ANNUAL REPORT 2022

CAYMAN ISLANDS
CINICO
NATIONAL INSURANCE COMPANY

OPENING DOORS TO WELLNESS FOR OUR MEMBERS

FISCAL YEAR ENDED
31 DECEMBER 2022

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CINICO
CINICO
BUSINESS HOURS
CINICO

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

I am pleased to present this Annual Report for CINICO for the financial year ended 31 December 2022.

In December 2021, Generali Worldwide, one of the largest health insurance providers in the Cayman Islands, withdrew its business from the Cayman market. The withdrawal was a shock to the market as many individuals and businesses had to find new health insurance providers and individuals, especially those with pre-existing conditions, found it difficult to obtain affordable health insurance.

The Government's plans to expand the scope of operations and products of the Cayman Islands National Insurance Company ("CINICO") are with the aim of mitigating such future shocks to the local market. With achieving cost advantages through economies of scale and competition, the Government aims to be in a better position not only to diversify CINICO's risk profile, but to also provide more attractive and affordable health, auto and property insurance options to public servants and residents of the Cayman Islands.

In 2022, the Government approved an additional $10.35 million in capital so that CINICO could meet solvency requirements and expected increases in operational costs and commitments as a result of the expansion plans.

In keeping with CINICO's tagline of "Opening Doors to Wellness", I was pleased that during 2022 CINICO collaborated and partnered with the Government's Wellness Committee and a number of local healthcare providers to pursue wellness programmes and initiatives, including the provision of executive medicals to Civil Servants. As you know, these wellness activities play a significant role in not only helping to avoid illnesses, but at the same time improving and maintaining the general health of members.

In 2022, Cabinet appointed new members to the Board of Directors of CINICO, who brought with them a wealth of new perspectives and experience aimed at ensuring the ongoing success and performance of CINICO. I would like to take this opportunity to extend my gratitude and appreciation to the former Directors for their leadership, commitment and invaluable contribution to the governance and progression of CINICO during their tenure.

I am pleased to present this Annual Report for CINICO for the financial year ended 31 December 2022.

I would like to thank the employees of CINICO for their countless efforts and willingness to take on the ambitious course set out for the Company. I would also like to thank the Board of Directors and Management Team for their continued collaboration and leadership with the pursuit of making CINICO the provider of choice for insurance for all residents of the Cayman Islands.

Honourable Chris Saunders, MP
Deputy Premier and Minister for Finance & Economic Development
28 February 2023

CAYMAN ISLANDS CINICO NATIONAL INSURANCE COMPANY

Foreword by the Chairman Of The Board

I am pleased to present this Annual Report for the fiscal year period ended December 31, 2022.

In 2022, a new Board of Directors for CINICO was appointed. I have the pleasure of serving as Chairman, having been appointed as of March 1, 2022. Other new members were appointed in the following months and the new Board was fully constituted in May 2022. The new Board immediately set about reconstituting its Sub-Committees to ensure that proper corporate governance was in place and upheld. We are pleased to report that the Audit and Finance, Risk and Compliance and Human Resources Sub-Committees are functioning effectively with every Director involved in one or more Sub-Committees.

This has been a year in which CINICO has actively moved towards expanding our scope of services offered to our members and to further enhance the capacity of our operations. Emerging from the COVID pandemic which proved to be a challenging period for the organization, we have learned several lessons on repositioning the business to better deliver on our mandate. We are very excited about the expansion plans and are actively involved in the execution of these plans. As we move forward in 2023, we are preparing for the re-positioning of CINICO armed with a series of new offerings. However, we are mindful that the timing of the new offerings implementation would be subject to macro issues such as working closely with the reinsurance industry.

In terms of capacity building, despite the challenges to source expertise for our business, we have been successful in recruiting several competent Caymanian staff during this period under review as we build out our human resources capacity for the new areas of business contemplated by the expansion plans.

We are happy to have had another year in which surpluses were generated, which surpluses will assist us in ensuring that we remain compliant with our statutory solvency requirements.

Finally, I would like to express my sincerest gratitude to my fellow Board Members for their support and commitment to CINICO, and to the Management and staff for their excellent work and stewardship in ensuring that the past year was a very successful one.

George McCarthy
Chairman of the Board of Directors
Cayman Islands National Insurance Company
28 February 2023

Message from the Chief Executive Officer

I am pleased to present this Annual Report for the fiscal year period ended December 31, 2022.

