

# Chapter 1

## History and Development of Mercantile Crime Policies\*<sup>1</sup>

This chapter will address the history of the standard forms currently available in the market, the Crime Protection Policy issued by The Surety & Fidelity Association of America<sup>2</sup> and the Commercial Crime Policy issued by the Insurance Services Office.<sup>3</sup>

The roots of the mercantile crime policy forms used in today's market can be traced to financial institution bond forms. Financial institution bond forms began their evolution in the early 1900s in response to the expansion of the banking industry. As the number of banks and bank employees grew, and the magnitude and volume of bank employees increased, so did the necessity for protection against different types of improper conduct, including employee dishonesty.<sup>4</sup>

The growth of other commercial (non-financial) enterprises spawned the need for protection of these industries as well against losses stemming from employee dishonesty and wrongful acts by others. In 1940, the first stand-alone mercantile crime policy, the Comprehensive Dishonesty, Disappearance and Destruction Policy, was introduced. This was followed by the appearance of the Blanket Crime Policy in 1957. Both of these mercantile forms were modeled after financial institution

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1 This article draws from and builds on prior articles regarding the history of mercantile crime policies: Robert Duke et al., *History and Development of Mercantile Crime Policies—Their Interpretation and Construction*, in COMMERCIAL CRIME INSURANCE COVERAGE Ch. 1 at 1 (Randall I. Marmor & Susan Koehler Sullivan eds. 2015) and Carol A. Pisano and Robert Duke, *Interpretation and Construction of the Commercial Crime Policy*, in COMMERCIAL CRIME POLICY Ch. 1 at 1 (Randall I. Marmor & John J. Tomaine eds. 2d ed. 2005).

2 Hereinafter SFAA.

3 Hereinafter ISO.

4 See discussion *infra* at Section B.2.