

BURGLARY, THEFT AND ROBBERY INSURANCE

BY

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INTRODUCTION

Each form of insurance has its background of occurrences which result in sudden and unforeseen financial shocks to individuals or to groups of individuals, and, therefore, create contingencies against which protection is desirable. Certain crimes are the background for burglary, theft and robbery insurance and because these crimes are spectacular, and have always had publicity value, it is not difficult to ascertain their nature and extent, although exact statistical analyses are impossible for reasons which will be stated.

There is considerable divergence in the several states between the legal definitions of the terms which describe this coverage, so that it is difficult to combine complete data from different jurisdictions on a uniform basis. In fact, this never has been attempted, so that a comprehensive record of burglaries, thefts and robberies for the United States is not available. But statistics from different sections of the country, from trade associations, and from the experience of casualty insurance companies, make possible the presentation of an incomplete view of the situation which will at least indicate its seriousness.

First, some illustrative data from a few important cities. In the city of New York† there were 5,390 burglaries and 1,086 robberies in 1922 and 4,933 burglaries and 1,077 robberies in 1923. In Kansas City, Missouri,‡ there were 1,693 burglaries and 710 robberies in 1922 and 1510 burglaries and 957 robberies in 1923. In Chicago, Illinois,§ there were 4,301 burglaries and

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†Annual Reports of the Police Department—City of New York—for the years 1922-1923.

‡Estimated upon the basis of nine months data for January-September published by the Law Enforcement Association of Kansas City. The actual figures for nine months were: 1922—1274 Burglaries and 568 Robberies, 1923—1208 Burglaries and 766 Robberies.

§Bulletin of the Chicago Crime Commission (Organized by the Chicago Association of Commerce). Number 31—Chicago—March 1, 1924.

2,007 robberies in 1922 and 3,019 burglaries and 1,402 robberies in 1923.

Second, some more picturesque information from two important trade associations. Banks are particularly exposed to burglaries and robberies, and it has been discovered recently that the number of robberies is increasing due, probably, to a considerable extent to the widespread use of the automobile, and to the development of good roads which make it possible for criminals to penetrate into even the most remote sections of the country, and to travel at high speed. It is true, also, that criminals have discovered that it is easier to perpetrate a hold-up in a bank, where there are few employees, than it is to blow open a safe or vault. Robbers operating in gangs of six to fifteen, can overpower or intimidate from two to three times their number without difficulty, whereas entrance into a safe or vault requires far more effort, and, in addition, the use of considerable equipment and tools which must be transported to the scene of the crime. This trend is discussed in the recent report of the Protective Committee of the American Bankers Association* as follows:

The laborious task of bank burglary is apparently yielding to the more daring and productive art of robbery, known as "hold-up"—the 1921 high mark of 240 burglaries against members dropping to 98 in the past year (1923). Over the same period, "hold-up" robberies of members increased from 97 in 1921 to 165 in 1923. There is food for serious thought and action in these figures, when we recall that ten years ago insurance companies and banks treated "hold-up" risks as a side issue in their Burglary and Robbery coverage.

The data presented in this report refer only to members of the American Bankers Association, and therefore fall far short of representing the situation in its entirety, as another quotation from the same source will disclose:

. . . . over a period of thirty years of Protective service by this Association, 1,632 burglaries were perpetrated against its members with a total loss amounting to \$1,212,000. In the same thirty years, non-member banks, which are much smaller in number and in possible loot, suffered more than 2,374 burglaries and sustained a loss in excess of \$4,170,000. This shows an excess ratio of 45%

*Report of the Protective Committee to the Executive Council of the American Bankers Association. Fiftieth Annual Convention, September 30, 1924. *Economic World*, new series, Volume XXVIII, No. 15, October 11, 1924—pp. 528-9.

against the non-member banks in the number of burglaries and a loss figure 240% greater.

An equally attractive field for criminals of all types is the jewelry trade. The Executive Committee of the Jewelers' Security Alliance,* the membership of which on January 1, 1924 comprised 6,476 firms, reported the following record of burglaries, thefts and robberies among members of the Alliance for 1923:

358 members suffered losses approximating \$322,000, classified as follows:

9 Safe Burglaries.....	\$35,700
62 Store Burglaries.....	52,000
137 Window Smashings.....	56,300
127 Sneak Thefts.....	133,600
23 Hold-ups and Assaults.....	43,700
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358	TOTAL.....\$321,300

In this case also, the record for the association is not entirely representative. The Executive Committee presents the following estimates covering the entire trade based upon information from trade papers and other sources:

860 crimes were committed in calendar year 1923 with losses approximating \$2,000,000, classified as follows:

48 Safe Burglaries.....	\$450,000
207 Store Burglaries.....	175,500
293 Window Smashings.....	300,000
195 Sneak Thefts.....	250,000
117 Hold-ups and Assaults.....	800,000
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860	TOTAL.....\$1,975,500

Third, a compilation taken from the experience of insurance companies. The following is an exhibit of the countrywide experience of twenty-five members of the Burglary Department of the National Bureau of Casualty and Surety Underwriters for the two policy years 1921 and 1922. It is not known what proportion of the total crimes of this class is represented by these data, but it may be assumed, taking the situation in its entirety, that not more than 5% of the possible risks which should have insurance against this hazard are actually insured.

*Bulletin No. 35. The Jewelers' Security Alliance of the United States—January 1, 1924. Forty-first annual report of Executive Committee to the Members of the Association.

EXPERIENCE OF TWENTY-FIVE STOCK CASUALTY COMPANIES*

Kind of Crime	Number			Amount of Loss		
	Policy Year 1921	Policy Year 1922	Total	Policy Year 1921	Policy Year 1922	Total
Burglaries and Thefts from Homes Robberies (outside of homes) of Personal Property.....	14,816	12,936	27,752	\$2,792,032	\$2,584,561	\$5,376,593
Bank Burglaries.....	391	265	656	141,174	142,447	283,621
Bank Robberies.....	569	351	920	183,947	223,767	407,714
Mercantile Safe Burglaries.....	158	95	253	184,788	124,426	309,214
Messenger Robberies.....	1,107	1,131	2,238	303,725	362,015	665,740
Paymaster Robberies.....	1,023	611	1,634	357,049	261,212	618,261
Office & Store Robberies.....	94	67	161	210,551	122,837	333,388
Burglary of Merchandise from Mercantile Establishments.....	1,247	794	2,041	317,688	290,111	607,799
Grand Totals.....	2,008	1,410	3,418	1,130,696	907,969	2,038,665
	21,413	17,660	39,073	\$5,621,650	\$5,019,345	\$10,640,995

*This table will be misleading unless it is studied in connection with the table on page 44 giving the distribution of the premium income of the stock companies whose experience is presented. It will be noted from the latter table, for example, that approximately 50% of the premiums are obtained from Residence policies, which explains why the largest number of losses is found in connection with risks of this class. The present table is valuable only as a rough indication of the number of crimes and the amount of losses.

It is true that these figures represent conditions at their worst. They are taken from congested centers where property values are concentrated, and burglaries and robberies are, therefore, of most frequent occurrence; they represent those trades which are particularly the targets of criminals; and they are compiled from the records of insurance companies, and consequently may be said to typify the experience of those who recognize the fact that they are peculiarly exposed to hazards against which protection is necessary. They do, nevertheless, point to an alarming situation for, if the complete crime record for the country could be compiled it would aggregate a total of considerable magnitude both in number of crimes and in the property loss involved. The United States has worse conditions than European countries in this field as it does in others, such, for example, as the loss of lives and property by fire, and the occurrence of industrial injuries. Every person, firm, corporation or association in this country possessing valuable property (such as money, securities, precious stones or jewelry) that has a market value and is readily negotiable, is subject to attack by burglars, thieves and robbers. The greater the value of this property, the greater is the possibility of loss for, like others, the criminal is human in his desire to obtain the maximum return for his efforts.

DEFINITIONS OF TERMS

This is an important subject both because of the popular misuse of these terms and because the policy definitions describing the coverage which is granted do not conform with the legal definitions of these terms at common law or as they are defined in the state statutes.

The definitions of robbery and burglary as used in this form of insurance have been standardized in order that coverage might be uniform from state to state. The diversity of statutory or common law definitions of these terms in the several states made this necessary, the crimes varying in description and in degree, and legal penalties ranging from moderate fines and prison sentences to death. The original plan of following the law was impracticable because losses due to certain crimes were covered in one state but excluded in another, and other similar inconsistencies were injected into the situation.

The definitions used in insurance policies raised the interesting legal question whether it was permissible to establish certain definitions as matters of contract, and to require that they be observed instead of the statutory or common law definitions of the state in which the crime might be committed. This question was decided favorably to the companies in 1912 by the New York Court of Appeals in the case of *Rosenthal, et. al. v. The American Bonding Company**, and the principle has been generally recognized by other courts since that time. The New York Court said that

if the parties to a contract adopt a provision which contravenes no principle of public policy and contains no element of ambiguity, the courts have no right to relieve one of them from disadvantageous terms, which he has actually made, by a proposition of interpretation. It may be conceded that if a policy of insurance is of doubtful tenor, the court should employ that interpretation which is the most exacting against the insurer, who has prepared the contract, but if the contract is not of uncertain meaning, as has often been said, the court may not make a new one under the guise of construction.

As a result of this and similar decisions, practically all of the companies are now using in their policies standard definitions of certain terms.

Burglary. The development of the present standard definition of the term "burglary" has been a process of experiment. As rapidly as courts have found flaws in the definition, they have been removed, until today it is practically in finished form, and as a result of test has been found to cover the risk as the companies intend to cover it.

There is a slight difference between the definition in policies covering residences and in those covering bank vaults and mercantile establishments. In the residence policy a burglary is defined as the taking of property of the assured by a person "who shall have made felonious entry into the premises by actual force or violence of which there shall be visible marks made upon the premises at the place of such entry by tools or explosives." In other cases, because of the methods employed by modern burglars, the definition is essentially the same, but the visible marks establishing the fact that a crime has been committed may be made by "electricity or chemicals" as well as by "tools or ex-

*100 N. E. 716.

plosives." The use of a "jimmy" to force open a window in a private residence, even though it may leave but the slightest scratch as evidence, is sufficient to establish the fact of a felonious entry, if property has been stolen. In the case of a bank vault or a mercantile safe, the mark evidencing the crime may be made by an oxyacetylene or an electric torch. In either case, there must be conclusive evidence of forcible entry from the outside. The intent is to bar claims for property which has been purposely misplaced, or which has been stolen by someone having unrestricted access to the property, or by a sneak thief.

Robbery. "Robbery" (sometimes referred to as "hold-up") is a term which is frequently used incorrectly. A person may say that he has been robbed, when, in fact, he has been the victim of a burglary or a theft. The legal definitions vary, and again the companies have established their own definitions in the interest of uniformity, and in order that coverage may be similar in all states.

The definition of the term in the Standard Paymaster and Messenger Robbery policy is as follows:

Robbery, within the meaning of this policy, is limited to a felonious and forcible taking of property: (a) by violence inflicted upon the custodian or custodians in the actual care of the property at the time; or (b) by putting such custodian or custodians in fear of violence, or (c) by an overt felonious act committed in the presence of such custodian or custodians and of which they were actually cognizant at the time; or (d) from the person or direct care or custody of a custodian, who, while conveying property insured under this policy, has been killed or rendered unconscious by injuries inflicted maliciously or sustained accidentally.

This definition indicates why robbery is considered a more serious offense than burglary. The object in both cases is similar, the unlawful taking of the property of another, but in one case nothing beyond the property of the owner may be injured, while in the other, one or more persons are placed in jeopardy. To constitute robbery the property must be taken against the will of the person or persons in whose possession it is, and force or violence or fear of injury must be employed in the process.

In the Personal Robbery policy (known as "hold-up" coverage to differentiate it from the other robbery forms) coverage is limited to the felonious and forcible taking of property from the person of any of the individuals whose property is insured,

. . . accompanied by bodily injury to the person from whom the property is taken or by putting such person in fear of bodily injury.

These definitions, it will be noted, do not cover "pocket-picking" except in the case of messengers or paymasters and then only in case the custodian is killed or incapacitated as a result of assault or accident.

Theft or Larceny. These terms to all practical intents and purposes are synonymous. They are used only in connection with Residence policies, and in this case they are not specifically defined, because where they appear the coverage is intended to embrace every form of stealing, and the terms are used primarily to emphasize this point, having been handed down through many years of underwriting. The terms are intended particularly to apply to cases where dishonest servants and others, such as delivery men and mechanics having access to the property of the assured, misappropriate such property to their own uses without the consent of the owner.

Theft is seldom if ever defined in the statutes. It usually is included under the broader term "larceny," which covers a multitude of sins. For example, in New York State* a person is guilty of larceny

who with the intent to deprive or defraud the true owner of his property, or of the use and benefit thereof, or to appropriate the same to the use of the taker, or of any other person:

(1) Takes from the possession of the true owner, or of any other person; or obtains such possession by color or aid of fraudulent or false representation or pretense, or of any false token or writing; or secretes, withholds, or appropriates to his own use, or that of any person other than the true owner, any money, personal property, thing in action, evidence of debt or contract, or article of value of any kind; or

(2) Having in his possession, custody, or control, as a bailee, servant, attorney, agent, clerk, trustee, or officer of any person, association or corporation, or as a public officer, or as a person authorized by agreement, or by competent authority, to hold or take possession, custody, or control, any money, property, evidence of debt or contract, article of value of any nature, or thing in action or possession, appropriates the same to his own use, or that of any other person other than the true owner or person entitled to the benefit thereof . . .

