



Fire & Rescue Indemnity Company Limited

SAFER. BETTER. CHEAPER.

Value for Money Assessment 2024

Royal Berkshire Fire Authority (“RBFRS”) is a Member of the Fire & Rescue Indemnity Company (“FRIC”). FRIC has produced this Value for Money assessment for each Member.

FRIC’s products and services demonstrably provide Value for Money. This is evidenced by FRIC’s competitiveness in the market on placement of cover and the benefits of the additional services it provides to its Members. FRIC understands Value for Money to mean:

- using public resources in a way that creates and maximises public value,
- providing its services efficiently and at a cheaper price than commercial alternatives,
- effectively helping Members to reduce the cost and impact of loss events,
- reducing the risk and extent of harm to employees and Members of the public as a result of the activities of its Members in providing fire and rescue services.

FRIC is uniquely placed to do this because of the way it is structured as a collaborative not-for-profit Mutual owned and controlled by its Members.

Royal Berkshire News:

FRIC has always been keen to reward good risk management and strong claims performance as this was not sufficiently recognised under the previous arrangements. Royal Berkshire’s results are:

- 2024/25 renewal contribution is £432,508.54 which is adjusted based directly on claims performance, compared to last year's figure of £435,056.78.
- Insurance Premium Tax savings estimated at £32,320.
- In 2022/23 received discounts for vehicle CCTV, this saved the Authority £20,799.
- Applying the KPI rating factors has resulted in an amount of £9,589.79 being added to your Motor contribution for the 2024/25 period due to missed targets and/or a worse performance than last year in the areas as highlighted above.
- KPIs Performance;
 - Met 2 out of 8 KPI, they are;
 - Light fleet collision ratio of 11.6%, target <35%.

- Average cost of claim £3,878, target < £4,128.
- Missed 6 out of 8 KPI, they are;
 - Red fleet collision of 53.5%, target < 40%.
 - Motor loss ratio of 40%, target < 35%.
 - Internal claims reporting times under 2 and 4 days.
 - External claims reporting times under 3 and 5 days.

Competitiveness

When FRIC was established in 2015, it had 9 Members. Since then other Fire and Rescue Services have recognised the benefits of Membership of the Mutual with Membership increasing to 14 Authorities. West Yorkshire and Staffordshire having joined in the last two years. All Authorities joining FRIC do so having previously placed their equivalent cover on the commercial market paying commercial market rates. New Authorities joining FRIC provide a market benchmark against which to judge the cost effectiveness of its cover and services. Members' contributions are calculated on the basis of the same rating system, so that two Authorities with the same risk profile would pay exactly the same contribution.

FRIC's aim is to provide competitively priced cover, tailored to the Member's needs. It is based on Member size, staff numbers, fleet size and property value. KPIs are used to encourage high standards of health and safety and accident prevention as well as mitigation and reduce the level of contribution. Set out below is evidence of Authorities making significant efficiency gains as a result of placing their cover with FRIC.

- West Yorkshire saved £190,000 in its annual contribution by joining FRIC, which was a saving of approximately 20%. This is noted on page 3 of their HMICFRS self-assessment for 21/22.
- Staffordshire reported on page 9 of its Productivity and Efficiency Plan for 24/25 that it delivered savings and efficiencies by joining FRIC and noted that "HMICFRS have recognised FRIC as providing value for money and a cost-effective solution to Fire related insurance risks." Staffordshire did not report the value but advised FRIC that it was about 25%.
- East Sussex reported on page 6 of its Productivity and Efficiency Plan for 24/25 that it saved £188,000 on joining FRIC and that costs have continued to track below comparable market rates, with further savings of £30,000 having been made as a result of the installation of CCTV on its fleet. It also recognised that it benefited from a share of £200,000 that FRIC distributed to its Members in 2024.
- Cambridgeshire reported on page 15 of their Efficiency Plan for 23/24 that they are making savings of approximately 5-7%, as well as receiving other benefits that they did not receive from commercial insurers. They also noted the benefit of receiving a share of the surplus that FRIC distributed to Members in 2024. HMICFRS noted in their Cambridgeshire Efficiency Report

for 18/19 that the Members of FRIC were making financial savings as well as working together to reduce risk and promote best practice.

- In the Collaboration section of its Budget for 24/25 Devon & Somerset estimated that its cost savings as a result of FRIC membership were around £70,000, also noting the ancillary benefits of risk and financial pooling.

All of the above examples show that FRIC is delivering significant financial savings to its Members compared to what they were and would be paying to commercial providers.

