

ANNUAL REPORT 2021



CAYMAN ISLANDS
CINICO
NATIONAL INSURANCE COMPANY

**OPENING DOORS
TO WELLNESS FOR
OUR MEMBERS**



**FISCAL YEAR ENDED
31 DECEMBER 2021**

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CAYMAN CENTER

 **CINICO**

 NO CASH

 **CINICO**
WIFI & PHONE

 **CINICO**

 **CINICO**



Message from the Honourable Deputy Premier And Minister for Finance and Economic Development



I am pleased to present the Annual Report for the Cayman Islands National Insurance Company (“CINICO”) for the financial year ended 31 December 2021.

While continuing to manoeuvre the challenges posed by the pandemic, during the 2021 fiscal year CINICO continued to strengthen its corporate governance structure and internal control environment in order to address a number of regulatory and statutory deficiencies identified by the Cayman Islands Monetary Authority.

Significant progress was made with the establishment and update of a number of policies and procedures including the Internal Audit Charter, the Records Management and Retention Policy, the Risk Management Framework, the Corporate Governance Operational Policy and Procedures Manual, and the CINICO Employee Handbook.

As at 31 December 2021, CINICO earned \$113 million in Total Income, which was 5% better than budget primarily due to an overall higher than budgeted membership. At the end of 2021, CINICO’s membership totaled 16,854 compared to 16,070 at the end of 2020.

With Expenses totaling \$111.5 million, CINICO achieved a Net Profit of \$1.4 million for the 2021 financial year. On a line of business basis, the Civil Servants, SAGCs and Civil Servant Pensioners business segments earned surpluses, with the Seafarers & Veterans and Standard Health Insurance Plan reporting losses of \$0.3 million and \$2.1 million, respectively.

In keeping with the PACT Government’s promise to invest in our people and their wellbeing, over the upcoming year, the Government intends to commence with a number of plans for CINICO that include the expansion of health insurance products and the development of property and casualty insurance products.

It is the aim of the PACT Government to ensure that Civil Servants, retirees and all residents of our Islands have affordable insurance that will assist with the reduction of the cost of living.

This Annual Report provides a wealth of information on CINICO’s performance and achievements during the 2021 financial year.

I offer my sincere thanks and commendations to the Board, management and staff of CINICO for their continued leadership, dedication and hard work during the past year, especially through the challenges of the pandemic.

Honourable Chris Saunders, MP
*Deputy Premier and Minister for Finance and Economic
Development*
April 30, 2022

Foreword by the Acting Board Chairperson

I am pleased to present this annual report
for the fiscal year period ended
December 31, 2021.

On the back of the challenging year that was 2020, the beginning of 2021 was filled with uncertainty. The financial impact of the pandemic in 2020 was the opposite of what we feared it might be, as we actually recorded a strong profit for the year as a result of reduced claims during the lockdown period. As 2021 started, we noted a sharp increase in claims costs, and at one point were projecting a loss of over \$3 million for the year. We are pleased to note that as the year progressed, things settled significantly, and we earned a surplus of \$1.4 million.

Towards the end of the year, as community spread of COVID-19 escalated at an alarming rate, we reverted to largely working from home, in the interest of the wellbeing of our staff and members. At the time of writing, we continue to operate in this mode.

2021 was also a year in which we expanded our service capabilities by opening a branch office at the Country Corner plaza in Savannah, to facilitate accessibility to our members in the Savannah area and further east. This was well received by our members.

At the beginning of the year, our Chairman departed to assume Chairmanship of another Board and I have had the pleasure of acting as Chairman since then. I wish to commend our Management and staff for their efforts in this challenging period, and to thank my colleagues on the Board of Directors for their support and contributions to the oversight of CINICO's operations.



Roger A. Corbin

*Acting Chairperson of the Board of Directors
Cayman Islands National Insurance Company
April 30, 2022*

Message from Chief Executive Officer



I am pleased to present this annual report for the fiscal year period ended December 31, 2021.

Following on the heels of 2020, we were not sure what to expect. Our budget for 2021 was prepared some 2 years in advance as a part of a 2-year budget cycle. This of course, was before the world was turned upside down by the COVID-19 pandemic. The net result of the pandemic was that like almost every other business in the world, expectations for 2020 and 2021 were abandoned in the face of the uncertainty of the ongoing pandemic.

2020 yielded an unexpectedly good result, as we recorded a surplus of over \$10 Million. This was driven by a significant reduction in non-essential hospital visits in the period from late March until July, when things started to return to normal. The last few months of 2020 was characterized by a spike in claim activity, which had its genesis in the release of suppressed demand during the lockdown period. This spike in claims carried forward into the first quarter (Q1) of 2021 and the year was thus shrouded in uncertainty.

Upon reviewing our results at the end of Q1, it was not clear to us whether the spike in claims was the result of continued release of the suppressed demand, or if it was an indication of a general increase in claim activity. As a consequence, in preparing our projections for the purposes of the government's Strategic Policy Statement (SPS), we were not yet able to distinguish between the two, and we projected a loss of some \$3.5 million for 2021, based on the best information available at the time.

As the year progressed, two trends manifested themselves. The first was the reduction of the claim activity in the second

and third quarters, as compared to the first quarter. This was an indication that the increases in Q1 were in fact, largely attributed to the aforementioned release of suppressed demand. The second trend was another increase in claims towards the end of the year, as a direct result of the spike in COVID cases, and even as the previous year's suppressed demand was diminishing, there were indications of an increase in claim activity.

Notwithstanding this spike, recording a net income of \$1.4 million, we still ended the year in a significantly better position than was projected at the time of the submission for the SPS.

Operationally, it was also an eventful year. We were finally able to complete the setting up of our new branch office at Country Corner in Savannah. This is intended to provide greater accessibility to our members to the east of George Town, and has been well received by those who have visited it. We also consolidated our operations at our head office by moving into a larger space upstairs and have some excess capacity available for further expansion.

With the spread of COVID in the community, late in the year we reverted to working from home for non-customer-facing staff and still face disruptions from COVID infections. At any given point over the past few months, an average of between 20% and 25% of our staff have been in quarantine at any one time. Fortunately, in the majority of the cases, the symptoms were mild or non-existent and most were able to work from home in any event.

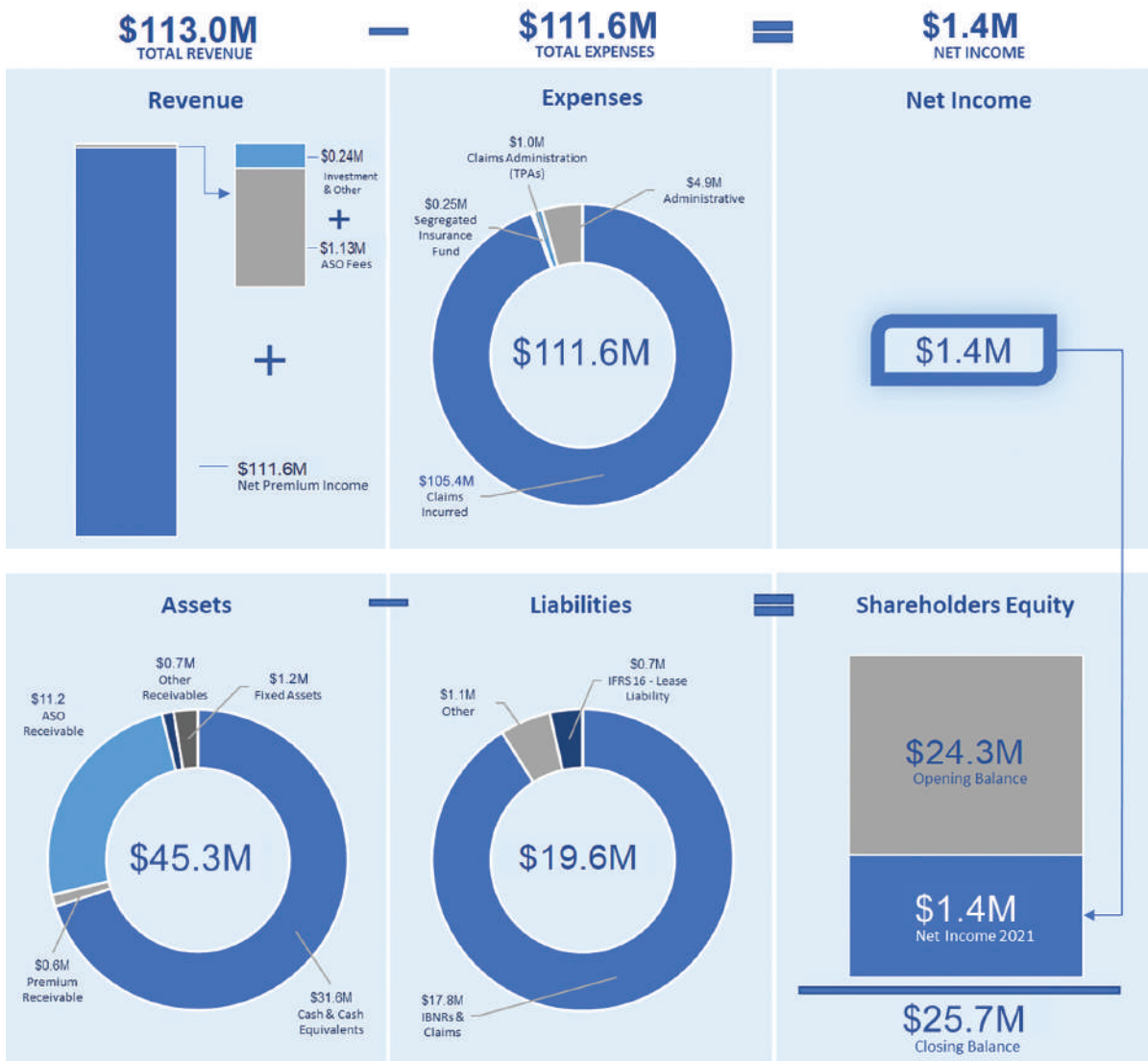
Our Chairman Ms. Patricia Estwick demitted office at the beginning of 2021 to serve in another capacity elsewhere. The Board continued to provide excellent stewardship and guidance under the leadership of Acting Chairman, Mr. Roger Corbin and I would like to express appreciation for their support in challenging times.



Michael Gayle
Chief Executive Officer
April 30, 2022



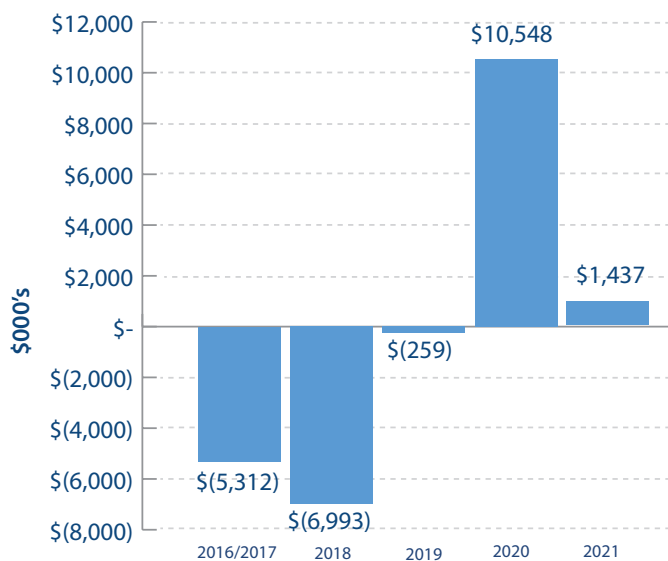
2021 Fiscal Overview



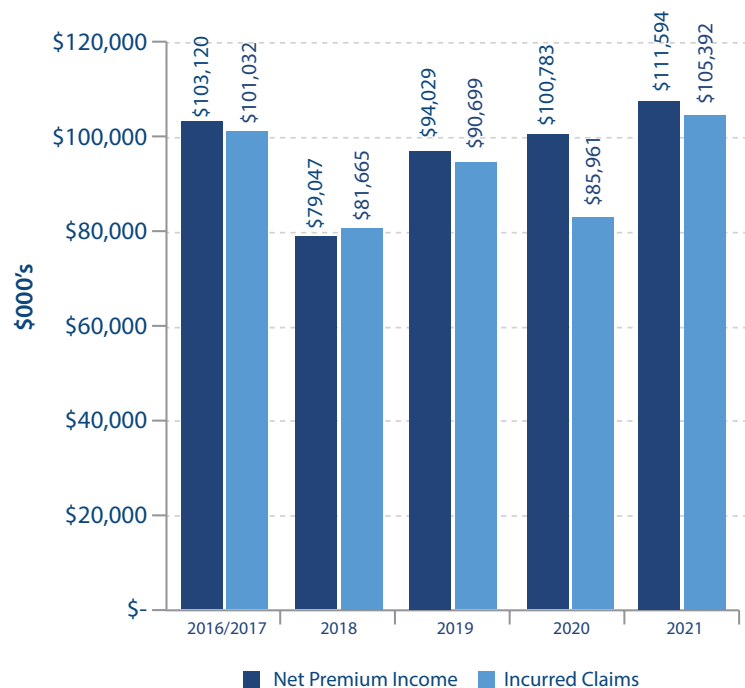
Financial and Operational Highlights

This section of the annual report provides key financial and operational trends for the 2021 fiscal year, and the four previous reporting periods. Due to a change in CIGs financial year-end period previously ending June, altered to December, the 2016/17 is an 18-month reporting period.

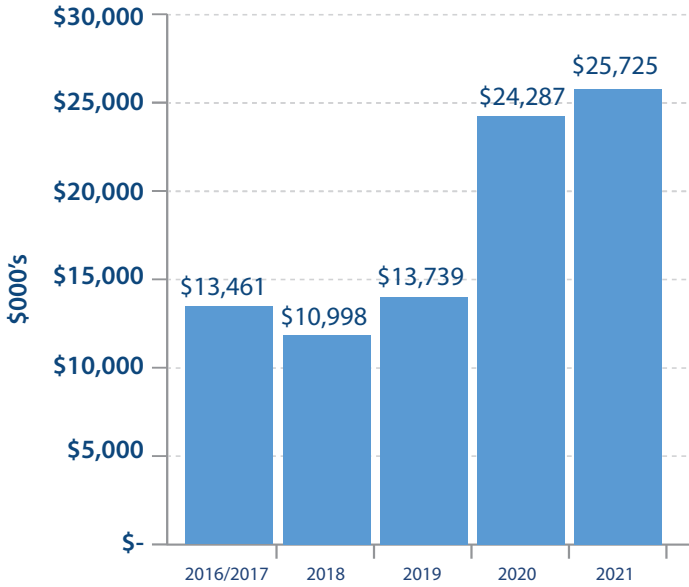
NET INCOME/LOSS



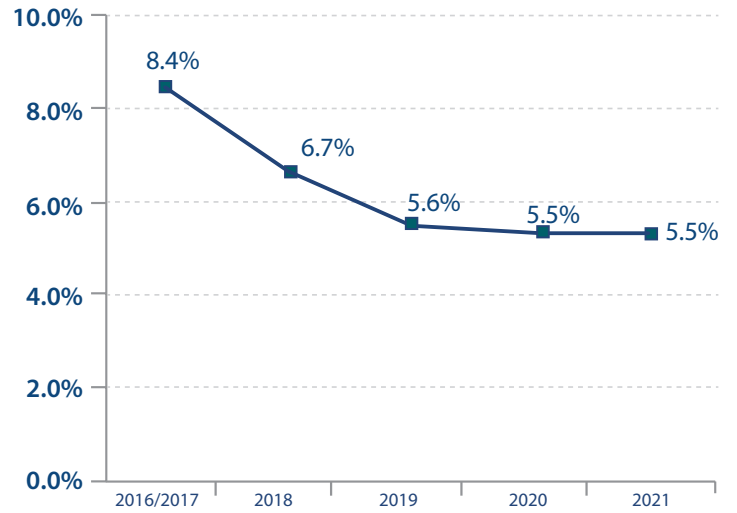
NET PREMIUM INCOME VERSUS CLAIMS INCURRED



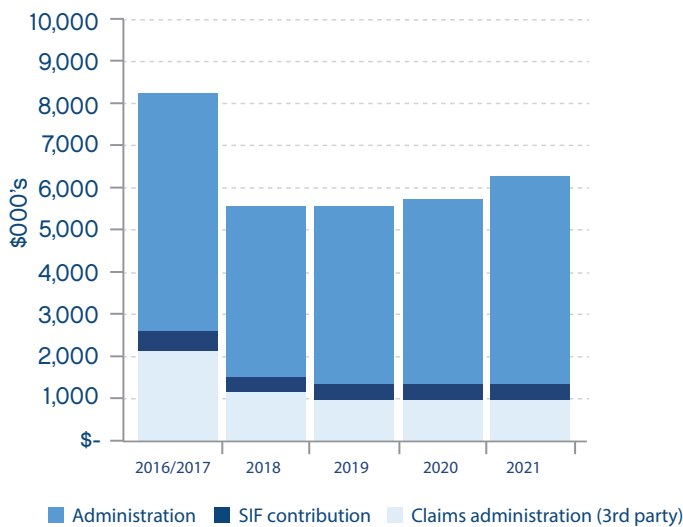
SHAREHOLDER'S EQUITY



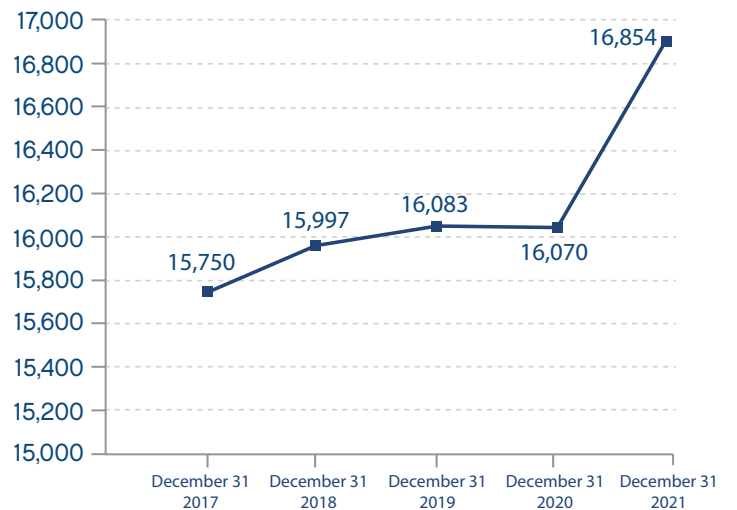
PRODUCTIVITY RATIO (lower the better)



TOTAL EXPENSES



MEMBERSHIP (AVERAGE)





Organizational Overview

CINICO STRUCTURE AND FUNCTIONS

Cayman Islands National Insurance Company (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 (CI).

