STATES OF GUERNSEY

Review of Risk Management and Insurance

Public Accounts Committee

April 2012

Contents

1. Executive Summary

1.1 Background

In 2006 the Public Accounts Committee commissioned the National Audit Office to undertake a review of the States of Guernsey's risk management and insurance processes. This assessed the risk management processes against accepted good practice, and evaluated the effectiveness of risk management arrangements in place, including the use of insurance as a tool to mitigate the risks. In addition, that review sought to follow-up on the progress made in response to an earlier review of risk management and insurance completed by the States Audit Commission in 2000.

The main conclusions on risk management emerging from the 2006 review was that whilst progress had been made in improving risk management practice in the States of Guernsey, there was some scope for further improvement. In particular, the NAO review found that the identification and handling of risk needed to be better focused, and that management effort should be focused on the risks that really matter. The report made fourteen recommendations to further develop and embed risk management across the States and to also engage Internal Audit both to support the development of risk management and to provide a monitoring and assurance role.

On insurance, the NAO report concluded that the arrangements in place at the time were comprehensive though could be more cost effective, in particular by seeking to reduce both administrative costs and premium costs. The report made six recommendations designed to improve the way insurance and claims are handled across the organisation and to commission a feasibility study to look at how insurance might be restructured across the States.

This report dated March 2012 follows up on the recommendations made in the NAO report and undertakes an assessment of the current position with regards to risk management and insurance within the States of Guernsey, taking into account that the concept of and approach to risk management has progressed since 2006. In summary, our work included:

- An assessment of the current position of Risk Management within the States of Guernsey;
- Follow up of the 2006 NAO report recommendations regarding risk management and insurance; and
- Where necessary, and appropriate, considering the steps needed to embed an appropriate pragmatic risk management system across each of the Departments that operate within the States of Guernsey.

1.2 Conclusions

Risk Management

We found that the extent to which risk management had evolved within each of the Departments was largely dependent on the drivers within that Department (i.e. Clinical Governance or Health and Safety requirements) and the perceived value placed on the process by the relevant Chief Officer. We identified certain pockets of good practice around the capture and recording of risks but that from a corporate perspective, the initial focus and effort that existed following the NAO report in terms of identifying resource, training them in risk management and working to develop a States wide approach to risk had lost momentum and in some areas regressed to a pre 2006 position.

Although an Island wide risk register has been published which identifies the external, public facing risks, this had not been replicated internally within the States either at a corporate level or, within each of the Departments* (*with limited exceptions). Where Risk Management processes did exist, they largely operated independently of other management activities, and were not integral to the Departmental business planning or operational performance management processes.

The 2006 NAO report identified that "*risk management needs to be seen as part and parcel of everyday business process not as something different of separate or to be done as a special exercise. It is also important that the States risk management is regularly addressed at the highest levels within the States risk assessment and must not be allowed to slip down the agenda or be left to be dealt with by junior staff within the Departments".* This assertion would be equally valid in 2012.

A cited reason for the lack of progress was the lack of dedicated central resources to drive risk management across the States. However, although dedicated resources may be considered helpful to developing systems and process it ignores the real need for risk management to be seen as an integral part and parcel of managing the business and something that should support and enable management to achieve objectives.

There are a number of 'quick wins' that would provide a platform and structure to develop the direction and progress of implementing risk management both corporately and within Departments. Whilst we acknowledge that the Chief Officer group, both individually and collectively, have a good appreciation of the risks they are facing and are actively managing these on a daily basis, this is neither captured nor arguably provides sufficient emphasis, thought or attention to the broader corporate and strategic risks the States of Guernsey may be facing.

Insurance

We found that the processes around managing the States' insurance programme had largely addressed the recommendations from the 2006 NAO review.. The involvement of Marsh as "Insurance Advisory Partner" has resulted in a more structured method of accumulating the information required to construct a program that provides adequate levels of cover taking into consideration the risk appetite, risk tolerance and cost implications.

However, there is still some refinement that can be applied to the process. Given that each department has a different type or level of risk exposure, it would be particularly helpful to ensure that premiums are allocated to each department accordingly such that they are able to analyse the cost of insurance against the claims that they are receiving.

Further refinement of the programme can be achieved once sufficient loss data has been accumulated by ICCI in order to facilitate analysis by department and individual categories of risk. This information can be used to optimise both the excess levels on a department basis as well as the overall Deductible Fund.

