Cost of Risk: Reducing Insurance Premiums by Improving Care Quality

Prepared in partnership with Howden

A White Paper for UK Care-Home Owners, Directors and Senior Managers

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Executive Summary:

Insurance premiums in adult social care reflect risk, not randomness. Underwriters price on the likelihood and severity of claims, and the strongest predictors are the day-to-day controls that sit behind care quality: staffing stability and competence, medicines governance, infection prevention and control (IPC), falls management, estates maintenance, and board-level oversight. When these controls are evidenced and sustained, expected losses reduce, and pricing can follow.

Current market commentary supports that relationship. Howden's published social care market update notes that well-managed, low-claims social care providers achieved liability rate reductions of up to 30% where performance and claims history support it, and property rate reductions of up to 25% for well-presented risks – with competitive momentum built through 2024 and into 2025 (Howden, 2024).

This paper sets out how quality improvements translate into stronger underwriting outcomes – and why providers should not rely solely on delayed regulatory signals. The UK Government's review of the Care Quality Commission's (CQC) operational effectiveness highlights reduced inspection activity, increasing age of ratings and a material proportion of locations never rated, all of which can leave improved providers paying for historic risk signals unless they can evidence progress directly to insurers (UK Government, 2024).

Why Quality Changes Price: Underwriting Logic in Adult Social Care

Underwriters price risk, not hope. For a care home, they look at patterns of harm – resident injuries, medication incidents, outbreaks, manual-handling injuries to staff, fires and escapes of water – and they look for persuasive evidence that these are controlled: credible audits, effective governance, a clean claims history, and strong regulatory outcomes. In practical terms, "quality" is not a soft concept; it is the mechanism by which likelihood and severity of loss are reduced. A home with robust IPC, reliable medicines practice, stable staffing and good leadership is statistically less likely to produce large losses, and therefore cheaper to insure.

Specialist market commentary supports the price impact when the evidence is clear. In its social care market update, Howden notes liability rate reductions of up to 30% for well-managed, low-claims risks and property rate reductions of up to 25% for well-presented risks (Howden, 2024). The key point is that these reductions are not "automatic" – they rely on credible, sustained controls and a well-evidenced underwriting submission.

The Association of British Insurers (ABI) frames the underwriting logic in simple terms: premiums reflect the likelihood and probable size of a claim, so reducing risk and claim severity is the route to lower premiums (ABI, 2008).

Regulation as a Signal of Risk: Why Ratings Matter, and How Delays Distort the Signal

In England, the CQC's Single Assessment Framework (SAF) assesses whether care is Safe, Effective, Caring, Responsive and Well-led, and it anchors statutory expectations such as Regulation 18 (Staffing). Regulation 18 requires "sufficient numbers of suitably qualified, competent, skilled and experienced" staff, with appropriate training, supervision and appraisal. For underwriters, a Good or Outstanding rating is a credible, third-party signal that risks are being managed; where ratings are Requires Improvement or Inadequate, the signal is, equally credibly, that loss frequency and/or severity is more likely (CQC, 2024a; CQC, 2024b).

Scotland's Care Inspectorate (CI) reaches a similar end via a different route: published inspection reports with a six-point scale from 1 (Unsatisfactory) to 6 (Excellent) across staffing, leadership, care quality, safety and environment. Grades of 5 or 6 signal that governance is working; grades of 2 or 3, or open improvement notices, indicate elevated exposure (Care Inspectorate, 2024a; Care Inspectorate, 2024b).

Inspection and Reporting Delays (England) – Why Improved Homes Can Still Pay for Old Risk Signals

The usefulness of ratings as "current" indicators has been blunted by inspection and reporting delays – most notably in England. The UK Government's review reports 6,700 inspections and assessments in 2023/24, compared with around 15,800 inspections in 2019/20. It also reports an average age of current ratings of 3.9 years as at 30 July 2024, and estimates that around 19% of locations have never been rated (UK Government, 2024).

Practical implication: providers should run two parallel tracks. Track one is relentlessly operational – closing gaps against the SAF and Fundamental Standards, hard-wiring Regulation 18 compliance, strengthening medicines governance and IPC, and stabilising staffing and leadership. Track two is evidential – building an insurer's "evidence pack" so premiums can be negotiated on today's control environment, not an ageing public rating.

Safe Staffing and Competence Under Regulation 18: Why it is the Foundation Stone

Safe staffing is the first control an insurer looks for because it sits at the root of almost every harm pathway. Regulation 18 requires that sufficient competent staff are deployed, and that those staff receive training, supervision and professional development appropriate to their roles. CQC guidance makes clear that staffing must reflect changing resident acuity: fixed ratios are not a defence if dependency mix has shifted (CQC, 2024a). For underwriters, evidence of dependency-led rostering, induction and competency frameworks, and systematic supervision is persuasive that the organisation can keep risk within tolerance.