*Section 1290 Penal Law.

There are three degrees of larceny; two degrees of what is known as "grand larceny" and one degree of what is known as "petit larceny," the distinction between "grand" and "petit" larceny depending upon the value of the property stolen.

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Co-insurance. It is a popular misconception that co-insurance is designed merely to enable the insurance companies to scale down losses when they occur. Just the contrary is true because the assured collects his loss in full up to the face value of his policy if he has complied with the co-insurance clause. The real object of co-insurance is to require adequate insurance of property and thus to prevent an inequitable distribution of losses and premiums. Take the following case, for example: A is a wealthy banker in whose residence there are sumptuous furnishings, much silverware and jewelry, and extensive wardrobes of costly wearing apparel. The value of the property subject to burglary or theft is \$100,000. B is a man in more moderate circumstances and his possessions are in keeping with his station in life. The value of his property subject to burglary or theft is \$1,000. Assume that the amount of insurance which A and B may take is not defined by any rules of the insurance companies. Under these circumstances each may decide to take coverage of \$1,000. In which case would the hazard be greater? It is certain that A's risk is much more attractive to criminals than B's; also that a loss of \$1,000 is much more likely in A's case than in B's. The underwriter would have much more at stake on A's \$1,000 of coverage; for in this case a partial loss of 1/100 part of the stealable property would mean a total loss under the policy, whereas in B's case all of the property subject to burglary or theft would have to be taken to produce a total loss. There can be no question that A should be charged more for his coverage than B; for the insurance rate must depend upon the ratio of insurance to value, increasing as this ratio becomes smaller.

Co-insurance is a method designed to meet this situation. By forcing A to insure up to a certain percentage of its value, that part of his property which is likely to be stolen, co-insurance has the effect of requiring A to pay a larger premium for his coverage, thus recognizing the greater concentration of hazard which his risk presents.

In practice, co-insurance is applied to burglary, theft and larceny coverages with certain limitations because it is recognized that as a general rule, all the property of the assured cannot be stolen at one time, and also that to make an inventory of everything in the house from cellar to attic is almost an impossible task. These limitations will be explained later in connection with the discussion of Residence and Mercantile Burglary Insurance. Where the principle is applied without limitations it is provided in the policy "that the company shall not be liable for a greater proportion of any loss of or damage to property . . . than the amount of insurance . . . bears to —% of the actual cash value of all such property at the time of the loss or damage" For example, assume \$5,000 of insurable property, an 80% co-insurance clause and actual insurance coverage of \$3,000. In this case the insurance required, if partial losses are to be fully paid, is 80% of \$5,000, or \$4,000. The actual insurance carried is \$3,000, or only three-fourths of this amount. 1. In case of a loss of \$1,000, only three-fourths of this would be paid, or \$750. 2. If the loss were \$3,000, the company would pay \$2,250. If the loss were \$4,000 or greater, the company would pay the full amount of its policy, or \$3,000. In the first case the assured would lose \$250 and in the second, \$750. In either case the loss would be paid in full if \$4,000 of insurance were carried.

The use of co-insurance is legitimate and equitable, as the following statement of a New York Legislative investigating body* will show:

The general conclusions we reach with regard to the co-insurance clause are these: that the principle upon which it is founded, namely, that rates should be based upon the percentage of insurance carried, is not only sound but is absolutely requisite if the equities of the insured are to be preserved; second, that the co-insurance clause rightly recognizes that as a practical matter the responsibility for maintaining a given percentage of insurance must rest with the assured; third, that the operation of the agreement is automatic and fair.

*Report of the Joint Committee of the Senate and Assembly of the State of New York, appointed to investigate corrupt practices in connection with legislation and the affairs of insurance companies other than those doing life insurance business. New York Assembly Documents, 134th Session, 1911, Volume 20, No. 30, Part I, pp. 89-90.

The objections that can be urged to the co-insurance clause are not on theoretical but on practical grounds and are entirely due to the fact that it is in use where it is not understood. It is perfectly true that the co-insurance clause is a dangerous thing for a person who does not keep close watch of his values—not dangerous in the sense that the assured will not get what he ought to get, but in the sense that he will not get what he thinks he is going to get. But, should the government undertake to shield those who enter into a contract which they do not understand if this must be done at the expense of the real equities of the mass of the assured?

CLASSES OF INSURANCE.

Burglary, theft and robbery insurance is designed to meet many conditions and, for convenience, has been classified as follows:

(1) *Residence Insurance*, which covers loss of and damage to personal property within residences by (a) burglary and (b) larceny or theft.

(2) *Personal Hold-up Insurance*, which covers loss of personal property by robbery.

(3) *Bank Burglary Insurance*, which covers loss of and damage to money and securities in safes or vaults by burglary.

(4) *Bank Robbery Insurance*, which covers loss of and damage to money and securities within the premises of the bank by robbery.

(5) *Safe Deposit Box Insurance*, which covers loss of and damage to securities, silverware and jewelry in safe deposit boxes by (a) burglary and (b) robbery.

(6) *Mercantile Open Stock Insurance*, which covers loss of and damage to stocks of merchandise within mercantile and manufacturing establishments by burglary when the premises are not open for business.

(7) *Mercantile Safe Insurance*, which covers loss of and damage to merchandise, money and securities in safes within mercantile and manufacturing establishments by burglary.

(8) *Paymaster or Messenger Robbery Insurance*, which covers loss of and damage to money, securities and merchandise in the custody of messengers, paymasters, collectors and salesmen by robbery. The coverage in the case of paymaster robbery insurance follow the custodian in the performance of his duties and, therefore, applies both within and without the assured's premises;

in the case of other custodians the coverage applies only outside the assured's premises.

(9) *Interior Office and Store Robbery Insurance*, which covers loss of and damage to money, securities and merchandise within mercantile and manufacturing establishments by robbery.

The relative importance of these classes of insurance, measured in terms of premium income, may be gauged from the following exhibit:

DISTRIBUTION OF PREMIUM INCOME OF \$24,083,661 OF 25 MEMBERS OF THE BURGLARY DEPARTMENT OF THE NATIONAL BUREAU OF CASUALTY AND SURETY UNDERWRITERS BY LINES OF BURGLARY INSURANCE—POLICY YEARS 1921 AND 1922

Class of Insurance	Percent of Total Premiums
Residence Insurance (including Personal Hold-up Insurance)	50%
Bank Burglary and Robbery Insurance (including Safe-Deposit Box Insurance)	14%
Mercantile Open Stock Insurance	12%
Mercantile Safe Insurance	8%
Robbery Insurance (including Paymaster or Messenger, and Interior or Office and Store Robbery Insurance).....	16%
TOTAL	100%

Certain forms of burglary, theft and robbery coverage are not considered in this paper, because they do not fall within the accepted scope of this branch of insurance. In addition to the forms here discussed somewhat similar coverage is included in blanket bonds issued to banks, in automobile theft insurance, in marine insurance (theft and pilferage coverage), and in the so-called "Tourist Floater" and "All-Risk" policies.

HISTORICAL DEVELOPMENT

Burglary, theft and robbery insurance originated in England and it is in that country that the earlier development of the insurance must be traced. In this process the student will find a record of great value in a book entitled "Outlines of Burglary Insurance" by F. D. McMillan* which not only presents an

*Charles and Edwin Layton, 56 Farringdon Street, E. C. London.

historical outline but also describes in some detail the actual methods employed in the present conduct of the business in England.

Mr. McMillan attributes the responsibility for the first plan of burglary insurance of which there is record to Mr. William Weller, of London, who proposed the establishment of "The General Insurance Office" in 1787 with the idea of providing means for insuring against "Loss of Property by Burglaries, Highway and Footpad Robberies, and Public and Private Thefts." His application for a Royal Charter and for the exclusive rights under the "invention" for a period of fourteen years, were denied by the Attorney-General because of a suspicion that such a company, if organized, would find itself unable to cope with the moral hazard, and that it would tend to make insured persons lax "in preventing, resisting, detecting, and apprehending thieves." This was not the only plan devised by Mr. Weller, because upon failure to secure a Royal Charter he attempted to organize a company by another process, only to meet with failure again. The time was not ripe for the successful organization of a carrier in this line of insurance.

There were other attempts to organize companies in the century which followed, but these were apparently unsuccessful, for while several companies were registered during this period, it is not known that any company actually commenced to transact business. It is not likely that there was any considerable number of policies issued until 1889, when the Mercantile Accident and Guarantee Insurance Company of Glasgow, Scotland, undertook the transaction of modern burglary insurance. The idea upon which this action was taken originated with a Scottish ex-police constable named Allan who approached several companies before he came to the Mercantile Accident and Guarantee Insurance Company, where he succeeded in interesting one of the officers and later the Board of Directors. The first policy was issued on June 1, 1889, and at the end of the first year 1,045 policies had been issued at aggregate premiums of £1,090. The business was successful, as the losses for this period amounted to only £213. With this start other companies began to interest themselves in the line, and several entered the field in 1890. The business was then established, and has continued to develop ever since.

In these earlier plans Residence burglary only was covered in

an amount to be determined at the option of the assured, subject to a minimum limit of £100 "or one-third of the total value of the contents of the house." The rate was 5s per £100 for a policy to cover "theft of articles following forcible entry into the premises by day or night." In addition, if the assured wished to do so, he might also cover property damage caused by the burglary. The rate for this was quoted separately at 9d per £100. Later, business establishments were written. These were originally rated on the same basis as residences, but it was soon discovered that differences in hazard demanded recognition, and two classes of risks were established with different rates. Class I, embracing such risks as bakers, butchers and confectioners, was rated the same as residences. Class 2 included such risks as bootshops, silk merchants, tailors and laundries. For these 50% was added to the residence rates for burglary insurance, and the 9d rate for damage to the premises was applied without modification. Complete coverage for mercantile risks in Class 2 was therefore quoted at a rate of 8s 3d per £100 of coverage.

The first known attempt to write burglary insurance in this country was made as early as 1885 by a company known as "The American Protective Mutual Insurance Company Against Burglary." This company was organized to write mercantile open stock coverage against loss by burglary restricted to forcible entry. It transacted a limited volume of local business at Reading, Pennsylvania. A rate of \$5.00 per thousand of coverage was charged regardless of the class of merchandise covered.

In 1892 the Fidelity and Casualty Company of New York undertook to insure banks, bankers and other users of safes against the loss of money, securities and other valuables from their safes through attacks by burglars, and, for a number of years, had the field practically to itself. Gradually other companies entered the field until, in 1900, the business had grown from a premium volume of \$48,360 written by one company in 1894 to a premium volume of approximately \$450,000 for the five companies then transacting this form of insurance. Other companies became interested about this time, and the business was extended gradually to cover other hazards such as theft, larceny and robbery.

The following exhibit will indicate the rapid growth of the business since 1900. Today it is no longer a so-called "side line,"

even though the field has not been touched in the sense that all persons requiring this protection have purchased insurance:

Year	Number of Companies (approximate)	Aggregate Premium Income (approximate)
1900	5	\$450,000
1910	30	2,781,000
1923	33	24,246,000

Having completed this general review of the subject, each individual branch of the business will now be taken up for intensive consideration.

RESIDENCE BURGLARY, THEFT AND LARCENY INSURANCE

Attention has been directed to the fact that policies of this class produce approximately 50% of the entire burglary, theft and robbery insurance premiums of the insurance companies. It is likely that this accounts for the development of varied forms of coverage in this field, for it is usual to find the greatest specialization where there is a concentration of business. It is only recently that sufficient experience has accumulated to guide the companies in underwriting this particular class of risks. Previously each company had its idea of the way in which the business should be written, and consequently there was little uniformity. The experimental stage has not yet run its course, as there are still many coverages available, some of which will probably be discarded, a few coverages which have met the test of practicability being retained for permanent use.

Residence policies may cover either loss by burglary alone or loss by burglary, theft and larceny. But the variations in coverage extend further, and involve the particular kinds of property which the assured may possess, and also various methods of protecting this property. There are four variations of this character for each type of coverage so that there are eight standard forms of coverage available to those who reside in residences. Just what these eight coverages involve and how they are applied will be discussed after policy provisions common to all are considered.

RESIDENCE POLICY PROVISIONS

Insuring Clauses. Two forms of indemnity are offered: First, indemnity against loss of property by burglary or by burglary, theft, or larceny as the case may be, and second, indemnity for

damage (except by fire) to property and premises caused by burglary (or by burglary, theft or larceny) or attempt thereat. The latter clause is intended to cover damage to windows, locks, furnishings and fixtures which may result from the burglary or from an attempt to commit a burglary. Fire damage is excluded to avoid conflict with fire insurance policies. Attempt at burglary is included because burglars are often frightened away before they have an opportunity to steal anything, but after considerable damage has been done to the premises.

The burglary or theft may be "committed by a guest or by any domestic servant or other employee of the assured or by any person whose property is not covered" by the policy. The latter part of this provision excludes the taking of property by the assured, a permanent member of his household who does not pay board or rent, or a relative who permanently resides with him. This would exclude, for example, loss by theft committed by the black sheep of the family. It would also exclude a case such as the following: An assured under a theft policy made claim on account of some of his wife's jewelry, which, after his wife's death, a brother-in-law residing at the time with the assured, carried off, claiming ownership.* In the case of burglary, theft and larceny policies, it is only necessary to prove that the insured property has been stolen. In the case of policies limited to burglary it must be demonstrated that the person committing the crime "made felonious entry into the premises by actual force or violence of which there shall be visible marks made upon the premises at the place of such entry, by tools or explosives."

