Department for Education Risk Protection Arrangement

Summary of estimated claims as at 31 May 2024

4 November 2024

Jacqui Draper

Contents

Introduction

Purpose

This report from the Government Actuary's Department ('GAD') is addressed to, and was commissioned by, the Department for Education ('DfE') in respect of the Risk Protection Arrangement ('RPA').

The purpose of this report is to indicate the total value of claims to the RPA relating to incidents in each academic year as at 31 May 2024. These estimates do not include expenses relating to claims, such as legal costs and loss adjustor fees, or costs incurred by DfE in the operation of the RPA, such as staff and consultancy costs.

Our estimates as at 31 May 2024 are referred to as the 'current' estimates. GAD's previous estimates of RPA claims were as at 31 December 2023, which are compared to in this report.

Reliance

Other than DfE, no person or third party is entitled to place any reliance on the contents of this report, except to any extent explicitly stated herein, and GAD has no liability to any person or third party for any act or omission taken, either in whole or part, on the basis of this report.

This report must be considered in its entirety, as individual sections, if considered in isolation, may be misleading, and conclusions reached by review of some sections on their own may be incorrect.

Compliance

This work has been conducted in accordance with the applicable Technical Actuarial Standard TAS 100 issued by the Financial Reporting Council ('FRC'). The FRC sets technical standards for actuarial work in the UK.

Limitations

The data provided by DfE was used as it was received. GAD has not independently verified the data and we have relied on the general completeness and accuracy of the information supplied. Where possible, we have performed consistency and reasonableness checks using data from our previous reviews.

Our estimate of ultimate claims is sensitive to the assumptions we have used. When considering the results presented in this report, the potential effect of future experience differing from the assumptions adopted should be considered.

Background

The RPA is an alternative to insurance where losses that arise are covered by UK government funds. DfE is overseeing the arrangement with some areas supported by external advisors.

The RPA has been operational since 1 September 2014. The arrangement covers property damage and business interruption ('PDBI'), public liability ('PL'), employers' liability ('EL') and travel ('Travel'). There have been two notable additions to the cover since it was launched, namely claims relating to overseas travel from September 2018 and the cost of cyber-attacks from April 2022.

Originally, the RPA was only available to academy schools in England, but membership was opened to local authority maintained schools ('LAMS') on 1 April 2020. As of the start of June 2024, 11,745 schools are members of the RPA, which represents around 54% of eligible schools.

For academies, participation in the RPA requires a deduction per pupil at source from the academy's general annual grant, and is applied on an academic year basis. For LAMS, the deduction is applied on a financial year basis.

Table 1: RPA per pupil deductions for academies (by academic year) and LAMS (by financial year) for the last five years

Academic / financial year	Academies membership period	LAMS membership period	Per pupil deduction
2020/21	Sep 2020 – Aug 2021	Apr 2020 – Mar 2021	£18.00
2021/22	Sep 2021 – Aug 2022	Apr 2021 – Mar 2022	£19.00
2022/23	Sep 2022 – Aug 2023	Apr 2022 – Mar 2023	£21.00
2023/24	Sep 2023 – Aug 2024	Apr 2023 – Mar 2024	£23.00
2024/25	Sep 2024 – Aug 2025	Apr 2024 – Mar 2025	£25.00

Summary of claims by academic year

The table below shows our current estimates of ultimate claims for each academic year, which is the total final amount that will be paid for claims relating to incidents in that academic year. This is the aggregate of reported claims and future claims. As there are often delays before a claim is reported or settled, claims are often paid in the years after the one in which the claim incident occurred.

Each academic year covers the 12-month period from 1 September to 31 August. The academic years that have not yet commenced are shaded in light green.

We include the estimates of ultimate claims from our December 2023 review and the change in monetary amounts and percentage terms. We also show the current estimates of pupil risk exposure for each academic year, and the corresponding estimates from our December 2023 review.

Table 2: Estimates of pupil risk exposure and ultimate claims by academic year

Academic year	May 2024 review		December 2023 review		Change in ultimate claims	
	Pupil risk exposure (000s)	Ultimate claims (£000s)	Pupil risk exposure (000s)	Ultimate claims (£000s)	£000s	%
2014/15	469	3,403	469	3,356	47	1%
2015/16	1,098	19,005	1,098	19,070	- 65	0%
2016/17	1,783	24,501	1,783	24,382	119	0%
2017/18	2,210	26,382	2,210	26,040	342	1%
2018/19	2,511	32,332	2,511	33,422	- 1,090	-3%
2019/20	2,906	96,072	2,906	95,383	689	1%
2020/21	3,430	79,853	3,430	78,160	1,693	2%
2021/22	3,909	72,019	3,909	70,918	1,101	2%
2022/23	4,287	96,725	4,287	82,556	14,168	17%
2023/24	4,756	121,921	4,702	110,173	11,747	11%
2024/25	5,250	127,531	5,083	121,626	5,904	5%
2025/26	5,598	140,368	5,389	133,114	7,254	5%

There are small movements to the pupil risk exposure estimates for past years due to retrospective changes in the underlying RPA membership data (for example, updates of pupil numbers). These do not have a material impact on results.

