

# TEPPFA / PPG Conference Edinburgh March 2005

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## Saving Life, Saving Money

The case for residential sprinkler systems



**“Some like it Hot”**



# Agenda

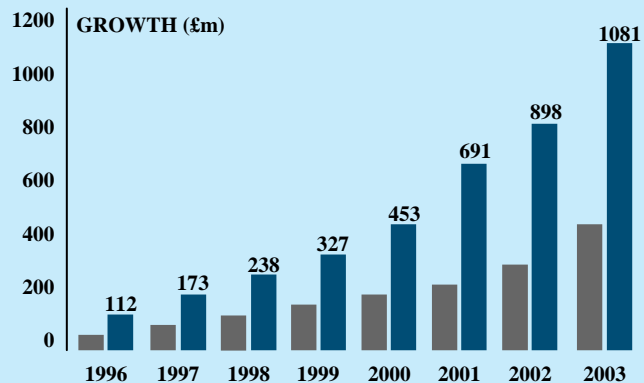
- About Capita
- US experience of Domestic Sprinklers
- UK experience of Domestic Sprinklers
- The case for change
- Implementation Issues



# Capita ANOTHER STRONG YEAR ANOTHER RECORD PERFORMANCE

“2003 has been a good year for Capita. We have strengthened our position as the **UK's market leader** in providing business process outsourcing (BPO) services to the public and private sectors and we have **returned record results** for the 15th consecutive year as a public company.”

**Rodney Aldridge, Executive Chairman**



Market	Market share	Rank
UK BPO Market	24.3%	1
Insurance	23.7%	1
Local Government	29.4%	1
Central Government	24.6%	2

Source: HI Europe



# Capita DELIVERING VALUE FOR OUR CUSTOMERS

Our portfolio has been built up over 20 years and spans each part of an organisation's infrastructure including back-office processes, frontline customer contact services and IT infrastructure and support.

## Our Services

Business process outsourcing

Customer services

Administration and support

Human resources

Information technology

Property consultancy

Finance and treasury

Management consultancy

## Our Markets

Central government

Local government

Education

Insurance

Life and pensions

Health

Transport

Private sector and other financial services



# Domestic Sprinklers - the US experience

- About 15 years ago the United States started to use specially designed domestic sprinkler systems to save lives in dwellings
- The US Government is currently supporting a national campaign – Operation Life Safety – to encourage installation
- On one site where domestic sprinklers have been used for 10 years, a published report stated
  - No fire deaths
  - 80% reduction in fire injuries
  - 80% reduction in property damage
  - 95 % reduction in water usage for fire control

# Domestic Sprinklers

## -The UK Viewpoint

- London Fire Brigade Assistant Commissioner Malcolm Kelly has supported a national move which could result in the far more widespread use of sprinklers in residential property'
- 'We know in the fire profession that over 500 deaths are needlessly caused each year - The truth is that nobody has ever been killed in a sprinklered building'
- Installation costs less than the fitting of a carpet in an average three bedroom house
- The motion is being backed by the Fire Prevention Association which is financed and supported by insurance companies

Press release Dec 2001

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» Press release Dec 2001

**Wiltshire Fire Brigade believes that the installation of sprinklers in our homes could prevent injuries and reduce damage to property should a fire occur**

Wiltshire Fire Brigade website 2003

**Residential sprinklers can offer a broad package of fire protection for householders which protects not only lives but has the added advantage of reducing property and contents damage**

Merseyside Fire & Rescue Services website 2004



# Show me the Money !

## Understanding the Cost Benefit Case



# THE US VIEW

Type of property	Average loss without sprinklers (US \$)	Average loss with sprinklers (US \$)	Percentage saving
Apartments	8100	4300	41
High rise apartments	3100	1800	42
Hotels & motels	12400	5800	54
Dormitories	7400	4800	35

Source: Minnesota State Fire Marshal Division  
March 2004

Insurer	Percentage discount	
All state	10-15	Provide 60% of domestic policies in Minnesota
American family	10	
Farmers	10	
State farm	10-14	

