

DÁIL ÉIREANN

AN COMHCHOISTE UM LEANAÍ AGUS GNÓTHAÍ ÓIGE

JOINT COMMITTEE ON CHILDREN AND YOUTH AFFAIRS

Dé Céadaoin, 18 Nollaig 2019

Wednesday, 18 December 2019

Tháinig an Comhchoiste le chéile ag 3.30 p.m.

The Joint Committee met at 3.30 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Kathleen Funchion,	Lorraine Clifford-Lee,
Tom Neville,	Catherine Noone.
Anne Rabbitte,	
Sean Sherlock.	

I láthair / In attendance: Deputies Michael Fitzmaurice and Robert Troy and Senator Alice-Mary Higgins.

Teachta / Deputy Alan Farrell sa Chathaoir / in the Chair.

Business of Joint Committee

Chairman: As we have a quorum I call the meeting to order and thank Senator Alice-Mary Higgins. Apologies have been received from Senator Fintan Warfield.

I have been asked by the Clerk to remind members that the private sessions of meetings, as well as public, are recorded. This reminder will be stated at committee meetings to ensure that members' privacy rights are being respected and that the Oireachtas is compliant with the current data laws.

I remind members to please switch off their mobile phones or turn them to flight mode so that they do not interfere with our sound systems.

As this meeting has been arranged at short notice, is it agreed to postpone the agreement of the minutes of our private meeting this morning and correspondence until the next scheduled meeting of the joint committee? Agreed. I am sure members will understand.

Insurance Cover for Crèches: Discussion

Chairman: I welcome the Members and viewers who may be watching our proceedings on Oireachtas TV to the public session of the Oireachtas Joint Committee on Children and Youth Affairs. The purpose of this afternoon's meeting is to discuss insurance cover for crèches with the Minister for Children and Youth Affairs. We seek an update arising from recent reports that only one insurance provider remains in the market and concerns have been expressed by crèche operators. I wish to advise members that while there have been reports in the media, it is important to note that the committee cannot discuss individual cases and should avoid naming individuals, whether these names are in the public domain or not and should not discuss anything which is likely to be subject to court proceedings. On behalf of the committee I welcome the Minister for Children and Youth Affairs, Deputy Katharine Zappone, and her officials Dr. Lynch, Ms McNally, Ms Corrigan and Mr. Wolfe. I thank them for their attendance at such short notice.

Members are reminded of the long standing parliamentary practice members to the effect that they should not comment on, criticise or make charges against a person outside the Houses, or an official either by name or in such a way as to make him or her identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses, or an official either by name or in such a way as to make him or her identifiable. I wish to advise the Minister that any submission or opening statement made to the committee will be published on the committee website after this meeting. After the Minister's presentation there will be questions from members. I now call on the Minister to make her opening statement, please.

Minister for Children and Youth Affairs (Deputy Katherine Zappone): I thank the Chairman for his invitation to attend today's meeting. Like the Chairman, I have been intensely engaged with the issue that is presented before us today as to the challenges facing our childcare sector.

I have the utmost respect for those who work day in and day out to look after our children. I

know that for many this is indeed a vocation. They are significant people in the lives of children and also in the lives of parents. Placing their child in the care of someone else is a huge decision for parents. First and foremost they want their child to be safe and happy. As Minister for Children and Youth Affairs, that is also my priority. All my decisions on childcare are determined by what is best for children. I accept that sometimes these decisions do not suit everyone but the rationale is, and always will be, to have children at the heart. It is important in the context of what we are discussing today to take stock of where we are.

In the past five years there has been a 110% increase in capacity. The number of childcare places has more than doubled from 104,000 to 218,000. Investment in childcare has increased by 141% and it is almost one and a half times what it was in 2015 when €260 million was invested compared to €638 million in 2020. We have gone from one free preschool year to two free preschool years. We opened the national childcare scheme, NCS, four weeks ago tomorrow. In these four short weeks, the parents of more than 20,000 children will have received childcare subsidies for the first time, or significantly higher subsidies than a month ago. To put this in perspective, if one takes the life of a four year old child who is currently in an Early Childhood Care and Education, ECCE scheme the world of childcare has changed beyond recognition since the day he or she was born. This is good and positive progress but I am the first person to say that more needs to be done.

We can all be proud of the achievements and Irish people can be assured that their money has been well spent by the State in starting to address years of under-investment in childcare. I have repeatedly said that in order to change from one of the most expensive countries in the world to one of the best for childcare we need to at least maintain and possibly intensify this rate of investment. Through the national childcare scheme it is open to any future Minister or Government to increase the subsidies paid to parents. The NCS is built for the future.

With this progress comes challenges. The doubling of capacity and the stronger regulation requires more inspections. Those working in the childcare sector have to achieve certain educational qualifications. The doubling of capacity has led to a significant growth in the workforce and associated difficulties in getting suitably qualified childcare workers. The introduction of necessary regulations requires childcare providers to undertake additional responsibilities, including additional administrative work, to demonstrate compliance. Some childcare providers choose not to continue every year. For example in 2018, 78 providers closed their doors. However, 153 new childcare providers opened new services. This led to an increase of 2,200 childcare places that year and there were many other new places resulting from other measures. The average size of services has grown from 33 in 2015 to 47 in 2019.

This year, 2019, was a particularly onerous year for childcare providers due to a number of developments. Some 4,300 of them had to re-register with Tusla in order to stay on the register and operate as childcare providers in 2020 and beyond. While this was flagged from 2016, it still represented significant work. I am pleased that the CEO of Tusla confirmed that almost 100% of childcare providers submitted their applications for re-registration by the due date. He has also confirmed that it is processing applications received after 12 December.

I would like to particularly acknowledge the pressures services have faced in 2019 and to acknowledge the pressure and stress that deadlines bring. I hear this clearly from the sector. My Department, Pobal and Tusla will try to address this in a meaningful way in 2020 and to simplify and streamline procedures so that those in the sector are not over-burdened with administration.

To recognise how difficult this has been I have approved an additional, once-off programme support payment to all providers which will be made in the coming days, that is in December 2019. This is in addition to the programme support payment already given to providers this year. We value those who work in our childcare sector and perhaps they do not always feel our appreciation, but I would like to assure them on behalf of the Government that we do not take them for granted.

