

STUDENT COMMENTS

INSURANCE PROTECTION AGAINST CIVIL DEMONSTRATIONS

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Since the summer of 1964, Negro communities in eight large cities have experienced mob violence resulting in widespread damage.¹ The most recent of these outbursts occurred in the Watts section of Los Angeles. In an area covering forty-six square miles, the cost of property destruction approximated forty million dollars.² The purpose of this comment is to examine the insurance ramifications of such civil demonstrations.

From an insurance point of view, the first obstacle faced by a property owner in a district prone to civil demonstrations is the possible unavailability of insurance in the event that insurers anticipate a recurrence of violence. Although it has been asserted that owners of private homes and business establishments in these areas have experienced little difficulty in obtaining policies,³ there are indications to the contrary. One Los Angeles insurance agent has charged that businessmen in that city are faced with the decision of many first-line insurance companies to refuse to write policies in southern Los Angeles.⁴ Similar problems have been reported in other racially tense cities.⁵ Moreover, one who has succeeded in obtaining a policy in these areas is not secure. The same threat of violence which has led underwriters to refuse to issue new policies has reportedly caused cancellation and refusal to renew existing policies.⁶ And, even where policies are made generally available, insurers have yet another means by which they can avoid assuming the risk of civil demonstrations. They can make it financially impractical for a property owner to pay the insurer's rates for covering those risks. While it has been suggested that the incidence of prohibitive rates has been minimal,⁷ reports from Philadelphia, New York, and southern Los Angeles indicate the contrary.⁸

Assuming that the property owner has been able to obtain a policy at reasonable rates, he faces yet another obstacle in the possible operation of the exclusion clause. The standard fire policy covers all fire damage, including that caused by riot.⁹ If the assured desires additional protection, the "extended coverage plan" insures against all non-fire losses, even those caused by riot.¹⁰ However, in both the standard fire policy and the extended coverage plan, and in any policy obtainable,¹¹ there is a clause excluding the insurer's liability if the loss results from insurrection.¹² Hence the problem of the policyholder becomes clear: is the outburst a *riot*, making the insurer liable, or is it an *insurrection*, as this term is used in the exclusion clause?

A "riot" is generally said to have occurred when two or more persons have joined in committing an act, lawful or unlawful, in a violent or tumultuous manner.¹³ Most of the cases, however, further require that the tumult have a private objective,¹⁴ such as the destruction of the property of an individual,¹⁵ as opposed to a public objective. In the latter case the violence is directed against

¹ Governor's Comm'n on the Los Angeles Riots, Violence in the City—An End or a Beginning? at 2 (1965).

² State of California, Department of Insurance Press Release, Aug. 20, 1965.

³ State of California, Department of Insurance Press Release, Sept. 21, 1965.

⁴ N.Y. Times, Aug. 16, 1965, p. 16, col. 8.

⁵ Boston Herald, Oct. 3, 1965, p. 7, col. 6.

⁶ Elizabeth Daily Journal (N.J.), Oct. 6, 1965; Wall Street Journal, Oct. 4, 1965, p. 14, col. 3.

⁷ State of California, Department of Insurance Press Releases, Sept. 2, 1965 & Nov. 22, 1965.

⁸ Boston Herald, supra note 5; Wall Street Journal, supra note 6; N.Y. Times, supra note 4.

⁹ E.g., Mass. Gen. Laws Ann. ch. 175, § 99 (1958).

¹⁰ Extended Coverage Endorsement No. 4, Uniform Standard New England Form No. 758 (1962).

¹¹ Although insurers are generally authorized to insure against such risks as war and insurrection, see Mass. Gen. Laws ch. 175, § 47 (1932), as a practical matter they usually do not do so. Vance, Insurance § 153, at 871 (3d ed. 1951).

¹² Mass. Gen. Laws Ann. ch. 175, § 99 (1958); Extended Coverage Endorsement No. 4, Uniform Standard New England Form No. 758 (1962).

¹³ Walter v. Northern Ins. Co., 370 Ill. 283, 286, 18 N.E. 2d 906, 907 (1939); Idaho Code Ann. § 18-6401 (1947).

¹⁴ "It seems to be agreed that the injury or grievance complained of and intended to be revenged or remedied by a riotous assembly must relate to some private quarrel only * * *."

Salem Mfg. Co. v. First American Fire Ins. Co., 111 F. 2d 797, 802 (9th Cir. 1940).

¹⁵ Spring Garden Ins. Co. v. Imperial Tobacco Co., 132 Ky. 7, 116 S.W. 234 (1909).