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RISC AUTHORITY SEMINAR 2011

Arson – who's problem is it anyway?

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Vice President, the Chief Fire Officers Association



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APPROACH FOR THIS SESSION

- Outline the scale of the problem in financial and societal terms
- Consider the issues from different perspectives
- Outline current approaches
- Present a personal 'offer' to insurers!

SCALE OF THE PROBLEM



THE SCALE OF THE PROBLEM

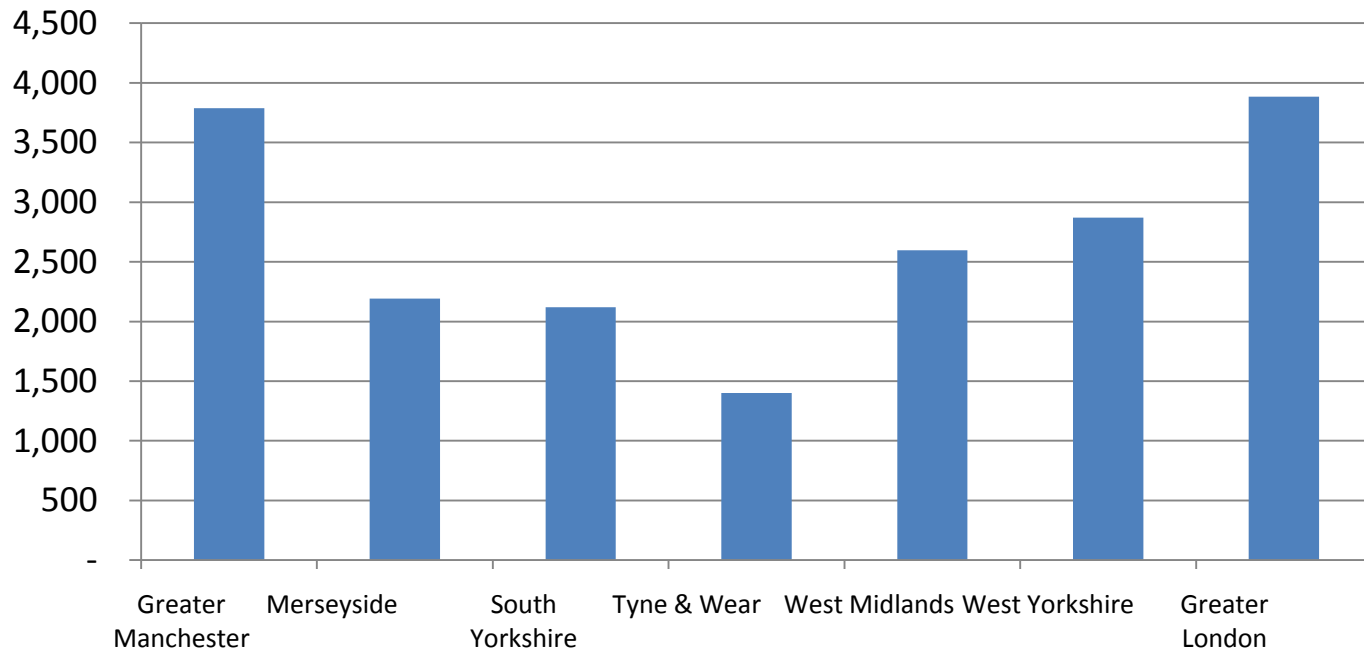
Arson events:

