

CONTENTS RATES

Two fire rates are normally computed for a property:

1. Dollar and cents rate per \$100.00 of insurance coverage on the BUILDING.
2. Dollar and cents rate per \$100.00 of insurance coverage on the CONTENTS.

Contents rates are normally higher than building rates. This increase is due to the fact that contents are normally more readily damaged by fire, smoke, and water than the building. This measure of damageability of contents is called susceptibility which, in turn, results in a susceptibility charge. The charge varies based upon the construction class, the combustibility class of the building, the protection class, and the susceptibility class.

Other MBMA Insurance Bulletins describe construction class and protection class. Therefore, this bulletin will concentrate solely on combustibility and susceptibility classes.

Both combustibility class and susceptibility class relate to occupancy and are necessary to compute contents rates. Combustibility classifications measure the effect of combustibility of contents on the building structure. There are five categories of combustibility, which are as follows:

| Class | Example |
|------------------------------------|------------------------|
| C-1 Noncombustible | clay tile manufacturer |
| C-2 Limited Combustibility | offices |
| C-3 Combustible | hardware store |
| C-4 Free Burning | cotton bales |
| C-5 Rapid Burning or Flash Burning | match factory |

Here you'll learn how the contents of a building can impact insurance rates.



Susceptibility classifications measure the damage to merchandise or materials either from the direct or resultant effects of fire, smoke, and water.

| Class | Example |
|---------------------|----------------------|
| S-1 Minimal Damage | marble |
| S-2 Slight Damage | sheet metal |
| S-3 Moderate Damage | household appliances |
| S-4 Heavy Damage | books |
| S-5 Extreme Loss | flowers |

As was described in MBMA's Insurance Bulletin No. 4, contents rates are computed after the building rate has been determined. Building conversion factors and contents conversion factors vary from state to state and are part of the adjustments used in stabilizing rates within each state. Other factors vary based upon the occupancy code, construction class, and the protection class. The building conversion factor is used to produce the contents base. The contents conversion factor is a multiplying factor on the susceptibility charge.

$$\text{CONTENTS CONVERSION FACTOR} \times \text{SUSCEPTIBILITY CHARGE} = \text{CONTENTS RATE}$$

The contents rates are never less than the building rates and are almost always higher. How high depends a great deal on the construction class of the building. In fire-resistive construction, the contents normally suffer much more severe damage than the building. On the other hand, in a frame building, one could expect a total loss from a major fire and, therefore, the contents rates will be much closer to the building rates.

Whether your customer will be the building owner and occupant, or just the occupant, the subject of contents rates will be of real interest. While you cannot directly affect the contents rate, all of the factors which affect the building rate will be reflected in the contents rate.

Since the insurable value of your customer's contents will, in some cases, be appreciably greater than the insurable value of





the building, it becomes increasingly important to understand how building rates are developed so that true building rate comparisons (and thereby contents rate comparisons) are made. It is important to be familiar with such rate aspects as:

1. Exposure
(MBMA Insurance Bulletin No. 8)
2. Exterior wall construction
(MBMA Insurance Bulletin No. 5)
3. Column protection
(MBMA Insurance Bulletin No. 5)
4. Automatic sprinkler protection
(MBMA Insurance Bulletin No. 10)
5. Flame spread of insulation and/or interior finish
(MBMA Insurance Bulletin No. 6)
6. Occupancy features
(MBMA Insurance Bulletin No. 7)
7. Public protection classifications
(MBMA Insurance Bulletin No. 9)

A complete treatment of these subjects, as well as others, can be found in your MBMA Insurance Facts document and in this series of insurance bulletins.



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