There is an old saying, reported to find its origin in an ancient Chinese curse; "May you live in interesting times." This describes CINICO's recent past, particularly 2022; not that it was cursed, but it was certainly interesting.

2022 has proven to be another good year for CINICO in a number of respects. On the financial side, we have had another year in which we generated surpluses to an extent which was greater than anticipated. This is a direct result of the increase in claims cost not being as high as originally projected by our actuaries, on which we commented in last year's Annual Report, and which resulted in a higher than usual increase in premium rates for 2022.

The good news is that this has had the effect of enabling us to propose premium rates below the usual trended increases for the coming period, whilst also further stabilizing our capital base, and reducing the likelihood of a call for a capital injection for the purpose of satisfying statutory solvency margin requirements. In addition, it will help to relieve some of the expected capital strain resulting from our expansion activities which will be outlined below.

We have been asked to expand the scope of our operations in the following areas:

1. Establishment of a Preferred Provider Network (PPN) which will provide options outside of the Health Services Authority for most of our members.
2. Development of a new open-market plan which will address some of the deficiencies of the Standard Health Insurance Contract (SHIC), at a relatively affordable cost.
3. Development of a similar product for retirees, for whom comprehensive coverage is not available through us at the moment.
4. Expanding into Property & Casualty (P&C) insurance by offering Residential and Motor insurance coverage.

All of these areas are shrouded in uncertainty, and in spite of our best efforts and expert advice sought, the uncertainty remains. The opening up of service options is typically accompanied by an increase in utilization, accompanied by the attendant increase in claims costs. It is these anticipated costs that the surpluses of 2022 will help to offset.

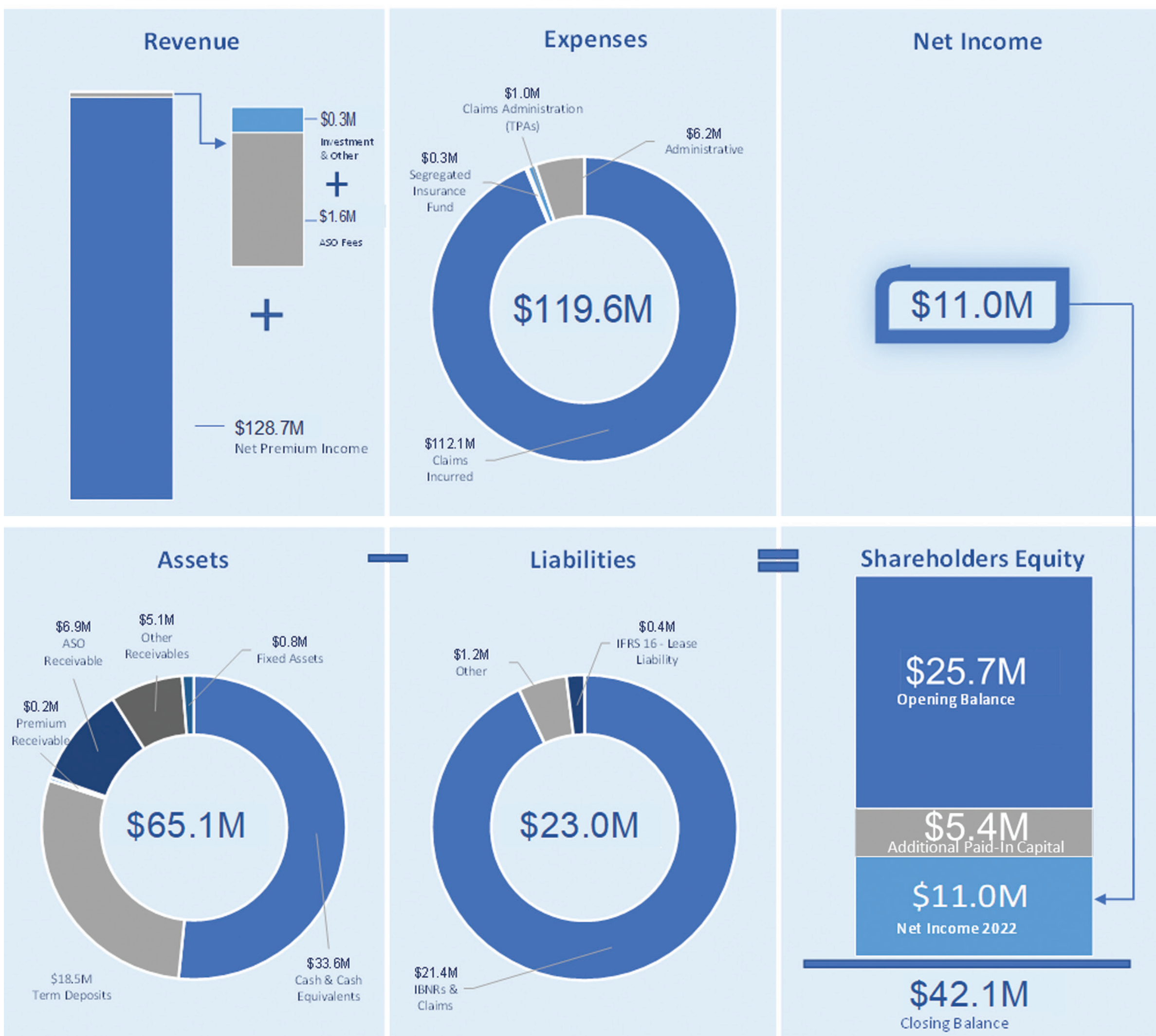
In support of this expansion program, we are in the process of reinforcing our staff complement and are making arrangements to expand and refurbish our office space. We will also be relying more heavily on technology and innovation, as well as engaging in a number of wellness initiatives.

