

SECTION XIX

PENNSYLVANIA CRIME INSURANCE PROGRAM

A. INTRODUCTION

The Federal Crime Program was authorized under the Provisions of Title VI of Public Law 91-609 to provide access to those individuals and/or businesses unable to obtain insurance coverage in the voluntary market. In October, 1995, the Federal Crime Program ceased, and the Insurance Placement Facility (FAIR Plan) commenced writing Crime Insurance in Pennsylvania. The Pennsylvania Crime Insurance Program closely resembles the former Federal Program.

This Section includes General Rules and Procedures as approved by the Commonwealth of Pennsylvania Insurance Department outlining the manner in which the Pennsylvania FAIR Plan Crime Program is conducted. Residential Crime Insurance is explained in Part B. Commercial Crime Insurance, which differs significantly from Residential Crime Insurance, is explained in Part C of this Section. Part D applies to both Residential and Commercial Crime Insurance.

B. RESIDENTIAL CRIME INSURANCE

1. ELIGIBILITY

a. ELIGIBLE APPLICANTS

An applicant must own or lease the premises he/she wishes to insure, and the premises must be located in Pennsylvania. In addition, all applicants must comply with the minimum standards for protective device requirements described in the Pennsylvania Residential Crime Insurance Application.

b. ELIGIBLE PROPERTIES FOR RESIDENTIAL COVERAGE:

- 1) **Dwellings** - A dwelling occupied for residential purposes only by one or more persons who are permanent members of a single household. The insurable premises include grounds, garages and other out-buildings in addition to the dwelling as long as they are located at the premises stated in the application and are not used for business purposes. The outbuildings must also comply with the protective device safeguard requirements.
- 2) **Mobile Homes** - A mobile home used as a residence, provided that the mobile home has been rendered immobile on a permanent foundation and anchored to resist flotation or lateral movement.
- 3) **Storeroom** - A storeroom used for temporary storage of personal property not pertaining to a business, provided that the storage area is surrounded by physical barriers which separate it from other storage areas available to other persons, and that the storage area utilized by the Insured complies with the protective device requirements applicable to residential premises.
- 4) **Seasonal Dwellings** - The Pennsylvania Crime Insurance Program will write seasonal dwellings occupied by the Insured for the personal property contained therein.

5) **Seasonal Rental Property** - The Pennsylvania Crime Insurance Policy may be used to insure the property contained in seasonal dwellings owned by the Insured and held for rental on a seasonal basis on a residential policy. Coverage will only apply if the property is available to the insured for their use during the year and is not held exclusively for rental purposes. The furniture, etc. contained in such a dwelling will be considered as personal property and not business property under the Policy.

6) **Apartments** - Occupied by the Insured(s) for residential purposes.

7) **Rental to others or occupied by others for use as Private Residence.** The insurance applies with respect to property owned by the Named Insured, and the insurance does not apply to money, securities, jewelry, watches, necklaces, bracelets, gems, precious and semiprecious stones, and articles of gold or platinum, furs, fine arts, firearms, antiques, coin or stamp collections, nor to loss caused by a tenant of such premises or any of his employees or members of his household.

c. PROPERTIES INELIGIBLE FOR RESIDENTIAL COVERAGE INCLUDE:

1) **Business Use** - A residential premises or portion thereof owned or leased by a business, corporate or otherwise, may not be insured under a residential policy.

2) **Model Homes** - A model home held for eventual sale, or an apartment for business clients must be insured by a commercial policy.

d. OWNERSHIP OF PROPERTY; INTERESTS COVERED:

The property covered under this insurance is limited to property

1) That the Insured owns or holds, or

2) For which the Insured is legally liable, unless otherwise limited in the policy.

2. COVERAGE

a. OVERVIEW

The Pennsylvania Crime Insurance Policy is a combination package for both burglary and robbery coverage. Coverages are not sold separately. The Policy pays for losses from burglary and from robbery, including observed theft, of personal property from the premises or in the presence of the Insured. It also covers damage to the premises caused by any such attempt, provided that the Insured is the owner or is liable for such damage. Damage to the interior part of the building occupied by the Insured and insured property is covered.

b. SIGNIFICANT RESTRICTIONS

1) Vacancy

No coverage applies while the property is vacant.

2) Protective Device Requirements

No coverage applies if the protective device requirements are not met.

The following protective device requirements shall apply to all residential properties:

- (a) Each exterior doorway or doorway leading to garage areas, public hallways, terraces, balconies, or other areas affording easy access to the Insured premises shall be protected by a door which if not a sliding door, shall be equipped with a dead-lock using either an interlocking vertical bolt and striker, or a minimum 2 inch throw dead bolt, or a minimum 2 inch throw self-locking dead latch.
- (b) All sliding doors, first floor, and basement windows, and windows opening onto stairways, fire escapes, porches, terraces, balconies, or other areas affording easy access to the premises, shall be equipped with a locking device of any kind.

