



The Health Insurance Commission
Annual Report 2023

1st January – 31st December 2023



**HEALTH INSURANCE
COMMISSION**

Health Insurance Commission in Review - Issue No 16

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Message from the Chairman, Health Insurance Commission and the Superintendent of Health Insurance

The delivery of a high-level of quality healthcare services for residents in the Cayman Islands requires all stakeholders in the health practice and health insurance sectors to work together.

In accordance with the functions set out under section 7 of the Health Insurance Commission Act (2016 Revised), it is incumbent on the Health Insurance Commission (HIC), to apply the necessary standards, guidelines, and enforcement activities to ensure that all residents of the Cayman Islands will have access to health insurance products, healthcare services and resolve disputes relating to the provision of health insurance and healthcare services.

We take this opportunity to thank the staff of the Department of Health Regulatory Services (DHRS) and the members of the HIC for their dedication and commitment during the year to carry out the functions.

On behalf of the HIC, we are pleased to present the 1st January – 31st December 2023 Annual Report.

Justin Woods
Chairman
Health Insurance Commission

M. Conolly, MHA
Superintendent of Health Insurance

About Us



ABOUT US

The Department of Health Regulatory Services complies to the mission, vision, and culture statement.



MISSION

Empowering stakeholders by promoting and enforcing the health practice and health insurance legislations in a fair and consistent manner.



VISION

Provide consistent health regulatory leadership through integrated practices and for the delivery of World Class service.



CULTURE

Pursuing excellence by working as a team and supporting each other with respectful communication and trust.

Section 7 of the Health Insurance Commission Act (2016 Revision), outlines the following functions for the Health Insurance Commission:

- (a) to manage the segregated insurance fund established under section 8;*
- (b) to advise the Minister generally on any matter relating to health insurance including advice on the premium rates charged by approved insurers;*
- (c) monitoring the conduct of approved insurers in order to ensure they are conforming with the requirements of the Health Insurance Act (2021 Revision) and Health Insurance Regulations (2017 Revision)*
- (d) to provide such information relating to the exercise of its functions as the Minister may require;*
- (e) to give effect to any directions given by the Minister under section 10; and*
- (f) such other functions as may be prescribed by regulations or any other Act*

Members of the Health Insurance Commission 2023

Ten persons were appointed by the Governor-in-Cabinet to serve as members of the Health Insurance Commission, in accordance with Section 4(3) of the Health Insurance Commission Act (2016 Revision).



Members	Position	Area of Expertise	Expiry Date
<i>Mr. Justin Woods</i>	<i>Chair</i>	<i>Unspecified</i>	<i>30th June 2026</i>
<i>Ms. Darlene Glidden</i>	<i>Deputy Chair</i>	<i>Health Insurance</i>	<i>31st Dec 2025</i>
<i>Ms. Nellie Pouchie</i>	<i>Chief Officer Ministry of Health</i>	<i>Ex-officio</i>	<i>Valid for the duration of appointment</i>
<i>Dr. Nick Gent</i>	<i>Chief Medical Officer</i>	<i>Ex-officio</i>	<i>Valid for the duration of appointment</i>
<i>Mr. Mervyn Conolly</i>	<i>Supt. Of Heath Insurance</i>	<i>Ex-officio</i>	<i>Valid for the duration of appointment</i>
<i>Dr. Tricia Diane Hislop- Chestnut</i>	<i>Member</i>	<i>Health</i>	<i>30th Sep 2027</i>
<i>Ms. Ricarda Harvey</i>	<i>Member</i>	<i>Finance</i>	<i>31st Oct 2026</i>
<i>Mr. Paul Thompson</i>	<i>Member</i>	<i>Regulation of Insurance</i>	<i>31st Oct 2026</i>
<i>Mr. Mark Connolly</i>	<i>Member</i>	<i>Health Insurance</i>	<i>1st March 2026</i>

Board Members Biographies

Justin Woods

Justin Woods joined the Cayman Islands Civil Service in January 1992 with the Environmental Health section. He was transferred to the Office of Telecommunications in 1995. He obtained an Associate of Science in Electronic Engineering Technology degree and Bachelor of Science in Telecommunication Engineering Technology degree from ITT Technical School in Florida.

He resigned from the position of Telecommunications Officer (designate) in 2002 to follow several entrepreneurial endeavors. He was the Managing Director of Civil Works Services Ltd. and Precision Drilling and Blasting Services Ltd.

He is currently the Director and Ex-President of the Cayman Islands Agriculture Society and the member of the International Society of Explosive Engineers. He was also a previous Director of The National Roads Authority and previous member of the Cayman Islands Veterinary Board.

Mervyn Conolly

Mervyn Conolly holds a Bachelor of Science Degree, a Master's Degree in Administration and certificates in Insurance Regulation and Supervision. He is a qualified Health Services Administrator with over 35 years of experience in the health care industry.

Currently, he is the Director of the Department of Health Regulatory Services and Superintendent of Health Insurance. Prior to taking up the position with the Department of Health Regulatory Services and the Health Insurance Commission, he was the Hospital Administrator, Director/CEO of the Cayman Islands Health Services for over 14 years.