There are also challenges that have not yet been addressed. Our childcare workers are significant people in the lives of children, parents and families and significant also in keeping our economy working. They are poorly paid. I have given my support for a sectoral employment order. I have made provision in budget 2020 for a sectoral employment order support fund. Paying childcare workers a decent wage is important for them as individual workers, for our children, for maintaining consistency of care in the lives of children, and for the quality of our childcare services. I hope that sufficient numbers of workers join a union and make this a reality. It is a key piece of the unfinished business.

I will address now a key issue affecting the childcare sector that has received much media attention in the past few days, which relates to media reports and some commentary around internal risk rating documents from Tusla. I know that the CEO of Tusla has clarified that the risk ratings are used for the purpose of prioritising and scheduling more than 4,300 services for inspection. It is a risk-based, internal, profiling system which is in line with a recommendation by the OECD. I am aware that Tusla has circulated the committee members with his response to “RTÉ Investigates” on this matter. I do not want to rehearse again what he has outlined except to say that the chief social worker in my Department has confirmed that in using the term risk register in order to schedule inspections, Tusla is identifying a risk to itself, namely to ensure that Tusla implements an inspection regime that is fit for purpose and provides most assurance across the sector. The chief social worker notes:

Regulatory bodies, in general, have two functions. The first is to register all centres for compliance purposes – this provides public assurance.

The second function is to use its inspection resource proportionally to ensure inspectors are attending to those services which may have performance issues.

To do so the regulatory body uses the information available to it intelligently to prioritise its inspection schedule.

A service may have been profiled as red simply because it has not been inspected recently and should be prioritised for one. It may be a very good service. I hope members of the committee find this further clarification by the chief social worker helpful.

I want to make a few points on insurance and the current state of play. Over the course of the past year to date, there were three parliamentary questions, out of 1,500, tabled to my Department on insurance. I understand Deputy Rabbitte referred to a press statement she issued in April 2019 during her election campaign for the European Parliament elections. I do not know how many press statements she issued during her campaign but I confess I did not read all of her election material. I am aware there were some representations made, including from Deputy Funchion at the end of last month. The latter was responded to on Tuesday.

The cost of insurance for the childcare sector came into strong focus only in the past few weeks. This has arisen following the withdrawal of an insurance provider from the Irish market and the confirmation that another could not be found. It is undoubtedly causing distress to pro-

viders and worry to parents. I acknowledge there are many providers who are facing increased insurance costs. I am receiving representations from them also.

Until recently, there were two insurance underwriters offering insurance to the childcare sector in Ireland. On 6 December, one of these, Ironshore, notified its 1,300 clients that it would be withdrawing from the market. On 17 December, Mr. Padraic Smith, the broker who had provided the Ironshore underwriting services, informed the customers that the company had failed to get a new underwriter to take over their client base. This leaves only one underwriter currently offering insurance to the sector. That, as we know, is Allianz.

The Government is limited in what it can do in this situation. It cannot compel a private business to remain in the market, nor can it directly intervene in the pricing of insurance offered to childcare providers. However, officials in my Department are working hard to find a way to support those services that have been impacted. We have engaged with Allianz, which I understand has confirmed that it will offer quotes to all but the most high-risk services. Allianz, through the broker Arachas, is willing to consider quotes for all affected services. Quotes are being processed within 24 hours in the vast majority of cases. Some 1,100 quotes had been issued by midday today to previous Ironshore clients. This leaves 200 providers who have not yet received quotes. I will receive an update on this tomorrow. There may be a very small number of very high-risk services that will not receive quotations.

The press has reported that some providers are reporting significant increases in premiums. I understand the premiums charged by Ironshore were considerably lower than the market average, and this is leading to the increases.

I understand that the average cost of Allianz insurance for full-time childcare is €60 per year per child. The average cost for sessional services, such as ECCE, is €25 per year per child. This equates to 0.5% to 0.75% of the turnover of a service. I understand that the increase is causing difficulties for providers.

My Department and the city and county childcare committees are offering a number of supports for providers, including a case management system for services experiencing sustainability difficulties.

For community providers, who are one in four of all childcare providers, financial supports can be made available after an assessment through a process managed by the childcare committees and Pobal. I would encourage services to contact their local childcare committee to access a range of supports, including advice or business planning.

With regard to the issue of insurance, I am liaising with my colleagues the Minister for Finance and the Minister of State at the Department of Finance to consider a review of insurance in the childcare sector as part of my ongoing independent review of costs in the sector. We need to make the market more attractive to both existing insurers and new entrants in order to increase competition, which in turn should lead to a reduction in pricing and an increase in capacity.

For the childcare sector, this includes compliance with regulations. Compliance helps to manage risk. Managing risk is important for children and should also make childcare facilities safer places.

I agree with the CEO of Tusla when he says that the childcare sector is largely compliant. In my experience, we are lucky, or blessed, to have caring, compassionate champions for children

working in our childcare sector. They need and deserve our support. They have had a very tough year.

Exposure of bad practice in any sector affects all of those working in it. The impact of exposure can cause stress, disappointment and pressure. The impacts are necessary to root out the small number who should not be caring for our children. The majority, however, work hard and diligently in the best interest of children. I am glad that I am in a position to make a once-off payment averaging €1,500 to providers to reflect their commitment. This is under the programme support payment I established in 2017 to recognise the administrative burden on providers. This support will come from existing resources available to me in 2019, and payments will be made by 28 December. The range of payments will be from small amounts right up to €26,000, for the very large providers, depending on the number of children being cared for.

This is a fast-moving situation but I am committed to supporting the sector appropriately, and, above all, to protecting children.

Chairman: I acknowledge the Minister's taking the time to attend following the request of the committee this morning.

Deputy Katherine Zappone: Of course.

Chairman: I am conscious of her time. I understand she has to be in the Dáil Chamber in an hour. I presume all the members wish to make a contribution, as do I. Time, therefore, should be limited to five or six minutes each. If we have time for a second round, we will have it.

