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How Economy Is Challenging Fire Protection Services

Insurers Must Keep Up With Communities' Changes

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By Michael R. Waters

Since their inception in the days of Ben Franklin, our nation's fire departments have bravely risen to the challenge of the dangerous task of firefighting. Yet, the profound impact of the current and historic economic recession, in addition to existing financial strains on community resources, have thrust tough choices into the hands of modern-day fire department leaders. And while fire departments are led by skilled problem-solvers, these issues cross-cut all department types — volunteer, combination, and career, as well as rural, suburban and urban.

What's more, financial experts have indicated the problem shows no signs of abating in the near future.

A September 2009 survey by the National League of Cities (NLC) indicated that nearly nine in 10 city finance officers are less able to meet their fiscal needs than in 2008. The NLC also notes that the fiscal condition of the nation's cities continues to weaken and will most likely extend for 18 months to several years due to the lag-effect between economic and city fiscal condition related to property tax collection.

93% of volunteer fire departments are having difficulties attracting responders.

The NLC study also pointed out that a vast majority of cities are instituting hiring freezes, laying off personnel as well as delaying or cancelling planned infrastructure projects in an effort to close funding shortages. The effects of such decisions may well extend months and years down the road. According to the Fire Apparatus Manufacturers Association, half the 76,000 fire trucks in use across the country are at least 15 years old, but half of the industry's 2009 sales have been cut by cash-strapped municipalities. This postponement of apparatus replacement will undoubtedly surface in the form of future breakdowns and related specialized equipment reliability issues.

In addition, some fire departments faced with funding issues have chosen to shut down fire stations entirely; reduce firefighter on-duty strength; or institute temporary "brown-outs" whereby stations or fire companies are shuttered on a rolling basis.

In many cases the financial woes are cascading down from state deficits. *The Wall Street Journal* recently reported that state revenues are down 17 percent compared to 2008 — the steepest decline since the 1960s. Even federal funds available through the FEMA Assistance to Firefighter Grant and Staffing for Adequate Firefighter and Emergency Response (SAFER) programs are in danger.

Fire is the leading cause of property loss in the U.S. Despite advances in technology, fires can happen anywhere, at any time. According to the National Fire Protection Association, within the U.S., fire departments respond to fires once every 22 seconds and structure fires every 61 seconds.

The challenges for fire departments continue to mount. Homeowners fire losses account for 58 percent of total insured fire losses, while Commercial Multi-Peril and Fire each accounted for 21 percent of total insured fire losses. In each of the last two years, wildfires burned 7 million acres — twice the average experienced in the 1990s. Also according to the National Crime Information Bureau, suspicious car fires spiked 20 percent from 2008 to 2009 while arsonists destroyed nearly $900 million in insured property and killed 295 civilians nationwide in 2007.

ISO's Fire Suppression Rating Schedule (FSRS) is a methodology used in reviewing a community's structural fire-suppression capabilities. The country-wide schedule helps insurance companies evaluate a community's fire-suppression system using Public Protection Classifications (PPCs), which measures the relative differences in levels of structural fire protection in more than 46,000 communities across the U.S. Insurers use the PPC program as it reflects changing levels of protection for marketing, underwriting, and pricing homeowners and commercial property insurance.

A recent Fireman's Fund Insurance Co. survey of fire service leaders indicated that the three top concerns of fire departments are: lack of budget; old or outdated equipment; and staffing, recruiting, and retaining members. More than half of the departments said fund raising/grant writing had to increase, 55 percent stated if economic issues continue for another 12 months, it will result in negative effects on their ability to serve the community, and 57 percent of volunteer departments are losing members to a search for paid positions — compounding an existing crunch for personnel.

A recent ISO survey indicated that 93 percent of volunteer and combination volunteer/career departments are having difficulties attracting and training a sufficient number of responders due to the time commitment for volunteers, a small volunteer pool and the requisite education and training requirements. Subsequently, among the chiefs who call on neighboring departments for help on the first alarm, 74 percent said a very significant reason for doing so is the need for more responders.

The exterior of a fire station is no indication of its capability to provide adequate response. What matters is what is inside. The ISO evaluation of fire departments identifies cases where departments are found to lack adequate personnel, apparatus, equipment or training to initiate an attack on a structure fire. These departments are classified a "10" — no insurance recognition. Currently, more than 800 such stations exist across the country.

Without changes in recruiting and retention policies, communities can fall below even minimum standards governing the number of trained firefighters required to mount an effective first response to a building fire.

During 2009, the number of PPC retrogression cases in progress has risen by more than 20 percent compared to previous years, generally due to a reduction in firefighting personnel available for response, a reduction in the number and type of fire responding apparatus, gaps in optimal deployment of apparatus, or deficiencies in training programs. In cases where the number of available fire responders drops below recognized national standards, ISO must withdraw protection credit entirely for stations and/or departments, offering those communities up to six months to implement the required staffing improvements to regain protection credit.

In many cases, communities can help resolve some of the personnel and equipment issues and even enhance response coverage with little financial outlay.

Many communities of varying population sizes across the U.S. are grappling with significant economic issues that can affect the quality of fire protection, demanding that officials offer innovative methods to stretch limited resources. Similarly, it will be important for insurers to keep up with the changes in communities' structural fire-suppression capabilities to more accurately price and underwrite policies commensurate with the potential risk.

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