



**CAYMAN ISLANDS**

**2009 Session of the**

**LEGISLATIVE ASSEMBLY**

**REPORT**

of the

**STANDING**

**PUBLIC ACCOUNTS COMMITTEE**

**on the Special Report of the Auditor General**

**on the Hurricane Ivan Insurance Settlement and Equity Investments in**

**Cayman General**

**Summary Report**

*Laid on the Table of Legislative Assembly on this 25th day of February 2010*

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**REPORT OF THE STANDING  
PUBLIC ACCOUNTS COMMITTEE  
ON THE SPECIAL REPORT OF THE AUDITOR GENERAL  
ON THE HURRICANE IVAN INSURANCE SETTLEMENT AND  
EQUITY INVESTMENTS IN CAYMAN GENERAL  
SUMMARY REPORT**

**1. REFERENCE**

The Standing Public Accounts Committee of the Cayman Islands Legislative Assembly, established under Standing Order 77, met to consider the Special Report of the Auditor General on the Hurricane Ivan Insurance Settlement and Equity Investments in Cayman General, as prepared and submitted by the Auditor General.

**2. PAPER CONSIDERED**

In accordance with the provision of Standing Order 77(1), the Committee considered the following paper referred to it by the House:

- Special Report of the Auditor General on the Hurricane Ivan Insurance Settlement and Equity Investments in Cayman General.

**3. CHAIRMAN AND MEMBERS OF THE COMMITTEE**

The following Members of the Legislative Assembly were the *past* Members of the Standing Public Accounts Committee and dealt with this Report of the Auditor General –

Mr. Osbourne V. Bodden, MLA – Chairman  
Mr. Rolston M. Anglin, MLA  
Mr. Cline Glidden, Jr., MLA  
Mr. Moses Kirkconnell, JP, MLA  
Mr. W. Alfonso Wright, MLA

The following Members of the Legislative Assembly are the present Members of the Standing Public Accounts Committee –

Mr. D Ezzard Miller, MLA - Chairman

Mr Cline A Glidden, Jr., MLA

Mr. Ellio A Solomon, MLA

Mr. Dwayne S Seymour, MLA

Mr Moses I Kirkconnell, MLA

#### **4. MEETINGS OF THE COMMITTEE**

The Committee reviewed the following minutes to consider this Report:

- (i) Monday 27<sup>th</sup> July, 2009
- (ii) Tuesday 28<sup>th</sup> July, 2009
- (iii) Wednesday 5<sup>th</sup> August, 2009

#### **5. ATTENDANCE OF MEMBERS**

The attendance of Members at meetings is recorded in the Minutes of Proceedings which are attached to and form part of the Report.

#### **6. PERSONS IN ATTENDANCE**

In accordance with Standing Order 77(8), the following persons were in attendance at the meeting:

Mr. Dan Duguay – The Auditor General

Mr. Martin Ruben - Audit Manager

Mrs. Debra Welcome – Accountant General

Mrs. Deborah Drummond – Assistant Financial Secretary

## **7. WITNESSES CALLED BEFORE THE COMMITTEE**

In accordance with the provisions of Standing Order 77(4), the Committee may invite Controlling Officers and support staff to give information or explanation to assist the Committee in the performance of its duties:

1. Portfolio of Finance and Economics: Hon. Kenneth Jefferson, Financial Secretary.
2. Risk Management: Mr. Michael Nixon, Senior Assistant Financial Secretary.
3. Cayman Islands Monetary Authority: Mrs. Cindy Scotland, Managing Director.
4. Portfolio of Internal and External Affairs Hon. Donovan Ebanks, Chief Secretary.
5. Lands and Survey Department: Mr. Alan Jones, Director.
6. Portfolio of Legal Affairs: Hon. Samuel W. Bulgin, Attorney General.

## **8. PRACTICE AND PROCEDURE OF THE COMMITTEE (S.O 77 (6))**

The Committee agreed that in accordance with the provisions of Standing Order 77 (6) that its meetings, at which Controlling Officers are invited to provide information, should be held in an open forum. This decision was taken to promote openness and accountability in Government.

