



Financial Statements of

Segregated Insurance Fund

For the 12-month period ended 30 June 2006
And 16-month period ended 30 June 2005

SEGREGATED INSURANCE FUND

Table of Contents

	Page
Statement of Responsibility for Financial Statements	2
Certificate and Report of the Auditor General	3
Balance Sheet	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7-8

**Segregated Insurance Fund
Financial Statements
30 June 2006**

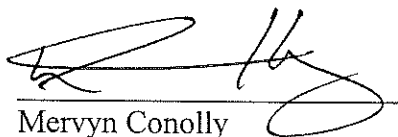
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements have been prepared by the Health Insurance Commission in accordance with the provisions of the Public Management and Finance Law, (2005 Revision). The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards and International Financial Reporting Standards

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, (2005 Revision).

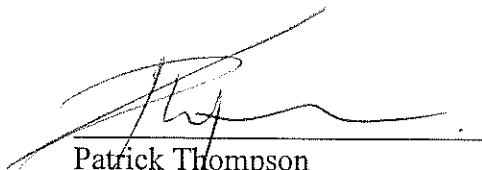
To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2006 and performance for the financial year ended 30 June 2006; and
- (c) comply with generally accepted accounting practice



Mervyn Conolly
Superintendent of Health Insurance
Health Insurance Commission

Date: 7 June, 2007



Patrick Thompson
Financial Accountant
Health Insurance Commission

Date: 7 June, 2007



Cayman Islands

Segregated Insurance Fund

CERTIFICATE OF THE AUDITOR GENERAL

*To the Board Members of the Health Insurance Commission of the Cayman Islands
And the Financial Secretary of the Cayman Islands*

I have audited the accompanying financial statements of the Segregated Insurance Fund of the Cayman Islands (the "Fund"), which comprise of the Balance Sheet as at 30 June 2006, and the related Statement of Operations and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 8 in accordance with the provisions of Section 12(1) of the *Health Insurance Commission Law, 2003* and Section 60(a) of the *Public Management and Finance Law (2005 Revision)*.

Respective Responsibilities of Management and the Auditor General

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Segregated Insurance Fund of the Cayman Islands as of 30 June 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Garnet Harrison, CA
A/Auditor General

Cayman Islands
7 June 2007

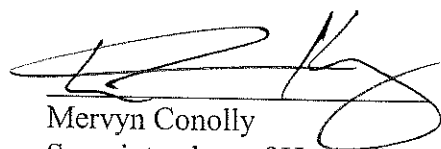
Segregated Insurance Fund

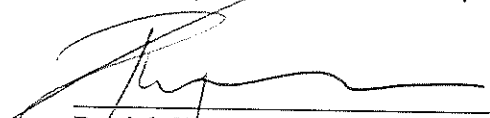
Balance Sheet
As at 30 June 2006
 (with 16-Month comparatives as at 30 June 2005)
 (Stated in Cayman Islands Dollars)

	Notes	<u>2006</u>	<u>2005</u>
Assets			
Cash & Cash Equivalents	2 b	\$ -	\$ 468,000
Contributions Receivable	3	<u>390,695</u>	<u>179,772</u>
Total Assets		<u>390,695</u>	<u>647,772</u>
Liabilities			
Distribution Payable	5	380,899	602,772
Accrued Liabilities		<u>9,796</u>	<u>45,000</u>
Total Liabilities		<u>390,695</u>	<u>647,772</u>
Net Assets		<u>\$ -</u>	<u>\$ -</u>
Represented By			
Fund Balance		<u>\$ -</u>	<u>\$ -</u>

Signed on behalf of the Fund

Date: 7 June 2007


 Mervyn Conolly
 Superintendent of Health Insurance
 Health Insurance Commission


 Patrick Thompson
 Financial Accountant
 Health Insurance Commission

The accompanying notes form an integral part of these financial statements.

Segregated Insurance Fund

Statement of Operations
For the Year Ended 30 June 2006
(with 16-Month comparatives as at 30 June 2005)
(Stated in Cayman Islands Dollars)

	Notes	<u>2006</u>	<u>2005</u>
Income			
Contributions from Approved Providers	3	\$2,001,704	\$2,192,207
Total income		<u>2,001,704</u>	<u>2,192,207</u>
Expenses			
Operating Expenses		<u>7,026</u>	<u>10,026</u>
Total expenses		<u>7,026</u>	<u>10,026</u>
Surplus for the year		1,994,678	2,182,181
Fund balance, beginning of year		-	-
Disbursement to Ministry of Health & Human Services	4	<u>(1,994,678)</u>	<u>(2,182,181)</u>
Fund balance, end of year		<u>\$ -</u>	<u>\$ -</u>

The accompanying notes form an integral part of these financial statements.

