

# STATES OF JERSEY



## INSURANCE (R.44/2020): EXECUTIVE RESPONSE

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Presented to the States on 30th June 2020  
by the Public Accounts Committee

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STATES GREFFE

## FOREWORD

In accordance with paragraphs 64-66 of the [Code of Practice](#) for engagement between ‘Scrutiny Panels and the Public Accounts Committee’ and ‘the Executive’, the Public Accounts Committee (PAC) presents the Executive Response to the Comptroller and Auditor General’s (C&AG) Report entitled Insurance.[\(R.44/2020\)](#) presented to the States on 27th April 2020.

The PAC will consider the contents further to inform the presentation of more detailed comments in due course.

**Senator S.C. Ferguson**  
Chairman, Public Accounts Committee

# **The Chief Executive and Director General, Treasury and Exchequer's response to Comptroller and Auditor General's report on Insurance**

**June 2020**

## **Glossary of Terms**

C&AG – Comptroller and Auditor General

ELT – Executive Leadership Team

RAC – Risk and Audit Committee

COM – Council of Ministers

**Review title: [C&AG Review: Insurance](#) - Executive Response to PAC by Friday 26th June 2020 (extra time allowed for Covid-19 prioritisation).**

## Summary of response

### **Background**

The Government of Jersey welcomes the report of the Comptroller and Auditor General into its insurance arrangements. Many of the recommendations and improvements highlighted had been flagged up as part of our own internal review which reported to Executive Leadership team in February 2020. For those that we had not identified we have updated the Insurance Improvement Strategy and Plan accordingly.

The Government's insurance arrangements focus in two main areas; general insurance (which covers a wide range of policy covers including property, motor, liability, cyber, officials indemnity, school travel); and medical malpractice insurance. The funding of insurance claims is from three main sources; excesses paid by government departments and associated bodies; a self-insurance fund and commercial insurance policies. The commercial policies are subject to different deductible levels based on risk as informed by a Rates Finance Optimisation review undertaken by our brokers Marsh Ltd in August 2019. The amounts paid out in any one year are also subject to an Annual Aggregate Limit.

The insurance team is led by the Director of Risk and Audit based in Treasury and Exchequer department. He is supported by the Head of Risk and a part time Risk Adviser. In addition, work on medical malpractice and liability claims is undertaken by the Legal Claims Manager and an administrative assistant in the Health and Community Services Department. Significant additional support is obtained from the Director of the Civil Division and a Legal Adviser both based in the Law Officers Department. A review of the resources required to undertake the work required to deliver the insurance service will be undertaken as part of our response to the C&AG's report.

### Governance Arrangements

Government has been reviewing its governance arrangements and broader governance framework during 2019-20 and we accept the recommendations within the report that these can be clarified and improved. The use of the Risk and Audit Committee to review the Annual Insurance strategy and to provide a broader monitoring role for insurance matters makes sense in the light of its wider remit. There have been a number of officer forums set up to consider insurance matters during 2019-20 and whilst these have assisted in managing the risks we agree that the terms of reference of these groups and their scope could be better defined. The arrangements for monitoring the Insurance Strategy and Improvement plan will be aligned with the new terms of reference including the role of the Executive Leadership Team and the Council of Ministers.

### Improvement plan monitoring

The Insurance Strategy and Improvement Plan 2020-23 was presented to ELT in February 2020. It has already been updated to reflect the comments within the C&AG report and will be monitored and refined over time. The intention is for regular reports to be taken to ELT and RAC identifying key changes on at least an annual basis.

## Training and Communications

There is a dedicated reference page on My States that deals with insurance matters at a high level, including details of policies and key contacts both within Government, our insurers and our brokers. It is recognised that more can be done to make employees aware of the Government's approach to Insurance and the key areas covered and how to engage with the insurance function. In February 2020 a presentation on insurance matters was developed as part of the Treasury's internal training programme. This will be built upon with colleagues in People Services to feed in to the corporate induction programme and other training and development activities. Alongside these initiatives a broader insurance communication strategy will be developed. We have already developed a service level agreement for working with our insurers and this will be extended to include internal customers as well as States owned Entities and Arms-Length organisations.

## Insurance Risk Register and revised arrangements

A review of the departmental risk registers in order to better identify potentially insurable risks has already begun. The corporate system for recording risks will have an additional tab added for insurable risks so we can clearly identify these risks and our decisions on how to treat them. An amendment will be proposed to the Public Finances Manual for Major Projects to ensure insurance matters are identified and dealt with early on in any major project.

Policies for determining the level of funds required in the Insurance Fund, our appetite for risk; and key aspects that impact the insurance and its operation such as the level of excesses, deductibles, amount of self-insurance and how to fund losses will be developed more explicitly based on advice received from our brokers and comparatives in the market place. We commissioned work in some of these areas during 2019 and will use these reports as a basis for our review during 2020.