Mr. Conolly has served on several government boards and committees including the Health Insurance Advisory Committee, the Health Services Authority Board, the Health Insurance Commission, the Cayman Islands Civil Service Association (CICSA) Management Council and CICSA's Cooperative Credit Union Board.

He is a former member of the Association of Inspectors General and a former member of the American Hospital Association.

Paul Thompson

Paul Thompson has a long and successful career spanning over 20 years in banking, insurance, and mortgage consultation. His career has brought with it several awards, most notably as a member of the Million Dollar Round Table in recognition of his outstanding performance.

Mr. Thompson is dedicated to knowing the needs of his clientele and identifying the right options to meet those needs.

He holds a degree in accounting, which, along with his vast professional experience in the financial services arena provides him with the knowledge base to advise all socio-economic groups in society.

Darlene Glidden

After working in the financial industry (PriceWaterhouse & Co.) as secretary to the Managing Partner/ Office Manager, for seven years, Ms. Glidden moved to the United States in 1978. There she was employed by Cayman Airways (CAL) and the Cayman Islands Department of Tourism (DOT). After a short time in CAL's Reservations Department, she served in the capacity of Administration Manager, N.A. A major responsibility was the administration of health insurance coverage for all North American Overseas Staff of DOT and the entire staff of CAL (including the Cayman-based staff). This included administration of both traditional health insurance coverage and self-funded coverage. When she returned home to Cayman in 1997 she served in this capacity for approximately 15 years.

After returning to the Cayman Islands, right at the time that Health Insurance became mandatory in the Cayman Islands, she was employed by a local broker representing an overseas insurance company, Life of Barbados, until they ceased to operate in the Cayman Islands in 2002. She then joined Cayman General Insurance Company (which later became Sagicor and is presently Cayman First) as Customer Care Manager in the Health department, where she stayed for several years before transitioning to other insurance-related positions.

Ms. Glidden founded the Cayman Islands Association of Health Insurance Providers, (CAHIP) which is now known as the Health Insurance Standing Committee (HISC) of the Cayman Islands Insurance Association. All providers are represented at this Committee, which aims to provide an avenue for health insurers to work closely with Government and the Health Insurance Commission.

Ricarda Harvey

Ms. Ricarda Harvey is a young Caymanian business professional in captive insurance and accounting with over a decade of service to the public service and private sector of the Cayman Islands. She earned a BS in Business Administration with an accounting specialization from Northern Caribbean University in Manchester, Jamaica. Currently, she is studying captive insurance. Her job involves auditing and account management for KPMG and Artex Risk Solutions (Cayman) Limited ("Artex"). Ms. Harvey manages a portfolio of captive insurance clients at Artex, with a concentration on healthcare businesses.

She serves as a client's principal contact, compiles financial statements, attends/leads client board meetings, liaises with other service providers, and ensures regulatory compliance with the Cayman Islands Monetary Authority. She has also worked for the Cayman Islands Government at the Department of Immigration, where she held different roles and worked with senior organizational executives. During her tenure, Ms. Harvey left an unmistakable mark as an industry and community impact.

Ms. Harvey is engaged in several religious and social groups. Over the years, she has served as Drill Instructor and Mentor of the Cayman Islands Pathfinders Club & Master Guide Club, molding both adolescents and adults in character development and led the Cayman Islands to several 1st place triumphs in international venues.

She's also volunteered as a math tutor for the CXC Education Volunteer Program, which helps O-Level students. She's Treasurer of her strata Executive Committee, where she oversees financial performance, budgeting, and long-term financial well-being. Ms. Harvey continues to develop and influence these communities as a performer.

Dr. Diane Hislop-Chestnut

Dr. T. Diane Hislop-Chestnut graduated from the University of St. Andrews (Scotland) with a BSc in Medical Science with Honors in 2000. She then undertook clinical medical studies at the University of Cambridge, graduating in 2003 with the MB BChir qualification.

Dr. Hislop-Chestnut worked in the UK for a year and became fully registered with the General Medical Council in 2004.

In 2005, Dr. Hislop-Chestnut relocated to the United States and completed a residency in internal medicine and a fellowship in endocrinology, diabetes, and metabolism at the Lahey Clinic in Burlington, Massachusetts.

Dr. Hislop-Chestnut returned to Cayman in the summer of 2010. She currently works at Palm Road Medical.

Nellie Pouchie

Nellie Pouchie is the Chief Officer at the Ministry of Health, Environment, Culture & Housing with responsibility for the overall performance and management of the Ministry in achieving the outcomes established by the Cabinet. Prior to this, she was the Chief Financial Officer for the Ministry and has been with the Ministry since 2011.

Prior to joining the Ministry, Ms. Pouchie worked for several years in one of the key pillars of Cayman's economy - financial services. She has worked for some of the world's top firms, servicing high net-worth clients in various areas of financial services, including auditing, banking & trusts, captives, and investment/mutual funds.

She is a University of South Florida Alumni and a Certified Public Accountant. Ms. Pouchie enjoys pursuing challenges and continuing development opportunities in her professional life.

Service to others along with integrity and respect for others are key attributes which Ms. Pouchie embodies. She is married and enjoys spending time with family, travelling, reading and gardening.