Segregated Insurance Fund

Statement of Cash Flows
 For the Year Ended 30 June 2006
 (with 16-Month comparatives as at 30 June 2005)
 (Stated in Cayman Islands Dollars)

	2006	2005
Cash Provided By (used in) Operating Activities		
Net Income for the year	\$ 1,994,678	\$ 2,182,181
Changes in Non-cash working Capital		
Contributions receivable	(210,923)	(7,545)
Accrued Liabilities	(35,204)	10,000
Net Change in Non-cash working Capital	(246,127)	2,455
Cash provided by Operating Activities	1,748,551	2,184,636
Cash provided by (used in) Financing Activities:		
Disbursement to the Ministry of Health & Human Services	(2,216,551)	(1,784,161)
Cash (used in) Financing Activities:	(2,216,551)	(1,784,161)
(Decrease) / Increase in cash during the year	(468,000)	400,475
Cash and cash equivalents at beginning of year	468,000	67,525
Cash and cash equivalents at end of year	\$ 0	\$ 468,000

The accompanying notes form an integral part of these financial statements.

Segregated Insurance Fund

Notes to the Financial Statements
For the Year Ended 30 June 2006

1. Establishment and Principal Activity

The Segregated Insurance Fund (the Fund) was established under the Health Insurance Commission Law (2003). The Fund is maintained and administered by the Health Insurance Commission. The Fund's primary function is to help the Cayman Islands Government Ministry of Health & Human Services defray the costs incurred for providing treatment to indigent uninsurable and indigent partially uninsurable individuals. Contributions to the Fund are received from approved insurance providers in accordance with the Health Insurance Regulations (2005 Revision). The period presented for 30 June 2006 is for 12 months, which is not readily comparable to the 30 June 2005 figures which are for 16 months.

2. Significant Accounting Policies

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC), and interpretations issued by the Standing Interpretations Committee of the IASC. The significant accounting policies adopted by the Fund in these financial statements are as follows:

The financial statements of the Fund are presented in Cayman Island dollars and are prepared on the accrual basis under the historical cost convention.

b) Cash and Cash Equivalents

Cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity date of three months or less.

c) Contributions and Contributions Receivable

Contributions from approved health insurance providers are recognized as revenue when due and a contribution receivable is recognized if moneys are not received from the approved provider by 30 June.

Segregated Insurance Fund

Notes to the Financial Statements For the Year Ended 30 June 2006

3. Contributions & Contributions Receivable

Under each standard health insurance contract an approved health insurance provider collects contributions from individual policy holders with no dependants at the rate of \$5 per month and individuals with dependants \$10 per month to be contributed to the Fund. The health insurance providers then submit these collections to the Health Insurance Commission in its capacity as the Administrator of the Fund.

As at 30 June 2006 the Fund had \$390,695 (30 June 2005: \$179,772) contributions receivable from the health insurance providers.

4. Distribution to the Ministry of Health & Human Services

The Health Insurance Regulations (2005 revision) requires that all fees collected by the Health Insurance Commission be paid in to the Segregated Insurance Fund. Under the Public Management & Finance Law (2005 revision) the fees collected from the insurance companies meets the definition of coercive revenue and are therefore accounted for as Executive Revenue. All fees collected are therefore deposited into the Executive Revenue Bank Account of the Ministry of Health and Human Services.

5. Distributions Payable

During the period ending 30 June 2006, contribution income totalled \$2,001,704 (30 June 2005: \$2,192,207). For the period ending 30 June 2006, \$2,216,551 (30 June 2005: \$1,784,161) was deposited in to the Executive Revenue Bank Account of the Ministry of Health and Human Services. The remaining balance, net of accrued liabilities, is presented in the distributions payable of \$380,899 (30 June 2005: \$602,772).

6. Related Party Transactions

The Health Insurance Commission has been functioning as the administrator of the Fund. The Fund is housed in the Health Insurance Commission's office located in Anderson Square, George Town, Grand Cayman and utilises staff, furniture, fittings and other facilities at no charge.

The Fund transfers the contributions collected from the approved health insurance providers to the Ministry of Health and Human Services as described in note 5.