Agenda Item: 9

TO: Policy and Resources Committee

FROM: Deputy Chief Executive – Matthew Warren

PRESENTING OFFICER(S): Head of Finance and Property - Amy Jackson

Telephone 01480 444619
matthew.warren@cambsfire.gov.uk

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UPDATE ON FIRE AND RESCUE INDEMNITY COMPANY - RISK MUTUAL

1. Purpose

1.1 To present the Policy and Resources Committee with an update on the Fire and Rescue Indemnity Company (FRIC), the Risk Mutual.

2. Recommendation

2.1 The Policy and Resources Committee is asked to note the contents of this report.

3. Risk Assessment

3.1 **Legislative** – the Authority must put adequate protection in place to ensure its assets and liabilities are covered against potential losses.

4. Background

4.1 The Fire and Rescue Indemnity Company (FRIC) has been 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 nine member fire and rescue authorities (Bedfordshire, Royal Berkshire, Cambridgeshire, Cheshire, Devon and Somerset, Leicestershire, Kent, Hampshire and Essex). The new arrangements commenced on 1 November 2015 after being approved by the Authority in February 2014.

4.2 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).

4.3 The setup of the mutual is best described by the diagram in Appendix 1.

5. Update on the Risk Mutual

5.1 Claims handling

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.

5.2 Sharing best practice

Being part of the mutual means that it is in everyone's interest to share best practice, make good decisions and carry out regular and detailed risk profiling to see where improvements can be made. This is a unique situation that breeds collaboration across all parties involved, as ultimately what we do as a group affects the overall cost of the mutual.

5.3 Control

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.

5.4 Costs/savings/benefits

Over the years, third party insurance has been very costly with very little competition in the fire sector. 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. The average cost for the last three years with Zurich was £296,252 per annum; the average cost of the two years with the FRIC is £296,467.

BIBLIOGRAPHY

Source Documents	Location	Contact
None		

Appendix 1

Setup of the Fire and Rescue Indemnity Company – Risk Mutual