1. Financial Benefits of being a Member of FRIC

Costs savings are made as FRIC has a collective buying power when placing insurance cover. Using a collaborative approach by all the FRIC Members coming together, rather than each having to seek cover on an individual basis, has resulted in lower priced cover and lower value contributions for each Authority. Additionally there are costs efficiencies for each Authority in not having to tender for the cover. FRIC provides this service for them and liaises with the market to ensure the best deals are secured.

In the NFCC Case Study produced when FRIC's membership was 9 Authorities, the estimated collective annual financial saving was around £1.15m or 15% when compared to the expiring premiums payable pre-FRIC. With the membership having increased to 14, the collective saving in cash terms has increased substantially by at least £600,000 on figures disclosed to FRIC. Figures will of course vary dependant on the peaks and troughs of the market and individual Members' circumstances, but after ten years of business, the cumulative saving from FRIC membership is significant.

Collaboration. The Mutual brings the Members together rather than each working alone or facing issues without support. By working collaboratively with each other through the mutual model, FRIC's Members have gathered together a unique dataset which is used to understand and price their risks efficiently. Commercial insurers guard such data carefully, giving them the advantage in pricing risks. FRIC uses this data to give its Members collectively a well-informed negotiating position with insurers when placing the insurance element of the cover provided to them. Without this collaborative approach, each Member negotiating individually with insurers would have a weaker negotiating position and should expect to achieve a worse outcome than that which is achieved by collective negotiation.

In addition to the costs savings made as a result of FRIC's collective buying power referred to above, there are other significant cash savings that FRIC's model delivers.

Insurance Premium Tax at 12% is payable on all insurance premiums, but FRIC's structure means that this is not payable on the contributions you make to us, meaning this represents a cash saving. For the coming year 2024/25, Royal Berkshire's contribution would have attracted an additional charge of £51,901, had

IPT been payable on the full amount. It does remain payable on the external insurance FRIC purchases on your behalf however, and although it is impossible to calculate the exact impact, due to the complexities of the pricing model, an estimated saving in the region of £32,320 is likely.

Distribution of Surpluses. Whilst it has been necessary to wait a number of years for reserves to reach sufficient levels before being able to return surplus funds to Members, and the return is at the discretion of the Board, distributions were made following the completion of the 2021/22 and 2022/23 protection years. Royal Berkshire received £13,962 and £13,850 in those years. Such payments would not be made under the previous arrangements as this would have been retained by the insurer.

Performance related incentives are used to reward Members for good risk management leading to lower claims numbers, prompt reporting of claims, and lower claims costs. KPIs have been established and shared to monitor these key areas. This mechanism enable Members to realise contribution reductions on their motor premiums of up to 15% for meeting all these KPIs. Conversely, poorer performance can lead to additional charges of up to 15%. FRIC has always been keen to reward good risk management and strong claims performance as this was not sufficiently recognised under the previous arrangements.

For 2024/25, Royal Berkshire incurred an additional charge of £9,589.79 as it failed to hit most of these targets. If it is able to improve performance in the coming year however, a reduction on next year's costs is possible.

FRIC also offers incentives in its pricing model for certain risk management initiatives. A discount of 30% is available for any vehicle that is fitted with CCTV to a specified standard. In 2022/23, this saved the Authority £20,799.

2. Non Financial Benefits of being a Member of FRIC

- **FRIC is a not-for-profit organisation.** Any surplus that it makes is reinvested into the Mutual for the benefit of its Members and/or returned to its Members in accordance with its policy on distributing reserves. This contrasts with the alternative commercial market insurers who will price their products with the aim of making a profit and who will use profits to bolster their reserves and/or pay dividends to shareholders.
- **Funds are protected.** FRIC has designed the mutual element of its cover to meet expected attritional losses, with the intention that only cover for exceptional losses should be placed with commercial insurers. This results in pricing efficiencies, as the majority of these claims in the mutual layer can be handled by the Managers' in-house Claims team.
- **Discretionary basis.** FRIC is a discretionary Mutual which means that even if a claim is not covered under the policy wording, the Member has the

opportunity to appeal to the FRIC Board to exercise their discretion to make a discretionary payment.