I welcome the Minister's announcement that there will be a once-off payment of approximately €1,500 to the providers in the industry. She mentioned the distress and worry caused among parents and providers in the run-up to Christmas. I recognise this is not the responsibility of the Minister. It is a matter for the Department of Finance, particularly its Minister of State, Deputy D'Arcy, in the sense that his role covers the insurance industry. What efforts are being made to attract another provider to the market? The Minister for Children and Youth Affairs mentioned on two occasions that all but the most high-risk providers will get quotes. The Taoiseach mentioned it this afternoon. How many high-risk providers are there in the category? What are they to do to comply with the rule requiring them to have insurance? There are committee members from all over the country and more than one of us will end up representing a facility that may not be able to get insurance. Clearly, that will be a major issue for them over the next couple of days if they learn they cannot get a quote from Allianz. Could the Minister comment on that? Those are my prefacing questions for her. She might answer them, after which Deputy Sherlock will lead members' questions.

Deputy Katherine Zappone: Regarding my time, it was to have been approximately an hour had we started a little earlier. I have a Topical Issue debate to take.

Chairman: I understand.

Deputy Katherine Zappone: I was originally told that this meeting was to take place at approximately 4.30 p.m. We will see what happens. That is the timing issue.

Chairman: The Dáil is running behind schedule.

Deputy Katherine Zappone: I will make three comments in respect of what the Chairman

asked. Regarding the one-off programme support payment, it is an average. That is an important point, as there is a range.

Chairman: Yes.

Deputy Katherine Zappone: The Chairman asked an excellent question about what efforts were being made to attract other providers. I would answer that in two ways. My Department has been in regular contact with the broker that was handling the negotiations and we understand some of the issues with which he has been working. Even as the days pass, other information arises and we are in direct contact with one or two providers that may have access to another insurance operator. We are having those conversations. We will examine information specific to the childcare sector in other jurisdictions. We will consider the question of attracting other operators with the Minister for Finance, Deputy Donohoe, the Minister of State, Deputy D'Arcy, and their officials, given that that is where this issue large resides. We will provide input based on what we know. We will also get more information from our providers regarding their 2020 insurance costs. No one knows all of that information, so we will be asking that question. The public sector profile, which I launched yesterday or the day before, will be included. We have a great deal of information on 2018 from the independent review of costs. We are gathering relevant information and will be working with the Department of Finance.

The Chairman asked what would happen to the highest risk providers if they could not get insurance. That is an excellent question. I would ask them to get in touch with Pobal and us in order to determine what may be the reasons for that and the ways we might be able to support them. Some of the reasons might be beyond our control, but we will find ways to ascertain that.

Chairman: I thank the Minister. I am conscious that the Dáil will now not resume until 4.58 p.m.

Deputy Katherine Zappone: That gives us a little-----

Chairman: We have an hour, which is helpful.

Deputy Katherine Zappone: That is good.

Deputy Sean Sherlock: I welcome the Minister, who is appearing before us at short notice but with potential solutions. I am seeking a greater degree of clarity around the programme support payment of €1,500. I wish to show the Minister examples whereby, notwithstanding the process that providers have been through, in particular providers of long standing who have always been compliant and whose risk profiles have not increased, providers who are today able to get insurance are being told that the cost will increase twofold in one instance, fourfold in another and sixfold in another with which I am familiar. Notwithstanding everything that the Minister is saying and the exit from the market of a certain insurance operator, even where providers' risk profiles have not increased because they have always been compliant as per Child and Family Agency and HSE regulations, their premia costs are increasing. One is left with the impression that the insurance companies are taking advantage of the lacuna in the market by stepping in to profit from the challenge facing providers.

How will the programme support payment be divided? Is it a one-off payment for every provider? What formula will be used? Under what heading will it be done? Will it be deemed a supplementary payment to meet the cost of overheads? Will it be a direct grant just by dint of the fact that someone is a provider? Is it the case that providers can benefit without having to go through a rigorous process? The Minister will be conscious of the fact that many providers

will benefit from the time extension, but as public representatives, we are all conscious that the capital costs incurred by providers to become compliant and continue their operations have put them into debt.

Deputy Katherine Zappone: Yes.

Deputy Sean Sherlock: We should not overburden the sector to the extent where facilities are being forced to close because their capital and insurance costs are too high and the €1,500 payment is not enough to meet the challenges they face.

Deputy Katherine Zappone: I thank the Deputy for his questions. I am pleased to attend the committee at short notice. It is not that doing so was not a challenge, but this is the appropriate place to interrogate the issues. I thank the Deputy for acknowledging our efforts. They will not solve everything, but I hope that they can be solutions in the short term and identify a path towards a mid-term solution.

The Deputy asked about the programme support payment. I have decided to offer it from within existing resources. The cost totals approximately €7 million, which will be spread across the sector.

Based on the representations by those we meet and hear from via email, we are aware of the pressure and stress that the sector has been placed under by two major elements this year - going through the re-registration process and getting ready for and becoming part of the national childcare scheme. I originally initiated the programme support payment to acknowledge and support the additional administrative burdens, and this situation is effectively within that category. We are fairly confident about how we have decided how much people should get. The average is €1,500, and the formula is tried and trusted. We have used it for the programme support payment previously. It largely has to do with the number of children that a provider has and whether they are cared for part time or full time. There are a couple of other details, but that is generally how it is determined. In light of that, there is a range of supports from small to very large. In addition, if providers still find themselves in grave difficulty, we have in place a case management system that considers sustainability issues. Pobal also works with providers on a case-by-case basis. Providers should go to Pobal and let it know. It will work through their business models. There is also the possibility of additional finances for not-for-profit providers. Providers do not have to go through any onerous process in respect of the payment. Instead, we are doing the calculating, after which the payment is made by 28 December.

Chairman: The Deputy can ask some supplementary questions.

Deputy Sean Sherlock: The Minister has stated that, by 28 December, the process will have been gone through.

Deputy Katherine Zappone: Correct.

Deputy Sean Sherlock: I fail to understand how the Minister is going to get through a process where the childcare providers that I represent can interact with Pobal or the county childcare committee to benefit from this grant by-----

Deputy Katherine Zappone: To be clear, the payment comes through a process of calculation and then it goes directly to the provider.

