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# What does the Risk Protection Arrangement (RPA) mean for you?

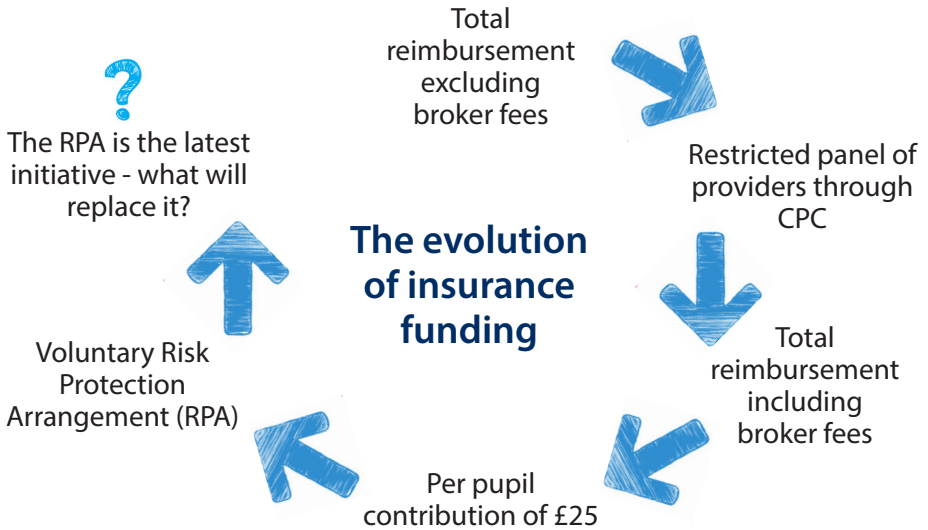


**Considerations for Headteachers, Bursars and School Business Managers**

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# Funding for insurance: A history of change

Ever since academies were conceived, the way in which funding for insurance has been provided has been continually changing:



## Are there benefits to the Risk Protection Arrangement (RPA)?

At face value, the concept of the Department for Education (DfE)'s latest initiative – the Risk Protection Arrangement (RPA) – does have several benefits:

- ✓ Access to comprehensive insurance cover
- ✓ Claims adjusters
- ✓ Basic service
- ✓ Cost effective
- ✓ Basic risk management provision

However, when considered in more detail, there are potential issues with the Arrangement...

# Potential issues

## Uncertainty = risk

- 1** Will it be cost-effective if take up is low?  
Insurance requires critical mass to be cost effective over the long term, the premise being that the fortunate many pay for the unfortunate few.
- 2** Where does the money for claims come from?  
If there are not enough schools paying into the fund (which is a possibility in the first instance) there will not be sufficient money to pay large losses in particular.
- 3** Is a £25 per pupil premium sustainable?  
Claims drive the cost of insurance premiums, insurance market feedback is that this is too cheap. Given the story of insurance funding, how long will it last?
- 4** If there is no Contract Certainty, what happens in the event of a catastrophe?  
Insurance comes with a contract that provides Contract Certainty – reinsurance is purchased and insurers regulated to ensure policyholders are protected in the event of catastrophic losses. History has shown that where no insurance exists, subjectivity plays a significant part in deciding what is replaced and how much is paid.

## Gaps in cover; restriction of choice

- 1** The RPA does not provide all the insurance covers a school requires. Where and how are covers that require placement via a broker, like international travel, motor, engineering and absence cover placed?
- 2** Many schools currently enjoy choice over how they employ their capital, for example through an insurer or broker, choosing limits of liability and deductible levels. Surely removing such choice contradicts the principal of devolving responsibility?

## Who will provide advice and wider information and support?

### 1 How will unique or special risks be handled?

Things aren't always straightforward. The exact risks covered - and not covered - by the RPA are unclear. Who will schools contact to check whether certain risks are covered? Who will offer personalised, objective advice and provide cover for the 'non-standard' risks, for example building works or events, that don't fit within the cover offered by the RPA? And what if something that can't be anticipated occurs?

### 2 What about wider risk management and additional services?

Brokers and insurers can offer schools access to broader information and support. Who will provide schools that take up the RPA with the following services?:

- Bulletins on legislative change or risk advisory documents
- Business continuity planning – advice on how to respond in the event of a major loss
- Help in complying with legislative requirements, i.e. health and safety and employment law
- Rehabilitation and staff welfare programmes
- Managing staff absence e.g. maternity
- Major incident media management
- Ensuring school property and asset values are kept up to date
- General advice on managing a wide variety of risks, including security reviews

## Who is on the school's side in the event of a claim?

### 1 Will the appointed loss adjuster be on your side?

Inevitably there will be claims and, whilst a loss adjuster has been appointed, who will they be working for in reality? Will they work to protect your interests and those of your individual school? Or the protection of the limited fund and those who employ them?

# The RPA: A Summary

The Department for Education (DfE) describes the Risk Protection Arrangement (RPA) as “an alternative to insurance where losses that arise are covered by UK government funds”. It is effectively an alternative, low-cost insurer. As with any purchasing decision that is based on price alone, you get what you pay for, and there are inevitably limitations in the scope of cover and services provided.

However, the greatest issue is one of future uncertainty:

- If there is no Contract Certainty, the fund could be open to price fluctuation and subjectivities when it comes to the use of the money within it.
- Initial indications are that take-up will be low. Possible consequences of a lack of “critical mass” could include price change, cover restrictions, service reductions and ultimately legislative change.
- Whilst the RPA guarantees rates for a 2-year period, most insurers are offering 3–5 year deals with Contract Certainty. Much like fixing a mortgage, schools may well be better off in the long-run paying a slightly higher rate but for a guaranteed fixed premium for a 3–5 year period. If the hypotheses above prove true, those schools that join the RPA may find themselves subjected to a price hike after the initial 2-year period.

Surely this type of arrangement is against the principle of devolving responsibility?

# How can Lucas Fettes & Partners' Education team help?

As independent advisers to the sector, Lucas Fettes & Partners enables academies to concentrate on providing a unique learning experience while we provide the objective consultation and support required to reduce exposure to risk over the long term. Insurance is merely a risk transfer mechanism; we take an integrated approach to managing risk, helping in the provision of the following services:

- Full security review
- Managing health and safety and employment law risks
- Business continuity planning
- Claims management, including disaster recovery assistance
- Valuations and asset tracking
- Staff absence management
- Specialist services through other professional advisers
- Insurance placement
- Financial planning and employee benefits

Our role is to provide advice and help you make informed decisions throughout the year, not just at renewal.

## Talk to us

For more information about how Lucas Fettes & Partners can help you, or to arrange a **free, no obligation risk assessment and review of your existing covers**, call us on **0161 972 2480**, email us at [academies@lucasfettes.co.uk](mailto:academies@lucasfettes.co.uk) or visit [www.lucasfettes.co.uk/academies](http://www.lucasfettes.co.uk/academies)

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