB1106	X	X	X	X	X	X	—	X
		HB7445								
RHODE ISLAND	1978,9	HB6208	X	X	X	X	X	X	X	X
SOUTH CAROLINA	—									
SOUTH DAKOTA	1979	HB1104	X	X	X	X	X	X	X	X
TENNESSEE	1979	SB43	X	X	X	X	—	—	X	—
TEXAS	1977	SB1260	X	X	X	—	—	—	X	—
UTAH	1979	HB260	X	X	X	X	—	X	—	—
VERMONT	—									
VIRGINIA	1979	HB1243	X	X	X	X	X	X	—	X
WASHINGTON	1979	SB2727	X	X	X	X	X	X	X	X
WEST VIRGINIA	1978	SB365		X*	X	X	—	X	X	—
WISCONSIN	1978	SB317	X	X	X	2*	X	—	—	—
WYOMING										

\* grants limited immunity, but does not use the terms criminal or civil  
 \*\* does not require insurance companies to report suspicious claims but states that they "may report"  
 \*\*\* provides that insurance companies may ask agencies for information but does not specifically state that release of the information by the agencies is mandatory.

The Model Arson Reporting - Immunity Law was designed to stem the tide of organized crime in arson for profit schemes. The insurance industry estimated total arson losses of \$2 billion in 1976. This \$2 billion dollar loss was just the tip of the iceberg in the involvement of organized crime.

Because the arson for profit scheme does not fit neatly into the traditional police definitions, the problems have received little recognition:

ARSON: THE HARD FACTS<sup>6</sup>

National Fire Protection Association estimates illustrate the rapid rise of arson in the United States.

Year	Arsons	Property Damage
1964-5	64,800	\$ 142,200,000
1966-7	81,500	\$ 236,300,000
1968-9	106,200	\$ 310,500,000
1970-1	137,400	\$ 438,347,000
1972-3	178,500	\$ 605,600,000
1974-5	258,500	\$1,196,900,000
	826,900	\$2,929,847,000

(NFPA figures for 1976 are not in yet, but the New York Times estimates \$2 billion in losses from 150,000 reported arsons.)

- Less than 2 percent of all arsons result in convictions.
- Arson was known, or suspected, in 30 percent of reported U.S. fires in 1976.
- Arson caused over 1,000 deaths in 1975.

EDUCATION

The insurance industry has realized that to culminate the three sided attack on arson for profit, it must begin to educate the public, law enforcement (police and fire), the prosecutor.

On October, 1978, the Department of Justice authorized a bill which became Public Law 95-624, and mandated in Sec 14 (the collection of arson statistics).



The F.B.I. was further ordered to change the classification of arson to a Part I crime. This bill gave the insurance industry the mechanism to obtain vital statistical information. From this information, the insurance industry has begun to inform the public. Attached is an Arson Information Checklist<sup>7</sup> which should be most beneficial in providing names and addresses of resource areas.

The insurance industry has realized that police and fire department personnel must understand the motives for arson for profit schemes. The insurance industry with the aid of law enforcement and fire services are sitting down and defining their responsibilities. This growing need to better train those people who will investigate this crime has prompted the insurance industry to prepare numerous films and printed material to inform the investigators of arson for profit schemes. Some of the motives covered are: unemployment in related industry, business failure, failure to complete business contracts, business partners disagree, dissatisfaction with property location, equipment/machinery obsolete, the breaking of lease, insurance value more than property worth, just to name a few.<sup>8</sup>

Educational programs have been designed to provide information to prosecutors, firefighters, fire investigators, and police officers. The insurance industry further believes that the programs now taught are only useful if state, local and Federal agencies are willing to sit down and work with private industry and develop useful tools for arson investigation.

Examples of materials being produced by insurance industries are: Why you should see red over arson!; A matter of minutes; The Iceberg Crime: What police officers should know about arson; and Verdict: Guilty of Burning.

