

DRAFT LONDON SAFETY PLAN CONSULTATION: A RESPONSE FROM THE ASSOCIATION OF BRITISH INSURERS

The Association of British Insurers (ABI) is the trade association for insurance companies operating in the UK. It represents over 400 members who, between them, account for over 91% of the general insurance business of UK insurance companies.

Section 1: Preventing Emergencies

The Fire and Rescue Services Act places a statutory duty on Fire and Rescue Authorities to promote fire safety. Insurers firmly believe Community Fire Safety to include business, as around 80% of jobs and services to the community are provided by the private sector, albeit that some of this is funded via the public purse. Community Fire Safety needs to be delivered as a comprehensive programme of education, as there is a danger that some SMEs and households in the lowest socio-economic groups will 'slip through the net' and be left either without proper fire safety precautions, or be unaware how the legislation has changed or how they can carry out risk assessment. There are over 6 million SME businesses in the UK. Their stability is critical to the economy but their survival is often dependent on external specialist support.

It is not possible to accurately identify the percentage of businesses that do not have adequate fire prevention or business continuity plans in place. However, ABI research suggests that as many as 60% of businesses have no fixed fire protection systems in place, and it is suggested that as many as three quarters of all SMEs do not even have basic business continuity plans in place. Despite previous government and insurer led programmes of publicity and education, the message does not seem to have been picked up by many SMEs. These programmes should be evaluated, barriers to uptake identified and any future programmes designed to address the identified problems.

Section 2: Targets

- *Reduce deliberate fires by 10%*

The ABI welcomes this target. British business' insured arson losses were around £700 million in 2002. In addition to this, many businesses are not fully insured. Arson attacks on business have a high cost to the community. Fire material damage and related business interruption costs totalled £1.1 billion in the UK in 2003, the third consecutive year of billion pound losses. Despite a long-term commitment by insurers to improving fire and arson prevention ABI research shows that only around 40% of businesses suffering large fire losses have any fixed fire protection installed in the building and that about three quarters of these measures are limited to fire alarms, that is they are life safety mechanisms rather than fire prevention measures. Around 8 in 10 large commercial fire losses occur in businesses with less than £100 million annual turnover. Touch Ross estimates that up to 90% of businesses fail within 12 months of a major crisis. This means a loss of employment, key services and capital from the local area.

- *Reduce hoax calls by 5%*

ABI recognises the burden that hoax calls place on the Fire & Rescue Service and notes the range of initiatives currently being developed in England & Wales to try and reduce the number of hoax calls, including further challenging of callers, underpinned by relevant training for staff at emergency call receiving centers. This measure can only be an accurate performance assessment barometer if control room staff are given full training and support to challenge callers and make a judgment as to whether a call is malicious or not.

However, any proposal on non-attendance at a 999 call must be evidence-led and fully qualified. Work to drive down the number of malicious false alarms must use effective measures and take account of the risk to life and economic capacity. While insurers fully agree on the need to reduce the number of malicious false alarms, a situation must not be allowed to occur whereby a Fire Brigade did not respond to a genuine 999 call. Using non-attendance to malicious false alarms as a target must not result in LFEPA erring on the side of non-attendance, a strategy that would increase risk to life and property in

the local community. Even one instance of non-attendance at a genuine 999 call would result in significant negative publicity, criticism and loss of public and business confidence in the Fire and Rescue Service, notwithstanding the risk to life and property. This increased risk would inevitably be reflected in future pricing and availability of insurance coverage in the affected area, particularly in the event of non-attendance at a genuine fire.

Section 3: Covering Emergency Incidents

Insurers regard as crucial to the success of the London Safety Plan the need to ensure that responsive fire cover is not diminished, although this may be achieved through more flexible use of resources and changes in working practices. In particular ABI regards the provision set out at paragraph 3.2 of the 2004/05 Fire & Rescue Service National Framework as critical. This states that the duty to provide an effective response remains, alongside the need for Fire Authorities to develop their capacity to respond to new challenges such as terrorist incidents.

Important as prevention is, there must remain in place sufficient cover where incidents, both fire and non-fire, do occur. Over time, effective prevention work should reduce the incidence of fire, enabling further re-deployment of resources.

In considering the redirection of resources, including the closing of Manchester Square fire station, insurers strongly state that the considerations set out in the paragraph 1.3 of the 2004/05 National Framework are taken into account. This states that IRMPs must set out a strategy for:

- Reducing number and severity of fires, [...] road traffic accidents and other emergency incidents;
- Reducing the severity of injuries in fires, road traffic accidents and other emergency incidents;
- Reducing the commercial, economic and social impact of fires and other emergency incidents;

- Safeguarding the environment and heritage (both built and natural); and
- Providing value for money.

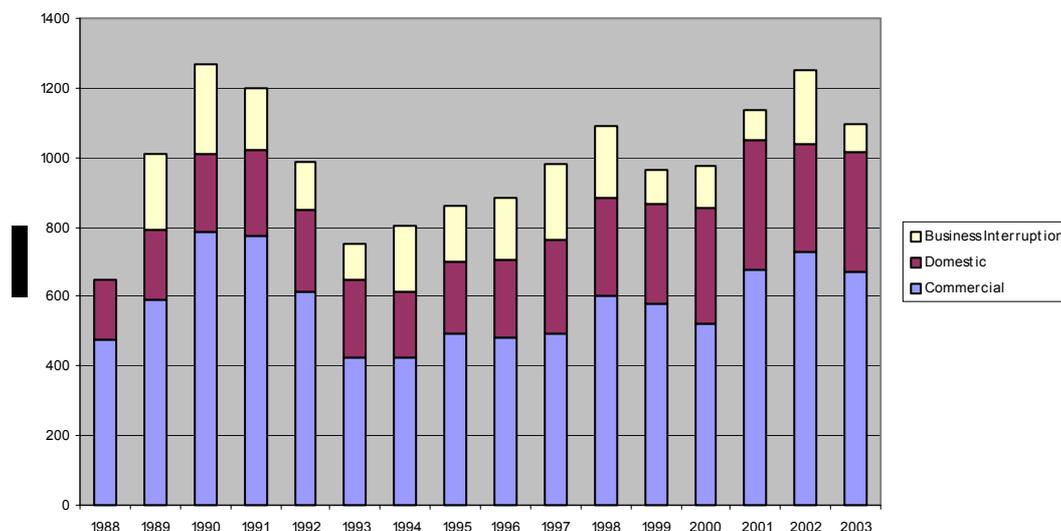
Insurers strongly support these commitments, and stress that these cannot be overlooked. All of these aims must remain demonstrably central to the strategies outlined in the London Safety Plan, alongside maintenance of brigade response times.

Section 4: Improving Efficiency

- Q12: Fire engines following risk.

Insurers regard as essential a definition of risk that takes into account potential business interruption, along with potential loss of life. We welcome the emphasis in paragraph 1.3 of the 2004/05 Fire & Rescue Service National Framework on reducing the “commercial, economic and social impact of fires”. We strongly believe these wider impacts of fires must be taken into account when considering a risk based response, and any redirection of resources must be fully evidence-led.

Insurance claims for Fire Material Damage and related Business Interruption, 1988-2003



Source: ABI Statistics

NB. No statistics available for Business Interruption in 1988

“Risk” is a term 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. 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 (e.g. 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 assist in identifying likely patterns of future events.

Association of British Insurers
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