



CENTRAL YORK FIRE SERVICES

Cost Recovery Program Enhancement Fire Services Report

Report Number: JCC-2024-03
To: Joint Council Committee
Author: Central York Fire Services – Acting Fire Chief Rocco Volpe
Meeting Date: Tuesday, September 10, 2024

Recommendations

1. That Fire Services Report CL-JCC-2024-03 dated September 10, 2024, entitled Cost Recovery Program Enhancement be received; and,
2. That a cost recovery program to recover firefighting costs on behalf of Central York Fire Services for incidents pertaining to property damage on a percentage basis as further described in this report be approved; and,
3. That a by-law to authorize cost recovery with respect to fire department specific response be established; and,
4. That the fees for cost recovery through Fire Marque Inc. be established through the Fees and Charges By-law 2023-76 as amended.

Purpose

The purpose of this report is to:

- i. seek approval to adopt a by-law to allow for a cost recovery program to recover firefighting costs from insurance companies for CYFS' attendance at incidents pertaining to property damage on behalf of Central York Fire Services (CYFS) on a percentage basis as further described in this report.
- ii. advise the Joint Council Committee (JCC) of the outcome of a competitive procurement process for a cost recovery program for firefighting costs; and that Central York Fire Services is seeking approval to establish such new fees in the 2024 Fees and Charges By-Law to permit this cost recovery enhancement.

Background

Most commercial and home insurance policies provide coverage for Fire Department charges under the insured peril clauses of the owner's policy. The provisions for Fire Department expense coverage can range from \$500 to \$25,000.

Municipalities do not typically have the expertise to initiate claims for cost recovery from insurance companies related to fire incidents, however, there are external companies that provide this service on behalf of municipalities. As such CYFS engaged Procurement Services to conduct a competitive procurement process (RFP-2024-071). Fire Marque Inc. is the highest ranked proponent from that process, and should JCC approve the implementation of this program, Fire Marque Inc. will be awarded a contract for a one (1) year term, plus four (4), one (1) year optional terms.

Discussion

To enhance the current cost recovery program, CYFS recommends entering a cost recovery program for the recovery of Fire Services costs from insurance companies. This opportunity will provide additional revenues to offset future expenditures.

If JCC approves this cost recovery program it will be delivered by Fire Marque Inc., the successful proponent to RFP-2024-071.

Fire Marque has developed "Indemnification Technology", a trademarked program, to assist in accessing monies available through insurance companies by initiating claims on behalf of the municipality. Indemnification Technology maximizes the billing opportunities by invoicing insurance companies directly for costs of Fire Department attendance with respect to insured perils using pre-existing clauses within insurance policies.

The Indemnification Technology program was created by Fire Marque Inc. and there are no comparable services offered in the marketplace. Other municipalities using Fire Marque Inc. include Guelph, Kitchener, Barrie, North Bay, Port Hope and Bradford, plus several smaller municipalities and Fire Departments in other provinces.

Fire Marque Inc. provides this service based on a 70/30 division of the recoverable amount (70% to the municipality; 30% to Fire Marque Inc.). No expenses are incurred by the municipality if Fire Marque Inc. is not successful in their attempts to collect against an insurance policy. Under this program, no attempt will be made to collect any costs from any property owner who is not insured, and only if insurance coverage is available under the program. There is no impact to the owners of the policies, either through fees, claim limits, or policy cost adjustments.

For CYFS to be able to successfully recover the costs from insurance companies a bylaw to authorize cost recovery with respect to fire department specific response must be established. As well as an update to schedule G of the current by-law 2023-76 (Town of Newmarket 2024 User Fees) is required.

Financial Impact

Fire Marque Inc.'s compensation is based on the amount recovered from the insurance company. They have a standard fee equal to 30% of the recovery received from the insurance company. If a recovery is not realized, Fire Marque Inc. does not earn any fees and there is no cost to the Town.

According to Fire Marque Inc., since insurance companies incorporate the firefighting premium costs into their policies, the recoveries will not increase homeowners' insurance rates as it is already part of their existing premium.

Fire Marque Inc.'s has over 100 clients. The 30% has been established as their standard and the same rate is paid by all municipalities that are part of the program. In consultation with other Fire Departments, CYFS is unaware of any municipalities who have successfully undertaken this function in house. CYFS is not equipped with the proper expertise to execute cost recoveries through the insurance industry.

With respect to forecasting revenue, annual recovery amounts will vary each year. As this is a new program to CYFS and the amount of insurance coverage can range from \$500 to \$25,000 depending on the policy provider, it is difficult to provide an analysis of potential revenues at the current time.

Fees charged to the insurance company will be based on current MTO rates per responding apparatus per hour. 2024 MTO rates are \$559.86. In addition, CYFS can recover 50% of equipment costs damage because of the incident and 100% of consumables used (i.e. Fireaide Foam).

Historical data is provided below illustrating the potential billable incidents under this program over the past 3 years:

2023 - 71

2022 - 97

2021 - 103

Note: The incidents above have not been analyzed to determine the number of billable hours/apparatus nor have the provisions of the insurance policy been examined.

Based on an analysis of CYFS call data, the estimated annual revenue stream to the Towns is approximately \$25,000 to \$75,000.

Conclusion

To enhance the current cost recovery program, CYFS recommends entering a cost recovery program for incidents pertaining to property damage on a percentage basis as further described in this report. This opportunity will provide additional revenues to offset future expenditures.

Consultation

The Senior Fire Management Team consulted with the Town of Newmarket Financial Services, Procurement Services, Legal Services and other Fire Departments currently operating with Fire Marque.

Impact On The Master Fire Plan

This report has no impact on the Master Fire Plan.

Attachments

- A. Fire Marque Brochure – Information for Property Owners about the Fire Marque Program and Your Municipality
- B. By-law 2024-XX
- C. Town of Newmarket 2024 User Fees, Schedule G

Approval

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Contact

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