3) Burglar Alarm Requirements.

If the answer to question 7 of the Pennsylvania Residential Crime Insurance application to having an operational burglar alarm on the premises is yes, the following applies:

The insurance will be automatically suspended at the insured location if the Insured fails to notify the Insurer immediately when the Insured:

- (a) Knows of any suspension or impairment in the burglar alarm.
- (b) Fails to maintain the burglar alarm in complete working order.

This does not replace the policy. The policy is available at Downloadable Forms, on the website, www.pafairplan.com

c. AMOUNT OF COVERAGE

The residential policy may be written in increments of \$1,000 up to a maximum of \$10,000 for each insurable premises. The amount of the policy is the aggregate per occurrence, and there is no specified amount of liability during a policy year. **The \$10,000 limit of coverage per insurable premises may not be increased by subdividing the premises shared by members of a common household.** Tenants, who are not related to the Insured or a permanent member of his household and who pay board or rent, must purchase a separate policy in order to be insured.

The loss of jewelry, furs, fine arts, coin or stamp collections, firearms and articles of gold, silver or platinum is limited to an aggregate per occurrence of \$1,500 or \$500 for any one article. The policy limit for loss of cash is \$200 and for securities is \$500.

The limits of coverage and applicable annual premiums for Residential Crime Insurance are: as shown on the Pennsylvania Residential Crime Application Form. See downloadable forms on the website, www.pafairplan.com

d. DEDUCTIBLE

\$100 for each loss occurrence.

3. HOW TO APPLY - APPLICATION

The Pennsylvania Residential Crime Insurance Application, Form CR-100-FP must be completed by the applicant or producer.

A separate application must be completed for each location. If the Insured shares the house or apartment with three or more persons not related to him/her, each occupant must purchase a separate policy in order to be insured.

The application must be completed in full and signed by the applicant. It must also be personally signed by a licensed property insurance agent or broker if submitted through an agent or broker (producer).

The producer, or if no producer, the FAIR Plan must explain to the applicant that he/she must comply with the protective device requirements in order to insure a residential or commercial property.

A check or money order for the full annual gross premium must accompany the Application.

Incomplete applications will not be processed and will be returned. Providing all of the required information will minimize the possibility of the application being rejected. Submission of an application to the FAIR Plan neither binds the Plan to provide insurance nor obligates the applicant to purchase insurance.

C. COMMERCIAL CRIME INSURANCE

1. ELIGIBILITY

a. ELIGIBLE APPLICANTS

An applicant must own or lease the premises he/she wishes to insure, and the premises must be located in Pennsylvania. In addition, all applicants must comply with the minimum standards for the protective device requirements described in the Pennsylvania Commercial Crime Insurance Application.

b. ELIGIBLE PROPERTIES FOR COMMERCIAL COVERAGE:

ALL CLASSES, EXCEPT CHURCHES, CHARITIES, AND PUBLIC PROPERTIES, REQUIRE AT LEAST A SILENT OR LOCAL BURGLAR ALARM PROFESSIONALLY INSTALLED WITH MAINTENANCE. MANY STORES AND OTHER CLASSES REQUIRE A CENTRAL STATION BURGLAR ALARM WITH LINE SECURITY.

Definition of a Commercial Insurable Premises - One premise or portion thereof used to conduct the business of the insured. Two or more buildings which are adjoining and have a common connecting door or passageway are considered one building and should be included in one application. The Commercial Crime Insurance Policy may be written for any industrial, commercial, non-profit or public property in accordance with the risk classification and within the limits of coverage, subject to the applicable protective device requirements.

- 1) **Physically Separate Buildings** or portions thereof must be covered on separate policies using the building number or specific description on each application in order to identify multiple premises of one business.
- 2) **Jointly Occupied Premises** - If any applicant occupies a premise jointly with other businesses, and there exists no physical barrier separating the business of the applicant from the other business, the applicant may still obtain insurance coverage. The exterior boundaries of the premises that enclose the business of the applicant and the other businesses must be protected in accordance with the protective device requirements applicable to the classification governing the applicant's business. For purposes of burglary insurance coverage, the premises to which there must be signs of forcible entry is the overall premises confining the business of the applicant and other businesses. The applicant, as insured, will be responsible for the continued existence, maintenance, and functioning of the required protective devices.

All doors or openings to/from the areas where the business is conducted are considered exterior doors or openings. All entrances whether from outside or from other parts of the building must be protected. Dropped ceilings and heating/air conditioning ducts should be treated as accessible openings.