# ARSON INFORMATION CHECKLIST

Aetna Life and Casualty Corporate Communications  
151 Farmington Ave.  
Hartford, Conn. 06156

Contact: Ms. Dolores Harper  
(203) 273-2843

Resources: *Arson* (Handout folder, which includes an arson "Backgrounder," and two brochures describing the Seattle and New Haven antiarson projects)  
*C.A.A.P. Kit* ("Community Arson Awareness Program" kit includes posters and instructions for presentation)  
*"Winning the War on Arson"* (16mm film. Color. 15:30 minutes. Available also in 3/4-inch video tape cassette)

Allstate Insurance Companies  
Loss Prevention Division  
Allstate Plaza North, F-3  
Northbrook, Ill. 60062

Contact: Ms. Rae Jones  
(312) 291-7610

Resources: *Arson Update* (Quarterly newsletter published in cooperation with IACAP)  
*Put the Heat on the Arsonist!!!* (Program Guideline For Community Action)  
*Why You Should See Red Over Arson! An Arson Primer for the General Public*  
(Brochure and also slide audio cassette packet of same title)

American Insurance Association  
Public Relations Office  
85 John St.  
New York, N.Y. 10038

Contact: Bruce Bogart  
(212) 433-4400

Battelle Human Affairs Research Centers  
Law and Justice Studies Center  
4000 N.E. 41st St.  
Seattle, Wash. 98105

Contact: Clifford Karchmar  
(206) 525-3130

Resources: *Enforcement Manual: Approaches for Combatting Arson-for-Profit Schemes*  
*A Model Curriculum and Trainer's Guide on Arson-for-Profit Enforcement Programs*

Battelle Memorial Institute  
The Center for Arson Prevention, Training, and Analysis  
505 King St.  
Columbus, Ohio 43201

Contact: Vernon Wherry  
(614) 424-4949

Resources: *Combating Arson-for-Profit: Advanced Techniques for Investigators*

Federal Bureau of Investigation  
FBI Academy  
Behavioral Science Unit  
Quantico, Va. 22135

Phone: (703) 640-6131, Ext. 2639  
Resources: *The Firesetter: A Psychological Profile*

Federal Bureau of Investigation  
FBI Academy Library  
Quantico, Va. 22135

Phone: (703) 640-6131, Ext. 2471  
Resources: *Arson* (Bibliography)

Federal Bureau of Investigation  
Uniform Crime Reporting Section  
Room 6212  
J. Edgar Hoover Building  
10th and Pennsylvania Avenue, N.W.  
Washington, D.C. 20535

Phone: (202) 324-2820  
Resources: *Crime in the United States* (Annual)

Illinois Advisory Committee on Arson Prevention  
P.O. Box 614  
Bloomington, Ill. 61701

Contact: David Hurst  
(309) 662-2311

*For Sale: Burning Building—What Agents and Underwriters Should Know About Arson*  
*Illinois Tackles Runaway Arson*  
*The Torch's Reward: What Insurance Claims People Should Know About Arson*  
"Update" (Newsletter)

BIBLIOGRAPHY

Insurance Committee for Arson Control  
20 North Wacker Dr.  
Suite 2140  
Chicago, Ill. 60606.  
Contact: Mr. Charles F. Stonehill,  
Secretary  
(312) 558-3800  
Resources: *Arson Control Directory*  
*How to Organize an Arson  
Task Force in Your  
Community*  
*Status Report 1: On Arson  
Reporting-Immunity  
Legislation* (By the ICAC)

Insurance Crime Prevention Institute  
Public Relations  
15 Franklin St.  
Westport, Conn. 06880  
Contact: James Ryan  
(203) 226-6347  
Resources: "Anatomy of An Arson"  
(16mm film)  
"ICPI Report" (Quarterly  
Newsletter)  
*Insurance Fraud: ICPI  
Handbook for Insurance  
Personnel*

International Association of Arson  
Investigators  
97 Paquin Dr.  
Marlboro, Mass. 01752  
Contact: Robert E. May,  
Executive Secretary  
(617) 481-5977  
Resources: *The Book of Selected  
Articles for Arson  
Investigators*  
"Fire and Arson  
Investigator" (Quarterly  
Newsletter)