Agreements, Conditions or Provisions. The insurance applies to property belonging to the assured or to any permanent member of his household who does not pay board or rent, or to a relative of the assured permanently residing with him whether or not such relative pays board or rent. It does not cover property of guests or of domestic servants and other employees, unless such property is specifically insured, and additional premiums paid. Neither does it cover "articles carried or held as samples, or for sale, or for delivery after sale," on the theory that such property is not personal property, and may represent an unusual hazard,

*Garrison, F. S., "Burglary, Theft and Robbery Insurance" Lectures in Casualty Insurance. Delivered before Evening Classes in Insurance of the Insurance Library Association of Boston, in 1922 p. 134.

as for example, valuable jewelry taken home by a jeweler to sell or to deliver to a customer.

A further exclusion which seems to have little practical significance but which has been handed down from the earlier days of underwriting, is loss or damage "caused or contributed to by invasion, insurrection, or war." There is no case on record where this exclusion was applicable, but it remains in the policy probably because some underwriters fear the possibility of a catastrophic loss from this source.

"Premises" are defined according to circumstances. The term applies specifically to the assured's dwelling. If this is a private house it covers the entire building, but excludes porches, garages, stables, and outbuildings although property in these places may be covered upon payment of an additional premium. If the assured lives in an apartment house, or otherwise occupies only a portion of a building the premises are limited to that part of the building actually and exclusively occupied by him. Thus, in the case of a dweller in an apartment house, the policy does not cover property in a storeroom in the basement, beyond a value of \$50, although additional coverage may be had if desired upon payment of a specified premium. These definitions are important to the company because if they were not written into the policy there would be no means of controlling liability. For example, a purse containing jewelry may be left in an automobile in the garage or in the hallway of an apartment house, thus creating an extraordinary hazard which the company should not be called upon to assume at the normal rate of premium.

The premises are considered to be "occupied" when the assured or any member of his household is actually inhabiting them, or so long as a servant or caretaker is in charge and remains in the premises every night. Four months "unoccupancy" is permissible without interfering with coverage, but a longer term of unoccupancy may be arranged upon payment of an additional premium. The hazard is undoubtedly increased during periods of unoccupancy, and it is only reasonable that every assured should have the same privileges, and that the individual assured should pay for the added hazard in case he desires an extension of these privileges. Coverage may also be continued under certain conditions where the assured rents his home to another.

An important provision is that requiring the assured to give immediate telegraphic notice of loss to the company and also to the local peace authorities. Prompt notice is essential in this business, first, because the moral hazard is high, and the company must have an opportunity for an immediate investigation to prevent fraud; and second, because the possibility of recovery of stolen property is extremely remote unless steps are taken without undue delay. Following the telegraphic notice of loss a more formal claim is required of the assured. This must contain "a complete inventory of all of the property stolen or damaged, stating the original cost, the actual cash value of each article at the time of the loss, and the amount of loss thereon." It must also contain other items of information, such as the following: (1) description of the damage done to property, if such damage is the basis of claim, (2) definition of the interest of the assured in the stolen property, and (3) reasonable evidence of the commission of the crime to which the loss is attributed.

The company has several options after it verifies the fact that it is liable for a loss. It may pay the actual cash value of the stolen or damaged property, it may replace the property, or, in case of damage, it may repair the property. The payment of a loss reduces the limit of the company's liability under the policy by the amount paid, but does not terminate the coverage unless the liability of the company is entirely exhausted by the claim.

There are provisions requiring the assured to cooperate with the company in the adjustment of losses, in the prosecution of criminals, and in the inspection of his premises, others dealing with suspension and cancelation of the policy, providing for the possibility of concurrent insurance and the consequent sharing of losses by several companies, and for subrogation.

Declarations. The declarations made by the assured are essential because they contain information upon the basis of which the company accepts the risk. They are so vital that deliberate misrepresentation of any of them by the assured vitiates the coverage. They include:

1. *Name, occupation and business address of assured.* This information is required primarily for the identification of the assured. It must be accurate for otherwise the company has no means of checking up the assured by investigation to determine his past record. He may be a bootlegger or a criminal, or his

experience (which can be obtained from other companies), may disclose other facts of value to the underwriter who must decide whether to assume or to reject the risk.

2. *Location of premises.* The exact location of the risk must be known, because it is often necessary to inspect it to determine its physical characteristics. Not only is the location an element in determining the premium to be charged but there are certain sections of cities from which the cautious underwriter will not accept business.

3. *Portion of building occupied by assured.* It is essential to determine accurately just what part of the building is occupied by the assured, so that losses sustained outside of these premises may be rejected, as well as for the purposes noted under 2 above.

4. *Are premises occupied for private residence purposes only?* This item is designed to cover cases where the premises are used by dentists, physicians, dressmakers and others who are required to pay premiums in excess of that for ordinary residence coverage.

5. *Has the assured sustained any loss or damage or received indemnity for any loss or damage by burglary, theft or robbery within the last five years?* The answer to this question assists the company in combatting the moral hazard. The fraudulent assured may seek to secure insurance under an assumed name or otherwise, and will attempt to hide the fact of previous losses. If he deliberately misrepresents his past experience, and after a loss is found to have done so, the company is able to disclaim all liability. The purpose is to catch the crook, not to use the warranty as a technical reason for escaping liability.

6. *Has burglary, theft or robbery insurance ever been declined or canceled by any company?* This is used primarily for the same reason as the preceding question. It also has its value in enabling the underwriter to get in touch with other companies which may have had experience with the same risk, and to ascertain just what this experience was.

CLASSIFICATION OF INSURED PROPERTY

Property, for the purposes of this coverage, has been classified as follows:

1. Watches, necklaces, gems, precious and semi-precious stones, jewelry, articles of gold, platinum and sterling silver, furs and articles made entirely or principally of fur.

2. Money, securities, stamp and coin collections, wearing apparel, laces, rugs, tapestries, pictures, paintings, plated ware and all other household goods, and personal property common in residences generally, including professional instruments, and electric light, plumbing, gas and water fixtures.

3. Wines, liquors, and alcoholic beverages legally acquired by the assured.

4. Horses, cattle, vehicles, automobiles and motorcycles, and fittings and appurtenances thereof, harness, saddles, tools, and like property, excluding robes, blankets, and wearing apparel while contained in the private stable or garage adjacent to or in the building in which the premises of the assured are located.

5. Articles separately and specifically insured and, therefore, excluded from the preceding groups, with the exception of silverware which may be insured as a collection. These articles must be enumerated and described in detail; for example:

One platinum ring containing solitaire diamond, $1\frac{1}{4}$ carats, name of owner, date of purchase, name of merchant or previous owner, purchase price;

One hudson seal fur coat with beaver collar, length 40 inches, name of owner, date of purchase, name of merchant or previous owner, purchase price.

The first two and the last classifications of property are of the greatest importance in connection with the forms of coverage to be described, because, the essential differences between the forms arise out of the methods employed in insuring these particular types of property.

There are certain standard limitations upon liability applicable to all policies. The first of these is a limitation of \$50 upon the amount of liability for loss or damage to money, securities, and stamp and coin collections. This limit may be increased upon payment of an additional premium. The second is a general limitation providing that no policy may be issued unless it grants coverage of at least \$1000. The latter provision is intended to prevent the issuance of policies for small amounts of coverage, and at premiums which would not cover the actual cost to the company. It thus performs the same function as a minimum premium requirement. Policies may be issued for terms of one or three years. In the explanations of methods of rating which follow it is assumed that coverage is granted for one year only.

FORMS OF RESIDENCE COVERAGE

There are four principal forms of coverage available, each of which may cover loss by burglary only or loss by burglary, theft and larceny. The technical names for these forms with a description of each form follow:

Policy Form 1 (Divided Cover) Without Co-insurance. This has proved itself to be the most popular of the residence forms, and the rates for it serve as the basis for the determination of rates for all other forms. The distinguishing feature of this coverage is the requirement that the total amount of insurance must be allocated to various kinds of property—hence the name “divided cover.” This is an important requirement, for if an assured were permitted to take \$1000 of insurance, and did not specify its application the coverage would actually apply to any property which might be stolen. In this case \$1000 of insurance may be purchased, but it must be allocated either to class 1 property or to class 2 property or divided between the two. This has the effect of requiring the assured to carry adequate insurance if he desires complete protection. From this point of view the requirement accomplishes the same purpose as a co-insurance arrangement.

Insurance of property of classes 3, 4 and 5 is optional with the assured. There is no particular problem here except with reference to insurance on class 5 property where the property is listed and described. The purpose of this section is to enable the assured to secure complete coverage for certain named property. The rate which is charged is lower than the rate applicable to property of either class 1 or 2, because the assured under class 5 takes coverage which is equivalent to 100% of the value of the insured property, whereas the same is not true of the other classes where the coverage is “blanket” and more usually represents but a fraction of the value of the insured property.

Rates for this and other coverages depend upon four elements; territory, type of building, class of property and amount of insurance.

1. *The territory in which the risk is located.* The United States is divided into eight territories which, upon the basis of experience have been found to present varied hazards. An entire state may fall into one or another of these territorial groups although

some states are divided by counties, each division being allocated to the territorial group which most nearly reflects its hazard. Thus, the entire state of Florida is in territory IV, but New York State is subdivided into three parts, the counties of New York, Bronx, Richmond, Kings, Queens, Nassau, Suffolk, Rockland, Westchester, and Erie falling into Territory II; Albany, Monroe, and Onondaga into Territory III; and the remaining counties into Territory IV. Rates vary from the highest which apply in Territory VII to the lowest in Territory VI. Territorial variations apply to rates for property in classes 1, 2, 4 and 5.

2. *Type of building in which premises are located.* There are three classifications of buildings. The first includes private residences occupied exclusively by the assured, and two family houses occupied by not more than two families. The second includes flats, apartments, and hotels occupied by more than two families. The third includes summer and winter residences—residences in the country or at the seashore which are occupied by the assured only during the summer or winter seasons. Each of these classes takes a rate higher than the rate for the preceding class. These variations apply to rates for property in classes 1, 2 and 5.

3. *Class of property insured.* These classes have been described. The rates are quoted per \$1000 of coverage, and follow the hazard, as will be apparent from an example which will be presented.

4. *Amount of insurance.* As a general rule the rate per \$1000 of coverage decreases as the coverage increases. This recognizes the fact that the probability of a loss decreases as the amount of coverage increases. For example, the following table represents the rates for Form 1 coverage on class 1 property located in a private residence in New York City:

Amount of Insurance	Annual Rates	
	Burglary, Theft and Larceny	Burglary Only
\$1000	\$22.00	\$17.60
2000	33.00	26.40
3000	41.25	33.00
4000	46.75	37.40
5000	52.25	41.80
Each Additional 1000	5.50	4.40

The rate for the first \$1000 of burglary, theft, and larceny coverage is \$22.00, whereas the rate for the sixth \$1000 of coverage is \$5.50. These rates measure the hazard, because the hazard is less for each succeeding \$1000 of coverage.

Where insurance is carried on both class 1 and class 2 property the variation in rates in accordance with the amount of coverage introduces a complication unless there is a definite rule for determining the application of the rates for successive \$1000 of coverage. Under the rule which is now in effect the first \$1000 of coverage to be considered is that for class 1 property. The "initial thousand" rate is applied here, and the "additional thousands" rates are then applied in succession, first to the remaining coverage on class 1 property and then to the coverage on class 2 property. An illustration will clarify this point. The rates for Form 1 coverage on class 1 property in New York City have been given on page 54. The rates for class 2 property are twenty-five percent less. Assume that a Form 1 policy is written for a total amount of \$2000 equally divided between class 1 and class 2 property. The calculation of the premium would be as follows:

Coverage	Annual Rates	
	Burglary, Theft and Larceny	Burglary Only
\$1000 on class 1 property.....	\$22.00	\$17.60
\$1000 on class 2 property.....	8.25	6.60
Total.....	\$30.25	\$24.20

The rate for the second \$1000 of burglary, theft, and larceny coverage for class 1 property is \$11.00—the corresponding rate for class 2 property is 25% less or \$8.25. A similar calculation is applicable to the "burglary only" rates. There is no such problem in connection with other classes of property since each class is considered separately.

Continuing this illustration, and adding \$1000 of coverage for each of the remaining classes of property, the total premium in New York City for \$5000 of private residence coverage thus distributed would be determined as follows:

CALCULATION OF PREMIUM FOR A PRIVATE RESIDENCE RISK-
POLICY FORM 1

Coverage	Annual Rates	
	Burglary, Theft and Larceny	Burglary Only
\$1000 on class 1 property	\$22.00	\$17.60
1000 on class 2 property	8.25	6.60
1000 on class 3 property	75.00	60.00
1000 on class 4 property	19.80	15.84
1000 on class 5 property	7.50	6.00
\$5000	\$132.55	\$106.04

Policy Form 2 (Divided Cover) With Co-insurance. This coverage is exactly the same as that granted under Policy Form 1, except that the principle of co-insurance is applied against insurance on class 1 property (the most hazardous) for the purpose of forcing the assured to carry insurance commensurate with the value of his property of this class. The co-insurance clause follows: "The company shall not be liable for a greater proportion of any loss of or damage to property covered under this section than the amount of insurance applying to this section bears to eighty per centum (80%) of the actual cash value of all such property at the time of the loss or damage, whether or not such property is actually within the premises at the time the loss or damage occurs."

The reason for including the clause reading "whether or not such property is actually within the premises at the time the loss or damage occurs" will be apparent upon consideration of a simple example. A banker's wife owns some valuable jewelry which is usually kept in a safe-deposit vault down-town, although it is sometimes brought to the residence for special occasions. It is at these times that the hazard is at its maximum, for criminals are crafty enough to choose the time when they can obtain the greatest value for their efforts. The policy, therefore, requires this property to be included with other property, even though it is not on the premises at all times, and thus adequately protects the company in its position that the coverage shall be reasonably complete and sufficient under all conditions.