Incorporated by the Cayman Islands Government (CIG) on December 18, 2003 and granted a Class “A” Insurance License on February 1, 2004, CINICO is a wholly owned subsidiary of the CIG.

CINICO provides the CIG with a governance framework (with its own Board of Directors and committees of the Board), management team, and service providers who are experienced in managing the risks related to health insurance plans. As a separate insurance underwriting business, the Company is regulated by the Cayman Islands Monetary Authority (“CIMA”), the Health Insurance Commission, audited by internal Government auditors, the Office of the Auditor General (OAG) and an external auditor.

As a Class “A” Insurance Company, CINICO is required by CIMA to maintain a minimum capital requirement (“MCR”) and prescribed capital requirement (“PCR”), in accordance with the “The Insurance (Capital and Solvency) Class A Insurers Regulations, 2012.

CINICO’s insurance programme is structured such that the primary network provider is the Cayman Islands Health Services Authority (CIHSA or HSA). For services that cannot be provided by the CIHSA, as determined by CIHSA’s medical practitioner (or dental practitioner), approval for treatment through CINICO’s complimentary network is sought by the attending practitioner. Medical treatment by other local or overseas health providers is approved by the Chief Medical Officer (CMO) and, similarly, dental treatment is approved by the Chief Dental Officer (CDO). CINICO’s complementary network includes other Cayman Islands medical/dental providers, as well as overseas medical providers, which are accessed through CINICO’s overseas care management consultant, who works closely with the overseas coordinator at CIHSA.

The largest area of CINICO programming is health insurance coverage for civil servants and pensioners, and their designated dependents. The CIG is financially responsible for 100% of the associated costs of most services, and funds this coverage through monthly premium payments to CINICO.

Individuals covered by the Indigent Plan (those individuals without health insurance and who suffer catastrophic illness or injury, or whose medical coverage does not adequately cover a catastrophic illness or injury, or individuals who have been deemed financially indigent by the Government and therefore entitled to support) receive similar health benefits to civil servants, and the Ministry of Health (MOH) provides funding for the associated costs.

Seafarers and Veterans, as well as their dependents, receive the same coverage as civil servants, except that they are required to pay 10% of the cost of all overseas medical services.

The Standard Health Insurance Contract (SHIC) is another insurance plan available to all residents of the Cayman Islands. Members on this plan pay for their coverage through monthly premiums, and the coverage is limited to benefits mandated in the Health Insurance Law.

STAKEHOLDERS

Our key stakeholders are diverse and include:

- Cayman Islands Government
- Cayman Islands Seafarers Association (CISA)
- Cayman Islands Health Services Authority (CIHSA)
- Cayman Islands Civil Service Association (CICSA)
- Chief Dental Officer (CDO)
- Chief Medical Officer (CMO)
- Department of Child & Family Services (DCFS)
- Needs Assessment Unit (NAU)
- Health City Cayman Islands (HCCI)
- Ministry of Finance and Economic Development
- Ministry of Health (MOH)
- Office of the Auditor General (OAG)
- Health Insurance Commission (HIC)
- Oliver Wyman (Health Actuarial Practice)
- Portfolio of the Civil Service (PoCS)
- Public Service Pensions Board (PSPB)
- Medical Officer of Health



Governance and Board of Directors

CORPORATE GOVERNANCE

The Cayman Islands Government, as the 100% shareholder, appoints the members of the Board of Directors and its Chairperson. The Board conducts its corporate governance roles and responsibilities in accordance with the Corporate Governance Operational Policy and Procedures Manual, and in conjunction with applicable Cayman Islands Laws. The Board appoints the Chief Executive Officer and Chief Financial Officer as well as the Chairperson and directors of the various sub-committees of the Board in accordance with its corporate governance mandate.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Board of Directors is comprised of individuals appointed by the shareholder, with relevant background and experience, and these appointments are approved by CIMA. The list of the Board of Directors in 2021 is listed below.

Committees of the Board

The Board has four main committees with specific functions delegated to them. These committees are:

- Finance & Audit Committee
- Appeals Committee
- Risk & Compliance Committee
- Human Resources (HR) Committee

The Board establishes sub-committees and delegates specific responsibilities that would otherwise be reserved for the Board. In establishing sub-committees, the Board outlines clear parameters and terms of reference outlining their purpose, composition, accountability, meetings, and responsibilities.

Executive Management:

The Board of Directors delegates the day-to-day management of the Company to its executive management team, led by the Chief Executive Officer, and empowers executive management to perform the functions of their office in a manner that will promote the business affairs of CINICO as well as advance the vision and strategic goals of the Company. The executive management team consists of:

- **Chief Executive Officer**
Michael Gayle
- **Deputy Chief Executive Officer**
Dana Brandon (from August 2021)
- **Chief Financial Officer**
Frank Gallippi
- **Chief Risk & Compliance Officer**
Debra Humphreys
- **General Manager**
Kahlill Strachan (from October 2021)

BOARD OF DIRECTORS - 2021

Name and Committee Roles

Patricia Estwick ^(1,2)

Anne Owens ⁽⁵⁾

Roger Corbin ^(3,7)

Janet Sairsingh

Darlee Ebanks

Dr. George Meggs ⁽⁴⁾

Betty Baraud

Dwight Merren ^(6,8)

- (1) Chairperson (ending February 8, 2021)
- (2) Chairperson of Finance & Audit Committee (ending February 8, 2021)
- (3) Acting Chairperson (from February 2021)
- (4) Chairperson of Appeals Committee
- (5) Chief Officer (or designate) Ministry of Finance and Economic Development
- (6) Chairperson of Risk & Compliance Committee
- (7) Chairperson of HR Committee
- (8) Acting Chairperson of Finance & Audit Committee (from February 2021)

On February 8th, 2021, Ms. Estwick resigned to take up the post of the Chairperson of the CIMA Board. CINICO would like to express sincere thanks and appreciation for her leadership, hard work, commitment, dedication, and invaluable contributions to the Company.



Our Mission, Vision and Values

Our strategic plan contains our Mission Statement and Values Statements. We have also identified our vision for the future.

The CINICO Mission Statement describes the fundamental purpose of our organization and what we provide to our members.

Our Vision Statement expresses what we aspire to accomplish in the medium to long term future.

Finally, our values reflect what is truly important to our Board, our management team and our staff in terms of our attitude, behavior and character, as well as how we would like to be seen by our clients and stakeholders.

OUR MISSION

“To provide affordable solutions for health-related risks through sustainable coverage.”

OUR VISION

“To open doors to wellness for our members through all stages of their lives.”

OUR VALUES

Our core values place the needs of our members first by ensuring that at all times we are:

- **Professional** - We value the contributions of our employees and ensure that they have the tools and knowledge to excel;
- **Accountable** - We take responsibility for our actions and report results in a transparent manner;
- **Compassionate** - We provide comfort and peace of mind in our dealings with others;
- **Collaborative** - We achieve common goals through successful working relationships.

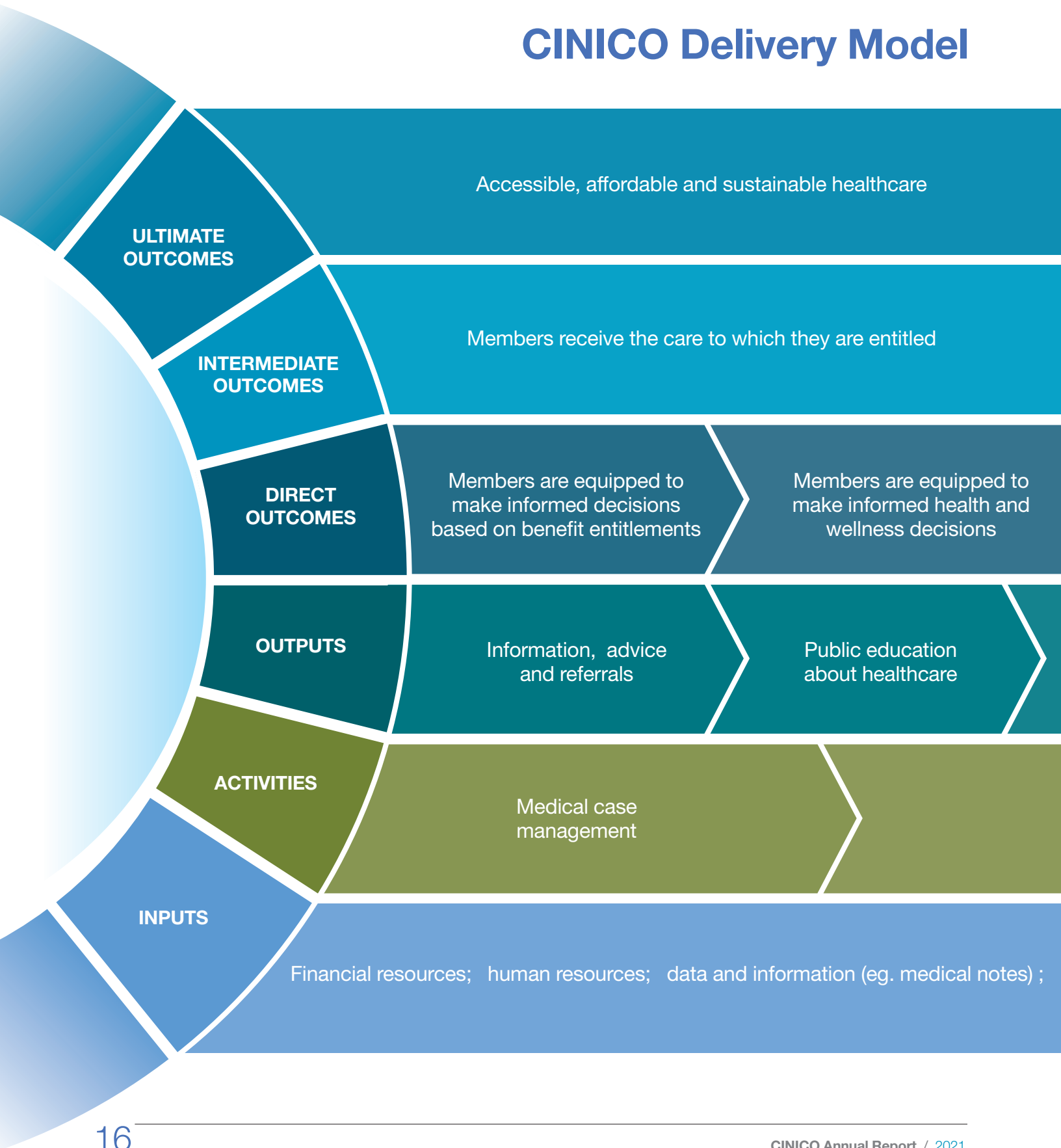
CINICO DELIVERY MODEL

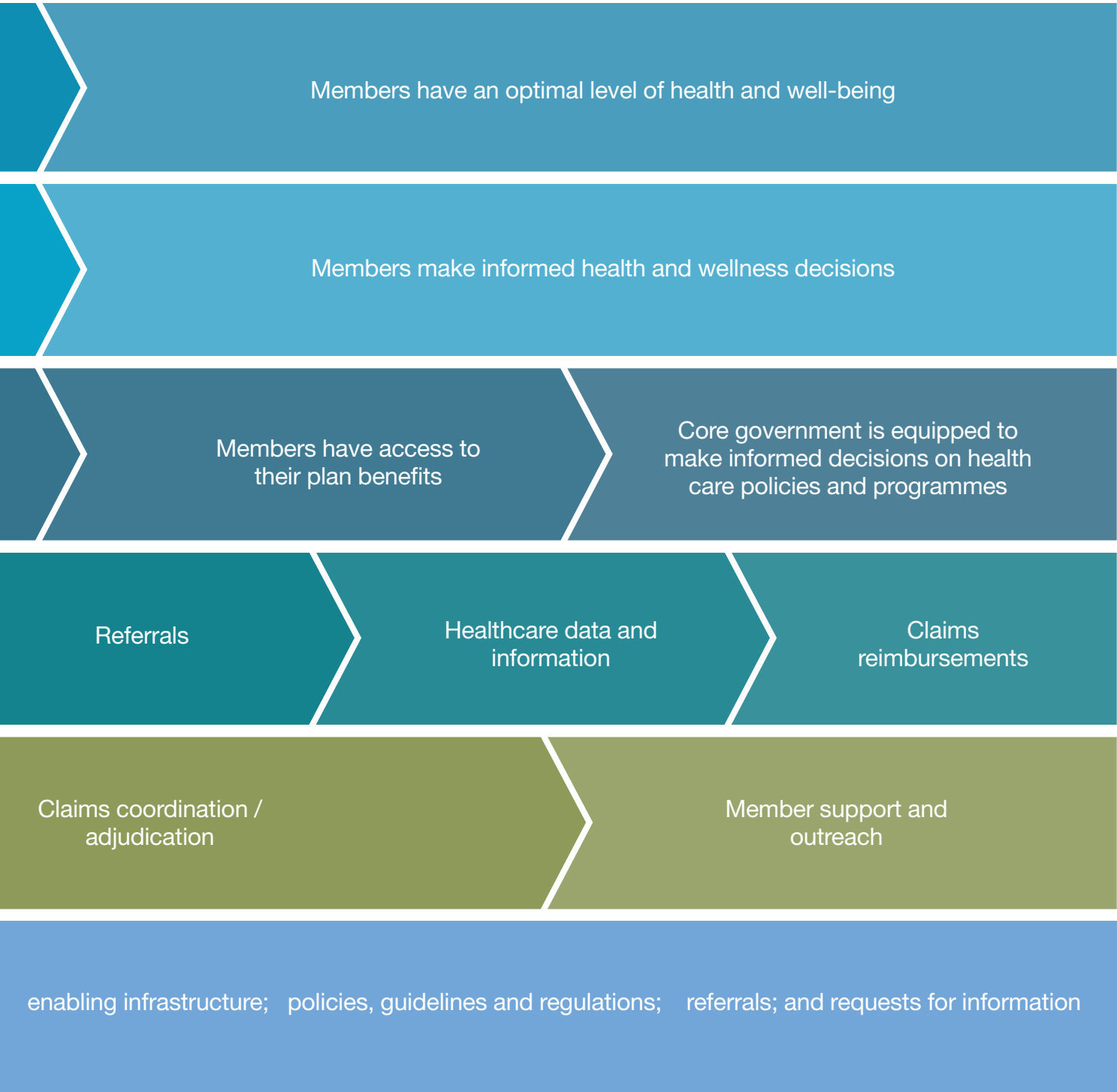
The “delivery model” presented in our strategic plan is comprised of the following elements:

- **Inputs** represent the resources and outputs from other parties that are consumed by our activities;
- **Activities** describe collections of actions and services which we deliver under our mandate;
- **Outputs** are the products generated by our activities;
- **Direct outcomes** are the first level of outcomes or impacts – those over which we have the most direct influence with our outputs;
- **Intermediate outcomes** comprise the second level of outcomes – those over which we have less influence with our outputs and where the influence may be shared with our stakeholders; and
- **Ultimate outcomes** are the highest level outcomes that can be attributed to our outputs and are subject to many influences beyond those of CINICO.



