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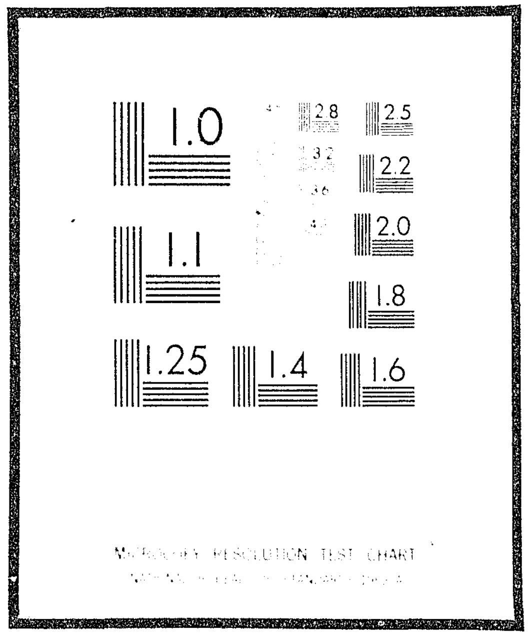

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NATIONAL CRIMINAL JUSTICE REFERENCE SERVICE
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UNITED STATES GENERAL ACCOUNTING OFFICE

REPORT TO THE CONGRESS

30029

The Federal Crime Insurance Program: How It Can Be Made More Effective

Department of Housing and Urban Development

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

RED-75-333

APRIL 11, 1975

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-183012

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the Federal crime insurance program which is administered by the Department of Housing and Urban Development.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the United States Housing Act of 1937, as amended (42 U.S.C. 1401).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Housing and Urban Development.

Thomas B. Staats

Comptroller General
of the United States

C o n t e n t s

ABBREVIATIONS

FBI	Federal Bureau of Investigation
FCI	Federal Crime Insurance
FIA	Federal Insurance Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
INA	Insurance Company of North America
ISO	Insurance Services Office
SMI	Safety Management Institute

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

THE FEDERAL CRIME INSURANCE PROGRAM: HOW IT CAN BE MADE MORE EFFECTIVE
Department of Housing and Urban Development

D I G E S T

WHY THE REVIEW WAS MADE

To help protect property owners from losses, the Congress set up the Federal Crime Insurance Program in August 1971 in the Department of Housing and Urban Development (HUD). The program was needed because private insurance companies or State programs either did not provide crime insurance or could not provide it at prices affordable to people, particularly in high-crime areas.

GAO's review was to evaluate HUD's progress in carrying out the crime insurance program.

FINDINGS AND CONCLUSIONS

HUD's Federal Insurance Administration administers the program. Servicing companies under contract with HUD carry out day-by-day insurance functions, such as processing applications and claims.

Since the program's beginning through June 30, 1974, about $5.2 million in claims were paid, and the program incurred a $4.3 million loss.

The program has been slow in getting started. At June 30, 1974, the program was available in 14 States and the District of Columbia. About 17,600 policies were in force, with 85 percent of these in Massachusetts, New York, and Pennsylvania.

In Cleveland and New York City, only about one-third of the policyholders were located in the highest crime areas. (See pp. 10 to 12.)

These problems have occurred because agents and brokers--HUD's major marketing mechanism--are generally apathetic toward selling the insurance. Also, HUD has not effectively told the public of the program, HUD's protective device requirements have hindered policy sales, and HUD has not adequately reviewed private and State crime insurance programs.

Few policies have been sold

Policy sales for the Federal Crime Insurance Program have been low since it began and are below expectations. At June 30, 1974, policy sales totaled 43,000, or about 39 percent below HUD's estimated sales.

Most people do not know the program exists. Agents and brokers, agents associations, minority business organizations, and small businessmen in Cleveland, the District, and New York City indicated that people are generally not aware of the program. (See pp. 12 and 13.)

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Agents and brokers are not actively selling policies

Agents and brokers are not actively selling the insurance, especially in high-crime areas where the program is needed most.

Only 2 of 53 agents and brokers interviewed in Cleveland, the District, and New York City actively sold the policies. Seventeen had never sold a program policy.

Of the 36 agents who had sold policies, 31 said that they sold the insurance only as a sideline or to accommodate their clients. Most of them said that commissions they received for selling program policies were not worth their time and effort. (See pp. 13 to 15.)

HUD's promotion efforts have not been effective

Most of HUD's promotion efforts were not specifically directed to the potential customer for Federal crime insurance.

HUD generally relied on public service announcements, HUD news releases, and appeals for assistance from such groups as mayors, State legislators, and insurance commissioners to publicize the program.

Radio and television station personnel GAO interviewed in Cleveland and the District generally stated that they had no record of, nor could they recall, receiving or broadcasting the public service announcements. The stations are not under obligation to air these announcements.

Some promotion efforts have been successful.

--A special campaign in Chicago--which used paid advertising in newspapers and on radio stations and used agents, brokers, and community groups to distribute program information to inner-city residents and businessmen--resulted in sale increases.

--Sales increases in St. Louis resulted from individuals being trained and licensed to sell program policies to inner-city residents. (See pp. 15 to 20.)

HUD has assigned only one professional staff member to administer the program and has spent only about $176,000 on promoting the program. (See p. 21.)

Protective device requirements hurt sales

Residential and commercial policyholders insured for burglary losses under the program are required to have protective devices to protect their properties.

Most agents and brokers GAO talked to in Cleveland, the District, and New York City said that the protective device requirements hindered program sales because the devices were too costly to install and maintain, especially for small businessmen. (See pp. 21 and 22.)

For example, GAO estimated that for a small antique dealer in Cleveland, out-of-pocket costs for protective devices to obtain $1,000 of burglary and robbery coverage would total $1,218 in the first year and $660 each year thereafter. It would not be likely that an owner would buy a policy under these circumstances. (See pp. 23 and 24.)

Indications that the program is meeting a need

GAO's discussions with agents and brokers, minority business organizations, and policyholders indicate that the program is meeting a need.

Responses to questionnaires GAO sent to policyholders in Cleveland and New York City indicated that many policyholders bought the insurance because they either could not obtain coverage in the private market or could not obtain it at affordable rates. (See p. 25.)

Discussions with businessmen who did not have program policies indicated that some would consider purchasing a policy. (See p. 26.)

Also, FBI figures show that robbery and burglary rates are increasing. (See p. 26.)

Federal crime insurance may be needed in other States

HUD is required to make a continuing review of the crime insurance availability in each State to determine whether crime insurance is available from private insurance companies or suitable State programs at affordable rates. If HUD finds that a critical unavailability problem exists, it can offer Federal insurance in that State.

HUD's reviews of private crime insurance availability were not adequate to determine whether the program should be offered in more States. HUD relied mainly on State insurance commissioners' views for determining whether the program was needed in their States.

GAO visited Colorado and Nevada, two States which had high-crime rates and did not have State crime insurance programs. The States' insurance commissioners did not believe their States needed the program.

Colorado's commissioner based his belief mainly on the lack of citizens' complaints about problems of buying crime insurance. Nevada's commissioner based his response on contacts with insurance agents and businessmen in Reno and Las Vegas.

However, GAO's comparison of program rates and insurance company rates showed that program rates generally were lower than insurance company rates. Agents and brokers in Colorado, businessmen in Colorado and Nevada, and the mayor of Denver indicated that people, especially those in high-crime areas, had difficulty buying crime insurance.

On the basis of these indications, GAO believes Federal crime insurance would benefit residents of high-crime areas in both States. (See pp. 27 to 36.)

For States with their own crime insurance programs, HUD made limited reviews of the programs to determine if crime insurance was available at affordable rates.

GAO compared various features of Michigan's crime insurance program with those of the Federal program and found that for Michigan's program the maximum amount of insurance available generally was less, deductibles were higher, and agents' commissions were lower. (See pp. 36 to 40.)

GAO believes that shortcomings in HUD's program administration have hindered the program's progress and the program cannot effectively achieve its objectives as presently administered.

RECOMMENDATIONS

Because the program was to expire shortly after GAO completed its review, GAO did not make any recommendations to the Secretary of HUD.

AGENCY ACTIONS AND UNRESOLVED ISSUES

HUD officials generally agreed with GAO's findings and conclusions and provided other comments which GAO discussed and evaluated. (See pp. 43 and 44.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

On March 25, 1975, the Congress cleared for the President's signature legislation extending the Federal crime insurance program until April 30, 1977. As of April 7, 1975, the President had not signed the legislation.

To improve the administration of the Federal crime insurance program and to insure that program objectives are effectively achieved, the Congress should, among other alternatives, consider requiring HUD to

--increase the commissions of agents and brokers to levels necessary to provide incentive to actively sell Federal crime insurance;

--train interested individuals, particularly inner-city residents, to sell Federal crime insurance;

--increase its promotion efforts through paid advertising, promotional campaigns in each program State, and the services of local community groups;

--direct servicing companies to encourage agents and brokers, particularly minority agents and brokers, to concentrate their selling efforts in the high-crime, inner-city areas;

--reevaluate its protective device requirements with respect to the type and number of protective devices, with a view toward reducing their costs, particularly for the small businessmen, so that the program's objectives can be better achieved, and

--make more in-depth reviews of the program's need in States where Federal crime insurance is not available. This would include information on rates, coverages, protective device requirements, and commissions and views of agents, insurance associations, and businessmen. (See pp. 42 and 43.)

CHAPTER 1

INTRODUCTION

Title VI of the Housing and Urban Development Act of 1970 (12 U.S.C. 1749 bbb-10a) established the Federal crime insurance program in the Department of Housing and Urban Development (HUD). Under the program, burglary and robbery insurance is provided to residential and commercial property owners in States where the Secretary of HUD has determined that the private market or statewide programs do not make crime insurance available or make such insurance available at a prohibitive cost.

Civil disturbances and riots in many cities during the 1960's highlighted problems of property insurance unavailability which existed in deteriorating inner-city areas. These problems intensified as insurance companies incurred huge losses caused by the riots.