We have been fortunate to have enjoyed and continue to enjoy the support of a strong Board of Directors. Our Board was changed this year and we are now ably lead by our new Chairman, Mr. George McCarthy and his colleague directors. With their experience and enthusiasm, they continue to provide us with the guidance and oversight to which we are accustomed, and encouragement to continue to strive for continuous improvement. I would also like to express our appreciation for the support of outgoing Acting Chairman Mr. Roger Corbin, and his colleague directors who filled this role for a number of years.

Dr. Michael C. Gayle
Chief Executive Officer
28 February 2023

2022 Fiscal Overview

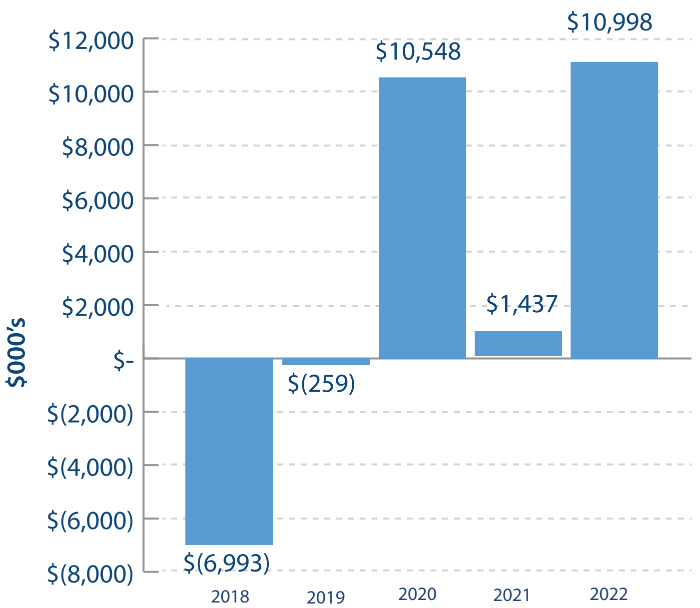
$130.6M TOTAL REVENUE − **$119.6M** TOTAL EXPENSES = **$11.0M** NET INCOME



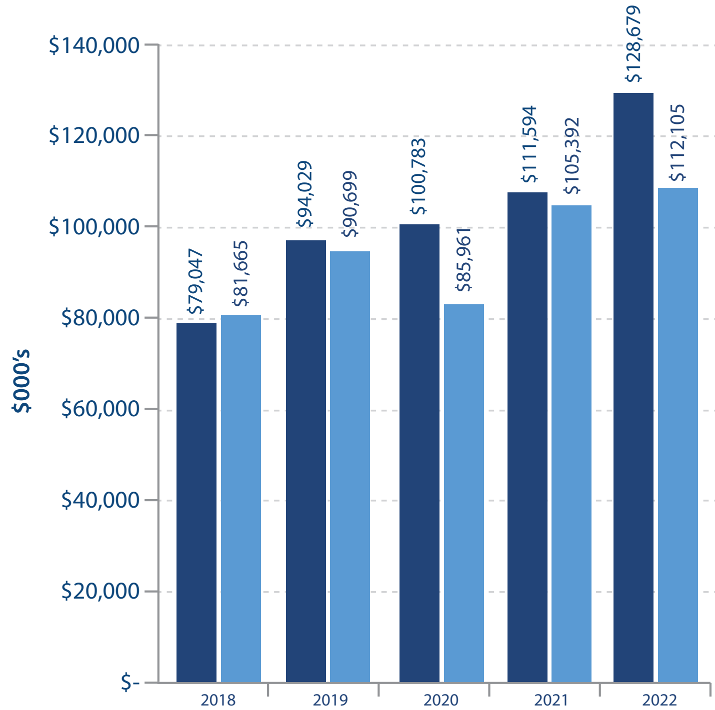
Financial and Operational Highlights

This section of the Annual Report provides key financial and operational trends for the 2022 fiscal year, and the four previous reporting periods.