CINICO Delivery Model







Performance Review

DELIVERING ON OUR CORE BUSINESS

This section of the annual report is structured according to the three performance perspectives that reflect how CINICO strives to be seen by its stakeholders and clients.

The three perspectives are: 1) Fiscally responsible, effective and sustainable; 2) Timely, efficient and collaborative; and 3) Representative, capable and competent.

Fiscally responsible, effective and sustainable

CINICO strives to be fiscally responsible, to achieve high level impacts despite resource limitations, and to successfully address challenges to our sustainability.

Financial Performance:

In 2021, CINICO delivered a second-year consecutive net income amounting to \$1.4 million following its record net income of \$10.5 million in the prior year. As reported last year, the 2020 net income was due to a significant reduction in elective procedures during the COVID lockdown. Claims

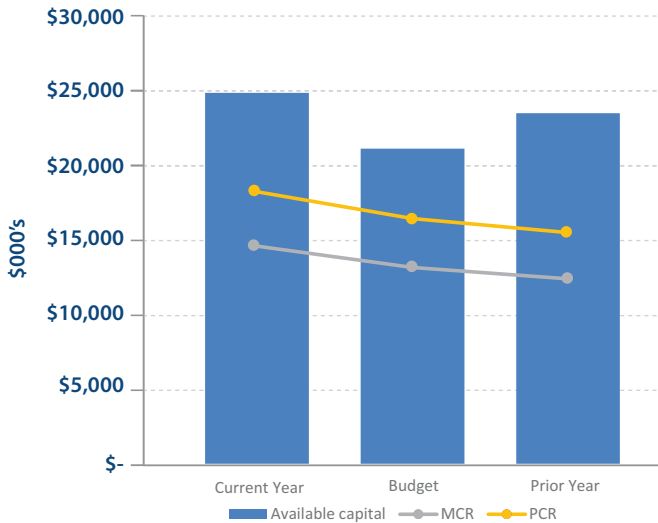
spiked in 2021 following the release of the suppressed medical services demand. Although expenses were slightly above the prior year, they remained below budget (see Financial Performance Section for further details).

Solid Capital Position – CINICO above CIMA Capital Requirements:

As a Class “A” Insurance Company, CINICO is required to maintain capital levels compliant with “The Insurance (Capital and Solvency) Class A Insurers Regulations, 2012”. The regulations set forth a Minimum Capital Requirement (MCR) and Prescribed Capital Requirement (PCR) through formula driven calculations based on assessing risk and asset factors for various balance sheet items and maintaining prescribed margins on policy liabilities and net written premium.

With available capital of \$25 million, CINICO has capital levels at 170% and 136% of the MCR and the PCR, respectively.

MCR/PCR CAPITAL COMPLIANCE



Reinsurance with Highly Rated Reinsurer:

To safeguard its assets and mitigate losses against extraordinary high claims, CINICO maintains reinsurance with Munich Re which has an A.M. Best rating of A+. CINICO is currently re-insured for any excess losses over US\$ 550,000 per individual per year.



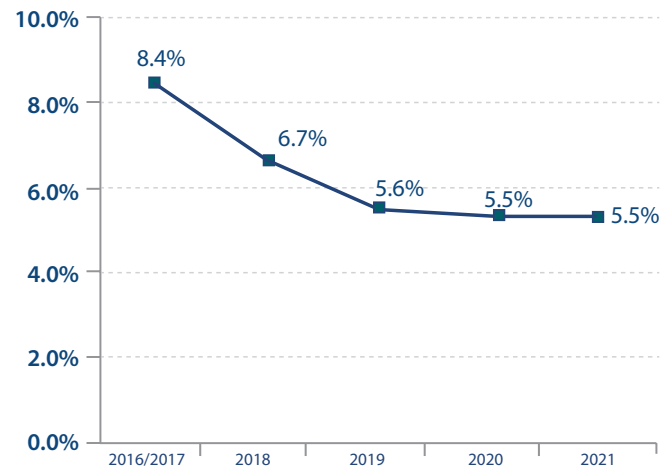
Timely, efficient, and collaborative

CINICO is committed to providing timely service to our members, seeking out avenues to become as efficient as possible in our service delivery, and to do so by working collaboratively with our stakeholders and delivery partners. This section of the annual report highlights our service performance in these areas.

Expenses as a Percentage of Premium (Productivity or Efficiency ratio):

Expenses as a percentage of premium provides an indication of the Company's efficiency – or the number of cents per premium dollar that is expended on overhead and the administration of the insurance policies. Expenses include contribution to segregated fund fees, claims administration expenses (TPA fees) and administration expenses. The graph below displays CINICO's productivity ratio over the last five years. A lower ratio is associated with greater efficiency. The industry average for similarly sized companies in the USA is approximately 15% to 20%. CINICO's productivity ratio is well below the industry average and ranged from 5.5% to 8.4% over the last five years.

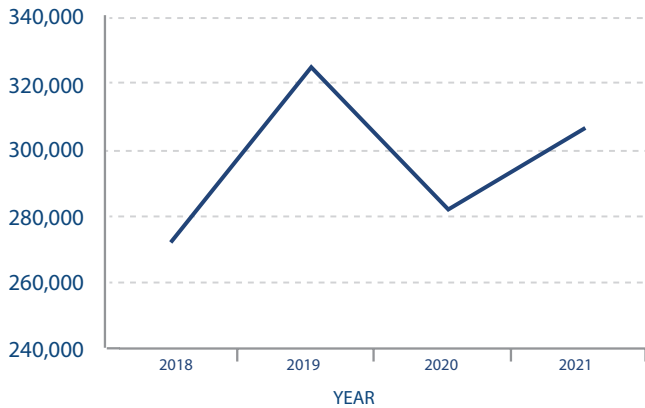
PRODUCTIVITY RATIO



Claim processed and payment turnaround:

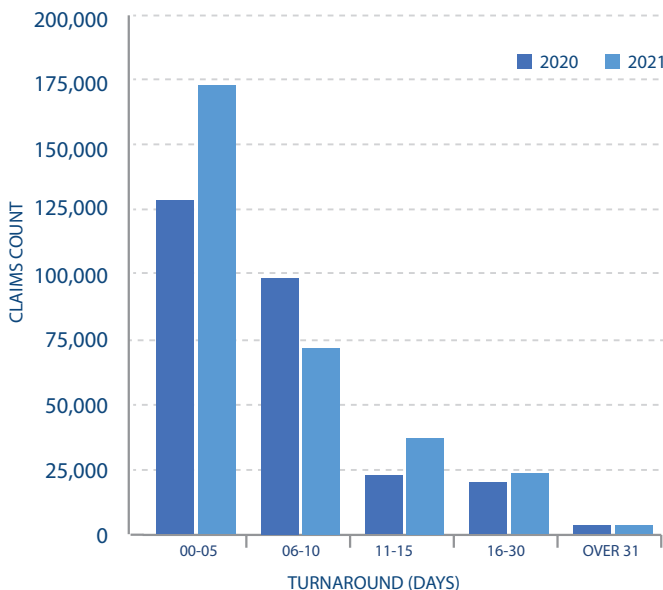
Except for USA claims, the claims payment functions are performed in-house. In 2021 total claims processed increased by 10% from the prior year due to increased accessibility of medical services following the 2020's COVID-19 lockdown. The graph below shows the local claims process over the last four years.

CLAIMS PROCESSED



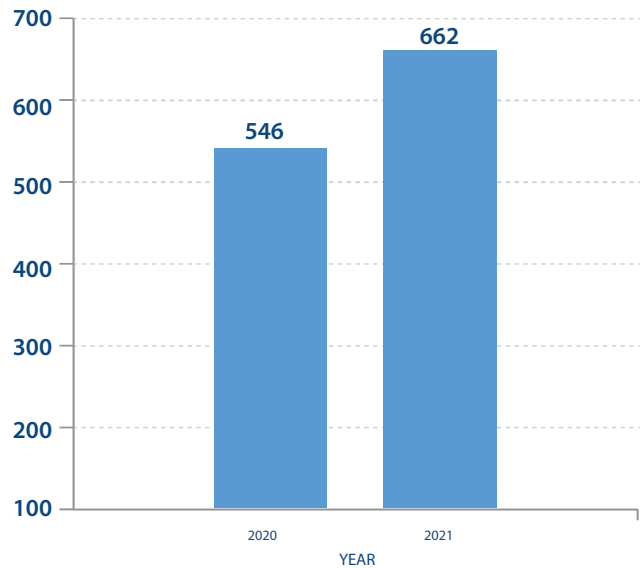
CINICO's claims department is currently staffed by six (6) full time equivalents. Despite being short by two (2) persons, the claims department managed well in processing claims on a timely basis. However, the team has struggled with higher claims backlog in the fourth quarter as a result of electronic claim submission issues from two of our largest providers. Additionally, as mentioned earlier, the department is currently short staffed. The claims turnaround is depicted below and illustrates that in 2021, ninety-one percent (91%) of claims received were processed within the zero to fifteen days, compared with ninety-two percent (92%) last year. On average all claims are processed within eight days.

CLAIM PAID TURNAROUND



SHIC Applications Bound:

CINICO has bound the following SHIC insurance contracts in 2020 and 2021. By law we are required to process a clean application by ten (10) days, our average is between one (1) to five (5) days.



Representative, Capable and Caring

Customer Service:

CINICO's customer facing staff handles various customer interactions, including but not limited to; claims submissions/queries, premium payment queries, benefits, referrals, SHIC application processing, complaints, Home Health Care, eligibility, etc. The area is staffed by six (6) employees in three offices (3) – George Town, Savannah, and Cayman Brac. The team is responsible for a customer base of over 16,000 members with back-office support from Claims, Finance, and the Medical Case Management Unit (MCMU).



Overseas referrals and air ambulance:

CINICO takes the health of its members very seriously. In conjunction with CIHSA’s referral office and the Chief Medical Officer, CINICO’s Medical Case Management Unit (MCMU) ensures that in instances where care is not available on-island, the member receives the right care at the right time. In 2021, MCMU coordinated 1,673 (1,433:

2020) off-island medical services for our members.

In instances where emergency care is required off-island, CINICO’s MCMU is on standby 24/7 to arrange emergency air evacuation through various air ambulance providers.

Table 1: provides quarterly statistics on the volume of air ambulances coordinated in 2020 and 2021.

Table 1: Air Ambulance Coordination

	Q1	Q2	Q3	Q4	TOTAL
2020	14	2	12	9	37
2021	11	14	14	6	45

Home Health Care:

Through coverage offered under the Insurance and Indigent plans (not including SHIC), CINICO assists over four hundred (400) members, most elderly, with Home Health Care benefits.

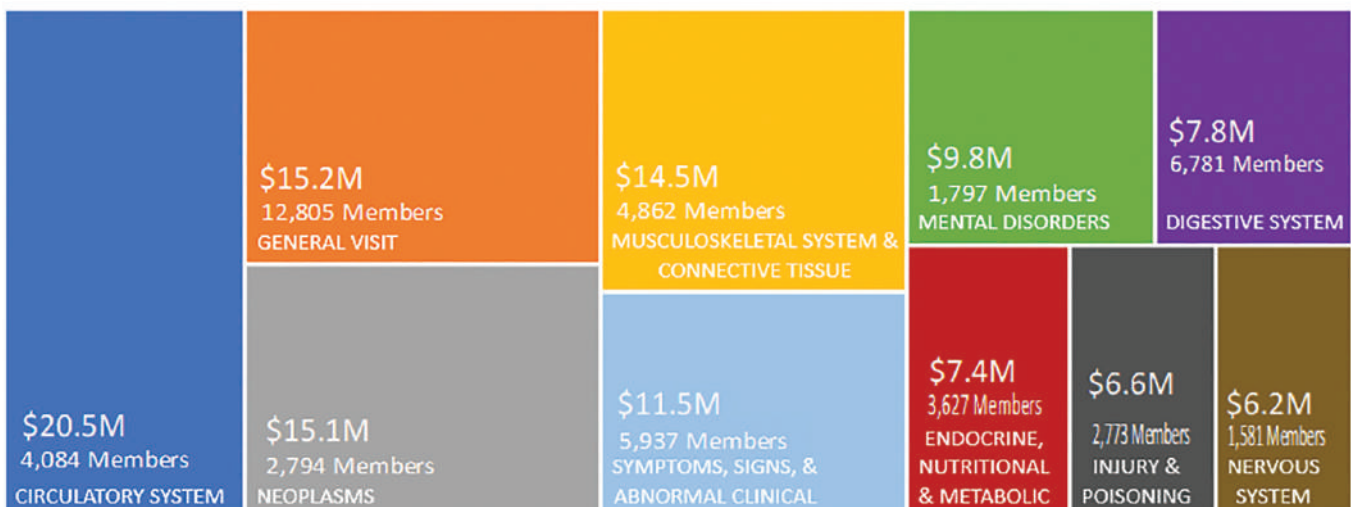
assists its members in managing their health in times of need. The below diagram illustrates the number of members assisted by medical diagnosis and the claims paid.

Claims by diagnosis type:

Along with its wider medical provider network, CINICO

CINICO also supports several community initiatives annually, including but not limited to the DG5K, the Healthcare Conference, the Alex Panton Foundation, Special Olympics etc.

TOP 10 DIAGNOSIS FOR 2021 (INSURANCE & ASO)



Supplementary Information

Table 2: Risk Management

The 2020 and 2021 Ownership Agreements with the Shareholder identified the following key risks for management by CINICO:

KEY RISKS FACED BY CINICO	CHANGED IN STATUS FROM PREVIOUS YEAR	ACTIONS TO MANAGE RISK	FINANCIAL VALUE OF RISK
Claim losses higher than what can be supported by revenues	<p>Improved. Premium rates Approved from Cabinet are actuarially based and include a risk factor for adverse claims.</p> <p>Improved. Large claim reviews.</p> <p>Increasing risk due to high-cost drugs gene/cell therapy drugs.</p>	<ul style="list-style-type: none"> Continued overseas discounts resulting from completed RFP in 2019. CINICO in-house, Medical Case Management Unit (MCMU). Review of medical necessity. Monitoring, control, and follow-up of local and overseas referrals through Apollo guidelines. Reinsurance arrangement in place to limit the Company's risk on large claims (30100 Group only). Weekly concurrent reviews with UHC of overseas inpatient cases. Coordination of discharge plan both locally and overseas. Capital preservation policy Frequent Risk & Appeals committee reviews. Quarterly meetings with overseas network provider. In-house claims adjudication. Large claim reviews. Claim analysis and review of claim trends. 	Not quantifiable
Potential issues with lease claims system	Improved	<ul style="list-style-type: none"> Offsite disaster recovery of data. Robust contracting with vendor supplying system, stipulating functions, penalties, etc. Vendor SOC 2 Internal control report – reviewed by CINICO Risk & Compliance Committee 24-hour support. In-house claims department staffed with experienced claim adjudicators. Use of a “ticketing” system to report faults, and weekly meetings with vendor. USER ID segregation of duties, claim adjudication limits, audits, etc. 	Not quantifiable

KEY RISKS FACED BY CINICO	CHANGED IN STATUS FROM PREVIOUS YEAR	ACTIONS TO MANAGE RISK	FINANCIAL VALUE OF RISK
Risk that CINICO's reinsurer will be unable to pay its liabilities		<ul style="list-style-type: none"> Reinsurance cover reviewed every year. Additionally, creditworthiness of reinsurer is reviewed quarterly. Our current reinsurer has an A.M. Best rating of A+. 	Approximately \$500k - \$1m based on historical amounts
Non-compliance with regulatory bodies' rules and regulations (CIMA and HIC)	Improved. Chief Information Officer	<ul style="list-style-type: none"> Documented Corporate Governance, policies, and procedures. Quarterly Risk & Compliance Committee meetings. Chief Risk & Compliance Officer and Chief Information Officer. Monthly monitoring of compliance with MCR/PCR monthly – quarterly forecasts of capital requirements. 	CIMA and HIC fines
Risk that government would not honor its liabilities under the ASO agreement (Output NGS 55)	Same	<ul style="list-style-type: none"> Creation of an ASO Agreement between CINICO and Government awaiting sign off. Frequent monitoring. Provision of Emergency supplementary funds. Capital and Cash Preservation Policy. 	\$6 million to \$10 million
Negative operating cash flow and lower than CIMA's required capital levels, resulting from shareholder's requirement to discount premium rates below actuary rates, thus depleting capital and exposing Company to liquidity risk	Improved	<ul style="list-style-type: none"> Actuarial premium in place Enforcement of Company's credit and liquidity risk policy. Aggressive collection of Government outstanding premium. Government support if CIMA's capital requirements not met. Provision of Emergency supplementary funds. 	

