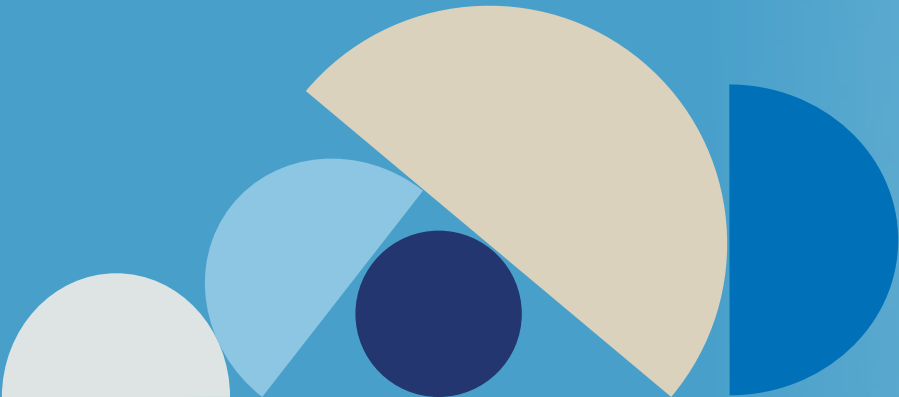


# A wider lens

Risk prevention  
and mitigation



# Introduction

The purpose of risk management is to identify and understand potential risks that could impact on an organisation's objectives, and to develop and implement responses and strategies to mitigate or manage those risks. One risk management technique is risk transfer, for which the most common example is insurance. When you purchase insurance, you are insuring against financial risks. But your relationship with your insurer should go beyond financial compensation, focusing on working together to prevent and mitigate risks and the impacts they may bring.

Insurers have been partnering with their customers to help them manage risks for centuries. Following the Great Fire of London in 1666, newly formed insurance companies provided their own fire brigades to prevent and minimise damage to properties insured by them. In time, insurers agreed to provide money and equipment to municipal authorities who created fire departments to respond to all fires.

In 2023, thanks to recent leaps in technological advances, the ability to manage and prevent risks is becoming simpler and cheaper in some areas. Insurers can provide extensive support to their customers to help them focus on risk prevention, however, investment in time, money, and resource is still required. Technology can provide and analyse data, but people are required to create and implement risk management solutions. Unfortunately, due to budget cuts and restraints, spreading the role of the risk manager/analyst too thin, and short-term decision making meaning long-term risk issues are neglected, many public sector organisations are not investing enough in those risk management solutions.

This de-prioritisation of risk management will create a situation where organisations are less able to cope with the increasingly volatile environment in which they are operating. In fact, as outlined in the [2023 Global Risks Report](#), organisations must find ways of prioritising investment in risk management and resilience so that when the shocks come, they are better placed to respond.

Shifting the focus from just risk transfer to the wider lens of risk management and mitigation lies at the heart of preventing accidents, and can offer the opportunity for an effective defence against any claim subsequently made.

Uninsurable risks represent an estimated 80% of all risks which could threaten your organisation. It is far better to embed a positive risk culture and practice within your organisation to prevent and mitigate unwanted occurrences.

While effective risk management, robust investigation and good record keeping cannot guarantee an incident-free future, a proactive culture which acts on concerns and makes changes will place your organisation in a far better position to respond when an incident arises.

The insurance industry is responding to the evolving risks facing its customers by proactively providing risk management and prevention training and solutions. Today, a typical public sector insurance package is likely to include a mix of financial cover and risk prevention support.

As the climate changes, flooding, already one of the biggest risks facing the UK, is set to keep on increasing with more and more properties under threat. Traditionally many properties have been reinstated on a like-for-like basis by insurers following a flood, leaving the occupiers still vulnerable to a repeat event.

To break the cycle, Zurich has used the property repair process to 'build back better' and ultimately limit the disruption faced by households and organisations as well as reduce the cost of repeat flood incidents. From simple, 'cost-neutral' changes such as moving plug sockets higher up the wall, to signposting customers to specialist advice on flood resilience, grants and resources, and its loss adjusting Flood Resilience Toolkit, the initiative means that impacted properties are better protected against future floods.