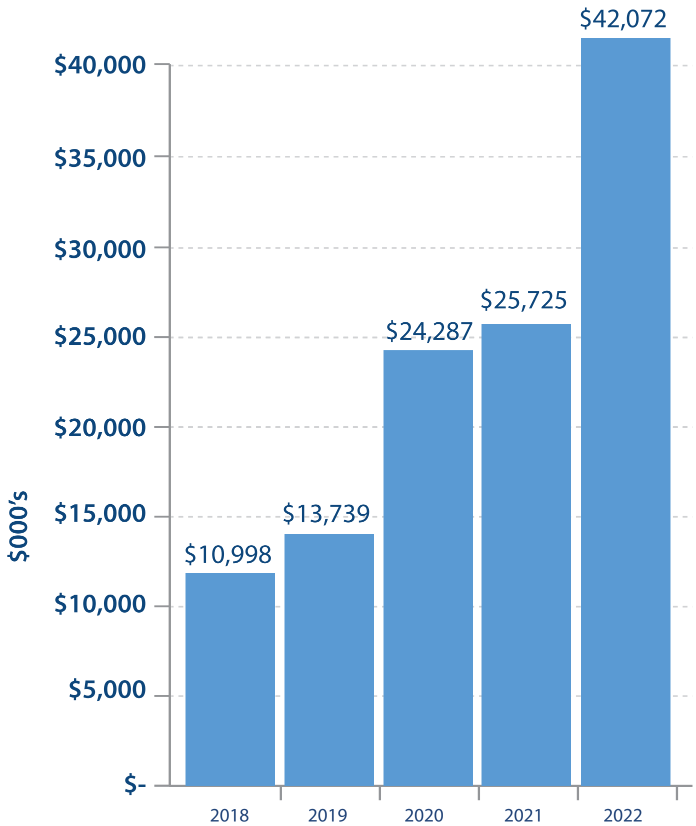
NET INCOME/LOSS



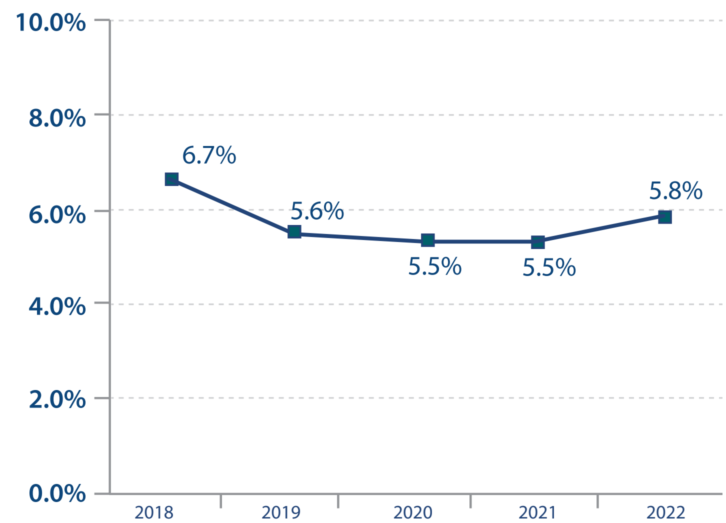
NET PREMIUM INCOME VERSUS CLAIMS INCURRED



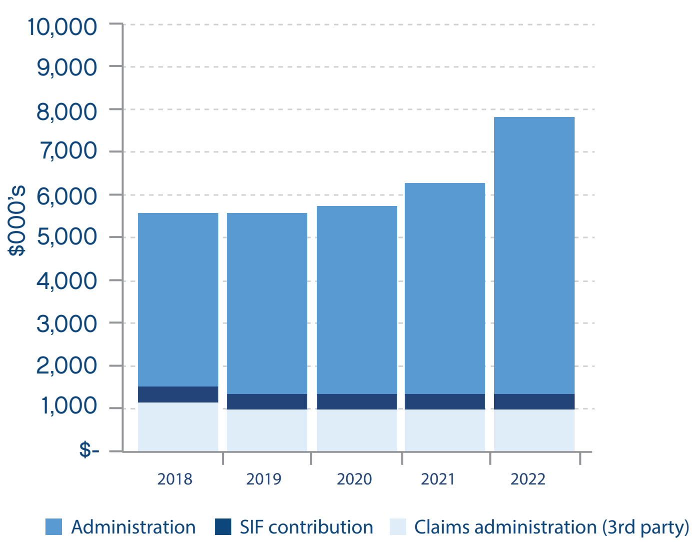
SHAREHOLDER'S EQUITY



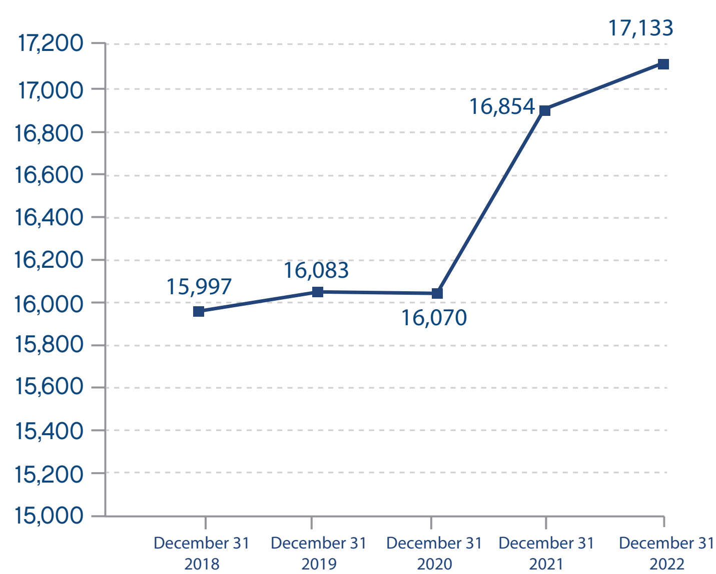
PRODUCTIVITY RATIO (lower the better)



TOTAL EXPENSES



MEMBERSHIP (AS OF DECEMBER)



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 (HIC), 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.

In 2023, CINICO was asked to expand the scope of operations, see the section "Message from the Chief Executive Officer" for further details.

STAKEHOLDERS

Our key stakeholders are diverse and include:

- Cayman Islands Government (CIG)
- 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) & Wellness
- 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 Board of Directors in 2022 is listed below.

Committees of the Board

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.

The Board has three main committees with specific functions delegated to them. The number of committees decreased from four during the earlier part of the year. After careful review and discussion, it was determined that the Appeals Committee was more of a management function. As such it was agreed that the Risk & Compliance Committee would provide Board oversight of the appeals function. The committees of the Board are as follows:

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

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***
Dr. Michael Gayle

• ***Deputy Chief Executive Officer***
Dana Brandon

• ***Chief Financial Officer***
Frank Gallippi

• ***Chief Risk & Compliance Officer***
Debra Humphreys

• ***General Manager***
Kahlill Strachan

• ***Chief Operating Officer – Property and Casualty***
Judy Campbell (from June 2022)

BOARD OF DIRECTORS - 2022

In the early part of 2022 Cabinet appointed a new Board of Directors. Ms. Anne Owens and Dr. George Meggs remain from the previous Board. CINICO and the current Board of Directors would like to express sincere thanks and appreciation for the previous directors' hard work, commitment, dedication, and invaluable contributions to the Company.