## **9. PAC COMMENTS**

**9.01** The Committee agrees that on a strict financial analysis that this may not appear to be a good deal but the Committee does agree and the witnesses confirm that given the circumstances at the time it was a reasonable deal for the Government to agree to.

## **ACKNOWLEDGEMENT**

The Committee is most appreciative of the efforts of the Auditor General and his staff in presenting a very fair, detailed and informative Report on the Hurricane Ivan Insurance Settlement and Equity Investments in Cayman General Summary Report and for the support, assistance and constructive advice given throughout its deliberations.

Finally we wish to thank the staff of the Legislative Assembly for the assistance provided.

**REPORT OF THE COMMITTEE TO THE HOUSE**

Your Committee agrees that this Report be the Report of the Standing Public Accounts Committee to the House on the Special Report of the Auditor General on the Hurricane Ivan Insurance Settlement and Equity Investments in Cayman General Summary Report.

\_\_\_\_\_ *[Signed]* \_\_\_\_\_

Mr. Ezzard Miller, MLA - Chairman

\_\_\_\_\_ *[Signed]* \_\_\_\_\_

Mr. Cline A Glidden, Jr, MLA, Member

\_\_\_\_\_ *[Signed]* \_\_\_\_\_

Mr. Ellio Solomon, MLA, Member

\_\_\_\_\_ *[Signed]* \_\_\_\_\_

Mr. Dwayne Seymour, MLA, Member

\_\_\_\_\_ *[Signed]* \_\_\_\_\_

Mr Moses Kirkconnell, MLA Member



# Legislative Assembly of the Cayman Islands

## STANDING PUBLIC ACCOUNTS COMMITTEE

### MINUTES of Meeting held Monday 27th July 2009 1:00 pm

Minutes of meeting of the Standing Public Accounts Committee held in the Chamber of the Legislative Assembly building on Monday 27<sup>th</sup> July 2009 at 1:00 pm.

#### **Present:**

Mr. D Ezzard Miller, JP, MLA - Chairman  
Mr. Moses I Kirkconnell, JP, MLA - Member  
Mr. Cline A Glidden, Jr, MLA - Member  
Mr. Dwayne S Seymour, MLA - Member  
Mr. Ellio A Solomon, MLA - Member

#### **1. Calling of Meeting to Order by the Chairman**

There being a quorum present (Standing Order 77(2) refers), the Chairman called the Meeting to Order at 1:30 pm.

#### **2. Review of Special Reports of the Auditor General**

The Chairman suggested that the backlog of reports be dealt with in the order in which they were presented to Parliament. The Chairman also suggested that the Auditor General only be invited to meetings should the Committee identify specific questions for him.

Mr. Cline Glidden stated that since the majority of the reports are dated, it would be beneficial to have the Auditor General present to provide information to the Committee.

**2 (1). Special Report – The Affordable Housing Initiative**

The Chairman requested feedback from the Committee on how to deal with the matter.

Mr. Moses Kirkconnell stated that from his understanding the Committee was awaiting the receipt of an additional report from the RCIP to the Auditor General on this matter.

**AGREED** that the Committee will defer this report until clarification has been received from the Auditor General on the status of the additional report from the RCIP.

**2 (2). Special Report – Auditor General’s Report on Government Financial Statements year Ended 30 June 2004**

The Chairman stated that two Members of the Committee were past members and therefore familiar with this report. The Chairman made a motion that since this was a thorough report, it be reprinted, signed by the current Committee and tabled.

**AGREED** that the Report be the Report Standing of the Public Accounts Committee. This motion was moved by Mr. Cline Glidden, Jr.

**2 (3). Special Report – Auditor General’s Report on the Royal Watler Cruise Terminal Capital Project**

The Chairman informed the Committee that there was no final report available on this project. The Chairman suggested that he work with the Clerk to prepare a report based on the Minutes.

**AGREED** that the Mr. Cline Glidden and Mr. Moses Kirkconnell will prepare a report on this project.

**2 (4). Hurricane Ivan Insurance Settlement and Equity Investment in Cayman General.**

Mr. Moses Kirkconnell informed the Committee that he has been involved with Cayman General Insurance for a number of years and therefore declares an interest and requests to be excused.

