



Association of British Insurers

## **THE SCOTTISH FIRE AND RESCUE SERVICE: PROPOSALS FOR LEGISLATION – A RESPONSE BY THE ASSOCIATION OF BRITISH INSURERS**

The Association of British Insurers (ABI) is the trade association representing over 400 insurers who between them write 91% of the general insurance business in the United Kingdom. This paper gives insurers views on the important reform programme proposed for the Fire and Rescue Service in Scotland set out in the consultation document “The Scottish Fire and Rescue Service: Proposals for Legislation” and sets out the ABI view on the key implications for insurers and their customers.

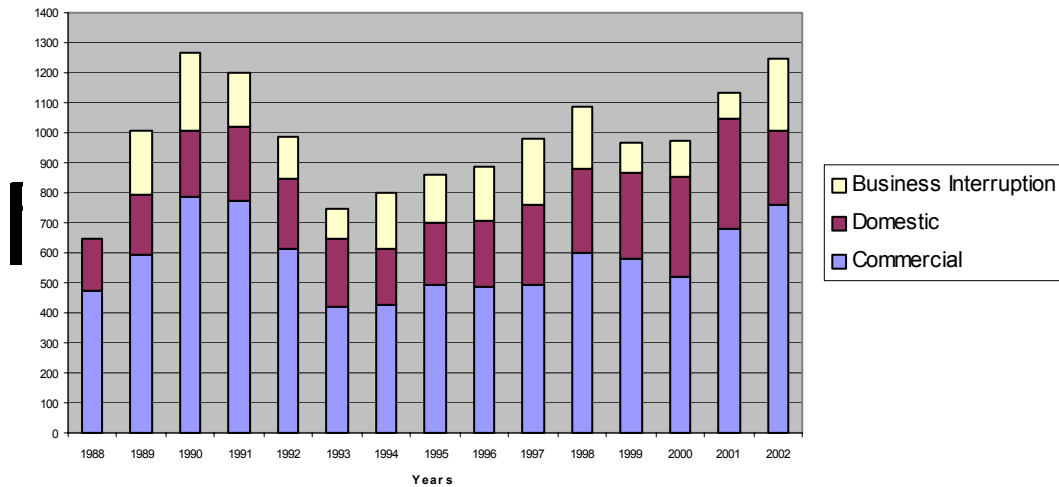
The first section sets out a summary of the role of insurance and the economic and social impacts of fire and arson. Specific responses on individual proposals highlighted in the consultation document are set out in the second section of the paper.

In addition ABI, through its public good agency the Arson Prevention Bureau, has commissioned research from the Forensic Institute on Fire Investigation in Scotland. The report is currently being finalised and will be presented to Ministers on completion early in 2004. We hope that this independent report will contribute to the development of good practice in Scotland, and more widely throughout the UK.

### **Part One: Context**

General insurance is essential to the smooth running of the economy. It removes significant obstacles to enterprise and helps stimulate economic growth. **In 2002 ABI members paid out around £18.5 billion in General Insurance claims in the UK.** Home Office research puts the annual cost of fire in England and Wales as £6.9 billion. Insurance costs make up a relatively small proportion of the total cost of fire. **Fire material damage and related business interruption costs totalled £1.4 billion in the UK in 2002, rising for the third consecutive year.** The cost of arson contributes £2.1 billion to the total cost of fire in England and Wales, and insurers estimate that arson results in insurance claims totalling £700 million each year in the UK, much of which is avoidable through the use of appropriate fire suppression and security measures.

## Fire claims in the United Kingdom, 1988 to 2003, £m pa



Note: No statistics available for Business Interruption in 1988

### Fire and arson losses

The public estate gives rise to a significant proportion of fire and arson losses. Insurers believe that **Best Value audits should include an analysis of the steps taken to protect the public estate and provide improved value to taxpayers.** We also consider that where public/private ventures are employed, **PFI and PPP guidance should require fire prevention and suppression measures to be incorporated as standard features.**

Certain activities within the private sector have also been identified as having disproportionate fire losses. The insurance market functions by offering risk pools, with each participant contributing on the basis of level of risk they bring. The greater the probability of a claim, and the larger the likely size of that claim, the higher the premium. **Businesses** may therefore **directly benefit from reduced insurance costs by controlling both risk and impact. However there are elements of risk that can only be influenced by external agencies, usually government,** which also impact on insurance costs. These include social and economic policy, building regulation and control as well as resourcing and deployment of fire and police services.

