

## *Insurance Service Office Commercial Property Evaluation Methods*

Two fire loss costs methods have been developed by the Insurance Services Office.

The "Specific Commercial Property Evaluation Schedule (SCPES)" is used by ISO to develop loss costs for most properties that exceed 15,000 sq. ft. or are fire resistive construction, or house a manufacturing occupancy, or certain other "hazardous" occupancies, or are protected by an automatic sprinkler system.

These properties will be surveyed by ISO, and specific loss costs will be calculated using the SCPES. Factors considered in the SCPES include:

- Basic construction.
- Wall materials.
- Floor and roof materials, including supports and assembly.
- Vertical openings through floors.
- Building dimensions including height, number of stories and floor areas.
- Roof surfacing.
- Combustible floor and roof spaces.
- Combustible interior construction.
- Combustible interior finish.
- Combustible exterior attachments.
- Building conditions.
- Occupancy and related occupancy hazards.
- Exposure.

Protection, meaning exterior protection by municipal fire departments.

Internal protection, meaning portable extinguishers, stand-pipe and hose, automatic fire alarms, sprinklers, etc.

Application of those factors, using a system of points and percentage charges produces a final building grading in points which when multiplied by the building conversion factor gives you an 80% co-insurance building loss cost. (The application of the co-insurance clause is explained in the MBMA "INSURANCE FACTS" booklet.) The contents loss cost is then computed by multiplying the gross building grade in points by the building conversion factor to arrive at a contents base in points. Contents susceptibility charges and points are modified by the contents conversion factor and added to the contents base to produce gross contents grades which, subject to credits for internal protection, are equal to the 80% coinsurance contents loss cost.

All of this may sound complicated, but it is rather a straightforward procedure.

The other loss costing method is used on the smaller, non-sprinklered, non-fire resistive, non-manufacturing occupancy buildings. This rating is done by insurance companies and producers using the ISO Commercial Lines Manual (CLM). These properties will not be surveyed by ISO, nor will ISO promulgate a loss cost.

The Commercial Lines Manual is a simplified evaluation method based on construction, type of occupancy and municipal protection classification. 80% co-insurance loss costs for these buildings are merely looked up in tables that consider these three factors. No specific analysis is done of building features except that charges may be applied for substandard conditions such as unsafe electrical wiring, poor physical condition and housekeeping or exposure.

Of the two evaluation methods, the Specific Commercial Property Evaluation Schedule is preferred for metal buildings because the superior features of metal buildings described in other bulletins in this series can be recognized in this procedure.

In order to determine eligibility for the Specific Commercial Property Evaluation Schedule, be certain to fill out the MBMA "INSURANCE INFORMATION CHECK SHEET."

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**Additional Information:**

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