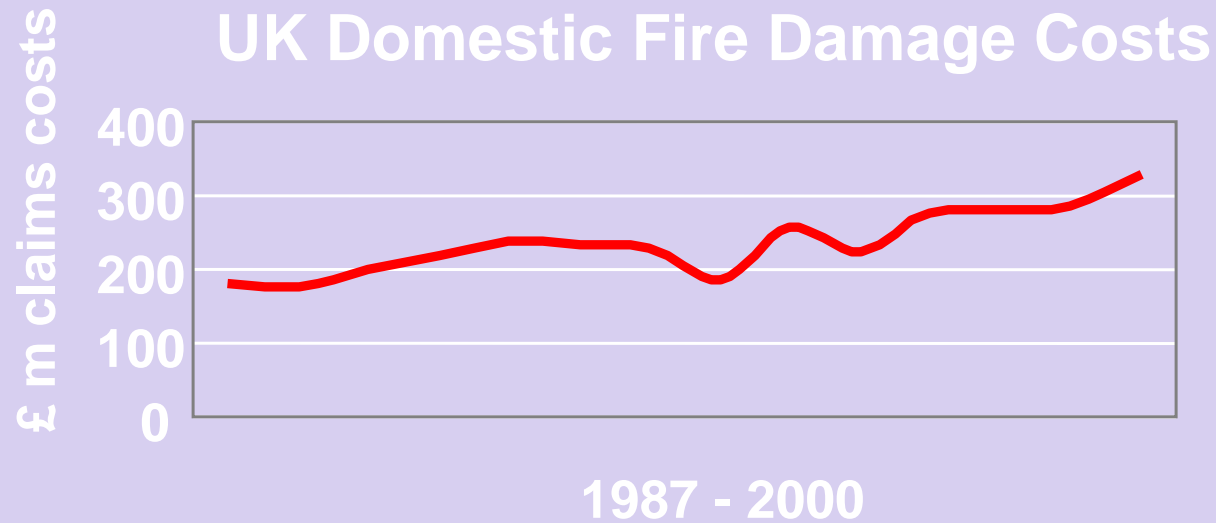
US Insurers increasingly provide discounts when coupled with other safety and security systems

**“Some like it Hot”**

# UK FIRE STATISTICS

The UK insurance industry is incurring a strong rising trend in fire claims costs for domestic properties, from £184m in 1987 to £333m in 2000.

Even taking into account inflation, there is an underlying upwards tendency.



Over the last decade there has been a consistent rise in the cost of fire claims

Irrespective of the number of fires, the cost of fires has risen by 50% between 1996 and 2000

There is no current increasing trend in arson

# WATER DAMAGE STATISTICS

- Excluding flood damage, the cost of claims for escape of water is 40% of the cost of claims by fire
- Average fire repair costs circa £5k, average water damage costs £2k
- Improvements in rapid drying technology is creating step changes in the reduction of drying time and cost – drying period reduced from weeks to days
- The message increasingly is that water damage claims are more manageable than fire damage
- Potential repair cost savings could be in line with US experience



# CREATING A CASE FOR COST BENEFIT A COMBINATION OF HARD & SOFT BENEFITS

At the moment the case for change cannot be based solely on reduced insurance premium for homeowners

Cost of installation  
Ongoing maintenance costs

VS

Reduced claims repair cost  
Greater safety at home  
Nominal reduction in insurance premium



## There are Other Key Stakeholders to Consider

- The house building market
  - The number of households is focussed to grow at 1% + per year
  - But only 60% will have private building insurance cover
- Public and private sector housing
  - Due to underinvestment there is an estimated backlog of £18bn
  - £20bn of refurbishment to be undertaken
  - Improved fire precautions could be usefully included within the schemes
- The restoration and recovery industry
  - BDMA may add weight to the financial argument for change
- Niche marketplaces and niche insurers
  - reflecting the ageing population

THE CASE IS PROVEN

SO WHY NO CHANGE.....?

Give us the grace to accept the things that cannot be changed, courage to change the things that can be changed, and the wisdom to distinguish one from the other

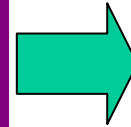
Reinhold Niebuhr



# The Key Drivers of Change are Already Known

## Committed leadership

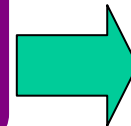
Understand your client's needs, focus your Businesses, drive change through the organisation from the top



Do you fully understand your motives, and those of your clients?

## Focus on the customer

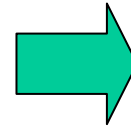
Education, understand the customer's functional needs, measure performance & satisfaction



Do you fully understand the needs of the customer?

## Integrated processes and teams

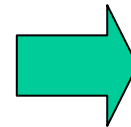
Teamwork through shared planning, procurement, delivery, feedback



Do you fully understand how you will deliver the solution?