The insured cost of domestic fire claims in the UK was £351 million in 2002, and has risen by an average 5.2% a year since 1988 in line with increases in average earnings and hence personal wealth and possessions. **Little real impact has been made in reducing domestic fire property losses despite public and private sector fire safety campaigns.** Around 25% of households, or 50% of households on the lowest income decile, have no Household insurance.

**The cost of fire falling on the poor will therefore be under-represented in insurance claims figures.** UK Government research suggests that socially

deprived households are 31 times more likely to suffer fires than households in general. They may also be most likely to lose their jobs as a result of fires in commercial premises, and as the least skilled may be less likely to find replacement employment quickly. Many businesses never completely recover from large fires: as many as 90% of businesses fail within 12 months of a major crisis, such as a catastrophic fire according to research by Touch Ross.

#### Consultation proposals: general comments

**Insurers welcome the overall aim of the recommendations set out in the consultation**, that is that “a Scottish Fire Service, [should] make its full contribution to building a safer society by working with others to reduce death and injury, damage to property and the environment, from fire and other emergencies”.

ABI supports the Scottish Executive in undertaking a rigorous and complete approach in analysing the full range of demands that the Service must meet, identifying the drivers for effective deployment of resources. Insurers note that **life safety has always been, and rightly continues to be, the first priority of the Fire Service, but stress that the objective of protecting the economic assets and capacity should be a key concern in future.**

Despite a long term commitment by insurers to improving fire and arson prevention ABI research suggest that only around 40% of businesses suffering large fire losses in the UK have any fixed fire protection installed in the building, contrasting significantly with the 81% level achieved of homes having smoke alarms (ODPM statistics for England and Wales). In around two thirds of cases fire protection is restricted to an automatic fire alarm.

Clearly current **Fire Safety and Building Regulations are not addressing the economic costs of fire, and insurance-related incentives alone are not sufficient to persuade businesses to take voluntary measures to protect themselves.** As a result there are significant and repeated economic losses. It will be important to strengthen Building Regulations to address these social and economic issues as well as protecting life. These will then support the greater emphasis for fire prevention coming into effect under the proposed reforms.

Insurers are anxious that terms such as Community Fire Safety should include business and the voluntary sector, rather than the narrower definition that has been used to date in many parts of the UK. Around 8 in 10 large fire losses occur in businesses with less than £100 million annual turnover. It is unlikely that many of these businesses have in-house risk management expertise. This has implications for the promotion of fire prevention in businesses, particularly as regulatory reform leads to the new risk based approach to statutory inspections.

**The move away from national statutory response standards** to a locally determined risk based approach will enable local needs to be reflected fully in the deployment of resources. Fire authorities and Government **should draw**

**on experience elsewhere** in designing risk identification and resource deployment measures. **For example, the National Policing Plan** in England and Wales and local Crime and Disorder Reduction Partnerships priorities are further **informed by local intelligence** collected under the National Intelligence Model, in determining the deployment of police resources.

In drawing up IRMPs and risk maps as predictive tools for future fire and other emergency incidents it is important to assess potential hazards rather than being driven by historic events. **Risk assessment should take account of the impact or damage that will occur as well as the probability of something happening.** For many areas safeguarding the economic base of the community will be a high priority as the social and environmental impacts of business closures and re-locations can be significant.

**Community fire safety and arson reduction funding should be available to undertake initiatives targeted at priorities identified in IRMPs and other local strategy plans.** The emphasis should be on undertaking initiatives that address the behaviours that are giving rise to the identified problem, evaluating their effectiveness and sharing the outcomes so that best practice can be developed and promulgated.

