Minutes of the Meeting of the Board of Trustees
Salt Spring Island Fire Protection District

Meeting held: **5 August, 2015**
Lower Hall, Ganges United Church

In attendance: Trustees Linda Lee (Chair), Mitch Forest, Michael Garside, Derek Hill, Norbert Schlenker, Michele Severn
Staff: Chief Tom Bremner, Corporate Administration Officer (CAO) Andrew Peat.
Guest: Robert McGuinness
Residents: 17

Chair Lee, called the meeting to order at 7:02pm and introduced Mr. Robert McGuinness of Opta Information Intelligence, author of the Fire Insurance Grade Update report.

Presentation
Robert McGuinness' presentation began with a brief introduction of the history and origin the Fire Underwriters Survey, an explanation of some of the technical terms and concluded with a summary of the updated assessment for Salt Spring Island. (Copy of Power Point presentation attached to the original minutes.)

The need for the Fire Underwriters Survey arose in the late nineteenth century as a result of catastrophic losses experienced by early fire insurance companies and the need to "grade" cities and towns on what is the risk of fire and what is the community's ability to respond to that risk. Fire Underwriters Survey developed a "risk rating schedule" to access a community's level of "fire risk" based on judgment and professional experience. A community's "ranking" is a cost effective and timely tool to assess both fire risk and the ability to respond to that risk. A FUS grade gives Salt Spring the ability to compare itself with other like communities across Canada.

In Canada residential and commercial fire risk grades are calculated differently. Fire Protection Grades for personal lines (Dwelling Protection Grading System – Residential) uses limited variables and in Mr. McGuinness' opinion does not adequately assess risk of fire. The variables for residential fire risk assessment are fire department; water supply, fire safety control and prevention, and fire service communications.

Salt Spring Island Fire Department received a middle ranking - a PFPC (Public Fire Protection Classification System - Commercial) of 6 and a DPG (Dwelling Protection Grading System – Residential) of 3A/3B(S)/3B. For "Fire Safety Control" a ranking of 3 (a higher ranking than most communities of a comparable size); Fire Service Communication a ranking of 1 (excellent); and a ranking of 9 (poor) for Water Supply reflecting a fragmented water supply system on the island. An insurance underwriter may adjust the grade when assessing a specific property for variables such as number of fire hydrants and distance from responding fire hall.

The report makes 31 recommendations with most relating to the fire insurance grade but some relating to other issues such as the apparent lack of communication between local governing bodies, the need to clarify responsibility for hydrants, and the need to clarify responsibilities of water supplies for public fire protection.

Mr. McGuinness in his presentation commented specifically on chapter 12 in the report which attempts to calculate insurance savings from having a given level of fire protection (protected, semi-protected, not protected). The original report made certain assumptions on what premiums for an unprotected property and extrapolated this data for the whole island. The figures used did not appear to reflect actual premiums paid by some individuals and this section was rewritten. For a specific insurance subscriber policy discounts offered can make a substantial difference in "savings" between unprotected and protected.

Questions Arising from the report
Trustee Garside, an insurance agent commented that in addition to “protected” and “unprotected”, semi protected is often used in determining rates for fire protection purposes. A property might not have a fire hydrant within 1000 feet but may be within 13km of a fire hall. Mr. McGuinness commented that it is a cyclical industry going between soft and hard markets - relaxing or tightening underwriting standards. Communities may get a preferred rate now but this can quickly change based on the insurance industry’s loss experience.

Trustee Forest asked whether water supply and water systems were the major factors influencing the final grade. Mr. McGuinness commented that distances from fire halls (time to respond) was probably as important. Given the limitations inherent in the local water systems it is probably better to maintain or improve the capabilities of the superior shuttle tanker system.

Trustee Forest asked whether rates were affected because of the concentration of commercial properties in the downtown core and the risk of a major incident and resulting catastrophic loss. Mr. McGuinness responded that most losses are a result of residential fires not commercial property fires and that commercial premiums would be based on the ability of the local fire department to respond to a fire risk.