There is robust evidence that workforce investment is linked to quality outcomes. NIHR's evidence alert summarising the MiCareHQ research reports that better pay and training are associated with higher CQC ratings, including findings that a 10% wage increase is linked with a 7% higher chance of a care home being rated Good or Outstanding (NIHR, 2022). This matters because higher ratings and better controls tend to correlate with fewer and less severe incidents – which is exactly what insurers price.

Workforce Context: What the Latest Figures Mean for Risk

The workforce context underlines why staffing control matters. Skills for Care reports that the total number of posts in adult social care in England in 2024/25 stood at 1.71 million, comprising around 1.60 million filled posts and around 111,000 vacancies (Skills for Care, 2025). Homes that can evidence dependency-led rostering, reduced agency reliance, strong supervision and competency sign-off, and high training completion rates typically present as lower-frequency, lower-severity risks at renewal.

Infection Prevention, Medicines Safety and Falls: Controlling Three Major Clinical Drivers of Loss Infection Prevention and Control

In England, the Health and Social Care Act 2008 Code of Practice sets the statutory framework for infection prevention and control, supported by UKHSA's adult social care IPC resource. The CQC's inspection evidence expectations reinforce what inspectors and enforcing bodies look for: policies, training records, PPE, cleaning schedules, auditing and action logs, antimicrobial stewardship and outbreak management (DHSC, 2022; UKHSA, 2023; CQC, 2024c). Providers that can show their IPC arrangements are built on these frameworks are managing down both clinical risk and liability risk.

Medicines Governance

Medicines safety is governed by NICE SC1: Managing medicines in care homes. It covers prescribing, storage and administration, MAR accuracy, PRN protocols, competency sign-off and error learning. The NICE guidance remains the baseline, with minor updates including December 2024 (NICE, 2014, updated 2024). Medication incidents are among the most frequent serious-incident categories seen by inspectors and loss adjusters alike; homes that can evidence alignment to SC1 and show learning and trend improvement present as safer risks.

Falls Prevention

Falls remain a stubborn cause of severe harm and claims in the care-home population. The Care Inspectorate's "Managing Falls and Fractures in Care Homes for Older People" provides an evidence-based framework widely used across the UK: individualised mobility and fracture-risk assessment, environmental modification, targeted strength and balance work, and robust post-fall review (Care Inspectorate, 2022). Underwriters respond positively to credible falls-reduction plans backed by data because it demonstrates active control of a high-frequency, high-severity loss driver.

Incident Learning, RIDDOR and Governance: Showing the Insurer Your Culture Works

Insurers try to price not just the presence of policies, but whether they work when it matters. The easiest way to demonstrate this is through reliable incident reporting, proportionate investigation, trend analysis and closure of actions – backed by board oversight. The HSE's latest key figures report 40.1 million working days lost in Great Britain in 2024/25 due to work-related illness and workplace injury, reinforcing the scale of preventable harm and the value of strong reporting and corrective-action governance (HSE, 2025).

Mature governance binds the whole system together. At the director level, that means routine review of trend data for falls, medicine errors, staff injuries and safeguarding; sign-off of IPC assurance; tracking of training compliance and turnover; and supervision of estates risks. A board that can evidence this cadence – with minutes, dashboards and closed actions – presents a fundamentally lower risk profile than one that asserts it.

Property Risk – Fire and Water: Why Physical Controls Still Move Pricing

Catastrophic property losses are rare in care homes but high-severity when they occur, and they often expose weaknesses in evacuation, compartmentation, detection and maintenance. The Home Office guide Fire safety risk assessment: Sleeping accommodation remains a core reference for such premises; insurers expect a current fire risk assessment, recorded drills, maintained detection/suppression and timely rectification of fire-door or compartmentation defects (Home Office, 2015). Where this story is strong, property pricing and deductibles can respond more favourably.

Water hygiene presents a similar pattern. HSE HSG274 Part 2 sets out control expectations for Legionella in hot and cold water systems – temperature regimes, monitoring, logbooks and documented remedial action (HSE, 2020). Clear evidence of water safety management reduces both property and liability exposure.

Scotland in Detail: Applying the Care Inspectorate Lens

Scotland's regulatory context is distinct. CI inspection reports assign six-point grades across staffing, leadership, safety and environment. Because the reports are public and the grading scale is consistent, insurers have a reliable proxy for operational control. Grades of 5 ("Very Good") and 6 ("Excellent") convey that systems are working; grades of 2 ("Weak") or 3 ("Adequate") indicate meaningful exposure. Where improvement notices are issued, the decisive factor for insurers is whether actions are closed promptly and sustained over time (Care Inspectorate, 2024a; Care Inspectorate, 2024b).

