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Financial Statements of

**Segregated Insurance Fund
of the Cayman Islands**

For year ended 30 June 2015

SEGREGATED INSURANCE FUND OF THE CAYMAN ISLANDS
Financial Statements for the Year Ended 30 June 2015

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Segregated Insurance Fund of the Cayman Islands

Statement of Responsibility for the Financial Statements 30 June 2015

These financial statements have been prepared by the Health Insurance Commission in accordance with the provisions of the *Public Management and Finance Law (2013 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 (2013 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 financial year ended 30 June 2015.

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 2015;
- (b) fairly reflect the financial position at 30 June 2015 and performance for the year ended 30 June 2015;
- (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: April 13, 2016


Milissa Webb
Financial Accountant
Health Insurance Commission

Date: April 13, 2016

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 ("The Fund") which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, the statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 6 to 12 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statement

Management is responsible for the preparation and fair representation 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 misstatements, 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 about 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, these financial statements present fairly, in all material respects, the financial position of the Segregated Insurance Fund as at June 30, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Emphasis of Matter

As discussed in Note 5b to the financial statements, in-force provisions of the Health Insurance Regulations require the collection of contributions from all health insurance carriers including the insureds of Cayman Islands National Insurance Company, Ltd ("CINICO"), a related party. The approved ownership agreement of CINICO for the year ended 30 June 2015 excluded such contribution payments to the Segregated Insurance Fund. Therefore, the Segregated Insurance Fund did not enforce collection of contributions on CINICO premiums for the year ended 30 June 2015, specifically the portion pertaining to Civil Servants, Pensioners, Seamen and Veterans.

The Health Insurance Commission intends to legislate the exclusion of the CINICO contributions pertaining to Civil Servants, Pensioners, Seamen and Veterans, through a proposed Health Insurance (Amendment) Bill.

As such, my opinion is not qualified with respect to this matter.

Other Matter

I note that the Segregated Insurance 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 Segregated Insurance Fund as a separate entity does not produce an annual budget statement for which it is held publicly accountable. This is a key requirement of IPSAS 24 for the presentation of budget information in financial statements.

My opinion is not qualified with respect to this matter.



Garnet Harrison, CPA, CA
Acting Auditor General

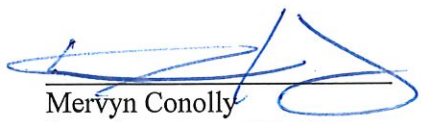
Cayman Islands
13 April 2016

Segregated Insurance Fund of the Cayman Islands

Statement of Financial Position As at 30 June 2015 (in Cayman Islands Dollars)

	Notes	2015	2014
ASSETS			
<u>Current Assets</u>			
Contributions receivable	3	\$ 428,530	\$ 426,660
Total current assets		428,530	426,660
Total assets		428,530	426,660
LIABILITIES			
<u>Current Liabilities</u>			
Payable to Ministry of Home Affairs, Health and Culture (the "Ministry")	2b	419,530	417,660
Accrued liabilities		9,000	9,000
Total current liabilities		428,530	426,660
Total liabilities		428,530	426,660
NET ASSETS		\$ -	\$ -

Signed on behalf of the Fund:


Mervyn Conolly
Superintendent of Health Insurance
Health Insurance Commission

Date: April 13, 2016


Milissa Webb
Financial Accountant
Health Insurance Commission

Date: April 13, 2016

See accompanying notes to the financial statements.

Segregated Insurance Fund of the Cayman Islands

Statement of Financial Performance For the Year Ended 30 June 2015 (in Cayman Islands Dollars)

	Notes	2015	2014
Revenue			
Contributions from approved providers	2c, 4, 7	\$4,256,020	\$5,020,370
Total revenue		<u>4,256,020</u>	<u>5,020,370</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>\$4,247,020</u>	<u>\$5,011,370</u>

~ 353,918.34 per month

See accompanying notes to the financial statements.

Segregated Insurance Fund of the Cayman Islands

Statement of Changes in Net Assets For the Year Ended 30 June 2015 *(in Cayman Islands Dollars)*

	Notes	2015	2014
Opening balance, Net Assets		\$ -	\$ -
Net Surplus		4,247,020	5,011,370
Capital withdrawal by Ministry	2b	<u>(4,247,020)</u>	<u>(5,011,370)</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 Year Ended 30 June 2015 (in Cayman Islands Dollars)

	Notes	<u>2015</u>	<u>2014</u>
Cash flows from operating activities			
Surplus for the year		\$4,247,020	\$5,011,370
Changes in non-cash working capital			
Decrease/(Increase) in contributions receivable		(1,870)	29,845
(Decrease)/Increase in current liabilities		<u>-</u>	<u>(1,380)</u>
Net change in non-cash working capital		<u>(1,870)</u>	<u>28,105</u>
Net Cash from operating activities		<u>4,245,150</u>	<u>5,039,475</u>
Cash flows used in financing activities			
Payments to the Ministry of Home Affairs Health and Culture	2b	<u>(4,245,150)</u>	<u>(5,039,475)</u>
Net Cash used in financing activities		<u>(4,245,150)</u>	<u>(5,039,475)</u>
Net cash change during the year		-	-
Cash and cash equivalents at beginning of year		<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year		<u><u>\$ -</u></u>	<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 Year Ended 30 June 2015

1. Establishment and principal activity

The Segregated Insurance Fund (the Fund) was established under the *Health Insurance Commission Law* (2013). 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 (2013 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 30 June 2015 (2014 – 12).

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

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.

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.

Segregated Insurance Fund of the Cayman Islands

Notes to the Financial Statements For the Year Ended 30 June 2015

2. Significant accounting policies (cont'd)

d) Non-exchange transactions (cont'd)

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 2015, there was no provision (2014: \$0) for impairment of contributions receivable. Net contributions receivable at 30 June 2015 was valued at \$428,530 (2014: \$426,660).

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 (2013 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, 2010* 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.

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 year were \$242,960 (2014: \$1,236,430). Contributions for this period do not include core government plans for Civil Servants, Pensioners, Seamen and Veterans.

Segregated Insurance Fund of the Cayman Islands

Notes to the Financial Statements For the Year Ended 30 June 2015

6. Financial instruments and associated risks

For certain of the Fund's financial instruments, including contributions receivable, 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 year ended 30 June 2015 the government budgeted to collect \$4M in fees for the Segregated Insurance Fund (SIF). As reported in the statement of financial position \$4,256,020 was collected.