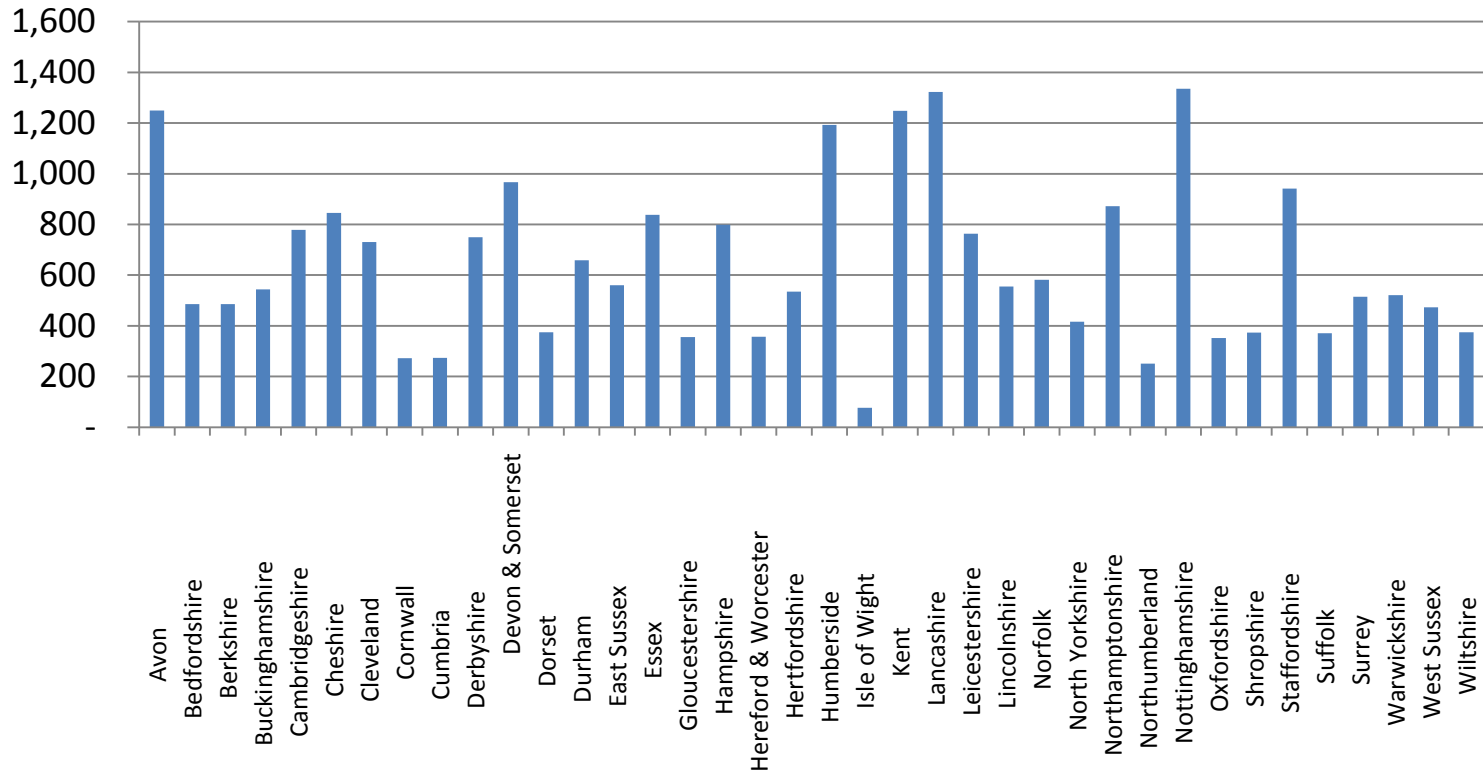
- 18,364 major fires
- 64 deaths (59 were in dwellings)
- 1995 injuries (1604 were in dwellings)
- 27,414 deliberate vehicle fires (66% of the total)

Source: UK Fire Statistics, 2008.