2. Risk Management

2.1 Progress in Risk Management

All organisations face uncertainty, and the challenge for management is to determine how much uncertainty the organisation is prepared to accept as it works to deliver on its strategic objectives. Uncertainty presents both risk and opportunity, and enterprise risk management provides organisations with a framework for its management to effectively deal with uncertainty and associated risk and realise any opportunities. Risk management has never been a hotter topic than it is today. In an age of extraordinary uncertainty and turbulence, no organisation is immune to the potential impact of unexpected events.

Many organisations have implemented risk management processes intended to evaluate, monitor, and document an organisation's risks, bringing some degree of structure to what might formerly have been a disparate set of information-gathering and risk mitigation processes. Whilst a risk management process can help an enterprise better organise its risk-related activities, it is not, in itself, enough to embed a thoughtful, sustainable consideration of risk into the organisation's key decision-making processes. This is where organisations adopt a risk intelligent approach in the way risk is integrated into the day to day management process, and in the way risk is viewed as a decision driver rather than as a consequence of decisions that have already been made.

It is frequently seen that traditional risk management processes are often implemented as stand-alone initiatives, which can be perceived as bureaucratic, burdensome, and temporary rather than serious, systematic, and sustainable. Risk Intelligence is built in to the way an organisation does business, not bolted on, which means that senior management must be meaningfully involved in the risk management program.

2.2 Risk Management in the States of Guernsey

There had been a positive response to the National Audit Offices report in 2006 with the State's appointing a small team to progress and implement the recommendations made in the report. However, the initial impetus and the resources devoted to developing and embedding risk management across the States lost momentum with the effect that at the time of this review, the States were in some areas further behind the position observed in 2006.

This review identified that responsibility for risk management has been delegated to Chief Officers within individual Departments. However, there is currently no overarching risk management policy or framework and as a result a range of approaches to risk management have evolved largely based upon the specific requirements of the Department and the expertise available. For example, in one Department, an automated systems based process was being used to capture the risks and controls and, where appropriate, to escalate to the relevant management. Whereas in another Department, reliance was placed on managers within business units to respond to, and manage, risks with no established processes for identifying, assessing, recording or reporting risk.

During our fieldwork we visited seven Departments; as a result we identified:

- Two Departments that has developed and implemented risk management processes;

- One Department that has implemented a risk management framework, though only captured a small number of risks specifically relating to Health and Safety and Estates;
- One Department that has developed a basic process for the identification of risks but which did not identify measurable controls or set out suitable mitigations ;
- One Department that has gone through a process of identifying risks but did not set out any mitigations; and
- Two Departments with no evidence of risk management process in place.

2.3 Risk Management at Department level

We found that risk management was being used to support Emergency Planning. This has enabled clear reporting of both risks and responses within Home Department, and there was a well defined process setting out how risks had been assessed and prioritised (see example below), with risks plotted against both impact and likelihood. We noted that this had resulted in a change of priorities, with effort and resources being refocused to the most significant risk areas.

(5)	7				
(4)	6 15 56	1 20B 2 16 17A 54 17B 55	10 - Marine pollution 26 – Major coastal /tidal flooding	34 – Influenza type disease (pandemic)	
(3)	3 8 32 20A 41 21	40 5 44 14 46 23 48 27 53	13 50 39 42 43 45	4 11 12 36	33
(2)	19 22	18 24 31 25 35 28 47 30	38	9 29	
(1)			37		
Impact/Likelihood	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*

We found that risk management maturity varied between Departments. We encountered isolated instances of what could be deemed as good practice. Discussions with management at all Departments identified local responses to risk being part of day to day activities within those Departments. For instance, we encountered a risk management framework which was effective at assessing, managing and reporting on low level risks together with incidents in the Health and Social Services Department (HSSD).

We also noted that the Home Department had a risk management framework capable of effectively responding to Department level risks. This framework focused on the most significant risks and the steps taken to respond to them. Risks were identified both from the Chief Officer (Department level) and individual business units, such as the Prison Service and the Police. This gave ownership at an appropriate level and enabled clear communication of risk both 'bottom up' and 'top down' within the Department's management structure.

