

ADJACENT BUILDINGS IMPACT INSURANCE RATES

If a building is isolated with no surrounding structures and it burns, any fire typically starts in that building. On the other hand, if there are neighboring structures or vegetation that can catch fire, the fire may spread. The tendency of fire to spread from one structure to another is recognized in fire insurance rates as exposure charges.

Charges vary by the degree of hazard as follows:

- The greater the distance between buildings, the lower the charge will be. At some distance, depending on wall construction of both the exposed and exposing buildings, a charge will no longer be made.
- The greater the combustibility of the construction of either exposing and/or the exposed structure, the higher the charge will be.
- The greater the hazard of the occupancy of the exposing structure, the higher the charge will be.

The concept of exposure can be understood by considering the computation of charges for a specific example.

The Specific Commercial Property Evaluation Schedule (SCOPEs) considers the following factors in the Exposure Hazard Charge Table:

- Construction of Facing Wall of Exposure (masonry and frame)
- Occupancy Hazard Categories (light, moderate and high hazards)
- Length-Height of Facing Wall of Exposure Distance

In our example below, the Exposure Hazard Charge produced would be 95 for Building A (a metal building system) and 50 for Building B (a brick structure).

The exposure charge in points is computed by multiplying the Exposure Hazard Charge by the Exposure Condition factor.

$$\text{EXPOSURE HAZARD CHARGE} \times \text{EXPOSURE CONDITION} = \text{EXPOSURE CHARGE}$$

Charges vary by degree of hazard.

Discover how nearby buildings impact insurance rates.



The Exposure Condition Table evaluates the relative hazard of radiation and ignition from the wall or roof of the exposure to the wall or roof of the building rated.

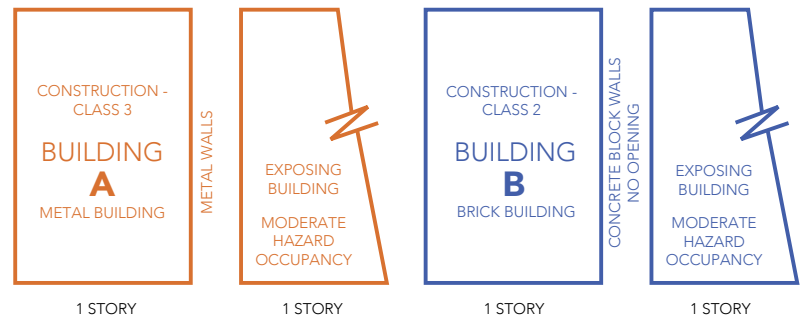
In our example, the Exposure Condition factor would be 0.6 for Building A and 0 for Building B.

Thus, the charge in points for our two examples would be:

$$\begin{array}{l}
 \text{BUILDING} \\
 \text{A} \\
 95 \times 0.6 = \mathbf{57 \text{ points}}
 \end{array}$$

$$\begin{array}{l}
 \text{BUILDING} \\
 \text{B} \\
 50 \times 0 = \mathbf{0 \text{ points}}
 \end{array}$$

For Building A, an exposing fire creates two problems. First, if there are any openings in the wall facing the neighboring building, such as windows, doors, ventilation louvers, etc., a fire can penetrate these openings and get inside the building. Secondly, if the heat from the fire is of high enough intensity, either due to small separation distance or due to the severity of the exposing fire, the metal wall can have severe damage and even deform to the extent that openings are created. These considerations produced the 57 exposure charge in the loss cost for Building A.



In the case of the brick building, openings in the wall create the same exposure problems as in the metal building. The masonry wall, however, is not subject to severe fire damage from an exposing fire. This produces a difference in exposure charges. In the example, the point charge to the metal building was 57.



If the brick building had unprotected wall openings and the same separation distance, the exposure charge to the masonry building would have been 20. The variation between these charges is due to the difference in damageability of the walls.

There are solutions to this problem with regard to Building A, the metal building, as follows:



1. Locate the building a sufficient distance from the exposing structure so that an exposure charge is no longer made. (The local ISO office can tell you what this distance is.) In this case, it is 21 feet.
2. Replace the exposed wall of the metal building with a solid masonry wall without openings. In this case, the separation distance can usually be reduced to near zero from a rating or loss costing standpoint.

If Section D of the MBMA Insurance Information Check Sheet is properly completed, an analysis of exposure effects on fire insurance rates, or loss costs, can be made more easily.

An insurance agent or broker should be aware of these facts. A visit to the ISO office can provide specific answers to individual circumstances.

What is ISO?

The Insurance Services Office, Inc. (ISO) is a subsidiary of Verisk Analytics, and provides data, underwriting, risk management and legal/regulatory services.