The Chairman accepted Mr. Kirkconnell’s motion.

Mr. Cline Glidden moved a motion that the Auditor General be asked to go through the report and list areas of concern. Upon receiving the Auditor General’s feedback, the Committee should proceed with interviews of witnesses.

**AGREED** that the Committee will invite the Auditor General to the next meeting to discuss this matter.

**2 (5). The Review of Debt Financing Arrangements for Boatswain’s Beach**

**AGREED** that the Committee will defer this report until the Auditor General is present to answer questions.

**2 (6). Special Report on the State of Financial Accountability Reporting**

Mr. Cline Glidden discussed the reporting process with the Committee.

**AGREED** that the Committee will defer this report until the Auditor General is present to answer questions

**2 (7). VFM Audit – The Scrap Metal Tender and Contract with Matrix International Inc**

**AGREED** that the Committee will defer this report until the Auditor General is present to answer questions.

**2 (8). VFM Audit – Purchase of a Helicopter by the Royal Cayman Islands Police**

Mr. Cline Glidden suggested that witnesses from the Royal Cayman Islands Police (RCIP) be brought in to answer questions. He noted that many individuals who were involved in the project are no longer with the RCIP; however someone from the RCIP department needs to be present to bring clarity to the situation. Mr. Cline Glidden also stated that specific individuals should be called as witnesses.

**AGREED:** This motion was agreed by the Committee.

**2 (9). VFM Audit – Pedro St James – Review of Gasoline charges for July 2003 – April 2007**

Mr. Cline Glidden stated that there is a disconnect in regards to the Management response and the response of the Tourist Attractions Board (TAB).

The Chairman suggested that the two individuals be invited to a PAC meeting and that proper procedures are deciphered for the future.

**3. Other Matters**

**3 (1). Process for Making Auditor General Reports Public**

The Chairman raised concern as to the procedures in which reports are made public and when. He stated that the previous Standing Orders stated that the Auditor General reports were provided to Members in a confidential way. However, the

current Standing Orders now make reference that the Public is also in receipt of these reports.

**Discussion ensued:**

The Committee agreed that it is vital to determine who owns the reports and who makes them public.

**AGREED** that the Committee will schedule a meeting with the Auditor General and the Speaker to define an appropriate process for making Auditor General Reports public.

**3 (2). Request for Auditor General Investigations.**

Mr. Cline Glidden made a motion for the Auditor General to investigate the developments of the John Gray and Clifton Hunter High Schools. Specific areas to address were noted as the Value for Money (Scope definition and Project Management), Tendering Process, the Teaching Communities views on the development, and Capacity Management.

Mr. Cline Glidden also made a motion for the development of Roads in Grand Cayman to be investigated and areas to be addressed were noted as the Value for money, the Tendering Process, and the Recurrent Cost of NRA.

The Committee accepted these motions and the Clerk was advised to notify the Auditor General of the requests.

**4 Adjournment**

There being no further business the meeting adjourned at 3:35pm until 9:00am Tuesday 28<sup>th</sup> July 2009.



# Legislative Assembly of the Cayman Islands

## STANDING PUBLIC ACCOUNTS COMMITTEE

### MINUTES of Meeting held Tuesday 28th July 2009 9:00 am

Minutes of meeting of the Standing Public Accounts Committee held in the Chamber of the Legislative Assembly building on Tuesday 28<sup>th</sup> July 2009 at 9:00 am.

#### **Present:**

Mr. D Ezzard Miller, JP, MLA - Chairman  
Mr. Cline A Glidden, Jr, MLA - Member  
Mr. Dwayne S Seymour, MLA - Member  
Mr. Ellio A Solomon, MLA - Member

#### **Apologies:**

Mr. Moses I Kirkconnell, JP, MLA - Member

#### **In Attendance:**

The Auditor General – Mr. Dan Duguay  
The Deputy Auditor General – Mr. Garnet Harrison

#### **1. Calling of Meeting to Order by the Chairman**

There being a quorum present (Standing Order 77(2) refers), the Chairman called the Meeting to Order at 9:16 am.

