



August 28, 2018

## Statement Made at the City Council Meeting

### **12. Public Statement by Council Member Balkum – Insurance Services Organization (ISO) related information. *(Requested by Council Member Balkum)***

Serving as an elected official is an extremely demanding job. You know going in that you will be subjected to constant criticism as it is impossible to please everyone on every issue. As Council members we are charged with; representing all of the City's citizens; identifying the needs of the City; and take actions that benefit the largest number of citizens possible.

I wanted to take a moment to inform all of those who are receiving misinformation regarding ISO or PPC rating discussions.

The Public Protection Classification (PPC) system is used by the Insurance Services Office (ISO) to reflect a community's local fire protection for property insurance rating purposes. The public fire protection of a city, town or area is graded using ISO's Fire Suppression Rating Schedule to develop the community's classification. Our current town class rating was recommended by the State Fire Marshal's PPC Division to be a 4/9 over a 7/9 in 2012. ISO was invited to do an inspection in 2012. And in 1999 McLendon-Chisholm was inspected and rated a 7/9. The first number of the split class 4/9 refers to the classification of properties within 5 road miles of a fire station and within 1000 feet of credible water supply. The second number 9 of 4/9 applies to properties within 5 road miles of a fire station, BUT BEYOND 1000 feet of a creditable water supply.

ISO is a New Jersey based ADVISORY organization that serves the property and casualty insurance industry by providing inspection services, insurance coverage form development and statistical services. ISO classifies communities from 1 (the best) to 10 (the worst) based on how well they score on the ISO Fire Suppression Survey for Fire Department capabilities, water supply and distribution, receiving and handling fire alarms and certified volunteers – attending or teaching at the annual firemen's training school at Texas A&M University.



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What does this mean to residents? This program recognizes the efforts of communities to provide fire protection services. Some insurance companies use the PPC information to HELP establish fair premiums for insurance. By offering economic BENEFITS for communities that invest in their firefighting services, the PPC program provides additional incentives for IMPROVING and maintaining public fire protection. The PPC program also provides help for fire departments and other public officials as they plan, budget and justify improvements. The most significant benefit of the PPC program is. The better the fire protection, the lower the fire losses. This results in lower insurance rates. Which can be a little deceptive when you hear that wording...lower insurance rates. According to the Consumer Financial Protection Bureau (CFPB) the portion of a homeowner's policy made be called Hazard or Covered risks which often include damage to your home caused by fire and smoke, theft vandalism, wind damage, civil unrest or riot, damage caused by the weight of snow, sleet or ice, explosions, etc. Remember not all insurance policies are the same and hopefully your coverages may help pay to reimburse you for damages that you may experience. So when you hear that your ISO may go up I would definitely question the source. ISO has not been invited by any of the officials nor a fire chief for an inspection. Do we want an inspection? YES. We absolutely do so that citizens may receive the financial benefit from a portion of your insurance policy that is IF your insurance company uses ISO. Homeowner's insurance rates are driven by our area's claim experience. Our PPC can also be important, but there is no guarantee that they will use the information provided by ISO. That is a conversation that I would recommend for you to have with your agent or simply shop around.

**Knowing that we are currently a 4/9 you may ask how can our community be reevaluated?** Well, either a City Official or Fire Chief will send a letter to request ISO, or our PPC oversight representative with the State Fire Marshal's office. Most people's policies are annual so if there is an improvement you may not see the change until a year or longer. Texas Department of Insurance oversees ISO to assure that PPC ratings are accurate and fair. Our PPC Oversight Representative reviews each new classification rating within 30 days. If the new rating appears reasonable TDI authorizes ISO to publish it for use by insurance companies.



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**So a couple of questions keep coming up and two of these questions were asked by Fire Chief Simmons to ISO:**

“If we are to merge MCVFD into the municipal owned department would we still maintain the 4/9 ISO rating?” IF for some reason we weren’t able to come to an agreement with MCVFD merging into the city and we build a brand new municipal owned fire department would we automatically revert back to a 9/9 ISO rating due to no history?”

ISO’s Regional Office said, “Please be CERTAIN there are no ISO procedures which “automatically revert back” any fire districts’ ISO PPC classifications [and] I find this a COMMON fallacy. Now there may be changes in PPC classifications per insurance policies simply because a policy was written initially incorrect or a fire district could retrogress PPC classifications no less than 21 months after an action plan was not successful.

This timeline includes one year to improve and the publication months involved and ALL begins with the fire district requesting a field survey.”

I have personally been in conversations and learning from our PPC representative with the State Fire Marshal’s office since the fall of 2017. They are very much aware of what we are going through. And I want to encourage all that ISO is not going to come to our city on their own to do an inspection. **They have to be invited by an official or Fire Chief.** I was told by the State Fire Marshal’s office a number of factors to get us prepared and things to consider to be successful. And I’m thankful and I feel at peace when I was assured that we as a municipality that has agreed to adhere to TCFP standards that we have up to 2 years for an inspection. And if we need more time, then it is just a matter of communicating this is where we are and they want us to succeed so and are willing to work with us.

In the mean time, I am working with Verisk to obtain a no cost deployment analysis. At my request Verisk updated their records to include all of Sonoma Verde.



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Please be sure to pick up a copy of the town class rating so that you may have it for your own records or if you are interested in learning how we scored back in 2012. It is also available on our website under the Administration Menu > [PPC Rating For McLendon-Chisholm](#).