

## Savings from Improved Fire Services

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Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Table of Contents

Savings from Improved Fire Services .....	3
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## Savings from Improved Fire Services

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### Examples

A MTAS fire study for an East Tennessee city with a population of just over 4,000 with an ISO rating of Class 9 indicated that for a \$100,000 home structure paying an annual fire insurance premium of \$806, the annual savings per household where the ISO class was improved to Class 5 was \$298. When multiplied by the estimated 1,477 homes inside the city, the annual savings to city dwellers amounted to \$440,146. The cost of improving the water system was \$695,470, 57 percent of the total \$1,220,123 cost of improving fire service, including the water distribution system and installing hydrants. By using long-term debt and paying approximately \$100 annually per household for fire service improvements, each household received savings of approximately \$298 annually.

If a fire department improves its ISO rating, homeowners and businesses in the community often save money on their insurance premiums. If the savings are spent in the community, the extra cash can help the local economy. The U.S. Chamber of Commerce states that every dollar that stays in a community will turn over more than six or seven times. Using the above example, the \$440,146 annual savings in insurance premiums minus the annual cost of \$147,700 will generate an additional \$292,446. When this turns over six times during the year it generates an additional \$1,754,676 (\$292,446 x 6) for the local economy. At the rate of 2.75 percent local sales tax, this savings generates \$48,254 in additional tax revenue to the of improving the fire service and the water system. Much of this money currently is going to insurance companies outside the community. In this example, it clearly was in the local government's interest to make the improvements with the projected savings. Cities in need of revenues for improving fire service may want to do a similar analysis.

"In 2000, the Rural Fire Protection Work Group, a committee appointed by Arkansas Governor Mike Huckabee, quantified the economic benefits of improved fire protection for that state. In its final report the work group estimated the statewide cost of projects to be about \$150 million or \$15 million a year for 10 years. Next, the work group projected the reduction in property insurance premiums when each of 839 rural fire departments has improved its Public Protection Classification (PPC) to Class 7. According to that analysis, the statewide savings would total more than \$100 million per year. More than 425,000 homeowners would share the benefits, with an average savings of \$235 per household. The Arkansas work group projected increased economic activity at more than \$2 billion over a period of 13 years. According to the work group's analysis, that economic activity would generate additional state and local sales tax revenue more than offsetting the cost of the improvements." [10] These savings from approximately 700 fire departments in the state of Arkansas are consistent with the savings of the East Tennessee city cited previously. Perhaps a similar approach would work in Tennessee.

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[10] [www.iso.com](http://www.iso.com). [1]

#### Links:

[1] <http://www.iso.com/>

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