In response to a need for property insurance in riot-affected areas, the Congress in 1968 established the Federal riot reinsurance program. The program encouraged and assisted the insurance industry and the States to make property insurance coverage more available by providing Federal reinsurance against losses resulting from riots and civil disturbances. Under the Urban Property Protection and Reinsurance Act of 1968, as amended, which established the riot reinsurance program, the Secretary of HUD was directed to study reinsurance and other means of assuring an adequate market for burglary and theft insurance in urban areas. The study concluded that there was a critical problem of unavailability of crime insurance in several States and that such insurance could not be made available without a subsidy. It proposed that the States act to solve the problem, primarily through adopting State crime insurance programs.

After its own studies, the Congress determined that the riot reinsurance program did not adequately provide for burglary and theft insurance and established the Federal crime insurance (FCI) program.

PROGRAM OPERATION

HUD's Federal Insurance Administration (FIA) administers the FCI program. The FIA Administrator makes reviews of each State's market availability to determine whether crime insurance is available at affordable rates through either the private insurance market or a State program.

When the Administrator determines that the FCI program should be made available in a State, property owners can purchase the insurance through licensed property insurance agents and brokers in their States. Servicing companies under contract with HUD receive and process the applications, inspect the property to determine compliance with protective device requirements, issue policies, pay commissions, receive and settle insurance claims, and maintain records. HUD sets the amounts and types of coverages to be available, the deductibles, premiums, and protective device requirements.

FCI differs from most private crime insurance in two ways.

--The rates generally are lower, particularly for small businessmen.

--A policy cannot be canceled, regardless of the number of claims, provided the insured has complied with HUD's protective device requirements.

A commercial property owner can buy an annual burglary or robbery policy or a combination of both for coverage of \$1,000 to \$15,000; a residential property owner can buy an annual robbery and burglary policy for coverage of \$1,000 to \$10,000. A policy insures against loss from burglary and theft by forcible entry, robbery, and observed theft, when a policyholder observes the taking of his property. This policy also covers property damage, such as window breakage in these crimes or attempted crimes.

A commercial policy limits robbery losses outside the business premises to \$5,000, unless the insured is accompanied by an armed guard. The deductible varies from \$50 to \$200, depending on the gross annual receipts of the business or 5 percent of the gross amount of the loss, whichever is greater.

A residential policy limits burglary losses up to \$100 in cash, \$500 in securities, and \$500 of the contents of a locked car trunk. There is no limit on jewelry or fur claims. Claims are subject to a \$50 deductible or to 5 percent of the gross amount of loss, whichever is greater.

Premium rates depend on such factors as the amount of crime in the area, the type of business, and the amount of its gross receipts. The same rates apply to all property within a standard metropolitan statistical area; thus inner-city businessmen's and residents' rates are not higher than those paid in suburban areas. Annual commercial premiums can be as low as \$35 for \$1,000 of burglary insurance in a low-crime area for a business with annual gross receipts

less than \$100,000 a year. The premiums would be \$3,364 for burglary and robbery insurance for \$15,000 coverage in a high-crime area, with gross receipts between \$1.5 million and \$2 million.

The Federal Government assumes the risk-bearing functions of a property insurer. In turn, HUD requires that the policyholder with burglary insurance install certain protective devices to help prevent loss. HUD will not pay a claim unless the policyholder has complied with these requirements. For businesses, doors, windows, transoms, and other accessible openings must be protected during nonbusiness hours by such devices as iron bars, locks, or grillwork. For high-risk businesses, alarm systems are required. For residences, window latches, locks, and dead bolts usually are required.

Since July 1, 1973, HUD has required that each commercial property holder applying for burglary coverage receive a mandatory free inspection, by the servicing company, of his protective devices before the policy is issued.

If a policyholder bought FCI before July 1, 1973, he could pay a nominal fee for an inspection of his premises. If he chooses not to have the inspection and his property does not meet the protective device requirements when a claim is made, the claim will be disallowed.

HUD does not require inspections for commercial policies for robbery coverage or for residential policies. A claim will not be paid for a residential policy, however, unless the policyholder has installed the required protective devices.

FCI premiums and other receipts are deposited in the National Insurance Development Fund which was set up in 1968 as the funding source for HUD's riot reinsurance program. FCI claims and expenses are paid from the fund. At June 30, 1974, the fund totaled about \$86 million. Title VI of the Housing and Urban Development Act of 1970 authorizes appropriations to reimburse the fund for losses and expenses; but, because of the relatively small loss the program has incurred, HUD has not requested any appropriation.

The FCI program terminates on April 30, 1975. On March 25, 1975, the Congress cleared for the President's signature legislation extending the FCI program until April 30, 1977. As of April 7, the President had not signed the legislation.

PROGRAM STATUS

The principal achievements of the FCI program from its inception in August 1971 through June 30, 1974, are summarized below.

--FCI is available in 14 States and the District of Columbia.

--About 17,600 policies were in force, and, of these, 85 percent were in Massachusetts, New York, and Pennsylvania.

--Of the 17,600 policies, 12,800 are residential policies, and 4,800 are commercial policies.

--About $5.2 million in claims were paid.

--The program incurred a $4.3 million loss.

Program activity

On August 1, 1971, HUD determined that crime insurance was not available at affordable rates, either through the normal insurance market or through a suitable program adopted under State law in the District of Columbia and the following States.

Connecticut
Illinois
Maryland
Massachusetts
Missouri
New York
Ohio
Pennsylvania
Rhode Island

Tennessee was added in August 1972; New Jersey in February 1973; Kansas in April 1973; Florida in February 1974; and Delaware in March 1974.

By the end of fiscal year 1972, 6,200 policies had been sold. Sales were 17,100 at the end of fiscal year 1973 and 19,700 at the end of fiscal year 1974. The number of policies sold was higher than the number of policies in force, generally because of policy cancellations.

At June 30, 1974, the FCI policies in force numbered 17,588 in the 14 States and the District of Columbia; 12,834 were residential policies and 4,754 were commercial policies.

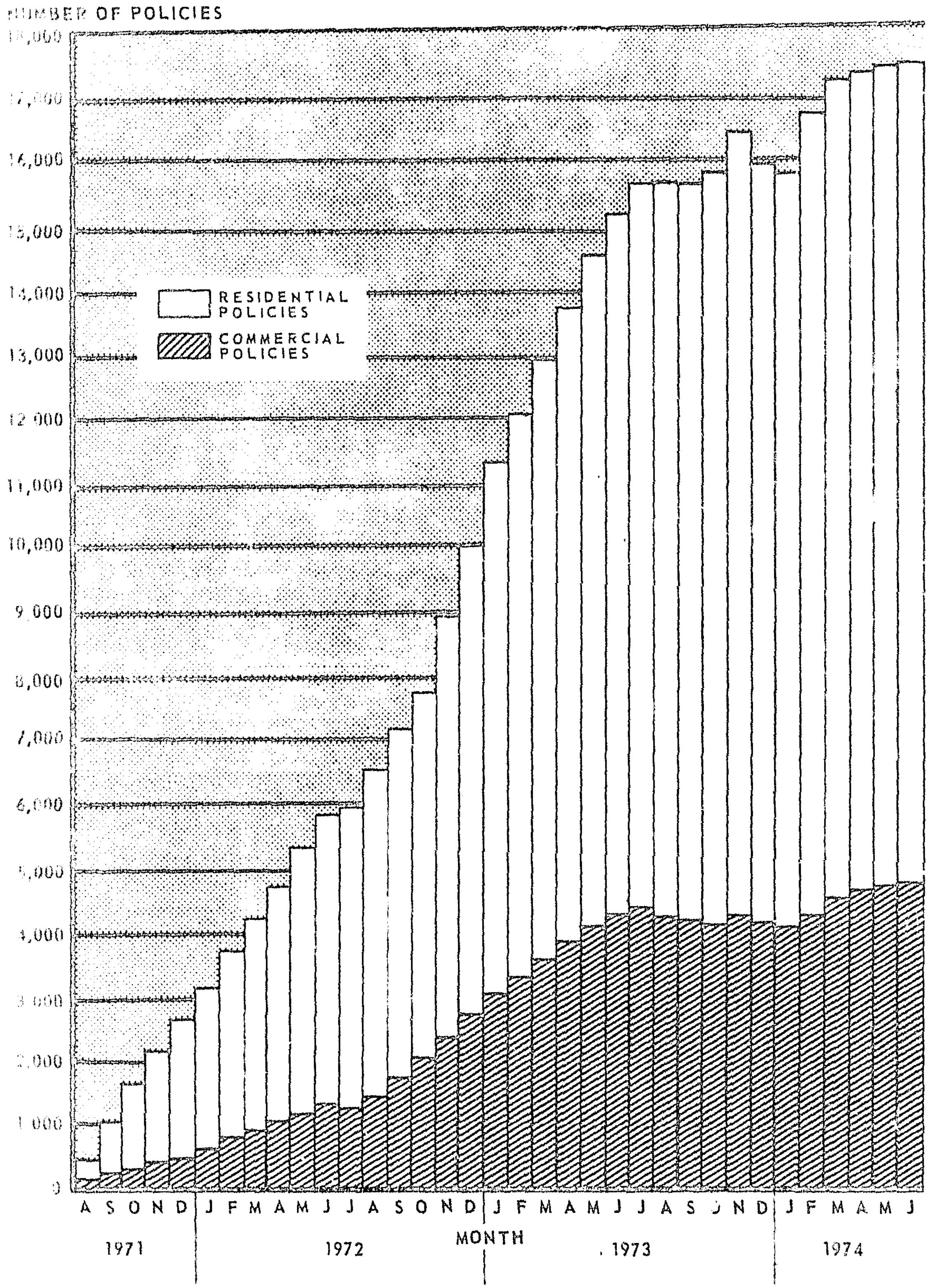
	Residential policies	Commercial policies	Total policies	Percent of total
New York	7,703	1,988	9,691	55.1
Massachusetts	2,492	412	2,904	16.5
Pennsylvania	1,634	676	2,310	13.1
Missouri	264	306	570	3.2
Illinois	157	283	440	2.5
Ohio	142	206	348	2.0
New Jersey	122	156	278	1.7
Tennessee	35	237	272	1.6
Maryland	95	146	241	1.4
District of Columbia	57	176	233	1.3
Connecticut	44	47	91	.5
Florida	26	56	82	.4
Rhode Island	34	41	75	.4
Kansas	29	23	52	.3
Delaware	-	1	1	-
Total	12,834	4,754	17,588	100.0

As shown above, most of the policies were issued in 3 States, New York, Massachusetts, and Pennsylvania--more than 8 of every 10 policies. More than half the policies were issued in New York, most of these in New York City. On the average, about 224 policies were issued in each of the remaining 11 States and the District of Columbia.

