

For Publication

Bedfordshire Fire and Rescue Authority
Corporate Services Policy and Challenge Group
21 June 2017
Item No. 13

REPORT AUTHOR: HEAD OF FINANCE/TREASURER

SUBJECT: The Fire and Rescue Indemnity Company (FRIC)

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Background Papers: Reports to the Corporate Services Policy & Challenge Group dated 3rd February 2014, subsequently to the Fire and Rescue Authority (FRA) of 19th February 2014 and an update report to the FRA on 21st October 2015.

Implications (tick ✓):

LEGAL		FINANCIAL	✓
HUMAN RESOURCES		EQUALITY IMPACT	
ENVIRONMENTAL		POLICY	
CORPORATE RISK	Known	OTHER (please specify)	
	New		

Any implications affecting this report are noted at the end of the report.

PURPOSE

To inform the Corporate Services Policy and Challenge Group of the Authority's current position regarding the Fire and Rescue Indemnity Company

RECOMMENDATION:

That the CSP&CG consider the report and subject to any comments, note the positive achievement of the first year's operation.

1. Introduction

- 1.1 In February 2014 Members agreed five recommendations supporting the Authority's participation in the establishment of a protection pool to replace conventional insurance arrangements. The recommendations were:
- Agree to the Authority participating in establishing a Fire and Rescue Authorities Hybrid Discretionary Mutual to pool protection and become a full member of the Company.
 - Authorise the Treasurer, to take all necessary steps to achieve this.
 - Agree that the Treasurer may serve as a Director of the pooling entity and be empowered to represent the Authority's interests at any formal meetings and to vote on its behalf.
 - Agree that the Authority utilises the pooling arrangement for its corporate property, liability, motor and other miscellaneous insurance requirements for a minimum period of three years with effect from 1 November 2014 or thereafter, subject to final arrangements being in place.
 - Agree to participate in a financial guarantee for supplementary premiums should claims against the pool exceed the funding available, and authorise the Treasurer, to take all necessary steps to achieve this.

- 1.2 The arrangements were subsequently finalised and FRIC commenced providing protection on 1 November 2015. The FRIC member authorities are:

Bedfordshire Fire and Rescue Authority
Cambridgeshire and Peterborough Fire Authority
Cheshire Fire Authority
Devon and Somerset Fire and Rescue Authority
Essex Fire Authority
Kent and Medway Fire and Rescue Authority
Hampshire Fire and Rescue Authority
Leicester, Leicestershire and Rutland Combined Fire Authority
Royal Berkshire Fire Authority

2. **Update following one year of operation**

- 2.1 Attached at Appendix 1 is the press release from FRIC following the first year of operation. It is very positive, as £471k has been held in general reserves following a successful first year. This has been achieved in the main due to a lower than anticipated number and cost of claims. In particular the absence of any major losses (claims over £100k) during the year. Another factor has been the drive to speed up motor claim notification times, which enables the Authority and the company's claim handlers to determine liability quickly and contact any third parties involved to arrange their repairs and car hire, rather than allowing their insurer to do so. Initial indications suggest that where this can be achieved it reduces claims costs by around two-thirds.

In addition to the surplus above, a significant sum has been held in earmarked reserves for claims that had not been reported as at 31st October 2016. The general reserves figure should therefore increase following the partial un-earmarking of these reserves held for unreported claims as the next three years proceed.

- 2.2 The Authority's Head of Finance/Treasurer has been a Director of FRIC since 7th July 2015 and this continues.
- 2.3 The company's strategy for additional Fire and Rescue Services to join FRIC. The successful first year should assist in attracting other services. Interest has been shown, with one authority joining the risk management group (FARRG – the Fire and Rescue Risk Group), with a view to joining FRIC when their current contracts expire.

3. Next Steps

3.1 The operation of FRIC continues. The first Annual General Meeting took place on 25th May 2017.

3.2 As noted in the Appendix, FRIC was shortlisted for a second award at the Chartered Institute of Public Finance and Accountancy (CIPFA) new Innovation Awards under the category of Alternative Delivery Model. It was one of the finalists in the category but didn't win. The submission for the award was prior to the first year end and therefore did not include the positive financial position achieved.

