

Insurance – Follow Up

Audit Specification

Background

A key tool for the mitigation of risks faced by an organisation is the use of insurance. The States of Jersey use both external insurance and self-insurance by way of an Insurance Fund to mitigate risk. The insurance function is administered by a small team supported by external brokers and advisors.

In April 2020, I issued a Report, *Insurance*, on the arrangements in place at that point. The report considered the Government's approach to:

- ensuring effective arrangements for governance and oversight
- identifying and quantifying risks that might have financial consequences
- developing a clear policy for insurance and self-insurance; and
- ensuring appropriate arrangements to identify and manage insurance claims.

The Report contained 15 recommendations.

At 31 March 2025 the Government of Jersey's Recommendations Tracker recorded that all recommendations had been closed. In my 2024 Annual Report of Findings, I noted that 11 recommendations relating to my 2020 Report on insurance had been combined into a single action relating to the update and implementation of a revised insurance strategy and action plan. The single action plan for insurance was provided to me in March 2025.

For self-insurance purposes the States operate an Insurance Fund. This facilitates the provision of mutual insurance arrangements for:

- States Bodies
- any fund or money for which an Accountable Officer is appointed; and
- any other bodies and persons that the Minister for Treasury and Resources may agree.

The Insurance Fund is funded from the Consolidated Fund with amounts as decided in the Government Plan, recharged to bodies or persons that participate in the mutual insurance arrangements, and received from settlements in insurable claims.

Exhibit 1 shows the Insurance Fund net asset value from 2019 to 2024.

Exhibit 1: Insurance Fund Net Asset Values from 2019 to 2024

	2019	2020	2021	2022	2023	2024
	£000	£000	£000	£000	£000	£000
Insurance Fund – net asset value	7,431	7,420	8,437	7,335	5,929	7,706

Source: States of Jersey Group Annual Report and Accounts 2019-2024

For external insurance the States contract with insurance brokers and insurers to obtain insurance cover from the commercial insurance markets. Cover falls into two main areas: General Insurance (property and business interruption insurance, liability insurance and motor insurance) and specialist Medical Malpractice cover.

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 of this follow up audit

This audit will follow up on the 2020 report and recommendations. In the context of current insurance risks and opportunities, it will assess:

- the progress made in implementing agreed recommendations from my 2020 Report
- the extent to which the recommendations as implemented have addressed the improvement areas identified in the Report; and
- the adequacy of plans for the implementation of any outstanding recommendations.

In doing so, the follow up audit will evaluate:

- the effectiveness of the States' overall policy and strategy for the identification, quantification, oversight and management of insurance risks and cover
- the effectiveness of the response to potential additional claims, including to mitigate future risk; and
- the effectiveness of policy and strategy in optimising insurance arrangements for:
 - a sample of self-insurance plans; and
 - a sample of external insurance plans, in relation to both general insurance and medical malpractice.

Scope

The review will not extend to:

- a follow up of the recommendations made in the previous C&AG reports on risk management
- the detailed insurance arrangements in place within controlled entities; and
- the operation of the Health Insurance Fund: a review of the Health Insurance Fund is in the C&AG's Audit Plan for 2025.

Audit approach

This follow up audit will use a combination of a problem-oriented, result-oriented and system-oriented approach.

The audit will commence with an initial documentation request. The findings of the document review will be followed up by interviews with key officers and with other stakeholders.

The audit will commence in October 2025.

The detailed work will be undertaken by an affiliate engaged by the C&AG.

Audit criteria

The follow up audit will use the following criteria:

- Governance and oversight: roles and responsibilities for insurance management are clearly defined for the oversight, strategy, procurement, claims management and compliance of insurance arrangements
- Risk identification and assessment: a risk management framework is in place to identify, assess, and mitigate insurance risks on an ongoing basis
- Insurance programme design and procurement: insurance arrangements are based on an informed understanding of the States of Jersey specific risk profile and risk appetite
- Claims handling and management: procedures are in place, and reviewed regularly, to report, manage and escalate claims; and
- Monitoring, reporting and continuous improvement: insurance arrangements are regularly reviewed and reported, using agreed key performance indicators, and a feedback loop is in place to learn from claims experience and other internal or external reviews.



JERSEY AUDIT OFFICE

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