When it comes to managing risk, "the old saying that prevention is better than the cure" applies, as stated in [this article from our CIPFA partner](#). So, how can public sector organisations put this trusted maxim into practice? We have identified three key factors for consideration:

1. Investment in risk profiling, analysis and management.
2. The importance of the risk management role.
3. Taking the opportunity to investigate and learn lessons from previous events.

# Investment in risk profiling, analysis and management

Although most people understand the importance of risk prevention and it has widely been identified as a national policy priority, when budgets are tight, “[investment in long-term initiatives can be seen as an easy tap to turn off](#)”. For public sector entities, a lack of funding certainty, scarce resources, existing pressures, and a need to focus on political priorities, mean that the emphasis is often on finding short-term fixes – and in the current economic climate, this is amplified. However, [as Rob Whiteman, CEO of CIPFA, affirms](#), “while long-term investments may be perceived as easier to defer, such disinvestment has an associated opportunity cost, both in terms of finance and impact on services”.

A long-term outlook is absolutely critical in areas such as social care, asset management, and climate change. The most high-profile public sector failures of recent times have often been due to a lack of a long-term approach.

It is the job of a risk analyst to look beyond the immediate damage that may be caused and deep dive into the short-, medium-, and long-term consequences that are not always apparent when analysing the risk on a surface level.

## Case study:

A further education institution had to replace an aging roof on one of its buildings. However, instead of replacing the roof itself, for budgetary reasons a decision was made to recover it. Following heavy rain, the building suffered serious water ingress, which would not have happened had replacement taken place.

The cost of the resultant internal damage ran into many hundreds of thousands and the wider impact on the students, teachers and parents was significant – several classrooms could not be used for many months, disrupting the students’ education and wellbeing.

Climate-related events are not the only area in which non-prioritisation of resources into long-term consequences has had negative impacts on society.

At a time where financial pressures are high, Zurich Municipal have seen instances where investments in risk management and associated activity have been scaled back or deprioritised. This includes vacancies not being filled, policies coming up to review and not being reviewed, individuals with risk and insurance responsibilities often doing these alongside other roles, as well as skills, qualifications and training programmes not being kept up to date.



# Investment in risk profiling, analysis and management

## Case study:

In 2021, a case was brought against a large charitable organisation when a claimant suffered injuries sustained by a falling branch from a tree on one of their properties. The High Court dismissed the claim finding that the organisation had properly discharged its duty under the Occupiers' Liability Act 1957 through evidencing a comprehensive and multi-faceted tree safety system, including tree inspections.

There is a growing shortage of trained arborists and foresters to carry out these inspections, as many retire without enough people to take their place. Alongside budgetary cuts, many public sector organisations lack in-house arborists and may have one officer charged with caring for urban trees across an entire county. Without their expertise, trees may be planted improperly or in sites susceptible to pests and windstorms. If not properly cared for, these trees risk losing branches thereby posing a danger to the public.

Sufficient inspections and maintenance are in line with good asset management principles, and make better use of both routine and structural maintenance budgets as preventative treatment is cheaper overall than structural repairs.

In relation to properties, regular repair and maintenance can help to improve energy performance, increase life expectancy of the building, and may prevent or postpone the requirement for substantial retrofitting.

Prevention is a vital tool in asset management with a property protection mindset. Regular surveys and inspections with risk improvement recommendations acted upon, alongside the use of better technology for leak detection, sensors and building management systems will help to catch problems early mitigating impacts.

Solar panels are an increasingly common feature on the roofs of buildings across the UK. Zurich has seen a rise in fire claims involving solar panels in recent years, some of which have resulted in significant damage and substantial losses.

Priority should be given to developing a clear understanding of the risks posed by these installations so that they can be appropriately managed.

Appropriate measures should be taken during design and installation stages to minimise risks, with contractors involved accredited to a national trade body and sufficient roof space free to allow for inspections, maintenance and cleaning of the panels and roof itself.

# The importance of the risk management role

Effective risk management can only be achieved through sufficient understanding and application of risk management frameworks, standards, tools, and techniques, alongside deep knowledge of the organisation and its context. Anyone tasked with analysing risks and making recommendations on how to effectively manage them must have the education, experience, and resources to effectively perform their job.

