

Home Fire Sprinkler Cost Assessment – Fire Protection Research Foundation September 2008

III. Insurance Discounts for Residential Sprinkler Systems

A. Methodology for Estimating Insurance Premium Reductions

For this study, an insurance survey was created to examine insurance companies and local agencies in the nine states where case study communities were located. This survey was both quantitative and qualitative, gathering not only average insurance premium discounts, but also information on insurance company categorization and/or requirements for discounts, and the familiarity of consumers with such discounts. This information is intended to help round out the case studies and provide meaningful data on actual insurance incentives and policies.

For each community, the average insurance premium discount (as a percentage) was obtained from five insurance companies. The National Association of Insurance Commissioners (NAIC) 2007 Market Share Reports for Property/Casualty Insurance Groups and Companies were used to identify the top five insurance companies in each state. In cases where insurance discounts could not be obtained from a top-five company, discounts were obtained from subsequent companies from the NAIC report list. In cases where information could not be obtained directly from an insurance company, local insurance agencies were contacted.

B. Insurance Premium Discounts for Residential Sprinkler Systems

Discount savings percentages are derived from the whole annual homeowner's insurance premium (rather than just a portion of the premium). Discount savings percentages ranged from 0 to 10% among all companies and agencies surveyed, with an average discount savings percentage premium of 7%.

In California, annual homeowner's insurance premium discount percentages were obtained from Allstate, State Farm, Farmers, Auto Club Enterprises, and Nationwide. Discounts ranged from 0 to 10%.

In Colorado, annual homeowner's insurance premium discount percentages were obtained from State Farm, Farmers, American Family, Allstate, and Travelers. Discounts ranged from 3 to 10%.

In Illinois, annual homeowner's insurance premium discount percentages were obtained from Allstate, State Farm, Country Financial, Farmers, and American Family. Discounts ranged from 5 to 10%.

In Maryland, annual homeowner's insurance premium discount percentages were obtained from Allstate, State Farm, Travelers, Nationwide, and Erie. Discounts ranged from 4 to 10%.

In Massachusetts, annual homeowner's insurance premium discount percentages were obtained from Commerce, Andover, Chubb & Son, Travelers, and Liberty Mutual. Discounts ranged from 5 to 10%.

In Oregon, annual homeowner's insurance premium discount percentages were obtained from State Farm, Farmers, Allstate, Country Financial, and American Family. Discounts ranged from 5 to 10%.

In Tennessee, annual homeowner's insurance premium discount percentages were obtained from State Farm, Tennessee Farmers, Allstate, Travelers, and Nationwide. Discounts ranged from 0 to 10%.

In British Columbia, annual homeowner's insurance premium discount percentages were obtained from Aviva, Canadian Northern Shield, Economical Insurance, Dominion of Canada, and Gore Mutual. Discounts ranged from 0 to 12%.

These findings are summarized in the table below.

State	Insurance Company	Market Share in State/Province	Percentage Discount for Residential Sprinklers
Maryland	Allstate	21.08%	4%
	State Farm	16.61%	10%
	Travelers	13.01%	10%
	Nationwide	11.12%	5%
	Erie	8.38%	5%
Tennessee	State Farm	26.54%	10%
	Tennessee Farmers	18.30%	5%
	Allstate	11.43%	10%
	Travelers	5.58%	10%
	Nationwide	5.24%	0%
Illinois	State Farm	32.66%	10%
	Allstate	16.29%	10%
	Country Insurance	8.09%	5%
	Farmers	6.60%	8%
	American Family	5.28%	10%
Massachusetts	Commerce	10.02%	5%
	Andover Companies	8.45%	5%
	Chubb & Son Inc.	7.96%	10%
	Travelers	7.65%	7%
	Liberty Mutual	7.08%	8%
Colorado	State Farm	23.82%	10%
	Farmers	15.45%	5%
	American Family	12.42%	10%
	Allstate	10.28%	5%
	Travelers	3.96%	3%
California	State Farm	20.23%	10%
	Farmers	17.03%	10%
	Allstate	13.33%	10%
	Auto Club Enterprises	4.33%	0%
	Nationwide	3.58%	6%
Oregon	State Farm	25.26%	10%
	Farmers	19.09%	5%
	Allstate	10.66%	10%
	American Family	4.17%	10%
	Country Insurance	4.07%	5%
British Columbia	Aviva	8.05%	5%
	Canadian Northern Shield	6.23%	13%
	Economical Insurance	6.10%	0%
	Dominion of Canada	3.11%	0%
	Gore Mutual	1.98%	0%

RESIDENTIAL SPRINKLERS ISO FACT SHEET

ISO is an independent statistical, rating, and advisory organization that serves the property/casualty insurance industry. ISO is the leading supplier of underwriting information, advisory loss costs, supplementary rating information and standardized policy language to insurers in all 50 states and the District of Columbia. ISO offers the following regarding how residential sprinklers are reflected in ISO's advisory residential property programs:

PREMIUM DISCOUNTS

The standard ISO Dwelling Fire and Homeowners Programs contain available premium

Credits for installation of fire sprinkler protection up to a maximum of:

- 13% for full sprinkler protection that includes all areas of a home, including attics, bathrooms, closets, and attached structures;
- 8% for fire sprinkler protection of all areas of a home excluding the attic, bathrooms, closets, and attached structures as long as fire detection equipment is installed in those areas where sprinklers are omitted;

Individual insurer programs may provide different credits.

SPRINKLER "LEAKAGE" COVERAGE

The presence of a residential sprinkler system may raise concern about the risk of accidental water leakage from the system. ISO's standard Homeowners policy forms provide coverage for "...accidental discharge or overflow of water...from within a...fire protective sprinkler system...".

This coverage is included in the basic policy. There is no extra charge for this coverage.

Also, coverage is provided for water damage related to the suppression or extinguishment of a covered fire.

Individual insurer programs may provide variations to this coverage.