

Insurance

Background

The Comptroller and Auditor General has reported previously on arrangements for identification, evaluation, mitigation and monitoring of risk in her report Risk Management published in September 2017. Since then a number of issues have been brought to the Comptroller and Auditor General's attention relating to risk management and insurance which make a review timely.

The States mitigates risk through both external insurance and self insurance via an Insurance Fund with a value of £6.7m at 31 December 2017. States Treasury and Exchequer manages the external insurance arrangements and the Insurance Fund.

One key tool for mitigation of risk is the use of insurance, whether with external insurers or through the operation of a self insurance fund. Effective use of insurance to mitigate risk involves:

- effective identification through risk management processes of existing and emerging risks that might have financial consequences;
- effective quantification of risk at departmental and corporate level;
- identification of risk appetite;
- developing a clear policy for insurance and self insurance;
- informed decision making, taking into account risk appetite, on the quantum and terms for external insurance and self insurance;
- effective arrangements for tendering external insurance; and
- effective operational arrangements to ensure that insurance cover is maintained; and
- effective arrangements for identifying and managing insurance and self insurance claims.

Such arrangements should be underpinned by effective liaison between all parts of an organisation to identify, evaluate, mitigate and monitor risks.

In the context of the States, effective use of insurance as a tool of risk management also requires effective liaison with States-owned entities to obtain assurance about their insurance arrangements for the most material risks they face.



The Functions of the Comptroller and Auditor General (C&AG)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to:

- provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Public Finances (Jersey) Law 2005;
- consider and report to the States on:
 - the effectiveness of internal controls of the States, States funded bodies and funds;
 - the economy, efficiency and effectiveness in the way the States, States funded bodies and funds use their resources; and
 - the general corporate governance arrangements of the States, States funded bodies and funds; and
- make recommendations to bring about improvement where improvement is needed.

Objectives

The review will evaluate the effectiveness of arrangements for:

- identifying existing and emerging risks that might have financial consequences;
- quantifying risk at departmental and corporate level;
- identifying risk appetite;
- developing a clear policy for insurance and self insurance;
- making informed decisions, taking into account risk appetite, of the quantum and terms for external insurance and self insurance;
- tendering external insurance; and
- ensuring that insurance cover is maintained;
- identifying and managing insurance and self insurance claims; and
- assessing the adequacy of the arrangements of controlled entities for insurance of the most significant risks that they face.

Scope

The review will not extend to:

- a follow up of my previous report on risk management;
- a detailed review of the insurance arrangements in place within controlled entities; or
- the operation of the Health Insurance Fund.

The objectives and/or scope of the review may be amended in the course of the review in the light of emerging findings or other matters arising.

Approach

The review will involve:

- an initial documentation request;
- review of documentation provided;
- interviews with key officers within the States.

The review will be undertaken by an affiliate working for the Comptroller and Auditor General.