Hampshire Fire and Rescue Authority

Finance and General Purposes Committee **Item: 7**

1 February 2017

An update on the Authority Risk Protection and Insurance Arrangements

Report of the Chief Officer

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1 Summary

1.1 This report provides an update on the arrangements for providing risk protection and insurance cover to the Authority which have been in place since November 2015.

2 Recommendation

2.1 That the Committee notes the contents of the report and supports the approach taken by the Service to deliver further improvements to reduce risk and drive claims down in order to help reduce costs.

3 Introduction and background

3.1 Since November 2015 the Authority has procured risk protection by being a member of the Fire & Rescue Indemnity Company Ltd (FRIC). This is a company which operates on a hybrid discretionary mutual model. The company is owned by a group of nine Fire and Rescue Authorities. It was incorporated on 23 June 2015 with the Authority as a member.

3.2 Each of the nine Fire Authorities pays contributions to the company. These contributions are used for three purposes:

- To retain funds to enable it to pay member Authorities or third parties up to certain limits (the company's retentions) where the directors of the company have considered a claim on a discretionary basis and agree that a payment be made. There are four directors who have been appointed by member Authorities.
- To take a master excess policy to cover members against large claims in excess of the company's retention and a policy to cover the company for aggregate losses falling within the company's retention.
- To employ a management company to carry out the company's business activities.

3.3 FRIC currently has four directors appointed from the Members. The appointments comprise a range of experience and expertise. The Board is supported by the company's managers and has access to independent advice when necessary.

3.4 The Service works with the other members of FRIC to ensure that the members adopt best practice in risk management with the aim of helping to reduce accidents and incidents which, in turn, reduces claims payment by the company to its members and third parties. It also provides us with extra data sharing and cooperation between the Authority members.

3.5 Some risks are not covered by the company. These are travel, personal accident and engineering. Insurance cover continues to be provided by commercial providers for these classes. This is procured jointly by FRIC Members and FRIC might assist with this process in the future.

4 Information

4.1 Risk Profile

4.1.1 Each member of the company maintains a Risk Profile which identifies areas of work which could pose a risk. The Risk Profile will provide assurance that risks are being managed in all areas of the Service. It also forms part of future insurance tender documentation to enable tenderers to price risks on a more informed basis and provide a benchmarking tool to assess Fire and Rescue Services who may want to join FRIC in the future. Apart from the obvious implications for insurance, it has benefits for risk management within the Service and provides a reference for new activities that the Service undertakes. Each member of FRIC produces a Risk Profile against the following headings (these will expand over time):

- Fleet
- Property
- Health & Safety
- IT Security
- Business Interruption
- Environmental
- Shared Services
- Trading Arm
- Travel
- Other HFRS activities - For the Service this includes Princes Trust Volunteers, Schools Education Team, Fire Setters Team and Volunteering Scheme
- Specialist equipment
- Primary Authority Schemes
- Data Sharing
- Medical Governance

The Member Risk Profile and the master template from which it is derived are both reviewed six-monthly and updated accordingly. This is key to ensuring that we have appropriate and sufficient cover in place, in particular regarding information on new initiatives or working arrangements where there is a significant deviation from normal practice.

5 Renewal

5.1 We have recently completed the 2016/2017 renewal process. This required the provision of key information in respect of our current salary budget, property valuations and fleet numbers. There is also a section to supply details of change of risk; this looks at future developments possible within the next 12 months. Examples of this would be partnership working, collaboration, developments in the Co Responder Scheme and Medical Governance. It should be noted that we do not wait for the renewal process to update changes or level of cover. We refer change of risk and new risks as they arise.

5.2 The model to determine the 2016/17 renewal pricing was constructed to deliver no material change to individual Member contributions for the second year. Small variances are explained by changes in exposure base (e.g. vehicle numbers, property values etc.).