Residential policies outnumber commercial policies by about 3 to 1. New York, Massachusetts, and Pennsylvania account for about 92 percent of residential policies, with 60 percent of these in New York.

The number of policies in force were low during the first year, increased steadily in 1972, leveled off during the last half of 1973, and increased again during the first half of 1974. The chart on the following page shows this trend.

POLICIES IN FORCE AUGUST 1971—JUNE 1974



Most of the commercial policyholders through June 30, 1974, were small businesses. About 55 percent were businesses with annual gross receipts of less that $100,000; 32 percent were businesses with annual gross receipts between $100,000 and $300,000. Most of the policies were for small amounts of coverage. About 48 percent were for $1,000 coverage, and 17 percent were for $2,000.

The businesses buying commercial policies included automotive stores, drugstores, grocery stores, delicatessens, furriers, jewelry stores, liquor stores, taverns, laundries, pawnbrokers, and dancehalls. Grocery stores and delicatessens bought most of the policies (13 percent), followed by liquor stores (7 percent), taverns (6 percent), and drugstores (5 percent).

At June 30, 1974, 34 percent of the residential policies were for coverage of $5,000 and 26 percent for coverage of $10,000.

About 59 percent of the policyholders at June 30, 1973, had renewed their policies at June 30, 1974. Sixty-seven percent of residential policyholders and 44 percent of commercial policyholders renewed their policies. New Jersey had the highest renewal rate, 71 percent, and Pennsylvania was next with 63 percent. Kansas had the lowest renewal rate, 29 percent.

From inception through June 30, 1974, the program had an incurred loss percentage of 135; that is, HUD paid out $135 in claims for each $100 collected in premiums. The percentage was 92 percent for residential policies and 156 percent for commercial policies.

Commercial businesses experiencing the highest loss percentages were men's and student's clothing stores (373 percent), radio and television stores (323 percent), women's and junior teen's clothing stores (212 percent), and golf and other sports stores (200 percent). Businesses with gross receipts between $50,000 and $99,999 had the highest percentage (241 percent); next highest were businesses with gross receipts between $100,000 and $299,999 (162 percent).

HUD paid claims to 1 of every 7 policyholders--1 of every 20 residential policyholders and 1 of every 3 commercial policyholders. Connecticut, the District of Columbia, and Tennessee had the most claims per policyholder. Burglary claims were the highest, 57 percent, and robberies inside the premises were the next highest, 34 percent. For commercial policyholders, 54 percent of the claims were for robberies; for residential policyholders, 88 percent of the claims were for burglaries. The average claim paid was $1,282; $1,112 for commercial policies and $1,355 for residential policies.

Of 1,753 claims processed from July 1973 through April 1974 by the servicing company for 12 of 14 States and the District of Columbia, 263, or 15 percent, were denied; 68 percent of the claims denied were from commercial policyholders and 32 percent were from residential policyholders.

Residential and commercial claims most often were denied because the policy did not cover the type of claims being submitted; this accounted for 32 percent of the denials. Seventeen percent of commercial claims were denied because the premises did not meet the protective device requirements; 15 percent were denied because claims were less than the deductible. Sixteen percent of residential claims were denied for lack of evidence that the crime took place, and 14 percent were denied because the claims were less than the deductible.

Financial results

From inception through June 30, 1974, the FCI program had lost $4.3 million. However, because the FCI program is funded from the National Insurance Development Fund--which had an $86 million balance at June 30, 1974--there have been no Federal expenditures to cover the loss.

Details of the income and expenses as of June 30, 1974, follow.

Income:		
Premiums earned	$3,787,303	
Salvage and property disposition proceeds	3,034	
Inspection fees	3,755	
Total		$3,794,092
Expenses:		
Claims incurred	5,223,503	
Servicing company fees	1,548,259	
Brokers' and agents' commissions	602,698	
Administrative expenses	448,416	
Studies and surveys	174,159	
Statistical information and other expenses	134,546	
Total		8,131,581
Program loss		$4,337,489

CHAPTER 2

FEW POLICIES HAVE BEEN SOLD

Low policy sales have characterized the FCI program since it began and have been below expectations. At the beginning of fiscal year 1974, HUD estimated 25,000 policy sales but only 19,700 policies were sold. In addition, very few have been sold in cities' high-crime areas where the need is greatest.

Actual policy sales were consistently below HUD's estimated sales for fiscal year 1972-74, as shown below.

FY	Estimated sales	Actual sales	Number below estimated sales	Percent below estimated sales
1972	25,000	6,200	18,800	75.2
1973	[a]20,000	17,100	2,900	14.5
1974	25,000	19,700	5,300	21.2
Total	70,000	43,000	27,000	38.5

[a]At the beginning of the program, HUD estimated 62,500 sales for fiscal year 1973; however, because actual sales in fiscal year 1972 were so low, HUD lowered its estimate to 20,000.

Although 19,700 policies were sold during fiscal year 1974, because of cancellations, 17,600 were in force at the end of the year.

Even though the FCI program was set up because crime insurance was not readily available and not generally affordable to residents and businessmen, particularly those in high-crime, inner-city areas, only about one-third of the policyholders in Cleveland and New York City were located in the highest crime areas.

In 1968 the report of the President's National Advisory Panel on Insurance in Riot-Affected Areas identified serious unavailability problems of crime insurance in the urban core areas of six of the Nation's cities, Boston, Cleveland, Detroit, Newark, Oakland, and St. Louis. Of 1,393 businessmen surveyed in these urban core areas, 672, or nearly 50 percent, were not insured for burglary and theft. Of those without insurance, almost 30 percent said they wanted it but it was too expensive and almost 25 percent said they wanted it but it was not available.

HUD's 1970 report on the availability of crime insurance showed that businessmen and residents in many major cities could not obtain crime insurance at an affordable price. The report explained that because crime in these cities was so great, premium rates adequate to sustain the resulting losses were prohibitive. The report also cited many statements by insurance industry and retail merchant representatives which emphasized the seriousness of the unavailability of crime insurance in high-crime areas.

These reports showed that in high-risk areas insurance companies often charged high rates, refused to underwrite coverage, and canceled policies after a claim was submitted. Crime insurance unavailability not only caused personal hardship for the individual businessman and resident but also affected the community because, if lost and destroyed property could not be replaced or repaired, the community's economic growth and restoration would be stunted.

For Cleveland, we identified 130 policyholders at January 30, 1974, and plotted the policyholders' locations on a city map. We obtained from the Cleveland Police Department the number of reported robberies, burglaries, and larcenies for the six police zones where the policyholders were located for calendar years 1971-73. Using the 1970 census, we calculated for each of the six police zones the crime rate for these three crimes for each 100,000 people. The following table shows the relationship between the high-crime areas and the locations of the FCI policyholders.

Police zones	Population per police zone	Crime rate per 100,000 people	Number of policyholders Residential	Commercial	Total	Percentage of policies by zone
3	42,105	11,260	4	16	20	15.4
5	100,680	5,241	11	15	26	20.0
4	183,666	3,313	11	23	34	26.1
6	144,449	3,082	18	19	37	28.5
2	137,698	2,643	1	10	111	8.5
1	132,742	2,585	-	2	2	1.5
Total			45	85	130	100.0

Only about 15 percent of the policies in Cleveland are located in the highest crime area, and only about 35 percent are located in the two highest crime areas.

For New York City, we identified the locations of 196 policyholders. The sample was randomly selected from the 8,531 policies in force in New York City at November 30, 1973. We obtained from the New York City police department the number of robberies, burglaries, and larcenies for calendar years 1971-73. Using the 1970 census, we calculated for each of the 70 police precincts the crime rate for each 100,000 people. We ranked the precincts by crime rate and divided the precincts into quartiles. The following table shows the relationship between the high-crime areas and the locations of the FCI policyholders.

Police precincts ranked by crime rates	Population per quartile	Number of policyholders Residential	Commercial	Total	Percentage of policies by quartile
Highest quartile	1,013,670	27	31	58	29.6
Second quartile	2,015,736	24	30	54	27.6
Third quartile	2,372,622	33	19	52	26.5
Lowest quartile	2,483,182	16	16	32	16.3
Total		100	96	196	100.0

Only 30 percent of the policyholders are located in the precincts with the highest crime rates.

WHY ARE POLICY SALES SO LOW?

Because most people do not know about the FCI program, policy sales are low.

--Fifty-three agents and brokers in Cleveland, New York, and the District of Columbia; three national and local agents' associations in the District; and minority business organizations in Cleveland and the District generally said that people, especially in high-crime areas, were not aware of the program. Many of these said that the program was not well publicized.

--Forty of 74 small businessmen in Cleveland and New York City said they had never heard of the program.

--A January 1975 study in the District of Columbia showed that 67 of 141 minority businessmen had not heard of the program. The study resulted from a HUD contract with Howard University, located in the District of Columbia, to determine why so few policies were sold in the District, whether businessmen had heard of FCI, and whether agents and brokers tried to sell them insurance.

The major reasons for the low policy sales are

--agents and brokers do not aggressively sell FCI mainly because they can earn higher commissions selling other types of insurance,

--HUD's promotion efforts do not reach the potential policyholder, and

--protective devices are too costly to install and maintain.

Agents and Brokers Are Not Actively Selling Policies

Success in selling insurance depends largely on the insurance salesman's efforts to contact potential policyholders and sell them the insurance. One major reason why the FCI program has had so few policy sales is that agents and brokers are not actively selling the insurance, particularly in high-crime areas.

