

For Information Only

Fire Services Cost Recovery Revenue Opportunity

Presented To: Community Services Committee

Presented: Monday, Jul 07, 2014

Report Date: Wednesday, Jun 25, 2014

Type: Presentations

Recommendation

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This presentation will provide the Community Services Committee an opportunity to explore a relatively new specialty service offered by Fire Marque Incorporated regarding a new revenue stream for the City's Fire Services.

Background

Fire Marque Incorporated is a relatively new company which provides a specialty service regarding a new revenue stream for fire departments.

The majority of commercial and home insurance policies provide coverage for fire department charges incurred when the fire department is called upon and attends a fire emergency. The amount of insurance coverage can range from \$500 to \$25,000 depending on the policy.

Fire Marque Incorporated uses a process referred to as "Indemnification Technology"® which requires data collection, review of insured perils, policy wording interpretation, invoicing, follow up and records keeping. The Indemnification Technology program was created by Fire Marque and there are no comparable services offered in the market place. Municipalities are engaging Fire Marque through a sole sourcing process due to lack of other service providers.

Fire Marque Incorporated has the knowledge, staff and infrastructure to perform cost recovery from insurance companies through an agency agreement. They are former insurance professionals who are experienced in insurance policy wording interpretation, data collection, policy review with respect to insured perils, invoicing and recordkeeping. Fire Marque deals directly with the insurance companies and not the policyholders.

An agency agreement is signed between the municipality and Fire Marque Incorporated who would act as an agent on behalf of the municipality in the recovery of costs for fire services provided. The fire department

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provides Fire Marque with the information on a mutually agreed schedule regarding calls attended and services performed by the fire department. The information is provided through the standard incident reports which are generated as part of the regular occurrence reporting to the Office of the Fire Marshal.

Fire Marque will look into the insurance coverage of the property owner or the persons responsible for the incident to determine if there is a possibility for collection of costs under the fire insurance provisions of the insurance coverage. The types of costs that can be recovered from the insurance companies include fire extinguishing materials, dry sprinkler powder aerosol units, refilling self-contained breather apparatus, and the truck time.

Fire Marque will submit a detailed invoice of services performed by the fire department to the property owner's insurance company regarding costs for the incident. If insurance coverage is available, money up to the maximum for fire coverage will be collected. Property owners will not be responsible for paying any outstanding balances on the invoice that exceeds the fire coverage on the insurance policy. If there is no insurance coverage or no coverage for fire department services then nothing happens as no funds will be recovered.

There is no charge for this service to the municipality as any costs associated with the recovery of funds is recouped through the 30% service charge which is paid only when money has been collected from insurance companies.

Based on an analysis of Fire Marque's projections, the estimated annual revenue stream to the City of Greater Sudbury is approximately \$100,000 to \$200,000. These revenues must be used in the areas of fire prevention, public education and training programs, firefighting and capital purchases for Fire Services. The recovered funds may not be used to offset administration, communications and maintenance expenses of the fire services.

"Indemnification Technology"@ cannot be considered as a stable source of revenue in regards to budget purposes due to the unpredictability of emergency calls and the unknown factor if insurance coverage is available.

Currently, the Fire Services has the authority to invoice property owners under By-Law 2014-84 Fire Services – Establishing and Regulating Bylaw and By-law 2014-3F Miscellaneous User Fees.

If the municipality enters into an agency agreement with Fire Marque Incorporated an amendment to By-laws will be required. The term "Indemnification Technology"@ will be required to be added to the list for fire services fees under the by-law.