#### **2. Review of Special Report of the Auditor General – The Cayman Islands Property Insurance Settlement – Post Ivan**

The Chairman suggested that the Committee concentrate on the recommendations of the Auditor General.

The Auditor General gave a brief overview of the Report. He stated that the problem arose due to the Cayman Islands Government (CIG) being insured with only one company. The Auditor General informed the Committee that the CIG had received common shares in place of payment, but the Government has no control over the company and no real benefit has been derived from acquiring these shares. The Auditor General also reminded the Committee that this unique situation should not be looked at from a pure financial decision. The Auditor General provided the committee with a list of suggested questions in relation to this matter.

Mr. Cline Glidden raised concerns over the hefty price that was paid and what social implications arose from this situation, as well as the cost to the Cayman Islands.

The Committee agreed with the Auditor General's comments and posed questions as to how the CIG could recoup some of their money.

Mr. Cline Glidden stated that the report being reviewed was not dates and raised concerns as to the current systems in place to handle similar situations. He suggested that persons be invited to a Committee meeting to discuss what new procedures are in place, if any. He stated that the PAC should use this opportunity to ensure that the Insurance concerns that are raised have been addressed.

The Auditor General agreed with Mr. Glidden's comments. He stated that the major problem for the CIG was being able to prove the value of its assets. He informed the committee that Lands and Survey had committed to evaluating crown land and suggested that the Committee invite Lands and Survey to the next meeting to determine whether these evaluations have been completed.

Mr. Ellio Solomon agreed with the recommendation.

Mr. Cline Glidden stated that a regulatory frame work for Insurance companies should be established to prevent them from finding themselves in the same position should another natural disaster occur. He stated that it is important that those who provide insurance are maintaining their liquidity and are able to provide.

The Committee agreed to move on to recommendations of the Auditor General.

Mr. Ellio Solomon requested information as to who the CIG is currently insured with.

The Auditor General stated that the CIG is insured with five (5) different companies, but reminded the Committee that the concern should be who these companies are re-invested with. He suggested that the Risk Management Unit be invited to ascertain if these questions have been addressed in the CIG's current insurance policies.

**Discussion ensued:**

**AGREED** that the Committee would call the following individuals as witnesses:

1. Financial Secretary – Exit Strategy for Shares.
2. Director, Risk Management – Current Risk Management Strategy.
3. Director, CIMA – Insurance Regulatory Environment.
4. Chief Secretary – Decision Making Process.
5. Director, Lands and Survey – Asset Evaluation of Government.
6. Attorney General – Confidentiality Agreements.

**3. Review of Special Report of the Auditor General – The Review of the Debt Financing Arrangements for Boatswain’s Beach.**

The Auditor General informed the Committee that this was a complex financial report and welcomed questions from the Members.

The Chairman provided a summary of the report. He informed the Committee that overall it was felt that the CIG received a good deal in this project, but the concern was the amount of fees that had been paid. He stated that there are accepted norms in the negotiation of fees and there is a need to establish industry practice in the future.

Mr. Cline Glidden raised concerns with the recommendation and report. He stated that it is the responsibility of the Government to obtain the best deal possible and the deal received by Government would not have been possible without the payment of fees. He stated that the fees were justified considering the deal received.

The Auditor General reminded the Committee that there were two financing options and the first was not good value for money, therefore persons in charge opted out and went with the second financing option. He stated that in relation to the first financing option, the Government ended up paying more than what the agreement was worth to get out of it.

Mr. Cline Glidden reminded the Committee that the second financing option was the best deal for the Government and the sum of funding was split between the two agreements.

Mr. Ellio Solomon requested that the Auditor General provide recommendations on the Boatswain’s Beach report.

The Auditor General stated that he would support the motion for clear procedures to be developed and that a Finance Committee should be established to deal with all government loans. He stated, however, that this is a policy decision and not under his jurisdiction.