--Only 2 of 53 agents and brokers we interviewed in Cleveland, New York City, and the District of Columbia, actively sold FCI. Seventeen had never sold an FCI policy. Of the 36 who did, 31 said that they sold it only as a sideline or to accommodate their clients. The agents and brokers usually blamed HUD's low commissions as the reason they did not sell FCI.

--Only 5 of 34 Cleveland and New York City businessmen who had heard of the program had been approached by an agent or broker about FCI.

--The study in the District of Columbia indicated that only 13 of 141 minority businessmen had been contacted by agents about FCI for their businesses.

--Few insurance agents and brokers are located in high-crime areas. Five of 53 agents and brokers we interviewed said they would not enter high-crime areas to sell insurance.

Twenty-seven of the 36 agents and brokers who had sold FCI told us that they did not actively sell the insurance because the commissions were not worth their time and effort.

For example, one agent said that the commission he would receive from a residential policy sale would not offset his expenses to visit the policyholder and fill out the forms.

Commissions for selling FCI average 15 percent of the annual insurance premium for both new residential and commercial policies. The minimum annual commission is $5 for a residential policy and $15 for a commercial policy. For each renewal policy, an agent or broker receives 12 percent of the premium.

For example, an agent in Cleveland or the District of Columbia would receive a $5 annual commission for selling a homeowner or an apartment dweller $1,000 of coverage. The commission for selling the maximum amount of residential coverage is $10.50. Commissions for selling commercial policies generally are higher because the premiums on which the commissions are based generally are higher for these policies.

Twenty-two of the 36 agents and brokers who have sold FCI said that commissions paid by the private insurance industry were usually higher, averaging about 20 percent. Sixteen said an increase in commissions would provide more incentive to sell FCI.

The 36 agents and brokers indicated other reasons why they did not push the insurance or why they believed more policies had not been sold.

Reasons	Number of agents giving reason
Prefer to sell private coverage (mostly in package policies which include coverage for such perils as fire and liability)	25
Problems with the servicing company, such as servicing company operations not being handled locally	13
Excessive paperwork required	9

Agents' and brokers' preference for selling private coverage, especially package policies, could be related to their complaints about low commissions; some agents said they could earn higher commissions by selling package policies because they could write more coverage.

The 17 agents and brokers who had never sold FCI gave us their reasons for not selling it.

Reasons	Number of agents giving reason
Can place coverage in the private market	6
No buyers	5
Clients have rejected it because of protective devices	3
Low commissions	2
Not familiar with the program	2
Object to the program	2

HUD's promotion efforts have not been effective

HUD has not effectively publicized the program, especially in high-crime areas where the program is most needed. HUD generally has relied on public service announcements, HUD news releases, and appeals for assistance from such groups as State legislators, insurance commissioners, and mayors to publicize the program. There is no assurance that potential policyholders receive this information, and, as the low policy sales have indicated, these efforts have not been adequate. In our opinion, HUD has not devoted the necessary resources for adequate program promotion.

Public service announcements

HUD publicizes the program when States first enter the program with free public service radio and television spot announcements. HUD sent these announcements to all licensed commercial radio and television stations in the program States and the District of Columbia. In February 1972 HUD sent the television spots to 21 cable television companies in the the District of Columbia and the 9 States which first entered the program. HUD also sent post cards with the announcements to be returned indicating information on when and how many times the announcements are broadcast, but only about 10 percent were returned. HUD made no efforts to determine whether the stations aired these announcements.

We interviewed radio and television station personnel in the District of Columbia and Cleveland to determine whether these announcements were received and broadcasted.

Only 1 of the 31 radio stations and none of the 12 television stations had records of, or people who could recall, receiving or broadcasting the announcements.

Examples of the ineffectiveness of the radio and television announcements follow.

--The study in the District of Columbia showed that 22 of 81 responses from 72 businessmen who had heard of FCI credited radio and television as the source for learning about it.

--Only 1 of 28 nonpolicyholders in Cleveland and New York City who had heard of the program said they had heard of the program by radio or television.

--Only 6 of 143 policyholders in Cleveland and New York City stated they had heard of the program on radio or television.

HUD news releases and mailings

HUD distributes press releases on the FCI program each time there is a major program change or another State enters the program. HUD publishes 2,000 copies of each news release, with one-half going to newspapers. Others are sent to the wire services, the National Press Club, and the press gallery in the Capitol. HUD also distributes 200 copies to HUD's servicing companies; agents' and brokers' associations; and HUD regional, area, and insuring office officials.

HUD also sends information on program changes and descriptive materials to about 2,000 addressees, including Federal, State, and local government offices; State insurance commissioners; insurance associations; agent and broker associations; mayors of cities with more than 30,000 people; newspapers and magazines; and radio and television stations.

HUD also has written to State legislators, insurance commissioners, mayors, and chief executives of banking institutions urging them to publicize the program.

Promotion by servicing companies

HUD has not taken full advantage of the promotion capabilities of the insurance companies it uses to service the program. These insurance companies--because of the nature of their business--have developed expertise in marketing insurance by such methods as market studies, advertising campaigns, and agent-training programs. The companies could have developed and carried out an effective promotion campaign for the FCI program.

HUD's contracts with the servicing companies generally require the companies to be responsible for day-to-day contacts with agents and brokers, as well as the public; for conducting a continuing program for holding meetings with groups and associations to provide prompt and accurate information on the program; and for using insurance agents, associations, community and business groups, and local officials to distribute program materials and forms to prospective applicants.

We examined the records of the Insurance Company of North America (INA)--HUD's servicing company for most of the States in fiscal year 1974--and determined that the company had satisfied its contractual responsibilities for providing program information. For example, INA's records show that INA met with agent, business, and community groups many times and in many States to explain and promote the program.

Almost 2 years after the program started, HUD began using the servicing companies to advertise the program. The companies in New Jersey and Kansas, which entered the program in February and April 1973, respectively, advertised the program in local newspapers during the first month that it was offered.

In July 1974 INA--under a $98,000 HUD contract--began a 4-month promotional campaign in Chicago, called Rip-off Protection. The campaign was directed at reaching residents and businessmen in Chicago's high-crime areas. Chicago was chosen because of its high-crime rate and low policy sales. Paid advertising was included in three minority newspapers and on two minority radio stations. Twenty-five hundred posters were displayed in city buses. These advertisements encouraged prospective policyholders to call a toll-free telephone number. Those that called were given the name of an insurance agent interested in selling this insurance.

Agents, brokers, and community groups were provided with brochures to distribute to residents and businessmen on protecting their property against robbery and burglary and obtaining more information on the FCI program. Copies of the "Crime Fighter's Tool Kit," including rate materials, policy forms, and copies of the brochures were sent to 118 agents in Chicago who had previously sold FCI.

During the first 3 months of the campaign, about 1,300 calls were made on the toll-free number. HUD records showed that although Illinois sales were low, they increased from a monthly average of 19 new policies in the 6 months before the campaign to a monthly average of 51 new policies during the campaign's first 3 months.

In May 1974 HUD advertised for competitive bids from private insurance companies to service the FCI program in 12 States and the District of Columbia from July 1974 through December 1976. The other two States are being serviced by companies under a HUD contract through December 1975.

HUD received bids from INA for Massachusetts, New York, and Pennsylvania and one bid from Aetna Casualty and Surety Company for New Jersey. HUD did not receive any bids for Connecticut, Illinois, Kansas, Maryland, Missouri, Ohio, Rhode Island, and Tennessee or for the District of Columbia. To obtain additional time to deal with this problem, HUD extended its contract with INA which was servicing the 8 States and the District from June 30 until September 30, 1974.

To do the servicing functions for these States and the District through December 1975, HUD contracted with its statistical agent, Safety Management Institute (SMI). SMI provides program information, inspects properties for protective devices, issues policies, pays commissions, bills policyholders, and adjusts claims.

SMI's promotional duties under the contract generally are the same as those required of private insurance companies. (See p. 17.) HUD can also require SMI to design and develop an educational and promotional campaign.

SMI will not have any full-time staff available in these States or the District of Columbia to promote the program. Three SMI officials will be available as needed. Agents and brokers who need information or have problems must contact SMI either by mail or by toll-free telephone. The general public, however, has not been told of SMI's toll-free number or mailing address, except in one television broadcast in Chicago and a New York City newspaper article in October 1974. And neither HUD nor SMI has any immediate plans to publicize SMI's toll-free telephone number or address.

During the 15-month contract period, SMI plans to make 15 trips to speak before groups and associations interested in the program. SMI also has plans for an educational and promotional campaign in the Baltimore and District of Columbia metropolitan areas and will evaluate that effort before attempting any broadscale promoting.

In commenting on this information, HUD officials agreed that they did not take full advantage of the past INA promotion services. However, they stated their belief that insurance companies are not presently receptive to promoting the program because the companies do not want to promote a

product that may compete with their own product. HUD officials stated that if the program is extended, they plan to use SMI to promote the program.

Other promotion efforts

HUD has made several other promotion efforts but most have been ineffective. HUD had not made any followup studies or evaluation of these efforts to determine why they have not worked.

During the spring of 1973, HUD distributed to 16 cities advertising posters for display in subways and buses. HUD asked the transit companies to display the posters for 1 month.

We contacted transit lines in the District of Columbia and Cleveland to determine how the effort was carried out. We found that 1,000 posters were displayed in 91 percent of the buses in the Cleveland area and that 1,527 posters were displated in all buses operating in the District of Columbia and surrounding Maryland suburbs.

A Cleveland advertising firm official stated that the campaign could have had better results if the posters had been placed only on buses and rapid-transit cars serving the city's high-crime areas. He said that he could have advertised the FCI program about four different times using the 1,000 posters and that such advertising would have been more effective.

The January 1975 study in the District of Columbia showed that only 12 of 141 minority businessmen remembered seeing the posters. Only one of 30 nonpolicyholder businessmen we interviewed in New York City said he had seen the poster in a transit vehicle. Only 25 of the 113 New York City policyholders said they had seen the posters.

