



**Statement by
the Honourable Minister for Finance and Economic
Development on
the “Exceptional Circumstance” Transactions Incurred
During the 2018 Financial Year for the Ministry of Finance
and Economic Development**

**Second Meeting of the 2018/2019 Session of the Legislative
Assembly – Commencing 14 November 2018**

Mister Speaker, as required by Section 11(6) of the Public Management and Finance Law (2018 Revision) (the “PMFL”), I make this Statement to Members of this Honourable House with respect to the “exceptional circumstance” transactions that were approved by the Cabinet for the Ministry of Finance and Economic Development during the 2018 financial year that ends on 31 December 2018. These transactions were approved pursuant to Section 11 (5) of the PMFL and this Statement provides details of the aforementioned transactions.

Equity Investment of \$4.53 million to CINICO

Mister Speaker, during the 2018 financial year, the Cabinet approved an Equity Investment of \$4.53 million to the Cayman Islands National Insurance Company (“CINICO”) to meet the prescribed capital requirement, or PCR.

As a Class A insurer, CINICO is required by the Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 and by the Cayman Islands Monetary Authority (“CIMA”) to maintain a PCR in order to remain in good standing with the CIMA, meet its insurance business commitments and adequately manage its risks.

During the 2018 financial year, CINICO’s Capital fell below the PCR and CIMA advised that it could not allow CINICO to remain below the PCR and set a deadline for CINICO to become compliant with the PCR.

In order to comply with the PCR for the remainder of the 2018 financial year, CINICO required an Equity Investment of \$4.53 million.

Non-compliance with the PCR exposes CINICO to high credit and liquidity risks that can negatively impact CINICO’s financial position and its ability to meet its contractual obligations. Also, there was the possibility that CIMA could have imposed regulatory sanctions,

including the suspension of CINICO's license due to its non-compliance with the Insurance Regulations and the PCR.

The closure of CINICO would be detrimental to the Country as CINICO provides health insurance coverage to over 15,000 members that include Civil Servants and their dependants, pensioners, seafarers, veterans and residents that have low income and those that have impaired health.

The Ministry of Finance was unable to identify sufficient savings within its 2018 Budget to offset the Equity Investment - which was approved via the appropriation captioned "EI 50 – Ministry of Finance and Economic Development - CINICO".

Increase in Health Insurance Premiums for Civil Servants

Mister Speaker, during the finalisation of the 2018 and 2019 Budgets, CINICO advised of additional premiums that would be required from the Government in order to cover the cost of Civil Servants' health insurance premiums.

Instead of revising the 2018 and 2019 Budgets to include the increased premium costs across the various Output Groups of Ministries, Portfolios, and Offices, it was agreed that the total

increased cost of \$4.3 million would be budgeted centrally within the Ministry of Finance and Economic Development and then re-allocated to Ministries, Portfolios and Offices during the 2018 and 2019 financial years.

Mister Speaker, for the supplementary appropriations to the Minister for Finance and Economic Development, you will see a negative amount of approximately \$4.3 million for OE 118 – Increase in Health Insurance Premiums for Civil Servants – which signifies the amount being moved from the budget of the Ministry of Finance and Economic Development.

You will also see, in the majority of cases, where the Output Groups of Ministries, Portfolios and Offices are increased to reflect the re-allocation to budgets to cover increased premium costs.

Mister Speaker, when you add up the various increases to Output Groups for the increased premium costs, with the \$4.3 million decrease to the appropriation of the Ministry of Finance and Economic Development, the sum will net to zero.

Mister Speaker, health insurance costs also increased for the Ministry of Finance and Economic Development. The Output Groups impacted were:

1. FED 1 - Policy Advice and Ministerial Services – which was increased by \$16,178;
2. FED 2 - Governance and Administrative Services by \$1,267;
3. FED 3 - Collection of Coercive Revenue by \$20,951;
4. FED 4 - Preparation and Publication of Statistical Reports by \$11,357;
5. FED 5 - Financial Reporting and Management Services was increased by \$37,265;
6. FED 6 - Processing of Passengers and Inspection of Aircrafts, Vessels and Cargo by \$91,987;
7. FED 7 - Identification and Investigation of Customs Offences by \$19,164;
8. FED 9 - Administration and Processing of Applications by \$2,987;
9. FED 10 - National Mail Service by \$62,351; and
10. FED 11 - Monitoring and Reporting on the Economy was increased by \$2,158.

Conclusion

Mister Speaker, the aforementioned exceptional circumstance transactions - which were approved by the Cabinet for the Ministry of Finance and Economic Development during the 2018 financial year – did not result in any risks of non-compliance with the Principles of Responsible Financial Management.

Thank you Mister Speaker.