**4. Review of Special Report of the Auditor General – The State of Financial Accountability Reporting.**

The Chairman asked for the Auditor General to provide feedback.

The Auditor General informed the Committee that his office has committed to reviewing the reporting system on a regular basis. He stated that information was

sent to over forty (40) offices and that a new update for the Committee will be available at the end of September. He suggested that this matter be deferred until the new report has been submitted.

**AGREED** that the Committee would defer this report until the updated report has been received.

**5. Approval of Invoices for the Audit Office**

- (i) Invoice Number 204637 dated 3 July 2009 in the sum of CI\$57,997.50;
- (ii) Invoice Number 204646 dated 13 July 2009 in the sum of CI\$1,260.00.

**AGREED** that the Committee approve the two invoices numbered 204637 and 204646.

**6. Adjournment**

There being no further business the meeting adjourned at 2:55 pm until 9:00 am Wednesday 28<sup>th</sup> July 2009.



# Legislative Assembly of the Cayman Islands

## STANDING PUBLIC ACCOUNTS COMMITTEE

### MINUTES of Meeting held with Witnesses Wednesday 5<sup>th</sup> August 2009 9:00 am

Minutes of meeting of the Standing Public Accounts Committee held in the Chamber of the Legislative Assembly building on Wednesday 5<sup>th</sup> August 2009 at 9:00 am.

**Present:**

Mr. D Ezzard Miller, JP, MLA - Chairman  
Mr. Cline A Glidden, Jr, MLA - Member  
Mr. Dwayne S Seymour, MLA - Member  
Mr. Ellio A Solomon, MLA - Member

**Apologies:**

Mr. Moses I Kirkconnell, JP, MLA - Member

**In Attendance:**

Mr. Dan Duguay – The Auditor General  
Mr. Martin Ruben - Audit Manager  
Mrs. Debra Welcome – Accountant General  
Mrs. Deborah Drummond – Assistant Financial Secretary

**Witnesses:**

1. Portfolio of Finance and Economics: Hon. Kenneth Jefferson, Financial Secretary.
2. Risk Management: Mr. Michael Nixon, Senior Assistant Financial Secretary.
3. Cayman Islands Monetary Authority: Mrs. Cindy Scotland, Managing Director.
4. Portfolio of Internal and External Affairs Hon. Donovan Ebanks, Chief Secretary.
5. Lands and Survey Department: Mr. Alan Jones, Director.
6. Portfolio of Legal Affairs: Hon. Samuel W. Bulgin, Attorney General.

**1. Reference**

In accordance with Standing Order 77(4) witnesses were invited to appear before the Committee to discuss various issues set out in the Report of the Auditor General on the Cayman Islands Government's Property Insurance Settlement – Post Ivan.

**2. Meeting to Order**

At 9:15 am the Chairman called the meeting to order.

**3. Welcome**

The Chairman gave a brief welcome and introduction to those attending. The Chairman brought to the attention of the Committee Standing Order 73(4) which states –

*“The proceedings of and the evidence taken before any select committee and any documents presented thereto, and decisions of such a committee, shall not be published by any Member thereof or by any other person until after the committee has presented its report to the House.”*

The Chairman asked for a motion that the Committee suspend this Standing Order so that the proceedings could be undertaken in public.

Mr. Ellio Solomon moved the motion to suspend and all other Committee Members were in agreeance.

**4. Witnesses Report of the Auditor General Report on the Cayman Islands Government's Property Insurance Settlement – Post Ivan.**

**4.1. Portfolio of Finance and Economics – 9:00 am**

The first witness appearing before the Committee was **Hon. Kenneth Jefferson, Financial Secretary.**

The Chairman welcomed the Hon. Jefferson to provide a summary to the Committee.

Hon Jefferson stated that the ultimate decision of government to accept the agreement of Cayman General Insurance (CGI) was made in the best interest of the Cayman Islands economy. He stated that the negotiation team had a series of meetings and felt that if the government did not assist CGI, the public's confidence in insurance companies and other industries (i.e. banking) would diminish resulting in social and economic implications.