FRIC has previously been "Highly Commended" in the Partnership category of the ALARM awards.

4. Implications

4.1 Financial

4.1.1 A FRIC contribution model will be developed over 2017/18, leading to authorities contributions being based on agreed criteria.

4.1.2 The reserves will initially be built up within the company. Lower contributions may follow in future years if low claims continue and the reserves increase to above the desired level.

5.1 Legal

5.1.1 There are no legal implications

6.1 Equality, Human Resources, Environmental, Policy, Other:

6.1.1 None to report.

PAUL FULLER
CHIEF FIRE OFFICER

GAVIN CHAMBERS
HEAD OF FINANCE/TREASURER

FRIC PRESS RELEASE/ARTICLE

FIRE & RESCUE MUTUAL COMPLETES SUCESSFUL FIRST YEAR

The Fire & Rescue Indemnity Company (FRIC), the mutual protection provider, set up and run by nine Fire and Rescue Authorities, has completed its first year of operations culminating in a reported surplus of £471k and being shortlisted for the Public Finance Innovation Awards 2017 in the Alternative Service Delivery Model category.

Set up to provide an alternative to traditional insurance and give member fire and rescue authorities greater control over the cover provided and the management and settlement of claims, FRIC commenced operations on 1 November 2015 providing motor, property and casualty protection to Fire & Rescue Authorities. In February 2017, the Board approved the final accounts for the first year's activity and has reported a trading surplus of £471k, well above initial expectations.

This performance is due primarily to lower than expected claims experience, which is at the lower range of the scenarios predicted. FRIC, via its risk management group, the Fire & Rescue Risk Group (FARRG), uses the extensive claims management information available from its bespoke claims portal, to analyse and review the causes of claims and develop additional controls to help prevent future claims events. Sharing best practice and learning together from past incidents helps all member authorities to improve their risk management and contribute to the reducing claims experience, and thereby lower costs to FRIC.

Another contributing factor has been a drive to improve motor claims reporting times, enabling early third party capture for "at fault" claims. Early evidence suggests that third party costs can be as much as two thirds lower if contact is made with third party claimants quickly and claims handled by the Mutual rather than third party insurers. The claims portal provides real time claims data, information on the progress of individual claims and a single source of documentation related to each claim.

Speaking about the results, FRIC Chairman Mike Clayton said "This is a significant result for FRIC and shows what can be achieved when fire authorities collaborate in an innovative and mutually beneficial manner. This is money that would otherwise have gone out of the public sector, instead it can be retained to support further improvements and drive better risk management and ultimately, deliver lower costs for FRIC's members. If we can achieve this level of saving with nine members, think what might be achieved with twelve, or twenty, or all of the British Fire Service."

Providing an exceptional Member experience is a key objective of the Company and feedback at the end of the first underwriting year for all aspects of service delivery has been very positive. Being shortlisted in the best Alternative Service Delivery Model category of the Public Finance Innovation Awards 2017, is the icing on the cake for the company and is FRIC's second independent recognition, having received a "Highly Commended" in the Partnership category of the 2016 Alarm Risk Awards.

FRIC is keen to welcome new members that wish to share the benefits of mutuality and a continuous improvement culture. To aid transition the Mutual aims to offer cost neutral protection for the first 2 years to enable new members to establish their own risk profile and develop their risk controls in line with other members. Thereafter, contributions are based on risk and claims performance, with members sharing in the financial benefits from each year in which they are a member. As a wholly owned and controlled local authority company, there is no need for Fire Authorities to undertake a tender process to join, and membership can start on the expiry of your existing arrangements. All members have an equal say in the management and control of the company and nominate Directors. Member benefits include fire service specific protection wording; extensive fire service expertise, dedicated claims support and an on-line claims portal and extensive claims management information.

Membership of the Fire and Rescue Risk Group (FARRG) is however open to any authority looking to work collaboratively to improve its claims experience with no obligation to join FRIC. FARRG Chairman, Richard Feltham said, "We welcome any Fire and Rescue Authority willing to share its knowledge and experiences, and prepared to work collaboratively to develop improved risk controls and reduce claims. We look to develop mutually agreed policies and procedures, and provide funded access to joint training, risk management products and expertise. The bigger we are, the stronger we get".