In addition to the above, CINICO has an Enterprises Risk Management Framework which addresses other company risks such as cyber security, data protection,

and risks unique to each business unit. CINICO's Risk and Compliance Committee meets quarterly.



Looking Forward

As indicated in last year's Annual Report, our plans for the year were governed by our previously articulated strategic objects. By way of reminder, these are:

- Ensure CINICO's Long Term Sustainability
- Deliver an Exceptional Customer Service Experience Enabled by Strong Stakeholder Relations
- Strengthen our Strategic and Operational Foundation for Delivery

After a tumultuous 2020, 2021 showed signs of a return to normalcy, at least as far as everyday life in Cayman was concerned. This was not to last, however, as the latter part of the year saw a rise in the incidence of COVID cases, which caused us to revert to the introduction of our COVID protocols and this introduced disruptions in our operations.

Against that background, we can now provide an update regarding the progress against the above-mentioned objectives.

ENSURE CINICO'S LONG TERM SUSTAINABILITY

Given our checkered history, long term sustainability will always be a primary objective. Consultants had been engaged to evaluate and make recommendations concerning options for our future. With a change in government in April 2021, ensuring long-term sustainability has remained a priority.

On the back of three years of consistently solid performance, a decision has been taken that the time is right for CINICO to expand the scope of our operations. In that regard, we are exploring the following expansion possibilities over the next two years or so:

1. Expanding the scope of our open market offerings beyond the current SHIC policies, to include a relatively low-cost plan which provides coverage suitable for most of our younger working population.
2. Investigating the possibility of developing a similar plan

for retirees. Of necessity, this plan will not be a low-cost plan as is intended for the afore-mentioned plan, but we will be seeking to find a balance between lower cost and coverage, which will offer our retirees an option to what is currently available on the market.

3. Expanding our product offering outside the scope of Health Insurance into the area of Property & Casualty Insurance (P&C) where we hope to start with the coverage of private motor vehicles and residential homes and contents.

These objectives have been described in very broad terms. There will be the need for much detailed deliberation and work, but we hope to have accomplished much of the work required for the commencement of these initiatives before the end of 2022.

DELIVER AN EXCEPTIONAL CUSTOMER EXPERIENCE ENABLED BY STRONG STAKEHOLDER RELATIONS

COVID continues to impact our ability to deliver an exceptional customer experience. For most of the year, we were operating safely within Cayman's COVID-insulated bubble, but with the outbreak in the latter part of the year, we have had to revert to largely operating on a "work-from-home" basis. Inherent in such an operating basis is the disruption in the customer experience, which was compounded by significant incidence of COVID cases amongst our own staff.

We are happy to advise that we were able to open our Savannah Branch, and this has been well received by those who have utilized it. It also puts us in a good position as regards the expansion of our operations which are planned for this year.

We continue to engage with our stakeholders and to make strides in strengthening these relationships. An interesting observation is the extent to which CINICO is blamed for a number of things which actually have their genesis outside of CINICO. These provide additional challenges which we continue to manage and our efforts at stakeholder engagement will play a significant part in meeting these challenges.

A significant point of focus in the coming years will be on Wellness activities. In this regard, we have supported the Government's Wellness Committee in a Wellness initiative last year, and will be increasing our support this year. We are also in dialogue with HSA on other Wellness initiatives. These are all intended to provide a wider range of value-added services to our customer Experience with a view towards preventing illnesses or detecting them earlier, rather than merely responding to illnesses.

STRENGTHEN OUR STRATEGIC AND OPERATIONAL FOUNDATION FOR DELIVERY

The plans for expansion in 2022 will challenge our operational foundation. We will be stepping out into areas in which we do not currently operate, which almost by definition will present operational challenges.

Notwithstanding this, we remain focused on this aspect and plan to increase our utilization of technology to both enhance the customer experience, and will also serve to strengthen our operational foundation for delivery.

As a part of the process of strengthening, we were able to fill key positions which in some cases addressed succession planning. These positions were Deputy CEO, Chief Information Officer and Deputy Chief Financial Officer. In keeping with our expansion plans, we also recruited a new General Manager whose background and experience will enhance our ability to achieve the expansion goals.

In order to strengthen our Corporate Governance functions, we have been trying to recruit an Internal Auditor. We have experienced some challenges in filling this position, but we have a plan in place to ensure this function is carried out in conjunction with the CIG's Internal Audit Department.

We went through a CIMA inspection and are pleased to report that were only a handful of minor issues raised during the inspection and which we are in the process of resolving.

We have continued to improve and strengthen our IT infrastructure with special emphasis being placed on Cybersecurity and Business Continuity Planning.



Financial Performance Analysis

Financial Performance (Net Income/ (Loss))

For the year ended December 31, 2021, CINICO earned a second-year consecutive net income of \$1.4 million, compared to the prior year of \$10.5 million and a budget of \$3.1 million. The net income is due to a 2020 reserve release, favorable expenses, offset by unfavorable claims. The 2020 reserve release was due to timing – in 2020 we anticipated

higher incurred but not reported claims with the anticipation of a return to pre-COVID utilization in the fourth quarter of 2020. However, claims utilization rebounded in 2021.

Table 3 illustrates the sources of profit/ (loss) (or variance to the budget) compared with the premium pricing level assumptions for the year ended December 31, 2021. Table 4 provides same for the year ended December 31, 2020.

Table 3: Sources of Net Income for the Year Ended December 31, 2021 (\$ Millions)

SOURCE OF NET INCOME /(LOSS)	AMOUNT	EXPLANATION
Unfavorable incurred local claims	\$(4.5)	Unfavorable in all lines of business except Pensioners.
Unfavorable incurred overseas claims	\$(2.6)	Unfavorable in all lines of business except Civil Servants (includes Health City).
Reserve release	\$2.4	2020 reserve release (\$0.7M local: \$1.7M overseas).
Expenses and other	\$2.8	Predominantly admin expenses, TPA fees, and higher ASO fees.
Risk premium	\$3.3	Actuary risk premium for adverse claims deviation.
Net income	\$1.4	

Table 4: Sources of Net Income for the Year Ended December 31, 2020 (\$ Millions)

SOURCE OF NET INCOME/(LOSS)	AMOUNT	EXPLANATION
Favorable incurred overseas claims	\$2.6	Favorable in all lines of business (includes Health City).
Favorable incurred local claims	\$1.8	Favorable in all lines of business except SHIC.
Reserve release	\$0.2	2019 reserve release (local and overseas).
Expenses and other	\$3.0	Predominantly admin expenses, TPA fees, and higher ASO fees.
Risk premium	\$2.9	Actuary risk premium for adverse claims deviation.
Net Income	\$10.5	

Figure 1 provides the net income / (loss) by business category for the current year, prior year, and budget. For the current year, all business categories earned a profit except for the Seaman & Veterans and the SHIC categories. The overall current year net income was partially due to a 2020 reserve release of \$2.4 million (see Table 3). The original 2020 reserve estimate assumed returned demand for medical services in Q4-2020 due to the earlier COVID restrictions which limited policyholders' ability in seeking routine medical care. In fact, the return demand for medical services was experienced in early 2021 as evidenced by higher claims and utilization, thus warranting a release of the 2020 reserve. The reserve release effected all business categories except for S&V.

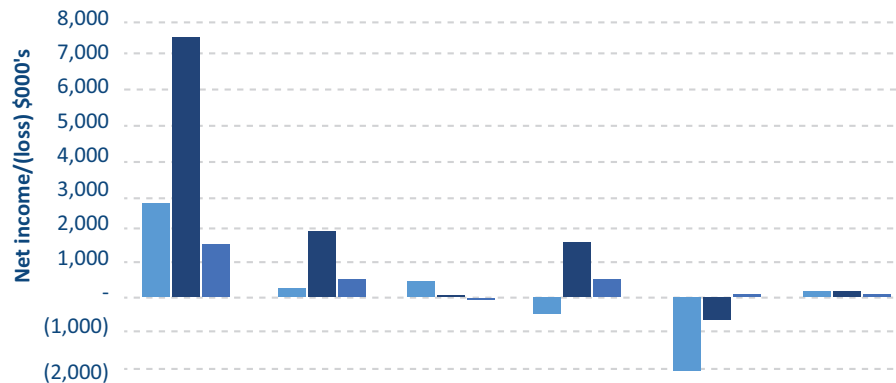
Returning to the net income/(loss) by business category per Figure 1, SHIC losses resulted from increased utilization

rates (70% in 2021 versus 62% in 2020) and a higher number of policies fully maximizing their benefits. In the current year six policies reached their annual benefit limit of \$100,000 and an additional six policies reached 70% of this limit. Seaman & Veterans losses were due a reserve strengthening on the 2020 underwriting year.

As is evident from Figure 1, the prior year's performance was substantially better than the current year. The prior year was materially affected by the COVID-19 pandemic, resulting from various restrictions which had the effect of lower utilization and claims.

Compared with the \$3.1 million budget net income, the current year net income fell short by \$1.7 million, namely due to the poor performance of the SHIC and S&V category due to higher claim losses.

FIGURE 1: NET INCOME / (LOSS) BY BUSINESS CATEGORY



	Civil Servants	Pensioners	SAGCs	Seamen & Veterans	SHIC plans	ASO (1)
■ Current year	2,812	346	567	(333)	(2,114)	160
■ Prior year	7,416	1,903	75	1,611	(631)	174
■ Current year budget	1,564	558	(19)	605	65	16

(1) ASO includes Group 30102 – Indigents, and Group 30103 – Advance Patients.

Table 5 below illustrates selected financial highlights of various balance sheet and income statement items.

TABLE 5: Financial Highlights For financial year ending

	CURRENT YEAR	CURRENT YEAR BUDGET	PRIOR YEAR
<i>Statement of financial position</i>			
Cash and cash equivalents	\$ 31,571,520	\$ 24,970,495	\$ 25,707,447
Premiums receivable	582,458	5,778,000	3,525,543
ASO claims and fees receivable	11,251,809	4,200,000	6,976,827
Provision for claims incurred	17,819,695	12,676,307	12,524,063
Shareholder's equity	25,724,550	21,787,240	24,287,240
<i>Statement of financial performance</i>			
TOTAL INCOME			
Premium income	\$ 112,597,257	\$ 106,771,226	\$ 101,753,929
Reinsurance premium	(1,002,564)	(920,213)	(970,731)
ASO fees	1,128,452	1,186,383	1,151,228
Other income	241,030	114,400	122,331
Total	\$ 112,964,175	\$ 107,151,796	\$ 102,056,757
TOTAL EXPENSES			
Incurred claims	105,391,559	96,652,021	85,961,317
Other Expenses	6,135,306	7,432,535	5,547,581
Total	\$ 111,526,865	\$ 104,084,556	\$ 91,508,898
NET INCOME/(LOSS)	\$ 1,437,310	\$ 3,067,241	\$ 10,547,859

Cash and cash equivalents

Cash and cash equivalents increased by \$5.9 million from the prior year to \$31.6 million. The increase is due to a higher level of provision for claims incurred (thus conserving cash), offset by higher levels of receivables. The balance represents approximately three months of expenses (our target level) and supports the \$17.8 million provision for claims incurred, due in less than one year.

ASO claims and fees receivable

On behalf of the Ministry of Health & Wellness (H&W), CINICO administers health benefits for Indigents (not including medical services provided at the CIHSA) and overseas health benefits for the Seamen & Veterans Plan (Group 30101). The benefits are administered under an “Administrative Services Only” (ASO) plan. Under an ASO plan, the insurance risk is fully borne by the purchaser of services, in this case the Ministry of H&W. CINICO pays the claims and immediately invoices the Ministry of H&W for the full amount plus any administration fees. The funding for these services is provided through the NGS 55 output (Tertiary Care at Various Local and Overseas Institutions). Over the years the budget is consistently underfunded. However, to mitigate the negative impact on cashflows, CINICO and the Ministry are in continuous dialogue to ensure adequate funding and settlement of the receivables.

As of December 31, 2021, the ASO claims, and fees receivable increased to \$11.3 million from \$7.0 million in the prior year. The balance was unpaid due timing in obtaining a supplementary budget. It is expected that this balance would be paid in full. At the time of writing this report, \$5.7 million was subsequently paid.

Provision for claims incurred

The provision for claims incurred, also known as IBNR (Incurred but Not Reported) claims, is determined using accepted actuarial techniques and current claim information available at the time of calculation. By their very nature, IBNRs include an element of uncertainty as assumptions must be used based on historical data, which may or may not be realized in the future. Such assumptions include: the severity of losses, claims utilization factors, claim payment patterns, provider discounts, the outcome of patients’ medical condition, length of inpatient stays, etc. As assumptions are used, the ultimate (“hindsight”) reserve liability may be more than or less than the original estimates. The hindsight reserve liability can only be known with the passage of time, which is usually no greater than one year.

The current year provision for claims incurred increased by \$5.3 million from the prior year to \$17.8 million. The increase is due to an increase in CINICO’s backlog due to resources and technical claim submission issues from our two largest providers – CIHSA, and Health City. The December 31, 2021, amount represents just under two months of incurred claims.

Note 12 of the financial statements provide the IBNR hindsight development commencing from the 2016/17 reporting year.

Shareholder’s equity

Shareholder’s equity increased by \$1.4 million to \$25.7 million for the year ended December 31, 2021. The increase is due to 2021 Net Income. Table 6 provides an analysis of shareholder’s equity to budget.

TABLE 6: ANALYSIS OF SHAREHOLDER’S EQUITY (\$ millions)

SOURCE OF NET PROFIT/(LOSS)	BUDGET	ACTUAL	VARIANCE
Opening shareholder’s equity	\$18.7	\$24.3	\$5.6
2021 Net income	3.1	1.4	(1.7)
Closing shareholder’s equity	\$21.8	\$25.7	\$3.9

Shareholder’s equity is \$3.9 million better than budget due to a higher opening position related to higher than budgeted 2020 net income, offset by 2021 lower than budgeted net income.

Premium income

Premium income is earned from health insurance plans under the following business categories:

- Group 30100 – Civil Servant and Statutory Authority & Government Companies (SAGS),
- Group 30100 – Pensioners,

- Group 30101 - Seamen and Veterans (local insurance cover only), and
- Group 31304 - SHIC (Standard Health Insurance Contracts).

The graph below illustrates the premium income by insurance plan categories.

FIGURE 2: PREMIUM INCOME BY BUSINESS CATEGORY

Premium: Actual, Budget, Prior Year

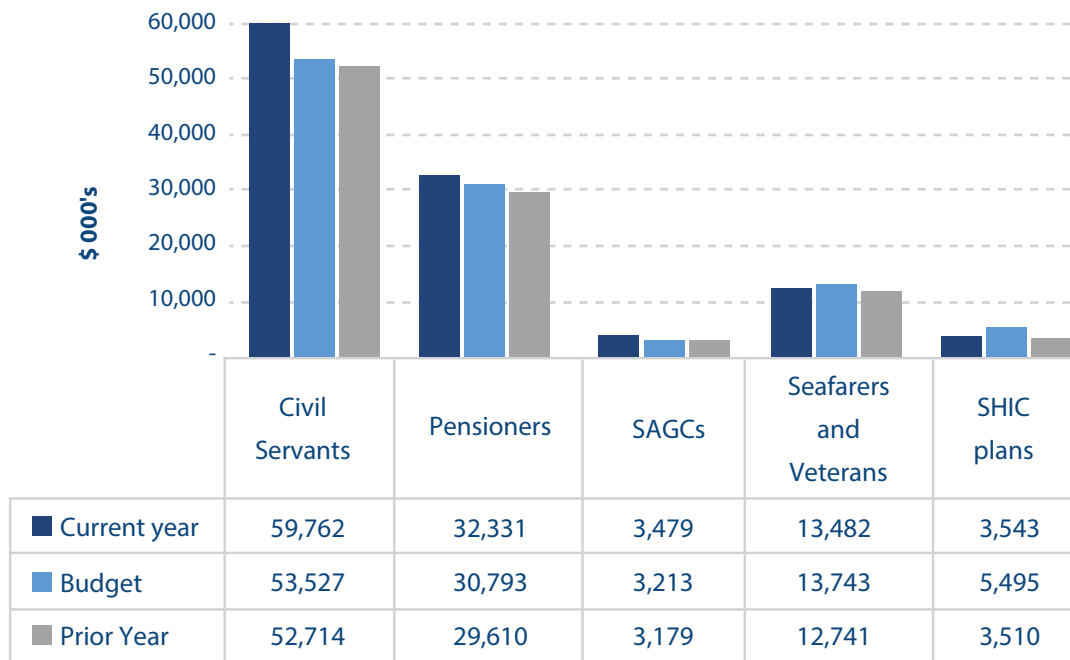


TABLE 7: AVERAGE NUMBER OF COVERED LIVES INSURED

	CURRENT YEAR	BUDGET	PRIOR YEAR	% CHANGE TO BUDGET	% CHANGE TO PRIOR YEAR
Civil Servants	9,005	8,340	8,488	8%	6%
Pensioners	2,340	2,268	2,278	3%	3%
SAGCs	521	512	520	2%	0%
Seafarers and Veterans	1,071	1,089	1,075	-2%	0%
Indigent	1,666	1,798	1,776	-7%	-6%
SHIC plans	1,808	2,112	1,874	-14%	-4%
Total	16,411	16,119	16,011	2%	2%

Premium income is driven by the number of lives covered and the premium rates charged (as an example the higher the number of members covered, the greater premium income earned). Table 7 shows the covered lives throughout the comparative periods. The number of covered lives also drives the overall claims, reinsurance and claims administration fee expenses.

