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Layout & Distribution: Valéria Kozakova

Structuring the Potential Losses from Vandalism; Actions of Insurers Confronted with the Insecurity Resulting from Vandalism

Sonia Guelton

Vandalism :

A real cost :

Urban riots		Environmental risk	
2001 (England)	500,000 £	2001 (Flood; Somme, Fr)	250 millions €
2005 (France)	150 millions €	2002 (Flood; Sud-Est, Fr)	700 millions €
Destruction of buildings		2008 (Tornado; North, Fr)	57 millions €
Burning of warehouses	9.4 millions €	Technological Hazard (explosion)	
Arson of public building	1,5 to 2 million €	2001 (AZF; France)	1 125 millions €

A socio- economic issue :

Economic disparities : Spatial concentration on deprived areas limits urban development

Social injustice : The cost is beared by the the most vulnerable households and small businesses

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S. Guelton « Structuring the potential losses from vandalism »



1. WHAT do we know about the insecurity resulting from vandalism?

2. WHO is paying the costs of vandalism?

The visible and hidden parts of the iceberg

3. Preventing insecurity resulting from vandalism?

Actions of insurers to reduce the total-cost-of-risk

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1. WHAT do we know?

An increasing phenomenon

Some figures on crime, 2004 to 2006, France

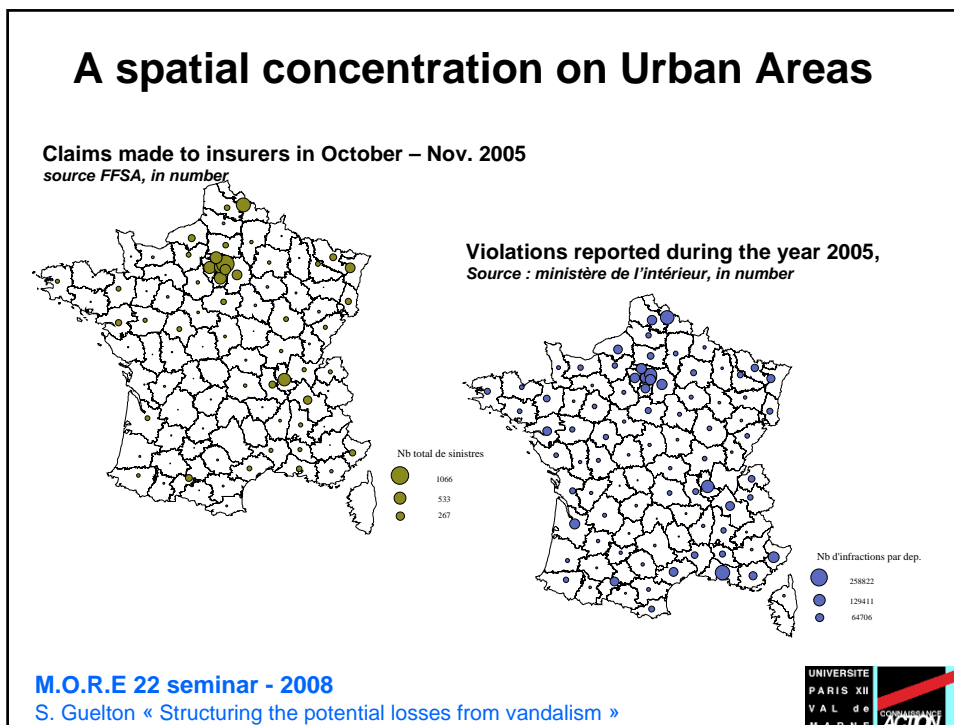
		2004	2005	2006
E	Total reported violations, metropolitan France	3 825 442	3 775 838	3 725 588
(a)	Thefts against individuals in their residence	208 126	205 875	203 747
(b)	Thefts against industrial, commercial, financial establishments	88 661	82 415	83 520
(c)	Thefts against individuals in public locations or premises	449 762	467 413	457 771
(d)	Total Thefts	746 549	755 703	745 038
(e)	Arson of private property	29 978	43 231	38 027
(f)	Arson of public property	5 069	7 109	5 916
(g)	Total Arsons	35 047	50 340	43 943
(h)	Destruction or damage of private property	172 959	175 415	161 374
(i)	Destruction or damage of public property	43 056	46 192	44 608
(j)	Destruction or damage of private vehicles	256 290	263 243	243 489
(k)	Total destruction	472 305	484 850	449 471

Source : extracts from statistics on crimes and delinquencies, ministère de l'intérieur, 2004, 2005, 2006

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2. WHO is paying the costs of vandalism?