Impact

- Cost to insurers and policy holders
- Cost to society (A&E, long term care, unemployment)
- Cost to emergency services (FRS activity, wages and fuel etc)
- Public safety (increased risk to people/risk and public perception)







Fire and Rescue Service partnership working toolkit
for Local Area Agreements



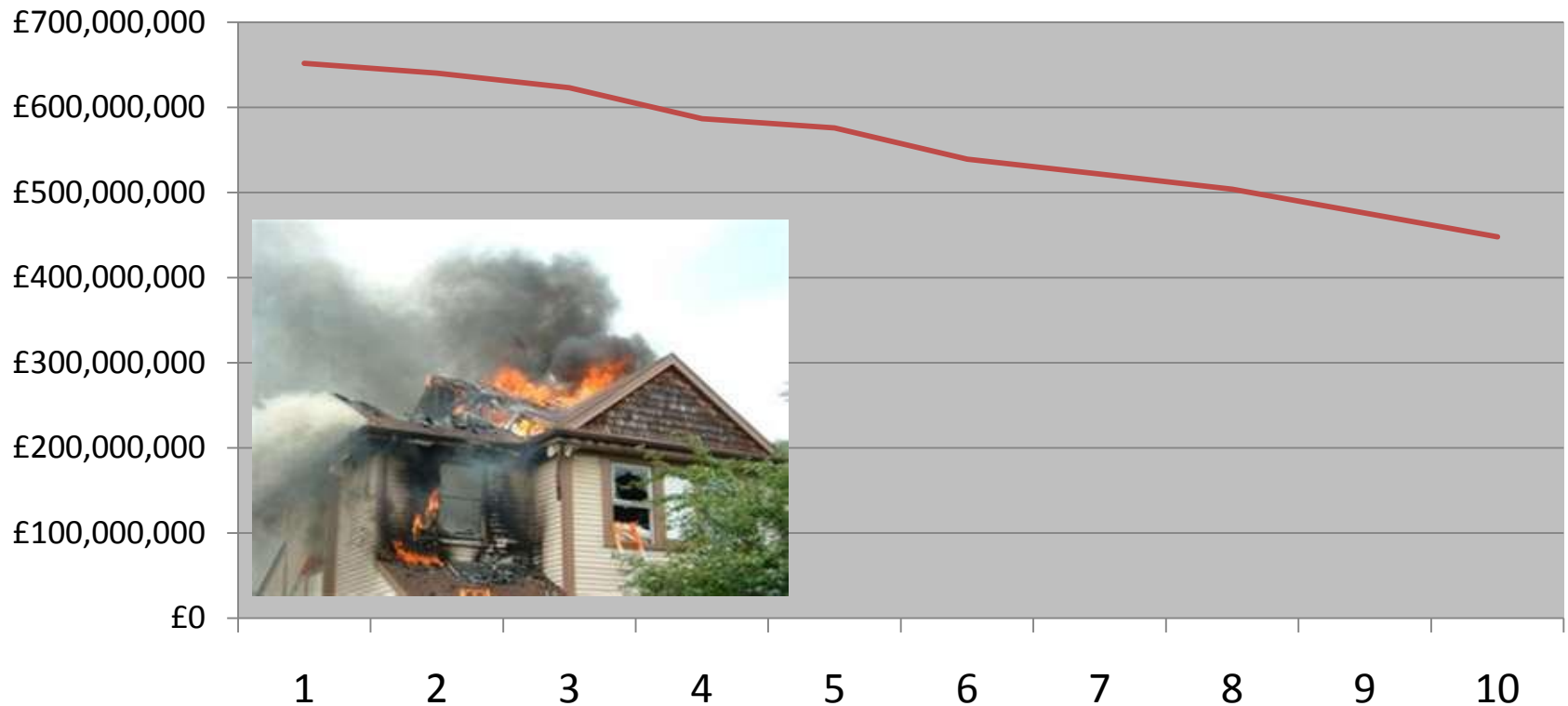
www.communities.gov.uk
community, opportunity, prosperity



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COST OF DELIBERATE DOMESTIC FIRES



