



TO: GENERAL COMMITTEE

SUBJECT: INVESTIGATION OF INSURANCE BILLING SERVICES FOR FIRES AND INSURED PERILS

WARD: ALL

PREPARED BY AND KEY CONTACT: C. MAINPRIZE, FIRE CHIEF EXT. 3256

SUBMITTED BY: C. MAINPRIZE, FIRE CHIEF

GENERAL MANAGER APPROVAL: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That Staff Report FES001-19 concerning the Investigation of Insurance Billing for Fires and Insured Perils be received for information purposes.

PURPOSE & BACKGROUND

Report Overview

2. The purpose of this Staff Report is to provide General Committee with the information requested regarding the feasibility of using an outside agency for collection from homeowner's insurance companies of costs associated with attendance by Barrie Fire and Emergency Service in responding to fires and or other insured perils. The report also provides details of the procurement process should Council decide to proceed.

Background

3. Historically fire and emergency services have been funded solely by municipal tax revenues. Provincial or Federal funding sources to offset fire service operational costs are not available.
4. The Fire Protection and Prevention Act states:

"No action shall be brought against any person in whose house or building or on whose land any fire accidentally begins, nor shall any recompense be made by that person for any damage suffered thereby; but no agreement between a landlord and tenant is defeated or made void by this Act. 1997, c. 4, s. 76."
5. City of Barrie residents are not billed separately for the costs associated with response by fire operation/suppression staff for responding to motor vehicle accidents or fires, etc.
6. In 2011, Council authorized Barrie Fire and Emergency Service to start billing non City of Barrie residents for motor vehicle collisions and vehicle fires that occur within the City of Barrie (excluding MTO roadways). This initiative generates approximately \$75,000.00 per year in cost recovery for services provided to non-Barrie taxpayers.

7. Many homeowner insurance policies contain provisions that allow for a homeowner to be reimbursed for fire department charges when the department attends the home to address an insured peril such as a fire, and invoices for its attendance.
8. A number of municipalities recoup up to the insured amount or full cost recovery (whichever is less) for fire services when the homeowner or tenant is insured for such services. Most of the municipalities contract third party vendors to invoice property owners and collect the fire services fees. Municipalities would not be permitted to collect fees from uninsured properties, or when a property owner's policy does not contain this provision.
9. On October 2, 2017 General Committee adopted motion 17-G-221 regarding INVESTIGATION OF INSURANCE BILLING SERVICES FOR FIRES AND INSURED PERILS as follows:

"That staff in the Barrie Fire and Emergency Service Department in consultation with the Finance Department investigate the feasibility of using an outside agency for insurance collection related to house fires and insured perils and report back to General Committee, such report to include information on potential procurement processes."

ANALYSIS

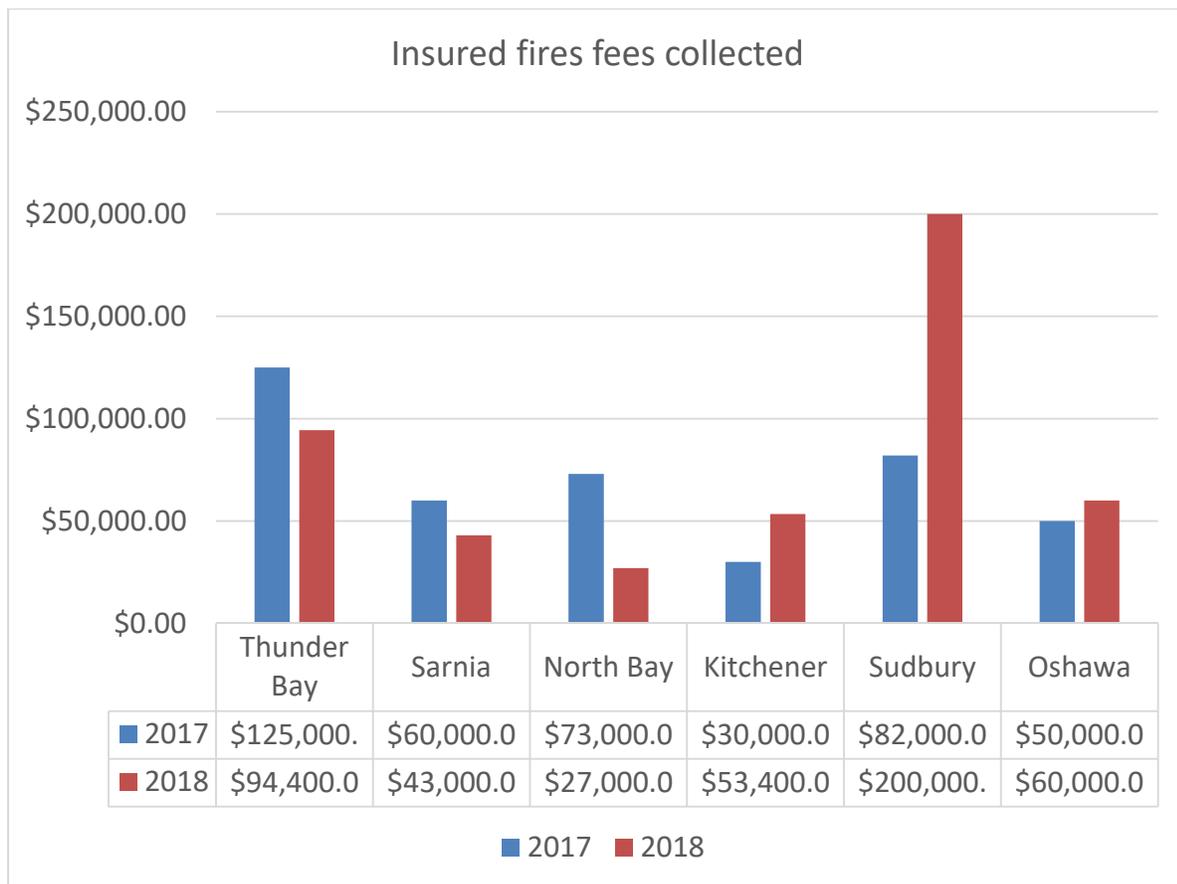
Billing for Fires and Insured Perils Process Utilized by Other Municipalities