The visible and hidden parts of the iceberg

- Costs of damage
- Indirect costs
- Prevention and protection

The author of vandalism

Insured victim	Insurance
Non insured victim	Government

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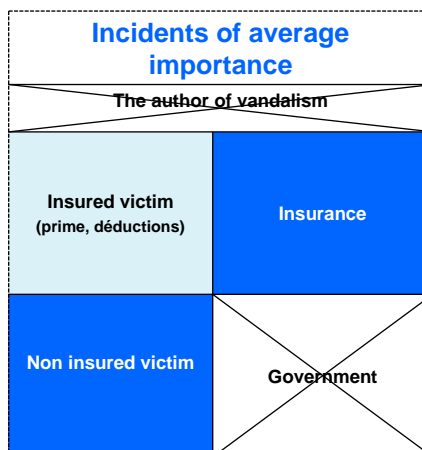
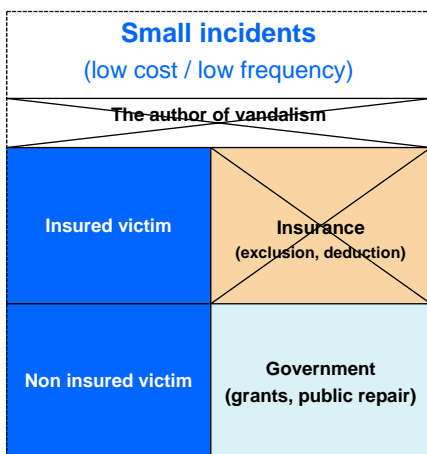
2. The opportunity of insurance depends on the size and frequency of the claim

		Cost		
		small	←————→	
Frequency	Low	Defacing entryway to buildings (1 000€) Self insurance	Theft of vehicle (2 060€) Burning of bus stop (3 500€) Insurance	Arson of public building (1.5 to 2 million € in 2005) Burning of warehouses (9,4 M€) Insurance
	High	Breaking automobile glass (280€) Burning of trash receptacle (150€) Graffiti (15 to 60€/year/m²) Self insurance	Burning of vehicle (3 000€) Breaking of storefront windows (by throwing projectiles) Damage of electronic equipment (15 000 €, or+) Insurance	Burning of public building during riots (1.5 to 2 million € in 2005) Refusal to insure

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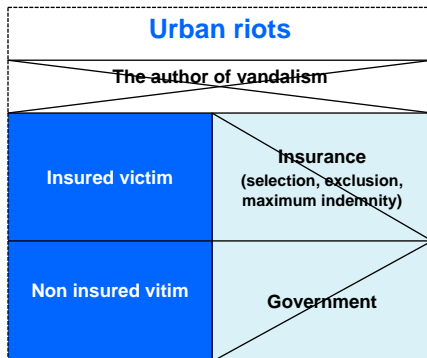
2. WHO is paying the costs of vandalism?



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2. WHO is paying the costs of vandalism?



An open debate on the limit of responsibility between Insurers and governments....

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2. WHO is paying the costs of vandalism?

Some studies

	France	England	Canada
Overall cost/ year (# in million € 2007)	20 billion € (23 285)	15 940 million £ (23 766)	70 billion \$ (54368)
Cost of losses		63%	67%
Insurance portion	25%	25%	
Victims (pain and suffering)	Not evaluated	38%	
Indirect social costs	Not evaluated	Not evaluated	Not evaluated
Justice and police prevention	55%	28%	19%
Prevention			14%
Private portion	19%	9%	
Sources	Godefroy and Palle, 1998	Dubourg and Hamed, 2005	JusrStats, 2003

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3. Preventing insecurity resulting from vandalism?

Actions of insurers to reduce the total-cost-of-risk

- Adjusting reimbursements to risk conditions
- Reducing occurrence of claims
- Developing Prevention contracts
- Taking part in city politics

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3. Preventing insecurity resulting from vandalism?

=> Adjusting the reimbursement clauses to risk conditions

- **Adapted contract** for jewelers, pharmacists, press distributors...
- **One Company contract for several locations** (Mc Donald, LIDL)
- The role of the company **broker**

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3. Preventing insecurity resulting from vandalism?

=> Reducing occurrence of claims

- **Incentives in contracting procedures**

Prevention equipments and system as a condition for the contract (households, small businesses)

A compulsory **risk audit** to adjust the contractual conditions (large enterprises, local authorities)

- **Contribution to the discussion of protection and prevention**

Information (guide, magazine, **Professional meetings** with clients..)

Research center, Think- thank on legal risks for local authorities

Training periods or collaborations

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3. Preventing insecurity resulting from vandalism?

=> Developing Prevention contract

Some examples

- ALEASSUR : general protection
- CAB'ASSUR ; juridictional protective measures
- ACTIVEILLE : remote surveillance
- ...