Compared with budget and the prior year, overall covered member lives increased by two percent however, there were differences by business category. Group 30100 (Civil Servants, Pensioners and SAGCs) realized increases ranging from 0% to 8% above the budget and prior year; Seafarers and Veterans decreased by 2% versus budget and remained at the same level versus the prior year. Surprisingly, Indigent membership decreased by 6% from the prior year and was 7% below the budget. We would have expected an increase in Indigent membership due to the effects of COVID throughout the economy. SHIC membership realized a material decrease of 14% and 4% versus budget and last year, respectively. Although new members had enrolled for coverage, the net reduction is due to lapsed policies for non-payment.

The combined current year premium income of \$112.6 million is \$5.8 million above the budget. Premium income from Group 30100 was \$8.0 million above budget due to a higher level of covered lives as illustrated in Table 7. This is

offset by lower premium (\$2.2 million) from Seafarers and Veterans, and SHIC due to lower covered lives (Table 7).

The current year premium income is \$10.8 million higher than the prior year predominantly driven by membership growth (5%) in Group 30100 (Civil Servants, Pensioners and SAGCs) and a 6% premium rate increase.

ASO Fees and Other Income

ASO fees are earned on a PMPM basis per each indigent member. Fees amounted to \$1.1 million in the current year, essentially the same level as budgeted and the prior year. Other income includes investment income, income from re-activations, and stale date checks over 7 years from issue. Other Income is higher than budget and the prior year primarily due to higher investment income earned.

Incurred claims

Incurred claims represent the medical benefits payable under the various insurance plans. Incurred claims for the year ended December 31, 2021, amounted to \$105.4 million and accounted for 95% of the overall expenses of \$111.5 million. Table 8 (next page) compares the incurred claims (net of reinsurance recoveries and repricing fees) by group and location (local versus overseas) for the current year, budget, and prior year. The incurred claims are presented on a "hindsight basis". For example, the year ended December 31, 2020, original reported claims

were \$85.9 million which included claims incurred and paid during the period, plus an estimate for claims incurred but not reported (claim provision). In hindsight, and one year later, the 2020 claim reserve showed a favorable development of \$2.4 million (net of reinsurance), so that the final 2020 claims incurred are \$83.5 million compared with the original reported figure of \$85.9 million.

Table 8 illustrates that \$16.3 million or 15% of the 2021 total claims incurred of \$107.5 million is made up of IBNRs (Incurred But not Reported). This represents just under two months of incurred claims. Last year's IBNR was 13% of total incurred claims. As discussed previously the increase in IBNRs over the previous year is due to higher backlogs and issues with claim submissions from our two main local providers. IBNRs are essentially accruals for claims and calculated using actuarial methods and assumptions. The

adequacy of the 2021 IBNR reserve will only be known in subsequent months.

Table 8 shows an increase of incurred claims of \$24 million and \$10.8 million compared to the prior year and budget, respectively. The large increase in 2021 should not be surprising following a year of COVID restrictions which limited access to non-essential medical care. In addition to higher utilization spawned by returned demand, the increase is due to the growth in membership of the insured plans (Table 7). As an example, Group 30100 which accounts for 80% of the insurance covered lives, experienced a 5% growth in membership which is estimated at an additional \$4 million in claims based on the 2021 utilization. The increase in claims versus budget is due to higher utilization versus the budget assumption, in addition to a higher membership base over budget. This accounts for at least \$6 million of the total claim increase compared with budget.

TABLE 8: INCURRED CLAIM LOSSES (000's)

	2020			2021			2021 less 2020 Calendar Year	2021 Budget	Inc/(dec) - 2021 reported less Budget
	Reported	Hindsight adjustment*	Final	Incurred in 2021 & paid in 2021	IBNR	Reported			
Local									
Group 30100	52,360	(1,134)	51,226	57,812	5,395	63,207	11,981	56,741	6,466
Group 30101	10,526	446	10,972	11,402	1,400	12,802	1,830	12,368	434
Group 30104	2,099	(18)	2,081	2,497	306	2,803	722	2,442	361
	64,985	(706)	64,279	71,711	7,101	78,812	14,533	71,551	7,261
Overseas *									
Group 30100	19,709	(1,625)	18,084	17,965	8,479	26,444	8,360	23,215	3,229
Group 30101	-	-	-	-	-	-	-	-	-
Group 30104	1,190	(69)	1,121	1,509	764	2,273	1,152	1,951	322
	20,899	(1,694)	19,205	19,474	9,243	28,717	9,512	25,166	3,551
Total									
Group 30100	72,069	(2,759)	69,310	75,777	13,874	89,651	20,341	79,956	9,695
Group 30101	10,526	446	10,972	11,402	1,400	12,802	1,830	12,368	434
Group 30104	3,289	(87)	3,202	4,006	1,070	5,076	1,874	4,393	683
	85,884	(2,400)	83,484	91,185	16,344	107,529	24,045	96,717	10,812
Prior year adjustment in reserves		(172)				(2,400)			
ALAE reserve		249				263		(65)	
Claim losses per f/s	<u>85,961</u>					<u>105,392</u>		<u>96,652</u>	

* Includes claims paid to Health City Cayman Islands paid in US\$

Claims costs are driven by the demographics of the individual groups. The membership is aging, and the claim costs are correlated to age. As one gets older, claim costs

start rising. Figure 3 illustrates the relationship of claims paid and utilization with age bands, for each group.

FIGURE 3: CLAIMS PAID/UTILIZATION RATES BY AGE BAND



Other expenses

Other expenses are illustrated in Table 9.

TABLE 9: OTHER EXPENSES

	CURRENT YEAR	CURRENT YEAR BUDGET	PRIOR YEAR
Contributions to segregated insurance fund	247,190	283,841	242,150
Claims administration and other expenses	1,032,381	1,532,672	998,970
Administration expenses	4,855,735	5,616,022	4,306,461
Total expenses	\$6,135,306	\$ 7,432,535	\$ 5,547,581

For the year ending December 31, 2021, Other Expenses amounted to \$6.1 million and below budget by \$1.3 million, and \$0.6 million higher than the prior year.

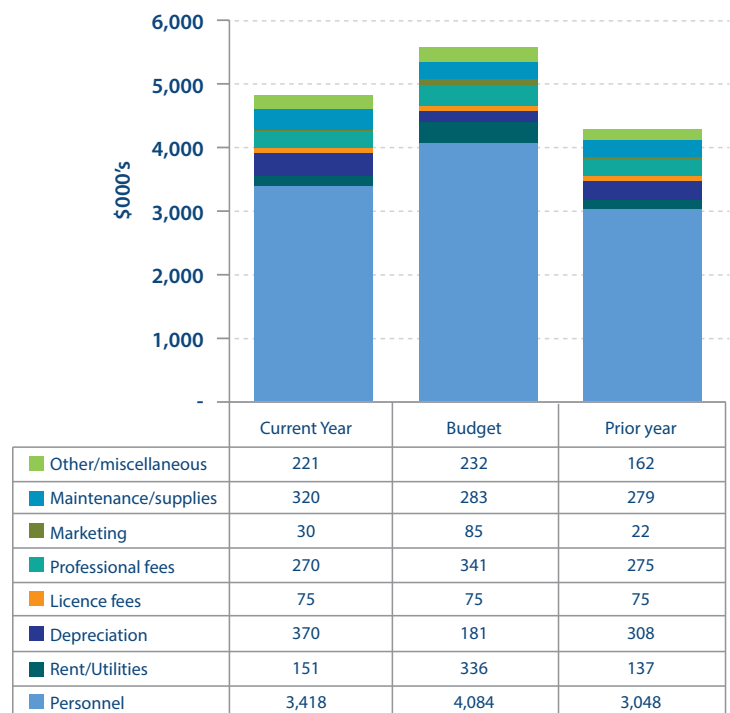
The components of Other Expenses are detailed in Table 9. Contributions to segregated insurance funds are made to the Health Insurance Commission on every active SHIC and SAGC insurance policy. The expenditure is below budget and slightly above last year.

Claim administration expenses (TPA fees) are for services rendered by third party administrators (TPAs). Most of the expense incurred is for the use of the insurance administration system. The current year expenditure amounted to 1.0 million compared with a budget of \$1.5 million and the prior year amount of \$1.0 million. Actual expenditure is below budget due to various initiatives anticipated in the budget year which have not materialized in the current year.

Administration are those incurred in the operation of the Company's office and include personnel costs, rent, depreciation, audit fees, actuary fees, etc. Administration expenses were \$0.8 million better than budget. The favorable variance is mainly attributed to personnel costs due to unfilled vacant positions. Other favorable variances were realized in marketing, professional fees, training, and travel. These were offset by unfavorable variances in IT costs, office maintenance resulting from additional office space, and IFRS 16 implicit interest rate expense. Current year expenses were approximately \$0.5 million higher than the

prior year, mostly due to personnel costs resulting from a higher headcount over the prior year. In 2020 and 2021 we acquired additional office space, which is reflected in higher depreciation costs, office maintenance and IT costs. Figure 4 shows the major expense types compared with budget and prior year.

FIGURE 4: ADMINISTRATION EXPENSES BY TYPE



Appendix 1: Reporting on the Ownership Agreement and Outputs Delivered to Cabinet

FINANCIAL PERFORMANCE MEASURE	2021 ACTUAL \$000'S	2021 BUDGET \$000'S	ANNUAL VARIANCE \$000'S	NOTE
REVENUE FROM CABINET	\$45,757	\$44,481	\$1,276	1
REVENUE FROM MINISTRIES, PORTFOLIOS, STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES	64,370	57,927	6,443	2
REVENUE FROM OTHERS PERSONS OR ORGANISATIONS	2,837	4,744	(1,907)	3
SURPLUS/DEFICIT FROM OUTPUTS				
OTHER EXPENSES	111,527	104,085	(7,442)	4
NET SURPLUS/DEFICIT	1,437	3,067	1,630	5
TOTAL ASSETS	45,335	36,042	9,293	
TOTAL LIABILITIES	19,610	14,254	(5,356)	
NET WORTH	25,725	21,787	3,938	6
CASH FLOWS FROM OPERATING ACTIVITIES	6,519	372	6,147	5
CASH FLOWS FROM INVESTING ACTIVITIES	(461)	(55)	(406)	7
CASH FLOWS FROM FINANCING ACTIVITIES	(194)	-	(194)	7
CHANGE IN CASH BALANCES	5,864	317	5,547	

Notes: Explanation of Variance:

1. Revenue from Cabinet: CIN 2 premium higher than budget (\$1.5M) due to higher membership, offset lower CIN 1 premium (\$300k) due to lower membership. See Table 7 for Membership.
2. Higher revenues due to higher than budgeted membership (Table 7 – Membership).
3. Unfavorable variance from the SHIC line with lower membership and average premium than budget. See Table 7 for Membership.
4. Overall, the variance is 7% above budget. The “other expenses” line is made up of the following items:

EXPENSE ITEM	ACTUAL \$M	BUDGET \$M	VARIANCE \$M	EXPLANATION
Claims costs	\$105.4	\$96.7	\$(8.7)	Driven by higher claim utilization following restricted access in 2020. Plus higher membership.
Segfund fees	0.2	0.3	0.1	
TPA fees	1.0	1.5	0.5	Underutilization of claims admin support, wellness rewards and other vendor services.
Admin expenses	4.9	5.6	0.7	Predominantly due to vacant posts, travel, training utilities, etc.
Total	\$111.5	\$104.1	\$7.4	

5. See financial performance section.
Higher cash flow from operating activities is due to the high level of IBNRs and net income.
- 6.

	\$ MILLIONS		
	BUDGET	ACTUAL	VARIANCE
Opening shareholder's equity	\$18.7	\$24.3	\$5.6
2021 Surplus / (deficit)	3.1	1.4	(1.7)
Closing shareholder's equity	\$21.8	\$25.7	\$3.9

7. The cash outflow of \$461k is due to the capital for the office expansion into Country Corner, and Cayman Centre, along with furniture and computer equipment.
The cash flow from Finance activities is from the IFRS 16 accounting treatment (Leases) which requires that the present value of future lease payment be recorded as an asset (right of use) offset with a liability.

FINANCIAL PERFORMANCE RATIO	2021 ACTUAL %	2021 BUDGET %	ANNUAL VARIANCE %
CURRENT ASSETS: CURRENT LIABILITIES	225%	251%	(26)%
TOTAL ASSETS: TOTAL LIABILITIES	231%	253%	(22)%

Maintenance of Capability

HUMAN CAPITAL MEASURES	2021 ACTUAL	2021 BUDGET	ANNUAL VARIANCE
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	37	47	(10)
STAFF TURNOVER (%)			
SENIOR MANAGER	0%	0%	0%
PROFESSIONAL AND TECHNICAL STAFF	0%	0%	0%
ADMINISTRATIVE STAFF	6.1%	0%	6.1%

PHYSICAL CAPITAL MEASURES	2021 ACTUAL \$ 000'S	2021 BUDGET \$ 000'S	ANNUAL VARIANCE \$000'S
VALUE OF TOTAL ASSETS	\$45,335	\$36,042	\$9,293
ASSET REPLACEMENTS: TOTAL ASSETS	1%	0.2%	0.8%
BOOK VALUE OF ASSETS: COST OF THOSE ASSETS	30.6%	7.8%	22.8%
DEPRECIATION: CASH FLOW ON ASSET PURCHASES	80%	330.1%	250.1%
CHANGES TO ASSET MANAGEMENT POLICES	None	None	None

MAJOR CAPITAL EXPENDITURE PROJECTS	2021 ACTUAL \$ 000'S	2021 BUDGET \$ 000'S	ANNUAL VARIANCE \$ 000'S
IT equipment, equipment, furniture, Leasehold improvements etc.	\$460	\$55	\$(405)
Right of use asset (IFRS 16 – Leases)	\$195	\$0	\$(195)

Other Financial Information

TRANSACTION	2021 ACTUAL \$ 000'S	2021 BUDGET \$ 000'S	ANNUAL VARIANCE \$ 000'S
Equity Investments into CINICO	-	-	-
Capital Withdrawals from CINICO	-	-	-
Dividend or Profit Distributions to be made by CINICO	-	-	-
Government Loans to be made to CINICO	-	-	-
Government Guarantees to be issued in relation to CINICO	-	-	-
(1) Remuneration Payments made to Key Management Personnel	\$751	\$541	\$(210)
Remuneration Payments made to Senior Management	\$690	\$479	\$(211)

(1) Senior Management and Board. Actual includes one additional Senior Manager budgeted as Admin Staff.

	2021 ACTUAL	2021 BUDGET	ANNUAL VARIANCE
Number of Senior Management	5	3	2

Statement of Outputs Delivered to Cabinet

CINICO is committed to providing timely service to our members, seeking out avenues to become as efficient as possible in our service delivery, and to do so by working collaboratively with our stakeholder and delivery partners. This section of the annual report highlights our service performance related to the two key outputs we deliver to Cabinet.