When Regulation Lags Reality: How to Stop Delays Costing You More

Because CQC ratings influence referrals, recruitment and insurance, time matters. Where a home has materially improved after a Requires Improvement finding, delays in inspection and publication can be commercially punishing: the old rating deters referrals and can inflate insurance prices even when the risk is now lower. The pragmatic response is to prepare a rigorous evidence pack that allows underwriters to price the live risk despite the public lag: closed actions against Regulation 18; medicines and IPC audit outputs; falls-reduction results; fire and water-safety logs; staff training coverage and turnover; and governance minutes showing ongoing control.

Converting Quality into Savings: A Conservative, Evidence-Based Model

The mechanism linking quality to premiums is straightforward. Better staffing and training improve regulatory outcomes and operational control. Improved control reduces incident frequency and severity. Fewer and smaller claims reduce expected loss, and lower expected loss reduces premium.

For modelling purposes, operators should take a conservative view and link improvement claims to evidence and claims performance. As an illustration only, a home with £120,000 annual liability premium and £80,000 property premium might target a staged approach: an initial improvement case aimed at 10% on liability and 5% on property after a year of evidenced improvement; and, where the claims record and control evidence support it, a stronger negotiation aligned with Howden's published "up to" ranges for well-managed risks (Howden, 2024). The critical factor is evidence: insurers do not price aspirations – they price controls and outcomes they can verify.

The Role of External Expertise: Why Fulcrum and Howden Together Change the Outcome

Many operators can diagnose their own gaps, but external expertise accelerates progress, adds objectivity and creates third-party evidence that insurers and regulators trust. Fulcrum carries out independent, CQC-style mock inspections and governance reviews that surface non-compliance, prioritise risk-critical actions and embed audit cycles, creating a clear evidence trail for both inspection readiness and underwriting submissions (Fulcrum Care Consulting, 2024).

The second half of the equation is ensuring the market value improvement. Specialist broking translates operational progress into underwriting terms, aligns evidence to insurer appetites, and challenges renewals priced on stale ratings. Howden's social care market update highlights the appetite for better-performing risks and the potential pricing benefits where controls, governance and claims performance are demonstrable (Howden, 2024).

Conclusion: Quality as a Financial Strategy

A safe, well-led care home is first and foremost a better place to live and work. It is also a better insurance risk. The path to lower premiums runs through demonstrable control of clinical and estates risks, stable and competent staffing, transparent incident learning, and credible governance.

In England, CQC reassessment delays add a commercial wrinkle – but providers can still negotiate on today's reality by building strong evidence packs and using specialist support to present them convincingly. In Scotland, transparent CI reporting can help, but insurers still expect to see sustained, documented improvement.

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Howden Commentary – Sabrina Meetaroo, Divisional Director, Solicitor & Head of Legal, Risk & Claims Advocacy, Howden Health & Care

The health and care sector continues to operate under sustained and increasingly complex pressures. Workforce shortages, rising acuity of service users and heightened regulatory scrutiny are now structural challenges rather than temporary disruptions. This white paper, provides a clear, evidence-based view of how these pressures are translating into risk and claims outcomes across the sector.

From a risk and claims perspective, the data reflects a shift towards incidents and disputes that are more complex in both cause and consequence. Claims are increasingly multi-factorial, often emerging from cumulative operational pressures such as staffing constraints, decision-making under time pressure and inconsistent record-keeping. We also see claims escalate more faster, with greater scrutiny of governance, escalation pathways and the quality of contemporaneous evidence. These factors materially influence claim defensibility, duration and overall cost.

From an insurance market standpoint, these trends are having a direct impact on insurer behaviour. Underwriters are looking beyond headline incident rates and placing increased emphasis on how organisations manage emerging risk. The ability to demonstrate learning from incidents, early intervention, and strong governance links from operational risk management to board-level oversight is now central to underwriting confidence and long-term insurability.

As brokers specialising in health and care, we are seeing a growing divergence in market outcomes. Providers who can clearly articulate their risk profile and evidence robust claims and incident management are better positioned to secure stable cover in an increasingly selective market. Conversely, reactive approaches to risk and claims are more likely to result in coverage challenges, pricing volatility or restricted terms.

This paper highlights the importance of aligning operational risk management with insurance strategy. A proactive, data-led approach not only supports safer services and improved outcomes but also plays a critical role in mitigating financial exposure and maintaining sustainable insurance solutions.

At Howden, our role is to support providers in interpreting risk and claims data within the context of the insurance market, enabling informed dialogue with insurers and more resilient approaches to risk transfer. Collaboration between providers, insurers and specialist partners such as Fulcrum is essential to navigating the care sector's evolving risk landscape.

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Get in touch

Fulcrum Care – Independent social care consultants supporting robust governance and quality improvement.
Howden – A dedicated team of care insurance specialists with over 25 years' experience of supporting care providers.

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