Deputy Sean Sherlock: So it is not an application process.

Deputy Katherine Zappone: There is an additional support there, to be exactly clear.

Deputy Sean Sherlock: Then there is the issue of the current insurance model-----

Deputy Katherine Zappone: That is correct.

Deputy Sean Sherlock: -----and the need to address the fact that people have received quotes with twofold, fourfold or sixfold increases, as in the three examples to which I can speak.

Deputy Katherine Zappone: Yes. I understand that.

Deputy Sean Sherlock: With respect, what the Minister stated does not give any comfort to those providers. There are also those people who have yet to be registered up to June. What can they derive from the process to which the Minister refers?

Chairman: There are a few questions there.

Deputy Katherine Zappone: They are excellent questions. I am asking these questions myself and we are working through them. It is important to give a little more fact and detail to help answer them. Some 3,000 of the 4,600 providers are being covered by the existing insurer and 2,600 of these are part of the insurance scheme organised by Early Childhood Ireland, ECI. We understand that the great majority of these providers face premia increases of approximately 10% in 2020. It is important to put this on the record. I am aware of the significant percentage of increase for some crèches, which the Deputy has referred to and which I will come to in a moment, but it is important to mention the other crèches too. Some 2,600 of those crèches with the ECI face 10% increases. Of the other 400 that are insured currently through Allianz, I am informed that they will have an increase in the region of 30%.

Deputy Sean Sherlock: Did the Minister say 30%?

Deputy Katherine Zappone: Yes, 30%. I understand that the other providers that were insured through Ironshore Europe will face increased in the region of 100%. We have all received representations that some people are getting quoted more than that. In general, the latter is the information we have been given. That is extremely unfortunate. The information we have is that the issue arises because the policies they had previously been on are not considered to be sustainable and that no insurer can take on a loss-making premium. Just a few hours ago, I was informed that Allianz has quoted for the 1,015 providers of those who were with Ironshore Europe and is working to offer quotations to virtually all of the other providers.

I want to make this a little more concrete and then I will address those larger percentage increases. We must look at the overall context. The policies now being offered through the ECI scheme will, for example, typically cost providers between 0.5% and 0.75% of their total turnover. I will give an example of a crèche with 40 children. If it pays insurance of €60 per child per year, an insurance premium would be in the region of €2,520. This example is a provider which may not have paid that much before. If the provider charges an average fee of €800 per month per child it gives the provider a turnover of €384,000, of which the insurance premium represents just 0.65%. This compares favourably with other sectors. These numbers demonstrate that the average of the standing insurer is a certain and relatively small percentage of overall turnover. This is the way the insurance industry operates. I was also quoted an example of one larger provider, which caters for 800 children, whose premium has risen significantly from €20,000 to €32,000. Even in this case, however, the cost per child insured has risen from €25 per year to €40 per year. While this is a significant rise, at 0.26% to 0.4% it is still a small

proportion of the provider's turnover. Having said all of this and while it is important to put it on the record, this is what is happening across the sector. Clearly, there are cases where the increases are substantially more. We know this and we hear this.

Chairman: I thank the Minister. I want to let Deputy Funchion in at this point.

Deputy Kathleen Funchion: We appreciate the Minister coming before us. I welcome the programme support payment, which is a good thing. I really hope it is €1,500 and that some places will not end up getting less than the €1,500. It sounds like-----

Deputy Katherine Zappone: It is an average.

Deputy Kathleen Funchion: Yes, but that is what I am concerned about. Will it just be €500 for some people and not be of much benefit to them?

Deputy Katherine Zappone: I understand.

Deputy Kathleen Funchion: I do welcome it, however, because I feel the meeting is supposed to be solution focused. There are lots of things we could say but we must stay focused on the solutions. Deputy Sherlock asked many of the questions I was going to ask had regarding the programme support payment. People will get this payment automatically by the 28 December. They will not have to go and fill in forms or make phone calls. In the context of those providers for whom this payment is not sufficient, one can find that sometimes people are told to contact Pobal or the city or county childcare committee, but when they do they will not necessarily get the answers that even the Department think they might get. We even find this with Tusla's helpline whereby people do not get anywhere with it. Is there an entity or a person that providers can contact if they are having difficulties?

Deputy Katherine Zappone: Yes, even in a temporary capacity.

Deputy Kathleen Funchion: As I have often said at these meetings, the members of this committee are the voices of the people we represent in the early years and childcare sector on this issue, and not just our own constituents. There is total panic this week. It always seems to land on the shoulders of the workers and providers in the early years and childcare areas. They always seem to get the wrong end of everything. They had to panic about the re-registration and now we hear that Tusla will accept people after the deadline. This causes stress and worry for people. There are many examples. One provider in Donegal has a premium going up from €1,800 to €4,275, which is a huge increase. In Kilkenny a provider has had a €2,200 increase. A provider in Tallaght has had a €1,000 increase. While I welcome the payment support of €1,500, it will be a help for some people but not for others. We need to know where we can point people if the €1,500 will not cut it. Otherwise, services will close. This does not just mean that children will be left without the place they rely on, it also affects parents trying to get to work and it affects the workers working in the area, and especially in rural areas where the local childcare provider may be one of the main employers. This is very important. It appears to me that once again the early years and childcare sector is getting the raw end of the stick. I welcome this meeting and that the Minister came in to us at short notice. At least it gives some recognition to these people that they are an extremely important sector. These are my main questions. I could say much more but we must try to focus on the solutions.

Deputy Katherine Zappone: I appreciate all of Deputy Funchion's comments and the spirit in which she makes them. It is important to state that it is an average payment, in light of some of the Deputy's comments. I am trying to be explicit in responding to what she is saying.

This has been very difficult for people, with incredible stress and lots of pressure. A substantial portion of it comes from the additional administrative burden. People accept that the re-registration has to be done but it is the first time re-registration has happened and some aspects of it have changed. The introduction of the new national childcare scheme is a one-off, hopefully. That is the reason for the payment support. It is not to pay insurance, *per se*, it is effectively to acknowledge the pressures and stresses around what has to be done in the year, and especially in an administrative capacity.