Trustee Schlenker commented that he obtained an “unprotected” property rate from his insurance agent and compared this to the “protected” rates he is paying. The differential is just marginally above the “cost” of fire protection services charged on his property taxes ($0.88/$1,000 of assessed value). Mr. McGuinness commented that the important take away to remember is that insurance rates increase as you go from protected to semi-protected and finally unprotected and that it is not possible to do a definitive calculation to compare “savings on fire insurance premiums” and the cost of running the fire service (a cost which includes other services).

Chief Bremner commented that Salt Spring scored poorly on water supply assessment which is beyond the control of the Fire Protection District. Chief Bremner reiterated Mr. McGuinness' comment that for a structure fire the time taken to respond is a critical factor in determining how much water is necessary. Mr. McGuinness commented that if you arrive at a fire with 2,000 gallons and cannot put the fire out you have likely lost the structure.

There were several questions asked and comments made about what conclusions could be made from the actual insurance policy samples included with the revised report. FUS subscribers underwriting on Salt Spring were asked to provide rate estimates for a $700,000 policy with no "policy discounts". The difference is rates was large -$7,348 (unprotected rate) compared with $1,478 (protected rate). An actual policy provided by a resident which included policy discounts showed a very narrow spread for the same $700,000 coverage - $1,460 (unprotected rate) compared with $1.010 (protected rate. The report suggests that the examples could be used to estimate the range of possible "savings " - an upper limit of $8.39/$1,000 (no policy discounts) and a lower limit of $0.64 (with policy discounts). It is assumed that an individual's specific savings would lie somewhere between these reference lines. Mr. McGuinness commented that the calculated "savings" stated in the original report's chapter 12 was misleading and that the revised chapter 12 while inconclusive was fairer. The important information in the report is not the "savings" but rather the risk ranking of the community and the ability/capacity of the Fire Service to respond to that level of risk.

A question was asked how the Fire Service might improve it's commercial ranking - there being some discussion at the Facilities & Physical Plant Committee meeting about storing "grey water" to use in fighting a fire in the Ganges core. Mr. McGuinness commented that the fire risk level would determine necessary fire flows and duration. Storage capacity improves the "hydrant protection rating" for the immediate area and is only a part of the much broader discussion - the need to determine a desired fire flow capability and decide how to best meet that objective.

A question was asked about when the industry will stop using Dwelling Protections Grade (DPG) for assessing risk for personal (residential) line and move to the Public Fire Protection Classification (PFPC) for both personal and commercial lines. Mr. McGuinness replied that the transition will be determined by the insurance industry but he expects that as FUS develops better modeling which shows a clear correlation and actuarial case for PFPC classification and loss experience the industry will transition to the one classification system as they already do in the United States.

A resident commented that how oil is delivered to a refinery (pipeline or tankard) might be a usefully analogy in discussion how the Fire Department "delivers" water to a fire - by hydrant or shuttle. The question was asked whether doubling the shuttle capacity might easily improve the ranking. Mr. McGuiness commented that it is not as simple as that as multiple factors such as distances travelled, water supply points and refill rates would have to be taken into account.

A question was asked about whether "superior tender shuttle system" (STSS) accreditation will no longer be a significant factor in determining ratings. Mr. McGuinness replied that at one point STSS was considered the "gold standard" but with more loss experience history underwriters have a better understanding of the effectiveness of STSS and in future will probably weigh more heavily fire flows ratings.

Motion to receive the Fire Insurance Grade Update Report moved by Trustee Schlenker seconded by Trustee Garside. Carried.

Chair Lee extended thanks to Robert McGuiness for his clear presentation and for coming to Salt Spring.

Adjournment
There being no further business motion to adjourn moved by Trustee Garside. Carried

The meeting adjourned at 8:35pm.

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Linda Lee
Chair

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Andrew Peat
Corporate Administrator