The rates for this form of policy are the same as those for Form 1, except that the rates applicable to class 1 property are 30% lower in recognition of the greater ratio of insurance to real value which is obtained by the use of the co-insurance clause. Thus, to take the same example which was used to describe the method

of determining the premium for a Form 1 policy, the calculation in this case would be as follows:

**CALCULATION OF PREMIUM FOR A PRIVATE RESIDENCE RISK—
POLICY FORM 2**

Coverage	Annual Rates	
	Burglary, Theft and Larceny	Burglary Only
\$1000 on class 1 property.....	\$15.40	\$12.32
1000 on class 2 property.....	8.25	6.60
1000 on class 3 property.....	75.00	60.00
1000 on class 4 property.....	19.80	15.84
1000 on class 5 property.....	7.50	6.00
\$5000.....	\$125.95	\$100.76

Policy Form 3. Blanket Coverage (With Insurance on Jewelry, Sterling Silver and Furs Limited to 50% of Total Insurance.)

This Form is similar to Form 1 except in the treatment of property of classes 1 and 2. Under Form 1 this property must be allocated to the two classes, each of which is the subject of separate consideration. Under Form 3 the property is taken as a whole (hence the use of the term "blanket"), and an attempt is made to guard against under-insurance by providing that not more than 50% of the amount of insurance on property of classes 1 and 2 combined shall apply to jewelry, silverware, and furs. Thus, if the policy provides \$2000 of coverage for property of this character, the company's liability is limited to \$1000 on jewelry, silverware, and furs.

The rates for property of classes 1 and 2 under this form of coverage are the same as those for class 1 property under the Form 1 policy. Thus, in this case the premiums for the coverage already outlined for purposes of illustration would be as follows:

**CALCULATION OF PREMIUM FOR A PRIVATE RESIDENCE RISK—
POLICY FORM 3**

Coverage	Annual Rates	
	Burglary, Theft and Larceny	Burglary Only
\$2000 On property of classes 1 and 2 combined with a maximum liability of \$1000 upon jewelry, silverware and furs.....	\$33.00	\$26.40
1000 on class 3 property.....	75.00	60.00
1000 on class 4 property.....	19.80	15.84
1000 on class 5 property.....	7.50	6.00
\$5000.....	\$135.30	\$108.24

Policy Form 4. Blanket Coverage (100%). This coverage (on property of classes 1 and 2) is similar to that granted under Policy Form 3 except that there is no limitation on the company's liability for loss to any particular part of this property. Property of classes 1 and 2 is insured as a group, and the amount of insurance is available to meet any loss which may occur whether or not it involves the most hazardous property. Thus, if \$2000 of coverage is purchased on class 1 and class 2 property combined, the company's liability for loss of jewelry, silverware, and furs is \$2000. No effort is made, therefore, to counteract the tendency toward under-insurance, and for this reason the rates for property of classes 1 and 2 are higher than for any other policy form. They are 25% in excess of the rates for class 1 property under Policy Form 1, producing the following premium for the case which has been used to illustrate the calculation of premiums for other forms:

**CALCULATION OF PREMIUM FOR A PRIVATE RESIDENCE RISK—
POLICY FORM 4**

Coverage	Annual Rates	
	Burglary, Theft and Larceny	Burglary Only
\$2000 On property of classes 1 and 2 combined with no limitation upon the application of this coverage to the two classes of property.....	\$41.25	\$33.00
1000 on class 3 property.....	75.00	60.00
1000 on class 4 property.....	19.80	15.84
1000 on class 5 property.....	7.50	6.00
\$5000.....	\$143.55	\$114.84

RELATIVE IMPORTANCE OF RESIDENCE POLICY FORMS

An idea of the popularity of the various residence policy forms may be obtained from an analysis of the premium income of a group of insurance companies for 1922:

Policy Form 1

Burglary, Theft and Larceny	\$5,059,906
Burglary Only.....	29,688

Policy Form 2

Burglary, Theft and Larceny...	177,884
Burglary Only.....	1,819

Policy Form 3	} (Not written during year of 1922—Estima- ted writings for 1923 not more than \$750,000.
Burglary, Theft and Larceny. Burglary Only.....	
Policy Form 4	
Burglary, Theft and Larceny...	556,325
Burglary Only.....	3,613

SPECIAL EXTENSIONS OF RESIDENCE POLICIES

Space will not permit an extensive treatment of this subject. It is sufficient to note that residence policies may be extended to cover business or professional occupancy of residence premises, such for example, as the occupancy of dentists, physicians, dress-makers, and milliners, churches, clubs and boarding houses, the property of servants and guests, and other allied hazards which do not readily lend themselves to treatment under any of the remaining classifications of the business.

PERSONAL HOLD-UP INSURANCE

Personal Hold-up Insurance is closely related to Residence Insurance, and is usually written by attaching an endorsement to a Residence Insurance policy, although in exceptional cases it may be written in a separate policy. The latter practice is frowned upon by underwriters for two reasons: first, personal hold-up is less desirable than residence coverage because of the extreme moral hazard involved, and second, since it is considered to be incidental to the residence coverage it is desirable that both coverages should go together in order that the assured may have complete protection. In either case the coverage, the conditions of insurance, and the rates are the same.

The policy covers money and securities (to an amount not exceeding \$50), jewelry, watches, clothing and articles of personal adornment owned by the assured, by permanent members of his household who do not pay rent, and by relatives of the assured permanently residing with him provided these persons are over the age of 18 years. Property of domestic servants or other employees is not covered; neither are "articles carried as samples, or for sale, or for delivery after sale." Loss of the insured property covered must be the result of a robbery—"a felonious and forcible taking of property from the person of the assured or any of the individuals described as covered—

accompanied by bodily injury to the person from whom the property is taken or by putting such person in fear of bodily injury," and must occur within the limits of the United States or Canada, although for double the rates the coverage may be extended to the remainder of the world.

The rates for this form of insurance are quoted per \$1000 of coverage per annum and depend upon the territory in which the assured lives as well as upon the amount of insurance. The territorial divisions applicable to residence rates apply here also, although, instead of eight rate variations, there are only five as several of the territories are grouped and take the same rates. There are, in each territory, only two rates—one for the first \$1000 of coverage, and a second and lower rate for each succeeding \$1000 of coverage. Thus, the rates in New York City (Territory II) are as follows:

Amount of Insurance	Annual Rates
\$1000.....	\$6.00
Each additional \$1000.....	4.00

No policy is issued for less than \$1000. The minimum annual cost in New York City is, therefore, \$6.00; \$5,000 of coverage in New York City would cost \$22.00 per annum.

BANK BURGLARY AND ROBBERY INSURANCE

POLICY PROVISIONS

Bank Burglary and Robbery Insurance is available to banks and other financial institutions which present similar hazards, such as trust companies, building and loan associations (if they are open every business day and are equipped like banks), state, county, and city treasurers' offices, and post offices operating postal savings banks. There are three separate kinds of coverage which are usually issued in a single policy* for the convenience of both insurance company and assured.

*The Standard Form Bank Burglary and Robbery Policy including all three of these coverages has been developed through joint effort on the part of insurance companies and a special committee representing the American Bankers Association. It is copyrighted by the latter organization, but by special arrangement between the Association and individual insurance companies it may be issued to non-member banks.

These are:

1. Coverage against loss by burglary of money and securities feloniously abstracted, during the day or night, from within that part of any safe or vault to which the insurance may apply, by any person or persons who shall have made forcible entry by the use of tools, explosives, electricity, gas or other chemicals, while such safe or vault is duly closed and locked.* This coverage is effective not only while the safe is located on the assured's premises, but also in case the burglars remove it and open it elsewhere. Thus, a burglary would be covered where the vault in a bank is forced, and the safe which is inside the vault is transported several miles into a nearby forest, and there forced open and rifled of its contents. Such cases are of not infrequent occurrence.

2. Coverage against loss by robbery of money and securities from within any part of the premises exclusively occupied by the assured or his officers or employees. Robbery is defined as "a felonious and forcible taking of property: (a) by violence inflicted upon the person or persons having the actual care and custody of the property; (b) by putting such person or persons in fear of violence; or (c) by an overt felonious act committed in the presence of such person or persons and of which such person or persons were actually cognizant." This definition clearly excludes cases where property has mysteriously disappeared.† It is also clear that theft of property is not covered; it must be forcibly taken from its custodians against their will. Theft by

*It should be noted that as a general rule the coverage against burglary is limited to money and securities located in specified parts of safes and vaults. It is provided, however, that if the insurance covers property in a burglar-proof chest located within a safe, 10% of the insurance shall automatically apply to money and securities outside the chest but within the safe, if the safe is burglar-proof, and to securities, silver, and subsidiary coin outside the chest if the safe is fireproof only. A similar provision applies to property outside a safe but within a vault. These provisions recognize the fact that it may not be possible to keep all of the money and securities in the specified location because of bulk or because of late arrival after the safe or vault has been locked for the night by a time lock. Where the insured property is within a safe which in turn is located within a vault, both the vault and the safe must be forced open in the manner described if the loss is to be covered.

†It was originally required that the robbery must be witnessed by not less than two competent witnesses.

employees is excluded because protection against this hazard may be obtained in the form of fidelity bonds. Other thefts are excluded because of the abnormal moral hazard involved. Robbery within the premises only is covered, thus requiring the assured to purchase other forms of robbery protection against the outside hazard. The premises as defined include not only the banking enclosure but also other places where business is actually conducted, such as private offices of officials and the directors' room.

3. Coverage against loss arising out of damage (whether by fire or not) to money and securities, and damage (except by fire) to the premises and to all safes, vaults, office furniture and fixtures caused by burglary (or robbery) or attempt thereat. If the policy covers burglary only, the damage to property must result from burglary or attempt at burglary, and a similar limitation applies if robbery only is covered. Where both burglary and robbery are covered, damage may result from either hazard.

There are two items in connection with these coverages which require further explanation. They are (1) definitions of the terms "money" and "securities," and (2) the ownership of insured property for the loss or damage of which indemnity may be recovered.

"Money" means "currency, coin, bank-notes (signed or unsigned), bullion, uncanceled United States postage and revenue stamps in current use, War Savings Certificate Stamps not attached to Registered Certificates, and 'Thrift' stamps."

"Securities" means "all negotiable or non-negotiable instruments, documents or contracts representing money or property."

There is a peculiar provision for the determination of the value of securities in case of loss or damage. As a general rule the value of property which is lost is fixed at the market price at the time of loss. In this case the actual cash or market value at the time of settlement is taken instead. This rule was adopted at the request of the American Bankers Association. It arises out of the fact that some banks are required by law to own a certain amount of specified securities. Where these securities are stolen and there is some delay in adjusting the loss, the bank might be forced to go into the market and replace the securities at prices in excess of those which obtained at the time of loss. This would mean a loss if the value were determined as of the

date of loss. The companies do not suffer under the rule and have been glad to concede the point to the bankers, because bank losses are usually promptly adjusted, and because in the long run the market price at the time of adjustment is as likely as not to be less than the price at the time of loss.

The "money or securities" which are covered may be owned by the assured, may be held by the assured in trust or as collateral, may be held by the assured for safe keeping, or may be held under other conditions making the assured legally liable to the owner for their loss. It is provided, however, that in the adjustment of a loss under the policy the property of the assured shall receive first consideration, and that the insurance shall not be applicable to other property unless the payment of indemnity to the assured fails to exhaust the coverage. Damage to the premises and to safes, vaults and office furniture and fixtures is only covered provided the assured is the owner, or is legally liable for such damage.

There are other restrictions upon the liability of the insurance company. The company is not liable "for loss of or damage to securities unless the assured shall, after their loss, use due diligence in endeavoring to prevent their negotiation, payment, or retirement." This provision is designed to force the assured, who has all pertinent information and is in a position to do so, to take prompt steps to minimize a loss. Nor is the company liable "unless the records of the assured have been so kept that the amount of loss can be accurately determined." It is reasonable to require the assured to keep records of this character without which the adjustment of a loss would be difficult, if not impossible and it would be easy to introduce a substantial element of fraud into the transaction. A further restriction arises in cases where "the assured or any associate in interest, or a regularly employed servant or employee of the assured, is a party to the crime, either as a principal or an accessory, in effecting or attempting to effect the loss." This avoids a conflict with fidelity bonds which financial institutions may obtain for the purpose of protecting themselves against dishonest acts of their employees, and also relieves the insurance company of the extraordinary hazard of "inside jobs." Fire loss or damage is excluded unless the fire was caused by burglars (or robbers) in

attempting to burglarize (or rob) the bank, and then only loss or damage to money and securities is covered and not loss or damage to the premises and to equipment. Here again the company safeguards itself against abnormal hazard and also avoids conflict with other forms of insurance. A fire in a bank may so disorganize the premises as to encourage the commission of a burglary or robbery. This hazard is not covered. The final exclusion, which is self-explanatory, is of "loss or damage contributed to by invasion, insurrection, war, riot, strike, water, or the action of the elements, or undue exposure of any safe or vault during repairs to either, or to the building in which either is contained." The words "strike" and "riot" may be eliminated upon payment of an additional premium.