The Deputy referred to the figure of €1,500 perhaps not being sufficient. I suppose it does not really meet all of the increased costs but there are at least two ways in which we offer support. There is the one-off programme support payment. If a provider is in an unsustainable position - and I have checked this with my official Ms McNally - then it must contact the local city and county childcare committee or Pobal in the first instance and if it cannot get through to contact us. If the provider contacts the Department about the matter, we will know it is urgent. We will ask and we will be back in touch with them because it is an important issue for them.

Going back to the questions on the increase of 300% or even more, if it is causing a sustainability concern or issue, we need to hear from the provider. I am also indicating that I want immediately to begin to collect the information about the percentages of increase, the data, so that we better understand what is going on and what changes are now needed in respect of the sector, particularly because there is only one insurer at the moment, even though we hope that changes. I am trying to go back to some of the questions Deputy Sherlock raised.

Deputy Anne Rabbitte: I thank the Minister and her colleagues for coming before us at short notice. I want to pick up on something that Deputy Sherlock raised. The Minister has answered other questions and I am not going to repeat them. I want to pick up on the services that received the extension to next June, which was based on planning permission and fire certification. They have that extension with Tusla as part of the re-registration. What will happen to those 540 services regarding insurance? Will they still be able to seek insurance cover despite the fact that they do not have fire certificates?

Deputy Katherine Zappone: Yes, I think so. I will hand over to Ms McNally. It is a good question.

Ms Bernie McNally: To be clear, the CEO of Tusla has said that he believes almost every service has managed to get its application in. When they applied, they had to include proof of insurance for the current year, 2019, which they all had. Some of them may have provided all the information while others will wait until next June to submit the balance. Our understanding from the insurers is that it is not an issue and they will be given insurance quotes. That is confirmed by the fact that as of lunchtime, we understand that all but 200 services across the country have been offered a quote by Allianz. As the Minister said, we have looked for a further update tomorrow. We expect that number will have significantly reduced by this evening and again by tomorrow evening. The vast majority of services will have received quotes.

Deputy Anne Rabbitte: There is comfort in that. The 540 services that have looked for an extension to meet the deadline will also fall under the bracket of getting insurance.

Ms Bernie McNally: I am looking to Mr. Wolfe to confirm but, absolutely, they will be able to get insurance.

Deputy Anne Rabbitte: A percentage of them, not all of them, are switching from one

insurance provider to another. It will be a different set of criteria and the criteria will change such that they will not have fire certificates.

Mr. Toby Wolfe: Insurance providers typically rely on the register as the criteria that they look for. Tusla has made it very clear that as long as service providers have submitted the documentation that was needed by 12 December, they will be on the register. Tusla is writing to providers this week to say that they are on the register. They will have to provide some supporting documentation in the first six months of next year but they are on the register. That means there should be no obstacle in that regard to getting insurance.

Deputy Anne Rabbitte: The Minister was very clear about Early Childhood Ireland, which allows a discount for its members in respect of insurance of approximately 30%. There is a 10% increase in the rate for members of ECI that fall in under that group of 3,000. For the other 1,600, this is where Deputy Sherlock talks about the twofold, threefold or fourfold increase in insurance because they are not members of ECI. They have chosen not to be and may be members of a different organisation. Where is this conversation over and back between now and the end of December? They are the ones who are going to have a significant insurance increase. A percentage of them are going to be quite high. They are the ones that go from January to January and that are on the various radio programmes. Will the Minister put an Oireachtas helpline in place so those providers can get on to her directly to get an answer? Some of them are saying they cannot afford to go from €3,000 to €9,000. The woman the other night on Mary Wilson's "Drive Time" show was very clear. There was a woman on yesterday evening whose insurance cost has gone from €1,500 to €4,500. They are not members of ECI. They are the ones who are experiencing the large increase. In this case we are talking about an increase of 200%.

Deputy Katherine Zappone: I know, exactly. I thank the Deputy. I am aware of those cases as well. What I am going to say is maybe to try to refashion what I am already putting out there. I quoted the numbers of those who are not part of Early Childhood Ireland, the ones who were with Ironshore Europe. They are the ones that are going to face the increase. I also put on the record based on the information we have that generally a number of them are in the order of a 100% increase, which is still substantial but it is not 300% or 400%. That is important. What about the ones, then, for which there is this exceptional level of increase? I have two comments. First, in terms of the overall administrative supports that we want to offer in general and in light of the pressure and so on, there will be some money there for them. If that is €3,000 to €9,000, although I do not know this for a fact, I think that it is a larger childcare provider. If it is larger, it has larger numbers of children and will get more support from us in terms of the programme support payment. Second, if there is a major sustainability issue that they have to combat to come in to the Pobal city or county childcare committee, CCC, and if not to come to us. I will examine whether that means providing a dedicated person to get on to, that is a technical issue and we will sort that out.

Deputy Anne Rabbitte: All committee members want to ensure that the childcare providers are able to open their doors on 1 January. If there was a dedicated line for Deputies that we as Oireachtas Members could use to contact the Minister, we could circumvent that to speed up the process where people find themselves in dire straits.

Deputy Katherine Zappone: I see, between now and the end of the year.

Deputy Anne Rabbitte: Absolutely. I wanted to address one other issue that the Minister mentioned. It was not the personal comments about my press releases; it is to do with the comments on the critical, high, medium and low categorisation with Tusla, which she brought up

in her opening statement. She said it is a compliance level for themselves as regards reaching the bar and so on. I have a response from Tusla dated 8 October. I asked for a definition of the terms “critical”, “high”, “medium” and “low”. It is not the risk ratings, which I also have in my hand. Risk ratings are where a service has not been reviewed or there are risk notifications taking place. It is important just to have it noted. A service that is categorised as “critical” has been escalated to the national registrations and enforcement panel, which is the process to remove an unauthorised service. A service categorised as “high” is under deliberation on the management by the panel, which has not advanced to the commencement to removal or prosecution. We are using these conversation pieces at the moment in respect of critical and high and risk ratings. That is the barometer for how Tusla the regulator is managing up and down. It is a fluid system and I take totally on board what Mr. Lee said. At the same time, they have to have a barometer and that is how they are defining it. That is my understanding as to what it is about.