- 3) **Owned or leased Residential Properties** - The commercial application form must be used by a business for residential properties owned or leased by said business, incorporated or otherwise, and for model homes. Such risks must meet commercial; protective device requirements.

c. OWNERSHIP OF PROPERTY; INTERESTS COVERED:

The property covered under this insurance is limited to property

- 1) That the Insured owns or holds, or
- 2) For which the Insured is legally liable, unless otherwise limited in the policy.

2. COVERAGE

a. OVERVIEW

The Pennsylvania Commercial Crime Insurance Policy provides for three optional coverages:

- Option 1: Burglary only, including safe burglary and resulting damage.
- Option 2: Robbery only, inside and away from the premises, and resulting damage.
- Option 3: A combination of burglary and robbery in uniform and varying amounts.

Burglary includes: The taking of property from within a business which has been forcibly entered as evidenced by visible marks upon or physical damage to, the exterior of the premises at the place of entry. Burglary coverage insures against burglary or robbery of a watchman, when the business is closed, of merchandise, furniture, fixtures and equipment as well as the stealing of money, securities and merchandise by burglary of a safe.

Robbery includes: The taking of property from the victims by violence or threat of violence both inside and outside the business including observed theft. Robbery does not include: mysterious disappearance, misplacement of personal property, theft of property not observed by the insured.

The policy also includes damage occurring during the burglary or robbery or attempted burglary or robbery provided the insured is the owner or is liable for such damage.

b. SIGNIFICANT RESTRICTIONS

- 1) Vacancy - No coverage applies while the property is vacant.
- 2) Protective Device Requirements - No coverage applies if the protective device requirements are not met.

When Option 1 or Option 3 is selected on the Application, the following protective device requirements shall apply to all commercial properties in order for burglary coverage to be applicable:

(a) Each exterior doorway or doorway leading to garage areas, public hallways, terraces, balconies, or other areas affording easy access to the Insured premises shall be protected by a door which if not a sliding door, shall be equipped with a dead-lock using either an interlocking vertical bolt and striker, or a minimum 2 inch throw dead bolt, or a minimum 2 inch throw self-locking dead latch.

(b) All sliding doors, first floor, and basement windows, and windows opening onto stairways, fire escapes, porches, terraces, balconies, or other areas affording easy access to the premises, shall be equipped with a locking device of any kind.

BURGLARY COVERAGE WILL BE AUTOMATICALLY SUSPENDED AT THE INSURED LOCATION IF THE ABOVE PROTECTIVE DEVICE REQUIREMENTS ARE NOT MET.

3) Burglar Alarm Requirements.

If the answer to question 8 of the Pennsylvania Commercial Crime Insurance application to having an operational burglar alarm on the premises is yes, the following applies:

The insurance will be automatically suspended at the insured location if the Insured fails to notify the Insurer immediately when the Insured:

- (a) Knows of any suspension or impairment in the burglar alarm.
- (b) Fails to maintain the burglar alarm in complete working order.

This does not replace the policy. Read the Policy. See Downloadable Forms on the website, www.pafairplan.com

c. AMOUNT OF COVERAGE

The Commercial Crime Insurance Policy may be written in amounts not less than increments of \$1,000 and not in excess of \$15,000 for each insured premises. The maximum limit may not be increased (1) by insuring several departments of a single business at one insurable premises as separate premises, or (2) by establishing separate businesses for different portions of business operations having a common majority ownership which are located at one insurable premises.

Burglary losses of money or securities or of any item of jewelry with cash value in excess of \$50 will not be paid unless the items are forcibly extracted from a locked safe. There is also a limit of \$5,000 if the safe is not rated as Class E or better.

Outside robbery losses in excess of \$5,000 will not be paid unless the insured or his messenger is accompanied by a guard armed with a firearm. The person carrying the insured property and the armed guard cannot be the same person.

d. DEDUCTIBLE

Claims under the Commercial Insurance Policy are subject to a deductible which is based on the annual gross receipts of the Insured's business, or five percent of the gross amount of the loss, whichever is greater:

Gross Receipts	Deductible
Less than \$299,999	\$250
\$300,000 - \$499,999	\$350
\$500,000 or more	\$500

The deductible for non-profit or public property risks is \$250 or five percent of the gross amount of the loss, whichever is greater.

Higher deductibles, percentage participation clauses and other underwriting devices may be used by the Insurer to meet special problems of insurability.

3. HOW TO APPLY - APPLICATION

The Pennsylvania Commercial Crime Insurance Application, Form CR-200-FP must be completed by the applicant.

A separate application must be completed for each location. See the explanation under b. Eligible Properties for Commercial coverage in this Section.

The application must be completed in full and signed by the applicant whose signature must be witnessed. It must also be personally signed by a licensed property insurance agent or broker, if submitted through an agent or broker (producer). Stamped or typed signatures are not acceptable.

