

Written evidence submitted by Zurich UK

Zurich UK's Response to the PAC's Call for Evidence on the Condition of School Buildings

Zurich UK provides a suite of general insurance and life insurance products to retail and corporate customers. We supply personal, commercial, and local authority insurance through a number of distributions channels and offer a range of protection policies available online and through financial intermediaries for the retail market and via employee benefit consultants for the corporate market. Based in a number of locations across the UK - with large sites in Birmingham, Farnborough, Glasgow, London, Swindon, and Whitely - Zurich employs approximately 4,800 people in the UK.

Zurich UK welcomes the opportunity to respond to this Call for Evidence. As part of our Zurich Municipal business, we are a leading provider of insurance and risk management solutions for schools, academies and further education establishments. Since 1993 we have supported the education sector to help better understand and reduce the risks they face, including relating to school buildings.

Below is Zurich's insight on the relevant areas of interest:

Understanding of the condition of school buildings:

As an organisation, Zurich is increasingly utilising information such as claims data to provide insight and support data-driven decision making. For example, our claims data can promote better understanding of what are the main drivers of accident or injury in the school environment, enabling us to provide relevant prevention and mitigation advice.

Our experience is that more needs to be done to encourage meaningful data collection across the schools and wider education estate, and to ensure that this data is then made available. For example, school-specific information contained in the Condition Data Collection (CDC) survey would be valuable for enabling insurance companies to accurately price risk, as well as providing possible risk mitigation advice. Example of data that should be collected and made available across the schools estate include consistent information as to the construction type and material of school buildings, whether aerated concrete is present and whether external wall systems contain combustible materials.

In addition, we are not currently aware of any data programme that tracks the impact of an event such as fire or flooding. Government should be measuring the impact of these types of events across a range of metrics, including loss of teaching hours and the impact on pupil attainment. This would ensure that Government has the appropriate evidence base to

prioritise preventive action on the risks with the most significant impact on pupils, staff and the condition of school buildings.

Alongside the publication of CDC data, Government should also develop a clear and transparent criterion to determine where funding for the maintenance and repair of schools will be targeted. Currently it is not clear if funding programmes, such as Fit for the Future, are targeting those schools most in need of remediation or repair. It would also be useful if there was published information as to who owns and is responsible for the maintenance of specific school buildings.

Assurance that funding for school buildings is being used efficiently and effectively:

In terms of funding for school building being used effectively, we have the following points to make:

Long-term view of risk.

Zurich recognises that the current fiscal situation creates challenges for funding for school buildings. However, it is important that these challenges do not foster short-termism, especially in terms of risks to education providers, users, staff or assets. The focus should be on making the school buildings more resilient: It makes financial sense to take a longer-term view of the total cost risk.

Financial constraints and a focus on the short term often means that routine maintenance and proactive resilience work are not prioritised – even though they would prevent problems and save money in the longer-term. As recently articulated by Brigit Phillipson, Shadow Education Secretary, in relation to the funding available for repair in schools: “When things are not mended, they break; when buildings break, they cause damage.”¹

Central Government should do more to adequately support and incentivising a longer-term view of the total cost risk. It may be that ring-fencing maintenance and repair budgets in certain situations would support the adoption of this longer-term focus.

A good example of short-termism has been related to fire safety of schools. The issue of fire safety is especially important now because of the use of materials and methods of construction with increased combustibility. However, the UK’s building regulations are not keeping pace with this change. From an insurance perspective, this means that increasingly the result of fire is very significant damage or the complete loss of the building. For schools, there is the additional impact of the missed teaching time, the upheaval of travelling to alternative locations and the possible mental health impacts for staff, students and their families. As an example, in May 2020 there was a fire in Harrington Junior School, Long Eaton, Derbyshire. It was estimated that it would cost £5.5 million to replace Harrington Junior School, significantly exceeding the price of a sprinkler system that experts say would have saved it. The new school was handed over to pupils in September 2022, over two years after the fire.

¹ See [Safety of School Buildings - Hansard - UK Parliament](#)

To protect school pupils and buildings, Scotland and Wales have rules in place to mandate the installation of sprinklers in all new and majorly refurbished schools. These rules were put in place after detailed analysis found that savings to both the education authority and fire service from having sprinklers in place clearly outstripped installation cost. However, in England, these rules are not in place – creating a dangerous inequality of safety standards.

Risk Pooling Arrangement

In 2014, Government introduced Risk Pooling Arrangement (RPA) for school insurance. This intervention into the insurance market was designed with a short-term focus to save money for schools by reducing the insurance premiums they paid. However, this intervention has fundamentally changed the risk landscape in the UK's schools. Zurich continues to have concerns that the longer-term impacts, particularly the impact it has had on the condition and resilience of school buildings, have not been suitably understood or addressed.

All commercial insurance offering looks at the risk profile of a specific customer and drives that customer to reduce their risk profile wherever possible. The RPA, by offering a fixed price, does not offer this risk incentivisation. For example, a core component of a commercial insurers offer to a school would be a detailed risk assessment, along with recommended improvements. The RPA do not offer a similar service, which is likely to have had an impact on the standard and maintenance of school buildings. We would urge the committee to consider whether this approach is the most effective way of building a framework that enables and encourages school to take a longer-term view of risk.

In addition, we note from the latest provisioning analysis report on the RPA (dated 9th of February), that it appears the per pupil premium being charged by the RPA is not covering claims cost - let alone the administration costs it is also supposed to cover. Having the RPA offering a loss-leading service significantly distorts the competitive landscape. It also raises the question as to whether the additional funding required is coming from the wider Department for Education schools budget – and if so, if this is an effective way to spend the existing schools budget. This question is likely to become more pertinent in the upcoming years due to both market-wide claim cost trends (such as higher inflation and shortages in building supplies and labour), as well as the specific challenges related to the state of school buildings.

Net Zero Transition

Our education customers have voiced concerns at the pressure they are experiencing from Government to modify or build new schools with specific sustainability measures (such as PV panels or timber frame), to meet net zero targets. Zurich fully support the drive towards more sustainable construction. Yet we are concerned that policymakers - in a bid to meet net zero targets in construction - are not taking into account the new and emerging risks related to these innovations.

To help mitigate these risks, Zurich has been encouraging our customers to engage with us at the earliest stages of any large-scale refurbishment or new build, to ensure right balance is struck between sustainability and resilience. However, a large part of the school estate

will not have this traditional relationship with an insurer due to the Risk Pooling Arrangement. Therefore, to ensure that funding for school buildings is being used effectively, it is important that Government considers how best to take the lead in terms of advice and guidance offered to schools. If schools are built with low resilience, this will lead to increased costs of educational disruption.

In addition, there is currently no funding provision for the ongoing maintenance of these new additions, such as solar panels. It is our experience that regular maintenance and repair is critical in mitigating many of the inherent risks. Government must adopt a whole-life costing for these newer technologies.

I hope the above is of use to the committee. Please do not hesitate to contact us if we can provide any further insight or comment.

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