5.3 The FRIC Board intends to enhance the model in time for renewal in November 2017. One new factor to determine future contributions will be the value and volume of claims paid by FRIC. The Service carries relatively high excesses on its covers as a means of keeping contributions to a minimum (particularly on own damage for fleet), and therefore meets the initial cost of each claim, up to the agreed excess, from its budget. Reducing the volume and cost of claims is therefore important in minimising direct costs each year as well as keeping future contribution increases to a minimum.

6 Claims experience

6.1 Claims management is provided by FRIC's managers, Regis Mutual Management Limited. We have direct access to the claims system and all claims, including those below the Authority deductible level. These are recorded to ensure a single database of the claims experience for each Member Authority. This also will enable the ability to report on our own claim statistics and those of the other Member Authorities.

6.2 Employer's/Public Liability Claims

6.2.1 We have seen a considerable increase in employer's liability claims compared to those of previous years. These claims are as a result of a rise in the number of safety events occurring in the workplace. Employer's liability claims can be quite complex and can take many years to settle. This is where the importance of robust risk assessments, accident reporting and timely investigation become essential elements in managing and potentiality defending claims.

6.3 Motor claims

6.3.1 Our motor claims experience has been improving. However we continue to see a number of reversing and slow speed manoeuvring collisions, some involving damage to fire station property. Such incidents incur additional costs and also have the potential to cause operational disruption. We also see a high number of collisions with stationary objects such as kerbs, gateposts and lamp-posts. This particular issue is experienced to a similar extent by other Member Authorities.

6.4 Property claims

6.4.1 Our property claims are minimal. We were subject to a theft/burglary, including property damage, at a retained station in February 2016; the approximate value of the claim was £3200. The second incident involved damage to property caused by a third party colliding with the appliance bay door and subsequently leaving the scene, value to be advised.

6.5 Monitoring

6.5.1 Claims costs are closely monitored and analysed so that any emerging trends can be identified and addressed where possible. Vehicle incidents are discussed at Road Risk Management Group and liability claims are discussed with the Health & Safety team.

7 Supporting our corporate aims and objectives

7.1 Ensuring that the Authority is adequately protected for risks supports the achievement of our aims and objectives.

8 Risk analysis

8.1 It should be remembered that risk protection is there to help mitigate financial loss after an event has occurred. It is important that we continue to place importance on preventative risk management strategies like road risk management, health and safety and the security of facilities to ensure that, where possible, these events are minimised.

8.2 Normal risk prevention measures should always apply when considering new activities to prevent foreseeable injury or damage to third parties, the Authority or its people and property.

8.3 Regular contact is maintained with the Health and Safety Department to discuss safety events and potential claims. The aim is to identify and highlight issues and trends with a view to reducing risks.

9 People Impact Assessment

9.1 The proposals in this report are considered compatible with the provisions of the

European Convention on Human Rights, the Human Rights Act 1998 and the Race Relations (Amendment) Act 2000.

10 Environmental and Sustainability impact assessment

10.1 The proposals in this report are considered compatible with environmental and sustainability impacts.

11 Resource Implications

11.1 Human Resources

11.1.1 The management of the Authority's risk protection cover is undertaken within Knowledge Management by the Performance Review Manager and the Assurance and Compliance Officer. The Assurance and Compliance Officer deals with the day-to-day information relating to existing claims, potential claims and advice. The post is concerned with the administration of the risk protection, including contracts and policies, as well as risk management, and works closely with the Road Risk Management Group, the Fleet Department, Occupational Health, Human Resources and the Health and Safety Manager. The Assurance and Compliance Officer is part of the Road Risk Management Group and the Health and Safety Committee.

11.2 Information and Communications Technology Resources

11.2.1 A vehicle incident reporting module within the new Health and Safety tool is currently being investigated. This will allow an efficient method of monitoring vehicle incident data, providing the ability to identify emerging trends so we can address them as quickly as possible. Additionally it will provide a link to those incidents involving injuries negating the dual recording of this information.

12 Conclusion

12.1 This report provides a summary of the Service's risk protection arrangements and the continued work by the Service to provide high quality risk protection in the efficient and effective way.

13 Background Papers

13.1 None.