Better prevention of both accidental and deliberate fires can only be achieved where there are comprehensive and accurate assessments of causes, with supporting legislation and regulations being amended to address emerging problems. **Improving the level of expertise and deployment of fire investigation services will be crucial.** Insurers wish to contribute to the continuing development of this expertise and best practice through a partnership approach, including the publication early in 2004 of an independent research report into "Fire Investigation in Scotland" by The Forensic Institute.

Insurers recognise the need to reduce the unnecessary burden of false alarms on limited public resources, but are anxious to maintain the standards of protection afforded to our customers. We believe that significant improvements can be made without recourse to measures such as charges or fines that could jeopardise the operation of fire prevention and detection systems. **It will be essential to ensure that measures to manage false alarms focus on changing the behaviours and design features that give rise to such call-outs, rather than simply resulting in systems being switched off.**

## **Part Two: Specific responses**

The responses below follow the structure of the consultation document, with passages from the consultation in parentheses followed by ABI's response.

### **Chapter One – The Scottish Fire and Rescue Service**

1.10 *As indicated in our policy paper, now is the ideal time to reposition the fire service to meet the challenges of the future. We intend to signal that change and begin by re-naming the fire service the Fire and Rescue Service. This title better reflects the existing wider responsibilities of the fire service, which go beyond just tackling fires. We use this title throughout the remainder of the paper. In addition we intend to replace the title Firemaster with that of "Chief Officer", which better defines the role of the head of each local Fire and Rescue Service.*

We agree that the Service's title should reflect its responsibilities.

### **Chapter Two – The Framework and Supporting Structure**

#### **National Framework**

2.5 *We believe therefore that there will be many benefits in creating a new National Framework.*

We support this approach.

2.8 *Scottish Ministers would therefore also take reserve powers of direction as a means of ensuring that delivery of the priorities in the National Framework is not undermined.*

Insurers agree that a consistent approach is essential on issues of national resilience, whether as regards fire safety or wider civil contingency issues.

#### **New Advisory Structure**

2.13 *We will therefore replace the current Scottish Central Fire Brigades Advisory Council with a small strategic Advisory Group with responsibility for advising Scottish Minister on fire and rescue issues.*

Insurers support the move to a more strategic group representing business, industry and community representatives and stand ready to contribute on behalf of our business and private customers.

## **Chapter Three – The Core Duties of the Fire and Rescue Service**

### **Fire Fighting and Intervention**

#### ***3.10 Authorities will be required to produce Integrated Risk Management Plans (IRMPs) and to consult publicly on these plans.***

The adoption of risk-based deployment of the Fire Service, which will need to be founded on good “intelligence” or knowledge of dynamic risks. Insurers support this as the right approach but note that in the initial years many of the data required to underpin rigorous and robust risk management planning will not be available, or will not be compatible with other data sources. Insurers are engaged in discussions with CACFOA on the contribution they might make to the development of more comprehensive data sources over time.

Understanding risk involves the prediction of future events as well as full knowledge of past events. The latter may or may not assist in the former either because of the dynamic nature of the risk (eg change of use in an industrial estate, change of practice or process) or because past events have not occurred in some high risk areas. Historic serious fires should be defined as those resulting in fatalities or serious injuries, serious economic (and consequently social) or environmental damage. Other indicators such as social deprivation, licensing requirements by other statutory authorities or crime patterns will be needed to identify likely patterns of future events.

In drawing up IRMPs and risk maps as predictive tools for future fire and other emergency incidents it is important to assess potential hazards rather than being driven by historic events. Change of ownership, use or process, or upgrading of fire prevention measures can all alter the likelihood of future events. Historic data is useful in defining types of hazard and, if near misses are included, measuring current effectiveness but it does not predict where the next fire will be, only the types of properties more likely to suffer a fire. Other geographic information will identify areas with concentrations of high, medium and low risk properties.

Risk maps need to cover the full range of hazards brigades might be asked to respond to, without any value judgements being applied. (“Risk” is often used differently by different organisations; insurers take account both of the probability of something happening and the impact or damage that will occur when it happens). A fire in a factory that is a significant local employer, or the only doctor’s surgery in a small town, or a struggling sub-post office, will all have much greater impacts than the value of reinstatement might imply. Businesses operating with tight margins may be highly adversely affected by alterations in cover that lead to a re-assessment of risk and hence insurance pricing, since even modest increases in costs can have a significant impact on profits.