Another HUD effort was to train and license agents to sell FCI to inner-city residents who might not be contacted by regular agents and brokers. In march 1973 HUD contracted with the Pennsylvania Insurance Department for a licensing program in Philadelphia and Pittsburgh. The Department subcontracted the training to INA which developed an instructional program and conducted 2-day training sessions. Prospective licensees who passed an examination were issued licenses limited to selling FCI in Pennsylvania. A total of 56 applicants received licenses in the 2 cities.

The FIA Assistant Administrator for Crime Insurance and INA officials stated that the program was not very effective because they saw no noticeable increase in policy sales as a result. For the 6 months both before and after Pittsburgh's licensing program, sales averaged four policies a month. In Philadelphia, sales averaged 106 a month for 6 months before the licensing program and 138 a month for 6 months after the program. From January through April 1973 a local minority business organization was also making an effort to promote FCI in Philadelphia's inner-city areas. Therefore, we could not determine whether the sales increase resulted directly from the licensing program.

In November 1973 HUD began a special licensing program in St. Louis with the help of the Small Business Administration. The Administration recruited the license applicants and funded the program. Eighty-four persons took the 2-day course and were awarded licenses to sell FCI in Missouri. About one-half of the licensees were from State and city agencies and included policemen, court officers, and correctional and welfare officers.

Sales averaged 11 policies a month for 6 months before the program and averaged 23 policies a month for the 6 months after the program.

In May 1974 HUD tried selling FCI through the Pittsburgh Housing Authority. Letters to residents explaining the program and its benefits and how to obtain coverage were placed in the community service offices and rental offices of each housing authority project. The housing authority forwards completed applications and the first 6-month premium payment to the servicing company in Pennsylvania.

So far, few sales have resulted from this effort. FIA's assistant administrator said that only five or six policies a week were sold to the residents during the summer months of 1974.

Fifty-three agents and brokers in Cleveland, the District of Columbia, and New York City and minority business organizations in Cleveland, the District of Columbia, and Philadelphia generally stated that more program advertising would help to increase policy sales. Their suggestions included advertising over local radio and television stations and in local newspapers, providing agents with descriptive brochures which they could distribute, and coordinating program promotion with local community and business groups in the inner-city areas.

Limited resources for promotion

The major reason for HUD's lack of extensive promotion is the minimal resources that HUD has devoted to program operation. The program is administered by the FIA Assistant Administrator for Crime Insurance who is assisted by three clerical employees.

The assistant administrator said that he needed more personnel to help follow up on promotion efforts. The assistant administrator has not requested any additional professional staff for fiscal year 1975 but intends to request two professional staff members for fiscal year 1976.

Promotion expenditures have been minimal. According to HUD records, it had spent about $176,000 for promotion from the program's inception through November 30, 1974. The funds were expended as follows:

Radio and television spot announcements	$ 13,441
Transit advertising	13,462
Servicing company newspaper advertising in New Jersey	42,487
Special licensing of agents in Pennsylvania	9,159
Special advertising campaign in Chicago	97,838
	$176,387

These costs do not include HUD personnel costs for travel, HUD news releases, and explanatory and descriptive materials FIA distributes.

According to an INA official, $100,000 was a small amount for any type of promotional advertising campaign.

Protective device requirements hurt sales

Most of the agents, brokers, and representatives of agent associations we talked to in Cleveland, New York City, and the District of Columbia indicated that the protective device requirements were an impediment to FCI sales. The major reason cited was that the devices were too costly to install and maintain, especially for small businessmen. They said that the requirements were excessive, too inflexible, and more stringent than those required by the private market.

HUD has established standard protective device requirements for all residential and commercial properties insured for burglary coverage. If the insured does not comply with the requirements, any claim will be denied.

The protective device requirements for residential properties pertain to doors and windows only. All exterior doors, doors opening into garage areas, and sliding glass doors and windows with easy access from the outside must have locks specified by HUD.

HUD's protective device requirements for commercial properties are designed to deter forcible entry during non-business hours. The requirements pertain mainly to doors and accessible openings within 18 feet of the ground, such as windows, transoms, ventilating shafts, roof openings, and skylights. Storefront plate-glass display windows are not considered accessible openings and are not required to be protected unless the business is such that it requires an alarm system.

Exterior doors must be equipped with a specified lock and be constructed of heavy-gauge metal, tempered glass, or solid wood. If a door is not made of these materials, it has to be covered with metal sheeting or grillwork. The device requirements for exterior doors also apply to accessible openings or the openings must be protected by iron bars, flat steel sheets, iron or steel grills, or other heavy-duty materials. Businesses having high-risk inventories (a liquor store) must be protected with an alarm system. The alarm system must be designed to protect exterior doors, windows (including storefront display windows and unprotected skylights), and other accessible openings.

Of the 53 agents and brokers we interviewed, 36 said the devices deterred sales, and 25 (69 percent) of these said the reason was cost--either the devices were too costly or the costs of the devices plus the premiums were too high, particularly for small businessmen.

To determine what protective devices cost for a small businessman (who buy most of the commercial policies), we assumed that he occupied a small building with two exterior doors, two storefront windows, two small windows, and two wall and/or ceiling vents. We obtained from hardware stores, plate-glass companies, and alarm security companies the costs of the protective devices HUD required for such a building. The following chart shows the least expensive and the most expensive costs for the devices in Cleveland and the District of Columbia. Except for the alarm systems, installation is not included.

	Cleveland		District of Columbia	
	Lowest cost	Highest cost	Lowest cost	Highest cost
Doors:				
Solid wood	$ 80		$ 80	
Tempered glass		$216		$162
Locks:				
1-inch dead bolt	87			32
Heavy-duty dead bolt		147	31	
Windows:				
Iron or steel grillwork	12			55
Tempered glass		13	21	
Vents:				
Iron or steel grillwork	4	4	53	53
	183	380	185	302
Alarms:				
Local alarm (note a)	375		265	
or				
Central alarm (note b)	—	533	—	441
	$558	$913	$450	$743

[a]The annual cost for servicing the local alarm system in Cleveland and the District of Columbia would be about $580 and $165, respectively.

[b]The annual cost for servicing the central alarm system in Cleveland and the District of Columbia would be about $796 and $513, respectively.

As shown in the chart, protective device costs can be quite expensive for the small businessman. For example, a small hardware store owner in Cleveland with annual gross receipts under $100,000, buying $1,000 of burglary and robbery coverage would have out-of-pocket costs of $263--an $80 premium plus the $183 cost of the devices. No alarm system is required for a hardware store. Changing the example from the hardware store to an antique store, the costs skyrocket because a local alarm system is required. The owner's initial out-of-pocket costs in the first year would total $1,218--$80 premium, $183 for devices other than the alarm system, $375 for the alarm, and $580 for servicing the system. For each year thereafter, the cost would be $660--the $80 premium and the $580 service fee. It would not be likely that an owner would buy a $1,000 policy under these circumstances.

Twenty-three of the 36 agents and brokers who stated that the device requirements had deterred sales said it was because the requirements were excessive. They generally said that too many devices were required and that the requirements were too stringent. Seven said that if applicants met the requirements they would not need any insurance or could buy crime insurance on the private market. One agent said he lost a few FCI applicants who did not want to install additional devices to meet the requirements.

Nineteen stated that HUD's requirements were too inflexible. Some said that requirements of private firms were more flexible, offered more options, and differed among companies. For example, requirements for a particular businessman may depend on the property's location, the type of risk, and the judgment of the underwriter. Private companies also give discounts on premiums if a prospective insured already has certain protective devices or has taken certain protective measures. For example, a businessman receives a discount if he has an alarm system or a particular class of safe. FIA officials stated that they believe HUD's uniform requirements are more equitable to policyholders since all policyholders generally have to meet the same requirements.

Of 30 nonpolicyholder businessmen we interviewed in New York City, 18 said they would not be interested in buying the insurance. Of the 18, 4 said they would not be interested because of the program's protective device requirements. Three believed they were too costly, and one believed too many were required.

Of the 143 policyholders we interviewed in Cleveland and New York City, 104 were satisfied with the requirements.

INDICATIONS THAT THE PROGRAM IS MEETING A NEED

Discussions with agents and brokers, minority business organizations, and FCI policyholders indicate that the program is meeting a need. Discussions with businessmen who do not have FCI policies and the Nation's rising crime rates seem to indicate a continuing need for the program.

Of the 53 agents and brokers we interviewed in Cleveland, New York City, and the District of Columbia, 44 said that there was a need for the FCI program in high-crime, inner-city areas. More than one-half of the 44 said that

generally the standard market private insurance companies either do not underwrite crime insurance in inner-city areas or only underwrite the better risks. Thirty-four believed that the private market rates were not affordable, particularly in these areas.

Representatives of minority business groups in Cleveland, the District of Columbia, and Philadelphia believe there is a need for the program in the inner-city areas. They commented that inner-city businessmen generally had difficulty in obtaining not only crime insurance but also other types of insurance. The director of the Cleveland Business League, an association of over 300 small black businesses in the inner-city area, stated that Cleveland inner-city businessmen were forced to the substandard insurance market if they wanted coverage. The substandard market is made up of companies not licensed to do business in a State. Such companies are not subject to the rate regulations imposed by the States and often charge excessive rates.

Responses to the questionnaires we sent to policyholders in Cleveland and New York City indicate that many of the FCI policyholders bought the insurance because they either could not obtain coverage in the private market or could not obtain it at affordable rates.

One hundred forty-three policyholders in Cleveland and New York City responding to our questionnaires gave the following reasons for buying FCI.

Reason	Number of responses	Number of responses
No other coverage was available	63	43
Previous policy was canceled	30	20
FIA insurance was less expensive	30	20
Other reasons	25	17
Total	[a]148	100

[a]Five policyholders gave two reasons.

Sixty-seven of the 143 policyholders responding indicated they had been refused crime insurance by a private company before obtaining FCI. Of the 67, 50 stated the reason for refusal was that the insured was located in a high-risk area. High-risk location was also the reason most often cited by those whose private policies had been canceled.

We also questioned 74 businessmen located in the high-crime areas of Cleveland and New York City. Twenty-eight (38 percent) said they were interested in buying FCI.