Dr. Nick Gent

Dr. Nick Gent is qualified in medicine at Liverpool University, UK, and undertook post-graduate training in public health medicine. He also holds degrees in English law and environmental law.

After pursuing a career in general public health medicine and gaining experience as an executive director in the UK NHS systems, he became a Senior Medical Adviser in the UK government's national health protection services, specializing in high-risk chemical, biological, radiological, and nuclear threats before taking up the post of Chief Medical Officer to the Cayman Islands.

Dr. Gent also has experience working in conflict and post-conflict situations and supporting countries recovering from natural disasters, including tsunamis and hurricanes.

Dr. Gent is a recipient of the UK Faculty of Public Health's Alwyn Smith Prize awarded for outstanding contribution to the health of the public (2015) he was awarded the West Africa medal for his services in Sierra Leone during the 2014-15 Ebola outbreak and is a recipient of the UK Faculty of Public Health's Service Medal (2023).

Mark Connolly

Mark Connolly is the Portfolio Manager – Vice President at Marsh Management Services (Cayman) Ltd's ("Marsh") Retail Broker Services division. He joined the company in October 2021 and provides support to and acts on behalf of the company's Producers and Team Leader. He assists in the company's profitability goals with a focus on business analysis and strategy, product development, business development, program management and operational and systems oversight for both Health & Benefits and Property & Casualty lines of business.

Prior to joining Marsh, Mark was the Operations Manager for International Healthcare Solutions Ltd. – Generali ("IHS") from 2013 – 2021 and was responsible for managing the operations team in executing the day to day operations of the company. His responsibilities included overseeing the administration of health insurance premium billings and collections, sales activity, client service and support, member eligibility and enrollments, first instance underwriting, medical provider relations and support, intake and submission of medical claims for adjudication, plan sponsor retention, claim payment distribution, plan sponsor policy renewals and member education meetings.

Previous to his work at IHS, Mark was an Associate Manager at Julius Baer Bank & Trust Company Limited ("Julius Baer") from 2002 – 2012.

Mark also spent two years prior to joining Julius Baer with Caribbean Home Insurance as an Underwriter – Health Insurance, where he assessed the risk associated with insuring clients/employee groups and liaised with the pricing team to determine appropriate premiums to be charged, coordinated bank deposits and reconciliations and managed premium billing and collection.

Mark earned a Bachelor of Laws degree (LLB) from the University of Liverpool and a Bachelor of Science degree in International Finance from the International College of The Cayman Islands.

Mark is a highly motivated professional with outstanding practical experience in operations management and financial administration.

Mark was a member of the Health Insurance Standing Committee from 2013 – 2021 and served as the Deputy Chairperson in 2018. He was a member of the Cayman Islands Education Council from 2001 – 2008, a Panel Judge at the Cayman Islands Miss Teen Pageant in 2007 and President of the Cayman Islands Student Association from 2004-2006.

2023 External outputs- Health Insurance Commission (HIC)

During 2023 six external outputs were delivered on behalf of the HIC, within budget and within the quality and quantity measures agreed with the Ministry of Health.

- HRB 10: Health Insurance Complaints Resolutions
- HRB 11: Administer the Segregated Insurance Fund and the Number of Insured Persons
- HRB 12: Public Education Campaign – Health Insurance
- HRB 13: - Enforcement of Health Insurance Legislation
- HRB 15: Policy Advice and Reports to the Health Insurance Commission Board and Ministry
- HRB 17: On-site Inspections

2023 Activity Report

The Activity Report includes information on the number of Complaints, High Risk Applicants, Policy Terminations, Individual Reports, and Inquires received.

<u>Activity Report - 2023</u>	<u>Received</u>	<u>Resolved</u>
Complaints	69	47
High Risk Requests	803	799
High Risk Pregnancies	25	25
W.O.R.C. – Insurance Verification Request	4	2
Individual Report	8	1
Inquiry	85	71
Notification from H.S.A.	31	10
Policy Terminations	3,985	2021
<u>Total</u>	<u>5,010</u>	<u>2,976</u>

Segregated Insurance Fund (SIF)

The HIC assumed the duties of managing the SIF from the Cayman Islands Monetary Authority (CIMA) on 1st January 2006.

