

# Crime Insurance That's a Steal

**Through a little-known program, the federal government sells low-cost crime insurance to eligible companies.**

**B**usiness firms in certain inner-city areas can find it extremely difficult to secure comprehensive coverage for fire, theft, hold-up and vandalism.

To promote the rebuilding of the decayed areas and induce businesses to locate there, Congress in 1971 authorized the federal government to sell crime insurance at affordable prices in eligible states.

Coverage is limited to burglary and robbery losses and can be purchased by any property owner, tenant, or business owner in a qualified jurisdiction. The insured signs an application and pays either the annual or six-month premium installment at the time of making the application.

To qualify for burglary insurance coverage, businesses must meet certain protective device requirements. These requirements do not apply to those commercial policies which cover robbery only.

Applications for coverage can be obtained from any licensed property insurance agent or broker in an eligible jurisdiction. Coverage is limited to:

## Federal Crime Insurance Program Protective Device Requirements

Requirements for commercial premises are designed to deter forcible entry into insured premises during nonbusiness hours through exterior doors and doorways and accessible openings within 18 feet of the ground, such as windows, transoms, ventilating shafts, roof openings, and skylights. Even a window or transom with an immovable glass pane is an accessible opening. Accessible openings are not limited to those which have been designed to be opened.

Storefront plate glass display windows, such as those facing public sidewalks or streets, are not defined as accessible openings and are not required to be protected unless the class of business is one which must install an alarm system. If so, the alarm system must be designed to detect a breach of an exterior door, window (including storefront display windows and unbarred

skylights), or other accessible openings to the protected premises.

There are three classes of businesses which must be protected by alarm systems, reflecting different degrees of crime exposure:

The first, a central station, supervised service alarm system, means an alarm system that signals at a central station which monitors the alarm on a 24-hour basis and dispatches its own patrol cars at the same time the police are notified.

The second, a silent alarm system, means an alarm system that signals at a location other than the location where it is installed.

The third, a local alarm system, means an alarm system that signals loudly at the premises. The applicant may employ the local alarm system in conjunction with the first two systems, but, of

course, it would not take the place of the first two.

Nor does the installation of an alarm system, whether required or not, take the place of locks, bars, and grills required under other portions of the protective device requirements.

When a safe is burgled, no payment shall be made for any loss in excess of \$5,000 unless the safe is a Class E safe securely anchored to the floor. (A Class E safe is "a steel safe having walls at least 1 inch thick and doors at least 1½ inches thick, or a vault of steel at least ½ inch thick or of reinforced concrete or stone at least 9 inches thick or of non-reinforced concrete or stone at least 9 inches thick, with steel doors at least 1½ inches thick." A Class E safe weighing 750 pounds or more is considered securely anchored to the floor by virtue of its own weight.)