CIN 1	Health Insurance for Seaman & Veteran		
DESCRIPTION			
Provision of Health Insurance (premium) for Seaman & Veteran and their dependents for insurance coverage by CINICO (local coverage only, excluding Tertiary Care).			
MEASURES	2021 ACTUAL	2021 BUDGET	ANNUAL VARIANCE
Quantity			
Total (average) number of persons insured - premiums fully paid by Cabinet	1,058	1,074	(16)
Total (average) number of persons insured – premiums partially paid by Cabinet (Veterans)	10	12	(2)
Quality			
All eligible Seamen, Veterans and their dependents are insured who met the definition under the Health Insurance Law	98-100%	98-100%	-
Timeliness			
• Insurance cards issued within 15 days of notification of eligibility	98-100%	98-100%	-
• Insurance claims (clean claims) paid within 30 days	98-100%	98-100%	-
Location			
Grand Cayman, Cayman Brac and Little Cayman	n/a	n/a	
Cost (of producing the output)			
Monthly Premium Rates			
Premiums fully paid by Cabinet	\$1,049		
Veteran premiums partially paid by Cabinet	\$935		
Price (paid by Cabinet for the output)	\$13,426,154	\$13,688,332	\$(262,178)

Explanation of Variances

Output is below budget as the number of members covered was lower than budget.

CIN 2

Health Insurance for Civil Servant Pensioners

DESCRIPTION

Provision of Health Insurance (premium) for Civil Servant Pensioners and their dependents.

MEASURES	2021 ACTUAL	2021 BUDGET	ANNUAL VARIANCE																
Quantity Total average number of insured persons (Insured = Enrollees + dependents).	2,340	2,268	72																
Quality All eligible pensioners and their dependents are insured who are deemed to be eligible by the Public Service Pension Board (PSPB) and the Portfolio of the Civil Service (POCS).	98-100%	98-100%	-																
Timeliness <ul style="list-style-type: none"> Insurance cards issued within 15 days of notification of eligibility Insurance claims (clean claims) paid within 30 days 	98-100% 98-100%	98-100% 98-100%	- -																
Location Grand Cayman, Cayman Brac and Little Cayman	n/a	n/a																	
Cost (of producing the output)	32,331,103	\$30,792,995	\$1,538,108																
Monthly Premium Rates <table border="1" data-bbox="173 1249 738 1711"> <thead> <tr> <th>Age range</th> <th></th> </tr> </thead> <tbody> <tr> <td>Under 18</td> <td>\$230</td> </tr> <tr> <td>18-29 years</td> <td>\$369</td> </tr> <tr> <td>30-39 years</td> <td>\$475</td> </tr> <tr> <td>40-49 years</td> <td>\$624</td> </tr> <tr> <td>50-59 years</td> <td>\$987</td> </tr> <tr> <td>60- 64 years</td> <td>\$1,135</td> </tr> <tr> <td>65 years & over</td> <td>\$1,442</td> </tr> </tbody> </table>	Age range		Under 18	\$230	18-29 years	\$369	30-39 years	\$475	40-49 years	\$624	50-59 years	\$987	60- 64 years	\$1,135	65 years & over	\$1,442			
Age range																			
Under 18	\$230																		
18-29 years	\$369																		
30-39 years	\$475																		
40-49 years	\$624																		
50-59 years	\$987																		
60- 64 years	\$1,135																		
65 years & over	\$1,442																		
Price (paid by Cabinet for the output)	\$32,331,103	\$30,792,995	\$1,538,108																

Explanation of Variances

Premium (cost to Cabinet) is higher than budget as the actual number of members covered was higher than budget.

Appendix 2: List of Acronyms and Abbreviations

Acronym	Description
ASO	Administrative Services Only
CDO	Chief Dental Officer
CI	Cayman Islands
CICSA	Cayman Islands Civil Service Association
CIG	Cayman Islands Government
CIHSA	Cayman Islands Health Services Authority
CIMA	Cayman Islands Monetary Authority
CINICO	Cayman Islands National Insurance Company (Ltd.)
CMO	Chief Medical Officer
CPA	Chartered Professional Accountant
HCCI	Health City Cayman Islands
HECH	(Ministry of) Health Environment Culture and Housing
HSA	(Cayman Islands) Health Services Authority
IBNR	Incurred But Not Reported
MCCs	Medical Case Coordinators
MCR	Minimum Capital Requirement
MOH	Ministry of Health
PCR	Prescribed Capital Requirement
PMPM	Per member per month
POCS	Portfolio of the Civil Service
PSPB	Public Service Pensions Board
RMF	Risk Management Framework
SAGCs	Statutory Authorities & Government Companies
SHIC	Standard Health Insurance Contract
SPD(s)	Summary Plan Document
TPAs	Third Party Administrators



Audited Financial Statements

Financial Statements of

Cayman Islands National Insurance Company Ltd.

December 31, 2021

Cayman Islands National Insurance Company Ltd.

Index

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands National Insurance Company Ltd.

Opinion

I have audited the financial statements of the Cayman Islands National Insurance Company Ltd (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 8 to 22.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards ("IFRS").

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 Company 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. In rendering my audit opinion on the financial statements of the Company, I have relied on the work carried out on my behalf by a public accounting firm that performed its work in accordance with International Standards on Auditing.

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

Management is responsible for the preparation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation and fair presentation 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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.

AUDITOR GENERAL'S REPORT (continued)

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 Company'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 Company'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 Company 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
Auditor General

28 April 2022
Cayman Islands



STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Cayman Islands National Insurance Company Ltd. in accordance with the provisions of the *Public Management and Finance Act (as revised)*.

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 (as revised)*.

As Chief Executive Officer and Chief Financial Officer, we are responsible for establishing; and have established and maintain 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 Cayman Islands National Insurance Company Ltd.

As Chief Executive Officer and the Chief Financial Officer we are responsible for the preparation of the Cayman Islands National Insurance Company Ltd. financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in shareholder's equity for the year ended December 31, 2021.

To the best of our knowledge we represent that these financial statements:

- (a) are complete and reliably reflect the financial transactions of Cayman Islands National Insurance Company Ltd. for the year ended December 31, 2021;
- (b) fairly reflect the financial position as at December 31, 2021, and performance for the year ended December 31, 2021;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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 and its agent has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.

Michael Gayle
Chief Executive Officer
Cayman Islands National Insurance Company

Frank Gallippi
Chief Financial Officer
Cayman Islands National Insurance Company

Date: 28th April 2022

Date: 28 April 2022

Cayman Islands National Insurance Company Ltd.

Statement of Financial Position

As at December 31, 2021

Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Assets</u>			
<i>Current</i>			
Cash and cash equivalents	4	\$ 31,571,520	\$ 25,707,447
Funds held in escrow		34,683	790,295
Premiums receivable, net	5	582,458	3,525,543
Advance claims, ASO claims and fees receivable		11,251,809	6,976,827
Other receivables and other assets	6	725,302	971,247
<i>Long term</i>			
Fixed assets	7	1,168,956	883,759
Total assets		45,334,728	38,855,118
<u>Liabilities</u>			
Accounts payable	8	31,806	336,347
Premiums received in advance		190,434	196,559
Accruals and other liabilities	9, 21	854,513	812,923
Lease liability	10	694,768	694,176
Claims payable		18,962	3,810
Provision for claims incurred	12	17,819,695	12,524,063
Total liabilities		19,610,178	14,567,878
<u>Shareholder's equity</u>			
Share capital	13	1	1
Share premium	13	2,999,999	2,999,999
Additional paid-in-capital	14	37,723,251	37,723,251
Accumulated deficit		(14,998,701)	(16,436,011)
Total shareholder's equity	22	25,724,550	24,287,240
Total liabilities and shareholder's equity		\$ 45,334,728	\$ 38,855,118

Michael Gayle

April 28, 2022

Chief Executive Officer

Date

Frank Gallippi

April 28, 2022

Chief Financial Officer

Date

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

Cayman Islands National Insurance Company Ltd.

Statement of Comprehensive Income
For the year ended December 31, 2021
Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Income			
Premium income	15, 19	\$ 112,597,257	\$ 101,753,929
Reinsurance premium	15	(1,002,564)	(970,731)
ASO fees	16, 19	1,128,452	1,151,228
Total underwriting income		112,723,145	101,934,426
Investment income and other income	20	241,030	122,331
Total income		112,964,175	102,056,757
Expenses			
Claims paid	11	101,150,763	81,582,518
Reinsured claims	12	(1,054,836)	(683,125)
Movement in provision for claims incurred	12	5,295,632	5,061,924
Contributions to segregated insurance fund	17, 19	247,190	242,150
Claims administration and other expenses		1,032,381	998,970
Total underwriting expenses		106,671,130	87,202,437
Administrative expenses and other expenses	18	4,855,735	4,306,461
Total expenses		111,526,865	91,508,898
Net income for the year		1,437,310	10,547,859
Total comprehensive income for the year		\$ 1,437,310	\$ 10,547,859

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

Cayman Islands National Insurance Company Ltd.

Statement of Cash Flows
For the year ended December 31, 2021
Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash flows from operating activities			
Net income for the year		\$ 1,437,310	\$ 10,547,859
Adjustments for non-cash items			
Depreciation	7	370,015	307,687
Funds held in escrow		755,612	(308,175)
Premiums receivable		2,943,085	468,302
Advance claims, ASO claims and fees receivable		(4,274,982)	(2,556,854)
Other receivables and other assets		245,945	(601,176)
Accounts payable		(304,541)	258,949
Premiums received in advance		(6,125)	2,855
Accruals and other liabilities		41,590	(331,413)
Claims payable		15,152	(36,965)
Provision for claims incurred		5,295,632	5,061,924
Net cash flows from operating activities		6,518,693	12,812,993
Cash flows from investing activities			
Purchase of fixed assets	7	(460,508)	(124,667)
Net cash flows from investing activities		(460,508)	(124,667)
Cash flows from financing activities			
Payment of lease liability		(194,112)	(153,845)
Net cash flows from financing activities		(194,112)	(153,845)
Net cash inflow for the year		5,864,073	12,534,481
Cash and cash equivalents at beginning of the year		25,707,447	13,172,966
Cash and cash equivalents at end of the year		\$ 31,571,520	\$ 25,707,447

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

Cayman Islands National Insurance Company Ltd.

Statement of Changes in Shareholder's Equity

Amounts stated in Cayman Islands dollars

	Share capital	Share premium	Additional paid- in-capital	Accumulated deficit	Total Shareholder's Equity
Balance, end of year	<u>\$ 1</u>	<u>\$ 2,999,999</u>	<u>\$ 37,723,251</u>	<u>\$ (26,983,870)</u>	<u>\$ 13,739,381</u>
Year ended December 31, 2020					
Comprehensive income:					
Net income for the year	-	-	-	10,547,859	10,547,859
Total comprehensive income:	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,547,859</u>	<u>10,547,859</u>
Balance, end of year	<u>\$ 1</u>	<u>\$ 2,999,999</u>	<u>\$ 37,723,251</u>	<u>\$ (16,436,011)</u>	<u>\$ 24,287,240</u>
Year ended December 31, 2021					
Comprehensive income:					
Net income for the year	-	-	-	1,437,310	1,437,310
Total comprehensive income:	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,437,310</u>	<u>1,437,310</u>
Balance, end of year	<u>\$ 1</u>	<u>\$ 2,999,999</u>	<u>\$ 37,723,251</u>	<u>\$ (14,998,701)</u>	<u>\$ 25,724,550</u>

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

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2021

Amounts stated in Cayman Islands dollars

1 Reporting entity

Cayman Islands National Insurance Company Ltd. ("CINICO" or the "Company") was formed on December 18, 2003, under the Cayman Islands Companies Act and was granted a Class A Insurance Licence under the Insurance Act (2003 Revision) on February 1, 2004. The Company was established and is wholly owned by the Cayman Islands Government ("CIG"), and the principal activity is the provision of health insurance for Government insureds including civil servants, pensioners, other CIG Statutory Authorities and Companies (including CINICO employees and dependants), seamen & veterans and their dependants ("Government Insureds"). The Company also serves residents of the Cayman Islands ("Private Insureds") by providing benefits under the "Standard Health Insurance Contract" (SHIC) as defined by the Health Insurance Act of the Cayman Islands. In addition, the Company also provides Administrative Services Only ("ASO") for indigents and advance patients. ASO is also provided for Seafarer and Veteran overseas benefits which came into effect July 1, 2007.

The Company has leased an insurance administration system through Hi-Tech and performs in-house claims adjudication, eligibility maintenance and in-house case management. The Company has also contracted with United Healthcare to provide network access to USA facilities and physicians. In addition, CINICO has contracted with Munich Re to provide specific excess loss reinsurance coverage on a per covered person basis.

The Company's registered office is at Cayman Centre, George Town, Grand Cayman. At December 31, 2021, the Company employed 35 permanent staff and 2 temporary staff (December 31, 2020: 31 permanent staff and 3 temporary staff).

2 Accounting policies

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

The financial statements were authorised for issue by the Company's Board of Directors on April 28, 2022.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's policies.

Change in accounting policies

A number of new standards are effective from January 1, 2021, but they do not have a material effect on the Company's financial statements.

Temporary exemption from application of IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after January 1, 2018. However, as permitted under IFRS 4 *Insurance Contracts*, the Company has applied the temporary exemption that permits an insurer to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* rather than IFRS 9. The Company is able to apply the temporary exemption as it has not previously applied any version of IFRS 9 and its activities at June 30, 2015, were predominantly connected with insurance. The Company's activities are determined to be predominantly connected with insurance as the carrying amount of its liabilities from insurance contracts is significant to the total carrying amount of all liabilities. At June 30, 2015, the carrying amount of the Company's liabilities from insurance contracts was equal to 96% of the total carrying amount of all liabilities.

At December 31, 2021, the Company did not have any (December 31, 2020: Nil) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The carrying amounts of all financial instruments approximate their fair values due to their short-term maturities.

IFRS 9 incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The Company is currently implementing IFRS 9. The expected financial impact is minimal. There will be changes to presentation and disclosures, including reflecting the business model assessment required for classification of financial investments under IFRS 9.

Upcoming changes in accounting policies

A number of new standards and amendments to standards and interpretations are issued but not yet effective for the financial period beginning January 1, 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company except the following set out below:

In May 2017, the IASB published IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*. The standard will apply to annual reporting periods beginning on or after January 1, 2023. The financial statements of the Company for the year ended December 31, 2021, will restate certain comparative information for the year ended December 31, 2022.

The core of IFRS 17 is the general measurement model (GMM) and a simplified approach (the premium allocation approach (PAA)), mainly for short-duration contracts. The measurement changes will be more significant for life insurance than general insurance contracts. The Company's insurance contracts are expected to be measured under the PAA. The main feature of IFRS 17 that affects the Company is the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period. The transition approach is expected to be fully retrospective.

The only notable change to the Company's financial position is related to establishing a liability for the risk adjustment for non-financial risk, which is expected to be between 3% to 5% of claims liabilities.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2021

Amounts stated in Cayman Islands dollars

2 Accounting policies (continued)

Critical accounting estimates and judgements

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The item which may have the most effect on the Company's financial statements is set out below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. See also Note 3.1.

The provision for claims incurred is necessarily based on estimates due to the fact that the ultimate disposition of claims incurred prior to the statement of financial position date, whether reported or not, is subject to the outcome of events that have not yet occurred. Any estimate of future events includes estimation uncertainty, and, consequently, the amounts recorded in respect of unpaid losses may change significantly in the short term. Management engage independent actuaries to assist them in making such estimates, based on the Company's own loss history and relevant industry data.

The principal accounting policies applied are set out below. These have been consistently applied to all years presented, unless otherwise stated.

Insurance and reinsurance contracts - classification

Insurance and reinsurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines as significant insurance risk using historical claims data and conducting an actuarial analysis of various reinsurance retention limits, to determine the optimum reinsurance retention limit. Under its reinsurance contract, the Company is entitled to any claims in excess of the reinsurance limit which is held or recognized as reinsurance assets.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on policies issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Insurance/reinsurance assets and liabilities

The Company assesses its insurance/reinsurance assets for impairment on a regular basis, and if there is objective evidence that the insurance/reinsurance asset is impaired, the Company reduces the carrying amount of these assets to their recoverable amounts. The impairment loss is recognised in the statement of comprehensive income. Insurance/reinsurance liabilities are recognised when incurred/due.

Claims and provision for claims incurred

Claims paid are recorded based on claims reported to the Company and adjudicated by its third party administrator. The provision for claims incurred is an estimate determined by an independent actuary, using standard actuarial claims projection techniques and includes amounts for all losses reported but not settled and loss adjustment expenses, as well as reserves for losses which have been incurred but not yet reported at the statement of financial position date. The Company records its estimated liability gross of any amounts recoverable under its own reinsurance. Recoverable amounts, under the reinsurance contract, if any, are estimated and reported separately as assets. The reinsured portion, if any, of reserves for losses is estimated in a manner consistent with the estimation of reserves for losses on the reinsured policies.

Cash and cash equivalents

Cash and cash equivalents is comprised of cash, demand deposits and interest bearing deposits with maturities of three months or less at date of acquisition.