Aggregations and co-incidences of different types of risk will necessitate different responses and may change the priority given to a neighbourhood. An industrial estate with small contiguous units may be low or high risk,

depending on type of business. A small welding shop or agricultural supplies store may be relatively low risk in themselves, but combined alongside a soft furnishings maker and paper goods supplier the risks might change.

Decisions on priorities for resource deployment should be made once the nature, size and distribution of hazards are known, rather than pre-determining the type of hazards worth mapping. For many areas safeguarding the economic base of the community will be a high priority as the social and environmental impacts of business closures and re-locations can be significant.

*3.15 We will therefore make Community Safety/Fire Prevention a distinct core duty of the fire service.*

This approach reflects that taken by the insurance industry over many years. Insurers invest around £0.5 million each year in fire prevention research, EU and UK standards work and the development and promulgation of sourcebooks such as the Loss Prevention Council Design Guide. The outputs from these activities inform insurers' promotion of fire prevention in the form of advice to customers, contractual terms and conditions, and with economic incentives. ABI research suggests that in nearly half (48%) of large loss claims, one or more of the contractual terms were not being met by the insured. In such circumstances claims may be reduced or repudiated.

Despite clear market signals (contractual and financial), policyholders continue to demonstrate inappropriate behaviour as regards fire prevention. The Service will therefore face substantial challenges in changing mindsets and should be prepared to face setbacks. Prevention is better than cure, but will require consistent and clear leadership if a real difference is to be achieved.

#### Road Traffic Accidents (RTAs)

*3.19 We intend to give Fire and Rescue Authorities a duty to make provision to respond to Road Traffic Accidents (RTAs).*

Insurers support this approach, which more closely reflects modern circumstances.

#### Serious Non-Fire Emergencies

*3.20 We also intend therefore to give Fire and Rescue Authorities a duty to respond to other serious non-fire emergencies.*

Insurers support this approach, which more closely reflects modern circumstances.

## Fire Safety Enforcement Role

*3.22 Scottish Ministers will take powers to prescribe emergencies (and also powers to exclude certain types or categories of emergency) and achieve this through the making of Regulations.*

Insurers agree that it will be essential to incorporate flexibility into arrangements going forward and note that existing prescriptive approaches have inhibited the natural development of the Service in response to society's needs. We consider this essential in the field of Civil Contingency Planning and Response.

*3.29 We therefore intend to fundamentally reform fire safety legislation.*

*3.31 Fire and Rescue Authorities will be given a core duty to be the primary enforcing authority for the new fire safety legislation. We will reflect this principle of consultation in the Bill or in Regulations made under the Bill.*

*3.32 Scottish Ministers will take powers to issue guidance documents for the purpose of providing practical advice to relevant businesses.*

Despite a long term commitment by insurers to improve fire and arson prevention, set out above, early results from ongoing ABI research indicate that only around 40% of businesses suffering a large fire loss have any fixed fire protection installed in the building, contrasting significantly with the 81% level achieved of homes having smoke alarms. This protection is limited to an automatic fire alarm in one third of businesses (31%). Around 8 in 10 large fire losses occur in businesses with less than £100 million annual turnover.

It is unlikely that many of these businesses have in-house risk management expertise. This has implications for the promotion of fire prevention in businesses, particularly as regulatory reform leads to the new risk based approach to statutory inspections.

The adoption of modular building techniques, currently being promoted by ODPM in England for low cost housing projects, are of particular concern to insurers. The construction methods have variable fire resistant qualities and rely on good finishes, which must remain intact and undamaged during occupation. The cost of repairing such constructions after a fire can be significant, particularly where the structure has to be disassembled in order to "slot in" in a new replacement module. Developments such as these underline the need to take a more risk based approach, underpinned by regulations that seek to achieve more than the limited aim of protecting life. The social and economic costs of major fires in such constructions will be enormous.