Mr. Ellio Solomon raised his concern about past bail outs and asked the Hon. Jefferson whether any steps have been taken to ensure the government does not end up in the same position.

Hon. Jefferson stated that the biggest difference today, is that the government is not insured with just one company. He stated that in the instance of Hurricane Ivan, the government was solely insured with CGI, as they provided the best premium. He stated that since then the government's assets are not with one company, but rather insured with a number of companies. The Hon. Jefferson stated that the process for choosing an insurance company incorporates the proposal being sent out to tender, which creates public competition to provide the government with the best premium. He stated that the government decided that even if there is an increase in the amount paid for insurance, the government will never return to being insured with just one company.

Mr. Ellio Solomon raised his concern over the lack of liquidity of insurers during Hurricane Ivan and asked the Hon. Jefferson whether there are any steps being taken to insure insurance companies maintain liquidity.

The Hon. Jefferson stated that CGI had tremendous difficulty in meeting claims after Ivan due to the magnitude of claims. He stated that Ivan was of such magnitude that there were limits of the re-insurer. He stated that the government has made sure those limits have increased and there have also been changes to the Insurance Law since Hurricane Ivan.

The Hon. Jefferson provided the Committee with a brief history of what had transpired after Hurricane Ivan.

Hon. Jefferson informed the Committee that when the initial estimate of damage sustained to the government's assets was completed, the estimate was \$108 million. He stated that a detailed estimate had been started but was not completed due to Insurance companies losing adjusters. He stated that Risk Management had completed an estimate in the amount of \$115 million. This raised concerns as there was no definite asset by asset record of government's assets. He informed the Committee that in the interest of time and the state of the country, both parties (CIG and CGI) wanted to settle the matter as soon as possible. He stated that had the government challenged the settlement the process could have been dragged out for over 18 months. He stated that at the time, this was not something the government wanted to do as there were bigger issues at hand in getting the country back up and running. He also made note that there were a number of private sector claims coming into CGI and the government was the largest claimant. He stated that by holding up the process the government would have been preventing citizens from receiving their claims. Hon. Jefferson stated that the amount of payout agreed by both parties (CIG and CGI) was \$70 million. He informed the Committee that an initial payment of \$50 million was given in cash and the remaining \$20 million was offered in shares. He stated that the acceptance of the 24% shares did not mean that this was equal to the outstanding \$20 million, but rather the shares would eventually be worth something.

Mr. Cline Glidden made the statement that this was a difficult time being discussed and although the government did not receive value for money, the decision that was made was done with the best interest of the country at that time.

Mr. Solomon asked the Hon. Jefferson whether he was aware if insurers are being re-insured with one company. He raised concern of what happened to the Sister Islands after Paloma and the lack of clarity.

The Hon. Jefferson stated that he appreciated the question; however the Cayman Islands Monetary would be more equipped to answer. He did inform the Committee that the government's policy with the Caribbean Catastrophe Risk Insurance Facility (CCRIF) has recently been renewed and that the Cayman Islands does have coverage regardless of the confusion with Paloma. He stated that CCRIF deals with catastrophic events to a nation and each nation has their own unique policy. He stated that in terms of the policy with the Cayman Islands, it covers catastrophic damage caused by a hurricane (category 3 or higher) and earthquakes. He stated that due to the majority of the government's assets being on Grand Cayman, GCM receives 96% of the coverage and the Sister Islands receives 4%. He informed the committee that it is a macro hold of jurisdiction coverage and applied to the entire country, not just government buildings and cars, etc.

The Chairman asked whether the government has an exit strategy for the shares that were received in lieu of payment.

The Hon. Jefferson stated that the current administration has not addressed the issue of the shares. He stated that the previous administration had received some dividends from the shares and noted that the government is not in the insurance business nor does it want to remain there. He recommended that as soon as it is possible to receive a decent return, the shares should be sold.