## Procurement arrangements

We have already begun a review of the lessons to be learned from the re-tender of the general insurance policies during summer 2019 and the medical malpractice re-tender in late 2019. This report will be available in the near future and will impact both our renewal arrangements for 2020 and future procurement activity. This is of particular importance given the hardening of the insurance market during 2018-19 and our wider deliberations regarding the best way to secure the most cost-effective insurance services. A key response to the C&AG recommendations will be an options appraisal that considers whether our current approach or alternatives may better suit our needs in the current environment. The challenges posed by the Covid -19 crisis are also likely to impact the insurance market and consequentially our analysis.

## Claims management information

We currently procure our general insurance claims handling service from a local insurer. For medical malpractice claims these are administered in house. We have very detailed information available for the medical malpractice claims and regular reports are produced for senior management. Whilst we also have a range of reports available for the general insurance claims we acknowledge that this could be analysed more effectively in order to enable a more pro-active discussion to be had with departments and other bodies about the impact of their risk management arrangements on our insurance position. This will be progressed during 2020.

## Action Plan

Recommendation	Action	Target date	Responsible Officer
<p><b>R1</b> Review the Governance structure for overseeing insurance. In doing so, the States should:</p> <p><input type="checkbox"/> consider the role of the Risk and Audit Committee in respect of oversight of insurance. This might include, for example:</p> <ul style="list-style-type: none"> <li>• review of the Insurance Strategy and Improvement Plan;</li> <li>• receiving an annual insurance report; and</li> <li>• gaining assurance that appropriate insurance arrangements are in place for key risks.</li> </ul> <p><input type="checkbox"/> review existing officer forums that consider insurance issues and ensure that their role and purpose is reflected in their terms of reference; and</p> <p><input type="checkbox"/> set out the arrangements for approving and monitoring the Insurance Strategy and Improvement Plan.</p>	<p>The terms of reference of the Risk and Audit Committee will be amended to include:</p> <ul style="list-style-type: none"> <li>- Review of the Insurance Strategy</li> <li>- Receipt of Annual Insurance Report</li> <li>- Receipt of assurance that appropriate insurance arrangements are in place for key risks.</li> </ul> <p>A review of the Governance arrangements including existing officer forums will be undertaken including amending the terms of reference of the various groups to reflect more closely their roles and purpose with regard to insurance matters.</p> <p>The revised Insurance Strategy and Improvement Plan will be approved by the Executive Leadership Team and Council of Ministers.</p> <p>This will be monitored on a quarterly basis by the Civil Claims Board (or equivalent), six monthly by ELT and the Risk and Audit Committee, and, annually by COM.</p>	<p>July 2020</p> <p>September 2020</p> <p>September 2020</p> <p>On Going from September 2020</p>	<p>Director Risk and Audit</p> <p>Director Risk and Audit</p> <p>Director Risk and Audit</p> <p>Director Risk and Audit</p>

<p><b>R2</b> Agree dates for addressing the actions set out in the Insurance Strategy and Improvement Plan and ensure that there are sufficient resources to deliver and implement it.</p>	<p>A detailed action and implementation plan, including resource requirements, to deliver the revised Insurance Strategy and Improvement Plan will be drawn up and agreed with the Treasurer.</p>	<p>September 2020</p>	<p>Director Risk and Audit</p>
<p><b>R3</b> Review and update the Insurance Strategy and Improvement Plan as it is implemented.</p>	<p>The Insurance Strategy and Implementation plan has been updated in the light of the recommendations in the C&amp;AG report and will be subject to regular review as it is implemented.</p> <p>Regular review and update of the strategy and plan will be implemented under the auspices of the Director of Risk and Audit and the Head of Risk.</p>	<p>July 2020</p> <p>At least Annually</p>	<p>Director Risk and Audit</p> <p>Director Risk and Audit / Head of Risk</p>
<p><b>R4</b> Implement planned improvements to increase the awareness and knowledge of departments of the insurance function and its activities by, for example, improving the insurance information available on MyStates and developing <b>service level agreements</b>.</p>	<p>A communications and training plan will be developed to increase the awareness of the insurance function and its role.</p> <p>Improvements will be made to the insurance information on My States and service level agreements developed with key stakeholders outlining performance expectations.</p>	<p>September 2020</p> <p>September 2020</p>	<p>Director Risk and Audit</p> <p>Head of Risk/ Risk Adviser</p>
<p><b>R5</b> Develop a systematic approach to identifying and documenting existing and emerging insurable risks. As set out in the Insurance Strategy and Improvement Plan, this should include:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> regular reviews of corporate and departmental risk registers;</li> <li><input type="checkbox"/> developing new processes such as developing and maintaining an insurable risk register;</li> </ul>	<p>A systematic approach to identifying and documenting existing and insurable risks will be implemented through:</p> <ul style="list-style-type: none"> <li>• regular reviews of the corporate and departmental risk registers;</li> <li>• development of an insurable risk register;</li> <li>• amending procedures for major projects in the PFM to ensure insurance matters are considered at an early point in all major projects;</li> <li>• better use of claims data to inform decision making on insurance matters.</li> </ul>	<p>September 2020</p>	<p>Head of Risk / Risk Adviser</p>