The table below breaks down the current estimate of ultimate claims by the four main classes of risk: PDBI, PL, EL, and Travel.

Table 3: Estimates of ultimate claims by academic year and main class (£000s)

Academic Year	PDBI	PL	EL	Travel	Total
2014/15	1,780	786	832	6	**3,403**
2015/16	13,180	1,737	4,074	14	**19,005**
2016/17	15,424	3,152	5,897	29	**24,501**
2017/18	14,649	2,926	8,729	77	**26,382**
2018/19	17,339	3,385	10,954	654	**32,332**
2019/20	36,581	6,355	9,926	43,210	**96,072**
2020/21	53,465	2,668	14,504	9,216	**79,853**
2021/22	50,960	3,991	15,967	1,100	**72,019**
2022/23	71,287	4,992	18,977	1,469	**96,725**
2023/24	87,556	7,515	24,939	1,910	**121,921**
2024/25	86,623	9,219	29,174	2,514	**127,531**
2025/26	94,781	10,347	32,541	2,700	**140,368**

Data and methodology

Our estimates are on a 'best estimate' basis, which means that they do not contain any explicit margins for either prudence or optimism. However, as with all exercises of this nature, there is considerable uncertainty in our results, which are dependent on the methodology and key underlying assumptions.

All estimates are on an undiscounted basis, which means that the amounts stated are the amounts expected to be paid out at the time they are due, without considering the time value of money.

There are many uncertainties associated with the estimation of claims such as those documented within this report. Experience may differ materially from the estimates made. Our report represents our view of the estimated ultimate claims and does not reduce the inherent uncertainty in the outcome of future events.

The RPA has a limited claims history which may not reflect the full range of volatility of experience. In addition, there is uncertainty from the changing underlying membership over time.

The actuarial analysis undertaken for the arrangement does not include a specific consideration of latent claims. These are claims of a type that was not anticipated at the time that cover was provided, though these claims would be funded by DfE if they were to arise in the future. This represents a source of uncertainty in the level of future claims.

Data

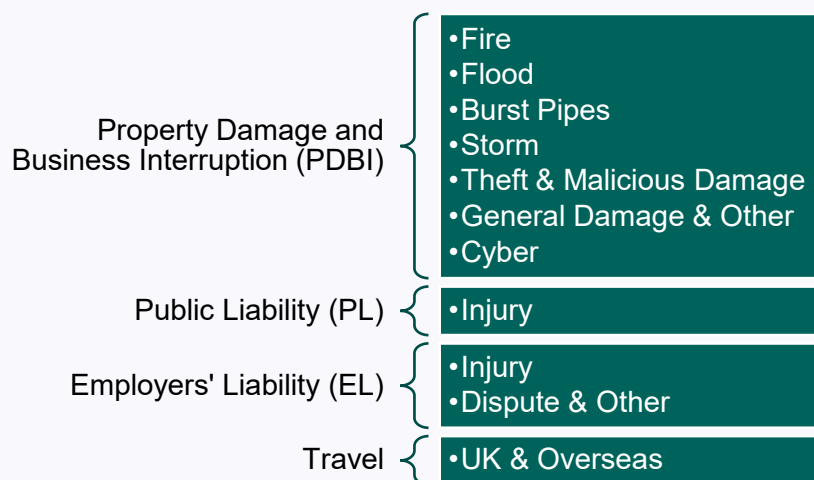Our analysis is supported by the following data:

- RPA claims as at each month end from 30 September 2014 to 31 May 2024, which are provided by the RPA claims handler;

- RPA claims as at 30 June 2024, which was used to assess any material movements in individual claims since 31 May 2024;

- RPA membership as at the beginning of June 2024;

- DfE forecasts of future academy numbers as at June 2024.

We have not verified the accuracy of the data independently. We have compared the academy projections and RPA membership data to that previously received for consistency and reasonableness. We are not aware of any material bias in the data used.

