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**Denver, Colorado**  
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*David Howells, Director of Corporate Services at Hampshire Fire and Rescue Service and Chairman of the Board of Directors of FRAML.*

# Big savings with a Mutual

**U**K Fire and Rescue Authorities can typically spend up to £500,000 a year on insurance – a significant drain on any authority's limited budget.

In an attempt to save as much as possible on insurance premiums as well as finding a fairer, more tailored deal for the sector, a groundbreaking mutual was born.

Since launching in September 2007, nine fire and rescue services have joined Fire and Rescue Authorities Mutual Ltd (FRAML) and are enjoying the provision of insurance from a company owned by – and run solely for – its members' interests and not for commercial company shareholders.

On course to make savings running into tens of thousands of pounds, each member fire and rescue authority is able to use the money saved to support frontline services.

## Daring to be different

For a sector more traditionally associated with "playing it safe", and relying on established principles of working, FRAML represents a bold and imaginative departure from the norm.

For many years, a number of fire authorities have had serious concerns about the cost and availability of insurance cover from traditional insurance providers. Despite their excellent claims history, fire authorities are traditionally grouped in terms of risk along with local authorities, most of whom incur many more claims than most fire authorities.

As a result, five fire authorities initially agreed to take part in an exercise co-ordinated by Firebuy – the UK Fire Service's national procurement organisation – to explore the potential for procuring insurance through means other than conventional insurance arrangements. A wider feasibility study was subsequently carried out using data collected from 23 fire authorities.

All this research showed that a mutual insurance company, dedicated to fire and rescue authorities, would be the most advantageous, practical and sustainable solution.

An insurance mutual is a joint venture controlled by its members. The members insure some or all of their risks with the mutual, instead of directly

with commercial insurers. They pool the risks and share the costs. The mutual then reinsures its risk with reinsurers, over and above the level of risk it retains itself.

It was calculated that such a venture could offer member authorities average savings of 15 per cent of current premium spend, plus a share of the potential surplus (underwriting profit) once the financial base of the company was established.

As Director of Corporate Services at Hampshire Fire and Rescue Service, and Chairman of the Board of Directors of FRAML, I felt that there must be scope for collaboration in providing insurance some ten years ago.

Perhaps it was naivety on my part, but I could never understand why the conventional insurance marketplace was not jumping at the opportunity to offer fire and rescue authorities economies of scale through some sort of group insurance scheme. Each time we asked the question, we were met with warnings about the dire consequences of subsidising riskier authorities.

Firebuy entered FRAML in the Society of Procurement Officers in Local Government 2007 Awards, for innovation and outstanding achievement in procurement. It won the award for its category – a remarkable achievement after just one month's operation.

## Better value for money

FRAML's raison d'être is all about delivering value for money for its members through working collaboratively, and capitalising on the economies of scale this provides.

Hampshire Fire and Rescue Authority has already seen a £75,000 reduction in the cost of its premiums since becoming a member of FRAML, while Cheshire Fire and Rescue Service calculates it will make a saving of around £78,000 on its insurance premiums in the first year, with the potential for further savings in future years. In addition both authorities, as founding members, will be eligible to receive any share of underwriting surplus.

Participating authorities are paying less for the same or enhanced levels of insurance cover. Typical savings are over 15 per cent a year.

## ADDED BENEFITS

All members can expect benefits rarely available in the commercial insurance sector, including:

- A share in the underwriting surpluses – which would previously have been paid to third parties, such as shareholders.
- Financial incentives to make an underwriting surplus, and reward for the good risk management practices of members.
- More competitive policies, which take into account the unique and very favourable risk profiles of fire authorities, rather than being "lumped together" with local authorities.
- Policies which are tailored to the needs of fire authorities, rather than generic ones designed to cater for many types of organisation.
- Support from sectors of the reinsurance industry which traditionally do not deal with individual authorities and are far more amenable to the mutual structure of FRAML.
- Less susceptibility to the vagaries of the commercial insurance market – important when dealing with public money. Impressively, apart from achieving cost-savings for its members, FRAML is also having a dramatic impact on the conventional insurance market with companies offering all authorities big discounts because of the competition it has generated.
- In addition, by working closely with other fire authorities, members are developing new networks, greater empowerment through unity, and closer professional ties.