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3. Preventing insecurity resulting from vandalism?

=> Taking part in City Politics

Some requests from Politics and Corporations concerning small businesses in deprivate wards

Few proposals

Concerning an adapted contract

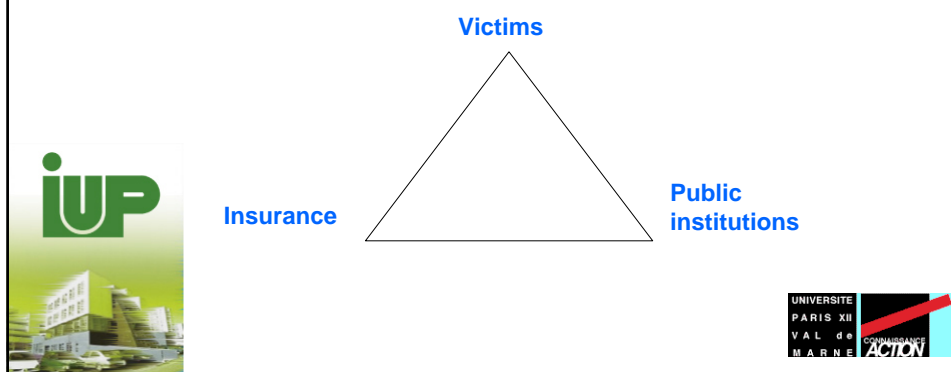
No apparent willingness (*from both sides*)

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Conclusion



Thank you
for your attention



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Vandalism :

Some Urban Riots in recent years			
France		England	
1999	Vénissieux	2001	Huddersfield
2000	Montauban		Bradford
2003	Montbéliard		Burnley
	Nîmes		Oldham
	Avignon		
2005	France	2005	Birmingham

National indicator of urban violence in France, by number of incidents, 2005		
1	Burning of vehicles	45 588
2	Burning of public property	6 996
3	Burning of trash receptacles	30 040
4	Violence against security, emergency, and health services	5 143
5	Throwing of projectiles	9 063
6	Occupation of halls of buildings	313
7	Destruction of furnishings of buildings	7 893
8	Gang fights	435
9	Drag racing	4 735
TOTAL		110 206

Source : 2006 report of the Observatoire National de la Délinquance

Vandalism :

The visible part of the iceberg, an example

Urban violence in France in 2005, reported by the insurers			
	Automobile	Non automobile	Total
Number	8 230	1 761	9 991
Cost in K€	31 900	115 977	147 877
Source FFSA			

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Vandalism :

Elements of an insurance contract on the property of local authorities, examples from Seine Saint Denis

2005, in euros						
City	City budget	Premium/year	Deductible amount	Maximum indemnity /claim	Premium / budget	Total claims in 2005
A	53 365 000	74 870	Riots: 3 800	150 000	0.14 %	17 100
B	32 627 000	37 600	Theft : 1 500	10% of damage	0.11 %	-
C	47 889 000	134 000	Theft : 4 900	2000 000	0.29 %	84 050
D	54 493 000	170 000	Vandalism : 40 000	0	0.31 %	2 600 000
E	30 578 000	112 000	Vandalism: 3 800	30 500	0.36%	?
F	62 976 000	162 500	Theft: 2 000	190 000	0.25%	280 000

Note : 100% of property is covered by insurance (except for furnishings in one case)
Sources : MINEFI, calculation by the author after research in Seine Saint Denis

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2. WHO is paying the cost of vandalism?

– On a scale of 1 to 5 – France, 2005

	Victims	Insurance	Government	Nb. Incidents in 2005
Burning of vehicules	1	4	-	45 588
Burning of public properties	2	2	1	6 996
Burning of trash receptacles / graffiti	4	-	1	30 040
Throwing of projectiles / breaking of glass	3	2	-	9 063
Occupation of entry to buildings	3	2	-	313
Destruction of urban furnishings	5	-	-	7 893
<i>Other violence against people</i>	<i>As a reminder</i>			10 313
Together	3	1.5	0.5	110 206

Sources: estimates by author, OND, FFSA

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2. WHO is paying the cost of vandalism?

References of studies

Godefroy T. et Palle C. (1998) « Coût du crime. Une estimation monétaire des délinquances (1002 – 1996) » in *Etudes et Données pénales* (1998) n°79, Paris, CESDIP ;

Dubourg R. et Hamed J. (2005) *The Economic and Social Costs of Crime against individuals and Households 2003/04*, Online Report 30/05, United Kingdom, Home Office, Research, Development and Statistics Directorate

JusrStats (2003) n° 2204-15 Division de la recherche et de la statistique, Ministère de la Justice, Canada

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