

Financial Statements of

**Segregated Insurance Fund
of the Cayman Islands**

For the 18-month period ending 31 December 2017

SEGREGATED INSURANCE FUND OF THE CAYMAN ISLANDS
Financial Statements for the 18-month period ending 31 December 2017

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Segregated Insurance Fund of the Cayman Islands

Statement of Responsibility for the Financial Statements 31 December 2017

These financial statements have been prepared by the Health Insurance Commission in accordance with the provisions of the *Public Management and Finance Law (2017 revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2017 revision)*.

As Superintendent of Health Insurance I am responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Segregated Insurance Fund.

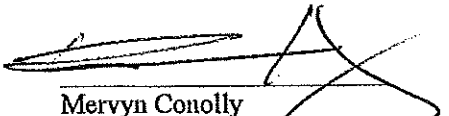
As Superintendent of Health Insurance and Financial Accountant we are responsible for the preparation of the Segregated Insurance Fund financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Segregated Insurance Fund for the 18-month period ending 31 December 2017.

To the best of our knowledge, we represent that these financial statements:


- (a) Completely and reliably reflect the financial transactions of Segregated Insurance Fund for the 18-month period ending 31 December 2017;
- (b) fairly reflect the financial position as at 31 December 2017 and performance for the 2016/17 financial period;
- (c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Mervyn Conolly
Superintendent of Health Insurance
Health Insurance Commission

Date: 19th April 2018.



Milissa Webb
Financial Accountant
Health Insurance Commission

Date: 19th April 2018.

AUDITOR GENERAL'S REPORT

To the Health Insurance Commission Board

Opinion

I have audited the financial statements of the Segregated Insurance Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in net assets and statement of cash flows for the 18-month period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 12.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2017 and its financial performance and its cash flows for the 18-month period from 1 July 2016 to 31 December 2017 in accordance with International Public Sector Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

I note that the Fund is not required to present budget information in the financial statements as required under IPSAS 24 "Presentation of Budget Information in Financial Statements" for entities preparing its Financial Statements under IPSAS. This information is not presented, as the Fund as a separate entity does not produce an annual budget statement for which it is held publicly accountable.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

AUDITOR GENERAL'S REPORT (continued)

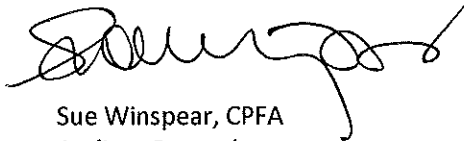
Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a)(ii) of the *Public Management and Finance Law (2017 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA
Auditor General

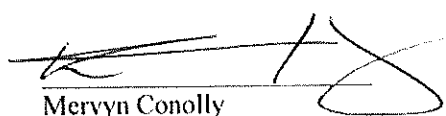
19 April 2018
Cayman Islands

Segregated Insurance Fund of the Cayman Islands

Statement of Financial Position As at 31 December 2017 (in Cayman Islands Dollars)

| | Notes | <u>2017</u> | <u>2016</u> |
|--|-------|----------------|----------------|
| ASSETS | | | |
| <u>Current Assets</u> | | | |
| Contributions receivable | 3 | \$ 619,840 | \$ 448,930 |
| Total current assets | | <u>619,840</u> | <u>448,930</u> |
| Total assets | | <u>619,840</u> | <u>448,930</u> |
| LIABILITIES | | | |
| <u>Current Liabilities</u> | | | |
| Payable to Ministry of Home Affairs, Health and Culture (the "Ministry") | 2b | 610,840 | 439,930 |
| Accrued liabilities | 5c | <u>9,000</u> | <u>9,000</u> |
| Total current liabilities | | <u>619,840</u> | <u>448,930</u> |
| Total liabilities | | <u>619,840</u> | <u>448,930</u> |
| NET ASSETS | | <u>\$ -</u> | <u>\$ -</u> |

Signed on behalf of the Fund:



Mervyn Conolly
Superintendent of Health Insurance
Health Insurance Commission

Date: 19th April 2018



Milissa Webb
Financial Accountant
Health Insurance Commission

Date: 19th April 2018

See accompanying notes to the financial statements.

