

Financial Statements of

**Segregated Insurance Fund
of the Cayman Islands**

For the year ended 30 June 2011

SEGREGATED INSURANCE FUND OF THE CAYMAN ISLANDS
Financial Statements for the Year Ended 30 June 2011

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Segregated Insurance Fund of the Cayman Islands

Statement of Responsibility 30 June 2011

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

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

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.

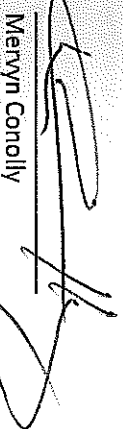
As Superintendent of Health Insurance and Financial Accountant we are responsible for the preparation of the Segregated Insurance Fund financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Segregated Insurance Fund for the financial year ended 30 June 2011.


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 year ended 30 June 2011;
- (b) fairly reflect the financial position at 30 June 2011 and performance for the year ended 30 June 2011;
- (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. Where guidance is not available, the financial statements comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.


Mervyn Conolly
Superintendent of Health Insurance
Health Insurance Commission

Date: 31 Oct. 2011


Milissa Webb
Financial Accountant
Health Insurance Commission

Date: 31 Oct. 2011



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AUDITOR GENERAL'S REPORT

To the Board of the Health Insurance Commission 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 statement of financial position as at 30 June 2011 and the related statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 10 to 12 in accordance with the provisions of Section 12 of the *Health Insurance Commission Law, 2003* and Section 60 of the *Public Management and Finance Law (2010 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I 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 I 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 at 30 June 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

A S S

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

31 October 2011
Cayman Islands

Segregated Insurance Fund of the Cayman Islands

Statement of Financial Position

As at 30 June 2011

(in Cayman Islands Dollars)

	Notes	2011	2010
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ASSETS

Current Assets

Contributions receivable	3	<u>194,035</u>	<u>149,230</u>
Total current assets		<u>194,035</u>	<u>149,230</u>

Total assets		<u>194,035</u>	<u>149,230</u>
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LIABILITIES

Current Liabilities

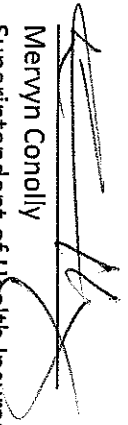
Payable to the Ministry of Health, Environment Youth, Sports & Culture (the "Ministry")	2b	182,360	136,025
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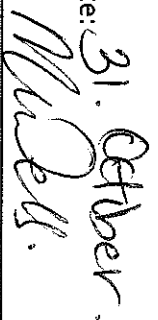
Accrued Liabilities		11,675	13,205
Total current liabilities		<u>194,035</u>	<u>149,230</u>

Total liabilities		<u>194,035</u>	<u>149,230</u>
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NET ASSETS		<u>\$-</u>	<u>\$-</u>
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Signed on behalf of the Fund


 Mervyn Conolly
 Superintendent of Health Insurance
 Health Insurance Commission


 Milissa Webb
 Financial Accountant
 Health Insurance Commission

Date: 31. October. 2011

Segregated Insurance Fund of the Cayman Islands

Statement of Financial Performance For the Year Ended 30 June 2011 (in Cayman Islands Dollars)

	Notes	2011	2010
Revenue			
Contributions from approved providers	2c, 4	<u>2,327,667</u>	<u>2,422,785</u>
Total revenue		<u>2,327,667</u>	<u>2,422,785</u>
Expenses			
Audit fees		<u>9,000</u>	<u>9,000</u>
Total expenses		<u>9,000</u>	<u>9,000</u>
Surplus for the year		<u>2,318,667</u>	<u>2,413,785</u>

Segregated Insurance Fund of the Cayman Islands

**Statement of changes in Net Assets
For the Year Ended 30 June 2011
(in Cayman Islands Dollars)**

	Notes	2011	2010
Opening balance, Net Assets		\$-	\$-
Net Surplus		2,318,667	2,413,785
Capital withdrawal by Ministry	2b	<u>(2,318,667)</u>	<u>(2,413,785)</u>
Closing balance, Net Assets		<u>\$-</u>	<u>\$-</u>

Segregated Insurance Fund of the Cayman Islands

Statement of Cash Flows

For the Year Ended 30 June 2011

(in Cayman Islands Dollars)

	<u>2010</u>	<u>2011</u>
Cash flows from operating activities		
Surplus for the year	\$2,318,667	\$2,413,785
Changes in non-cash working Capital		
(Increase)/decrease in contributions receivable	(44,805)	62,235
Decrease current liabilities	<u>(1,530)</u>	<u>0</u>
Net change in non-cash working capital	<u>(46,335)</u>	<u>62,235</u>
Net Cash from operating activities	<u>2,272,332</u>	<u>2,476,020</u>
Cash flows from financing activities:		
Capital withdrawal by Ministry	2b <u>(2,272,332)</u>	<u>(2,476,020)</u>
Net Cash (used in) financing activities:	<u>(2,272,332)</u>	<u>(2,476,020)</u>
Net cash change during the year	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	<u>\$ 0</u>	<u>\$ 0</u>

Segregated Insurance Fund of the Cayman Islands

Notes to the Financial Statements For the Year Ended 30 June 2011

1. Establishment and principal activity

The Segregated Insurance Fund of the Cayman Islands (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 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 (2005 Revision) and under their legislation, the Fund is required to remit all funds collected to the Cayman Islands Government through the Ministry responsible for health.

The Health Insurance Commission, which manages the Fund, is located on the 2nd Floor 33 Hirst Road, *Countryside Shopping Village, Bodden Town, Grand Cayman*.

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.

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.

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 Year Ended 30 June 2011

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 30 June 2011, there was no provision (2010: \$0) for impairment of contributions receivable. Net contributions receivable at 30 June 2011 was valued at \$194,035 (2010: \$149,230).

4. Contributions from approved health insurance providers

Under each standard health insurance contract, an approved health insurance provider collects contributions from individual policy holders with no dependants at a rate of \$5 per month and from policy holders with dependants at a rate of \$10 per month and are due 21 days after month end, for the previous month. The payments are set out in the *Health Insurance Regulations (2005 Revision)*, *Regulation 5.1 a&b*.

5. Related party transactions

The Health Insurance Commission (HIC) is an oversight body given the authority under the *Health Insurance Commission Law, 2003* 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 an advising the Minister generally on any matter 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 Year Ended 30 June 2011

Related party transactions (cont'd)

a) *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. As a private corporation, it 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 year were \$585,245 (2010: \$567,810).