An organisation's risk management resource should bring together a [balance of skills, knowledge, and qualifications](#) to ensure that these collectively support the organisation's overall approach. However, many organisations have restructured risk management roles, so they encompass other duties such as performance management, legal, procurement, and even HR.

It is equally important that all personnel working on risk transfer understand the basics of insurance, risk management, legal issues, and the potential pitfalls to be avoided. Zurich works with customers and delivers Basics of Insurance Training courses to support this. Delegates gain a good understanding of insurance and related issues, thereby bringing a greater level of efficiency to their area of operation and helping them contain costs and losses. If you would like to find out more, please get in touch with your usual Risk and Insurance Consultant (RIC).

The social housing sector is an area that perfectly illustrates why risk managers need the time and resources to perform at the top of their game. Social housing has faced a number of challenges over the past decade and the cost-of-living crunch that has impacted on budgets as well as the solvency of tenants.

There are several risk areas identified by the [Regulator for Social Housing](#) that public sector organisations and other providers need to understand, including:

- The necessity of investing in existing housing stock to ensure the continued provision of decent quality homes. Boards need to collate and analyse data concerning their stock quality ahead of legislative changes such as the [Social Housing \(Regulation\) Bill](#).
- Keeping on top of the changing legal requirements and being able to reassure tenants that they are safe in their homes.
- Tenants demanding greater transparency from providers.
- Needing to monitor their ability to access the labour, capital, and skills required to maintain their stock and undertake regeneration projects in the current economic and political environment.
- Upskilling on the financial, social, and environmental risks associated with building, selling, and tenanting new houses.

Restructuring risk management teams so they must take on more and more work that may not be directly associated with risk prevention heightens the chances of secondary risks from these issues, such as the social and financial impact, being missed.

# Taking the opportunity to investigate and learn from the past

As Albert Einstein said, the only mistake in life is the lesson not learned.

One of the most effective risk prevention strategies available also often costs the least, namely examining the impact of events on your or similar organisations and then using data and expertise to understand what opportunities for prevention and mitigation were missed.

## Case study:

An education institute recently suffered a catastrophic escape of water. The incident happened over a weekend and was not discovered until the Monday morning when staff turned up for work. This resulted in much of the premises being unusable in the run-up to an examination period.

Zurich worked with the customer to review lessons learned, and the client decided to install leak detection and suppression systems at their own expense. This provided peace of mind that should a similar leak happen in the future it can be quickly identified and dealt with, and neither staff nor students will be unduly affected.

Fire, flood, and other disasters also provide ample opportunities to gain experience and update risk management and prevention policies and procedures. For example, the York city floods in 1982 led to the [investment and development of flood infrastructure](#). Following research and analysis into the Boxing Day floods of 2015 it became apparent that the existing infrastructure would not be adequate to cope with increasing water level rises caused by climate change events.

In mid-2022, work was completed on upgrading defence projects. The then chair of the Environment Agency, Emma Howard Boyd, told the [BBC](#):

“The flood defence work across the city will make people and businesses more resilient to future climate impacts. [ . . . ] The work here continues and with further investments we are upgrading and creating new flood storage areas as well as installing bespoke property-level protection to homes and businesses across the city.”

Thanks to the new risk management measures and quick action by authorities (another lesson learned from previous incidents), when the city experienced [flooding in 2023](#), most businesses and houses escaped major damage and were able to remain open or habitable.

Over the last two years, we have seen hot works fires cause losses in excess of £250m. Many organisations still use paper hotwork permits which give them little overview of the work being carried out on their sites and therefore little opportunity to prevent and mitigate the risks.

[Zurich Smart Permit](#) was co-created with customers and contractors and is a web-based solution for managing permits associated with construction and maintenance work, removing the need for paper permits, and providing a reliable audit trail.

# Summary

The importance of investment, the risk management role and the opportunity to learn lessons from previous events are all impacted by a common thread – short-term decision making. In today's environment, risk managers require a strong business case to get long-term risk prevention strategies supported by their leadership teams.

The challenges facing the public sector mean that risk prevention is more important than it has ever been before. Every pound spent on responding to foreseeable incidents and claims is money that could have been directed to improving the lives of those in the community. Investing in risk prevention is not simply a money saving exercise, it goes to the heart of the ethos of a public sector organisation's role, namely ensuring the health and wellbeing of the area it is charged with administering.

