

Fire Resource Conservation and Development

Dear Reader:

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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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Reference Number: MTAS-416

Councils (RC&Ds) in East Texas have begun a pilot project that will turn over to the state of Texas a model to improve rural volunteer fire department (VFD) fire suppression and to provide VFDs with training in homeland protection. The key, long-term measure of success will be that insurance ratings for many volunteer fire departments will be lowered, and, as a result, substantial savings will be returned to rural homeowners. The impact of a successful project in just 10 years could potentially be millions of dollars saved in reduced insurance premiums, which will boost local economies. In the short term, during the pilot project, 50 counties and their volunteer fire departments will:

- Prepare county master plans for improved fire protection;
- Train local volunteers in ways to lower their ISO rating; and
- Provide training in key areas of homeland security and emergency management.

The pilot project is modeled after a very successful statewide project in Arkansas. In just six years, that project improved the fire suppression capability of hundreds of volunteer fire departments and realized \$25 million dollars in annual savings for rural counties when homeowner insurance rates dropped because of the improved ISO ratings.

The above examples demonstrate that there are substantial insurance cost savings from improving a community's fire service. Often the problem is that the government agency, the fire department, has the expense, and the homeowners receive the insurance savings from their insurance premiums. Many homeowners are not willing to return any savings realized from a reduction in insurance premiums to pay for needed fire service improvements. They do not want their property taxes increased to pay for the savings. Another funding mechanism is needed to capture these savings for the benefit of the fire service as well as the homeowner.

Could insurance companies enter into agreements with local governments to provide upfront the costs of needed fire service improvements, with the insurance company, the fire department, and the homeowner sharing in the savings? Could a government fund be established to contract with local governments for improving fire service with the fund and the fire department sharing in the savings? With a 3-to-1 return on investment from improved fire service, there are many potential ways to recover the insurance savings for the benefit of the fire department, the homeowner, and the finance organization. Tennessee cities have not sought optional and innovative ways to capture the insurance rate savings for the benefit of the fire departments and the homeowner.

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Source URL (retrieved on 09/18/2019 - 2:00pm): <https://www.mtas.tennessee.edu/reference/fire-resource-conservation-and-development>