Deputy Katherine Zappone: When the Deputy refers to what “it” is about, there are two separate lists. There is enforcement escalation and the designation of risk in respect of that process; and then the internal risk register that has to do with profiling and the way they profile internally how they schedule their inspections. Those are two separate lists or documents. What Tusla was referring to in its correspondence with the Deputy was the enforcement escalation process, not the other, which is what I was referring to in my opening remarks.

Deputy Anne Rabbitte: That is fine.

Deputy Tom Neville: The Minister mentioned that the programme support payment is €1,500 per service but then she said that the bigger the service-----

Deputy Katherine Zappone: That figure is an average.

Deputy Tom Neville: It is €1,500 on average.

Deputy Katherine Zappone: Yes.

Deputy Tom Neville: Will the payment be calculated per child?

Deputy Katherine Zappone: It is based on the numbers of children and whether the children are there full-time or part-time. Ms McNally will know if there are other factors.

Ms Bernie McNally: That is the sum of it.

Deputy Katherine Zappone: We have used this formula for programme support for the past three years.

Deputy Tom Neville: That is fine. I just wanted clarity on that.

I would like to educate myself about insurance provision. The existing clients of the remaining underwriter will be charged between 10% and 30% more, while new clients will face an increase of 100% or possibly more, as quoted here, in insurance premiums. This is based on what they paid in the past, relatively speaking. Is the underwriter quoting these directly or through the channel as well as directly? Have alternative products been priced or put on the market for these providers?

Deputy Katherine Zappone: I do not think so. Ms Corrigan or Ms McNally might respond. Ms Corrigan has been connecting with the underwriter more directly than Ms McNally.

Ms Orla Corrigan: The underwriter is increasing its costs for its existing customer base. There are two ways that customers, childcare providers, can access them. The first is with the ECI group scheme through Arachas, which is the broker the ECI uses. Any provider not in the ECI can also go directly to Arachas which will get it a policy with Allianz. A provider can also go to any insurance broker which can then contact Allianz about cover.

Deputy Tom Neville: Can a provider go directly to Allianz?

Ms Orla Corrigan: Allianz prefers to deal with a broker for this type of policy.

Deputy Tom Neville: Is there a reason for that?

Ms Orla Corrigan: I am sorry but I cannot answer that question.

Deputy Tom Neville: I do not expect Ms Corrigan to answer. I am just trying to understand the insurance sector. If providers go directly to Arachas, is there a difference in price for the particular product?

Ms Orla Corrigan: Not as I understand it, no. From my conversations with Allianz over the past two days, it focuses on the relationship through the broker. I think, because of the technicalities of this commercial market, it is not like getting one's car insurance over the phone so Allianz manages it through a relationship with a broker.

Deputy Tom Neville: My other questions have been answered already.

Senator Catherine Noone: I am sorry for being late. I was delayed due to a vote in the Seanad Chamber. The joys of technology allowed me to follow the debate on my device using earphones as I walked down to the meeting room.

Deputy Katherine Zappone: That is so appropriate.

Senator Catherine Noone: As other members have mentioned, I am pleased that this is a solution focused meeting. Overall, the sector has been challenging for workers and owners over the last period. The uncertainty at this time of the year is very stressful. We all accept that and I am grateful that the Minister agreed to meet us today.

On the regulation that was introduced recently, we have given greater powers to Tusla and there has been greater regulation for approximately three years. Is there a correlation between the increase in insurance prices and the fact that the sector is more highly regulated? I was asked that question today.

The State Claims Agency deals mainly with public services, primarily medical but also some others. Is there a possibility that in extreme cases some of the liability could be passed on to the State Claims Agency? In the past, private sector obstetricians could get cover in that way. It would be worth exploring that for a worst case scenario.

As a solicitor, I often deal with insurance defence work so I am very familiar with how insurance companies operate. Surely the insurance company could offer the same discount to all childcare providers. I do not see why providers should be precluded from receiving the discount available to members of Early Childhood Ireland. I do not know how many providers are members of the Early Childhood Ireland. I know this facility exists in other sectors like the restaurant sector. Lobby groups are providing a very good service to members by securing such deals. I cannot get my head around the idea that the insurance companies would not afford the

same discount to other providers.

To return to a point raised by Deputy Neville, there are numerous insurers and insurance is a very complicated business. Most of the companies in Ireland operate out of London. As Ms Corrigan said, the reason the broker system exists is to deal with the nuances and complexities that exist in certain areas. We should focus on getting more companies to write business in this area because where there is only one provider, that company will hold a huge amount of power. It is obvious that when brokers deal with these types of businesses on a regular basis they will develop a relationship with a particular insurance company. This facilitates insurance contracts being executed quickly, etc., but it also leaves the business completely vulnerable, no more than a solicitor's office with one client has all its eggs in one basket. One must diversify one's business base. A core issue must be to try to get more insurance companies to write business in the area.

Deputy Katherine Zappone: I agree with the Senator that the challenge and job here is to attract additional insurance companies to provide cover in the childcare sector. That is largely the job of officials, the Minister for Finance and the Minister of State at the Department of Finance, Deputy D'Arcy. In general, they have been looking at this issue. I described the kinds of data that we are trying to pull together to help support that search. That is what needs to be done. That is particularly appropriate in the context of the work in the Department of Finance.

As the Senator probably knows, 80% of the services are already members of Early Childhood Ireland.

Senator Catherine Noone: Yes.

Deputy Katherine Zappone: Many of the services have access to the insurance scheme. Early Childhood Ireland offers a tightly managed insurance scheme to thousands of services, which enables a good discount of 30%.

Senator Catherine Noone: Yes.

Deputy Katherine Zappone: Could the same discount be offered without being a member? I suppose it could but, as the Senator knows, we cannot tell the insurance company what to do.

Senator Catherine Noone: No, but the Minister could ask the company, given the circumstances, to provide the discount.

Deputy Katherine Zappone: I think we could but we cannot tell them what to do.

Senator Catherine Noone: We can ask.

Deputy Katherine Zappone: On the issue of passing liability to the State Claims Agency, that is a very good suggestion which needs to be examined. As the Senator knows, it would be a huge change. I agree and thank her for her suggestion.