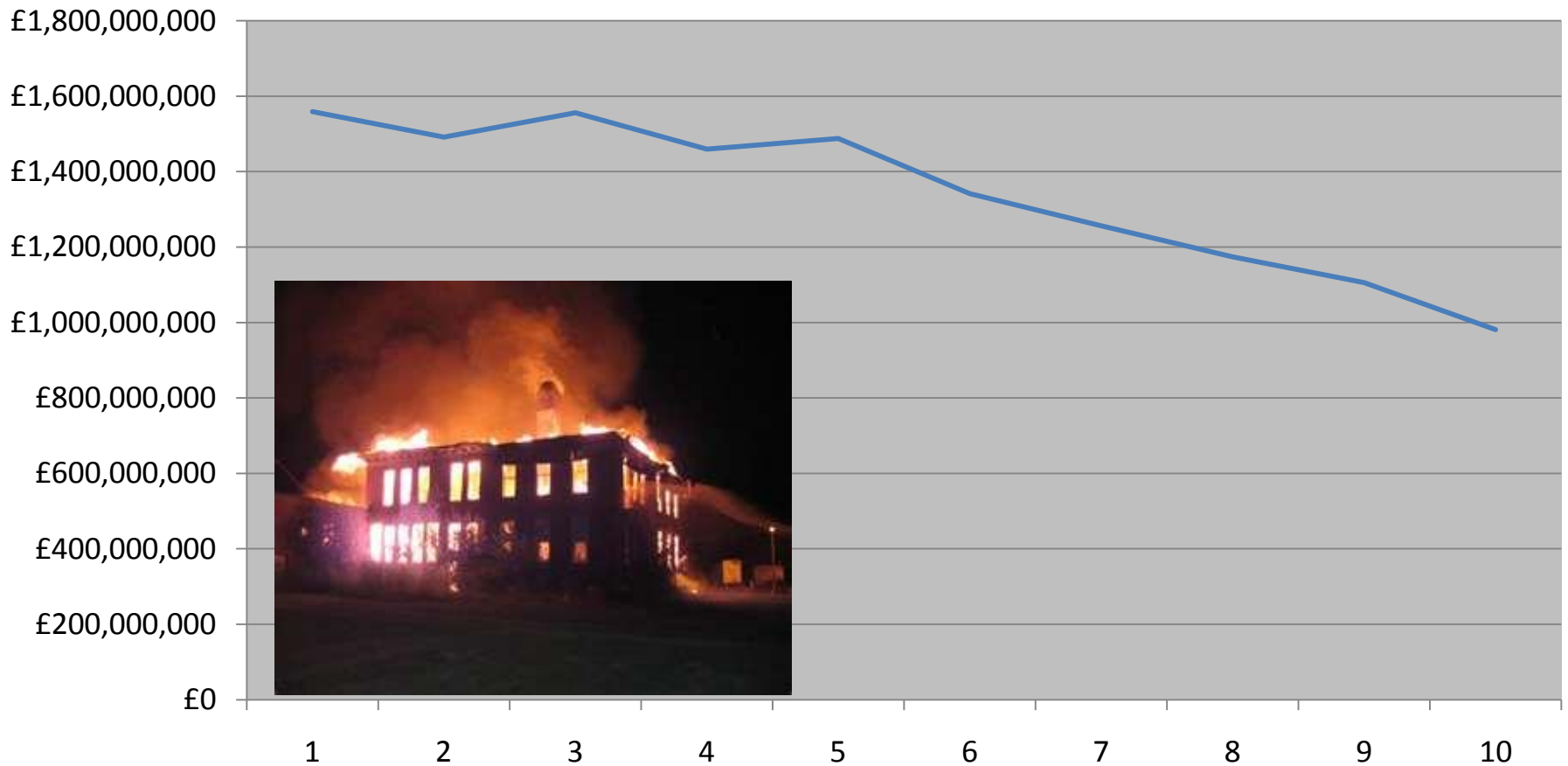
1999 – 2008 data series



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