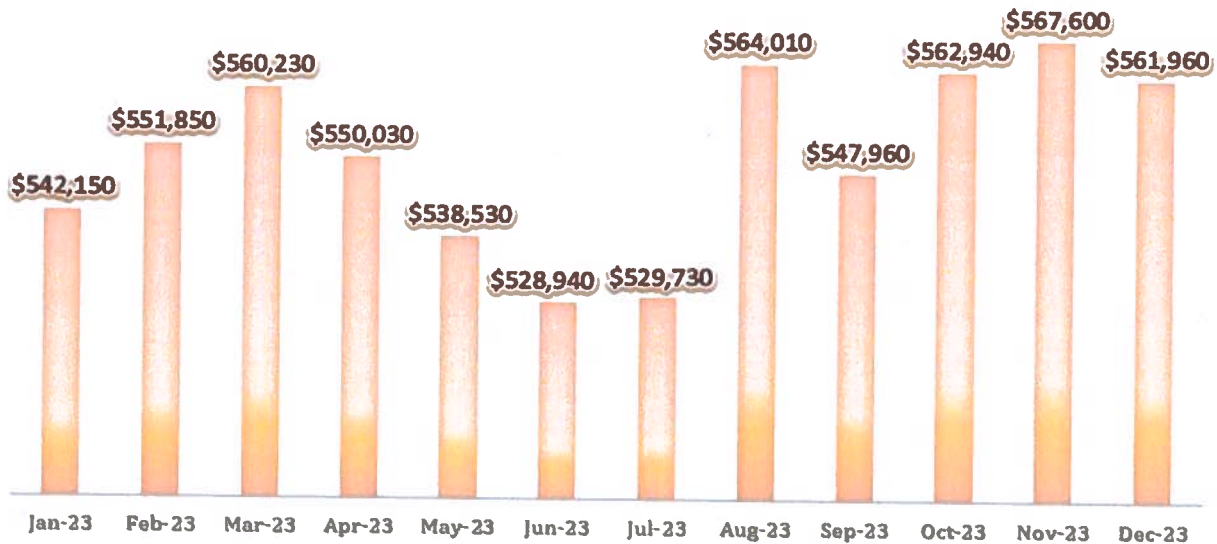
The SIF was established to help defray the costs incurred for providing medical care to medical indigent persons.

In accordance with Regulation 5 of the Health Insurance Regulations (2017 Revision), An approved insurer collects \$10 per month from each premium charged for an individual health insurance policy with no dependents and those with dependents \$20 per month.

For the period 1st January – 31st of December 2023, \$6,605,930 was collected and deposited into the Ministry of Health Executive Revenue Account as per the Public Management and Finance Act (2018 Revision)

The 2023 Financial Statements of the SIF was audited and certified by the Auditor General as per Section 11 2(b) of the Health Insurance Commission Act (2016 Revision) (see attached report)

Contributions collected for the Segregated Insurance Fund – 2023 (By Month)

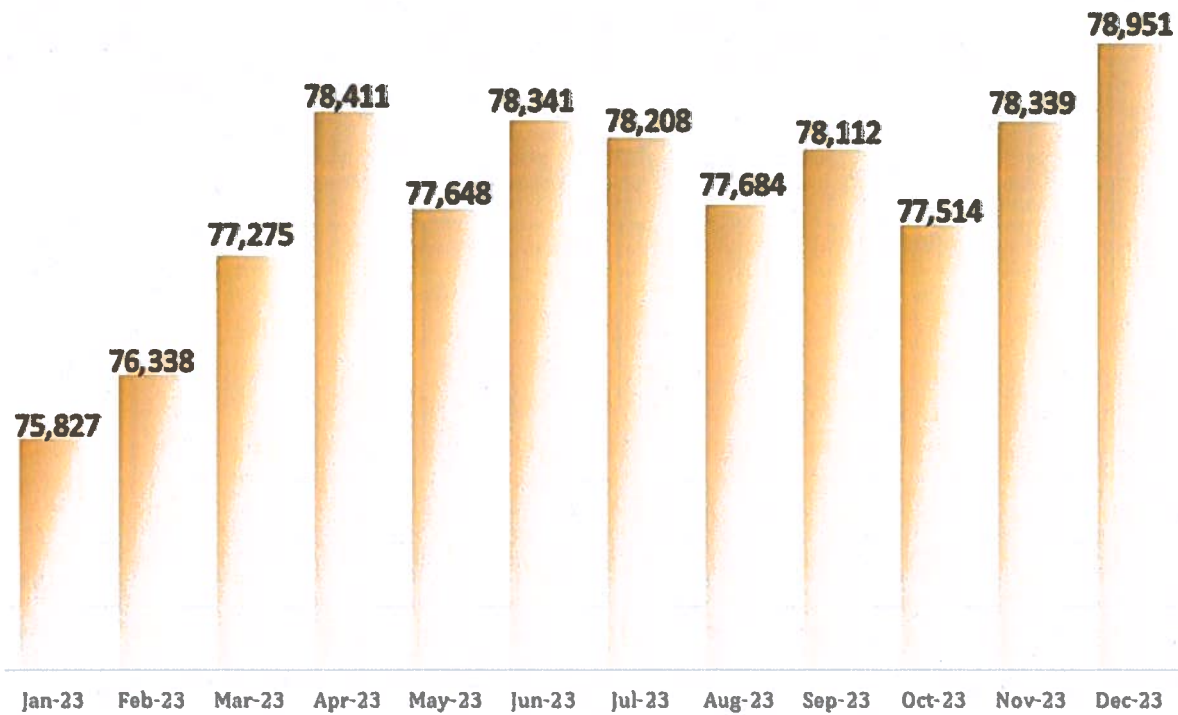


Number of Insured Persons

In accordance with *Section 14 of the Health Insurance Act (2021 Revision)*, the approved insurers provided monthly reports on the number of insured persons.

Based on the information provided by the approved insurers, approximately 78,951 persons were insured in December 2023.

