



**PFCC**  
**POLICE, FIRE AND CRIME**  
**COMMISSIONER FOR ESSEX**

## Decision Sheet

### Essex Police, Fire and Crime Commissioner Fire and Rescue Authority Decision Report

Please ensure all sections below are completed

<p><b>Report reference number:</b> 158-018 <i>(Please contact Office of the Police, Fire and Crime Commissioner for a reference number)</i></p>
<p><b>Government security classification</b> (e.g. Not protectively marked):</p>
<p><b>Title of report:</b> Annual Insurance Renewal for the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority</p>
<p><b>Area of County/Stakeholders affected:</b> Essex County Fire and Rescue Service</p>
<p><b>Report by :</b> Charles Thomas <b>Date of report:</b> 5 November 2018 <b>Enquiries to:</b> Charles Thomas</p>

**1. Purpose of report**

The purpose of the report is to approve the payment of the Insurance Premium for the Authority.

**2. Recommendations**

That the Essex Police, Fire and Crime Commissioner approves the payment of the Insurance Premium.

**3. Benefits and Costs of Proposal**

The Authority is one of nine Fire and Rescue Authorities that are members of the Fire & Rescue Indemnity Company (FRIC). FRIC has been set up to provide indemnity for its

Members against risks normally fully covered by a traditional insurance company. The other Authorities are:

- Kent
- Cambridgeshire
- Cheshire
- Devon & Somerset
- Royal Berkshire
- Leicestershire
- Hampshire
- Bedfordshire.

Avon will join in 2019.

The estimated total savings between 2015/16 and 2024/25 are £2.8 million.

Insurance is a legal requirement. By not proceeding with this renewal, the Authority would have to seek cover elsewhere. FRIC requires 12 months' notice if the Authority wishes to withdraw from the consortium.

#### **4. Background and proposal**

In April 2015, £75 million in grant funding was awarded to 37 projects under the FTF by the Department for Communities and Local Government (DCLG). The aim of the FTF was to facilitate Fire and Rescue Authorities (FRAs) to carry out projects to improve the efficiency of public services. Based on the information contained in the successful bids it was anticipated that the projects would save approximately £300m in the ten-year period between years ending 31 March 2016 to 2025.

Essex took the lead in a syndicate of nine FRAs to establish an insurance pooling arrangement open to all FRAs. The grant from the FTF was to support the initial set up of the new legal entity, the cost of the pool manager, the support for the procurement process, and consultancy fees

Prior to the awarding of the FTF grant the nine FRAs had undertaken a feasibility study (in March 2013) to explore a number of different insurance pooling schemes and look at the potential savings options. The results from the feasibility study recommended forming an insurance pool that participating FRAs pay contributions to and make insurance claims from. This would aim to share risk and reduce insurance costs. It proposed a particular type of insurance pool: a hybrid pooling model with a discretionary pool for smaller claims and conventional insurance for larger claims. The pool would be funded by contributions from the participating FRAs. This style of model is used by other organisations, such as universities, who share common risks.

By examining five years of historic insurance claims data from the nine founding FRAs and the insurance premiums that were previously paid by those FRAs, a cost effectiveness model for the new insurance option was produced and potential savings estimates calculated. It was estimated that there would be around £2.3million in savings, as contributions to a new insurance pool would be less than the previous insurance premiums paid by FRAs.

Once the grant from the Fund was received, the preliminary work to set up the insurance pool began in April 2015. This initially updated the cost effectiveness modelling work carried out for the feasibility study by adding a further two years of claims data. This

increased the estimated savings figures for the period 2015/16 to 2024/25 from £2.3 million to £2.8 million. By August 2015 all nine FRAs had agreed to set up the pool. The pool started in November 2015, in line with the initial project plan.

The project set up a legal entity, the Fire and Rescue Indemnity Company (FRIC), which operates the insurance pool. The FRIC board members were voted into place from the participating FRAs.

