

**TO:** Cambridgeshire and Peterborough Fire Authority

**FROM:** Treasurer to the Fire Authority

**DATE:** 24 July 2008

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## **FIRE SERVICE MUTUAL INSURANCE**

### **1. Purpose**

- 1.1 To provide the Fire Authority with an update on the Fire Service Insurance Mutual and recommend that the Authority takes part in the creation of a consortium, to procure insurance through the insurance markets and appoint a broker to act on the consortium's behalf.

### **2. Recommendations**

- 2.1 The Authority is asked to:
- note the update regarding the mutual; and
  - approve the participation of the Fire Authority in the creation of a consortium to procure insurance through the insurance markets and appoint a broker to act on the consortium's behalf.

### **3. Risk Assessment**

- 3.1 Legal - The possibility of legal challenge as to the powers of fire and rescue authorities to form and participate in a mutual insurance company is now a real possibility, owing to the outcome of the challenge against the London Authorities mutual.
- 3.2 Economic – The challenge has resulted in some of the initial savings having to be reinvested into short-term cover. Longer-term, savings should be realised whichever option is taken forward.

#### **4. Background**

- 4.1 At its meeting on 14 December 2006, the Authority agreed that it should become a participating member of the proposed insurance mutual.
- 4.2 Following a tendering and selection exercise undertaken by Firebuy, Charles Taylor Consulting (CTC) was appointed as the managing agent for the next three years. CTC has considerable experience of running mutuals and will act as professional adviser to the participating authorities as well as providing the day to day functioning of the mutual. CTC was also successful in becoming the managing agent for the London Boroughs' insurance mutual which began operating on 1 April 2007.
- 4.3 The Authority also accepted that as a participating member, it would be required, along with the other participating fire and rescue authorities, to capitalise the company by way of an initial cash contribution and an additional financial guarantee. The agreement in principle was subject to confirmation that the financial implications of the proposal did not alter significantly.
- 4.3 The mutual was registered as a company in the name of 'Fire and Rescue Authorities Mutual Limited' (FRAML).
- 4.4 Ten fire and rescue authorities agreed in principle to join the insurance mutual. Of these, five received insurance cover via FRAML from 1 September 2007. On the 1 April 2008, 4 additional members, including Cambridgeshire, received their insurance cover from the mutual.

#### **5. Current position**

- 5.1 Following a legal challenge against Brent and the London Borough Mutual Insurance company, FRAML have been advised to suspend underwriting on the ground that Combined Fire Authorities do not have the legal power to enter into such an arrangement.
- 5.2 The Secretary of State, under Section 29 of the Fire and Rescue Services Act 2004, can grant approval for participation. FRAML has written to the minister requesting that this request be taken forward. However, it is anticipated that this will take a minimum of nine months to progress.
- 5.3 The financial guarantee is retained by the mutual until such a time that all liabilities have been settled and a decision has been made with how the mutual will proceed.

5.4 The FRAML general meeting was held on 12 June 2008. At the meeting it was agreed between members that, in principle, a consortium should be established to procure insurance through the insurance markets and to appoint a broker to act on the consortium's behalf. It is anticipated that Firebuy will manage the procurement process and it is hoped that the consortium will be operation from 1 December 2008.

## BIBLIOGRAPHY

Source Documents	Location	Contact
Minutes to the Fire Authority 14/12/06	Hinchingbrooke Cottage Brampton Road Huntingdon	Michael Brown 01480 <a href="mailto:Michael.brown@cambsfire.gov.uk">Michael.brown@cambsfire.gov.uk</a>
Charles Taylor Consulting PLC report on an FRA Mutual	Hinchingbrooke Cottage Brampton Road Huntingdon	Matthew Warren 01480 444619 <a href="mailto:matthew.warren@cambsfire.gov.uk">matthew.warren@cambsfire.gov.uk</a>
Legal Advice	Hinchingbrooke Cottage Brampton Road Huntingdon	Matthew Warren 01480 444619 <a href="mailto:matthew.warren@cambsfire.gov.uk">matthew.warren@cambsfire.gov.uk</a>