Senator Catherine Noone: It is a possibility.

Deputy Katherine Zappone: It may be in the mix as part of a medium or longer term solution.

To respond to the Senator's first question, if I understood it correctly, generally stronger but

still balanced regulation should, over time, reduce risk. If risk is reduced, then costs should also reduce as well. Clearly, poor services may have high claims. I have no doubt that services that are closed due to poor standards will scare insurers. That is why our effort to link the regulation aspect with insurance is important.

Senator Catherine Noone: I should have specified that I was referring to whether regulation could be causing problems in that regard in the short term. I do not think that is the case because it will have the opposite effect in the long term.

Chairman: The Senator's time has expired.

Senator Catherine Noone: I am finished.

Chairman: Members of Early Childhood Ireland are offered a significant discount. What has the organisation done to merit a discount? Does it offer a risk mitigation programme that we do not know about?

Deputy Katherine Zappone: I do not know. It is a good scheme.

Deputy Sean Sherlock: A provider who is not a member of Early Childhood Ireland paid €550 last year and is now being quoted €2,100. She will pay only €1,500 if she pays €245 to Early Childhood Ireland, but the risk profile of someone who is a member of Early Childhood Ireland does not increase or decrease.

Chairman: Are they doing anything on the regulatory front? That is the question being asked.

Senator Catherine Noone: They are not.

Deputy Sean Sherlock: The Government has skin in the game because the Minister partly funds Early Childhood Ireland. Therefore I believe she has some muscle in this regard with the insurance companies.

Senator Catherine Noone: I agree. It is normal in the insurance industry to do deals with certain sectors. That happens all the time but I would have thought that the Minister and her good offices would have great clout in this regard to make sure that those who fall into the category that Deputy Sherlock describes get a discount.

Deputy Katherine Zappone: I will take those points and raise them.

Senator Lorraine Clifford-Lee: How many of the high-risk services that will not be able to get cover are there? Do they know they are high risk and, more importantly, do the families whose children are in those crèches know that they are the most high risk?

Deputy Katherine Zappone: I do not know the answer to that.

Ms Bernie McNally: We do not know the number, but from what we have tried to ascertain, we believe that it will be a small number. We understand from what Allianz has told us that it very much wants to quote. It will quote for services that have some claims. It is concerned about the very high-risk services.

Senator Lorraine Clifford-Lee: Would the Department have a definition of that? Has Allianz defined it?

Ms Bernie McNally: No. We do not. I think they are probably services, some of which might have to ask themselves whether they should remain open and whether the level of risk says something about the quality of service there. It is a very small number that pose very serious risks because generally we believe the quality in the sector is good.

Deputy Katherine Zappone: I think the question is a good one. When we do know and as they come to light we, Pobal and the county childcare committees, CCCs, need to hear from the insurers because of the implications for the children and parents.

Senator Lorraine Clifford-Lee: That was my next question. When the providers do not get insurance, what happens? Will the Department step in and close that service?

Ms Bernie McNally: There are two ways to close services. Tusla closes services because of poor standards.

Deputy Katherine Zappone: Not us.

Ms Bernie McNally: That is the independent statutory regulator. If a service cannot access insurance for whatever reason, it may have to decide to close. In that instance, if everybody has tried very hard and no alternative insurance provision can be found, we would have to consider alternative provision in the area and we would mobilise the supports we have.

Chairman: What does that mean?

Ms Bernie McNally: That means looking to local services to see if they have any capacity to take on those children while the service gets its insurance.

Senator Lorraine Clifford-Lee: The parents might not know if their service is insured. Nobody will step in and close anything down. It is up to the service provider to see if it can bear the risk of running a service without insurance.

Ms Bernie McNally: Earlier today I said there were only 200 services that had to get a quote. We hope that number will be significantly down by tomorrow evening. It could be that no service will be without a quote and insurance. If there are very few, and there may be very few, we would ask parents to ask providers today and tomorrow whether they have insurance. Therefore, the majority of parents will be getting assurances that the providers have their insurance. If there is a tiny number that do not, parents should be asking that question.

Senator Lorraine Clifford-Lee: It is up to the parents to ascertain whether the service they have-----

Deputy Katherine Zappone: We are just suggesting this. It is reasonable for parents to ask that question.

Ms Bernie McNally: It is probably the quickest way to get that information.

Senator Lorraine Clifford-Lee: Will the Department be able to communicate with us, perhaps tomorrow, to let us know what that number is?

Deputy Katherine Zappone: We are getting updated again tomorrow.

Senator Lorraine Clifford-Lee: Will the Department communicate with the committee on that?

Deputy Katherine Zappone: Yes.

Chairman: It has been repeated that this is a solutions-based meeting and we wanted to get as much information as possible into the public domain primarily to try to ameliorate the distress and concern, which is completely justified. I received two calls from parents in my constituency while walking from the Dáil Chamber to this committee room. I know all Members will have received emails.

I welcome the additional programme support payment and hope that will go some way towards making it a little easier for the firms that the Minister has mentioned are facing an increase of approximately 100% on the premia they were paying. One of the biggest and most important components of this industry, when we compare what is being done across the board, is the maintenance of databases and the provision of clear information. It would be very helpful to the Department, Pobal and others to have a central database of premia for the childcare industry. It would allow those firms compare themselves with others that are of a similar size. I do not trust the insurance industry. I do not think anybody in this room does. It has been telling us porky pies for quite some time. That is clear from the Central Bank report and other reports. It would help the childcare industry to have a transparent way of determining what other service providers are paying because there is no existing way for them to do that other than calling and assuming they will get the correct answer.

Tusla is doing its job on the regulatory side in ensuring that service providers are up to date. To go back to one of our previous meetings about the RTÉ “Prime Time” programme and the standards and the reports in the public domain, this emphasises the importance of Tusla’s ensuring that those reports are online and available to parents, the public and the insurers. As we well know, if we give them any excuse, they will up the premium. In an industry with only one service provider, we have to recognise that we must do everything we can to reduce the excuses that the insurance industry provides.

