

The Fire & Rescue Indemnity Company (FRIC),

The Company was 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.

Over the years, third party insurance has been very costly with very little competition in the fire sector. This alternative was researched and the Fire and Rescue Indemnity Company (FRIC) was subsequently set up for the mutual management of risk, to provide discretionary cover and the purchase of external insurances. It is owned and controlled by the member fire and rescue authorities (currently Bedfordshire, Royal Berkshire, Cambridgeshire, Cheshire, Devon and Somerset, Leicestershire, Kent, Hampshire and Essex)

In its first two years FRIC has delivered a surplus of £607k, equivalent to 8% of the contributions from each Member Authority.

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.

Mike Clayton, Chairman of FRIC recently quoted – "If we can achieve this level of saving with nine members, think what might be achieved with twelve, or twenty, or all of the Fire Service."

Furthermore, the hybrid discretionary mutual model means Insurance Premium Tax (IPT) is only due on the Protection Programme premiums that are paid to external insurers by FRIC on its/Members behalf.

Currently, this has the effect of reducing the cumulative IPT liability by 2/3rds which at current tax rates means Authorities can claim a further £546k of savings over the same 2 year period, equivalent to 7% of contributions."

This gives current annual savings of c£1.15m per annum across FRIC's current 9 member authorities, 15% of their contributions.

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.

The Fire and Rescue Risk Group (FARRG)

The key to long term savings in risk protection costs is the active management of risks and the development of best practice in this area. To support this, FRIC established and supports the Fire and Rescue Risk Group. This Group is open to any authority to join who are looking to work collaboratively to improve its claims experience with no obligation to join FRIC but who are willing to share its knowledge and experiences, and prepared to work collaboratively to develop improved risk controls and reduce claims. This Group looks to develop mutually agreed policies and procedures, and provide funded access to joint training, risk management products and expertise. Anyone interested in finding out more about joining either FRIC or FARRG can do so via the following contacts:

FRIC:

mike.clayton@fric.org.uk

or

www.fric.org.uk

FARRG:

Charles.Thomas@essex-fire.gov.uk

In addition to these cashable savings, it is also worth noting the following benefits:

Funds set aside for future claims

FRIC takes a prudent approach to its liability for future long tail claims development and is holding considerable IBNR reserves to pay for this. These reserves are subject to annual actuarial review and it is hoped that in the fullness of time that releases will be possible as underwriting years mature.

Effective risk management

The Fire & Rescue Risk Group (FARRG) delivers Member focused operational risk management for FRIC. The collaborative learning from FARRG's co-ordinated activity should over time help to reduce the frequency and severity of claims. Not only saving FRIC cash but the Member's operational and management time associated with each incident and related reputational impact.

Claims handling efficiency

FRIC's cloud based end to end claims handling system significantly improves the claims handling process for FRIC Members and the Mutual, allowing Member self-managed and FRIC managed files to be handled on the same system, creating a single consistent data set without rekeying.

Data

Exceptionally detailed incident management information and analysis informing risk and outcome based decision making"

Comprehensive product

Consistent protection wordings, custom fit for changing FRA's. Includes bolt ons, MTF, MIRG, Co-responding, Drones, Boats

Procurement

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.

A procurement process was undertaken to identify a risk mutual manager, to manage the process of claims handling and administration. The successful bidder was Regis Mutual Management Limited (RMML).

Direct and indirect savings assured via simple application process

Cambridgeshire Fire and Rescue Service Narrative

The new insurance arrangements commenced on 1 November 2015 after being approved by the Fire Authority in February 2014. This is renewed annually.

The mutual allows for us to hold cash in reserves within the FRIC. Where these funds are not used for claims, the mutual will retain the funds for future use. If this were a third party supplier, any insurance premium received but not used, would be retained as profit. It is important to recognise the non-cash benefits as mentioned above when looking at overall cost comparisons.

As a Service, being part of the mutual means we can directly affect our costs. By introducing such things as CCTV on all vehicles, we could see a reduction in the amount that we would pay into the mutual year on year. Costs are also based on claims data, so if we individually manage our risk well and in turn have less claims, our costs will reduce.

The Service, in conjunction with RMML, manages the claims internally and will make a decision as to whether the claim is paid. As a result, the Service owns the claim once submitted and can control how it is managed. Previously, claims would be managed by an Insurer and decisions made where the Service had no input. Any claim is effectively managed through a cloud based claim management system. This ensures that the process is more efficient as claims information is easily accessible by both the Service and RMML.

INSURANCE MUTUAL SAVINGS – Cambridgeshire

With reference to the internal savings made from the recent insurance renewal (mutual only)
We have made savings through our vehicle technology discount (CCTV) of £22k this year. Further discounts will be received once dash cams are added to our Silver fleet.
We have also made a total of £22k savings through meeting KPI's. This is the maximum savings we could have achieved for the year (15% of our total motor insurance contribution).
This has meant a 2% saving on our contribution compared to last year even though there has been a 5% increase in our fleet size.
There has been a 5% total increase to our insurance contribution compared to last year.
The increases in our liability and property protection arrangements are in line with the increases seen across the sector.
The main reasons for this is due to increased risks and market hardening from such events as Grenfell Tower.