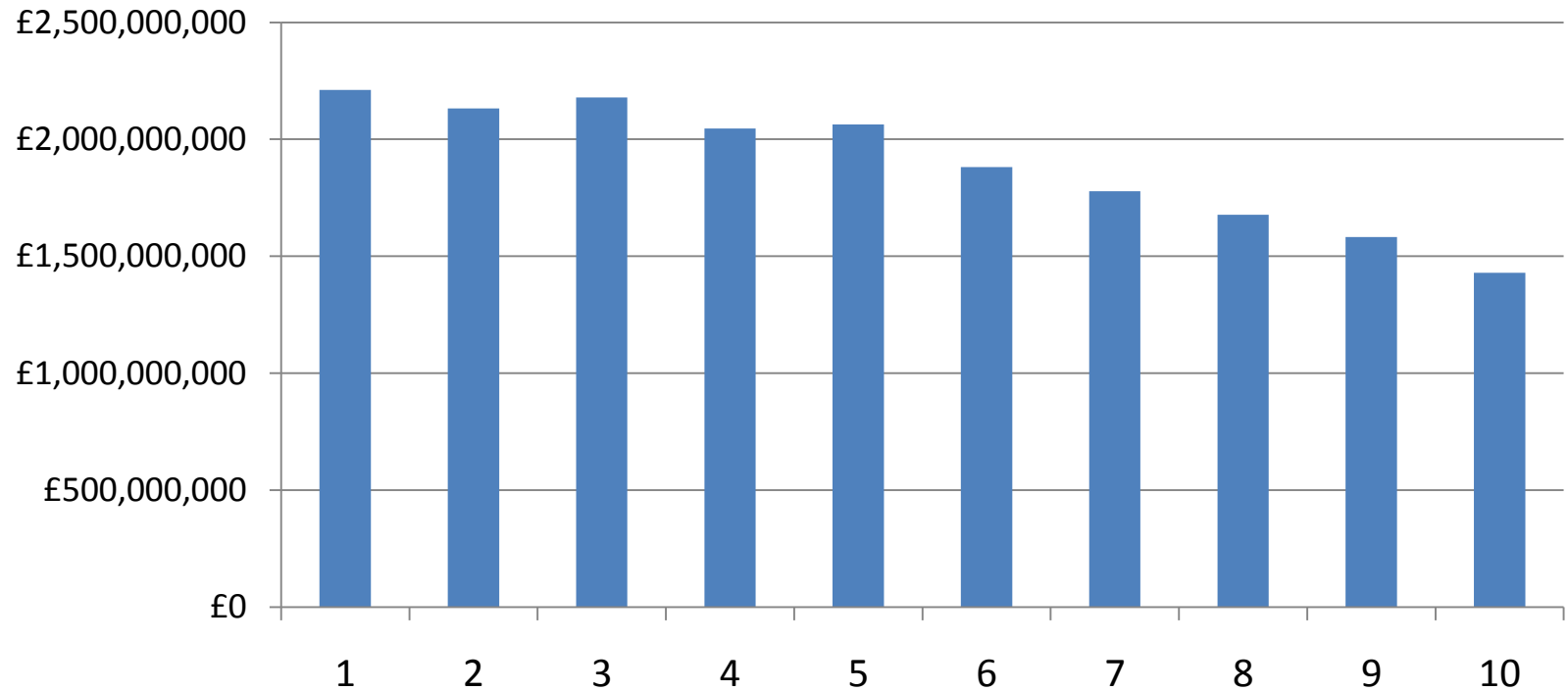
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COST OF DELIBERATE COMMERCIAL FIRES