Methodology

Classes of RPA cover

We estimate future claims and ultimate claims for the four main classes of risk (PDBI, PL, EL, Travel) by breaking them down into eleven sub-classes of risk:

Property Damage and Business Interruption (PDBI)
- Fire
- Flood
- Burst Pipes
- Storm
- Theft & Malicious Damage
- General Damage & Other
- Cyber

Public Liability (PL)
- Injury

Employers' Liability (EL)
- Injury
- Dispute & Other

Travel
- UK & Overseas

Estimates of risk exposure

We assume that the number of RPA claims arising from a given academic year period is proportionate to the number of pupils in attendance at schools that are members of the RPA during that period. The number of pupils is therefore the measure of 'exposure' over the academic year.

For past academic years, we use RPA membership data to estimate the number of pupils that were covered by the RPA. For future academic years, we:

- Estimate the number of schools that will join and leave the RPA in each month;

- Estimate the number of pupils within each school that will join or leave the RPA;

- Convert these pupil numbers into 'pupil-years' of risk exposure for each academic year by accumulating the time on risk for each school within each year.

Estimates of ultimate claims – academic years that have commenced

To estimate the ultimate claims, we combine the current value of claims that have been reported as of 31 May 2024 (known as the reported claims) with an estimate of future claims for incidents that occur during the academic year. The future claims include:

- Claims that have happened but have yet to be reported to the RPA's claims administrators (known as 'incurred but not reported' or IBNR). IBNR could occur, for example, if a child has an accident but the parent delays reporting this to the school, perhaps because they didn't realise that they would have grounds for a claim.

- Claims that have happened but not enough has been reported, which are known as 'incurred but not enough reported' or IBNER. IBNER could occur, for example, if a fire claim is reported and a standard initial loss estimate is recorded against the claim but then, following a more detailed assessment of the fire damage by a loss adjustor in the future, the expected cost of the claim is increased.

- Claims that will arise from unexpired risk periods. At the time of this review at 31 May 2024 there are still three months of future coverage for the latest academic year 2023/24 which runs until 31 August 2024.

For each type of risk, we use RPA's historical claim experience to make assumptions about how reported claims in respect of each academic year develop over time, i.e., how the proportion of total reported claims to the total ultimate claims for that academic year changes over time. At the start of the academic year, the proportion is 0%, and at the point when all claims from the year are fully paid and settled (which can be many years after the end of the academic year), the proportion is 100%.

For example, we expect that claims from PDBI and Travel classes to develop the fastest because these claims generally settle relatively quickly. The liability classes (EL and PL) take longer to develop as there is a significant component of personal injury which generally takes longer to settle.

In estimating the future claims, we consider a range of common actuarial methods, such as the chain-ladder method or the Bornhuetter–Ferguson method (both described in Appendix D).

Estimates of ultimate claims – academic years that have not yet commenced

Our view of future costs is based on estimates of claim frequency and average claim severity for each of the different types of cover offered by the RPA. These estimates are based upon the RPA's historical experience for each type of risk. The frequency assumptions are the same for all future academic years per pupil-year of exposure, whilst the severity assumptions are adjusted for assumed future inflation.

Appendices

Appendix A: Analysis of Fire claims

The following table shows, for each academic year, the number of schools that have experienced a fire-related event, and the average value of a fire-related event.

Table 4: Analysis of fire-related events

Academic year	RPA member schools	Members who experienced a fire event	Average cost of fire event (£)
2014/15	936	12	£14,280
2015/16	2,157	15	£268,081
2016/17	3,609	36	£80,624
2017/18	4,643	36	£83,367
2018/19	5,433	47	£74,962
2019/20	6,387	40	£79,990
2020/21	7,716	26	£445,248
2021/22	9,098	47	£359,468
2022/23	10,008	53	£426,365
2023/24 *	11,144	46	£326,497

* Partial year – nine months up to 31 May 2024

Notes on construction

A fire-related event is one where the claims handler has recorded the main cause of loss to be fire and this has resulted in damage to the fabric of a school building, contents owned by the school, or has caused the school to incur additional costs associated with finding alternative accommodation. This definition excludes a small number of claims where fire has been the cause of other types of loss (for example damage to the property of third parties).

The number of RPA member schools is measured as the average over the academic year.

The figures include both settled claims and claims that have not yet settled, and therefore numbers for past years may vary from one review date to another as the claims develop. This exclude nil claims, i.e. claims where no loss was paid, or a loss is not expected to be paid.

The number of members who have experienced a fire-related event is calculated as any member that recorded at least one fire loss. If a member experienced more than one event, they are only included once.

Appendix B: Analysis of Flood claims

The following table shows, for each academic year, the number of schools that have experienced a flood-related event, and the average value of a flood-related event.

