



**Essex Police, Fire and Crime Commissioner Fire and Rescue Authority**

**Decision Report**

**Report reference number:** 055-22

**Government security classification** Not protectively marked

**Title of report:**

Annual Insurance Renewal 2022 for the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

**Area of county / stakeholders affected:** Countywide

**Report by:** Neil Cross – Chief Financial (S151) Officer

**Date of report:** 1 December 2022

**Enquiries to:** Neil Cross – Chief Financial (S151) Officer

**1. Purpose of the report**

The purpose of the report is to approve the payment of the annual insurance renewal premium for the Authority.

**2. Recommendations**

That the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority:

- Gives authorisation for the payment of the annual insurance premium for year commencing 1<sup>st</sup> November 2022 for £633,526.75
- Delegates authority to the Chief Financial Officer to approve the related purchase order in the financial system.
- Notes that a refund is expected from the Fire and Rescue Indemnity Company (FRIC) in the coming months, which relates to the provision of insurance claims made in the early years of FRIC which have not come to fruition. This is expected to be approximately £25,000 in line with the prior year.
- Notes the position that 12 months' notice is required to leave the FRIC.

### **3. Benefits of the proposal**

The Authority is one of 12 fire and rescue authorities that are members of the Fire and 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 member authorities are:

- Avon
- Buckinghamshire
- Kent
- Cambridgeshire
- Cheshire
- Devon and Somerset
- East Sussex
- Hampshire and Isle of Wight
- Royal Berkshire
- Leicestershire
- Bedfordshire and Luton

Insurance is a legal requirement. By not proceeding with this renewal, the Authority would have to seek cover elsewhere. The 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 then 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 period between years ending 31 March 2016 to 2025.

Essex took the lead in an initial 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, which 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 £2.3 million 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 new legal entity, the Fire and Rescue Indemnity Company (FRIC), which operates the insurance pool. The FRIC board members were voted into place by the participating FRAs.

The FRIC has now started its eighth year of trading and the latest version of the accounts for the FRIC are provided in Appendix 1. It is worth noting that, within the accounts of the FRIC, there is a £4.0m provision for claims that have not yet been reported (please see page 16 under Note 10 Provision for Liabilities). Through informal conversations with FRIC representatives, this provision is likely to be reduced to take account of any provisions that have not come to fruition which were made in the initial years of FRIC which could result in a rebate to members. The Chief Financial Officer will provide further updates on this in due course.

During the year, there has been a change to the claim handling provider that supports the FRIC. The claim handler was Regis Mutual Management, and in the year this company went into administration. The claim handler purely provides a service to FRIC and there was not any risk to FRIC members funds. A new claim handler, Thomas Miller Ltd, was appointed on 1<sup>st</sup> September 2022.

### **Proposal**

This year's annual renewal covering the period 1<sup>st</sup> November 2022 to 31<sup>st</sup> October 2023 is £633,526.75. The final premium for the previous year was £576,461.64 and therefore there has been an increase in insurance premium of £57,065.11

The motor policy has seen the largest increase of £32,002.06 (15.3%). This is a result of the increase in motor policy rates (8%) and an increase in the collision rate on fire appliances in the prior 12 months.

It should be noted that, within the prior year, the Authority received a separate refund of £25,202, which was due to a release of surplus reserves held by the FRIC. The surplus reserves were a result of insurance claims being provided for in the early years of the FRIC but not coming to fruition.

This position is reviewed annually and it is expected that a further refund will be received this year.

### **5. Alternative options considered and rejected**

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

### **6. Strategic priorities**

Essex was instrumental in the set up of the FRIC and it continues to be an important and one of the most successful collaborative arrangements across the fire and rescue service. This aligns directly with the Fire and Rescue Plan.

## 7. Operational implications

The insurance policies cover the statutory requirements of employer and public liabilities, and motor insurance.

## 8. Financial implications

The financial implications are covered in the Proposal section above.

The detailed breakdown of the insurance cost is show in the table below:

	Year to 31/10/2023	Year to 31/10/2022	Variance	% Variance
Motor	£241,757.07	£209,755.01	£32,002.06	15.3%
Liability	£217,873.78	£201,443.02	£16,430.76	8.2%
Excess Liability	£24,899.45	£23,472.14	£1,427.31	6.1%
Property	£112,627.81	£112,809.76	-£181.95	-0.2%
Claims Handling	£9,600.00	£8,133.33	£1,466.67	18.0%
Project Fees	£0.00	£3,316.29	-£3,316.29	-100.0%
<b>Total Mutual Contribution</b>	<b>£606,758.11</b>	<b>£558,929.55</b>	<b>£53,037.55</b>	<b>9.5%</b>
<b>Prior Year Adjustment</b>				
Motor	£5,471.86	£32.42	£5,439.44	16778.0%
	<b>£5,471.86</b>	<b>£32.42</b>	<b>£10,687.42</b>	<b>32965.5%</b>
<b>Non Mutual Insurance Placements by FRIC</b>				
Terrorism	£19,463.47	£15,724.38	£3,739.09	23.8%
MAPS Uninsured Loss Recovery	£1,833.31	£1,775.29	£58.02	3.3%
<b>Total Non Mutual Insurance Premium</b>	<b>£21,296.78</b>	<b>£17,499.67</b>	<b>£3,797.11</b>	<b>21.7%</b>
<b>Total Premium Due</b>	<b>£633,526.75</b>	<b>£576,461.64</b>	<b>£57,065.11</b>	<b>9.9%</b>

It should also be noted that the property values that are used to determine the property insurance cover are currently being prepared. The service has engaged a third party professional to request an assessment of property values based on reinstatement (rebuild) cost, which is in line with other FRIC members and accepted industry best practice set out by the Royal Institute of Chartered Surveyors (RICS). This is expected to be completed in the coming weeks, and upon completion the updated valuation will be provided to the FRIC with an updated property premium being calculated. This is not expected to have a material impact on the property insurance premium.

## 9. Legal implications

Insurance cover is a legal requirement.

## 10. Staffing implications

There are no direct staff implications.

## 11. Equality and Diversity implications

We have considered whether individuals with protected characteristics will be disadvantaged because of the actions being taken. Due regard has also been given to whether there is impact on each of the following protected characteristics as defined within the Equality Act 2010:

Race	x	Religion or belief	x
Sex	x	Gender reassignment	x
Age	x	Pregnancy & maternity	x
Disability	x	Marriage and Civil Partnership	x
Sexual orientation	x		

The Core Code of Ethics Fire Standard has been fully considered and incorporated into the proposals outlined in this paper.

**12. Risks**

Non payment of the insurance premium will result in not having insurance cover for the service.

**13. Governance Boards**

N/A

**14. Background papers**

Appendix 1 – FRIC Accounts


**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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.....I support the recommendatiion.....

Sign: .....  ..... Date:.....10/11/2022.....

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

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

Insurance is a legal requirement and therefore Rep Body consultation is not required.

**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’s”) Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer

Sign:



Print: P. Brent-Isherwood

Date: 16 December 2022

Chief Finance Officer

Sign: .



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Print: .....Neil Cross.....

Date: ... 03.11.2022 .....

**Step 3 - Publication**

Is the report for publication?      **YES**

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'none' if applicable)

None

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                      **NO**
- 2      Of Appendix                              **NO**

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

N/A

Date redaction carried out: .....

If redaction is required, the Chief Finance 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 /do not agree the recommendations to this report:

Sign:  ..... (~~PFCC~~ / ~~DPFCC~~)

Print: ROGER HIRST .....      Date signed: 21st December 2022 .....