Mr. Cline Glidden stated that he would like for 3.17 of the Auditor General's report to be noted when PAC compiles their report. 3.17 states:

*"It is my opinion that the Government did not receive value for money in this transaction. It gave up its rights to considerable additional consideration (between \$20 and \$58 million) and received in return shares that were worth less than \$3 million in the fall of 2005. While it is acknowledged that the Government had other social and business issues to consider and that this should not be looked at as a straight financial decision, it is clear to me that the Government paid a very hefty price for what it received."*

#### **4.2. Risk Management – 10:00 am**

The second witness appearing before the Committee was **Mr. Michael Nixon, Senior Assistant Financial Secretary** who is responsible for the Risk Management Unit.

Mr. Nixon was asked to provide the Committee with a brief summary of what transpired post Hurricane Ivan and where the government is today.

Mr. Nixon stated that Hurricane Ivan taught the government an important lesson; to diversify its insurance portfolio. He stated that currently insurance companies are chosen based on their ratings and that the government is constantly updated on insurers and their ratings to ensure the government has the best coverage. He stated that lessons learnt by the government included the fact that a protocol and mechanism needs to be established to handle claims of this magnitude and that Risk Management has been working on developing such a protocol.

Mr. Dwayne Seymour raised the concern of under insurance and what policies have been put in place. He also asked whether any evaluations have been completed since 2005.

Mr. Nixon stated there are no policies in regards to under insurance. He stated that there was a clause in the government's contract that the company will not penalize the government for being under insured. He also stated that there has been no valuation exercise, but there have been samplings of government portfolios. He stated that ideally, Risk management would like to see a major revaluation of government's assets and a proposal to Cabinet was sent for funding.

Mr. Cline Glidden requested for clarification as to how the government chooses insurers.

Mr. Nixon stated that the proposals normally go out to tender and a broker is selected. He stated that an insurer is chosen based on their ratings and the amount of business they have in the Cayman Islands as government does not want to compete with the rest of the community for funding.

Mr. Cline Glidden asked whether local companies are used, specifically Sagicor.

Mr. Nixon stated that local companies are used, but Sagicor did not meet the required rating and therefore was not an option when choosing an insurer.

The Chairman stated that the report of the Auditor General of February 2007 stated that Lands and Survey had agreed that a re-evaluation of CIG assets should be priority with the involvement of Risk Management. He stated that this exercise has still not been completed and requested information as to why.

Mr. Nixon stated that he could not comment as to why this exercise has not been completed but was aware that the biggest issue was that of a budget and the availability of funds. He stated that there is a meeting scheduled between Risk Management and Lands and Survey the following week to discuss this issue.

#### **4.3 Cayman Islands Monetary Authority (CIMA) - 11:00 am**

The third witness appearing before the Committee was **Mrs. Cindy Scotland, Managing Director** of CIMA. In attendance with Mrs. Scotland were Mr. Ruwan Jayasekera, Chief Analyst, Insurance and Mrs. Carmilee Pearson, Senior Analyst, Insurance.

Mrs. Scotland provided the Committee with a summary. She stated that Hurricane Ivan was a learning process for all and since that time CIMA has introduced new measures. Mrs. Scotland stated that there are currently recommendations for additional changes to the Insurance Law, but requested that she not be asked to divulge the details of these recommendations as they have not yet gone through the formal process. In relation to changes within CIMA she stated that;

1. Section 7 of the Insurance Law has been strengthened;
2. A new rule for risk management has been instituted to provide minimum accepted standards;
3. Guidance on internal controls has been issued;
4. A statement of guidance and rule on market conduct has been issued;
5. A statement of guidance for business continuity management has been issued.

Mrs. Scotland stated that there have been extensive conversations between CIMA and the insurance industry and that the insurance companies have done a tremendous job in improving their customer service. Mrs. Scotland stated that the changes to the Insurance Law will be on the forefront of CIMA for the next 12-18 months.

Discussion ensued regarding liquidity requirements.

Mrs. Scotland stated that CIMA has the power to increase a company's liquidity requirements based on their book of business, which is monitored by CIMA.

Proceedings Suspended at 11.16 am

Proceedings Resumed at 1.45 pm

#### **4.4 Portfolio of Internal and External Affairs – 1:45pm**

The fourth witness appearing before the Committee was **the Honorable Donovan Ebanks, Chief Secretary**.