2.4 Broader view of Risk Management

We found that there was no top down view of risk management at an Executive Leadership Team (ELT) or Chief Officer Group (COG) level and therefore there was no corporate or strategic view of the risks facing the States in delivering objectives. Currently risk management is operated separately in silos, with only two Departments operating a consistent risk management framework. This resulted in inconsistent assessments of risk across the Departments, preventing comparison and the identification of pervasive risks across the States, or interdependencies between Departments.

In terms of reporting of risks, we again found that this was being done to varying degrees within each of the Departments. For example, we understand that Commerce & Employment have started to report to the Chief Officer Group, and are developing tools to do this on a more systematic basis. Also, HSSD report on risk, specifically on clinical risks and issues, to their Board where the most notable risks are scrutinised by Ministers. However, in general we found that the level and content of risk reporting was inconsistent. This made any attempt to assess risk at a corporate level impossible to undertake.

We have benchmarked the overall performance of the States Risk Management against a maturity model ranging various elements of the process from Risk Naive to Risk Enabled below. This has assessed the States as a whole, as to how mature the collective Departments are in terms of risk management.

RISK MANAGEMENT MATURITY – STATES OF GUERNSEY

	Risk naïve	Risk aware	Risk defined	Risk managed	Risk enabled
Risk Governance	Risk has not been commonly defined throughout the organisation.	Risk is defined but applied differently across the organisation.	A common definition for risk is applied with clearly identified risk management roles and responsibilities	A common definition of risk including both preservation and creation of value exists and is applied consistently.	A clearly articulated and comprehensive definition of risk is applied throughout the business championed by Executive Management.
Risk Framework	No risk framework exists in the organisation.	Multiple risk frameworks exist in separate silos in the organisation.	An enterprise-wide risk framework is communicated using a top down approach.	A standardized enterprise wide risk framework is consistently applied throughout the organisation.	A customized and industry leading risk framework is in place to support the enterprise's risk management objectives.
Oversight	Limited senior involvement in risk management with a lack of reporting on major risks.	Executive Management sets the tone for managing risks but the culture of risk awareness exists in silos.	Executive Management demonstrates a culture of risk awareness. Lessons learnt are identified at a local level, some risk reporting exists.	Executive Management demonstrates a culture of risk awareness with risks reported to stakeholders. The Board establishes tolerances above which risks must be reported.	Executive Management sets the tone with risk embedded in decision making and performance management. Risk is regularly reported upon, with lessons learnt shared across the business.
Risk Assessment	The business has not set clear objectives and risks are identified in an ad hoc manner. Assessments focus on inherent risk.	Risks identified are focused on immediate issues and limited areas such as operational or regulatory risk. Assessments are sporadic and to varying criteria.	The most significant risks to the organisation objectives are identified. Assessments are consistent and include inherent and residual risk, with significant local risks escalated.	Risks to the business are identified and understood, including interdependencies. Each risk is linked to value drivers and clear metrics. Significant local risks are escalated appropriately.	Both opportunities and threats are understood, with cumulative impact and interdependencies captured. Tools and techniques are used to identify how the business might fail to achieve its mission critical objectives.
Risk Response	Control activities may be in place but they are not included in risk management procedures, with no monitoring of their effectiveness.	Control activities are undertaken, but these are undertaken independently in different business units, with little or no review of their effectiveness.	Control activities are implemented consistently, with the most significant controls tested separately.	Consistent control activities are implemented with business units providing assurance on their operation. Most controls are tested for effectiveness.	Controls are in place which are tested for both effectiveness with regular assurance of key control activities. Mission critical risks are subject to continual monitoring.
Functional Support	Functions have minimal or no ownership of risks and minimal understanding of risk related requirements within business units.	Functions have ownership of risks in silo functions.	Functions coordinate the management of cross cutting risks within their remit, providing skills to manage risk across the business.	Functions provide information and support for risk management processes across the business, embedding risk management within functional delivery.	Functions have risk responsibilities that transcend their function and take ownership of risks that are resident within their operations.

