

## Wildfire Rating Factors

When you are purchasing a home finding insurance is an inevitable fact, unless you have a 100% cash buyer. Finding affordable insurance has become harder and harder in recent years to acquire and if you happen to be purchasing outside of the city limits affordable takes on a whole new meaning. One of the largest rating factors to the determination of a homeowner's premium is the "Fire Protection Classes." The main difference over the last few years, when it comes to insurance premiums is how the fire protection classes (PC) are determined. Since the devastation of the Southern California fires in the mid-2000's almost all insurance carriers in California have switched to a single provider for the determination of protection classes.

The "Insurance Services Organization" or ISO emerged as that one provider of fire rating information and classification. The ISO is a group of trained, professional evaluators that assess almost every fire department in the U.S. ISO uses a consistent set of guidelines to evaluate a fire departments. ISO bases a fire department's rating on many factors including the number of personnel on duty, training level of personnel (paid or volunteer), the amount of water the fire department can get to a fire, and the amount and quality of equipment used (such as fire engines and hand tools). The purpose of ISO is to give insurance companies a uniform system on which to base their insurance premiums.

For an insurance company knowing the capabilities of a fire department is important. The better the fire department, the better protected a building is from fire damage and loss. The higher the level of protection, the less likely an insurance company will have to reimburse a claim for fire damage. The fewer number of claims, the lower the cost for the insurance provider. Of course, fire protection can work the opposite way. A sub-par fire department will experience more fire losses. More fire losses means more insurance claims filed. In order to make costs meet, the insurance companies raise the premiums you pay.

ISO gives a ranking of 1 through 10, with 1 being the best and 10 being no protection at all. Currently the City of Healdsburg Fire Department has an ISO rating of 4. The areas covered outside the city limits range from an 8B to a 10. The two biggest factors when you are dealing with a prospective

buyer and looking forward to the prospects of insurance is the distance to the “**Primary Fire Department**” and distance to an **approved** fire hydrant. For the best rates, the home needs to be within 5 miles of the primary fire department and within 1,000 feet of an approved water source. If you meet one of the before mentioned criteria you would rate an 8B and if you do not meet either of the criteria you are considered a PC 10.

I highlight the words primary and approved because these are two distinctions that make a huge difference and can create a lot of confusion. For us in Healdsburg most of the homes to the west of Grove Street and out in Dry Creek are considered to be in the primary district of “Sotoyome” not Healdsburg Fire Dept. As you can imagine the Sotoyome fire district does not rate very high on the ISO guidelines. For an example I insure a home on Grove Street that is less than 1 mile from the Healdsburg FD and has a fire hydrant in the front yard but is considered a PC 8B because the primary fire department is Sotoyome not Healdsburg FD. When it comes to premiums it will vary immensely depending on many factors but in the example that I provided the homeowners premium is ~50% higher as an 8b then it would be as a 4 with Healdsburg FD as the primary FD.

When it comes to an approved water source this can be an issue as well. There are certain subdivisions around the county that may have their own water hydrant system but it may not be approved by the ISO. In more of the rural areas, you may find that your buyers have dry stand pipes or large water storage tanks. In most cases the before mentioned water sources are helpful for the homeowners effectiveness at fighting a fire but do not effect the PC rating unless a number of steps have been taken to get the water source approved by the ISO.

Another large factor that goes into the eligibility of a home for insurance, based on its location is how much brush is in the surrounding area. There are several different brush meters that the insurance companies use to rate a homes. A smilingly nice home with a picturesque view maybe a nightmare to get insurance for because it does not qualify based on a companies brush meter.

There are two different market segments when it comes to insurance companies. You have your primary or standard markets and you have surplus lines or non-admitted markets. Your primary markets are going to be your Nationwide’s, Farmers, State Farm, Foremost and many more which

are backed by the California Guarantee Association and are licensed by with the California Department of Insurance. The Surplus lines or non-standard markets are not licensed by the state of California and are allowed to set there own rates. The non-standard markets are designed to be able to underwrite policies that an increased amount of risk, which in tail draws a higher premium. The reason that I bring up the topic of surplus lines companies vs. standard is that depending on the specific insurance carrier many companies will not write anything over an 8B in a standard market.

In our office, he have been living and breathing all of these issues over the last past few years along with our customers. It has been a processes learning what the insurance companies are looking for and how the ISO has effected the market place. To combat the changes in the market place I have made it our goal to find insurance carriers to partner with that allow us to provide the most competitive rates and service to our customers. I know that I have presented a lot of information to take in. This complex issue may mean the difference between making a sale for you one day. As I am sure you have experienced this time and again there can be lot of stress and anxiousness surrounding the closing of a transaction for both you and your clients. I believe the most important part of all this information is just posing the question of insurance to your clients early in the process and making them aware current market climate.