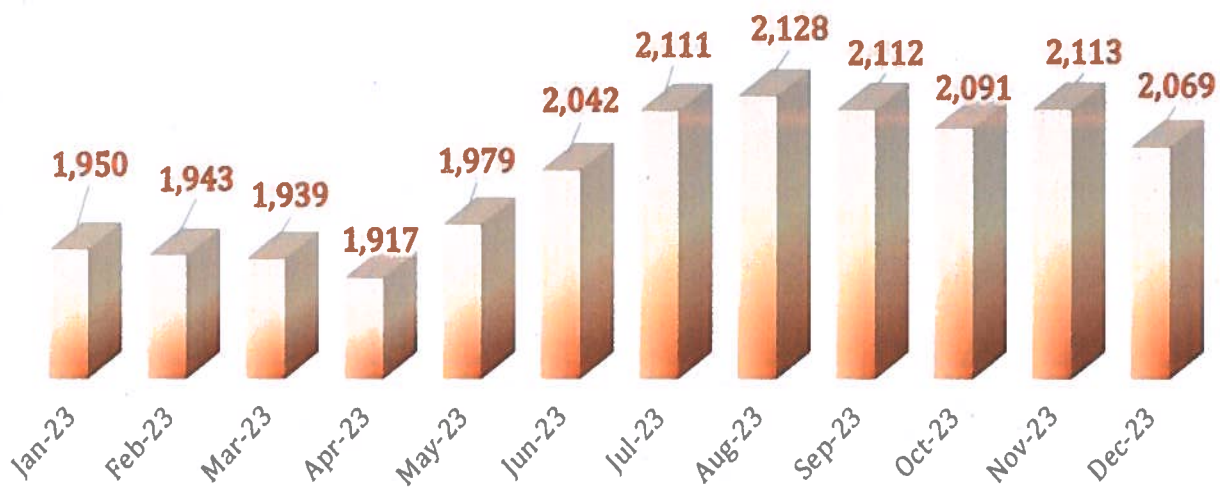
Number of Insured Persons – 2023 (By Month)



Medical Indigent Persons Report

The number of medical indigent persons as at December 2023 (based on the submissions provided by the Department of Children & Family Services) was 2,069, an increase of 110 persons when compared to the number reported for December 2022. These statistics are documented via the National Health Insurance System (NHIS) database which is maintained and monitored by the HIC.

Number of Medical Indigents Persons – 2023 (By Month)



Public Education Campaign

The public education campaign continued mainly with the provision of information on health insurance and the health insurance legislation to numerous employers and employees. In addition, the DHRS Website also provided stakeholders with information, including frequently asked questions (FAQ's) and the information related to the Premium Payment Assistance Program (PPAP).

Enforcement

Further to a review of the health insurance legislation, the Commission placed a hold on Administrative Fines during 2023. As such, The Administrative Fines System (AFS) was not utilized by the Superintendent for any of the offences outlined under Section 24(a) of the Health Insurance Act (2021 Revision).

Approved Insurer Certification

The amendments to the health insurance legislation included a definition of "approved insurer" under section 2 of the Health Insurance Act (2021 Revision) which empowered the HIC to issue a certificate to a health insurance company validating that the insurer had met prescribed conditions.

Accordingly, the insurer would be approved by the HIC to issue a contract of health insurance to provide health insurance cover to a person resident in the Cayman Islands. The certificate is valid for one year but could be revoked at an earlier date if there was a breach of a condition. One such condition is that the holder of the certificate must provide cover to individuals, groups and organizations under the terms and conditions of a contract of health insurance. Where the holder of the certificate fails to comply with a condition of the certificate, section 4B of the Act authorizes the HIC to revoke the certificate or order the holder of the certificate to cease the illegal activity.

By November 2023, all of the seven health insurance companies submitted their completed applications for the renewal of their approved insurer certificates. The applications were duly reviewed to ensure compliance with the established criteria. Conditional letters were issued to four of the seven approved insurers.

Financial Performance Report (FPR) - 2023

Upon the submission of the application for the renewal of the Approved Insurer Certificate, all of the approved insurers are required to submit their audited FPR signed by their auditors for the previous year.

In accordance with Section 14 (1)(c) of the Health Insurance Act (2021 Revision),

Six of the seven Approved Insurers submitted their audited 2023 FPR signed by their auditors. However, one Approved Insurer failed to provide their signed and audited FPR. Accordingly, this Approved Insurer was issued a conditional letter in regards to the renewal of their Approved Insurer Certificate. The Approved Insurer subsequently provided the audited and signed FPR to the Health Insurance Commission.

Financial Performance- Aggregated Health Insurance Industry Figures (1st January -31st December 2023).

Financial Performance Report	Reporting Year KYD
	2023
Underwriting Income	
Gross premium written (+)	399,480,462
Government taxes and duty (-)	(6,483,313)
Movement in unearned premiums (+/-)	(31,631)
Commission received (+)	291,817
Gross reinsurance premiums ceded (-)	(12,979,243)
Movement in deferred reinsurance premiums ceded (+/-)	-
Total underwriting income (+)	380,278,093
Underwriting Expenses	
Movement in case reserves (+/-)	54,008
Movement in claims incurred but not reported (+/-)	(10,520,279)
Losses/claims paid during the year (+)	336,907,409
Reinsurance recoveries (+/-)	(4,752,816)
Policy expenses (-)	12,501,326
Commission expenses (-)	23,425,861
Total underwriting expense (-)	357,615,509
Net underwriting profit/loss	22,662,584
Other Income	
Interest income (+)	1,007,102
Investment income (+)	2,349,940
Other income (+)	2,805,091
Total other income (+)	6,162,133
Other Expenses	
Rent (-)	1,452
Salary and benefits (-)	7,018,121
Third party administrator ("TPA") fees (-)	745,020
Other expenses (-)	3,080,027
Total other expenses (-)	10,844,620
Operating income/expense	(4,682,487)
Net profit/loss	17,980,097

Standard Premium Rate- 2023

The **standard premium rate** which is the approved premium rate for the Standard Health Insurance Contract (SHIC), is monitored and regulated by the HIC.