Current State

Proposed Future State

2.5 Understanding the Causes and the Way Forward

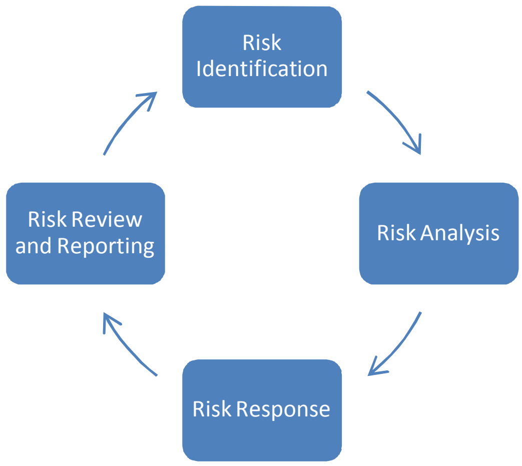
Efforts to equip senior managers throughout the organisation with a structure and the appropriate tools to better demonstrate that they have a full understanding of the risks they face, and what they are doing to manage and mitigate them have been intermittent. Whilst we were able to evidence that there were skilled risk management practitioners within the States, there is currently no senior responsible officer to drive a consistent framework across the States and there appeared to be a lack of buy-in at the top level.

As such any future plan to implement risk management throughout the organisation would require the Chief Executive and the Executive Leadership Team (ELT), supported by the Chief Officer Group and Functional leads, to recognise the value of risk management and take the lead on developing a pragmatic, corporate level Risk Management System appropriate to the States of Guernsey.

2.6 Risk Management Recommendations

Implementation of a Risk Management process requires a pragmatic corporate framework to be adopted and applied by managers consistently across the business. Whilst a policy and guidance is required, significant steps could be made by implementing a simple framework owned by top level management and applied consistently within each Department.

Key processes in this are required at each level of the organisation, with significant risks, responses and lessons learnt communicated between each level and business area.



Risk Identification, both initially and on an ongoing basis, needs to be related directly to the objectives of the business area and as such will change with aims of the business area. Risk Identification must include both focus on current and future issues through a combination of horizon scanning and review of incidents and issues.

Risk Assessment generates objective analysis of risks to guide the prioritisation of efforts and resources.

Risk Response is a structured way to record the identification, implementation and monitoring of actions to reduce risk, including processes to control, transfer, accept or avoid identified risks. The response is likely to be highly influenced by a combination of how significant and controllable the risk is assessed as being.

Risk Reporting includes the monitoring of risks to identify changes and escalation of risks as appropriate as well as reporting on the operation of the Risk Management process. This provides senior management an opportunity to refocus on the most significant risks to their objectives.

In summary, we have drawn our findings together to cover those that should be undertaken in the short term and those that can be developed in the medium to long term to further enhance the risk management process.

Short term recommendations:

1. Implement a simple, **consistent** Risk Management Framework across all departments and business areas which enable effective responses to risks and escalation where appropriate. Where possible this should build on the systems already in place in individual departments: As a minimum this should include:
    a. the processes, methods and tools to be used for managing risk.
    b. the way in which risk management performance will be measured and reported.

2. Develop supporting policy and guidance applicable across **all Departments** to support managers throughout the States participates in Risk Management activities. As a minimum this should:
   a. Consider the organisation's risk management objectives
   b. demonstrate a senior level commitment to risk management
   c. define accountabilities and responsibilities for managing risk
   d. the periodic review and verification of the risk management policy and framework

3. **Develop** a corporate risk management framework across the Executive Leadership Team and the Chief Officer Group which incorporates Department 'top risks' (where appropriate) and cross-cutting States wide strategic risks.

4. Hold **facilitated risk workshops** at ELT and separately for each Department to develop a '**top down'** view of the risks across each Department and establish a baseline for the risks faced by the States. In addition, the workshops could be used to 're-launch' risk management and provide business risk management training to staff and management across Departments.