REDUCING COSTS OF ARSON





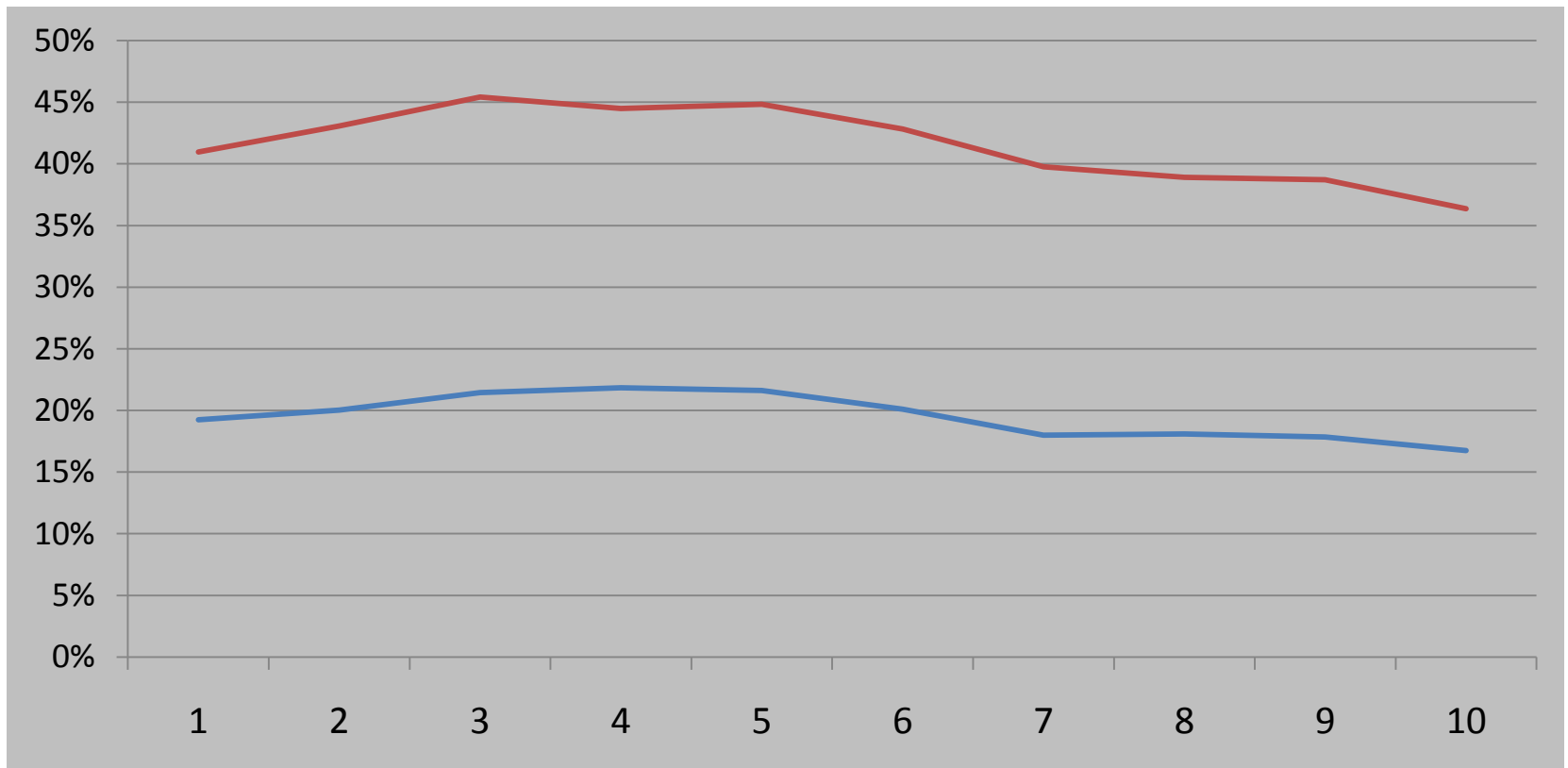
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ALL GOOD NEWS THEN....?



% OF DELIBERATE FIRES BY TYPE





WHO ARE THE CULPRITS?

Who are the culprits?

- 40% of those prosecuted or cautioned for arson offences in 2000 were aged 10-17.
- Most school arson is carried out by pupils, ex-pupils or children living close to the school.
- Nearly all juvenile fire setters are male.
- Arson attacks by children excluded from school are almost double that of those still in mainstream education.
- 45% of vehicle arson is to cover up criminal activity.
- 20% of arsonists are thought to have mental health problems.
- 25% of property arson is committed for malicious reasons.