As a general rule a mistake in a declaration is equivalent to a breach of warranty and vitiates the policy. There is an exception to this rule in the present case. As will be shown, the rates of insurance depend upon certain protective devices and upon the condition of the safe, chest, or vault containing the insured property. This introduces technical problems, and it is not unlikely that the assured as a layman may unintentionally give incorrect information, and thus mislead the company. If he does so, the policy is not forfeited, nor is the coverage reduced but the premium is subject to recalculation in accordance with the facts. If the correct information increases the premium, the assured must pay; if it reduces the premium, the company must refund the proper amount.

It is also provided that if safety appliances (which the assured warrants will be kept in good working condition) fail to operate for reasons beyond his control, at least one watchman will be provided to guard the insured property until the device is again in proper working condition.

Where the assured wilfully or negligently fails to maintain any service or to observe a condition agreed upon in the declarations, and thus causes the hazard to increase, the insurance is continued, but the amount of coverage is reduced to that amount which the premium paid would purchase for the actual hazard. Thus, if the assured warrants that three watchmen will be maintained to guard the premises, and deliberately discharges two of these, and does not replace them, the amount of coverage is reduced to that

which the premium paid would purchase upon condition that a single watchman would be maintained.

The amount of coverage is reduced by a loss and, in order that the assured may continue to have complete protection for the remainder of the policy term, it is specified that the insurance shall be immediately reinstated, provided the damage caused to the premises and to safety appliances shall have been repaired so that the physical condition of the risk is the same as it was formerly. The assured is required to pay for this additional coverage. Thus, assume a policy for \$200,000, issued January 1, 1924. On June 30, 1924, a loss of \$100,000 is paid, thus reducing the face value of the policy to \$100,000. This deficiency is automatically repaired, and the assured is required to pay for an additional \$100,000 of coverage for the remainder of the policy term, which would be for six months if the policy were originally issued for a period of twelve months. He would, therefore, pay one-half of the annual premium on \$100,000 of coverage.

RATES

Even where all three forms of coverage are written in a single policy, the premium for loss (or damage) by burglary and that for loss (or damage) by robbery must be separately calculated as different principles are applied in the two cases. The problem of rates, therefore, may be considered just as if the two hazards were treated as entirely separate and distinct. These policies may be issued for terms of one or three years. In the discussion which follows, the rates for coverage of one year are used as a basis for description and analysis.

Burglary Rates. Manual rates for burglary coverage are subject to discount for various conditions which tend to reduce the hazard. Inasmuch as the property must be specifically located in safes and vaults the character and construction of this equipment is given first consideration and manual rates are established with proper regard for this factor. There are ten vault classifications (1-10) and eight safe classifications (A-H). For example, a class 4 vault is defined as follows:

Burglar-proof vault with steel walls at least one-half inch thick; or masonry vault lined throughout with steel at least one-half inch thick; or masonry vault with steel rails or rods imbedded in walls at least twelve inches thick; or vault of non-reinforced concrete or stone

at least eighteen inches thick. A number 4 vault shall have one or more steel doors, no door being less than one inch thick, but all doors aggregating at least two and one-half inches in thickness.

A class E safe is defined as a

Safe, with fireproof body, containing a burglar-proof chest with steel door, at least two inches thick, and having in addition a middle door of steel two inches (or more) in thickness, equipped with a combination lock—total thickness of steel four inches.

Since a safe of any of the eight grades may be located within a vault of any of the ten classifications, there are eighty possible combinations, for each of which a manual rate is quoted in terms of \$1,000 of coverage. These manual rates are subject to discount for a number of conditions which will be enumerated and explained:

1. *Section of the country in which the risk is located.* Experience has demonstrated that the hazard of burglary is greater in some sections of the country than in others. The safe and vault may be the same, but the exposure to loss is not, as criminals are more active in certain localities than in others. To recognize this differential the states have been divided into five groups on the basis of statistical data and basic manual rates are subject to discounts ranging from nothing to 40%, depending upon the classification of the state in which a bank is located. For example,

Oklahoma is in a group for which there is no discount.

Arizona, Idaho, Illinois and New Mexico are in a group for which the discount is 10%;

Arkansas, California, Minnesota and Nebraska are in a group for which the discount is 20%;

Alabama, Michigan, Ohio and South Carolina are in a group for which the discount is 30%;

Delaware, Maine, Massachusetts and New York are in a group for which the discount is 40%.

2. *Size of population of the town or city in which the risk is located.* Size of population is supposed to measure the extent to which a risk derives protection from municipal police officers. No discount at all is permitted if the population is under 1,000 persons. If the population is between 1,000 and 1,999 persons the discount is 10% and there are several other grades until cities of over 25,000 population are reached, where the discount becomes uniformly 40%.

3. *Safeguards employed.* There are two recognized methods of guarding property against burglars, the use of watchmen on or about the premises and the use of alarm systems.

There are three "watchmen" discounts ranging from 30% per man (with a maximum allowance for three men) where a private watchman remains on duty within the premises at all times between 7 P. M. and 7 A. M. and signals an outside central station at least hourly, to 10% per man (with a maximum allowance for three men) where a private watchman is on duty, but does not register periodically so that it is not certain that he is actually on the job at all times.

Alarm systems are designed to arouse the authorities when the criminals come in contact with wiring which communicates either with an outside central station where guards are maintained and where signals are registered or with a gong or siren on the outside of the building. The risk which is adequately safeguarded by these and other devices represents a lower degree of hazard than the risk which is not so protected, and therefore deserves a lower rate. Discounts are provided for several of these items.

The companies have arranged with the Underwriters Laboratories to classify bank alarm systems into three classes (A-B-C) according to their physical and mechanical characteristics. They also have recognized two grades of installation for these systems—partial and complete. For example, a "complete" installation is one which "protects top, bottom, all sides, and outer door or doors of safe or vault, and which is connected with an outside central station or with a loud sounding gong or siren on outside of building." Since each of the three classes of alarms may be either completely or partially installed, there are six discounts available. An A alarm system completely installed represents maximum protection, and is assigned a discount of 65%. A C alarm system partially installed represents the other extreme, and entitles a risk to a discount of only 20%. These credits are not available unless the alarm system is certified by the Underwriting Laboratories. There is a credit also for certain locking devices which may be installed on safes and vaults.

4. *Limitation of coverage.* If securities and no form of money except silver and subsidiary coin are covered, the hazard is reduced and a discount of 20% is allowed. The same discount

applies if the policy is limited to silver and subsidiary coin. If money is entirely eliminated and only securities are covered, the discount is 25%.

5. *Division of coverage.* As a general rule, the coverage is "blanket" and extends to all the insured property. If there is a distinct advance allocation, the hazard is reduced because of the limitation which is imposed upon the company's liability, and the rate may be discounted. For example, if there are three safes (No. 1, No. 2 and No. 3), and \$100,000 of blanket coverage, the \$100,000 may be lost because of a burglary to any one of the three safes. If, however, there is a distinct allocation of the coverage—\$50,000 to safe No. 1, \$25,000 to safe No. 2, and \$25,000 to safe No. 3—all three safes would have to be burglarized to produce a \$100,000 loss. This factor is recognized in the determination of the premium. Thus, if not more than 50% of the total insurance applies to any one safe, chest or vault at one location, the rate may be discounted 20%. If not more than 75% of the total insurance is so applied, the discount is 10%.

An example will demonstrate the method of determining the burglary insurance premium for a risk of this character. A form is used for this purpose in order that each item may be considered in its proper order. The discounts are applied consecutively.

CALCULATION OF ANNUAL PREMIUM FOR BANK BURGLARY INSURANCE

\$1,000,000 coverage on securities only, located in five Class E safes (liability equally distributed in advance) in two Class 4 vaults. One watchman on duty between 7 p. m. and 7 a. m., who signals central station hourly. An "A" burglar alarm completely installed. Risk located in Chicago, Illinois.

1. Number of thousands of insurance multiplied by table rate (\$3.70 per \$1,000).....	\$3,700.00
2. Less territorial discount (10%).....	3,330.00
3. Less population discount (40%).....	1,998.00
4. Less discount for burglar alarm (65%).....	699.30
5. Less discount for watchman (30%).....	489.51
6. Less discount for division of insurance (20%).....	391.61
7. Less discount for "securities only" (25%).....	
Net Premium.....	293.70

It will be noted that there is no variation of rates in accordance with the amount of coverage as was the case in Residence Insur-

ance. This is because, as a rule, when a safe or vault is entered by burglars the entire contents are taken. The hazard is, therefore, more concentrated, and a large loss is nearly as possible as a smaller loss. Notwithstanding this fact, there is a point at which some concession in rate is made. A popular form of coverage for banks is the so-called "Blanket Bond," which covers many hazards, including burglary and robbery. A bank may have one of these bonds which protects it up to a certain point, but it may not care to extend the bond itself because the broad coverage which is granted by the bond requires a substantial rate. In order to protect these banks more adequately against burglary (and robbery), the companies have arranged to offer *excess* burglary (and robbery) coverage. Thus, a bank with a blanket-bond of \$100,000 may secure an additional coverage of \$100,000 for burglary (or robbery, or both), and the normal rates for this coverage are discounted, depending upon the amount of primary insurance under the bond. For example, the burglary (and robbery) rates are reduced 50% for excess insurance if the primary insurance amounts to at least \$500,000. The insurance under the excess policy does not attach until the coverage under the bond has been exhausted.

Robbery Rates. Originally the only form of policy available to bankers was limited to the burglary hazard. Later, as a means of popularizing the insurance, this form was extended to cover daylight robbery. In the beginning the robbery coverage was intended to take care of "counter cash," the amount of insurance for this hazard being limited to 20% of the total amount of insurance granted by the policy. Thus, on a policy granting coverage of \$100,000 the robbery coverage was not permitted to exceed \$20,000. Later this allowance was increased to 40% and finally to 100% without, however, any additional premium requirement. Thus, until 1919 the robbery coverage was considered incidental to the burglary coverage, and was included in the burglary policy without additional cost. It is quite apparent that the companies originally did not believe the robbery hazard to be serious. But conditions changed, and it became obvious that this original conception was no longer tenable. Developed experience in 1919 demonstrated the startling fact that two thirds of the losses under these policies

were from robbery. The robbery coverage was then separated and made the subject of rating on its individual merits.

In this case also the manual rate is quoted in terms of \$1,000 of coverage. It depends primarily upon the territory in which the risk is located. For example, the manual rate in Illinois is \$4, in Missouri \$2 and in New York \$1. These are maximum rates, and are subject to discount in accordance with the following factors, all of which represent conditions tending to improve the hazard:

1. Where there is daytime special watch service maintained in the banking room or in the corridor thereof, the discount is 10% per guard with a maximum allowance for three guards.

2. Where there is a daytime burglar alarm system connected either with an outside central station or with a loud sounding gong on the outside of the premises, the discount is 10%.

3. Where the property covered by the insurance against loss is restricted to securities and/or silver and subsidiary coin, the discount is 20%. If securities only are covered, the discount is 25%.

Special rating is provided for cities having a population of 1,000,000 or over. In these cities banks which have a working force of at least twenty-five persons, of which twenty or more will always be on duty when the bank is open for business may be given a base rate of \$1.00, to which the foregoing discounts may be applied.

The discounts are deducted consecutively. For example:

CALCULATION OF ANNUAL PREMIUM FOR BANK ROBBERY INSURANCE

\$1,000,000 robbery coverage on securities only in bank in Chicago, Illinois, having a working force of at least twenty-five people, twenty of which are always on duty during business hours. One daytime watchman on duty in bank, and a daytime central station alarm system.

The base rate is \$1.00 as Chicago is a city of over a million population, notwithstanding the fact that Illinois takes a rate of \$4.00.

1. Number of thousands of insurance multiplied by manual rate (\$1 per \$1,000).....	\$1,000.00
2. Less discount for burglar alarm (10%).....	900.00
3. Less discount for watchman (10%).....	810.00
4. Less discount for "securities only" (25%)—Net Premium.....	607.50

If the coverages in the case used for illustration are written in a single policy the amount of insurance would be \$2,000,000, and the premium would be the sum of the two separate premiums or \$901.20. It should be explained, however, that the combination of coverage in this manner does not alter the fact that the liability of the company is limited to \$1,000,000 for loss or damage by burglary, and to \$1,000,000 for loss or damage by robbery. Thus, in case of a burglary loss of \$1,500,000, the company would be responsible for only \$1,000,000 even though the face value of the policy for the combined coverage is \$2,000,000.

SAFE DEPOSIT BOX INSURANCE

The responsibility of a bank or safe deposit company for property left in its vaults by persons renting facilities for this purpose constitutes a nice legal question. In general it may be said that there is no responsibility unless it can be proved by the claimant that the loss was due to negligence on the part of the bank (or safe deposit company). But the question of negligence is not easily determined, as the first case to be decided by a higher court will indicate. The decision in this case* was recently handed down by the California District Court of Appeal.

The Bank of Tracy operated a branch in Byron, California, a small village of 250 population. This branch was housed in a concrete building with walls eighteen inches in thickness. The vault was of the same type of construction, with iron doors. The openings in the outer walls of the building were not guarded except those in the rear, which were protected by iron gratings. There was no alarm system. Private watchmen were not employed, and the local police force was extremely inadequate. Telephone service out of town stopped at 7 p. m. The street lights were maintained by popular subscription, and were not always burning. In the vault the bank maintained about 100 safe deposit boxes which were offered to the public at an annual rental fee of \$2. The bank was burglarized one night by unknown persons using an oxyacetylene torch, and not only was the property of the bank stolen but entry was made into the safe deposit boxes. Eighteen claims were made against the

*Webber v. Bank of Tracy—District Court of Appeal, First District, Division 1, California—February 28, 1924.

bank and judgments aggregating approximately \$12,000 were obtained in the lower court. On appeal the upper court reversed the findings of the lower court in a test case on the ground that the bank had used that degree of care in protecting its own property and the property of others which was customary under like circumstances in other sections of the state. The court said:

While plaintiff has wholly failed to affirmatively show negligence, defendant has shown by undisputed evidence that in maintaining its safe deposit vaults it conformed to the practice and conduct of all other country banks in California, situated in towns of like population and character. Briefly, this evidence shows without conflict or contradiction that the bank building was as good or better than the ordinary country bank building in California; that the interior arrangement of the bank was the ordinary and usual arrangement; that the bank vaults were protected by doors similar in all respects to those in other banking institutions in California in similar sized communities; that no bank in California up to the time of the robbery* in a community of less than 1,000 inhabitants had either a night watchman or a burglar alarm.