The January 1975 study in the District of Columbia showed that minority businessmen had problems obtaining crime insurance. Some said that their policies were canceled, that policies were denied to them, and the premiums were increased. They said the major reason for these problems was the fact that their businesses were located in high-crime areas. In addition, 57 (40 percent) of the 141 businessmen included in the study stated they would consider purchasing an FCI policy.

Another indication that the program is needed is the rising crime rates, nationwide, for robberies and burglaries. The Uniform Crime Reports for 1973 of the Federal Bureau of Investigation (FBI), Department of Justice, showed that robbery and burglary rates increased 39 percent and 31 percent, respectively, after 1968. Preliminary FBI statistics for the first 9 months of 1974 showed that robbery and burglary rates increased 8 percent and 16 percent, respectively, compared with those for the same period in 1973.

CHAPTER 3

FEDERAL CRIME INSURANCE MAY BE NEEDED IN OTHER STATES

HUD has not adequately reviewed privately operated crime insurance programs in determining whether the FCI program should be made available in more States. For States that have started their own crime insurance programs, HUD has not evaluated the programs to determine whether the FCI program could provide crime insurance that is more available and more affordable than the State programs.

Title VI of the Housing and Urban Development Act of 1970 requires HUD to conduct a continuing review of market availability in each State to determine whether crime insurance is available at affordable rates either through the normal insurance market or through a suitable program adopted under State law. If HUD finds that a critical unavailability problem exists, it can make the FCI program available in that State.

INADEQUATE REVIEWS IN STATES WITHOUT STATE CRIME INSURANCE PROGRAMS

HUD's reviews generally have consisted of requesting the views of insurance commissioners of States and U.S. territories on whether the FCI program was needed in their areas. The program's assistant administrator said that these officials could best determine the crime insurance situation of their localities and that he relied mostly on the insurance commissioners' views. He said also that HUD preferred to offer the program in States where authorities would support it but would offer the program in States having a critical crime insurance problem without the authorities' consent.

HUD made three market availability reviews before the program's inception in August 1971 and in May 1972 and October 1973. The first review was the most comprehensive. In May 1971 HUD asked State governors, insurance commissioners, and about 790 mayors of cities with more than 30,000 people these questions.

1. To what degree does a problem of unavailability of crime insurance to businessmen and/or residents exist in your State (city)? Do you believe the situation can be fairly described as "critical"?

2. If and where crime insurance is available, is the price for such coverage "affordable"?

3. Is there legislation or administrative action pending to provide greater availability of crime insurance? If so, please advise us of the status and forward copies to us. (This question was not asked of mayors.)

4. If no State program is implemented by August 1, 1971, to provide crime insurance at affordable rates, do you feel it will be necessary for the Federal Insurance Administration to provide such coverage to meet the mandate of the Federal Act?

The request letter did not define unavailable, critical, or affordable and stated that the questions were subjective and called for opinions and general conclusions. The letters asked for statistical support if it was available. HUD also provided the governors, commissioners, and mayors with a Federal Register notice of proposed rulemaking which detailed the proposed FCI program in terms of premium rates, types and amounts of coverages, and protective device requirements.

HUD said that during the 1971 review it also considered several other factors in determining which States to include in the program.

--FBI crime rates for burglary, larceny, and robbery.

--States with large urban areas.

--Comments of Congressmen, State and city officials, and representatives of business and trade associations and the insurance industry at a HUD hearing in June 1971.

--States identified as having an unavailability problem in the January 1968 report of the President's National Advisory Panel on Insurance in Riot-Affected Areas and in HUD's 1970 report on crime insurance availability in urban areas.

--Informal surveys of agents and retailers on program need.

HUD received responses from the governor, the insurance commissioner, or a mayor from each State and territory. Most responded that there was no need for the FCI program.

HUD set up the FCI program in nine States and the District of Columbia where the governors, commissioners, or mayors gave positive responses or where some of the other factors were given strong consideration.

HUD's reviews in May 1972 and October 1973 consisted of generally writing the insurance commissioner in each nonprogram State and territory. In both reviews HUD asked the commissioners' views on whether there was a critical crime insurance unavailability or affordability problem in their States and, if there was, whether the problem was likely to be solved by including the FCI program in their States. HUD also enclosed materials describing the program.

Both times about half of the commissioners responded that the FCI program was not needed in their State. HUD received no response from the other commissioners after each review but did not follow up with them. The FIA assistant administrator said he considered the lack of a response as an indication that there was no crime insurance problem in a State.

The commissioners in Delaware, Florida, Kansas, New Jersey, and Tennessee told HUD there was a need for the program, and HUD set up the program in these States.

In response to HUD's 1973 review, the New Mexico commissioner told HUD that the FCI program was needed because the crime rate had risen in some areas and that the most damaging losses recently were caused by school vandalism. He also said that the State department of insurance was receiving inquiries concerning crime insurance because the private market had not made crime insurance available.

The FIA Administrator replied that the FCI program did not cover vandalism. He asked for more information on the State's crime insurance problem so that HUD could determine if the FCI program should be set up but did not receive any response.

The assistant administrator stated that he believed the insurance commissioners determined whether the FCI program was needed mainly on the number of complaints they received, and that the commissioners did not compare the FCI program with privately operated programs concerning rates, coverages, or device requirements. He also said that he relied mainly on information from the insurance commissioners and could not make the comparisons because he had no staff. The program's chief actuary said that he compared the program's rates at the program's beginning in August 1971 and again as of August 1972 with the rates of an insurance service organization which prepared insurance rate manuals for member companies. His comparisons showed that FCI rates were generally lower for smaller businesses.

To evaluate HUD's decision to generally rely on the views of State insurance commissioners, we visited two

States--Colorado and Nevada--which had high crime rates and which, according to their insurance commissioners, governors, or mayors, did not need the FCI program.

Colorado and Nevada were not participating in the FCI program and did not have State crime insurance programs. These States had the highest rates per capita for burglary, robbery, and larceny of $50 and over, according to 1972 FBI reports. We also visited Denver and Reno which had the highest crime rates for large urban areas in each State.

The commissioner in Colorado based his response to HUD principally on the lack of citizens' complaints concerning crime insurance availability. The Nevada commissioner based his June 1971 response on contacts with about 10 agents and 25 businessmen in Reno and Las Vegas and his 1973 response on the opinion of a few insurance agents. They generally did not consider factors which would have indicated availability and affordability problems, such as (1) the extent that private companies were writing crime insurance, particularly in high-crime areas, (2) rates charged by private companies, and (3) the views of local business groups and minority groups which might know the needs of residents and businessmen in high-crime areas.

We examined pertinent records and interviewed State insurance officials, insurance association officials, insurance agents, and businessmen in each of these States to determine whether a need existed for Federal crime insurance. On the basis of these inquiries, as discussed below, we believe FCI would benefit residents of high-crime areas in both States.

Colorado

The Colorado insurance commissioner told HUD in May 1971 that the FCI program was not needed because the private insurance companies were adequately providing crime insurance. The commissioner also told HUD in June 1972 and November 1973 that there was no indication in the State of problems in providing crime insurance and that the State did not have a critical crime insurance availability or affordability problem.

A Colorado Division of Insurance official stated that the State's response to HUD was based generally on the fact that the division had received only two complaints from citizens during the past 2 years. He said the division did not prepare any analyses or surveys that would indicate market availability and affordability problems.

We attempted to determine to what extent private crime insurance was being written in Colorado. The division's 1972 annual report showed that 132 companies writing burglary and theft coverage had earned about $1.4 million in premiums and had incurred claims amounting to about $511,000. The report also showed that 183 companies had earned $38.3 million in premiums for homeowners' multiple peril policies and that 170 companies had earned $27 million in premiums for commercial multiple peril policies. A division official estimated that during 1972 burglary and robbery coverage included in homeowner and commercial package policies accounted for about 5 percent of the total premiums.

The division does not maintain or require insurance companies to report the number of policies issued or the locations of the policyholders. If such information were available, it would be possible to indicate the crime insurance availability problem because it would show the number of burglary and robbery policies sold in high-crime areas.

To obtain an indication of the affordability of private crime insurance, we compared the FCI rates, as of May 1974, with rates charged by six companies which wrote 34 percent of Colorado's burglary and theft coverage in 1972. We used rates that would be charged to a drugstore in Denver having gross receipts of less than $100,000. Most commercial businesses subscribing to FCI have gross receipts of less than $100,000, and most of them buy $1,000 insurance in coverage.

The following table comparing the rates charged for $1,000 of mercantile open stock burglary coverage and $1,000 of mercantile robbery coverage shows that the FCI rates are considerably lower than the rates charged by several private insurance companies in Denver.

Mercantile Open Stock Burglary Coverage

	Private premium	FCI premium
ISO rates (note a):		
Aetna Casualty and Surety Company	$134.38	$60.00
U.S. Fidelity and Surety Company	$134.38	$60.00
ISO rates with modifications (note b):		
General Insurance Company of America	$100.79 to $167.98	$60.00
St. Paul Fire and Marine Insurance	$100.79 to $167.98	$60.00
Insurance Company of North America	$114.22	$60.00
Independent rates (note c):		
Western Insurance Companies	$ 87.50	$60.00

Mercantile Robbery Coverage

	Private premium	FCI premium
ISO rates:		
Aetna Casualty and Surety Company	$116.32	$72.00
U.S. Fidelity and Surety Company	$116.32	$72.00
ISO rates with modifications:		
General Insurance Company of America	$ 87.23 to $145.40	$72.00
St. Paul Fire and Marine Insurance	$ 87.23 to $145.40	$72.00
Insurance Company of North America	$116.32	$72.00
Independent rates:		
Western Insurance Companies	$ 80.00	$72.00

[a] ISO (Insurance Services Office) prepares insurance rate manuals for member companies on the basis of statistics furnished by these companies.

[b] Agents can adjust rates for such items as care and location of premises, management experience, and cooperation in safeguarding property.

[c] Rates set by the company and approved by the State division of insurance.