10. When a homeowner's insurance policy includes coverage for fire services, the amount of coverage typically ranges from \$0-\$5,000 dollars, with some limited policies covering additional expenses.
11. Across Ontario, over 50 municipalities bill for fires and insured perils. A by-law must be passed establishing the fee for fire department response.
12. Seven municipalities in Simcoe County utilize a third party service to invoice and collect fire service fees from homeowner insurance policies. Six other comparable sized municipalities/fire services in Ontario also use a third party agent to invoice and collect fire service fees.
13. In most of these cases, after a fire or other insured peril has occurred, the fire department provides a standard incident report to a third party billing agency. The third party agency contacts the homeowner to determine their insurance provider. The third party agency determines whether the homeowner's policy permits the reimbursement of fire department charges.
14. If the policy permits reimbursement, the agent contracted by the municipality provides the property owner with an invoice, and a letter explaining the invoice should be forwarded to their insurance provider for payment. If the homeowner's policy doesn't permit reimbursement, a bill is not sent.
15. Upon payment of the bill, the third party agency's costs for providing the service are deducted. The billing and collection agency retains between 20-35% of the insured fee as payment for providing this service.
16. Funds collected by the third party agent are held in a trust account and submitted to the municipality on a quarterly basis. The municipality may direct the funds to be used for a specific purpose such as Public Education, Fire Prevention or Capital Projects. Most homeowner insurance policies state that the funds must be used for fire department purposes and as a result, they can't be utilized to offset other municipal expenditures.

17. In at least one case, a neighbouring municipality undertakes this process itself rather than utilizing a third party agency. However, the number of fire incidents this municipality attends are generally much less than Barrie's.

Volume of Fire Incidents and Potential Revenue

18. Barrie Fire and Emergency Service attends approximately 115 fire incidents per year resulting in a reported dollar loss. Staff do not track incidents that would be defined as an insured peril loss, or when property owners submit a claim.
19. Estimating the annual revenue potential accurately is a challenge given the variables from each incident. The type and coverage details of a homeowner's policy is inconsistent and not available to Barrie Fire and Emergency Service. Many assumptions would be required to estimate the revenue potential. However, similar sized municipalities have reported the following annual revenues.



Community Reaction

20. The 2011 amendment to the fees by-law permitting the Barrie Fire and Emergency Service to invoice non-City of Barrie residents when the service responds to motor vehicle collisions was met with some opposition from non-residents, and not well received by some residents. It would be anticipated additional cost recovery initiatives would also be challenged given it would apply to all City taxpayers, unlike the motor vehicle collision service charges.

21. If Council was interested in implementing insured fee collection, a clear policy is recommended specifying under what conditions, the City would look to recovery costs. Incidents such as; large fires, fire code violations, personal injuries or death, accidental or incendiary, may influence the municipality's direction when it seeks to recover costs.
22. In discussing other communities' insured fee collection programs, the staff from a portion of the municipalities advised that there was an initial negative reaction to the implementation of the fee. Some individuals who had been invoiced felt that they were unfairly being "double taxed" for a service that was already included in their property taxes. In most cases, the initial reaction appears to have dissipated although on occasion the matter has become the focus of negative media attention or legal action.
23. Residents may perceive, or realize an increase in their property insurance rates if fire service fees are being collected in that municipality. The one vendor of this service that staff are aware of has indicated that the insured fee collection has no relationship to an increase in property insurance rates. The company has noted that property insurance underwrites the building and contents based on an analysis of risk. Therefore, if building incident rates remain constant, there should be no reason for insurance rate increases.

Procurement Process

24. As noted earlier, most municipalities utilize outside agencies to invoice and collect any insured fees from property owners. Staff are currently only aware of one vendor that appears to offer this service. However, there may be newer vendors in the market that staff are unaware of, and as such, a request for proposals would be issued for the billing and collection services, if Council determined that it wished to proceed.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

25. There are no environmental and climate change impact matters related to the recommendation.

ALTERNATIVES

26. The following alternative is available for consideration by General Committee:

Alternative #1

General Committee could choose to request that staff prepare the necessary by-law and undertake the procurement process to implement insured fee collection for the services provided by Barrie Fire and Emergency Services.

This alternative is available. Staff would report back with a recommended policy related to the conditions under which the City would look to recovery costs, prior to the presentation of a by-law.

FINANCIAL

27. Understanding many variables exist, it would be reasonable to expect the City of Barrie could achieve similar revenues of mid-sized municipalities. Based on information presented by the vendor that staff are aware of, it believes the revenue would range between \$96K to \$200K. This additional revenue could be utilized to fund Public Education, Fire Prevention or Capital Projects.

LINKAGE TO 2018-2022 STRATEGIC PLAN

28. The recommendation(s) included in this Staff Report are not specifically related to the goals identified in the 2018-2022 Strategic Plan.