It is quite obvious that the ordinary care which is required of the bank varies with time and place, with customs in the business and with other elements, so that it cannot be predicted definitely just what the decision will be in any individual case.

With the legal situation as it is, the companies have devised two methods of issuing this coverage. It may be sold to banks or safe deposit companies which wish, as a matter of service, and as a precaution against a possible case where legal liability for property may be established, to purchase coverage for their clients. This form of coverage applies to property of the bank, and to property of safe deposit box renters. Legal liability on the part of the bank need not be established as a condition precedent to the payment of a loss, although the insurance company does agree to defend suits for damages if they are brought against the assured.

It may also be sold direct to those whose property is located in safe deposit boxes. Thus, a person whose property is at risk may either insure it direct, or, in case the bank or safe deposit company offers a limited amount of protection under a group policy protecting all of its clients, may obtain coverage beyond

*Attention is directed to the erroneous use of the term "robbery" in connection with the court's description of the crime.

this amount and a loss, if one should occur, would then be subject to pro-rata adjustment as between the two policies.

The coverage in either case may be for loss (and damage) by burglary or robbery or both burglary and robbery, and applies only to securities, jewelry and silverware; money is not covered. It may be issued in a separate contract or by attaching an endorsement to the standard bank policy described in the preceding section.

Where the coverage is issued to the bank or safe deposit company, the liability for loss from any one box is limited to 10% of the total amount of insurance. The reason for this provision, which has the effect of requiring the assured to purchase an amount of insurance equivalent to ten times the coverage which is desired on an individual box, is that the company never knows how much property is in individual boxes. This is the only method available, therefore, for limiting liability. Without such limitation the loss from a single box might exhaust the entire amount of insurance. It is also provided that, in case losses from more than ten boxes exhaust the amount of insurance, the claimants shall share in the total amount in proportion to their respective losses. Thus, there will be a scaling down of claims to the value of the policy, but the relativity as between claimants will remain unchanged. These limitations are unnecessary where coverage is issued direct to the individual box renter.

The rates charged for the burglary hazard are the same as those charged banks for burglary coverage limited to securities in safes and vaults. For the robbery coverage the rates also follow those for banks, but in this case the bank rates (for money and securities) are subject to discount. This amounts to 40% for that part of the insurance up to \$200,000, and to 75% for that part of the insurance in excess of \$200,000. There are good reasons for these discounts. First, the hazard is less because in this case the property is locked in substantial strong boxes while in the case of robbery coverage for banks it may be out of the safe or vault and otherwise exposed. Second, time is important to criminals in committing a robbery, and as each safe deposit box must be opened individually, it is not likely that the contents of many will be taken in a single instance.

One difficulty in writing insurance for individual box renters, arises out of the fact that the bank or safe deposit company

does not care to disclose the complete description of the vault. No criticism can attach to the bank or company for this attitude because it is obvious that a criminal would find his task much easier if he could obtain this information, and if it were indiscriminately disclosed to renters it is likely that criminals would be the first to see the advantages of the arrangement. This has led to the development of a special rule for rating these policies in cities of 1,000,000 inhabitants. In these cities the description of the vault is not required, nor is consideration given to protective measures such as alarm systems and watchmen. The rates are \$1.00 per \$1,000 per year for burglary coverage, and \$.50 per \$1,000 per year for robbery coverage. At the present time there is a movement under way to extend this special rating plan to all towns and cities regardless of population. It is proposed, however, to limit the use of these special rates to safe deposit boxes housed in vaults which meet certain standards of construction. It might appear that the use of a warranty to the effect that the vault is of a certain type of construction would be detrimental to the assured because of his lack of knowledge on this subject, but this is not the case because the exact construction in the individual case need not be specified; all that is required is that the policy shall warrant that the construction is of one of several types which are enumerated. The bank or company will not hesitate to give an affirmative or a negative answer to an inquiry which would develop the necessary information, even though there would be hesitancy in divulging the exact details of the vault construction and the preventive measures employed, all of which figure in determining the rates for bank insurance, which are normally used as a basis for the calculation of safe deposit box insurance rates.

MERCANTILE OPEN STOCK BURGLARY INSURANCE

Mercantile Open Stock Burglary Insurance is designed to meet the needs of storekeepers, manufacturers and others who have stocks of goods on hand which may be stolen when the premises are closed and the regular working force is not about to protect them. The designation "open stock" signifies that the stock which is covered is in exposed places about the premises, although the coverage extends also to property in safes or other

protected places. The policy covers loss of and damage to insured property resulting from burglary or attempt thereat while the premises are not open for business. The usual definition of burglary applies so that theft* and robbery losses are excluded. It must be shown that there was forcible entry into the premises from the outside. Thus, if a criminal were to enter the premises during business hours and secrete himself and later, after taking some merchandise, force his way out, the loss would not be covered.

The insured property includes merchandise, furniture, fixtures and equipment but does not include money, which must be separately insured. Merchandise is covered when it is owned by the assured, held by him in trust or on commission, sold but not removed from the premises, and when the assured is liable to the owner for its loss or damage. Although there is not always legal liability in such cases as tailoring establishments, laundries, dyeing and cleaning shops and jewelry stores where property of others may be on the premises for repair, renovation or cleaning, it is the usual practice of the companies to cover their losses.

The premises are limited "to that portion of the interior of the building occupied by the assured in conducting his business." The exact location of the premises is an important consideration because of its bearing upon the physical hazard and because of the necessity of providing safeguards and other protective devices. Showcases or show windows not opening directly into the interior of the premises are excluded, as are also public entrances, halls and stairways. These exclusions are reasonable because in these cases goods do not have the protection afforded to merchandise within the premises proper and the company should not be called upon to assume this abnormal hazard. It is provided, however, that goods in outside showcases may be specifically insured at a definite rate. Show windows opening into the premises are included in the coverage, although furs, or articles made entirely or principally of fur, are not covered in such show windows without extra charge. Large losses of furs from show windows are possible because criminals can smash the glass from the outside and make off with fur garments even

*Loss of merchandise by theft and larceny may be covered by endorsement under certain conditions but an additional premium is required.

though there may be alarm protection. The "snatch and run" burglary takes but a moment's time while the average time required by a central station alarm company in responding to an alarm is at least several minutes, depending upon the distance of the central station from the protected premises.

There are several limitations upon the liability of the insurance company, some of which are unique. While damage to merchandise, furniture, fixtures and equipment in the premises is covered if the assured is the owner or is liable for such damage, damage by fire and damage to glass and to lettering or ornamentation thereon is excluded. The first of these exclusions is found in other forms of burglary coverage but the last is not found elsewhere except in Mercantile Safe Burglary and in Interior or Store Robbery policies. It is intended to avoid a conflict with Plate Glass Insurance which covers this hazard.

Jewelry is treated as a special class of property, the normal coverage being limited to \$50 on any one article, although a higher limit per article may be obtained upon payment of an additional premium. There is also a special rule covering cases where insurable property is held by the assured as a pledge or as collateral for an advance or a loan. Here the company's liability is limited to the amount advanced or loaned plus the interest actually accrued thereon at legal rates, subject to the limit of \$50 on any one article of jewelry. Loss of or damage to merchandise, furniture, fixtures or equipment encumbered by chattel mortgage is not covered at all because of the extreme moral hazard which is involved under such circumstances and of the possibility of controversy in ascertaining the assured's equity in such property at the time of adjusting a loss.

The company is not liable if the assured, one of his associates in interest or one of his servants or employees is implicated as a principal or an accessory in effecting or attempting to effect the burglary. Nor is it liable unless books and records are regularly kept from which the amount of loss can be ascertained. Other conditions which relieve the company from liability are fire in the premises or in the building housing the premises, war, invasion, insurrection, riot, strike, water or the action of the elements, although some of these restrictions may be removed by the payment of an additional premium. It is provided, finally, that losses are not covered if they are caused or contributed to

by any change in the condition of the risk of which the company has not been advised.

Originally this coverage was written without a co-insurance requirement but the experience of the companies became so adverse that it was necessary to introduce the co-insurance principle in a limited form because it was obvious that the cause of the adverse experience was failure of the assured to carry an adequate amount of insurance. This change in underwriting methods was made in 1921 and has been described as follows:*

In February, 1921, a new standard policy containing an 80 per cent co-insurance clause was placed on the market by all companies. The 80 per cent clause in this case could not apply in the same manner that it applies in Fire Insurance because there is not the same possibility of a total burglary loss that there is of a total fire loss. A furrier with a \$10,000 stock should probably carry 100 per cent, or at least 80 per cent Burglary Insurance, but this is not true of the furrier who carries a stock valued at \$200,000 because burglars could not carry away, or at least never have carried away, furs valued at that amount, although it is true there have recently been fur losses in some of the larger cities ranging from \$25,000 to \$50,000, with at least one fur loss that involved a claim of \$75,000. The problem which confronted the Burglary Insurance Underwriters was to fix the maximum amount which was deemed necessary for each store-keeper in the various classifications to carry. If this amount is carried the co-insurance clause does not apply. If the value of the goods insured is less than the co-insurance limit specified in the policy, the assured is required to carry insurance up to 80 per cent of the value, or the loss is pro-rated in the proportion which the amount of insurance bears to 80 per cent of the value. If a haberdashery and men's furnishings store carries a stock of \$15,000, the amount of insurance required by the co-insurance limit is \$10,000, and if the assured carries only \$7,000 insurance he can collect seven-tenths of his loss instead of seven-twelfths, \$10,000 being considered the largest burglary loss that can occur in a store of this kind, and, therefore, this amount is used as a basis for applying the 80 per cent co-insurance clause; but if the value of such a stock is \$8,000, the assured is required to carry at least \$6,400 insurance, or his loss will be pro-rated in the proportion which the amount of insurance bears to \$6,400.

The co-insurance limit varied with the kind of property, increasing in amount as the property increased in "stealability,"

*Garrison, F. S., "Burglary, Theft and Robbery Insurance." Lectures in Casualty Insurance. Delivered Before Evening Classes in Insurance of the Insurance Library Association of Boston in 1922. pp. 138-9.

as measured by its value, its bulkiness and the ease with which it may be disposed of after it is stolen. Thus, the limit was highest for silk fabrics, which are of great value for a small unit of material and can be readily realized upon by the criminal, and lowest for steel and iron castings, which can be disposed of easily enough but which are of such bulk and of such relatively small value as to make a large loss unlikely.

This system is in existence today with two modifications. The co-insurance percentage varies in different sections of the country where there are variations in hazard and a similar variation of co-insurance limits has been established for certain classes of property.

There are four rate territories ranging from territory I, which comprises states and sections of states where the hazard is highest, to territory IV, where the hazard is lowest. The co-insurance percentages for these territories are as follows:

Territory	Co-insurance Percentage
I	80
II	60
III	50
IV	40

This grading of the co-insurance percentage was intended primarily as a means of popularizing the insurance. It, therefore, rests upon very practical reasoning and it must be admitted that the graduation cannot be justified on any other grounds. A store dealing in carpets and rugs, to secure complete coverage is required to carry insurance in territory I in an amount equal to 80% of the value of its stock or \$10,000 (the co-insurance limit for this class) if 80% of the value exceeds this amount. Thus, if the value of the stock is \$20,000, insurance in the amount of \$10,000 satisfies the co-insurance requirement. If the value of the stock is \$10,000, \$8,000 of coverage is necessary. Now consider the owner of such an establishment in territory IV where the hazard is lowest. With a stock of \$20,000 he would be required to carry \$10,000 of insurance or, if the value of the stock were \$10,000, \$8,000 of coverage would be required if the co-insurance requirement were the same as in territory I. The

result would be that he would probably refuse to insure at all. The amount of coverage required would seem disproportionately large when compared with the value of his stock, particularly in view of the fact that the hazard in his territory was admittedly the lowest in the country. It was to overcome this resistance and to bring burglary insurance within the means of this class of people that the requirements were altered. Business of this character is desirable (more so, in fact, than the bulk of business which is offered freely and without any effort on the part of the companies) and tends to broaden the selection of risks, thus improving the general experience.

With the rules as they exist today, the co-insurance limit for this particular risk does not vary but the co-insurance percentage is only 40% in territory IV, so that the merchant in Territory IV with a stock of carpets and rugs worth \$20,000 need carry insurance of but \$8,000 to fully meet the co-insurance requirement and only \$4,000 of insurance is required for a stock of \$10,000 value. This principle is recognized also in other territories, the co-insurance percentage varying with the hazard until the 80% percentage is reached, where the hazard is greatest.