The FRIC also funds The Fire and Rescue Risk Group (FARRG), which uses the extensive information available from the historic claims data to analyse and review the causes of claims and develop additional controls to help prevent future claims events. FARRG has agreed a contract with Cranfield University to use driver profiling to identify fire engine drivers who are at a higher risk of an incidents. This allows training to be targeted toward those individuals to reduce operational risk. All FRAs have been invited to join this Group regardless of whether they are part of the original insurance pool set up by the Fund project. Essex has 50 licenses.

The net surplus for the first year of operation was £471,000, around £170,000 higher than the original predicted savings of £297,400 per year. The increased savings were mainly due to a lower than expected number of claims and partly due to improvement in motor claims reporting times. In October 2017 the entity had a surplus of £136,000 in its second year of operation, with the financial performance impacted by two property claims. The new pooling system remains on track to provide the forecast savings expected over the period 2015/16 to 2024/25.

FRIC has now started its fourth year of trading, and thereby policy renewal.

#### **5. Strategic Priorities**

Insuring through FRIC offers financial savings.

#### **6. Operational Implications**

The insurance policies cover Employer and Public Liabilities, and Motor Insurance, all of which are statutory requirements.

#### **7. Financial Implications**

For the year to 31st October 2018 the total cost of insurance through the Fire and Rescue Indemnity Company was £561,361, in addition, terrorism cover arranged through Regis Mutual Management was £61,744. The total was therefore £614,091.

For the year to 31st October 2019 the Fire and Rescue Indemnity Company have arranged terrorism cover, the premium being £14,293. This is included in the total cover at £509,971.

There will therefore be a net saving in insurance costs of (£561,361 less £509,171) = a saving of £59,391 for the year to 31st October 2019.

#### **8. Legal Implications**

Insurance cover is a legal requirement

**9. Staffing and other resource implications**

The Corporate Risk & Business Continuity Manager represents the Authority at FARRG meetings, in fact chairing that group. FARRG meets quarterly. Reports are required to the FRIC board each quarter and it is usual for the FARRG chairman to attend the FRIC AGM.

**10. Equality and Diversity implications**

N/A

**11. Risks**

None other than non-payment will vitiate insurance cover.

**12. Governance Boards**

None. This is an insurance renewal.

**13. Background papers**

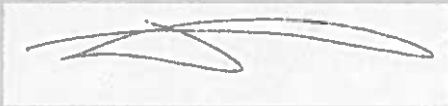
Renewal Application Form  
Essex Contribution spreadsheet

**Decision Process**

**Step 1A - Chief Fire Officer Comments**

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

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Signed:

**Step 1B – Consultation with representative bodies**

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

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**Step 2 - Statutory Officer Review**

The report will be reviewed by the Essex Police Fire and Crime Commissioner Fire and Rescue Authority's ("the Commissioner") Monitoring Officer and Chief Financial Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer

Sign:  .....

Print: P. Sean Greenwood .....

Chief Financial Officer

Sign:  .....

Print: G. H. E. M. W. H. C. O. U. N. W. E. S. S. .....

**Step 3 - Publication**

Is the report for publication?      YES/~~NO~~

If 'NO', please give reasons for non-publication (state 'none' if applicable)

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If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

**Step 4 - Redaction**

If the report is for publication, is redaction required:

- 1. Of Decision Sheet YES/NO
- 2. Of Appendix YES/NO

If 'YES', please provide details of required redaction:

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NS Attached emails not to be published.....  
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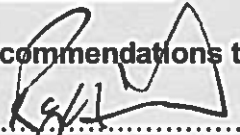
Date redaction carried out: .....

If redaction is required, the Chief Financial Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: .....  
Print: .....  
Date signed: .....

**Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner**

I agree the recommendations to this report:

Sign:  .....  
Print: RCHIBSE .....  
Date signed: 24/12/08 .....

I do not agree the recommendations to this report because:

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Sign: .....  
Print: .....  
Date signed: .....