



LETTER TO THE EDITOR

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ISO RATINGS

Insurance Impacts Not Made Clear with Recent TV News Story

Boiling down a complex topic for television news cannot only be tricky—it can also be incomplete. A recent television feature by News 4, talked about a local fire department's downgrade of their ISO rating, from a 4 to a 5, and how that **might** impact residents' home owner insurance premiums as a result. North Metro Fire Rescue wants to help clarify the ISO rating process for our Fire District residents and how it can impact your personal home owner's insurance premiums.

The ISO's Public Protection Classification (PPC) program evaluates a community's overall capability to suppress structure fires. A number from 1 to 10 is assigned with the rating—Class 1 represents exemplary fire protection and Class 10 indicates that the fire department does not meet ISO's minimum criteria. Insurance companies, not ISO, then establish premiums they charge to policyholders based on the rating information they can obtain from the ISO PPC.

It is important for individual insurance consumers to understand that insurance companies compete for your business and may be different from one another in the premiums they select for each ISO rating. Some insurance companies practice a pricing strategy called "banding." This means that in order to compete for a homeowner's business—they group ISO ratings in categories. For example—they may group homeowner's with an ISO rating from 1-5 all the same to earn more business. However, if a policyholder's ISO rating is a 6 or higher, then a policyholder's premiums would be at a higher rate. Some insurance companies are stricter with their price breaks and may choose to distinguish their pricing bands differently. A company could choose to offer a deep discount for ISO ratings of 1-3, an average premium for 4-5 ISO ratings, a higher premium for 6-7, and their highest levels for ISO ratings of 8-10. The bottom line is that it is up to each individual insurance company to determine their pricing. While it is true that a good ISO rating should equate to lower home owner insurance premiums—consumers need to ask about banding and compare insurance company pricing.

So how does North Metro Fire Rescue District rate? North Metro Fire Rescue District residents in Northglenn and Broomfield receive an ISO Rating of 4.

North Metro Fire District residents should also know how we compare. Nationally, one-third of fire districts have a Class 9 rating and more than 62% of US fire districts hold a rating of Class 7 through 10. Looking specifically at Colorado, there are no fire

departments that have earned a rating of 1. The best rating found is a 2 and it is held by Denver and Aurora. Achieving a preferred ISO rating does come with a cost. The criteria evaluated by ISO include fire district equipment and service levels that require a steady financial commitment from taxpayers. So, in order to save on an individual's insurance premiums, often that individual's tax support to maintain or improve their fire district is higher.

Specifically, the ISO's evaluation looks at your community's fire alarm and communications systems, water supply system, and fire department. The water supply system evaluation includes hydrant size, type, installation, inspection frequency and condition of fire hydrants. For the fire department, the evaluation includes criteria for apparatus, equipment carried on apparatus, staffing, training, and the geographical distribution of those resources (i.e. station locations).

Ultimately, it is up to Fire District officials and citizens within the community to monitor costs while creating the best service possible. The ISO PPC is one tool to help evaluate a department's level of service.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. O'Hayre". The signature is stylized and cursive.

John J. O'Hayre
Fire Chief