Another similar variation which was adopted for the same reasons and in order to meet the situation created by varying co-insurance percentages on certain classes of property is a graduation in the co-insurance limits for the more hazardous classes of merchandise where the co-insurance limits are substantial. For two hazardous classes of merchandise the co-insurance limits vary by territories as follows:

Trade Group	Example of Class of Merchandise	Co-Insurance Limits in Each Territory			
		I	II	III	IV
3	Dry goods (excluding silks, satins and furs).....	\$20,000	\$15,000	\$10,000	\$10,000
4	Dry goods (including silks, satins and furs).....	40,000	30,000	25,000	20,000

Thus, two dry goods merchants dealing in general merchandise but not handling silks, satins and furs, must carry the following amounts of insurance to secure complete protection:

	Territory			
	I	II	III	IV
A—Stock valued at \$100,000.....	\$20,000	\$15,000	\$10,000	\$10,000
B—Stock valued at \$25,000.....	20,000	15,000	10,000	10,000

whereas, two dry goods merchants dealing in general merchandise and also in silks, satins and furs, are required to carry the following amounts of insurance:

	Territory			
	I	II	III	IV
C—Stock valued at \$100,000.....	\$40,000	\$30,000	\$25,000	\$20,000
D—Stock valued at \$25,000.....	20,000	15,000	12,500	10,000

The co-insurance percentages do not apply to the risks of A and C because the value of the merchandise greatly exceeds that which may be stolen in a single burglary. In these cases, therefore, the co-insurance limits apply and as the co-insurance percentages vary, these limits are also varied in order to avoid extreme discrepancies. The percentages are applicable to the risks of B and D except that the co-insurance limit applies to B's risk in territory III.

Rates for this coverage, which is written only for a term of one year and in an amount of not less than \$1,000, depend upon several elements which will be enumerated and explained.

1. *Trade Classification.* Originally rates were quoted for different kinds of merchandise so that a given stock had to be separated into several parts, each of which took its own classification. With the introduction of co-insurance this plan was no longer feasible because separate co-insurance requirements might apply to different parts of the stock and thus complicate the underwriting of the business and the adjustment of losses. Therefore, the plan of describing the entire stock of the assured was adopted and classifications were established which must be applied to all of the merchandise of the assured. There are numerous descriptive classifications of this character but each is assigned to one of four "trade groups" on the basis of relative hazard. Some illustrations follow:

Classification	Trade Group	Co-insurance Limit
Agricultural Implements...	1	\$1,000
Copper and Copper Goods..	1	5,000
Dental Supplies.....	2	10,000
Hardware (wholesale and retail).....	2	5,000
Oils (essential).....	3	15,000
Neckwear.....	3	Varies from \$10,000 to \$20,000 in accordance with rate territory.
Shirts (silk).....	4	Varies from \$20,000 to \$40,000 in accordance with rate territory.
Furs and Pelts, including articles made entirely or principally thereof.....	4	Varies from \$20,000 to \$40,000 in accordance with rate territory.

As a general rule these classifications can be applied to the entire stock without difficulty or inequity to the assured. But the provision that the most hazardous merchandise shall govern the classification creates a serious problem in some cases and gives rise to an underwriting principle known as "divided insurance," which may be applied only where, without such a rule, a limited amount of class 4 property (highest hazard) would require the use of the highest rate on the entire stock of merchandise. Thus, it is not impossible to find a risk where the stock consists of \$95,000 worth of cotton goods and \$5,000 worth of silks. Cotton goods are in the lowest hazard class but the rate for this class cannot be used unless 100% of the merchandise is in class 1. In this case, therefore, the presence of \$5,000 worth of silks forces the application of the highest rate and the highest co-insurance limits to the entire stock. This inequity is corrected by permission to treat this risk on the following basis:

a. The cotton stock may be insured at class 1 rates and the territorial co-insurance percentages applied subject to a uniform requirement for all territories that the amount of insurance on this property shall not be less than \$10,000. The amount of insurance on the property must be four times the amount of insurance on class 4 property.

b. The silk stock to which class 4 rates apply must be insured at 100% of its value to secure complete coverage.

Thus, in this case it is necessary for the assured to carry at least \$20,000 of coverage under section (a) at group 1 rates and \$5,000 of coverage under section (b) at group 4 rates.

2. *Territory in which the risk is located.* The territorial divisions, of which there are four, are established upon the basis of experience. Each comprises states or sections of states which are shown to represent uniform hazards. Thus, the state of New York is divided into four parts, which are classified as follows:

Territory I—

New York, Bronx, Richmond, Kings, Queens, Nassau, Suffolk, Rochester and Westchester Counties.

Territory II—

Erie, Niagara, Albany and Onandaga Counties.

Territory III—

Broome, Chemung, Monroe, Rensselaer and Oneida Counties.

Territory IV—

Balance of state.

Counties are used rather than cities because the hazard cannot be attached to cities but must be measured for the surrounding territory as well. Rates vary from the highest for territory I to the lowest for territory IV.

3. *Amount of Insurance.* Rates are quoted per \$1,000 of coverage and are lower for each successive \$5,000 of protection until \$20,000 is reached, after which the variation ceases. The reason for this variation is the same as that for the similar variation in residence rates; the hazard of total loss reduces with an increase in the amount of coverage. Units of \$5,000 are used because of the greater value of insured property which is exposed in the average risk. Thus, the rates for trade group 4 in territories I and IV are as follows:

Amount of Insurance		Annual Rates per \$1000 of Coverage—	
		Territory I	Territory IV
1st	\$5,000	\$50.00	\$35.00
2nd	5,000	45.00	31.50
3rd	5,000	40.00	28.00
4th	5,000	35.00	24.50
over	20,000	12.50	9.00

4. *Protective Devices.* The same principle is followed here as in the case of Bank Burglary Insurance, although the method of treatment is somewhat different. Alarm systems are classified in two ways—central station alarms and gong alarms. Each group is subject to classification by the Underwriters Labora-

tories, the central station systems into classes A and B and the gong systems into classes A, B and C. There are three grades of installation for central station systems and two for gong systems. The discount depends upon the classification, upon the grade of installation and also on the location of the premises, whether on the grade floor or above the grade floor. Thus, a completely installed "B" central station system protecting a risk on the grade floor is entitled to a discount of 50%. If the same installation protects a risk above the grade floor the discount is 60%. For a completely installed "B" gong system the corresponding discounts are 25% and 30% respectively. The greater discount for a central station system recognizes the better protection afforded by this type of alarm. The greater discount for installations above the grade floor recognizes the fact that the protection of such premises is more valuable to the insurance companies in defeating burglaries. The alarm discount is not allowed unless the assured has a certificate from the Underwriters Laboratories. There are also discounts for watchmen which are identical with those described in connection with Bank Burglary Insurance.

An illustration will demonstrate the actual calculation of the premium for an individual risk:

CALCULATION OF ANNUAL PREMIUM FOR A MERCANTILE OPEN STOCK BURGLARY RISK

Business of assured—Manufacturer of fur garments (Trade Group 4)

Location of risk—New York City (Territory I)

Location of premises—Entire third floor in loft building at
 _____ 23rd St., N. Y. C.

Protection of premises—"A" central station alarm system completely installed.

Value of stock—\$100,000

Amount of insurance—\$40,000 (The co-insurance limit applies)

CALCULATION OF PREMIUM

1st \$5,000 (\$50 per \$1,000).....	\$250
2nd \$5,000 (\$45 per \$1,000).....	225
3rd \$5,000 (\$40 per \$1,000).....	200
4th \$5,000 (\$35 per \$1,000).....	175
\$20,000 (\$12.50 per \$1,000).....	250
Total manual premium.....	\$1,100
Less 70% discount for alarm protection.....	770
Net premium.....	\$330

In this form of insurance it is not unusual to find risks which maintain establishments at many locations throughout the country. This is particularly true of certain classes of risks which operate on the "chain-store" principle, such as five-and-ten-cent stores, clothing stores, drug stores, cigar stores and grocery stores. A special method of treatment is provided where the insurance applies to one hundred or more locations. Risks of this character are subject to merit rating, the plan used being similar in a general way to the experience rating plan used in Workmen's Compensation Insurance.

MERCANTILE SAFE BURGLARY INSURANCE

The Mercantile Safe Burglary policy is intended to apply to property (money, securities and merchandise) located in safes or vaults which are duly closed and locked by at least one combination or time lock. The coverage is designed to meet the needs of those who wish particularly to protect property in safes. Thus, an investment or loan broker may not require coverage on his entire stock but may desire to protect the property in his safe. It also meets peculiar needs, such as those of a cloak and suit merchant whose Mercantile Open Stock policy does not cover loss of money and securities, or a jeweler whose Mercantile Open Stock policy covers jewelry only to a certain value and who can secure additional coverage on articles of great value at a lower rate under a mercantile safe policy than he would be required to pay for an extension of his open stock coverage.

The coverage is similar to that granted under Bank Burglary policies and for this reason the treatment is similar: entry into the place of safe-keeping must be effected in the same manner, the coverage applies while the safe or vault is located on the assured's premises or elsewhere after removal therefrom by burglars, property damage as well as property loss is covered except where such damage is caused by fire,* and the definitions of "money" and "securities" are substantially the same. It should be noted, however, that "merchandise" is covered here whereas only money and securities are covered by the Bank Burglary policy.

*The Mercantile Safe policy excludes loss to plate glass and lettering or ornamentation thereon. In this respect it does not follow the bank burglary policy but is similar to the companion mercantile open stock policy.

The insured property may be owned by the assured, held in trust by him or as collateral for indebtedness, or held under conditions which render him liable to the owner for loss or damage. In connection with the latter class of property the company agrees to defend the assured in case suit is brought against him following a burglary.

There are several exclusions. The company does not accept liability for loss of or damage to any property owned by the United States Government or held by the assured as postmaster. It is not liable if the assured, any associate in interest, a watchman or office or clerical employee of the assured is implicated in the burglary. Books and records must be maintained from which the value of a loss may be determined; otherwise there is no liability on the part of the company. If a burglary should occur following the occurrence of a fire or explosion which is not caused by burglars, the coverage does not apply, although these hazards may be covered upon payment of an additional premium. Neither does the policy cover loss or damage contributed to by invasion, insurrection, war, riot, strike by the assured's employees, water, or the action of the elements, although the riot, strike and water or action of the elements hazards may be brought within the scope of the insurance by the payment of an additional premium. Finally, there is no liability where the loss is effected by opening the door of any vault, safe or chest by the use of a key or by the manipulation of any lock. This is an important exclusion which is designed to remove a considerable moral hazard. The policy specifies that burglars must enter the vault or safe after it has been locked. Entry must be forcible and if the safe is within a vault both must be burglarized. If the policy were not specific on this point, there would be no means of proving that the safe or vault had been properly locked or that it had not been unlocked by a dishonest employee who knew the combination. It would also be easy for a dishonest assured to remove property from the safe or vault and claim indemnity. The fact that he must hire someone to break open the safe or vault in the manner specified is a reasonable deterrent, although there are cases on record where this very method of defrauding the insurance company has been employed.

Rates for this coverage are quoted per \$100 of coverage and depend upon various factors.

1. *Safe and Vault Construction.* There are five classifications for this purpose designated by the letters A-E. These differ from the classifications used for Bank Burglary insurance because of the natural difference in equipment which is found in the two classes of risks. For example, class A covers a "Fire-proof safe or cabinet equipped with a combination lock and having body and door less than $\frac{1}{2}$ inch in thickness," whereas class C applies to a "semi-burglar proof safe or chest having steel walls and a steel door at least 1 inch in thickness, equipped with a combination lock." The equipment in mercantile establishments is more likely to be fire-proof than burglar proof and thus, while offering resistance to fire, to offer little or no resistance to burglars. The use of classifications enables the insurance companies to recognize this fact and also by offering greater discounts for some types than for others to stimulate the manufacture and use of equipment which resists both fire and attack by burglars.

2. *Territorial Divisions.* The four territorial divisions used for this coverage serve the same purpose as those established for other lines. They are determined in the same manner but since they are based upon the experience of this particular class of business they are not the same as divisions used elsewhere. For example, Wyandotte County, Kansas, is in the highest rated territory (I) and New York County is in the lowest rated territory (IV).

3. *Kind of Property.* Separate rates are quoted for (1) Merchandise, money and securities (2) Securities only, and (3) Merchandise only.

4. *Business of Assured.* There is some variation in hazard depending upon the business of the assured. For example, the hazard is not the same in a jewelry store, a theatre, a garage, a gasoline-filling station and a grocery store. This variation is recognized by two classifications which are designed to single out the extremely hazardous risks for special treatment.

5. *Population of the City or Town in which the Risk is located.* Variation of rates by population rests upon the same grounds as in the case of Bank Burglary rates, although the table of discounts is not the same. No discount is allowed where the population is less than 2,500; for populations between 2,500 and

7,499 the discount is 5% and from this point it increases until a population of 150,000 or over is reached, where it is $33\frac{1}{3}\%$.

6. *Protective Devices.* There are discounts for watchmen and alarms which follow those for Mercantile Open Stock insurance (except that the grade floor and above grade floor distinction as to alarm systems does not apply), and also a discount for special locking devices on the doors of safes and vaults.

7. *Division of Insurance.* Finally, there are credits for division of insurance which are identical with those used in rating Bank Burglary risks.

An illustration will demonstrate the method of determining the premium for an individual risk.

CALCULATION OF ANNUAL PREMIUM FOR MERCANTILE SAFE BURGLARY INSURANCE

\$100,000 of coverage on merchandise, money and securities located in two class C safes both equipped with an approved locking device—(liability equally distributed in advance). The safes are maintained on the premises described in the example on page 83 and are guarded by similar protective devices.