Clearly current fire safety and building legislation is not addressing the economic costs of fire, and insurance-related incentives alone are not sufficient to persuade businesses to take voluntary measures to protect



themselves. As a result there are significant and repeated economic losses. It will be important to strengthen building regulations to address these social and economic issues as well as protecting life. These will then support the greater emphasis for fire prevention coming into effect under the consultation proposals.

## **Chapter Four – Organisation and Responsibilities**

### **Introduction**

*4.4 We want to ensure that the Fire and Rescue Authorities have the potential to recover their costs when they consider that the Service has been misused or is used for commerce.*

Insurers support the principle of those misusing the Service being required to bear the consequent costs and that it may be appropriate for the Service to withdraw completely from certain non-emergency services which would be better provided by commercial concerns, such as animal rescue, release from lifts or dealing with lost keys.

However insurers also note that there are considerable opportunities for, and advantages from, partnership arrangements between the private sector and the Service that might be jeopardised if charging policies were pursued as a standard approach. The public interest may well be best served in pursuing “in kind” contributions from private sector partners and the guiding principle should always be in achieving best value for the public in its widest sense.

### **Collaboration**

*4.17 Scottish Ministers will take powers to procure equipment for the purposes of national and UK resilience and make it available for purchase or for use by Fire and Rescue Authorities.*

Insurers fully support the adoption of the most cost effective approach in achieving improved resilience in fire and civil protection.

*4.18 Scottish Ministers will take powers to impose requirements on Authorities, to use and maintain any specified equipment or services for all of their core duties. Additionally we will extend the current provision for the schemes of mutual assistance when dealing with fires to other serious non-fire emergencies.*

Insurers fully support the adoption of the most cost effective approach in achieving improved resilience in fire and civil protection.

4.19 *In relation to serious non-fire emergencies, we will take powers for Scottish Ministers to prescribe what provision for equipment Fire and Rescue Authorities should be required to make.*

Insurers fully support the adoption of the most cost effective approach in achieving improved resilience in fire and civil protection.

4.20 *Other areas of work which it has already been recognised would benefit from a common approach whilst key delivery remains at a local level, are the funding and administration arrangements of pensions, human resource issues, training and administrative and financial support functions.*

4.21 *This work might best be achieved through the setting up of a Common Fire Services Agency.*

Insurers support the adoption of cost effective structures to deliver key support functions in order that the maximum possible proportion of funding can be focused on the delivery of pro-active and reactive fire and rescue services.

#### Control Rooms

4.25 *In light of this study, Ministers will take any necessary powers to implement new control room arrangements in Scotland.*

Insurers support the adoption of cost effective structures to deliver key support functions in order that the maximum possible proportion of funding can be focused on the delivery of pro-active and reactive fire and rescue services.

#### Discharge of Duties through other arrangements

4.26 *We therefore intend to give Fire and Rescue Authorities these necessary powers about the discharge of their functions.*

Insurers support the adoption of cost effective arrangements to deliver pro-active and reactive fire and rescue services.

#### Funding

4.28 *If we conclude that we should establish these changes on a statutory basis we will take the appropriate action in the Bill.*

Insurers support the adoption of appropriate funding criteria in the light of emerging understanding of resourcing needs. However we note that shortcomings in data availability and reliability will require early IRMPs to be treated as indicative in some cases. We would therefore caution against sudden and substantial re-allocations of resources unless the base data justifies high levels of confidence.

## **Chapter Five – The Workforce**

### **Discipline Regulations**

*5.22 To support this improvement we will repeal the current discipline regulations.*

Insurers support the adoption of Service conditions that meet the needs of the modern Service.

### **Diversity**

*5.23 We will introduce multi-tier entry and accelerated promotion.*

Insurers support the adoption of Service conditions that meet the needs of the modern Service.

The Fire Service must be able to respond effectively to fires and other emergencies, drawing on appropriately skilled, motivated and resourced staff. Activities such as rescuing people from vehicles and other non-statutory tasks now account for a significant minority of Fire Service resource. Responsibilities under the Civil Contingencies Bill, when it becomes law, could add to this diversification further. Insurers consider it essential that the Service has adequately trained people with the correct skills and equipment to undertake these diverse roles, with specialisations where appropriate.

**Association of British Insurers  
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