PUBLIC PROTECTION CLASSIFICATIONS[1]

As outlined in **MBMA INSURANCE BULLETIN NO. 2**, a building's insurance premium is determined by a number of factors, including Construction, Occupancy (and hazards), Protection and Exposure (COPE). This bulletin will address the "P" in COPE—Protection. Protection includes the on-site features (private fire protection) that insurers consider valuable in reducing possible property damage as well as the protections afforded by public entities such as local fire and building departments.

A building's insurance premium is determined by a number of factors, including Construction, Occupancy (and hazards), Protection and Exposure (COPE).

Private fire protection features such as those listed below are considered when analyzing a building's protection and include elements that can be addressed during design and construction:

- Sprinkler systems: system type, condition and coverage area (sprinkler heads and locations)
- Fire extinguishers: quantity of extinguishers, class types, location within the building and inspection status
- Fire doors and walls: types of materials making up the building or wall (Construction Class)

Public protection features impact insurance rates but are not something over which the building owner has direct control. During the project site selection process, determining whether a property is inside or outside of a particular jurisdiction should be a consideration. Community public protection agencies considered by insurers when rating a location include fire departments (Public Protection Classifications (PPC)), water resources (utilities), building code departments (Building Code Effectiveness Grading Schedule (BCEGS)), emergency communication capabilities and police departments (crime statistics).

PUBLIC PROTECTION CLASSIFICATION (PPC)

PPCs are established by ISO working with local fire and other community authorities. ISO's Fire Suppression Rating Schedule (FSRS) manual contains specific criteria used to review the firefighting capabilities of individual communities. The schedule measures the major elements of a community's fire-suppression system to develop the PPC.

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[1]The Metal Building Manufacturers Association (MBMA) provides these insurance bulletins as informational guides. The information contained in these bulletins is general in nature and is not intended to serve as legal advice. Readers are advised to consult with their own counsel and/or insurance broker on matters specific to them.

The community's PPC depends on:

- Emergency communications systems, including facilities for the public to report fires, staffing, training, certification of telecommunicators and facilities for dispatching fire departments.
- Fire department, including equipment, staffing, training and geographic deployment of fire companies (fire station locations).
- Water supply system, including the inspection and flow testing of hydrants and a careful evaluation of the amount of available water compared with the amount needed to suppress fires.
- The community's efforts to reduce the risk of fire, including fire prevention codes and enforcement, public fire safety education and fire investigation programs.

PPCs are rated on a scale of 1 through 10, where Class 1 represents superior property fire protection, and Class 10 indicates that the area's fire-suppression program does not meet ISO's minimum criteria. Very few communities are capable of achieving the highest classification. The majority of communities fall in the middle, Class 4, 5 or 6. There is also a large number in Classes 9 and 10 suggesting poor-to-no fire protection, which will result in higher fire insurance rates.

ISO's data is advisory; insurance companies file their rates with each state's department of insurance and while they may use PPC in rating, there can be variations in exactly how much the PPC will affect the final overall rate. Generally speaking, and assuming all other factors are equal, the price of property insurance in a community with a superior PPC score is lower than in a community with an inferior PPC. Familiarity with the PPC system is encouraged to ensure that rating comparisons are made fairly.

ISO does not make a community's PPC public. The information can be obtained from the local fire department or from an insurance agent or broker who will be aware of the local class ratings at the project location.

Other advisory agencies may also offer protection data to the companies they support. As technology improves this data is available online via real-time mapping software solutions. Additionally, ISO provides this information to insurers in the Loss Cost Reports they produce for specific properties.

BUILDING CODE EFFECTIVENESS GRADING SCHEDULE (BCEGS)

The other major program ISO administers is very similar to the PPC. The Building Code Effectiveness Grading Schedule (BCEGS) assesses the building codes in effect in a community, how the community enforces its building codes, and emphasizes natural hazard loss mitigation.

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What Do the BCEGS Scores Mean?

Classes 1 to 3

- Adopted model code – Unamended, latest edition (within 5 years).
- Exceptional staffing levels based on workloads.
- Staff education and certification at very high levels.

Classes 4 to 6

- Adopted model code – Unamended, latest edition (within 5 years).
- Trained staffing levels for plan review and/or inspection.
- Staff education and/or certification at minimal levels.

Classes 7 to 10

- Adopted model code – Amended to weaken and/or older editions.
- Inadequate staffing levels for plan review and/or inspection.
- Inadequate education and/or certification at minimal levels.

The BCEGS program was conceived after insurers experienced high-loss events in 1992 (Hurricane Andrew) and 1994 (Northridge Earthquake). Research showed that better codes and increased levels of enforcement were needed. BCEGS recognizes that municipalities with well-enforced, up-to-date codes experience fewer catastrophe-related claims than municipalities that have not updated their codes or fail to adequately enforce the ones that they have adopted.

The BCEGS program assigns each municipality a grade of 1 (exemplary commitment to building code enforcement) to 10. There are separate ratings for residential properties and commercial properties (different codes and inspection skill sets are required by the enforcement jurisdiction). As with the PPC, ISO develops advisory rating credits that insurers can utilize when developing pricing for a structure. ISO provides insurers with BCEGS classifications, BCEGS advisory credits and related underwriting information. ISO's advisory rating credits apply to ranges of BCEGS classifications (1-3, 4-7, 8-9 and 10). The majority of communities have obtained a Class 4 rating, and as with the PPC ratings, there are a number of Class 9 and Class 10 communities in the country.

Knowing a community's BCEGS classification and PPC are essential when comparing rates between building types. Classification information is considered confidential and proprietary; ISO generally is not permitted to disclose community information to outside parties. Community officials can share the class information that they have received, subject to local law. Additionally, as the program is voluntary, some communities may choose not to participate and will not have a classification. The states of Hawaii, Idaho, Louisiana, Mississippi and Washington do not utilize this data as they have independent state-run insurance rating bureaus.

ISO (formerly the Insurance Services Office) is an insurance advisory organization that provides statistical and actuarial information to insurance companies. ISO is a wholly-owned subsidiary of Verisk.

Insurance rates may be adjusted for strategic business reasons and are influenced by the business goals of the insurer, not solely by the characteristics of the building and the relevant risks. For example, insurers may set rates somewhat lower for regular customers or types of buildings that they have decided to pursue as a matter of business strategy. Any rates used herein are for comparison purposes only and should not be treated as actual rates that might apply within any rating jurisdiction.

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