CALCULATION OF PREMIUM

Number of hundreds of insurance multiplied by table rate (\$1.32)	\$1320
Less Population discount ($33\frac{1}{3}\%$).....	880
Less discount for watchman (0).....	880
Less discount for burglar alarm (70%).....	'264
Less discount for special locking device (10%).....	237.60
Less discount for division of insurance (20%)—Net Premium.....	190.08

This is the annual premium: if policies are issued for three years special discounts are allowed for various methods of collecting the three years' premiums. It is also provided that the "chain-store" risk may be experience-rated if it involves safes at one hundred or more locations.

PAYMASTER, MESSENGER AND OFFICE OR STORE ROBBERY INSURANCE

(1) Paymaster (2) Messenger and (3) Office or Store Robbery insurance are in reality three separate and distinct forms of coverage, but they may be discussed together as there are com-

mon principles underlying them and the distinctions which have been established refer particularly to the application of these principles to special problems and to the methods employed in classifying and rating individual risks.

POLICY PROVISIONS

The definition of "robbery" has been given on page 39. "Property" includes money, securities and merchandise, thus creating a distinction between this coverage and that of the Mercantile Open Stock policy which does not apply to either money or securities. The definitions of "money" and "securities" are similar to those used in the Bank Robbery policy. "Merchandise" includes "articles of gold and silverware, watches, jewelry and precious stones, and such other articles as are commonly carried in the line of business conducted by the assured." In addition to these definitions the definitions of "custodian" and "guard," are peculiar to this coverage.

A custodian is a person in whose possession or care the property must be at the time of the robbery. He may be "(1) the assured, if an individual; (2) a member of the firm, if the assured is a co-partnership; (3) any officer of the assured, if the assured is a corporation; (4) any person not less than seventeen nor more than sixty-five years of age, who is in the regular employ of the assured and duly authorized by him to act as paymaster, manager, cashier, clerk or sales person, and while so acting to have the care and custody of property . . ." insured under the policy. Arrangements may be made in specific instances to modify the age requirement under clause (4). It is inserted in its present form so that the insurance company will not unintentionally and without warning assume the abnormal risk of loss arising out of the fact that the custodian of insured property is either too young or too old to give it reasonable protection. The definition further specifically excludes watchmen and porters. The reason for this restriction is that the companies do not care to assume the moral hazard which would exist in these cases. For example, criminals may gain access to the insured premises by deception and then "hold up" the watchman or porter. Such a crime would not be covered by the Mercantile Open Stock Burglary policy which requires evidence of forcible entry into the premises,

and it is not covered either by the robbery policy. There is a demand for this coverage but the companies have so far resisted it because it is almost impossible in these cases to ascertain whether there was collusion between the employee and the criminal. The policy is specific on this point although the courts have held that watchmen and porters cannot be classified as "custodians," thus making it doubly certain that there will be no misunderstanding.

A "guard" is any male person between the ages of seventeen and sixty-five who accompanies the custodian by the direction of the assured. The age requirement is inserted for obvious common-sense reasons, although it is astonishing how frequently persons of less than seventeen or more than sixty-five years of age are employed to guard property. This requirement may be changed by endorsement in individual cases where the company is convinced that adequate protection is afforded by persons either younger than seventeen or older than sixty-five years of age. It should be noted that the guard need not be in the employ of the assured. He may be engaged for this specific purpose as, for example, where a police officer or a private detective is detailed to accompany the custodian. It is provided, however, that the driver of a conveyance must be on the payroll of the assured to be considered a guard. Drivers of public conveyances, therefore, may not be classified as guards. This bars taxi-drivers and others who may accompany the custodian but who are not equipped to protect the property, and are not expected to do so.

The terms "custodian" and "guard" are clearly defined because of their use in connection with important warranties and also because there is no liability on the part of the company if it can be shown that custodians or guards were implicated in the robbery. If a taxi-driver should be found to have been in collusion with criminals committing a robbery, or if a group of laborers working for the assured on a contracting job should commit a robbery, the company would be liable because in these cases the guilty parties are neither custodians nor guards and the hazard is one which it is intended that the policy should cover.

There are eight limitations upon the company's liability, many of which are the same as limitations in other policy forms. The

insured property must be owned by the assured or held by him in trust, on commission, as collateral for indebtedness or otherwise under conditions rendering him liable to the owner for loss or damage;* where securities are lost the assured must use due diligence in endeavoring to prevent their negotiation or payment; the market value of insured property at the time of loss is the limit of the company's liability; the assured must maintain books and accounts which can be used to determine the extent of a loss, else the company is not liable; losses caused or contributed to by riot, invasion, insurrection, war or strike,† are not covered, although the riot and strike hazards may be brought within the coverage upon payment of an additional premium. In addition, the policy provides that the robbery must be established by direct and affirmative evidence, that there is no liability unless the assured has taken all reasonable precautions to safeguard the property, and that there must be no criminal implication, as a principal or an accessory, of (1) the assured (2) any associate in interest (3) a custodian or any other employee of the assured directly in charge of the insured property or (4) any guard accompanying a custodian. The third clause, it will be noted, does not bar claims where one of the general run of employees may be implicated. This is a hazard which must be covered as it is unreasonable to penalize the assured unless the crime may be attributed, either directly or indirectly, to one of his employees whose particular business it was to guard the insured property.

Other conditions similar to conditions explained in connection with bank robbery policies are (1) provision for automatic reinstatement of the full amount of the policy in the event of loss and (2) provision for automatic reduction of the amount of the policy where the assured is unable, because of an unforeseen contingency, beyond his control, to maintain protective conditions as he warranted to do and, therefore, causes the hazard to increase.

*Policies may be endorsed to cover money, Liberty Bonds or other securities left with the assured for safe-keeping, provided the assured has a record of such property which may be used to prove a loss after a robbery has occurred.

†Until recently there were also exclusions covering loss by water, by action of the elements or by fire, but these have been removed.

The insuring clauses of the three robbery forms must be described separately because of individual characteristics which are distinctive.

A. Paymaster Robbery Insurance. Paymaster Robbery Insurance is intended for concerns which pay their employees' wages in cash. In such cases amounts of money must be obtained from the bank at regular intervals. Not infrequently this money must be transported a considerable distance and sometimes, as in the case of contractors, it must be delivered to several different locations.

The policy covers two separate hazards:

1. *Loss of or damage to property intended solely for the payroll of the assured.* This is the primary coverage which applies while the custodian is engaged in any of his regular duties in connection with such payroll. It normally covers outside the assured's premises any place in the United States or Canada during the hours from 7 a. m. to 7 p. m., although, upon payment of an additional premium, the hours of "outside" coverage may be extended. In addition, it covers inside the assured's premises at any time (day or night) that the custodian may be employed at his tasks in connection with the payroll. This provision recognizes the necessity for coverage of payroll from the time it is taken from the bank until it is distributed into pay envelopes and finally paid to the employees. It may come from the bank at 3 p. m. on the day preceding pay day, the work of preparing it for distribution may go forward during the night on the assured's premises and actual payment to employees may not be made until the following day when pay envelopes are distributed at one or several locations. Loss of or damage to the wallet, bag, satchel, safe or chest in which the payroll is contained is covered as well as damage to furniture, fixtures and other property on the premises (except plate glass, and lettering or ornamentation thereon).

2. *Loss of or damage to other property not intended solely for the payroll of the assured.* This coverage is restricted in amount to 10% of the insurance on payroll and applies only outside the assured's premises anywhere within the United States or Canada between the hours of 7 a. m. and 7 p. m., although an extension of the hours of coverage may be obtained upon payment of an

additional premium. The coverage also extends to the wallet, bag, satchel, safe or chest in which the property is contained.

An assured in purchasing this form of insurance is required to estimate the average amount of payroll which will be exposed at any one time and to cover this by a corresponding amount of insurance, but the policy allows some fluctuation to meet unexpected situations where the amount of payroll may exceed the amount of coverage. Thus, if the policy covers at least one custodian and the amount of insurance on that custodian is at least \$50,000, the coverage per custodian may be automatically increased 25%, provided a record is kept so that an additional pro-rata premium may be calculated for this coverage and collected at the close of the policy term.

B. Outside Messenger Robbery Insurance. Outside Messenger Robbery Insurance is intended for the protection of business houses such as investment houses, banks, jewelry stores and others which are required to send property of value outside of their premises for delivery or for other reasons. It covers only one hazard, the loss of or damage to money, securities or merchandise and to the wallet, bag, satchel, safe or chest in which such property is contained, while the custodian is away from the assured's premises* but within the United States or the Dominion of Canada. The standard coverage applies during the hours of 7 a. m. to 7 p. m. but the time may be extended upon payment of an additional premium. Robbery coverage which applies outside the assured's premises has not always been limited to the United States and Canada. Prior to 1922 it applied to all sections of the world but about that time several robberies in Europe which were covered by robbery policies issued in this country forcibly directed the attention of underwriters to the situation and the limitation of coverage to the United States and Canada resulted. The principal reason for the territorial limitation is the difficulty of adjusting losses which occur abroad.

C. Interior Office or Store Robbery Insurance. Interior office or Store Robbery Insurance is designed to meet the needs of

*The Standard Robbery Policy may be extended to cover the funds of the assured, while contained within the home of the custodian under certain conditions. This provision would apply to either the Paymaster or Messenger coverage.

merchants and others who have exposed, within their premises, valuable property which may attract criminals during the time the premises are open for business. It covers loss of or damage to money, securities and merchandise and to furniture, fixtures and other property (except plate glass, and lettering or ornamentation thereon) on the assured's premises during the hours beginning at 7 a. m. and ending at 12 o'clock midnight, although the latter provision is subject to modification on payment of additional premium.

There may be a special extension of this coverage by endorsement to cover loss occasioned by the felonious abstraction of property from show windows after the glass has been broken from outside the premises. This coverage is effective during the hours when the premises are open for business and is intended to supplement the show window coverage granted in Mercantile Open Stock policies which applies only while the premises are closed for business.

It will be noted that the requirements of some concerns can only be met by combinations of these three coverages if complete protection against the robbery hazard is desired. An investment house must have both Outside Messenger coverage and Interior Office coverage if it is to be fully protected; the one covering property outside the premises and the other, property within the premises, it requires a combination of both to afford the assured complete protection.

RATES

In explaining rates it is again necessary to deal with the coverages individually because of differences in the methods of treatment, although they fall in two groups, one containing Paymaster and Messenger Robbery Insurance where the methods of rating are similar and the other containing Interior Office or Store Robbery Insurance, which is rated on a different basis. In all cases policies may be issued for terms of one or three years. In the discussion it is assumed that the rates are for coverage of one year only.

Paymaster and Messenger Robbery Insurance Rates. Since rates for these coverages depend upon several factors, the pre-

mium for the individual risk is built up as in other cases by combining those factors which apply to the conditions of the risk. The following items are important:

1. *Territory in which the risk is located.* There are four territorial divisions based upon the experience of risks of this class. These are designed to take into consideration the varying degrees of exposure to robbery which are found in different localities. For example, Wyandotte County, Kansas, is in the first territory where the hazard is highest, while New York County is in the fourth territory where the hazard is lowest and where the rates are only one-half of those for the highest hazard.

2. *Number of guards accompanying the custodian.* It is obvious that the greater the number of guards the less the likelihood of attack by robbers. The annual rate per thousand dollars of coverage, therefore, is reduced as the number of guards increases. There are six gradations which may be illustrated by quoting the rates for territories I and IV:

Custodian Accompanied by	Annual Rates per Thousand	
	Territory I	Territory IV
No guard.....	\$15.00	\$7.50
One guard.....	12.00	6.00
Two guards.....	9.60	4.80
Three guards.....	7.60	3.80
Four guards.....	6.84	3.42
Five or more guards.....	6.16	3.08

The rates do not vary with the amount of coverage because in the case of a hold-up the entire property will probably be taken. There is, therefore, no distinction in hazard between successive thousands of coverage as in some other cases which have been considered.

3. *Protective Measures Employed.* The rates quoted above are manual rates. They are subject to discount for the maintenance of conditions which tend to reduce the hazard. There are two items of this character:

a. A discount of 10% is allowed if the assured provides a private conveyance for the exclusive use of the custodian and

his guards during the entire trip. If this conveyance is an armored car with an enclosed body constructed of bullet-proof steel, and with doors securely locked, an additional discount of 10% may be allowed.

b. A discount of 10% is allowed if the insured funds are carried (1) in a locked messenger safe or chest; or (2) in a satchel or wallet lined with steel or wire mesh and attached by a chain, steel or wire strap to the person of the custodian or to the vehicle in which the funds are conveyed.

4. *Kind of Property Covered.* Further discount of 25%, if the coverage is limited to securities only, is provided.

An example will demonstrate the method employed in calculating a premium for this coverage:

**CALCULATION OF ANNUAL PREMIUM FOR PAYMASTER OR MESSENGER
ROBBERY INSURANCE**

Amount of Insurance.....	\$100,000.00
Five guards employed to accompany custodian	
Risk located in New York City	
Custodian transported in armored car	
Property transported in approved satchel	

CALCULATION OF PREMIUM

Number of thousands of insurance multiplied by table rate (\$3.08).....	308.00
Less discount for private conveyance (10%).....	277.20
Less discount for armored car (10%).....	249.48
Less discount for satchel (10%)—Net Premium....	224.53

If securities only were covered this premium would be subject to a further discount of 25%.

Interior Office and Store Robbery Insurance Rates. The factors which are taken into consideration in rating a risk for this coverage are as follows:

1. *Territory in which the Risk is Located.* Since the robbery hazard is common to this and to the preceding coverages, the same set of territorial classifications is used in both cases.

2. *Number of Persons on Duty within Premises.* There are two classifications of risks, one where a single person (the custodian) is on duty, and the other where the custodian and at