Premiums

Premiums are accounted for on a pro-rata basis over the periods covered by the insurance policy. Premiums for privately insured persons are payable monthly in advance on the first day of the month. Premiums for Government insured persons are payable monthly. Premiums received in advance are deferred and included in premiums received in advance in the statement of financial position. Reinsurance premiums ceded are similarly recognized on a pro-rata basis based on the contractual premium rate and number of insureds covered under the reinsurance policy.

It is the Company's policy to lapse any policies where the premiums are unpaid for 45 days (December 31, 2020: 45 days) after the due date.

Leases

The Company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the asset is determined if the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and has the right to direct use of the asset.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2021

Amounts stated in Cayman Islands dollars

2 Accounting policies (continued)

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases. The Company recognises a right-of-use asset and the lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the Company's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

Financial instruments

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Company recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial instruments are measured initially at cost, including transaction costs. For financial assets acquired, cost is the fair value of the consideration given, while for financial liabilities cost is the fair value of consideration received.

Financial assets are derecognised if: the Company's contractual rights to the cash flows from the financial assets expire; the Company transfers the financial asset to another party without retaining control; or the Company transfers substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire, are discharged, or are cancelled.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts, and the transactions are intended to be settled on a net basis.

Fixed assets & depreciation

Fixed assets are carried at cost less depreciation and impairment. Depreciation is calculated on a straight-line basis over their expected useful lives of these assets. The following depreciation rates have been estimated by management to approximate the expected useful life of each class of assets:

Office Equipment	5 years
System Development Costs	3 - 5 years
Computer and Telecommunications Equipment	3 years
Leasehold Improvements	over the term of the lease

See also Note 7.

The assets' depreciation methods, useful lives and residual values are reviewed at each statement of financial position date and adjusted where appropriate.

Income taxes

There is presently no taxation imposed on the Company by the Government of the Cayman Islands. As a result, no tax liability or expense has been recorded in the accompanying financial statements.

Administrative Services Only Fees

The Company earns revenue from fees for administrative services only ("ASO") contracts. ASO fees are recognised as calculated on a per-member-per-month basis which is allocated to the performance obligations and recognised over time as the services are provided.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Cayman Islands dollars, which is the Company's presentation and functional currency.

Revenue and expense transactions denominated in currencies other than the Cayman Islands dollar have been translated using exchange rates ruling at the dates of those transactions. Assets and liabilities denominated in currencies other than the Cayman Islands dollar have been translated using year-end foreign exchange rates. Gains or losses on translation of foreign currency transactions are included in general and administrative expenses.

Investment income and other income

Investment income and other income are accrued as earned.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

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2 Accounting policies (continued)

Liability adequacy test

Annually, a liability adequacy test is performed to ensure the adequacy of the loss reserves. In performing this test, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities are used. Any deficiency over the remaining term of insurance contracts is recognized immediately by establishing a provision for losses arising from liability adequacy tests. No premium deficiency reserves were required for the year ended December 31, 2021 (December 31, 2020: none).

3 Management of insurance and financial risk

3.1 Insurance risk

The risk under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The very nature of an insurance contract involves randomness and therefore unpredictability. The principal risk that the Company faces is that the actual claim payments exceed the amount of insurance provisions. This could occur for various reasons; for example, the severity and/or frequency of claims may be higher than anticipated, or unit claim costs could be higher than estimated. Any significant delays in the reporting of claims information from service providers will also lead to increased uncertainty. Claim losses are random and the actual number and amount of claims will vary from year to year from the level established using statistical and actuarial techniques.

The Company uses several techniques to mitigate risk surrounding potential high claim losses. For its largest group (Group 30100 - Civil, Servants, Pensioners and Government Entities), reinsurance has been purchased that covers overseas claim losses which exceed US\$550,000 (December 31, 2020: US\$550,000), up to US\$5,000,000 in respect of any one covered person during the policy year, with an aggregate cap of US\$10,500,000 per year. The Company's Standard Health Insurance Contracts ("SHIC" plans) use a combination of pre-existing condition exclusions, and annual limits to mitigate risk. In August 2016, the Company implemented its own department to provide case management service to patients. The Company uses United Healthcare for the provision of overseas network access. This entity has pre-negotiated contracts with many overseas providers which would allow the Company to realise significant savings. Furthermore, during the current fiscal year on a monthly basis, the Risk and Appeal Committee meet to discuss large claims and any disputed claims.

3.2 Financial risk

Financial risk can be broken down into credit risk, market risk (comprising of: interest rate risk, foreign currency risk and other price risk) and liquidity risk. The Company is exposed to financial risks through its financial assets, financial liabilities, and reinsurance assets. No financial risk is associated with its insurance liabilities. The Company's assets and liabilities are generally short term in nature (less than one year), as such financial risks are minimal.

Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- cash
- at bank;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from ASO contracts.

All of the Company's cash and cash equivalents are held with reputable financial institutions in the Cayman Islands (2021: 100%; 2020: 100%). As described in Note 3.1, reinsurance is used to manage insurance risk. However, this does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment of the claim. As part of the reinsurance renewal, the Company reviews the creditworthiness of the reinsurer prior to finalization of any contract, and has chosen a reinsurer with an AM Best rating of A (Excellent).

The following assets of the Company are exposed to credit risk:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 31,571,520	\$ 25,707,447
Funds held in escrow	34,683	790,295
Premiums receivable	582,458	3,525,543
Advance claims, ASO claims and fees receivable	11,251,809	6,976,827
Reinsurance claims recoveries	357,507	634,230
Other assets and receivables	367,795	337,017
Total financial assets	<u>\$ 44,165,772</u>	<u>\$ 37,971,359</u>
Non-financial assets	\$ 1,168,956	\$ 883,759
Total assets per the statement of financial position	<u>\$ 45,334,728</u>	<u>\$ 38,855,118</u>

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3.2 Financial risk (continued)

Balances past due but not impaired and those that are impaired are analysed in the tables below:

	Neither past due nor impaired	Past due but not impaired	Impaired	Provision for bad debt	Total
As at December 31, 2021:					
Cash and cash equivalents	\$ 31,571,520	\$ -	\$ -	\$ -	31,571,520
Funds held in escrow	34,683	-	-	-	34,683
Premiums receivable	-	582,458	19,300	(19,300)	582,458
Advance claims, ASO claims and fees receivable	-	11,251,809	-	-	11,251,809
Reinsurers share of insurance liabilities	357,507	-	-	-	357,507
Other assets	367,795	-	-	-	367,795
Total assets exposed to credit risks	\$ 32,331,505	\$ 11,834,267	\$ 19,300	\$ (19,300)	\$ 44,165,772

	Neither past due nor impaired	Past due but not impaired	Impaired	Provision for bad debt	Total
As at December 31, 2020:					
Cash and cash equivalents	\$ 25,707,447	\$ -	\$ -	\$ -	25,707,447
Funds held in escrow	790,295	-	-	-	790,295
Premiums receivable	-	3,525,543	29,722	(29,722)	3,525,543
Advance claims, ASO claims and fees receivable	-	6,976,827	-	-	6,976,827
Reinsurers share of insurance liabilities	634,230	-	-	-	634,230
Other assets	337,017	-	-	-	337,017
Total assets exposed to credit risks	\$ 27,468,989	\$ 10,502,370	\$ 29,722	\$ (29,722)	\$ 33,971,359

The ageing analysis of financial assets that are past due but not impaired is as follows:

	Up to 30 days	30 to 60 days	> 60	Total
As at December 31, 2021:				
Advance claims, ASO claims and fees receivable	\$ 4,222,704	\$ 2,534,781	\$ 4,494,324	\$ 11,251,809
Premiums receivable	582,458	-	-	582,458
	\$ 4,805,162	\$ 2,534,781	\$ 4,494,324	\$ 11,834,267

	Up to 30 days	30 to 60 days	> 60	Total
As at December 31, 2020:				
Advance claims, ASO claims and fees receivable	\$ 4,712,853	\$ 2,263,974	\$ -	\$ 6,976,827
Premiums receivable	3,336,725	188,374	444	3,525,543
	\$ 8,049,578	\$ 2,452,348	\$ 444	\$ 10,502,370

Cash and cash equivalents (including funds held in escrow) above are analysed in the table below using the Standard and Poors (S&P) rating (or an equivalent rating when not available from S&P) for the financial institution that holds the cash or cash equivalent. The concentration of credit risk is substantially unchanged compared to the prior year.

	December 31, 2021	December 31, 2020
AA	\$ 27,447,809	\$ 23,938,082
A	25,434	790,295
BBB	2,575,968	920,120
Below BBB or not rated	1,556,992	849,245
Total cash and cash equivalents bearing credit risk	\$ 31,606,203	\$ 26,497,742

The majority of the amounts due from insurance contract holders are due from the Cayman Islands Government which has a Moody rating of Aa3 (December 31, 2021: \$545,749; December 31, 2020: \$3,501,414).

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3.2 Financial risk (continued)

Interest rate risk

Cash and cash equivalents exposes the Company to cash flow interest rate risk. Given the short-term nature of cash and cash equivalents this exposure is not considered material to the Company.

Foreign currency risk

The Company receives revenue in Cayman Islands Dollars (CIS), and pays claims in both Cayman Islands and United States dollars (US\$). Since the exchange between CIS and US\$ is fixed, the Company is not exposed to foreign currency risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims, in conjunction with uncollected receivables. The nature of the Company's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risks, have not changed significantly from the prior year.

At December 31, 2021, the Company had cash and cash equivalents (including funds held in escrow) of \$31,606,203 (December 31, 2020: \$26,497,742). These amounts are highly liquid and are a significant component of the Company's overall liquidity and capital resources. Liquidity forecasts are produced on a regular basis to ensure the liquidity is maintained.

3.3 Management of financial risks

The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the Company's financial statements as of December 31, 2021 and December 31, 2020. Insurance contract liabilities and associated reinsurance recoveries without contractual maturities are presented based on expected cash flow timings.

	Contractual cash flows (undiscounted)						
	Carrying amount - \$	No stated maturity	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
December 31, 2021							
Financial Assets							
Cash and cash equivalents	\$ 31,571,520	\$ -	\$ 31,571,520	\$ -	\$ -	\$ -	\$ -
Funds held in escrow	34,683	-	34,683	-	-	-	-
Advance claims, ASO claims and fees receivable	11,251,809	-	11,251,809	-	-	-	-
Premiums receivable	582,458	-	582,458	-	-	-	-
Reinsurance recoveries	357,507	-	357,507	-	-	-	-
Other assets	367,795	-	367,795	-	-	-	-
Total	\$ 44,165,772	\$ -	\$ 44,165,772	\$ -	\$ -	\$ -	\$ -
Short term insurance liabilities							
Insurance contracts	\$ 17,838,657	\$ -	\$ 17,838,657	-	-	-	-
Other financial liabilities	886,319	-	886,319	-	-	-	-
Total	\$ 18,724,976	\$ -	\$ 18,724,976	\$ -	\$ -	\$ -	\$ -
Difference in contractual flows	\$ 25,440,796	\$ -	\$ 25,440,796	\$ -	\$ -	\$ -	\$ -

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3.3 Management of financial risks (continued)

December 31, 2020	Contractual cash flows (undiscounted)						
	Carrying amount - \$	No stated maturity	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	>5 yrs
Financial Assets							
Cash and cash equivalents	\$ 25,707,447	\$ -	\$ 25,707,447	\$ -	\$ -	\$ -	\$ -
Funds held in escrow	790,295	-	790,295	-	-	-	-
Advance claims, ASO claims and fees receivable	6,976,827	-	6,976,827	-	-	-	-
Premiums receivable	3,525,543	-	3,525,543	-	-	-	-
Reinsurance recoveries	634,230	-	634,230	\$ -	\$ -	\$ -	\$ -
Other assets	337,017	-	337,017	-	-	-	-
Total	\$ 37,971,359	\$ -	\$ 37,971,359	\$ -	\$ -	\$ -	\$ -
Short term insurance liabilities							
Insurance contracts	12,527,873	\$ -	12,527,873	\$ -	\$ -	\$ -	\$ -
Other financial liabilities	1,149,270	-	1,149,270	-	-	-	-
Total	\$ 13,677,143	\$ -	\$ 13,677,143	\$ -	\$ -	\$ -	\$ -
Difference in contractual flows	\$ 24,294,216	\$ -	\$ 24,294,216	\$ -	\$ -	\$ -	\$ -

3.4 Sensitivity analysis - insurance contracts

The following factors are likely to affect the sensitivity of the Company's reserves:

- changes to the loss ratios for the underlying business
- changes to the reporting pattern of losses
- changes to the severity of losses

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted, contractually non-interest bearing, and are payable less than one year from the date of the claim.

Short-term insurance liabilities are estimated using standard actuarial claims projection techniques. These methods extrapolated the claims development for each underwriting year based on the observed development of earlier years, adjusted for any current trends or developments. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims reporting patterns on which the projections are based. As such, the sensitivity of short term insurance liabilities is based on the financial impact of changes to the claims reporting patterns.

The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

Sensitivity factor	Description of sensitivity factor applied
Expenses (1)	The impact of an increase in underwriting expenses by 10%
Loss ratios (2)	The impact of an increase in loss ratio's (before reinsurance recoveries) by 10%

1 - Related to the contributions to segregated insurance fund, claims administration and other expenses

2 - Related to the absolute percentage change in the claims paid and movement in the provision for claims incurred

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3.4 Sensitivity analysis - insurance contracts (continued)

	Expenses		Loss ratios	
	+10%	-10%	+10%	-10%
Sensitivities as at December 31, 2021				
Impact on net income				
for the year	(127,957)	127,957	(10,644,640)	10,644,640
Impact on Shareholder's equity	(127,957)	127,957	(10,644,640)	10,644,640

	Expenses		Loss ratios	
	+10%	-10%	+10%	-10%
Sensitivities as at December 31, 2020				
Impact on net income				
for the year	(126,258)	126,258	(9,094,158)	9,094,158
Impact on Shareholder's equity	(126,258)	126,258	(9,094,158)	9,094,158

4 Cash and cash equivalents

	December 31, 2021	December 31, 2020
Demand Deposits	\$ 12,078,003	\$ 12,002,223
Cash at Bank	19,490,016	13,701,114
Deposit in transit	3,501	4,110
	<u>\$ 31,571,520</u>	<u>\$ 25,707,447</u>

4.1 Funds held in escrow

United Healthcare (UHC) provides the Company with network access to USA facilities and physicians at discounted rates. As part of the agreement with UHC, the Company is required to maintain an appropriate level of funds in a client billing account maintained by UHC for the payment of claims.

5 Premiums receivable

	December 31, 2021	December 31, 2020
Premiums receivable from related parties, gross	\$ 545,749	\$ 3,519,794
Premiums receivable from unrelated entities, gross	56,009	35,471
Less: provisions for bad debts	(19,300)	(29,722)
	<u>\$ 582,458</u>	<u>\$ 3,525,543</u>

During the year ended December 31, 2021, bad debts of \$103,881 (December 31, 2020: \$151,855) have been written off. It is management's opinion that a provision for bad debts of \$19,300 (December 31, 2020: \$11,342) for unrelated individuals is required at December 31, 2021. All bad debts written off are from unrelated individuals. Once a bad debt is written off coverage to the unrelated individual is terminated.

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6 Other receivables and other assets

Components of other receivables and other assets are as follows:

	December 31, 2021	December 31, 2020
Reinsurance claims recoveries	\$ 357,507	\$ 634,230
Unallocated claims expense	84,217	56,883
Amount on deposit with Cayman Airways	84,000	84,000
Licence fees	75,000	75,000
Investment income	49,822	22,200
Work permit fees	32,151	29,990
Prepaid software licences	26,529	34,334
Prepaid rent	6,282	9,112
Marketing costs	5,351	6,539
Miscellaneous	1,890	1,030
Maintenance/software costs	1,550	900
Insurance expense	1,003	2,300
Claims administration and other expenses	-	14,667
Refund due from provider	-	62
	<u>\$ 725,302</u>	<u>\$ 971,247</u>

See Note 19 for disclosure on related party balances.