<input type="checkbox"/> considering insurance matters at an early stage in the development of major programmes and projects; and  <input type="checkbox"/> more efficient and effective analysis of claims data.			
<b>R6</b> Put in place and implement a policy for determining at what level of funding the Insurance Fund should be maintained. For example, this might set out whether the funding level should be at best estimate or whether allowance should be made for a buffer and, if a buffer were required, at what level of confidence.	A policy statement will be developed that sets out the Government's view on the level of funding required within the Insurance Fund. This will be developed alongside the Insurance Strategy and Improvement Plan.	September 2020	Director Risk and Audit
<b>R7</b> Set out how insurance risk appetite is derived from the States' overall risk appetite. In doing so, consider how risk appetite can be communicated and used to support strategic decisions and wider risk management arrangements.	Further work will be undertaken as part of the implementation of the Enterprise Risk Management Framework to clearly link the insurance risk appetite to the States overall risk appetite statement.  Consideration will be given to how this can best be used as part of the wider risk financing strategy to support strategic decision making and wider risk management arrangements.	December 2020	Director Risk and Audit / Head of Risk
<b>R8</b> Establish and set out policies for insurance, self-insurance and the arrangements for funding. These should include: <input type="checkbox"/> determining which risks should be insured and those that should remain uninsured;  <input type="checkbox"/> for insured risks:	Policy documents will be agreed for the approach to be taken to insurance; self-insurance and the funding arrangements including an analysis of uninsured risks.  A review and options analysis will be carried out to inform how departmental excesses and contributions to the Insurance Fund are determined; the relationship between deductibles and the States' risk appetite; and	December 2020  December 2020	Director Risk and Audit  Director Risk and Audit



<p>o how departmental excesses and contributions to the Insurance Fund are determined; and</p> <p>o how deductibles are set to ensure that they are within the States' risk appetite and provide an appropriate balance between the expected costs of self-insurance and the likely cost of insurance premiums; and</p> <p>□ for uninsured risks, how potential losses are to be funded.</p>	<p>an analysis of how potentially uninsured losses are to be funded.</p>		
<p><b>R9</b> Consider explicitly the benefits that can be obtained from improving existing arrangements as well as an assessment of the lessons learned from the recent insurance procurement exercise as part of the decision as to whether to establish a captive insurance company.</p>	<p>A lessons learned paper will be produced in respect of the insurance procurement exercises undertaken in 2019/20.</p> <p>Following the option appraisal undertaken with regard to recommendation 8 further consideration will then be given to the options for establishing a captive insurance company.</p>	<p>July 2020</p> <p>December 2020</p>	<p>Director Risk and Audit</p> <p>Director risk and Audit</p>
<p><b>R10</b> Undertake a review of the lessons learned from the procurement process for 2019 and develop an action plan to improve the procurement of insurance in future years.</p>	<p>A lessons learned paper will be produced to inform the 2020 and 2021 renewal exercises and future re-tendering of the insurance contracts. This will be shared with Treasury and Exchequer departmental management team to inform future learning.</p>	<p>July 2020</p>	<p>Director Risk and Audit</p>
<p><b>R11</b> Ensure exemptions from the procurement requirements set out in the Public Finances Manual are obtained in a timely manner. Where an exemption is not obtained before the start of a contract or date of renewal or extension, this should be declared as a breach.</p>	<p>Ensuring compliance with the Public Finances Manual will be factored into project plans for the renewal and re-tendering of all insurance contracts. Guidance will be sought from the Procurement team and the Head of Financial Governance as to the requirement for exemptions/breaches for annual renewal terms within three year insurance agreements.</p>	<p>July 2020</p>	<p>Director Risk and Audit</p>

<b>R12</b> Agree service levels for the claims handling contract, how performance is to be monitored and the arrangements for taking remedial action.	Service Level Agreement has been drafted and will be agreed with insurers by the end of June 2020. This sets out service levels, performance monitoring and arrangements for taking remedial action.	July 2020	Head of Risk
<b>R13</b> In deciding whether to bring claims handling in-house for the whole of the States, consider the good practice and learning from the arrangements put in place for claims made against the Minister for Health and Social Services.	A review of claims handling arrangements will be undertaken in order to ensure most effective use of the available resources to provide insurance services across States' departments.	December 2020	Director Risk and Audit
<b>R14</b> Regardless of whether a new in-house insurance claims management system is procured, review the claims information that is available to consider how to provide a more timely and useful analysis. This review should focus on areas where management action might be needed, set out clear recommendations and be communicated to those responsible for implementing improvements.	A review of claims information and a needs analysis will be undertaken to inform decision making and implementation of improvements.	December 2020	Head of Risk
<b>R15</b> Agree responsibilities, service levels and monitoring arrangements for insurance with Specified Organisations. These should include the arrangements for providing the States with assurance that Specified Organisations manage their insurance risks within the States' risk appetite.	The Head of Risk in consultation with the Director of Treasury and Investments will agree arrangements with Specified Organisations for service levels, monitoring and management of insurance risks within the States' overall risk appetite.	December 2020	Head of Risk/ Director Of Treasury and Investments

Recommendations not accepted

	Recommendation	Reason for rejection