Name and Sub-Committee Roles

George McCarthy (1,6,7)
Anne Owens (6,9)
Ormond Williams (2,4,8)
Dr. George Meggs (8)
Karen Edie-Turner (6,8)
Letitia Lawrence (3,8)
Rudy Myles (6,7)
Langston Sibblies (5,7)

(1) Chairman of the Board
(2) Deputy Chairman of the Board
(3) Chairman of the Finance & Audit Sub-Committee
(4) Chairman of the Human Resource Sub-Committee
(5) Chairman of the Risk & Compliance Sub-Committee
(6) Member of the Finance & Audit Sub-Committee
(7) Member of the Human Resource Sub-Committee
(8) Member of the Risk & Compliance Sub-Committee
(9) Chief Officer (or designate) Ministry of Finance and Economic Development

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:

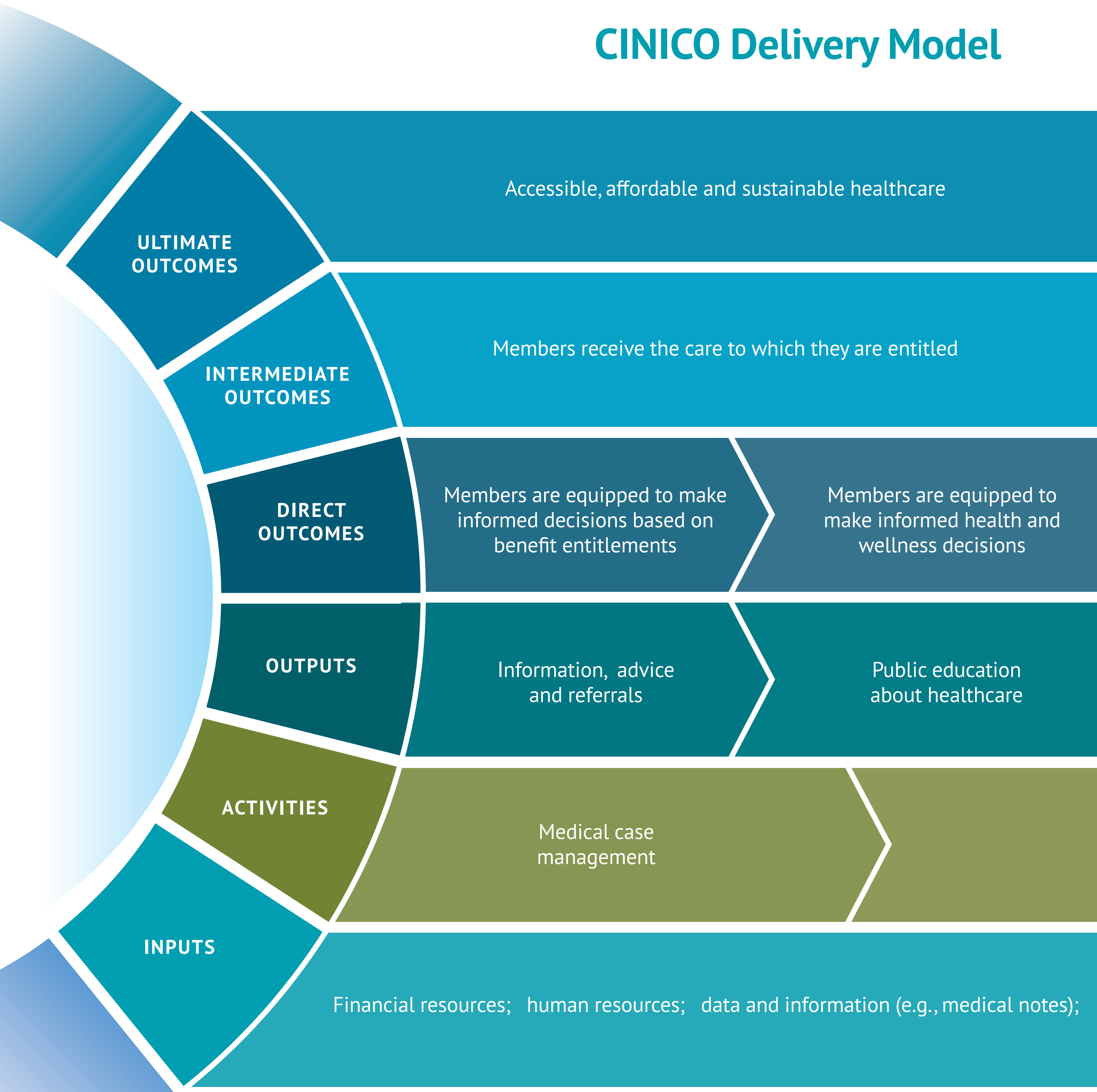
- ***Professional*** **-** We value the contributions of our employees and ensure that they have the tools and knowledge to excel;
- ***Accountable*** **-** We take responsibility for our actions and report results in a transparent manner;
- ***Compassionate*** **-** We provide comfort and peace of mind 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



Members have an optimal level of health and well-being

Members make informed health and wellness decisions

Members have access to their plan benefits

Core government is equipped to make informed decisions on health care policies and programmes

Referrals

Healthcare data and information

Claims coordination / adjudication

Member support and outreach

enabling infrastructure; policies, guidelines, and regulations; referrals; and request for information

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 caring.