7 Fixed assets

	Office building	System Development Costs	Office Equipment	Computer & Telecoms Equipment	Leasehold Improvements	Total
Cost at January 1, 2020	\$ 700,630	\$ 1,031,554	\$ 188,352	\$ 559,821	\$ 352,399	\$ 2,832,756
Reclassify additions from 2019			\$ (2,443)	\$ 2,443		\$ -
Additions	210,212	6,250	16,870	79,067	22,480	334,879
Cost at December 31, 2020	<u>910,842</u>	<u>1,037,804</u>	<u>202,779</u>	<u>641,331</u>	<u>374,879</u>	<u>3,167,635</u>
Accumulated depreciation at January 1, 2020	70,063	908,785	152,943	495,529	348,869	1,976,189
Reclassify depreciation			\$ (83)	83		-
Depreciation for period	168,152	74,443	15,656	47,066	2,370	307,687
Accumulated depreciation at December 31, 2020	<u>238,215</u>	<u>983,228</u>	<u>168,516</u>	<u>542,678</u>	<u>351,239</u>	<u>2,283,876</u>
Carrying value at December 31, 2020	<u>\$ 672,627</u>	<u>\$ 54,576</u>	<u>\$ 34,263</u>	<u>\$ 98,653</u>	<u>\$ 23,640</u>	<u>\$ 883,759</u>
Cost at January 1, 2021	\$ 910,842	\$ 1,037,804	\$ 202,779	\$ 641,331	\$ 374,879	\$ 3,167,635
Additions	194,704	-	96,118	47,668	316,722	655,212
Cost at December 31, 2021	<u>1,105,546</u>	<u>1,037,804</u>	<u>298,897</u>	<u>688,999</u>	<u>691,601</u>	<u>3,822,847</u>
Accumulated depreciation at January 1, 2021	238,215	983,228	168,516	542,678	351,239	2,283,876
Depreciation for period	208,955	38,597	21,149	53,375	47,939	370,015
Accumulated depreciation at December 31, 2021	<u>447,170</u>	<u>1,021,825</u>	<u>189,665</u>	<u>596,053</u>	<u>399,178</u>	<u>2,653,891</u>
Carrying value at December 31, 2021	<u>\$ 658,376</u>	<u>\$ 15,979</u>	<u>\$ 109,232</u>	<u>\$ 92,946</u>	<u>\$ 292,423</u>	<u>\$ 1,168,956</u>

Included in office building is the right-of use asset for the office leases with a total book value at December 31, 2021, of \$658,376 (December 31, 2020: \$672,627).

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8 Accounts payable

	December 31, 2021	December 31, 2020
Payable to unrelated entities	\$ 31,806	\$ 336,347
Payable to related parties	-	-
	<u>\$ 31,806</u>	<u>\$ 336,347</u>

Included in accounts payable in respect of unrelated entities are amounts relating to administrative expenses of \$31,806 (December 31, 2020: \$336,347). Accounts payable in respect of related entities as at December 31, 2021 is \$Nil (December 31, 2020: \$Nil).

9 Accruals and other liabilities

Components of accruals and other liabilities are as follows:

	December 31, 2021	December 31, 2020
Stale dated cheques	\$ 289,980	\$ 332,648
Hi-Tech/UHC/CHN Expenses	170,100	207,900
Audit fees	117,000	81,500
Actuarial & Consulting fees	84,820	20,580
Personnel costs	83,463	-
Other accruals	41,122	46,479
Legal Fees	21,260	1,848
Indigent fund	21,050	17,870
Maintenance/Utilities & Telecommunications	11,719	8,786
Audit Fees - Auditor General	11,000	11,000
Marketing costs	2,234	600
Stamp duty	648	432
Water	117	120
Reinsurance premium due	-	83,160
	<u>\$ 854,513</u>	<u>\$ 812,923</u>

See note 19 for disclosure on related party balances.

10 Lease liabilities

The lease liabilities are secured by the related underlying assets. The total cash outflow for leases in the year ended December 31, 2021, was \$223,811 (December 31, 2020: \$186,966). The undiscounted maturity analysis of lease liabilities at December 31, 2021, is as follows:

	within 1 year	1-2 years	2-3 years	over 3 years	Total
Lease payment	276,623	276,623	163,433	16,746	733,425
Finance charges	23,213	12,564	2,782	98	38,657
Net present value	<u>253,410</u>	<u>264,059</u>	<u>160,651</u>	<u>16,648</u>	<u>694,768</u>

11 Claims paid

	December 31, 2021	December 31, 2020
Net US\$ claims (denominated in C\$)	22,751,495	18,259,198
CIS claims	78,399,268	63,323,320
Total claims	<u>\$ 101,150,763</u>	<u>\$ 81,582,518</u>
Less repricing fees	(1,098,733)	(923,170)
Claims paid (not including repricing fees)	<u>\$ 100,052,030</u>	<u>\$ 80,659,348</u>

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12 Provision for claims incurred

Through the use of an independent actuary, management has estimated a provision for claims which have been incurred but not yet reported ("IBNR"), on an undiscounted basis. While management has estimated IBNR based on all information it has available to it at the time, the ultimate liability may be in excess of, or less than, the amounts provided. Provisions for claims incurred but not reported are estimated using acceptable reserving methods, all calculations performed by the independent actuary is peer reviewed by the actuarial firm.

A health claim is payable when an event has occurred that gives rise to a claim payment within the benefits of an insured member's policy while in force. The lag between the occurrence of a claim and the final payment is normally short term in nature as providers are required by the Cayman Islands Health Insurance Act to submit any claims within 180 days of date of service (USA providers are required to submit claims within one year of the date of service). Thus, any reserve estimates are normally settled within a year.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each year before reinsurance, has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the statement of financial position.

Reporting year	2016/17	2018	2019	2020	2021	Total
<u>Estimate of ultimate claims costs:</u>						
At end of period	100,730,282	80,916,008	90,413,117	85,595,610	107,171,311	
One year later	100,563,443	80,974,231	90,419,610	83,291,110	n.a.	
Two years later	100,529,447	80,998,761	90,805,102	n.a.	n.a.	
Three years to four years later	100,398,831	81,002,111	n.a.	n.a.	n.a.	
Current estimate of cumulative claims	100,398,583	81,002,111	90,805,102	83,291,110	107,171,311	
Cumulative payments to date	100,398,669	81,012,052	90,671,296	83,099,166	90,472,311	
Gross liability recognized in the statement of financial position	(86)	(9,941)	133,806	191,944	16,699,000	17,014,723
Allocated loss expenses ("ALE") reserve	(5)	(304)	8,191	11,046	786,044	804,972
Net liability recognized in the statement of financial position	\$ (91)	\$ (10,245)	\$ 141,997	\$ 202,990	\$ 17,485,044	\$ 17,819,695
	Year ended December 31, 2021			Year ended December 31, 2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balance at beginning of year	\$ 12,524,063	\$ (634,230)	\$ 11,889,833	\$ 7,462,139	\$ (170,919)	\$ 7,291,220
Incurred related to:						
Current year	107,171,311	(741,872)	106,429,439	85,595,610	(634,367)	84,961,243
Prior year	(2,086,979)	(312,964)	(2,399,943)	(123,398)	(48,757)	(172,155)
	105,084,332	(1,054,836)	104,029,496	85,472,212	(683,124)	84,789,088
Paid related to:						
Current year	90,472,311	(386,649)	90,085,662	73,757,333	-	73,757,333
Prior year	9,579,719	(944,909)	8,634,810	6,902,015	(219,813)	6,682,202
	100,052,030	(1,331,558)	98,720,472	80,659,348	(219,813)	80,439,535
ALE Reserve movement	263,330	-	263,330	249,060	-	249,060
Balance at end of period	\$ 17,819,695	\$ (357,508)	\$ 17,462,187	\$ 12,524,063	\$ (634,230)	\$ 11,889,833
Movement in provision for claims incurred	\$ 5,295,632			\$ 5,061,924		

For the year ended December 31, 2021, there was a hindsight reserve release of \$2,399,946 (December 31, 2020: \$172,155). As stated in the beginning of Note 12,

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13 Share capital

Authorized:	December 31, 2021	December 31, 2020
1,000,000 unclassified shares of C\$1.00 each	\$ 1,000,000	\$ 1,000,000
Issued and fully paid:		
1 share	\$ 1	\$ 1

The unclassified shares hold all voting rights in the Company. During the year ended June 30, 2004, one share was issued to the Cayman Islands Government at a premium of C\$2,999,999.

14 Additional paid-in-capital

Additional paid in capital received	December 31, 2021	December 31, 2020
	\$ 37,723,251	\$ 37,723,251
	<u>\$ 37,723,251</u>	<u>\$ 37,723,251</u>

Additional paid-in-capital represents additional capital contributions of the shareholder not made in connection with the issuance of shares. These capital contributions have the same rights and characteristics as share premium and, accordingly, they can be returned/distributed to the shareholder solely at the discretion of the Board of Directors. During the year ended December 31, 2021, the company received \$Nil in additional paid in capital from the shareholder (December 31, 2020: \$Nil).

15 Premium income

Premium income earned by insured type is as follows:

	For the Year Ended December 31, 2021			
	Group 30100	Group 30101	Group 30104/31304	Total
Premium Income	\$ 95,572,474	\$ 13,481,966	\$ 3,542,817	\$ 112,597,257
Reinsurance Premium	(1,002,564)	-	-	(1,002,564)
Net Premium	<u>\$ 94,569,910</u>	<u>\$ 13,481,966</u>	<u>\$ 3,542,817</u>	<u>\$ 111,594,693</u>

	For the Year Ended December 31, 2020			
	Group 30100	Group 30101	Group 30104/31304	Total
Premium Income	\$ 85,502,323	\$ 12,741,445	\$ 3,510,161	\$ 101,753,929
Reinsurance Premium	(970,731)	-	-	(970,731)
Net Premium	<u>\$ 84,531,592</u>	<u>\$ 12,741,445</u>	<u>\$ 3,510,161</u>	<u>\$ 100,783,198</u>

Group 30100 includes insurance coverage for civil servants, pensioners and employees of Government entities. Group 30101 includes coverage for seamen & veterans, and Group 30104/31304 includes coverage for third party residents under the Standard Health Insurance Plan. With the exception of Group 30104/31304, all plans are to a related party.

Reinsurance premium is calculated at USD\$8.30 per person per month (December 31, 2020: USD\$8.51).

16 Administrative Services Only Fees

The Company accrues income as earned from the Segregated Insurance Fund and from the Treasury Department in respect of Indigents and Advance Patients respectively for third party administrator fees.

17 Contributions to segregated insurance fund

Under Section 5(1) of the Health Insurance Regulations (2013 Revision), each domestic health insurer is required to pay to a Segregated Insurance Fund \$10.00 per month per single insured and \$20.00 per month per couple or family insured. For the year ended December 31, 2021, the Company accrued contributions totaling \$247,190 (December 31, 2020: \$242,150).

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2021

Amounts stated in Cayman Islands dollars

18 Administrative expenses and other expenses

Components of administrative expenses and other expenses are as follows:

	December 31, 2021	December 31, 2020
Administrative expenses		
Salaries	\$ 2,805,124	\$ 2,510,184
Employee benefits	613,355	538,174
Depreciation	370,012	307,687
Maintenance	287,124	246,197
Professional fees	270,262	275,053
Other/miscellaneous	201,189	129,034
Utilities	137,233	122,166
Licence fees	75,000	75,000
Office supplies	32,531	32,448
Marketing	29,856	22,281
Rent	13,863	15,116
	<u>4,835,549</u>	<u>4,273,340</u>
Other expenses		
Interest expenses (IFRS 16)	20,186	33,121
	<u>\$ 4,855,735</u>	<u>\$ 4,306,461</u>

19 Related parties

A. Parent and ultimate controlling party

The Company is wholly owned by the Cayman Islands Government ("CIG"), and as the primary insurer for "CIG" will enter into various related party insurance transactions (insurance premium, ASO fees) with various Ministries/Portfolios, and Statutory Authorities and Government Companies (SAGCs). This includes services rendered by the Cayman Islands Health Services Authority and Cayman Airways, provided to the Company's insured members and paid by the Company. The Company also purchases services from CIG and SAGC's such as licence fees, workpermit fees, etc. Related party balances and transactions from the statements of financial position and comprehensive income are represented below.

	December 31, 2021	December 31, 2020
Assets		
Premiums receivable	\$ 545,749	\$ 3,519,794
Provision for bad debt	-	(18,380)
Advance claims, ASO claims receivable and fees receivable	11,251,809	6,976,827
Other receivables and other assets	191,151	188,990
	<u>\$ 11,988,709</u>	<u>\$ 10,667,231</u>
Liabilities		
Premiums received in advance	\$ 5,399	\$ 696
Accruals and other liabilities	39,451	35,091
	<u>\$ 44,850</u>	<u>\$ 35,787</u>
Income		
Premium income	\$ 108,979,392	\$ 98,243,768
ASO fees	1,128,452	1,151,228
	<u>\$ 110,107,844</u>	<u>\$ 99,394,996</u>
Expenses		
Claims paid	\$ 51,830,353	\$ 44,248,512
Contributions to segregated insurance fund	247,190	242,150
Claims administration & administrative expenses	592,517	529,434
	<u>\$ 52,670,060</u>	<u>\$ 45,020,096</u>

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2021

Amounts stated in Cayman Islands dollars

19 Related parties (continued)

B. Transactions with key management personnel

Key employee and director remuneration/compensation are included within administrative expenses as reported in the statement of comprehensive income, and broken down as:

i. Key management personnel compensation

	December 31, 2021	December 31, 2020
Short-term employee benefits	\$ 690,386	\$ 623,161
Post-employment benefits	38,000	35,896
Director fees	60,250	44,000
	<u>\$ 788,636</u>	<u>\$ 703,057</u>

Short-term employee benefits include salaries and contributions to the health insurance plan. Post-employment benefits include contributions to the Company's defined contribution plan.

ii. Key management personnel transactions

Payments are also made to Caring Hands Cayman and Cayman Hearing Centre Ltd., providing medical services for the Company's members. These companies are related parties by way of two members of the Board of Directors, who do not participate in any decisions related to these companies. Related party transactions from the statement of comprehensive income are represented below.

Expenses	December 31, 2021	December 31, 2020
Claims paid to Caring Hands Cayman	\$ 504,990	\$ 318,628
Claims paid to Cayman Hearing Centre Ltd	187,263	257,897
	<u>\$ 692,253</u>	<u>\$ 576,525</u>

20 Investment income & other income

Investment income represents interest earned from the cash held at various banks. Other income includes income collected for replacement insurance cards, reinstatement of policies and stale dated checks over six years.

21 Pension costs

The Company participates in a defined contribution pension scheme administered by the Cayman Islands Chamber of Commerce. In addition, two employees are continuing to contribute to the defined contribution pension scheme administered by the Public Service Pension Board. Pension expense for the year ended December 31, 2021, is \$191,904 (December 31, 2020: \$176,679).

22 Net worth for regulatory purposes

	December 31, 2021	December 31, 2020
Share capital	\$ 1	\$ 1
Share premium	2,999,999	2,999,999
Additional paid-in-capital	37,723,251	37,723,251
Accumulated deficit	(14,998,701)	(16,436,011)
	<u>\$ 25,724,550</u>	<u>\$ 24,287,240</u>

It is the policy of the Company to operate in a manner designed to maintain capitalisation within CIMA's prescribed capital requirements (PCR). As a Class A insurance company the Company is required to maintain capital levels in accordance with the Insurance (Capital and solvency)(Class A Insurers) regulations, 2012, which is a risk based approach in assessing the adequacy of the required capital. To maintain its capital base, the Company sets actuarial premium rates on an annual basis to ensure that premium rates keep up with claim utilization rates. Financial performance is reviewed monthly. At this time the Company also calculates the Minimum and Prescribed Capital Requirements (MCR/PCR) required under Schedule 1 to Schedule 3 of the regulations. These ratios are reported to CIMA quarterly as required by the regulations. If the Company falls below the PCR, Management must prepare a plan as to how it would restore capital to a level above PCR, this would involve seeking a capital injection from Government.

As at December 31, 2021, the company complies with both the Minimum Capital Requirements (MCR) and Preferred Capital Requirements (PCR), as listed below.

	December 31, 2021	December 31, 2020
Available capital	\$ 25,008,941	\$ 23,791,826
Minimum Capital Requirements		
MCR	\$ 14,688,589	\$ 12,462,006
PCR	\$ 18,360,739	\$ 15,577,507

Cayman Islands National Insurance Company Ltd.

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23 Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to April 28, 2022, which is the date the financial statements were available to be issued.

In a press release on April 13, 2022, the Cayman Islands Government announced CINICO's expansion plans which include offering insurance services to a wider population, the development of a retirees plan and offering a health insurance option to Public Servants allowing for a choice of health care providers, which will require the establishment of a local provider network. Other short-term expansion plans include Property & Casualty (residential and auto) insurance to public sector employees and their families. The expansion into further health insurance offerings and P&C will diversify CINICO's risk profile. Expansion will begin to take place by the end of 2022. Cabinet approved the expansion plans on April 5, 2022, along with supplementary funding of \$10.35 million (\$5.35 million in 2022 and \$5.0 million in 2023). A majority of the injection will be used for the establishment of the expansion into the P&C business line.



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