The below table provides the approved **standard premium rate (in KYD)** for each Approved Insurer during 2023

Approved Insurer	Employee/ Single	Employee + 1 child	Employee + Spouse	Employee + Child(ren)	Family
Aetna	\$153		\$306	\$301	\$459
BAF (Age 18-24)	\$135	\$270	\$270		\$408
BAF (Age 25-34)	\$150	\$300	\$300		\$465
BAF (Age 35-44)	\$155	\$310	\$310		\$480
BAF (Age 45-54)	\$165	\$335	\$335		\$497
BAF (Age 55+)	\$167	\$350	\$350		\$509
Cayman First	\$167	\$301	\$373	\$373	\$509
CINICO Affordable (Age 18-39)	\$124		*	*	*
CINICO Affordable (Age 40-44)	\$138				
CINICO Affordable (Age 18-39)	\$160				
CINICO Affordable (Age 18-39)	\$167				
CINICO Affordable (Age 18-39)	\$167				
Colonial/BRITCAY	\$167		\$373	\$301	\$509
PALIG	\$167		\$334	\$301	\$509
GLOC GLOC dependent child -\$124	\$166		\$312	\$280	\$436 - \$488

Freedom of Information (FOI)

During 2023 the department received one request for the release of information in accordance with the Freedom of Information (FOI) Act (2021 Revision). The request was duly processed and closed.

The status of all requests is updated in the JADE System.

On-site Inspections

In accordance with Section 7 (c) of the Health Insurance Commission Act (2016 Revision) entitled 'Functions of the Commission' the objectives of the site visit are to analyze and review the operations of the organization and to ensure compliance of the Health Insurance Act (2021 Revision) and the Health Insurance Regulations (2017 Revision).

On-site inspections were carried out to the seven approved insurers alongside meetings with person responsible for the operations of the organizations. Questions and walk through demonstrations were conducted regarding the operation of the organization to determine the systems in place, and reports were made by the Health Insurance Inspectors and submitted to the Health Insurance Commission.

Challenges

During 2023, challenges included the following:

- Lack of staffing to effectively meet the demands for investigations and enforcement.
- Difficulties in obtaining the Integrated on-line Service Platform.
- Challenges in obtaining timely support from the Director of Public Prosecutions with the prosecution of cases in the Court.
- Serving of Summons
- Difficulty in obtaining support from government departments and statutory authorities with the "Culture of Compliance" initiative.

Proposed Initiatives For 2024

For the year 2024, the HIC is planning to pursue the following initiatives:

- Standard Health Insurance Fees (SHIF) – Reviewing of the Standard Health Insurance Fees (SHIF) Schedule.
- Amendments to the Health Insurance Legislation –Prepare and submit proposed amendments for the health insurance legislation to the Ministry.
- Public Education Campaign – Implement an updated Public Education Program to include HIC member(s) to appear on talk shows to speak to the role of the Commission and relevant sections of the health insurance legislation.
- Culture of Compliance –Continue to pursue other relevant government entities to work together to ensure compliance and to establish a Register to monitor offences.
- Integrated Online Service Platform Project to provide stakeholders with access to online services.

Audited Financial Statements of

Segregated Insurance Fund

For the year ended 31 December 2023

SEGREGATED INSURANCE FUND
Financial Statements for the Year Ended 31 December 2023

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Segregated Insurance Fund
Statement of Responsibility for the Financial Statements
31 December 2023

These financial statements have been prepared by the Health Insurance Commission in accordance with the provisions of the *Public Management and Finance Act (2020 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 Act (2020 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 31 December 2023.

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 31 December 2023;
- (b) Fairly reflect the financial position as at 31 December 2023 and performance for the year ended 2023;
- (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



Glenville Hodgson
Financial Accountant
Health Insurance Commission

Date: 22 April 2024

Date: 22 April 2024

AUDITOR GENERAL'S REPORT

To the Health Insurance Commission Board

Opinion

I have audited the financial statements of the Segregated Insurance Fund of the Cayman Islands (the "Fund"), which comprise the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year ended 31 December 2023, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 15.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023 and its financial performance and its cash flows for the year ended 31 December 2023 in accordance with International Public Sector Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Act (2020 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.