- **Claims handling is efficient and effective.** Claims are handled in house by the Managers' in house Claims team who have built up unique expertise and experience in this area. They work collaboratively with Members to keep settlements as low as possible and to resist claims where it is in the wider interests of the membership to do so, for example to establish important precedents that will reduce the number of future claims. Commercial insurers rarely adopt the same approach to attritional losses, tending to settle on an economic basis rather than looking at each claim on its merits. Settlement on this approach can lead to damage to the Authority's brand and reputation and sends out the wrong signal to spurious claimants.
- **Innovations to reduce costs.** A clear example of a FRIC innovation that has reduced the cost of motor claims is the provision of Bump Cards to Members. If a third party vehicle is damaged by a crew, a bump card is placed on the damaged vehicle or given to the third party where the vehicle owner is present, providing the owner of the damaged vehicle with FRIC's information to encourage them to make a claim directly. This then enables FRIC to use its own suppliers to repair the vehicle and provide a replacement vehicle where necessary. Without this initiative, a large percentage of the owners of damaged vehicles would be captured by claims management companies, who would incur inflated costs and then look to recover them from FRIC. This initiative has saved considerable costs since it was introduced.
- **CCTV installation on vehicles.** The use of CCTV has enabled FRIC to successfully and cheaply reject fraudulent claims where vehicle owners allege that their vehicles have been hit by a fire appliance.
- **Horizon scanning.** FRIC has been established for almost 10 years. With the data amassed on incidents and accidents over this period, and with collaboration between the Members and data sharing, trends can be identified quickly and a proactive approach taken on future issues impacting the sector.

Risk Mitigation. The data FRIC collects is used to provide risk mitigation and risk reduction guidance to Members. Analysis of the collective data is undertaken to identify the major causes of claims, trends, and common issues involved in claims incurred by Members. This analysis is used to highlight areas where further guidance or risk controls might be useful. FRIC then produces a Risk Management Guide to assist Members in addressing the risk and developing improved controls to reduce frequency and severity. In November 2023, FRIC published the second of these Guides, covering the Management of Stress and Mental Health Risk, following the publication of the Emergency Response Driving Guide published the year before.

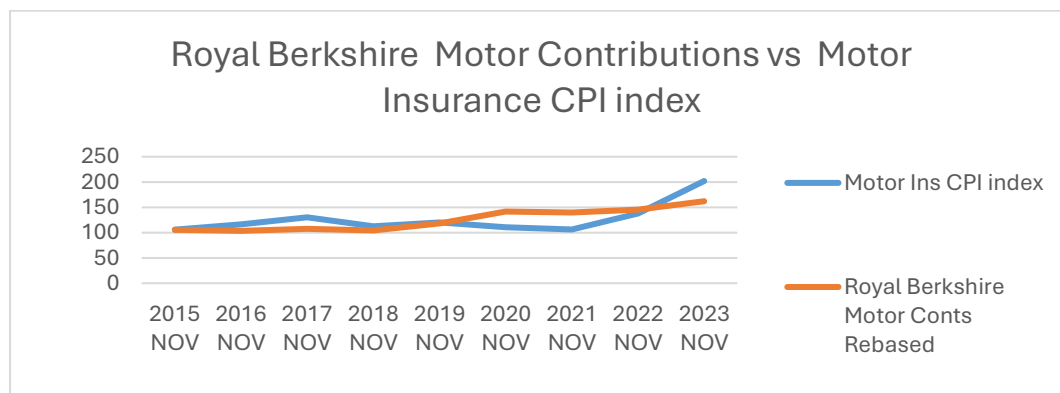
The additional benefits of membership include:

- Provision of claims management information for member use.

- FAQs protection and insurance queries and answers.
- Free collision investigation training.
- Free Alarm risk management memberships.
- FRIC dedicated experienced in house claims handlers who manage FRIC claims promptly and with active liaison with Members.
- Member performance attracts contribution discounts.
- Members share lessons learnt and improve knowledge and experience.
- Cloud-based claims reporting system.
- Cloud-based information sharing platform.
- Risk management projects funded to support Members to improve organisational risk profiles.

One of FRIC's objectives is to ensure a consistent approach to annual contributions smoothing out the previous cyclical fluctuations in premiums which occur from time to time and can result in significant rises and falls in costs, creating budgeting issues for Members. FRIC monitors Members' motor contributions against the Consumer Price Index for commercially available motor premiums. As the chart below demonstrates, not only does this evidence the smoothing effect intended, but also the relatively stable pricing which FRIC Members enjoy.

[CPI INDEX 12.5.4.1 Motor vehicle insurance 2015=100 - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/indices/articles/12.5.4.1-motor-vehicle-insurance-2015=100)



Conclusion

Being a Member of FRIC has resulted in costs savings to Royal Berkshire both in respect of lower priced insurance cover than on the open market, and in their not having to source this cover themselves. Risk management strategies and effective claims handling for all FRIC Members has benefited Royal Berkshire by collectively keeping claims loss ratios low. This in turn has resulted in less erosion of Member funds thus building up a surplus, protecting the financial stability of the Mutual.

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