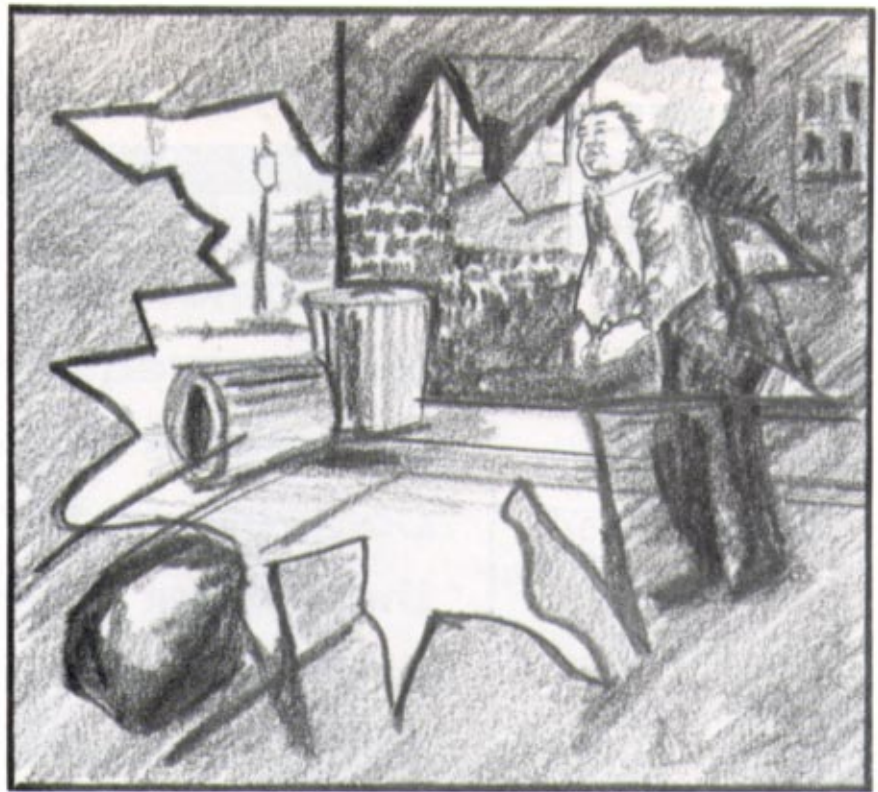
• **Burglary:** The stealing of property from within a business premise which has been forcibly entered. There must be identifiable marks of forced entry, such as a smashed door, at the place of entry. Otherwise, burglary claims will not be paid.

• **Robbery:** The stealing of personal property from the victims by violence or threat of violence, either inside or outside the business premise.

• **Damage:** This must take place during an actual or attempted burglary or robbery.

• **Certain Thefts:** Also covered are losses from a night depository, or burglary of a safe. There is a \$5,000 limit on losses for safes of less than Class E quality (i.e., steel safes with walls at least 1 inch thick and doors at least 1½ inches thick).

Firms may buy insurance coverage in amounts up to \$15,000. This limit applies to each individual and not aggregate losses. Businesses can purchase robbery insurance only, burglary insurance only, or a combination of both.



*Businesses located in high-crime inner-city areas can have trouble finding affordable crime insurance. To keep employers from leaving depressed areas, the federal government offers low-cost policies.*


---

## **Minimum deductibles vary according to annual gross receipts.**


---

Claims under the business policies are subject to minimum deductibles that vary according to the annual gross receipts of the insureds. However, a deductible of 5 percent of the gross amount of the loss is applied if that amount is greater.

The policy insures against burglary and larceny of merchandise, furniture, fixtures and equipment; and against stealing of money, securities, and merchandise of burglary of a safe; and against robbery of money, securities, merchandise, futures and equipment. Losses in excess of the deductible amount must be reported to the agent who accepted the application, or directly to the servicing company, within 60 days. In addition, losses must be reported to local police.



**To promote the rebuilding of the decayed areas and induce businesses to locate there, Congress in 1971 authorized the federal government to sell crime insurance at affordable prices in eligible states.**




Policies cannot be denied to any qualified policy-holder because of the number or amount of previous claims. However, coverage can be refused or cancelled, and claims denied, if false statements are included on applications or in claims.

The Federal Crime Insurance Program attempts to mitigate losses by requiring an actual inspection of the location to be insured for every new business application for burglary coverage. If a property fails to meet requirements, the inspector will tell the applicant what must be done to qualify.

After a business location has been inspected and a policy issued, claims for losses will be paid provided the policyholder has not removed or changed the protective devices previously approved by the inspector. Policies on all locations meeting the protective device requirement become effective at noon on the day following the date of a U.S.-affixed postmark, or proof of Certified or Registered mailing. In the absence of such postmark, policies are effective at noon following the date of receipt

by the servicing company, unless a later date is specified on the application.

Rates are based on class and location of the business, gross receipts from the previous year, and the amount of coverage selected.

As for other coverages such as fire and vandalism, businesses that can't get private insurance due to suspected "red lining" should contact their state insurance commissioner. 

---

*About the Author . . . Joseph Arkin is a Miami-based certified public accountant who writes extensively for trade, business, and professional magazines on business management topics.*