Sue Winspear, CPFA
Auditor General

22 April 2024
Cayman Islands

Segregated Insurance Fund
Statement of Financial Position
As at 31 December 2023
(in Cayman Islands Dollars)

	Notes	2023	2022
ASSETS			
<u>Current Assets</u>			
Contributions receivable	3	\$ 561,960	\$ 543,830
Total current assets		561,960	543,830
Total assets		561,960	543,830
LIABILITIES			
<u>Current Liabilities</u>			
Payable to Ministry of Health and Wellness (the "Ministry")	2b	553,960	535,830
Accrued liabilities	5c	8,000	8,000
Total current liabilities		561,960	543,830
Total liabilities		561,960	543,830
NET ASSETS		\$ -	\$ -

Signed on behalf of the Fund:



 Mervyn Conolly
 Superintendent of Health Insurance
 Health Insurance Commission

Date: 22 April 2024



 Glenville Hodgson
 Financial Accountant
 Health Insurance Commission

Date: 22 April 2024

The accompanying notes on pages 10 -15 form an integral part of these financial statements.

Segregated Insurance Fund
Statement of Financial Performance
For the Year Ended 31 December 2023
(in Cayman Islands Dollars)

	Notes	<u>2023</u>	<u>2022</u>
Revenue			
Contributions from approved providers	2c, 4, 7	\$6,603,830	\$6,143,636
Total revenue		<u>6,603,830</u>	<u>6,143,636</u>
Expenses			
Audit fees	5c	8,000	8,000
Total expenses		<u>8,000</u>	<u>8,000</u>
Surplus for the year		<u>\$6,595,830</u>	<u>\$6,135,636</u>

The accompanying notes on pages 10 -15 form an integral part of these financial statements

Segregated Insurance Fund
Statement of Changes in Net Assets
For the Year Ended 31 December 2023
(in Cayman Islands Dollars)

	Notes	<u>2023</u>	<u>2022</u>
Opening balance, Net Assets		\$ -	\$ -
Net Surplus		6,595,830	6,135,636
Capital withdrawal by Ministry	2b	<u>(6,595,830)</u>	<u>(6,135,636)</u>
Closing balance, Net Assets		<u>\$ -</u>	<u>\$ -</u>

The accompanying notes on pages 10 -15 form an integral part of these financial statements

Segregated Insurance Fund
Statement of Cash Flows
For the Year Ended 31 December 2023
(in Cayman Islands Dollars)

	Notes	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Surplus for the year		\$6,595,830	\$6,135,636
Changes in non-cash working capital			
(Increase)/Decrease in contributions receivable		18,130	30,050
Increase/(Decrease) in current liabilities		<u>(18,130)</u>	<u>(30,050)</u>
Net change in non-cash working capital		<u>-</u>	<u>-</u>
Net Cash from operating activities		<u>6,595,830</u>	<u>6,135,636</u>
Cash flows used in financing activities			
Payments to the Ministry of Health and Wellness	2b	<u>(6,595,830)</u>	<u>(6,135,636)</u>
Net Cash used in financing activities		<u>(6,595,830)</u>	<u>(6,135,636)</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>

The accompanying notes on pages 10 -15 form an integral part of these financial statements

Segregated Insurance Fund
Notes to the Financial Statements
For the Year Ended 31 December 2023

1. Establishment and principal activity

The Segregated Insurance Fund (the Fund) was established under the *Health Insurance Commission Act* (2016). 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 (2017 Revision)* and under their legislation, the Fund is required to remit all funds collected to the Ministry of Health and Wellness (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 17 employees as at 31 December 2023 (2022 – 18).

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.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2023 and not yet early adopted.

Certain new accounting standards have been published that are not mandatory for the 31 December 2023 reporting period and have not been early adopted by the Fund. The Fund's assessment of the impact of these new standards is set out below:

IPSAS 43, Leases was issued in January 2022 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. Inter alia, IPSAS 43 requires lessees to measure and account for the right-of-use asset and the lease liability; exemptions apply to short-term leases that will continue to be accounted for in the same manner that operating leases are accounted for under IPSAS 13.

IPSAS 44, Non-current Assets Held for Sale and Discontinued Operations was issued in May 2022 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 44 provides guidance on how to account for non-current assets when they are made available for sale on commercial terms; no such guidance existed prior to IPSAS 44.

IPSAS 45, Property, Plant, and Equipment was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 45 prescribes the accounting treatment for property, plant and equipment except when another IPSAS requires or permits a different accounting treatment. It will replace IPSAS 17.

Segregated Insurance Fund
Notes to the Financial Statements
For the Year Ended 31 December 2023

2. Significant accounting policies (cont'd)

a) Basis of accounting for financial statements preparation (cont'd)

IPSAS 46, Measurement was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 46 defines measurement bases that assist in reflecting fairly the cost of services, operational capacity and financial capacity of assets and liabilities.

IPSAS 47, Revenue was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2026. IPSAS 47 is a single source for revenue accounting in the public sector.

IPSAS 48, Transfer Expenses was issued in May 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2026. IPSAS 48 establishes principles that a transfer provider (an entity that provides a good, service or other asset to another entity without directly receiving any good, service or other asset in return) shall apply to report information about transfer expense transactions in its financial statements.

IPSAS 49, Retirement Benefit Plans was issued in November 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2026. IPSAS 49 prescribes the accounting and reporting requirements for public sector retirement benefit plans.

It is not anticipated that IPSAS 43, 44, 45, 46 and 48 will have an impact on the Fund's financial statements; the impact of IPSAS 47 will be assessed more fully closer to the effective date of adoption. IPSAS 49 is not applicable to the Fund.