Law Enforcement Assistance  
Administration  
Arson Unit  
633 Indiana Ave., N.W.  
Washington, D.C. 20531  
Contact: J. Michael Sheehan  
(202) 724-7677  
Resources: *Enforcement Manual:  
Approaches for  
Combating Arson-for-  
Profit Schemes*  
National Bureau of Standards  
Center for Fire Research  
Washington, D.C. 20234  
Contact: Dr. Robert Levine  
(301) 921-3845  
Resources: *Fire Investigation  
Handbook* (NBS  
Handbook 134)  
National Criminal Justice Reference  
Service  
P.O. Box 6000  
Rockville, Md. 20850  
Contact: Publications Office or Library  
(301) 251-5500  
Resources: *Arson: A Selected Bibliog-  
raphy*  
*Arson and Arson Investi-  
gation: Survey and As-  
sessment*  
*Arson Burns Us All!* (Bro-  
chure)  
*Arson Burns Us All! Pre-  
vention and Investigation  
Agencies*  
*Arson Prevention and  
Control: Program Models*  
*Arson Prevention & Con-  
trol... A New Report in the  
Program Models Series*  
*We Are All Victims of Ar-  
son*  
Camera-ready Art  
National Fire Protection Association  
470 Atlantic Ave.  
Boston, Mass. 02210  
Contact: (617) 482-8755

State Farm Insurance Companies  
Public Relations Office  
Corporate Headquarters  
One State Farm Plaza  
Bloomington, Ill. 61701  
Contact: David Hurst  
(309) 662-2311  
Resources: *The Iceberg Crime: What  
Police Officers Should  
Know About Arson*  
*Touched Off By Human  
Hands*  
*The Ten-Year War on Ar-  
son* (Brochure)  
*Verdict: Guilty of Burning:  
What Prosecutors Should  
Know About Arson*  
*Your Dollars Are Burning*  
(Brochure)  
U.S. Fire Administration  
Arson Resource Center  
Washington, D.C. 20472  
Contact: Dr. Herman Weisman  
(202) 254-7840  
Resources: *Arson Resource Directory*  
*Arson Resource Exchange  
Bulletin*  
*Fire in the United States:  
Deaths, Injuries, Dollar  
Loss and Incidents at the  
National, State and Local  
Levels*  
*Report to the Congress:  
Arson—The Federal Role  
in Arson Prevention and  
Control*  
U.S. Fire Administration  
National Fire Academy  
Learning Resource Center  
Route 1, Box 10A  
Emmitsburg, Md. 21727  
Phone: (301) 447-6771

Arson Increasing Faster than Most Other Crimes - State Peace Officers  
Journal VII N32, Jan-Feb 1974, p. 1210, author: Anon

School Fire - Part 1 of our Overall Crime Problem - Journal: Security  
World VII N3, March 1974, p 20-23, Author: Strom, M.

Manual for the Investigation of Automobile Fires, Author: Anon

Wisconsin - Department of Justice - Division of Criminal Investigation -  
Arson Bureau - Annual Report 1974, Author: Anon

Police and Insurance Companies in the Light of New Forms of Crimes -  
Journal: International Criminal Police Review N 301 (Oct 1976)  
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Arson, For Insurance and Protest - Author: Cook, Jill

The Growing Problem of Arson: Special Report, Author: Riopelle

Arson-to-Order In the Building Trades, Journal: Reader's Digest, March 1976,  
p 85-90, Author: Stevenson, C.

Target: Arson, Journal: Journal of American Insurance, p. 12-15, Winter 1977-78

Why You Should See Red Over Arson!, Pamphlet: Corporate Relations Dept.,  
Allstate Insurance Companies

A Matter of Minutes, Pamphlet: Loss Prevention Division, Allstate Insurance  
Companies

The Iceberg Crime: What Police Officers Should Know About Arson, Pamphlet:  
Illinois Advisory Committee on Arson Prevention in cooperation with the  
Illinois Chapter of the International Association of Arson Investigators

Verdict: Guilty of Burning, Pamphlet: Illinois Advisory Committee on Arson  
Prevention



FOOTNOTES

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3. Report by the Comptroller General of the United States - Arson-for-Profit: More Could be Done to Reduce It., May 31, 1978
4. Status Report #1 by The Insurance Committee for Arson Control, Sept 1980
5. Status Report #1 by The Insurance Committee for Arson Control, Sept 1980
6. The Underworld Turns Fire Into Profit by Clifford L. Karchmer
7. F.B.I. Law Enforcement Bulletin, May 1981, Rebecca T. Ferrall, pp 16-22
8. Elements of Arson Investigation by Benjamin S. Huron

END