

What does public protection class mean in a rate or loss cost?

As outlined in Insurance Bulletin No. 4¹, the exposed building grade is modified by a protection class factor to determine the gross building grade. This factor varies for different types of construction and for different public protection classifications. Therefore, while the public protection grading (which includes the fire department classification) does have a bearing on the rate or loss cost, it is, of course, something over which you will have no control. You should be familiar with the protection classification, however, so that when any rate or loss cost comparisons are being made, you can be sure that they are being made fairly.

These public protection classifications are established by the rating authorities by the application of a grading schedule. The use of this schedule incorporates analysis of (a) public water supply, (b) the fire department, (c) the police department, (d) the building codes, (e) the enforcement agencies, (f) the fire alarm systems, (g) and other features of the community. The schedule produces deficiency points which are then translated to a numerical

public protection classification. These classifications vary from Class 1, which is the best classification, to Class 10 which would be the equivalent of no public protection.

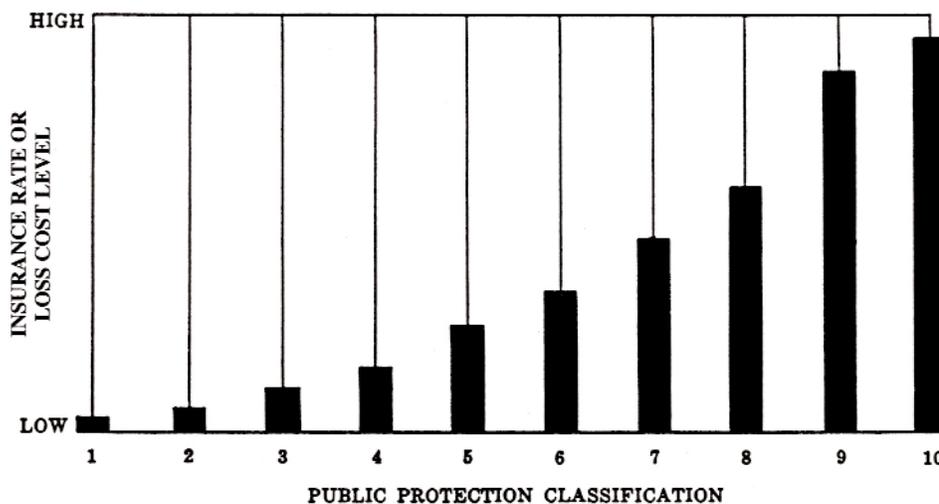
How much this will affect the rate or loss cost is dependent on the type of construction and the occupancy. For comparison, the following indicates graphically rate or loss cost levels relating to public protection class.

Basically then, insurance rates or loss costs will be higher in areas with least public protection.

Therefore, it is important, in comparing insurance rates or loss costs, to be sure that the comparison is made on rates or loss costs based on the same public protection classification.

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¹Insurance Bulletin No. 4 - Insurance Services Office Commercial Property Evaluation Methods.



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