DIFFERENT PERSPECTIVES



The Police investigate Crimes to identify a criminal



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Loss Adjusters confirm Policy Liability for an insured loss



Photo: CILA website.



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The Fire Service investigate fires to identify the cause





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A FRS RESPONSE TO THE PROBLEM (1)

- Through Home Fire Safety visits we take additional action in properties at risk from arson
- We play an active role in the various partnerships aimed at reducing levels of crime, including arson
- We reduce the risk from abandoned vehicles
- Consider boarding up of unoccupied properties and removal of combustible material



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A FRS RESPONSE TO THE PROBLEM (2)

- Develop the Fire and Police Arson/Fire Investigation Protocol
- Develop partnership working, including data sharing
- Work closely with Police authorities to predict patterns of arson, investigate them jointly and seek successful prosecutions where appropriate
- Identify those properties most vulnerable to an arson attack and with the responsible person carry out a joint arson risk assessment
- Develop partnership with relevant locals groups/team to identify potential arson targets within their local communities



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A FRS RESPONSE TO THE PROBLEM (3)

- Increase public awareness on the subject of arson
- Improve public and partner access to information
- To improve our working relationship with the Police
- Continue to develop schemes for young people at risk of setting deliberate fires and offending
- Offer those schools and businesses most vulnerable to an arson attack a specific arson assessment
- Sharing and implementation of activities relating to Arson reduction
- Support the Arson Control Forum to meet their objectives



FIRE SERVICE APPROACH





AN INSURANCE PERSPECTIVE

Chartered Insurance Institute

- A search of the Chartered Insurance Institute website brought up three returns. It does however give some useful info within the underwriting faculty
- ***“Arson and insurance have an obvious connection, but arson is never listed as a specific insurance peril. It is included within the peril of fire. But false claims on insurance relating to fire are fraud, not arson”.***



- ❖ Fraud is estimated to cost each household £655 a year
- ❖ The ABI estimate that 15% of household claims are fraudulent
- ❖ The ABI Anti-Fraud Committee estimates the annual cost of General Insurance Fraud to be circa £2billion
- ❖ The ABI estimate that 10% of commercial property claims are exaggerated

* **ABI UK Commercial Insurance Fraud Study**



ABI FRAUD DEFINITIONS

Two Categories

- ❖ Underwriting Fraud
- ❖ Claims Fraud

Proven Insurance Fraud

Where the proven deliberate actions of a policyholder or third party are clearly evident

Suspected Insurance Fraud

Where a handler having an actual suspicion of fraud challenges the applicant/claimant by letter, telephone call or instruction of an investigator etc, to clarify key information, provide additional information or documentation etc, and the applicant/claimant subsequently goes away



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CHARTERED INSTITUTE OF LOSS ADJUSTERS

- The fight against financial crime often requires a collaborative approach .
- CILA works with the ABI Anti-Fraud Committee and others on matters such as benchmarking fraud performance, the Insurance Fraud Bureau and working with the police. Note: FRS is not involved in this at present.
- Development of a set of Training and Competency requirements for those operating as specialists in this field.
- Following the introduction of the Security Industries Act, it has been of paramount importance to ensure our role as Loss Adjusters has been fully understood by the regulator. (FSA).
- Ensure honest customers are treated fairly by rooting out fraudulent claims.



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TREAT THE CUSTOMER FAIRLY (TCF)