Segregated Insurance Fund of the Cayman Islands

Statement of Financial Performance For the 18-month period ending 31 December 2017 *(in Cayman Islands Dollars)*

| | Notes | 2017 | 2016 |
|---------------------------------------|----------|--------------------|--------------------|
| Revenue | | | |
| Contributions from approved providers | 2c, 4, 7 | \$7,502,100 | \$4,598,240 |
| Total revenue | | <u>7,502,100</u> | <u>4,598,240</u> |
| Expenses | | | |
| Audit fees | 5c | <u>9,000</u> | <u>9,000</u> |
| Total expenses | | <u>9,000</u> | <u>9,000</u> |
| Surplus for the period | | <u>\$7,493,100</u> | <u>\$4,589,240</u> |

See accompanying notes to the financial statements.

Segregated Insurance Fund of the Cayman Islands

Statement of Changes in Net Assets For the 18-month period ending 31 December 2017 (in Cayman Islands Dollars)

| | Notes | 2017 | 2016 |
|------------------------------------|-----------|--------------------|--------------------|
| Opening balance, Net Assets | | \$ - | \$ - |
| Net Surplus | | 7,493,100 | 4,589,240 |
| Capital withdrawal by Ministry | 2b | <u>(7,493,100)</u> | <u>(4,589,240)</u> |
| Closing balance, Net Assets | | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to the financial statements.

Segregated Insurance Fund of the Cayman Islands

Statement of Cash Flows For the 18-month period ending 31 December 2017 (in Cayman Islands Dollars)

| | Notes | <u>2017</u> | <u>2016</u> |
|--|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Surplus for the period | | \$7,493,100 | \$4,589,240 |
| Changes in non-cash working capital | | | |
| (Increase) in contributions receivable | | (170,910) | (20,400) |
| Increase in current liabilities | | <u>170,910</u> | <u>20,400</u> |
| Net change in non-cash working capital | | <u>-</u> | <u>-</u> |
| Net Cash from operating activities | | <u>7,493,100</u> | <u>4,589,240</u> |
| Cash flows used in financing activities | | | |
| Payments to the Ministry of Home Affairs Health and Culture | 2b | <u>(7,493,100)</u> | <u>(4,589,240)</u> |
| Net Cash used in financing activities | | <u>(7,493,100)</u> | <u>(4,589,240)</u> |
| Net cash change during the period | | - | - |
| Cash and cash equivalents at beginning of period | | <u>-</u> | <u>-</u> |
| Cash and cash equivalents at end of period | | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to the financial statements

Segregated Insurance Fund of the Cayman Islands

Notes to the Financial Statements For the 18-month period ending 31 December 2017

1. Establishment and principal activity

The Segregated Insurance Fund (the Fund) was established under the *Health Insurance Commission Law* (2016). The Fund is maintained and administered by the Health Insurance Commission. The Fund's primary function is to assist the Cayman Islands Government defray the costs incurred for providing treatment to indigent, uninsurable, and partially uninsurable individuals. Contributions to the Fund are received from approved insurance providers in accordance with the *Health Insurance Regulations (2017 Revision)* and under their legislation, the Fund is required to remit all funds collected to the Ministry of Home Affairs, Health and Culture (the "Ministry").

The Health Insurance Commission, which manages the Fund, is located on the 3rd Floor Government Administration Building, George Town, Grand Cayman. The Commission had 13 employees as at 31 December 2017 (2016 – 11).

2. Significant accounting policies

a) Basis of accounting for financial statements preparation

These financial statements are prepared in accordance with International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board. The financial statements of the Fund are prepared on the accrual basis of accounting under the historical cost convention.

Per The Public Management and Finance (Amendment) Bill, 2015 "Clause 2 amends section 2 of the principal Law to revise the definition of the term "financial year", in relation to entities that are required to report. With effect from 1st July, 2016, "financial year" would mean the period of eighteen months commencing on 1st July, 2016 and ending on 31st December, 2017." At the end of that period, "financial year" would mean a year ending on 31st December."