Table 5: Analysis of flood-related events

Academic year	RPA member schools	Members who experienced a flood event	Average cost of flood event (£)
2014/15	936	25	£12,526
2015/16	2,157	67	£47,775
2016/17	3,609	55	£15,495
2017/18	4,643	65	£27,771
2018/19	5,433	15	£31,291
2019/20	6,387	12	£665,416
2020/21	7,716	53	£243,547
2021/22	9,098	31	£158,395
2022/23	10,008	7	£64,287
2023/24 *	11,144	8	£40,640

* Partial year – nine months up to 31 May 2024

Notes on construction

A flood-related event is one where the claims handler has recorded the main cause of loss to be a flood and this has resulted in damage to the fabric of a school building, contents owned by the school, or has caused the school to incur additional costs associated with finding alternative accommodation.

This definition excludes:

- events where the main cause of loss is recorded as a storm, though there can be an ambiguity in the classification of some claims where heavy rain from a storm causes some flooding to school premises;

- 'escape of water' claims where damage to water pipes (or other similar infrastructure) results in water damage to contents and property;

- a small number of claims where flood has been the cause of other types of loss (for example damage to the property of third parties).

The number of RPA member schools is measured as the average over the academic year.

The figures include both settled claims and claims that have not yet settled, and therefore numbers for past years may vary from one review date to another as the claims develop. This excludes nil claims.

The number of members who have experienced a flood-related event is calculated as any member that recorded at least one flood loss. If a member experienced more than one event, they are only included once.

Appendix C: Claim numbers

The following table gives a breakdown of the number of claims reported to the RPA for each of the four main classes of risk for each academic year.

These exclude nil claims. Additionally, one incident with various heads of damage will be recorded in each class for which a claim is recorded by the claims handler.

Table 6: Claim numbers reported to the RPA by main class

Academic year	PDBI	PL	EL	Travel	Total
2014/15	234	58	55	27	374
2015/16	560	150	88	54	852
2016/17	903	207	133	81	1,324
2017/18	1,168	337	153	110	1,768
2018/19	1,236	439	171	743	2,589
2019/20	1,364	369	113	5,551	7,397
2020/21	1,190	469	131	950	2,740
2021/22	2,097	603	208	608	3,516
2022/23	2,233	648	251	917	4,049
2023/24 *	2,017	478	251	673	3,419

* Partial year – nine months up to 31 May 2024

Appendix D: Glossary

Bornhuetter–Ferguson method - Loss reserving method whereby experience is assumed to continue in line with that assumed at the start of the relevant period.

Chain-ladder method - Loss reserving method whereby experience is assumed to continue in line with experience in the relevant period so far.

Exposure - A measure that represents the overall level of risk over a given period. Possibilities for the RPA include the number of schools and number of pupils. Pupil numbers were chosen, with exposure being measured in 'pupil-years'.

Future claims - This is all claims estimated to be reported and ultimately paid in the future relating to exposure within a given academic year. This estimate is the sum of the IBNER, IBNR and estimated ultimate claims for the unexpired risk period.

Government Actuary's Department ('GAD') - A non-ministerial government department providing actuarial advice to public sector clients. For more information see https://www.gov.uk/government/organisations/government-actuarys-department

IBNER - For the RPA, exposure is considered in academic years running from September to August. At the end of each exposure year there will still be outstanding claim amounts that have not yet been reported relating to that period. These amounts that are expected to arise in future are referred to as incurred but not enough reported ('IBNER') claims.

IBNR - For the RPA, exposure is considered in academic years running from September to August. At the end of each exposure year there will still be claims that have not yet been reported, relating to that period. These amounts that are expected to arise in future are referred to as incurred but not reported ('IBNR') claims. Often IBNR is used to refer to both 'pure IBNR' (as per the definition here) and IBNER combined (IBNER defined above). However, in this report we refer to IBNR to just mean the pure IBNR, excluding IBNER. IBNR numbers are the number of claims that have incurred but have yet to be reported.

Latent claims - Claims of a type that was not anticipated at the time that cover was provided.

Nil claims – Claims made to the RPA where no loss was paid, or is expected to be paid, e.g. because the claim falls outside of the scope of RPA cover.

Personal injury - Legal term for injury to body, mind or emotions.

Reported claims - The reported claims at a certain point in time is the total amount that the claim handlers estimate the claims that have been notified to date to ultimately cost.

Risk period - The time for which the expectation is to have RPA cover in place.

Ultimate claims - The total final amount that will be paid for claims relating to a given period, such as an academic year. This is the aggregate of reported claims and future claim amounts.

Unexpired risk period - The remaining risk period for an academic/financial year for which, as at a certain date, RPA cover is expected to be in place.