

Fire alarm and smoke detection rate discounts for residences

Insurance company survey

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Requirement to report to the Legislature

During the 2019 legislative session, [Engrossed Second Substitute Senate Bill \(E2SSB\) 5284](#) relating to smoke detection devices passed and was signed into law. The changes in the law RCW 48.19.540 section (1) require insurance companies to consider the benefits of fire alarms and smoke detection devices when setting rates. Section (2) requires the insurance commissioner to report on “credits or discounts provided on insurance premiums for fire alarms and smoke detection devices installed in dwelling units.”

In order to issue the report, the insurance commissioner surveyed all authorized property and casualty insurance companies that write residential dwelling¹ policies in Washington State. The survey required each company to provide information about the credits or discounts it offers for the following fire alarm and smoke detector scenarios, before and after the law took effect on July 28, 2019.

- Rate discounts or credits for residential dwellings with only a local² fire alarm³, or local smoke alarm.⁴
- Rate discounts or credits for residential dwellings with a local fire alarm, or local smoke alarm, combined with other protective devices.⁵
- Rate discounts or credits for residential dwellings with a fire alarm, or local smoke alarm, that reports to a fire department.
- Rate discounts or credits for residential dwellings with a fire alarm, or local smoke alarm, that reports to a central station.⁶
- Rate discounts or credits for residential dwellings with a partial fire suppression⁷ system.
- Rate discounts or credits for residential dwellings with a full fire suppression system.

¹ The definition used by the Legislature for residential dwelling is any type, including a single-family residence, apartment, condominium or cooperative unit. Relating to insurance products, this would encompass both commercial and personal line policies.

² Alerts only at the location of the device.

³ A device that produces an alarm when it senses heat, smoke, gas or other indicators of fire.

⁴ A device that produces an alarm when it senses smoke.

⁵ Types of discounts that require a combination of multiple protective devices to qualify. For example, locks on all doors and a smoke detector would be a type of combination discount.

⁶ Location where a hired company provides services to monitor customers for fire detection and contact appropriate authorities in the event an alarm is signaled.

⁷ Devices used to extinguish or prevent the spread of a fire. A partial fire suppression system does NOT cover the entire structure, while a full fire suppression system does.

Insurance premiums and rates

An **insurance premium** is the amount of money an insurance company charges the policyholder to provide insurance coverage.

A **rate** is a unit of cost that is multiplied by a base number to determine the insurance premium. An insurance rate is the amount of money necessary to cover losses, expenses, taxes and fees, and provide a profit to the insurance company for a single exposure. Washington State law requires that rates for insurance not be excessive, inadequate, or unfairly discriminatory.⁸

Insurers divide policyholders into different categories, called classifications, in order to reflect differences in average claim costs between policyholders. Insurers charge lower rates to classifications with lower-than-average claim costs. This premium difference is sometimes referred to as a "discount" or "credit."

⁸ RCW 48.19.020

Survey results

The OIC received responses from over 800 insurers that underwrite up to 218 products in both personal and commercial insurance lines. A small number of the responses were removed due to irregularities, duplicate responses and not being submitted in the proper format.

Only local alarm(s) in residential dwellings

Many residential dwellings have devices that, when triggered, create an alert only at the location of the device. A **smoke detector or alarm** produces an alarm when it senses smoke. A **fire alarm** produces an alert when it senses heat, smoke, gas or other indicators of fire. The below results reflect the discount provided on insurance rates when the residential dwelling has only a local alarm installed.

Only local alarm(s)		The most common discount	The average discount
Fire alarm	Before July 28, 2019	2%	3.8%
	After July 28, 2019	2%	3.9%
Smoke alarm	Before July 28, 2019	2%	3.7%
	After July 28, 2019	2%	3.6%

Local alarm combined with other protection devices

Insurance companies often offer rate discounts when a local alarm is combined with other protective devices. The discount varies depending on the number of other protection devices in use. The types of devices that qualify for additional discounts are determined by the company, but may include:

- Deadbolt locks.
- Fire extinguisher.
- Carbon monoxide alarm.
- Automatic gas main shut-off.
- Local burglar alarm.
- Systems that monitor the dwelling.
- Leak sensors.
- Automatic water shut-off.

The below results reflect the discount provided on insurance rates when the residential dwelling has a local alarm combined with other protective devices.

Local alarm(s) combined with other devices		The most common discount	The average discount
Fire alarm	Before July 28, 2019	5%	5.8%
	After July 28, 2019	5%	5.8%
Smoke alarm	Before July 28, 2019	5%	5.7%
	After July 28, 2019	5%	5.6%

Alarm that reports to a fire department

Some self-monitoring alarm systems send a direct signal to the local fire department. The below results reflect the discount provided on insurance rates when a residential dwelling has an alarm installed that reports directly to a fire department.

Alarm that reports to a fire department		The most common discount	The average discount
Fire alarm	Before July 28, 2019	5%	7.9%
	After July 28, 2019	5%	7.7%
Smoke alarm	Before July 28, 2019	5%	7.7%
	After July 28, 2019	5%	7.5%

Alarm that reports to a central station

Some alarm systems send a signal to a monitoring service center that alerts a local fire department. The below results reflect the discount provided on insurance rates when the residential dwelling has an alarm installed that reports directly to a central station.

Alarm that reports to a central station		The most common discount	The average discount
Fire alarm	Before July 28, 2019	5%	8.4%

	After July 28, 2019	5%	8.2%
Smoke alarm	Before July 28, 2019	5%	8.4%
	After July 28, 2019	5%	8.0%

Fire suppression devices

Fire suppression systems initiate steps to suppress a fire by automatically releasing a substance to extinguish a fire. Examples of such systems include:

- Sprinkler system connected to water.
- Mist systems that produce ultra-fine water droplets that use less water than sprinkler systems.
- Inert gas systems that include nitrogen, argon or CO₂, or a combination.
- Chemical agents that protect electronics, artwork, computers, servers, etc.
- CO₂ systems reduce the oxygen level to a point that combustion cannot occur.

The below results reflect the discount provided on insurance rates when a residential dwelling has a fire suppression system that covers parts of the dwelling and when it fully covers the dwelling.

Fire suppression devices		The most common discount	The average discount
Partial fire suppression device installed	Before July 28, 2019	10%	9.3%
	After July 28, 2019	10%	8.7%
Full fire suppression device installed	Before July 28, 2019	10%	13.5%
	After July 28, 2019	10%	12.3%