As a result, the 2016/17 period covers an 18-month period from 1 July 2016 through 31 December 2017 and is therefore not directly comparable to the 2015/16 year ending 30 June 2016 noted in these financial statements as previously reported.

b) Cash and cash equivalents

As required by legislation, the Segregated Insurance Fund does not hold any cash as all payments made to the Fund are remitted upon receipt to the Ministry.

c) Contributions from approved providers

Contribution from approved health insurance providers are recognized as revenue when due. The payments from the approved insurance providers are due on the 21st of the month for the previous month.

Segregated Insurance Fund of the Cayman Islands

Notes to the Financial Statements For the 18-month period ending 31 December 2017

2. Significant accounting policies (cont'd)

d) Non-exchange transactions

The Fund receives various services from the Ministry for which no payment is made. These services include human resources and their accommodation. These non-exchange transactions are treated as services in-kind as defined under IPSAS 23-Revenue from non-exchange transactions and are not recognized or disclosed in the financial statements. When fair values of such services can be reliably estimated then they are recorded as an expense and an equal amount is recorded in other income as a service in-kind.

Where services in-kind offered are directly related to construction or acquisition of a fixed asset, such service in-kind is recognized in the cost of the fixed asset.

3. Contributions receivable

Contributions receivable are recognized at fair value less a provision for impairment. A provision for impairment of contributions receivables is established when there is objective evidence that the Fund will not be able to collect all the amounts due. As at 31 December 2017, there was no provision (2016: \$0) for impairment of contributions receivable. Net contributions receivable at 31 December 2017 was valued at \$619,840 (2016: \$448,930).

4. Contributions from approved health insurance providers

Under each standard health insurance contract, an approved health insurance provider collected contributions from individual policy holders with no dependants at a rate of \$10 per month and from policy holders with dependants at a rate of \$20 per month and these are due 21 days after month end, for the previous month. The payments are set out in the *Health Insurance Regulations (2017 Revision), Regulation 5.1 a & b*.

5. Related party transactions

a) The Health Insurance Commission (HIC) is an oversight body given the authority under the *Health Insurance Commission Law, 2016* to monitor and regulate the health insurance industry of the Cayman Islands. The functions of the commission include the assessment and monitoring of premium rates, monitoring the conduct of approved insurers, resolving complaints and advising the Minister generally on any matters relating to health insurance including advice on amendments to the Health Insurance Law and Regulations. The Health Insurance Commission is the administrator of the Fund and provides office space, staff, furniture and fittings and other facilities at no cost to the Fund.

Segregated Insurance Fund of the Cayman Islands

Notes to the Financial Statements For the 18-month period ending 31 December 2017

5. Related party transactions (cont'd)

b) Cayman Islands National Insurance Company (CINICO)

CINICO is a government-owned insurance company formed to provide health insurance coverage to civil servants (employees and pensioners) and other residents of the Cayman Islands who historically have had difficulty obtaining coverage through their employer or the private insurance market. CINICO has its own Board of Directors. CINICO is an approved insurance provider and therefore remits contributions to the Segregated Insurance Fund under the Health Insurance Regulations. Contributions received from CINICO for the 18-month period ending 31 December 2017 were \$441,810 (2016: 267,160) per Section 26 of The Health Insurance Law (2016 Revision) relating to the premiums charged by Cayman Islands National Insurance Company during the operative period (period commencing on 1 July 2014).

c) Services Provided by Government Entities

The Fund obtained services from other Government entities of the Cayman Islands Government, during the 18-month period ending 31 December 2017 in the amount of \$9,000 (2016: \$9,000). The liability relating to these services at period end was \$9,000 (2016: \$9,000).

6. Financial instruments and associated risks

For certain of the Fund's financial instruments, including contributions receivables, payable to Ministry of Home, Affairs, Health and Culture and accrued liabilities, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Management has evaluated the following risks and determined that they are negligible:

- a. Credit risk
- b. Liquidity risk

7. Budgetary information

During the 18-month period ending 31 December 2017 the government did not budget an amount in fees to be collected for the Segregated Insurance Fund (SIF). As reported in the statement of financial position \$7,502,100 was collected.