Two agents also told us that the deductibles used by insurance companies for the burglary or robbery portion of homeowner package policies are five times higher than the deductibles for such items as fire and liability. The high deductibles may have the effect of making private crime insurance coverage unaffordable to many residents.

We contacted the Colorado Insurers Association and four agents selling insurance throughout the Denver area for their views on the need for the FCI program in Colorado.

--The executive director of the Colorado Insurers Association, a state association of independent insurance agents, said that two agents told him that black and chicano businessmen in two of Denver's high-crime areas had problems getting crime insurance at affordable rates.

--One minority agent estimated that about 150 black businessmen in a high-crime area in Denver could not buy crime insurance from private companies.

--One insurance agent said that single people had difficulty buying residential policies because of the high number of burglaries which generally occurred while the residence was not occupied.

--Another agent stated that many businesses were unable to buy crime insurance coverage at normal market rates and therefore he felt that there was a market for the FCI program in Denver.

--Three of the four agents cited at least one instance in which private insurance companies canceled crime insurance policies because of repeated claims.

We contacted 11 businessmen in Denver's high-crime areas, and 3 of them stated that they could not buy crime insurance at affordable rates. Two of the three indicated an interest in buying FCI. The other eight businessmen either had crime insurance or were self-insured.

Another indication of the need for the FCI program in Colorado was the mayor of Denver's May 1971 letter to HUD. He said that residents and small businessmen in Denver's high-crime areas suffered from the extremely high premiums charged and from the limited number of companies willing to underwrite crime insurance in these areas. He said that the crime insurance situation in Denver showed the need for the FCI program. HUD did not follow up with the mayor concerning Denver's crime insurance problems.

On January 24, 1975, the Colorado insurance commissioner stated that with the changes which have taken place in economic conditions and crime rates, Colorado may well be interested in subscribing to the program if it is extended.

Nevada

In June 1971 Nevada's insurance commissioner told HUD that Nevada did not have a serious crime insurance problem and that it would not be necessary for HUD to provide crime coverage during the coming year. The commissioner stated in February 1975 that he based his response on contacts with about 10 agents in Reno and Las Vegas who were able to find markets for people they had approached. He also said that he contacted about 25 owners of businesses in Reno and Las Vegas who told him that with few exceptions, they had crime insurance. He said he placed more emphasis in this review on determining the availability of crime insurance in Nevada, rather than on determining affordability.

The commissioner did not respond to HUD's 1972 inquiry. For the 1973 inquiry, a Nevada Insurance Division official stated that the commissioner told HUD that the FCI program was not needed and based this response on a few agents' conclusions that there were not any problems in obtaining crime insurance in Nevada. The official admitted that his division had not made any market surveys or developed any statistics to show that crime insurance was available at affordable rates in Nevada. Crime insurance is being written in Nevada. An ISO report covering 48 member companies' burglary and robbery experience in Nevada for calendar years 1971 and 1972 showed that in 1971 they reported $411,518 in earned premiums and $151,873 in incurred claims; in 1972, the companies reported $401,783 in earned premiums and $239,039 in incurred claims. The commissioner stated that based on his judgment and experience, these reported premiums and claims are understated by about one-third.

We could not determine how many crime insurance policies were issued or the location of policyholders because such records were not maintained by the State insurance division. As mentioned previously, such information could show indications of whether there was a crime insurance availability problem. The commissioner believed compiling and maintaining such records would be impractical and of little use to him in his day-to-day operations. He said that because of his limited resources, he could not obtain such information. He added that the State of Nevada has two major population centers, Reno and Las Vegas, and that these cities did not have the deteriorating conditions found in major urban areas which indicate the need for FCI, and he did not consider that Nevada had a serious crime insurance availability situation.

To provide an indication of the affordability of private crime insurance, we compared the FCI rates, as of May 1974, with the ISO rates for $1,000 burglary and robbery coverage for a drugstore in Reno having gross receipts of less than $100,000. This showed that FCI rates were much lower for open stock burglary coverage, and FCI rates were higher for robbery coverage.

Coverage	FCI premium	ISO premium
Mercantile open stock burglary coverage	$60.00	$132.66
Mercantile robbery coverage	$72.00	$ 51.81

The commissioner stated his belief that some businesses in Nevada could be paying higher premiums for crime insurance than they would if they had Federal crime insurance.

We contacted the insurance agent of the city of Reno, the Nevada Independent Insurers Association, and three agents selling insurance in the Reno area. They expressed the belief that private crime insurance was available at affordable rates. On the other hand, we talked to 19 businessmen located in high-crime areas of Reno, and 3 of them stated that they could not buy crime insurance at affordable rates. The other 16 either had crime insurance or were self-insured.

We also noted that in response to HUD's May 1971 letter to the Mayor of Las Vegas, an administrative assistant stated that robbery coverage was not generally available for businesses open 24 hours, and he thought the FCI program might be needed for these businesses. The need was based on information from a local agent representing 14 underwriters of crime insurance coverage.

In July 1971 HUD received a letter from the Las Vegas director of planning requesting information on how HUD determined that Las Vegas was not eligible for the program and what procedure to follow to make the city eligible if the mayor and board of city commissioners concluded that crime insurance was not available at affordable rates. HUD responded that it gave substantial weight to the Nevada commissioner's view that the State did not have a problem requiring Federal action when deciding against making the program available in Nevada. HUD stated it would be making a continuing survey of all the States, and if it received evidence from Las Vegas and other communities in Nevada that a critical problem existed and was not being resolved through appropriate State action, it would consider whether to offer the program in Nevada. The assistant administrator stated that HUD did not receive any further communication from any city in Nevada.

The commissioner stated that if he obtained evidence that there was a need for crime insurance in Nevada, he would first attempt to have the problem met by the private market, and if they were unable to meet the need, he would request that the Federal program be set up.

INADEQUATE REVIEWS OF STATE CRIME INSURANCE PROGRAMS

HUD has not adequately reviewed State crime insurance programs to determine whether such programs are making crime insurance available at affordable rates. Because of these limited reviews, HUD is not in a position to determine whether the FCI program should be established in these States.

In response to HUD's May 1971 review, California, Michigan, and New Jersey told HUD that they had their own crime insurance programs; Kentucky, Indiana, and Wisconsin indicated that they had made or were making arrangements with private insurance companies to provide crime insurance.

In May 1972 HUD asked the commissioners in Kentucky, Indiana, and Wisconsin to bring HUD up to date on the crime insurance situation in their States. The commissioners responded to HUD that there was no need for the program in their States.

In October 1973 HUD asked the commissioners of four States--California, Indiana, Michigan, and Wisconsin--that had set up State crime insurance programs whether they believed that their programs made crime insurance available and affordable and, if not, whether the State should adopt the FCI program. Two commissioners responded that they did not need the program. The other two commissioners did not respond, and HUD did not follow up with them.

As of November 1974, five States had set up State crime insurance programs: California, Indiana, Michigan, New Jersey, and Wisconsin. FIA's assistant administrator stated that he had not evaluated these programs because FIA had not received any complaints of crime insurance availability problems in these States. He said that he did not require the States to send him any information on their programs but that the States sent him such information as authorizing legislation or constitutions, program provisions, and financial reports. The program's chief actuary stated that he made rate comparisons when several States

started their own programs. The comparisons showed that for Michigan and New Jersey the FCI rates for small businessmen were lower than the States' rates and that the FCI rates were higher for larger businessmen. He stated that, for California, the FCI rates were identical to the State's rates.

To determine whether more in-depth reviews of State insurance programs are needed, we obtained information on the Michigan crime insurance program. The Michigan Insurance Code authorized the Michigan Basic Property Insurance Association to provide fire and extended coverage to Michigan property owners. In November 1971 the code was amended to cover residential robbery and burglary losses; 3 months later commercial robbery and burglary losses were covered.

The association administers the crime insurance program by receiving applications, initiating policies, providing for inspections, settling claims, and maintaining records and accounts. The program is funded by premiums and by a 2.5 percent assessment on all property insurance policies written in Michigan. Michigan property owners may purchase the insurance from any licensed property insurance agent in the State or directly from the association.

We compared various features of the Michigan and FCI programs, as of April 1974: amounts of available coverage, deductibles, premiums, agents' commissions, protective device requirements, and cancellability clauses. Except for the device requirements, cancellability clauses, and the premiums--which generally are the same for each program--the features of Michigan's program were not as favorable as the features of the FCI program. The following chart shows the differences.

	FCI program	Michigan program
Maximum insurance coverage available:		
Commercial policies:		
Mercantile robbery	$15,000	$1,000
Mercantile safe burglary	$15,000	$2,500
Mercantile open stock burglary	$15,000	$10,000 or 60 percent coinsurance limit, whichever is greater
Residential burglary and robbery	$10,000	$5,000
Deductibles allowed on policy claims:		
Commercial policies	$50 minimum or 5 percent	$200 minimum or 5 percent
Residential policies	$50 minimum or 5 percent	$100 minimum or 5 percent
Annual premiums for selected commercial policy:		
Drugstore in Detroit gross receipts less than $100,000:		
Mercantile open stock--$1,000 coverage	$60.00	$74.45
Mercantile robbery--$1,000 coverage	$72.00	$57.34
Annual premiums for residential policy in Detroit--$1,000 coverage	$40.00	$40.00
Percentage of policy premiums paid as commissions to agents:		
New commercial policies	14 to 16 percent (minimum of $15)	10 percent
New residential policies	14 to 16 percent (minimum of $5)	12 percent
Renewed commercial policies	12 percent	10 percent
Renewed residential policies	12 percent	12 percent

The Michigan insurance commissioner stated on February 7, 1975, that he was taking immediate action to determine if the Michigan program's coverage limits should be revised and that, if he finds higher limits are needed to assure full availability of crime insurance, immediate revisions in the State program's limits will be pursued.

As of June 30, 1974, 2,586 policies had been sold in the Michigan program and 1,098 were in force at that date. A program official stated that he had no way to measure the program's success, except that fewer policies were sold than originally expected.