Fiscally responsible, effective and sustainable
CINICO strives to be fiscally responsible, to achieve high level impacts and to successfully address challenges to our sustainability.

Financial Performance:

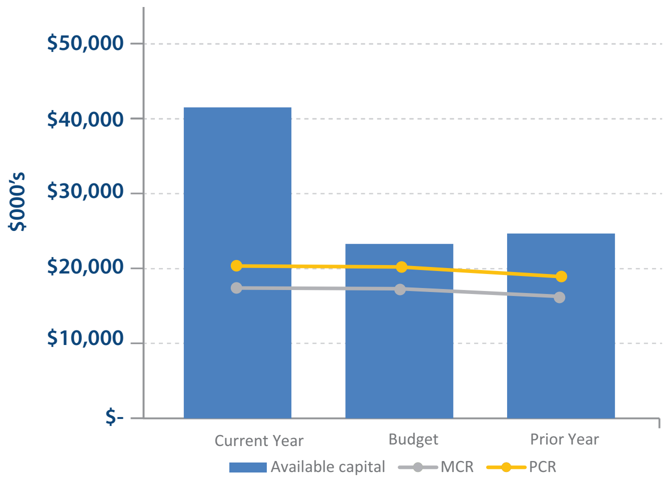
For the year ended 2022, CINICO delivered a consecutive third-year net income. The net income of $11.0 million is a record high in CINICO's history and was due to significantly lower than anticipated claims and favorable reinsurance experience. Although expenses were above the prior year, they remained below budget. Further analysis is provided in the Financial Performance Section.

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 $41.9 million, CINICO's capital levels are 253% and 202% of the MCR and the PCR, respectively. The available capital includes a $5.35 million equity injection for CINICO's expansion into the Property and Casualty line of business. As we begin to sell policies in this new line of business, the statutory capital levels (MCR and PCR) will increase.

MCR/PCR CAPITAL COMPLIANCE



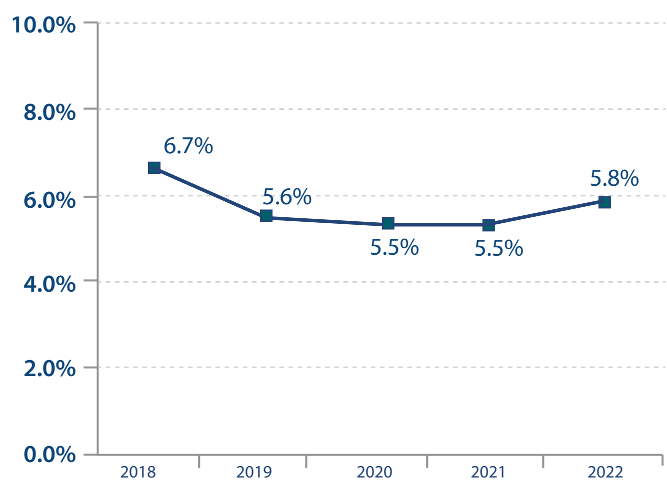
Expenses as a Percentage of Premium (Productivity or Efficiency ratio):

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 6.7% over the last five years.

Reinsurance with Highly Rated Reinsurer:

To safeguard its assets, capital 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. In the past year CINICO paid out $1 million in reinsurance premium, and collected $6 million of claims from the reinsurer, for a differential of $5 million. Basically, without this coverage CINICO's overall costs would have been $5 million higher.

PRODUCTIVITY RATIO



Munich RE

AM Best Rating A+

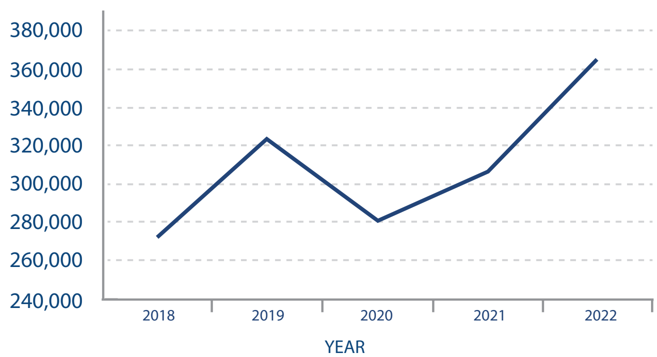
Timely, efficient, and collaborative

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.