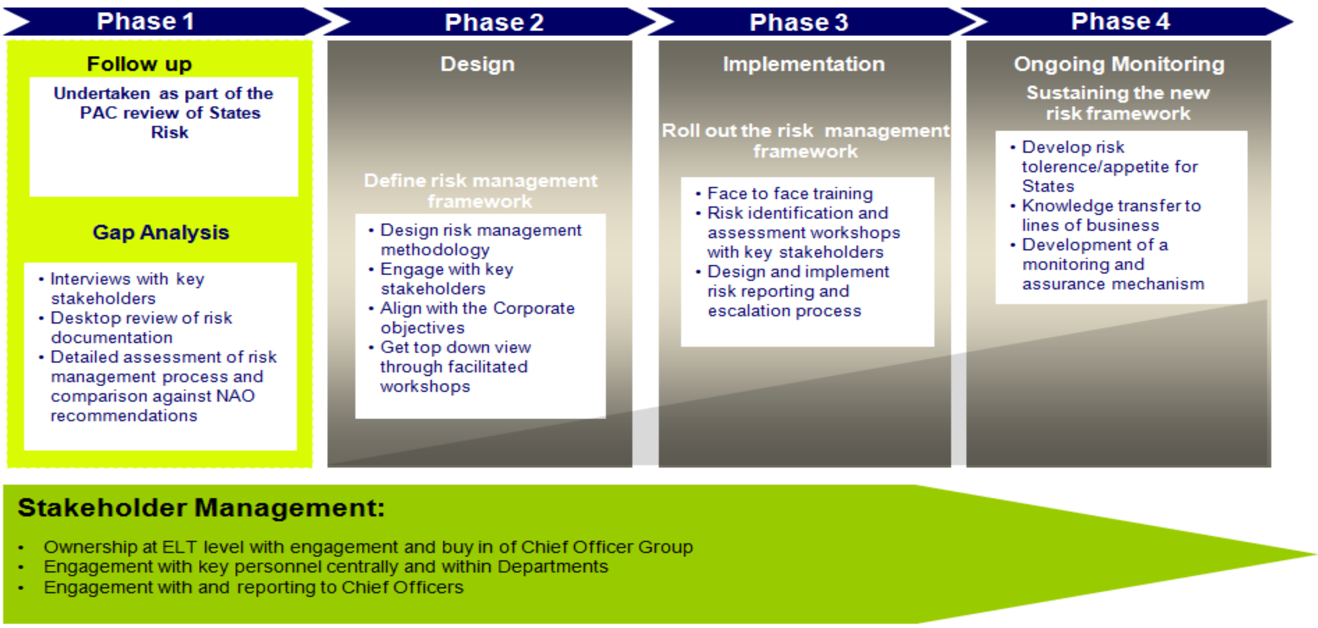
5. **Report** on the outcomes and effectiveness of this process to the Policy Council on a regular basis.

Medium to long term recommendations:

In the medium to long term, the States of Guernsey should consider the following four recommendations:

1. Provide on-going support and training for managers on how to consider and manage risks they are responsible for building on the basic principles, tools and techniques established as part o the risk management framework.
2. Develop risk appetite/tolerance levels for the States that clearly defines the level of risk that the states are prepared to tolerate at a Department and States wide level.
3. Develop a mechanism for knowledge sharing good practices across Departments.
4. Develop a monitoring/assurance program over the risk management process so that ELT (and other stakeholders) are provided with an independent view of the on-going effectiveness of the process.

The diagram below outlines a four phased an approach that the States of Guernsey could apply when implanting the recommendations:



2.7 Risk Management Documentation

The key recommended documents needed to support a risk management process are policy and a framework. We provide below the key attributes needed for each document.

Risk Policy

A Risk Management policy should describe the roles and responsibilities as well as the objectives of the process. This should include as a minimum:

- Responsibility for the overall system of Risk Management as well as the operation of the process in individual Functions and Departments.
- Scope of the process to include all Departments and the States as a whole.
- Resources available to support the effective implementation of Risk Management.
- A single definition of Risk which includes preservation of value as well as opportunities to create value.
- Focus of the process, notably a focus on the objectives of the business with taking into account a broad range of risks (including Strategic, Operational, Reputational and Governance).
- Reporting mechanisms including risk tolerance and risk levels requiring approval from Departmental Board or Chief Executive.

Risk Framework

This includes the documents and supporting guidance to allow managers to implement the process. It is important that this is pragmatic; a simple framework could be implemented rapidly using spreadsheet or word processing software which would include:

- Standardised Risk Registers.
- Standardised Risk Assessment criteria.
- Requirements for controls, including individual ownership and monitoring of effectiveness
- Reporting templates which include ownership and monitoring of control activities.
- Methods to communicate risks between Departments, individual business units and the Chief Officer Group.

Our follow up recommendations made in the 2006 NAO report is included at Appendix I.

3 INSURANCE

In 2009, the management of the States insurance requirements was delegated to the Client Services team who reported into Treasury and Resources. Responsibility for accumulating and providing the information required to assess the necessary levels of cover was further delegated to individual department insurance representatives. Whilst the primary role of the Client Services was to ensure that there was an appropriate insurance programme in place, the Insurance Advisory Partner (Marsh) provided the key link between the various departments and the insurer. As recommended in the 2006 review conducted by the National Audit Office, a re-tendering exercise was conducted in 2009 and Marsh were re-appointed in February 2010 as the Insurance Advisory Partner for a four year period (two year initial term with a two year extension).