Deputy Katherine Zappone: All of those points are very important. I have already indicated that we would like to get the information on premia for ourselves to understand the costs in the sector and therefore the kind of investment we need to make to continue to support it. Was the Chairman’s second issue the databases?

Chairman: The timely production of reports.

Deputy Katherine Zappone: Yes, there may be times when those reports are not published and there might be due processes going on. At the same time I am aware that these are issues for parents and for insurers. I have dedicated a resource in the Department to examine that and other issues that Tusla has recommended to us to increase transparency in the provision of information.

Deputy Robert Troy: I appreciate the Chairman’s facilitating me to ask a couple of questions as I am not a member of the committee. Has the Minister personally met the CEOs of the insurance providers that have withdrawn from the market or of the sole provider who remains in the market?

Deputy Katherine Zappone: I have not. My officials have been in conversation directly with the broker and the insurer.

Deputy Robert Troy: I think it would be a worthwhile exercise. The Minister has not yet been able to quantify the number of high-risk providers. As the broker or insurance provider is

signalling that there will be a problem with high levels of risk, there is an awareness that a number of people will be in this category. If that were not the case, this issue would not have been raised in the course of the deliberations. I am concerned that no concrete solutions are being proposed as part of the Minister's efforts to address this issue. I do not doubt that most parents make great efforts to ensure the childcare providers they entrust to look after their children on a daily basis meet all the relevant standards. I would have thought that when the State spends tax resources on a childcare centre, it requires the provider to have public liability insurance.

Deputy Katherine Zappone: It is a requirement-----

Deputy Robert Troy: Okay.

Deputy Katherine Zappone: -----as part of the Tusla process of administering-----

Deputy Robert Troy: If this is a requirement, it is possible that services will close. The Minister said earlier in reply to my colleague that the parents should be asking. If this is a requirement, Tusla must know whether providers have an insurance.

Deputy Katherine Zappone: Yes, it does. Before I respond to the high-risk issue raised by the Deputy, I would like to say I understand from Tusla that as of 12 December last, almost all the providers had been registered. They had insurance certificates at that time, but those certificates do not necessarily mean that providers are covered from January onwards. Tusla needs to know whether every service is insured.

Ms Bernie McNally: I suggest that this was done for speed purposes.

Deputy Katherine Zappone: Yes.

Ms Bernie McNally: Reference has been made to parents not knowing whether childcare providers have insurance. The quickest way for them to find out is to ask providers whether they have sorted their insurance for January. Most of them have sorted it, or are about to sort it in the next few hours and days. That is the quickest way for parents to be assured about the insurance status of childcare providers and be able to enjoy Christmas thereafter. A parent who is told by a provider that it does not have insurance, but is working on it and hoping to have it sorted in the near future, will get an update in due course. We hope that the number of cases in which difficult situations will have to be faced in January will be tiny. The numbers could be very tiny.

Deputy Robert Troy: They will not be able to open their doors. It would be wholly irresponsible for anyone to open a service without having public liability insurance in place.

Ms Bernie McNally: Absolutely.

Deputy Robert Troy: We could not stand over such behaviour.

Deputy Katherine Zappone: We will know more tomorrow. Virtually all of the providers, but not quite all of them, are registered. In order for those that are registered to have been accepted in the first instance, they will have had to submit some initial documents that are not very hard to provide, one of which is an insurance certificate. Tusla inspectors have information on how long each insurance certificate lasts.

Deputy Robert Troy: I would like to make two final points. I am conscious that we are running short on time. I asked the Minister about meeting the company that withdrew in the

context of the need to collect much-needed information. What was the reason or rationale for its withdrawal? Do we know whether it related to claims? Why did the provider in question withdraw? What needs to change to encourage and incentivise other people into the industry? I would like to pick up on a comment that the Minister made. When there is a monopoly, it is a real worry. People inside the ECI structure are already getting more favourable insurance premiums than people outside that structure. Where there is a monopoly, there is no competition and there is an opportunity to overcharge.

The Minister has said that “Over the course of the past year to date, there were three parliamentary questions tabled to my Department on insurance”. The dogs on the street have known for the past two years that insurance is crippling business across every sector. It is at the Minister’s door now. Unfortunately, I do not believe the momentum is there to bring in the necessary reforms. The Minister will have to ensure the necessary reforms are introduced to incentivise more people into the market. Although the announcement that has been made today is welcome, it will be no more than a sticking plaster if we do not address this issue by incentivising more providers to enter the market and to bring insurance premiums down. We should not have to be using tax resources to supplement the insurance industry, but that is what is happening now.

Deputy Katherine Zappone: As I have said on several occasions this afternoon, it is important that we attract at least one more insurance organisation, and preferably a couple of such organisations, into the market. As I indicated earlier, I have information to suggest that increases in the region of 100% represent one of the reasons for certain companies deciding to move or leave. I have not met them directly, but that is the information I have received from them. We know from other sources that increases can be higher than that. We have been told that such increases have arisen because the previous policies were not considered to be sustainable. The insurer was taking on a loss-making premium. That is the information we have already received with regard to the insurer that has left. I think it is correct.

I have indicated some of the ways in which we will contribute to the reform work that is being done in the Department of Finance to ensure insurance is available to facilitate the services we need to deliver. For example, we have information and data from a childcare perspective. We also know that the seriousness of the issue has not been evident in the childcare sector up to now. I think this is the case. We have the information and we are moving forward in this area. Ironshore was bought out. There is information to suggest that costs reduced by 40% when it entered the market, although this has yet to be verified. That may not have been sustainable. We have some information. I remind members of the committee that the programme support payment is made to recognise the administrative burden on providers with regard to registration under the national childcare scheme, etc. I take the points that have been made about what we need to do to move forward. We have some information. We have had some engagement. We need to have that engagement.

Chairman: The Minister will be pleased to hear that the questioning has come to a conclusion.

Deputy Katherine Zappone: I thank the Chair.

Chairman: I thank the Minister and her officials for attending at such short notice.

Deputy Katherine Zappone: It is important.

18 DECEMBER 2019

Chairman: I wish the Minister, the members of the committee and the staff of the Department of Children and Youth Affairs a very happy Christmas.

The joint committee adjourned at 5 p.m. *sine die*.