Appendix A

# The Government Minute

The Government's Responses to the Reports of the Standing Public Accounts Committee on the Reports of the Auditor General

March 2022

**Table of Contents**

**BACKGROUND**

Section 77(7) of the Legislative Assembly Standing Orders (2006 Revision) states that the Government Minute shall be laid on the Table of the House within three months of laying of the report of the Standing Public Accounts Committee and of the report(s) of the Auditor General to which it relates.

The Government Minute constitutes the Government's response to the Report of the Standing Public Accounts Committee tabled in the Parliament on 06 09 2018 on the following Report prepared by the Auditor General:

1. *SEGREGATED INSURANCE FUND (SIF) 2015/16 ACCOUNTS & CAYMAN ISLANDS MONETARY AUTHORITY'S (CIMA) 2015/16 ACCOUNTS*

***SEGREGATED INSURANCE FUND (SIF) 2015/16 ACCOUNTS & CAYMAN ISLANDS MONETARY AUTHORITY'S (CIMA) 2015/16 ACCOUNTS***

The Public Account Committee ("the Committee") recommended that "Government consider:

1. Allowing the Health Insurance commission to regulate the premiums for all health insurance plans not just the Standard Health Insurance Contract (SHIC) and ensure that they are adequately resourced to carry out these additional duties. This is in the interests of keeping private health premiums as low as possible especially given SHIC only accounts for 20% of health insurance plans.
2. Changing the law to ensure that private sector employers offer post-retirement healthcare benefits to lessen the cost impact on the government finances.
3. Increasing the $10 individual and $20 family fee that this is levied on private health insurance plans to better help fund the costs of indigent health care.
4. Doing whatever is necessary to give CIMA, as property insurance regulator, the ability to influence the property insurance market premium increases in the Cayman Islands."

**PAC Recommendation 1 - Allowing the Health Insurance commission to regulate the premiums for all health insurance plans not just the Standard Health Insurance Contract (SHIC) and ensure that they are adequately resourced to carry out these additional duties. This is in the interests of keeping private health premiums as low as possible especially given SHIC only accounts for 20% of health insurance plans.**

***Latest Government Update (March 2022):***

Ministry of Health & Wellness

The Ministry of Health & Wellness will address this with the Health Insurance Commission within Q2 or 2022.

**PAC Recommendation 2 - Changing the law to ensure that private sector employers offer post-retirement healthcare benefits to lessen the cost impact on the government finances.**

***Latest Government Update (March 2022):***

Ministry of Health & Wellness

The Ministry undertakes to review the provision/access for insurance to persons at retirement age obtaining health insurance coverage during 2022. Any prior available consultants assessments and/or reports will be reviewed for any relevant recommendations. The Ministry of Health & Wellness will address this with the Health Insurance Commission within Q2 of 2022.

**PAC Recommendation 3 - Increasing the $10 individual and $20 family fee that this is levied on private health insurance plans to better help fund the costs of indigent health care.**

***Latest Government Update (March 2022):***

Ministry of Health & Wellness

The Ministry of Health & Wellness will address this with the Health Insurance Commission within Q2 or 2022.

**PAC Recommendation 4 - Doing whatever is necessary to give CIMA, as property insurance regulator, the ability to influence the property insurance market premium increases in the Cayman Islands.**

***Latest Government Update (March 2022):***

Ministry of Financial Services & Commerce

Currently, CIMA does not have statutory power to regulate property premium rates in the Cayman Islands, but in performing its regulatory functions, is expected to use its best endeavours to promote and enhance market confidence and consumer protection. Some of the steps CIMA has taken to achieve this includes:

- Put in place a Rule on Market Conduct – Insurers, Agents and Brokers, in line with the international standards, focusing on fair treatment of customers, obligations for information provision by insurance companies and intermediaries to their insurance consumers, mandatory disclosure requirements around the compensation structure and remuneration arrangements between intermediaries and insurers etc.
- Mandatory annual and quarterly reporting requirements to ensure insurance companies remain financially stable as a stable business environment is important for the insurance sector and consumer confidence.
- Offsite and onsite inspections to audit insurance companies and intermediaries' conduct and treatment of customers.
- Prompt investigation of customer complaints against insurance companies and intermediaries.
- Trying to balance the need for consumers to receive an appropriate level of protection and the benefits of competition by not imposing unreasonable barriers to entry for new insurance and intermediary businesses.

The Cayman Islands has one of the highest insurance densities and penetration ratios in the world, with over 20 active insurers offering various property, motor, health, life, annuity, products to residents and businesses. The Cayman Islands is also unique that it has a small number of insurance risks (example, number of houses/properties) but high in value (sums insured). These factors make it challenging and somewhat imprudent to 'artificially' regulate insurance premium rates, especially property rates. Some of the reasons why premium rate regulation doesn't work in Cayman include:

- Property rates are largely driven by the terms and conditions imposed by much larger regional/global reinsurers. Cayman's property insurance companies have hardly any bargaining power when it comes to premium rates.

- Insurance prices may not yield a reliable signal of insurance coverage and quality as premiums rates differ from property to property. Premium rates depend on the property's risk exposures and safety measures. Any attempt to regulate rates may result in reduction in coverages and quality of service.
- Competitive market forces should work to protect insurance consumers. Forced regulation of premium rates may drive some insurance companies from the Cayman market and reduce competition.

What more CIMA can do to enhance market confidence and consumer protection?

Even though strict premium rate regulation may not work for the benefit of the Islands' insurance consumers, consideration may be given to CIMA attempting to more closely monitor the rates charged by insurance companies.