During our fieldwork, we conducted interviews with the following departments:

- Public Services Department
- Health and Social Services Department
- Housing Department

We also interviewed the States account manager at Marsh to obtain a clear understanding of their role as the insurance advisory partner.

We obtained an understanding of the current approach to managing the insurance arrangements, in particular covered the following:

- Link between the States' risk appetite and procuring the appropriate level of cover;
- Monitoring of risk profile and changes to tolerance;
- Premiums – review of the competitive tendering process;
- Claims – Claims handling and monitoring of claims data;
- Insurance procedures

In November 2010, Marsh conducted a total cost of risk review on behalf of the States. As part of this review, the States' risk tolerance and risk appetite were assessed, the corresponding Deductible Fund was evaluated and recommendations made for the optimisation of the insurance programme. Consequently, there were changes made to the levels of retention and an increase in the non-ranking excess from £750 to £5,000. The factors affecting this increase included the desire to obtain premium reductions, the need to impose a degree of discipline in risk management at department level and the consideration of risk exposure against the States' risk appetite.

The current levels of insurance cover have been designed to capture most fluctuations in the annual risk profile. For example, changes in staff numbers do not have any impact on the level of PI cover and only needs to be addressed at renewal. When determining the proposed levels of cover, Marsh take a "root to branch" approach and sought to ensure that the policy definitions are all embracing. In addition, review meetings are carried out between Marsh and the States two to three times a year to ensure that there are no significant factors affecting the risk profile or risk tolerance of the States.

Marsh are responsible for handling the competitive tendering process for placing insurance cover and they follow internal guidelines as well as predefined procurement guidelines issued by the States. Following the tender process, Marsh issued an Insurance Tender and Renewal Report. The report detailed the necessary basis for selection of insurers for specific lines of cover and provided a summary of the most appropriate program based on all the factors discussed above. The process was considered sufficiently robust in ensuring that the States get the most optimal levels of cover and the best value for money.

The Insurance Corporation of the Channel Islands (ICCI) have been contracted to handle all claims on behalf of the States. They are currently in the process of building and maintaining a record of what would have been an insurance claim under the old excess of £750. Going forward, the data may be used to further optimise the excess levels, possibly at a department or a type of cover level. ICCI also provide a report of spend below the deductible on a monthly basis. This will enable future analysis to enable optimisation of the levels of deductible. Having ICCI as the sole claims handling partner provides efficiencies on an administration level as well as facilitates accumulation of relevant claims data for future management of the insurance programme. Marsh continue to carry out claims audits to ensure that the claims handling service provided by ICCI is in line with the contractual requirements and meets the reserving policies of the insurers.

Appendix I

Follow up of 2006 NAO Recommendations – Risk Management

Recommendation	Follow up status
The policy statement and strategy on risk management issued with the 2003 Policy and Resource Plan should be updated and re-issued to reflect the machinery of government changes of May 2004 and any further changes agreed in the light of the NAO report.	At the time of review we were not able to obtain a policy statement and strategy on risk, or identify any standardised guidance on Risk Management issued to management.
All Departments should develop a clear strategy for managing risks within their areas of responsibility.	At the time of review no Department was identified with a strategy for managing risks within their areas of responsibility, several good practices were identified including several Departmental Risk Management Frameworks exist which are applied effectively to at least one area of risk.
Risk assessment should be a regular feature on the agendas of the Policy Council and Departmental Boards. The Policy Council should consider strategic risks to the Island as a whole. Departments should consider the major risks affecting their areas of responsibility.	While Departments such as Culture and Leisure and HSSD regularly report to Departmental Boards and Commerce and Employment reporting regularly to the Chief Officer Group. However no standard reporting procedure is in place. Emergency planning risks are reviewed by the Policy Council on an annual basis.
All Departments should designate a senior officer as a "risk champion" for driving the risk management agenda forward within the Department and for getting involved in cross-Departmental work	Some Departments including Housing, HSSD, Culture and Leisure and Education have formally designated a risk champion. The level of involvement varies, with some risk champions taking no active involvement in Risk Management activities.
Risk management must become embedded in Departmental processes and procedures; it is not something that should be left to be tackled separately on an ad hoc basis	With a few major exceptions Risk Management was treated in an ad hoc manner, separate from day to day management. However HSSD embedded a system to manage and escalate day to day risks, with Home Department having a system to manage strategic level risks.
Once recent staff changes have bedded in, the Risk and Insurance team should take on the risk management and advisory role currently provided by Marsh UK	This recommendation has been considered on at least two occasions by the States and they have concluded that they wish to continue using Marsh to provide these services.
A comprehensive risk profile of the States should be compiled, which identifies and prioritises the key risks	No evidence of a Corporate level risk register has been available.
All Departments should review their methods of risk identification and prioritisation to ensure that they are in a position to deal with the threats that they may face	Whilst the majority of Departments have made some attempt to identify risks most are immature, focusing on a single area of risk.
Departments should make use of the information from their accidents and incidents reporting systems when identifying risks	HSSD have an integrated issue and Risk Management system which provides incident reporting to drive risk identification. However application of this to a wider audience may distract focus

