



Coffee Break Training - Fire Protection Series

Administration: The Insurance Services Office: What is the Insurance Services Office?

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Learning Objective: The student will be able to understand the history of the Insurance Services Office and community fire risk management.

If you hear two people talk about insurance, it is very likely that the insurance policies they are talking about were based on rating and underwriting information available from the Insurance Services Office. So what is the Insurance Services Office?

The Insurance Services Office, a subsidiary of Verisk Analytics (<http://www.verisk.com/>), is a provider of statistical, actuarial, underwriting and claims data. It also provides risk management and regulatory services, with a special focus on community fire protection efforts and building code effectiveness evaluation to property/casualty insurers and other clients. The Insurance Services Office is an advisory organization, and insurers may use, not use or modify information from the Insurance Services Office as they see fit.

History of the Insurance Services Office

The National Board of Fire Underwriters (NBFU) opened its doors in 1866 to promote fire prevention and public fire protection. A number of conflagrations in the late 19th and early 20th centuries — like those in Chicago, Baltimore and San Francisco — resulted in billions of dollars of property damage. The Baltimore Conflagration of 1904 claimed 140 acres, more than 70 blocks, and 1,526 buildings.

The insurance industry took serious note of these unfortunate events. It became apparent that fire losses and fire defenses of cities significantly varied across the nation, and there was clearly a need for assessing the individual fire defenses of cities. In 1909, NBFU developed the **Municipal Inspection and Grading System**. Under that program, engineers evaluated the fire potential of cities.

In 1916, NBFU developed the first public protection evaluation, **The Standard Grading Schedule for Grading Cities and Towns of the United States With Reference to Their Fire Defenses and Physical Conditions**. The grading schedule assigned deficiency points based on the extent of variance from a set of standard criteria developed from a study of more than 500 cities. The sum of maximum points of deficiency totaled 5,000 points. A “First-Class” city or town received between zero and 500 points of deficiency.

In 1971, several insurance groups, including former state insurance rating bureaus, NBFU, and other similar entities, merged to form the Insurance Services Office.

Role of the Insurance Services Office

Fire is one of the largest single causes of property loss in the U.S. In the last decade, fires have caused direct losses of more than \$140 billion and countless billions more in related costs. A community needs to prepare itself to prevent and mitigate the consequences of fires on the safety of its citizens. The foundation for a strong and resilient community requires:

- Quality of construction of structures.
- Effective fire protection.
- Effective building code enforcement.

The Insurance Services Office analyzes and addresses those three components across the country through the following three national insurance-related programs:

- **Specific Commercial Property Evaluation Schedule (SCOPEs)**.
- **Public Protection Classification (PPC™)**.
- **Building Code Effectiveness Grading Schedule (BCEGS®)**.

Those programs provide valuable information to insurers and several other interested parties, and they help recognize safe and resilient communities.

Specific Commercial Property Evaluation Schedule

SCOPEs is a methodology widely used in the U.S. fire insurance industry to help analyze the hazards in commercial property surveyed through COPE (Construction, Occupancy, public and private fire Protection, and Exposure) information. The Insurance Services Office uses SCOPEs to develop specific property advisory prospective loss cost information (projections of average future claim costs that insurers can use in developing their prices). SCOPEs may also help the insured determine specific deficiencies in their properties and how they can be reduced through loss control measures. This program was started in 1990, and to date, SCOPEs has been applied to nearly 3 million commercial buildings in the country.

Automatic sprinklers are widely recognized as reliable and effective fire protection systems. Many insurers consider fire sprinkler system grading to be a critical analytic tool in their underwriting process. As part of SCOPEs, the Insurance Services Office reviews the automatic sprinkler system in the building and completes a **Sprinkler Assessment Report**.

The sprinkler assessment is based on a 100-point scale that addresses the adequacy and condition of the building's sprinkler system. The water supply, sprinkler system components, testing history, and nonstandard building conditions are evaluated. A perfect score of 100 indicates no unusual conditions that would affect the expected performance of the sprinkler system. Scores below 100 indicate that deficiencies exist in the system. A creditable sprinkler system must receive a grade of 10 points or higher.

In the next series, “What is the Insurance Services Office? Part 2,” we will continue to learn more about the role of the Insurance Services Office.