“A greater focus on prevention across organisations could not only improve population health but also provide better value for money, manage future demand for services and support public sector financial sustainability.” - [Rob Whiteman, CEO at CIPFA](#)

## Solutions

Here are some solutions that can be implemented by organisations to prevent risks before they develop.

### **Talk to your insurer**

Insurers have extensive in-house expertise concerning risk prevention. By involving them during the decision-making process, your organisation can take advantage of their knowledge and insight.

Due to their extensive experience and knowledge of risk, insurers can often alert their customers to obvious prevention strategies that are sometimes overlooked. A common example is the maintenance of gutters and drains to ensure they can cope with increasing flash flood events. Regularly checking and maintaining gutters and drains is significantly cheaper in the long-term than repairing the damage caused by heavy rainfall or installing flood barriers, flood doors, and other demountable systems. Sometimes it takes a third party to spot the simple, cost-effective options which may have been overlooked by those implementing existing risk prevention procedures.

Your insurer may have propositional elements beyond traditional insurance. Zurich Municipal's trusted partner, [Previsico](#), offers a surface water flood warning service to customers through automated email warnings and real-time forecast data. Their flood forecasting technology uses live hydrodynamic modelling to predict the likelihood of flooding, drawing information from several leading data sources.



# Solutions

## Have processes and procedures in place to ensure continuous improvement

It is imperative that organisations learn lessons so risk prevention strategies can be continuously improved. Having detailed policies and procedures for achieving a comprehensive review of an event will ensure all risks, including the 'hard to see' secondary risks such as damage to neighbouring properties, reputational harm, and revenue loss, will be identified.

Working with your insurer and their partners, and utilising their in-house expertise can assist you in creating necessary policies, communicating these throughout the organisation, and implementing staff training programmes.

Zurich Risk Advisor enables organisations to enact a virtuous circle of ongoing improvement, through risk snapshots, self-risk assessment and risk improvement ideas. Our risk management app is free to download [here](#).

## Invest in risk management systems and technological solutions

When it comes to understanding the threats to your organisation and the initiatives required to prevent or mitigate them, technology is your friend. The care sector has long been facing a crisis in funding and lack of resources and the situation will only intensify as the population continues to age. To combat the challenges, the NHS is investing in several AI solutions that will prevent and mitigate risks to people receiving social care. One example is the implementation of an AI-powered Concern Predictor tool which analyses data collected from care workers' visit reports to produce a stratified risk assessment of individuals across a region, predicting the likelihood of falls and hospital admissions.

Translating data into knowledge and action is often a key obstacle for risk managers. Actionable insight can therefore cut costs, facilitate sustainable changes and manage risks proactively. In areas where maintenance information are contained across multiple databases, investing in IT solutions that can combine and present the data in a meaningful and understandable format can ensure intervention actions can be determined based upon the level of risk. [Zurich Insite](#) listens to the data created by a building and provides insight to improve performance and efficiency.

Investing in risk prevention technology-based solutions is an example of directing capital and resources in the short-term to improve services and save money in the future. And one of the key benefits of installing high-quality systems that come with extensive customer support, is that regular upgrades will ensure that an organisation's ability to use data to prevent and mitigate risks will only improve.





# How can Zurich Municipal help?

At Zurich Municipal, we help protect the things that really matter to you. Since 1993 we've insured charities, voluntary organisations, housing associations, and the education and public sectors, helping you to better understand and reduce the risks you face.

Our insurance supports society in ways you might not think – from preventing problems before they occur with our in-house risk experts, to protecting the physical and mental health of your team and communities through access to nurses, counsellors and therapists. So, you can protect the future in more ways than one.

Our teams of specialist risk consultants cover all strategic and organisational risk aspects and are ready to support our customers as they consider their approach to sustainability.

At Zurich Municipal we believe in a brighter future for our communities. That's why we make it our purpose to help make them more sustainable and more resilient.

To discuss any aspect of this paper further, or for more information email [info@zurichmunicipal.com](mailto:info@zurichmunicipal.com) or call us on 0800 232 1901.



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