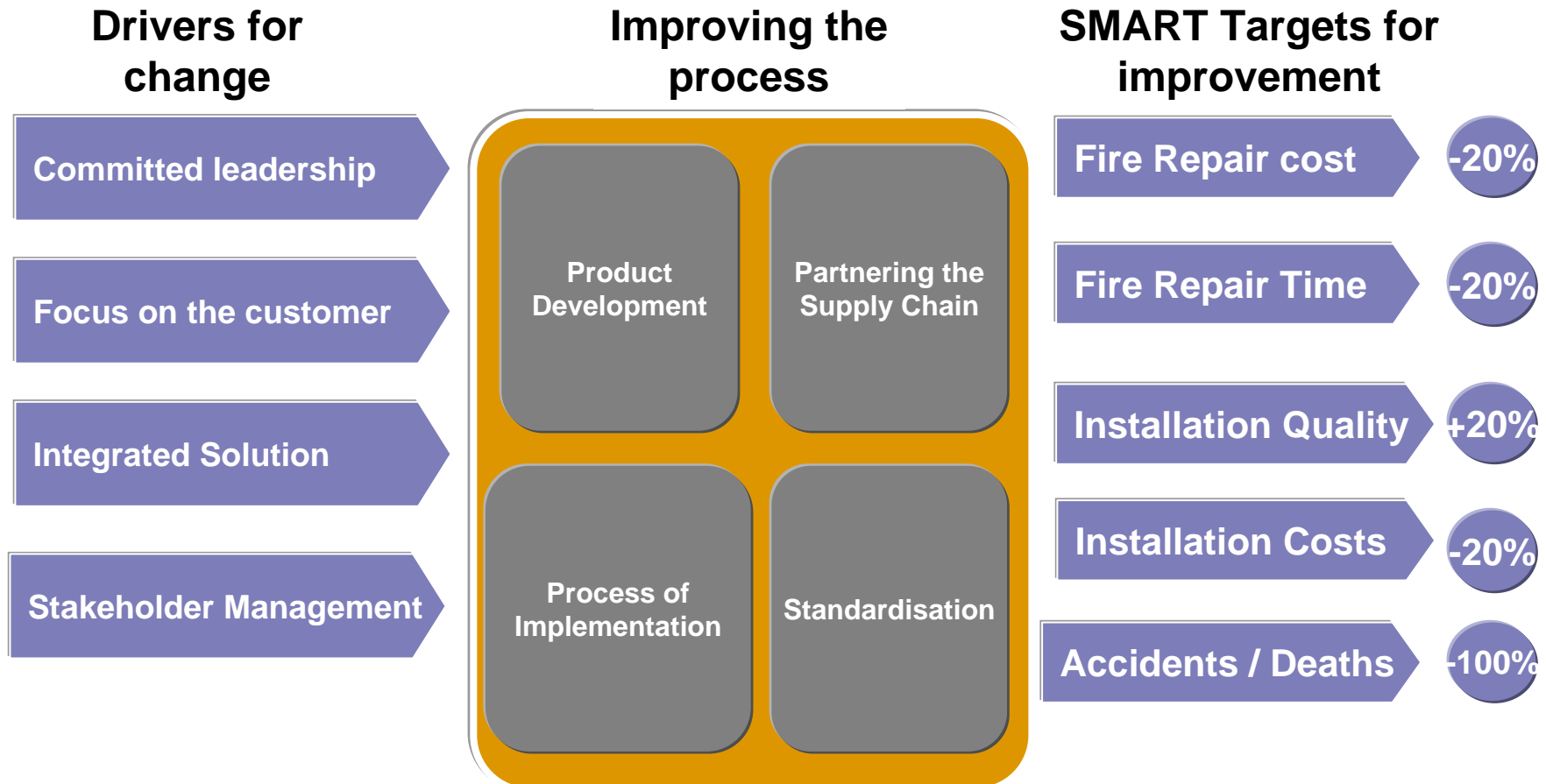
## Involvement of Key Stakeholders

Understand the needs of others, their motives, their similar goals, their priorities, their Perceptions



Do you fully understand who you have to speak to, and in what terms?

# Change and Improvement



# SMART targets

- **S**pecific
- **M**easurable
- **A**chievable
- **R**ealistic
- **T**ime Framed



# To summarise

- An emotional case for change already exists
- A financial case for change can be made
- The key challenge is that of implementation
- Implementation involves leadership, customer focus, integrated teams and stakeholder management
- Your targets need to be SMART

Now I lay me down to sleep  
sprinklers guard my slumber deep  
If fire comes I'm not concerned  
'cause I may get wet,  
but I won't get burned



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