	from key risks (see below).
Departments need to focus their work on risk identification on those risks that could have a material effect on their areas of responsibility	The majority of identified risks throughout Departments are currently focused upon operational risk matters, with limited link to strategic objectives in local or Strategic Business Plans.
For each key risk identified, Departments should firstly consider whether they can tolerate the risk. If this option is chosen, contingency plans may need to be drawn up for handling the impacts that will arise if the risk materialises	Where risk identification and response is being undertaken no clear identification of risk appetite exists to allow for risk tolerance. Where contingency plans are in place they are not linked to Risk Management processes.
Where an identified risk cannot be tolerated, Departments should evaluate the various options for dealing with the risk, such as introducing internal controls, transferring the risk to a third party, or terminating the activity giving rise to the risk	Where risk responses are noted they include a variety of responses. With the exception of the Home Department control activities are not assigned owners or their effectiveness monitored to ensure they are appropriate and reducing the risk.
Departments should be encouraged to complete the risk management self-assessment questionnaires prior to internal audit reviews, with help and advice from the Internal Audit team where needed	Internal Audit do not currently undertake this practice, with inadequate Risk Management a factor leading to a lack of Opinion in the Internal Audit Unit Annual Report.

Follow up of 2006 NAO Recommendations - Insurance

Recommendation	Follow Up
Review the insurance package every five years when it comes up for renewal and re-tender as necessary.	This is now being done. The appointment of the Insurance Advisory partner is put up for tender every five years and the placement of insurance is tendered out on an annual basis. The last date of tender for both the above was 20 February 2010 and 1 July 2011 respectively
Claims handling procedures should be reorganised to allow Departments to deal directly with the insurers.	Claims handling has been centralised and contracted out to the Insurance Corporation of the Channel Islands (ICCI) and the Departments deal directly with them regarding all claims. This structure is considered most efficient both from a settlement perspective as well as a data collection perspective.
Departments should be provided with the necessary information about their claims to enable them to monitor trends and take actions to reduce risks.	ICCI are able to provide the necessary claims data as and when requested. We reviewed the claims data provided to the Health and Social Services Department who request it on a monthly basis to analyse their claims activity. We noted that currently not all departments obtain this information.
Allocation of insurance premiums to Departments should be based on claims histories and risk factors.	The system for allocation of premiums to each department is still not fully implemented. For example, the Public Services Department indicated that they did not get an allocation of Premium.
The Insurance Deductible Fund should be restructured so that routine, largely predictable claims become the direct responsibility of Departments, with the Departmental excess level adjusted accordingly.	This has now been done. The Departmental excess has been increased from £750 to £5,000 for 2011/12. The deductible fund was increased from £50,000 to £250,000 in 2007/08
The States should commission a detailed feasibility study for restructuring States insurance. The study should include costed options for: • **Taking on more risk by increasing excess levels;** • **Taking out a catastrophe cover only for certain types of risks;** • **Self-insurance in those areas where risks are effectively mitigated by other means, such as through internal controls; and** • **Setting up a States-owned captive insurance company.**	These have been covered by Marsh through the activities they have carried out since their reappointment. Excess levels have been revised based on recommendations by Marsh; Currently there is no catastrophe cover and specific risks such as terrorism have been covered; A feasibility study over whether to take the captive insurance company route was included in the report issued by Marsh in November 2010 and they have concluded that it would not currently represent best value for money.