The Chairman informed the Chief Secretary that the Committee was interested in knowing if the government has any established documentation protocol for decision making.

Hon. Ebanks stated that he is not aware of any protocol that mandates any specific level of record taking. He stated that of course there should be material available on decisions that have been made, but he could not point to any legal document that enforces this.

Discussion ensued:

Mr. Ellio Solomon requested confirmation from the Auditor General that he was not able to find any documentation on the negotiations of the insurance settlement.

The Auditor General confirmed this. He stated that a copy of the settlement was received, but the process of the negotiations leading up to the settlement were not documented well by government.

In closing the Hon. Chief Secretary stated that he agrees that it is good practice to record important activities and there may be a need for government to issue guidance and advice on how Senior and other government officials take part in major decision making. He stated that he would give consideration to developing guidelines to avoid non documentation in the future.

#### **4.5 Lands and Survey– 2:04pm**

The fifth witness appearing before the Committee was **Mr. Alan Jones, Director** of Lands and Survey. In attendance with him was Mr. John Hall, Chief Valuation Officer.

The Chairman informed Mr. Jones that the Committee would like information as to the status of the valuations of government assets. He stated that the Committee was concerned as to whether the government has an accurate record of the value of government property and that the government is insuring its assets at an adequate level.

Mr. Jones provided the Committee with a brief summary. He stated that he assisted the Auditor General in compiling the report being discussed. He informed the Committee that it is important to note that the valuation of assets and the valuation for insurance are two different exercises. He also informed the Committee that there are no up to date valuations of government buildings for insurance purposes. Mr. Jones stated that in 2001 there was an Asset Valuation Assessment of over 600 parcels (copies were provided to the Committee). He stated this was a lengthy process and it required a full time person. He stated that the Asset Valuation Assessment should be completed every 5 years, but it has not been completed as there is confusion as to who will fund the project. He stated that in 2006 there were further discussions regarding the commencement of this project and that it would be beneficial to conduct the asset valuation and insurance valuation at the same time as there are massive synergies between the two. Mr. Jones provided two approaches:

1. Pursue both valuations on a full time basis and have the process completed within 18 months.
2. Develop a rolling program where 20% of the properties are valued each year.

AGREED that the Committee strongly recommend that the government proceed with these valuations as a matter of priority.

#### **4.6 Portfolio of Legal Affairs – 3:30pm**

The sixth witness appearing before the Committee was the **Honorable Samuel Bulgin, Attorney General**.

The Chairman raised the concern of the Committee that confidentiality agreements inhibit the PAC from doing their job.

The Hon. Bulgin stated that he had read the observations and will address the Committee generally in terms of confidentiality agreements. He informed the Committee that any agreement or contract is between two (2) or more parties. If one of the parties wishes for confidentiality then the other party must comply unless there are some extraordinary circumstances. He stated that it is quite in order for government to say that there will be no confidentiality agreements given the current open forums and FOI, however if the other party requests confidentiality, then the government must comply. The Hon. Bulgin also informed the Committee that in regards to government contracts, confidentiality agreements do not affect the rule of the Auditor General or the Complaints Commission.

The Auditor General stated that he did not experience any problems in getting information for his report; however it should be noted that despite confidentiality agreements, once his report is completed, it is published and made public. The Auditor General expressed that he believes in transparency.

Mr. Dwayne Seymour expressed that given the information from the witnesses, he was now in full appreciation of the decisions that were made given the circumstances. He stated that he applauds the persons involved who made the decisions and was comfortable with laying this matter to rest.

## **5. Other Business**

Mr. Ellio Solomon moved a motion to suspend the PAC meetings with witnesses, scheduled for Thursday 6<sup>th</sup> August 2009, due to government meetings on that date to discuss finances.

The Chairman accepted the motion and the meeting with witnesses was rescheduled for Wednesday 12<sup>th</sup> August 2009.

## **6. Adjournment**

The Chairman thanked the Witnesses for their testimony to the Committee and the meeting adjourned at 3:59 pm.