Annual premiums are based on the class of business, the gross receipts for the business for the preceding year and the amount of coverage under the option selected.

a. Risk Classification - The type of business conducted at the premises determines risk classification. Each policy is assigned two classifications, one for burglary and one for robbery, depending upon the exposure of the type of business to each specific peril. If there are several kinds of merchandise inventoried and held for sale, the highest classification of merchandise governs. For example, a business having an inventory of 60% handbags and wigs and 40% fine jewelry will be classified as Jewelry, Premium Class 3 for burglary and Premium Class 6 for robbery.

b. Gross Receipts - The annual gross receipts figure of a business is a significant factor in calculating the annual premium and in determining the deductible amount applicable to any loss. It is, therefore, material to the issuance of a policy and must be correctly stated. Any material misstatement of gross receipts, whether intentional or not, at the time of application or subsequent renewal could result in the denial of any claim and the voiding of the policy. Gross receipts may be verified at the time of adjustment of a loss.

c. Discounting - Alarm/Safe/Protection Service Credits are as follows:

		i. BURGLARY CREDITS				ii. ROBBERY CREDITS		
		SAFE ALARMED		SAFE NOT ALARMED		PROTECTION SERVICE		
Premises		Class E or Better	Other Safe	Class E or Better	Other/None	Holdup Buttons	Armored Car	Alarm System None
E	None	.80	.95	.85	1.00	Yes	.85	.90
D	Local or Silent *	.70	.75	.75	.90	No	.95	1.00
C	Central Station with Line Security OR Guard **	.65	.75	.70	.80			
B	Central Station with Line Security AND Guard **	.60	.70	.65	.75			
A	Central Station **	.55	.65	.60	.70			

* Professionally installed with maintenance

** Credits will not be given unless the FAIR Plan receives a completed Alarm Verification form or similar certification by the alarm company.

There is an additional 10% discount for combined burglary and robbery coverage.

BURGLARY MINIMUM PROTECTIVE DEVICE REQUIREMENTS				
PREMIUM CLASS	NEW BUSINESS	NO LOSS 3 YEARS	2 OR MORE LOSSES	PROTECTIVE DEVICE DESCRIPTIONS KEY:
6	B	C	A	A Central Station UL Approved
5	C	C	A	B Central Station w/Line Security & Guard Response
4	D	D	C	C Central Station w/Line Security without Guard Response
3	D	D	C	D Silent or Local Alarm professionally installed with Maintenance
2	D	D	C	E None
1	E	E	D	

Contact the FAIR Plan for a Premium Quotation prior to forwarding the Pennsylvania Commercial Crime Insurance Application, but after completing the Application.

A check or money order for the full annual gross premium payable to the Pennsylvania FAIR Plan must accompany the Application.

Incomplete applications will not be processed and will be returned. Providing all of the required information will minimize the possibility of the application being rejected. Submission of an application to the FAIR Plan neither binds the Plan to provide insurance nor obligates the applicant to purchase insurance.

D. APPLICABLE TO BOTH RESIDENTIAL AND COMMERCIAL INSURANCE

1. IMMEDIATE COVERAGE

Upon receipt of a properly completed application accompanied by the appropriate annual gross premium, and upon determination that a risk is eligible for coverage in the Plan, a one year policy will be issued. Vacant property and property without the proper protective devices will not be eligible for coverage. Commercial submissions may be subject to inspection prior to the FAIR Plan binding coverage.

2. REQUEST FOR ENDORSEMENT

Changes in limits of coverage may be made any time. All endorsements will be issued by the Pennsylvania FAIR Plan. No producer has or shall have authority to bind Crime Insurance coverage in any manner. No policy change request will be processed without the insured's signature. Policy changes are requested in writing by policyholder letter or FAX. Letters from the insured's licensed agent or broker requesting changes are acceptable if signed by the agent or broker. Stamped, typed or facsimile signatures will not be accepted. Changes in ownership and expiration date require submission of a new application.

3. EXPIRING COVERAGE

A renewal premium notice will be mailed to the Insured at least 35 days prior to the expiration date of the policy. Policy renewal will be subject to the rules, regulations, and policy terms, conditions and rates in effect at the time of renewal. The premium due must be received by the FAIR Plan prior to the due date in order to prevent expiration of coverage.

4. OTHER MANUAL SECTIONS APPLICABLE TO BOTH RESIDENTIAL AND COMMERCIAL CRIME INSURANCE

The following sections of this Manual apply to the Pennsylvania Crime Insurance Program.

- Payment of Premiums (Except C Minimum Policy Writing Premium) A \$50 Minimum Premium applies to each Crime Policy
- Policy Writing
- Cancellation [Except for Parts B 1 (See Crime Policy Cancellation Conditions) and Part C]
- Appeals
- Claims Procedure
- Authority of Agents and Brokers
- Public Relations