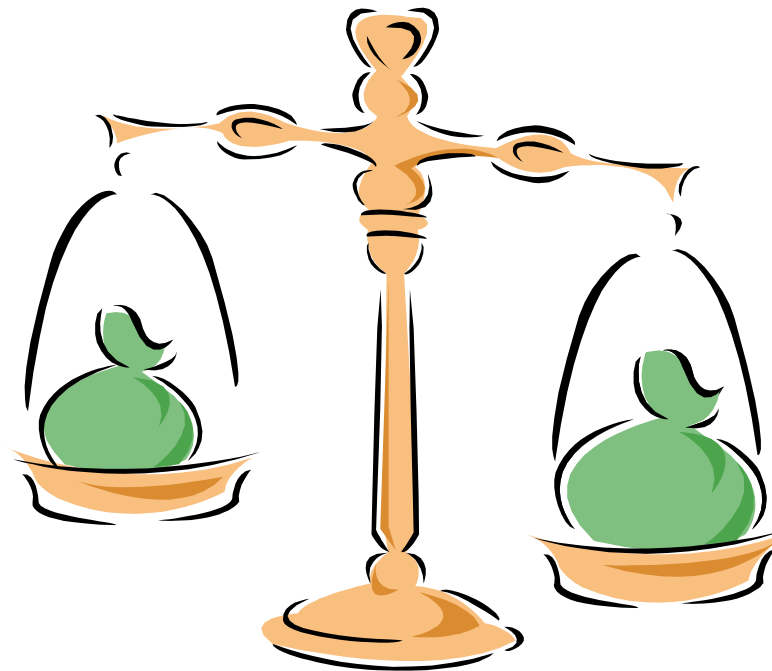
Financial Services Authority – “Through TCF, we aim to deliver improved outcomes for retail consumers. Our six consumer outcomes explain what we want TCF to achieve for consumers”.

FSA TCF Outcome 6: Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

The spirit of TCF extends to weeding out fraudsters, i.e. it is incumbent upon organisations not to pay fraudulent policyholders in order to evidence that they are treating genuine policyholders fairly.



**Good service to
retain client's
customers**



**Counter fraud
Measures to
protect honest
policyholders**



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Report Insurance Fraud



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Stop Press!

[IFB is Recruiting](#)
2nd March 2011

[Individuals Charged Following Arrests 23 February](#)
25th February 2011

Advice for Drivers

The targeting of innocent motorists by fraudsters is a growing risk to public safety...

[Read more](#)



Call the Cheathline on 0800 328 2550 to report Insurance Fraud



Or click here to report Insurance Fraud



SOME QUESTIONS



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- Is different terminology an underlying problem?
- Is commercial sensitivity reducing the amount of information sharing?
- Is the Police focus on crime rather than loss an issue?
- Is the FRS focus on the cause rather than the scale of the loss an issue?
- Is the loss adjusters focus on the claim an issue?
- Is arson really a problem for insurers?



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- Do we need new solutions for age old problems?
- Does early intervention with disaffected young people (risk of exclusion/probation/offenders) actually work?
- Can we afford to continue to progress the significant number of youth engagement activities (Princes Trust, Phoenix, Junior Life Skills, Life, Cadets and Fire break) – targeted towards those most at risk of offending?
- Has the increase in such activities post 2003 helped reduce the arson trend?

AN 'OFFER'



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- *“The primary object of RISC Authority is to, wherever possible, **anticipate future events** that may **detrimentally impact** upon the business of the **UK insurance industry** and **invest** accordingly to **mitigate** the consequences”.*



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- Potential impact of the Govt grant reduction (25%) for the FRS, is that there may be a retrenchment to core statutory duties only.
- Capacity for Police and Fire to proactively react to trends, conduct research and extend intervention approaches will undoubtedly be limited.
- Given that a significant number of arsonist are young men and the FRS provides effective role modelling and has a strong track record of working with children and young people, engagement opportunities presented.
- Information and access to people is key.



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AN OFFER

- Given my role as former lead for Children & Young People, Chairman of the National Prevention Committee and President (from Sept) of the Chief Fire Officers Association, I'm happy to work with the RISKAuthority.
- I'm also taking on an increasing role within the Arson Control Forum for CFOA as I feel passionately about addressing this issue.
- I do think that the voice of the FRS should be heard on this issue as we are part of a solution which will reduce societal risk and contribute to reduced costs for insurers/consumers.
- As such, I intend to write to Fraud Prevention Committees to offer my services and any assistance you might be able to provide would be most appreciated.



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Thank you for listening