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.

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.

Segregated Insurance Fund
Notes to the Financial Statements
For the Year Ended 31 December 2023

2. Significant accounting policies (cont'd)

e) Adoption of IPSAS 41 Financial Instruments

The Fund has adopted IPSAS 41: Financial Instruments as of the transition date of 1 January 2023, replacing IPSAS 29: Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions in IPSAS 41, comparative information for the 31 December 2022 period has not been restated.

The accounting policies for the year ended 31 December 2023 have been updated to comply with IPSAS 41. The main changes to the Fund's accounting policies are:

- Trade and other receivables - This policy has been updated to reflect that the impairment of receivables is now determined by applying an expected credit loss model.
- Financial instruments and risk management - The policy has been updated to reflect:
 - the new measurement classification categories; and
 - a new impairment model for financial assets based on expected credit losses, which is forward-looking and may result in earlier recognition of impairment losses.

IPSAS 41 also significantly amended the disclosures of financial instruments of IPSAS 30. This has resulted in new or amended disclosures, mostly in relation to the financial instrument categories and to credit risk.

No material changes in recognition or measurement were required upon adopting IPSAS 41 for the entity.

3. Contributions receivable

Contributions receivable are recognized at fair value less a provision for expected credit losses. Contributions receivable comprise of balances due from approved health insurance providers. The simplified approach to providing for expected credit losses as prescribed by IPSAS 41 is applied to contributions receivable. The simplified approach involves making a provision at an amount equal to lifetime expected credit losses.

The expected credit loss rates are based on the Fund's historical credit loss experience. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Fund's customers. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant. The Fund performed an individual/specific ECL assessment on any related party debtors with qualitative or quantitative factors indicating doubts around collectability. Given the low risk of default on the remaining contributions receivable held by the Fund, the impact of the expected credit losses on these have been estimated to be negligible. The Fund believes that the amounts outstanding on related party receivables are recoverable.

As at 31 December 2023, there was no provision (2022: \$0) for expected credit losses on contributions receivable. Net contributions receivable at 31 December 2023 was valued at \$561,960 (2022: \$543,830).

Segregated Insurance Fund
Notes to the Financial Statements
For the Year Ended 31 December 2023

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 (2017 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 Act, 2016 Revision* 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 Act 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 \$255,860 (2022: \$250,510) per Section 26 of the Health Insurance Act (2021 Revision) relating to the premiums charged by Cayman Islands National Insurance Company during the operative period (period commencing on 1 July 2014).

c) Services Provided by Government Entities

The Fund obtained services from other Government entities of the Cayman Islands Government, during the year in the amount of \$8,000 (2022: \$8,000). The liability relating to these services at year end was \$8,000 (2022: \$8,000).

6. Financial instruments and associated risks

Financial assets and financial liabilities are recognised in the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial assets and liabilities are initially measured at fair value. On initial recognition, transaction costs directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate.

Segregated Insurance Fund
Notes to the Financial Statements
For the Year Ended 31 December 2023

6. Financial instruments and associated risks (cont'd)

Subsequent measurement and classification

IPSAS 41 requires financial assets to be subsequently measured at fair value through surplus or deficit (FVTSD), amortised cost, or fair value through other comprehensive revenue and expense (FVTOCRE). Additionally, IPSAS 41 requires financial liabilities to be measured at either amortised cost or FVTSD.

This classification is based on the business model for managing financial instruments, and whether the payments are for solely payments of principal or interest on the principal amount outstanding. The Fund assessed the business model for holding financial assets at the date of initial application. It determined that all of these are held to collect contractual cash flows that are solely payments of principal and interest. Therefore, financial assets are subsequently measured at amortised cost. Financial liabilities are subsequently measured at amortised cost.

Contributions receivable, payable to the Ministry and accrued liabilities are recorded at amortized cost using the effective interest method less any impairment.

Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

Financial instrument risks

The Fund is a party to financial instrument arrangements as part of its everyday operations. These financial instruments include contributions receivable, payable to the Ministry and accrued liabilities. The Fund seeks to minimise exposure from financial instruments and does not enter into speculative financial instrument transactions.

a. Credit risk

Credit risk is the risk that the counter party to a transaction with the Fund will fail to discharge its obligations, causing the Fund to incur a financial loss. In the normal course of business, the Fund is exposed to credit risk from contributions receivable. The maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Contributions receivable are due 21 days after the month to which they relate.

b. Liquidity risk

Management has evaluated the liquidity risk and determined that it is negligible.

Segregated Insurance Fund
Notes to the Financial Statements
For the Year Ended 31 December 2023

7. Budgetary information

The Segregated Insurance Fund is not government appropriated as the contributions are received from third parties (approved insurance providers) in accordance with the *Health Insurance Regulations (2017 Revision)* and as such would not be included in the Governments budget documents. Entities which report under IPSAS and do not have a budget that is publicly available are not required to disclose a comparison of budget versus actual amounts. Accordingly, no budgetary information is included in these financial statements. As reported in the statement of financial performance \$6,603,830 (2022: \$ 6,143,636) was contributed by the approved providers.