

# LOOKING BEYOND STICKER PRICE—RETROFITTING A SPRINKLER SYSTEM IS AN INVESTMENT

A fire sprinkler system is a valuable investment in a property, and this value extends far beyond the cost of materials, labor, and an added amenity. As NFSA’s former Vice-President of Engineering Kenneth Isman [explains](#), building owners should look beyond the initial price to retrofit a system and consider factors like **insurance**, **liability protection**, and **business continuity**, not to mention [potential tax incentives](#).

## INSURANCE

Insurance companies love fire sprinklers—they know they will pay out significantly less in damages in the event of a fire. That’s why owners can earn significant policy discounts by retrofitting their buildings with sprinklers. **The insurance savings can pay for the cost of the system in a matter of years.**

In 2010, Isman estimated that a 20-story 257,000 ft.<sup>2</sup> hotel would cost about \$800,000 to retrofit with sprinklers (assuming a retrofit cost of \$3/ft.<sup>2</sup>). If that building were insured at a value of \$40 million, and its contents were covered at a value of \$5 million, the owners could save in the neighborhood of \$78,000 in annual insurance payments by adding sprinklers.

Sample Building	Stories	Size (sq. ft.)	Construction	Insurance rate, no sprinklers (per \$100 value)*	Insurance rate, with sprinklers (per \$100 value)*	Rate reduction with sprinklers
Condominium	5	100,000	Joisted masonry	0.273	0.103	62%
Hotel	20	257,000	Masonry, noncombustible	0.257	0.088	66%
Office building	10	110,000	Masonry	0.110	0.059	46%
Food processing plant	1	20,000	Noncombustible	0.553	0.062	89%
Warehouse	1	40,000	Noncombustible	0.369	0.048	87%

\* Based on rates from the Insurance Services Organization (ISO)

*The insurance savings alone can be considerable. These figures come from [Kenneth Isman’s evaluation](#) of the financial benefits of sprinkler retrofits and are based on rates from the Insurance Services Office.*