Two program officials and an agent stated that one of the factors causing the low number of policy sales was that agents in Michigan were reluctant to push sales of the Michigan program. One reason for this is the low commissions paid on the policy sales. A second reason is the requirement that the agents, under penalty of law, certify on the crime insurance applications that they have informed the applicant about the protective device requirements.

Two program officials and an official of the Michigan Insurance Bureau said that another factor affecting program sales is the stringent protective device requirements for burglary coverage. The program officials said that many small businessmen could not afford the costly protective devices and, as a result, did not purchase the insurance.

A third factor is the limited promotion of the program by the State and program officials. When the program started in the winter of 1971-72, program officials sent brochures to agents and civic groups, placed advertisements in newspapers and telephone yellow pages, and made radio spot announcements. Since then, no other promotion effort has been made. A Michigan Insurance Bureau official said that the bureau did not know how to effectively promote the crime insurance program and that many agent associations seemed enthusiastic about the program at various meetings but that the program just does not seem to get off the ground.

To determine if the policyholders were located in high-crime areas, we randomly selected 50 of the 180 commercial policyholders and 200 of 796 residential policyholders in Detroit as of April 1974. We plotted policyholders' addresses on a city map.

The Detroit Police Department gave us the total number of robberies, burglaries, and larcenies in the city's 13 police precincts for calendar years 1971-73. We used the 1970 census population for each police precinct to compute the crime rate per 100,000 people. The following table shows that few policyholders are located in Detroit's two highest crime areas.

Police precincts	Population per police precinct	Crime rate per 100,000 people	Number of policyholders Residential	Commercial	Total	Percentage of policies by precincts
1	21,796	27,988	-	4	4	1.6
2	59,739	10,925	14	4	18	7.2
10	90,967	9,260	23	7	30	12.0
6	95,943	8,659	14	5	19	7.6
4	119,908	7,643	11	9	20	8.0
11	117,651	6,952	12	-	12	4.8
8	133,469	6,667	17	1	18	7.2
7	120,408	6,538	41	8	49	19.6
5	102,624	6,426	34	2	36	14.4
9	128,979	6,422	14	4	18	7.2
3	94,108	5,843	13	2	15	6.0
12	224,972	4,862	6	4	10	4.0
13	200,898	3,995	1	-	1	.4
Total			200	50	250	100.0

Insurance company officials and agents in Michigan stated that they did not look for business in high-crime or inner-city areas generally because there was a high frequency of claims in these areas.

CHAPTER 4

CONCLUSIONS, MATTERS FOR CONSIDERATION BY THE CONGRESS, AND AGENCY COMMENTS AND OUR EVALUATION

CONCLUSIONS

The FCI program has been slow in getting started. It has experienced low policy sales, particularly in high-crime areas, and it is available in only a few States.

These problems have occurred because agents and brokers--HUD's major marketing mechanism--generally are apathetic toward selling the insurance principally because of the low commissions. Also HUD has not effectively informed the public of the program and has provided very limited resources for administering the program. HUD's protective device requirements have hindered policy sales primarily because the devices are costly to install and maintain. And HUD has not adequately reviewed private and State crime insurance programs to determine whether the program should be offered in more States.

We obtained some evidence that the program was meeting a need. The responses we obtained from agents and brokers, policyholders, and nonpolicyholders indicated some need for the program, and FBI crime statistics showed that the number of robberies and burglaries continued to rise. The FCI program offers some protection against loss to residents and businessmen who might be affected by these crimes.

We believe, however, that the shortcomings in HUD's program administration have hindered the program's progress and that the program cannot effectively achieve its objectives as presently administered.

There are changes that can be made to more effectively carry out program purposes. People must be made aware that the FCI program exists and efforts to do this must be directed to those who need it. Increased commissions might help encourage agents and brokers to more actively sell the insurance. A training program, similar to that which was successful in increasing policy sales in St. Louis, could be set up.

To increase the public's awareness of the program, promotion efforts could be increased. Such efforts could include (1) using paid advertising through the broadcast media and the press, (2) requiring the servicing companies to undertake a promotional and educational campaign in each program State, (3) eliciting the services of business, community, tenant, and neighborhood groups in educating the residents and businessmen of the program's benefits, and (4) using minority agents to promote the program in inner-city areas.

Agents and brokers and some potential policyholders have indicated that the high cost, the number, and the inflexibility of the protective device requirements deter policy sales. If changes were made to the type and number of requirements, resulting in lower cost to the policyholder, more policies might be sold.

To insure that Federal crime insurance would be available in each State which has crime insurance availability and affordability problems, information on the crime insurance offered by the private market and the States would be needed. To determine the availability problems for States not having their own crime insurance programs, agents and brokers, business and trade organizations, and representatives of minority groups could supply information on any problems people may be experiencing in obtaining crime insurance, especially in inner-city areas. Information on private crime insurance rates, coverages, deductibles, device requirements, and commissions would also be necessary.

An evaluation of State crime insurance programs could insure that the programs are providing crime insurance at an affordable rate.

Such an evaluation could include a

--review of the provisions of the State program including rates, coverages, protective device requirements, deductibles, and commissions;

--review of the State's efforts to publicize the availability of the insurance, especially in inner-city areas; and

--review of the program's success and the possible need for instituting the FCI program.

MATTERS FOR CONSIDERATION BY THE CONGRESS

To improve the administration of the Federal crime insurance program and to insure that program objectives are effectively achieved, the Congress should, among other alternatives, consider requiring HUD to

--increase the commissions of agents and brokers to levels necessary to provide incentive to actively sell Federal crime insurance;

--train interested individuals, particularly inner-city residents, to sell Federal crime insurance;

--increase its promotion efforts through paid advertising, promotional campaigns in each program State, and the services of local community groups;

--direct servicing companies to encourage agents and brokers, particularly minority agents and brokers, to concentrate their selling efforts in the high-crime, inner-city areas;

--reevaluate its protective device requirements with respect to the type and number of protective devices, with a view toward reducing their costs, particularly for the small businessmen, so that the program's objectives can be better achieved; and

--make more in-depth reviews of the program's need in States where Federal crime insurance is not available. This would include information on rates, coverages, protective device requirements, and commissions and views of agents, insurance associations, and businessmen.

AGENCY COMMENTS AND OUR EVALUATION

On January 16, 1975, we submitted this report to the Secretary of HUD for review and comment. On February 5, 1975 we discussed this report with HUD officials and obtained their comments orally. We have considered these comments in preparing this report.

HUD officials generally agreed with our findings, conclusions, and matters for consideration by the Congress and outlined actions HUD would take if the program was extended.

On March 25, 1975, the Congress cleared for the President's signature legislation extending the FCI program until April 30, 1977. The legislation made no other changes to the program. As of April 7, 1975, the President had not signed the legislation.

HUD officials said that they desire to serve more than those presently insured and agreed that a greater commitment of resources would result in greater sales. HUD said it would devote more resources if the program was extended and if the Congress clearly intends that HUD devote the resources.

Concerning the specific matters which we believe the Congress should consider requiring HUD to adopt, HUD said that instead of increasing commissions, it favors payment of a finder's fee, a larger one-time payment when policies are issued.

HUD stated that it was exploring the possibility of training groups such as tenants' associations to sell the insurance.

HUD agreed that paid advertising would be more beneficial for the program but said that it would not incur large expenditures for advertising unless the Congress indicated its intent that this be done.

HUD agreed that agents and brokers should be encouraged to sell the insurance in the high-crime areas but, after reviewing its experience with agents and brokers, doubted whether there was any way to effectively do this. We believe that HUD might be more successful if it used minority agents and brokers to sell the insurance in high-crime areas.

HUD agreed also that it should reevaluate the protective device requirements and that more in-depth reviews of the program's need in States where the Federal program is not available should be made if the Congress extends the program.

CHAPTER 5

SCOPE OF REVIEW

We reviewed the basic laws and legislative history of the Federal crime insurance program, HUD's regulations, and instructions governing the program and examined HUD's records and reports on the program's activities. We reviewed the contracts between HUD and the various companies acting as servicing companies.

We made our review at HUD's central offices in Washington, D.C.; the corporate headquarters of the Insurance Company of North America in Philadelphia, its policy processing and recordkeeping facility in Macon, Georgia, and its service offices in Cleveland and Washington, D.C.; the State insurance offices in Denver, Colorado, and Carson City, Nevada; and the Michigan Basic Property Insurance Association in Detroit. We interviewed agents and brokers, agents' associations, and minority business groups in Cleveland, the District of Columbia, and New York City.

We also talked with

--agents, agents' associations, and small businessmen and insurance consultants in Denver and Reno,

--insurance bureau officials, agents, and insurance companies in Michigan,

--police departments in Cleveland, Detroit, and New York City,

--a State insurance official in Pennsylvania,

--radio and television personnel at 31 radio stations and 12 television stations in Cleveland and the District, and

--the Safety Management Institute which handled HUD's statistical data on the program.

We sent questionnaires to a statistical sample of 199 of the 8,531 policyholders in New York City at November 30, 1973. We also sent questionnaires to a sample of 75 of the 205 policyholders in Cuyahoga County, Ohio, at January 30, 1974. The 75 policyholders were all located in Cleveland. To find out if small businessmen knew about FCI and would consider buying a policy, we communicated with 22 small businessmen in Cleveland in May 1972, 22 in Cleveland in February 1974, and 30 in New York City in September 1974.

We sent segments of the report to the insurance commissioners of Colorado, Michigan, and Nevada for their review and comment. Their comments were considered in preparing the report.

APPENDIX I

PRINCIPAL OFFICIALS OF THE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
RESPONSIBLE FOR ADMINISTERING ACTIVITIES
DISCUSSED IN THIS REPORT

	Tenure of office From	To
SECRETARY OF HOUSING AND URBAN DEVELOPMENT:		
Carla A. Hills	Mar. 1975	Present
James T. Lynn	Feb. 1973	Feb. 1975
George W. Romney	Jan. 1969	Jan. 1973
ADMINISTRATOR, FEDERAL INSURANCE ADMINISTRATION:		
J. Robert Hunter (acting)	Dec. 1974	Present
George K. Bernstein	May 1969	Nov. 1974

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