Claim processed and payment turnaround:

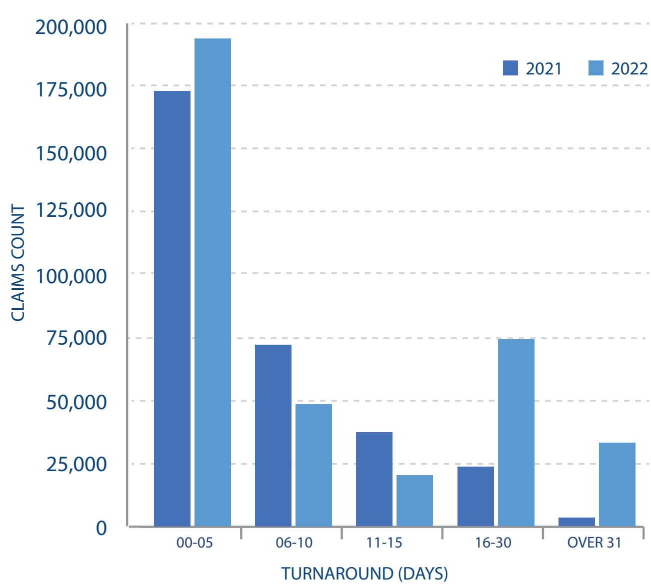
Except for USA claims, the claims payment functions are performed in-house. In 2022 total claims processed increased by 19%. The increase is attributable to claim submission issues from our two largest providers, CIHSA and Health City Cayman Islands (HCCI), whereby claims had to be submitted a second time. The increase in claims processed is also due to higher utilization. The graph below shows the local claims process over the last five years.

CLAIMS PROCESSED



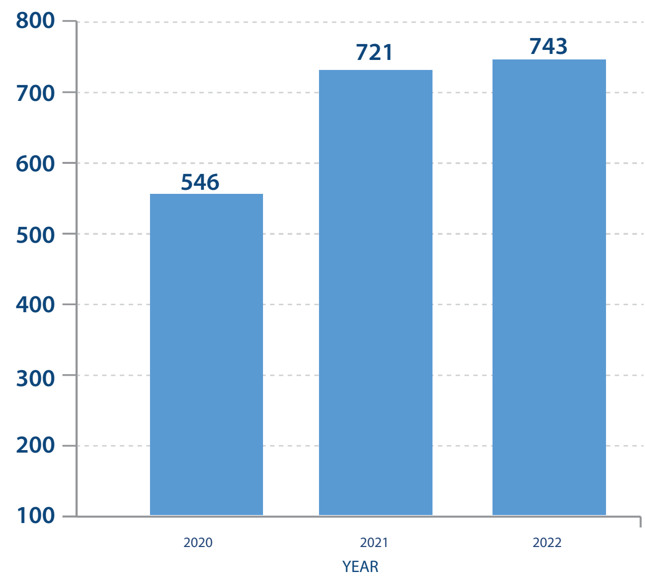
The claims turnaround is depicted below and illustrates that in 2022, seventy percent (70%) of claims received were processed within the zero to fifteen days, compared with ninety-one percent (91%) last year. The reduction in turnaround in the zero to fifteen day bracket was due to problem claim submissions from our two largest providers, mentioned earlier. On average, all claims were processed within twenty-two days, well within the minimum requirement thirty days.

CLAIM PAID TURNAROUND



SHIC Applications Bound:

The below diagram shows the number of SHIC insurance contracts bound from 2020 to 2022. By law we are required to process a clean application by ten (10) days. We are well within this requirement.



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 twelve (12) employees in three offices (3) – George Town, Savannah, and Cayman Brac. The team is responsible for a customer base of over 17,000 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 and carries out its duties with compassion and care. 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 2022, MCMU coordinated 2,691 off-island medical services (referrals) for our members, a 58% increase over the prior year referrals of 1,700.

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

Table 1: provides quarterly statistics on the volume of air ambulances coordinated in 2021 and 2022.

Table 1: Air Ambulance Coordination

	Q1	Q2	Q3	Q4	TOTAL
2021	11	14	14	6	45
2022	3	13	10	13	39

Home Health Care:

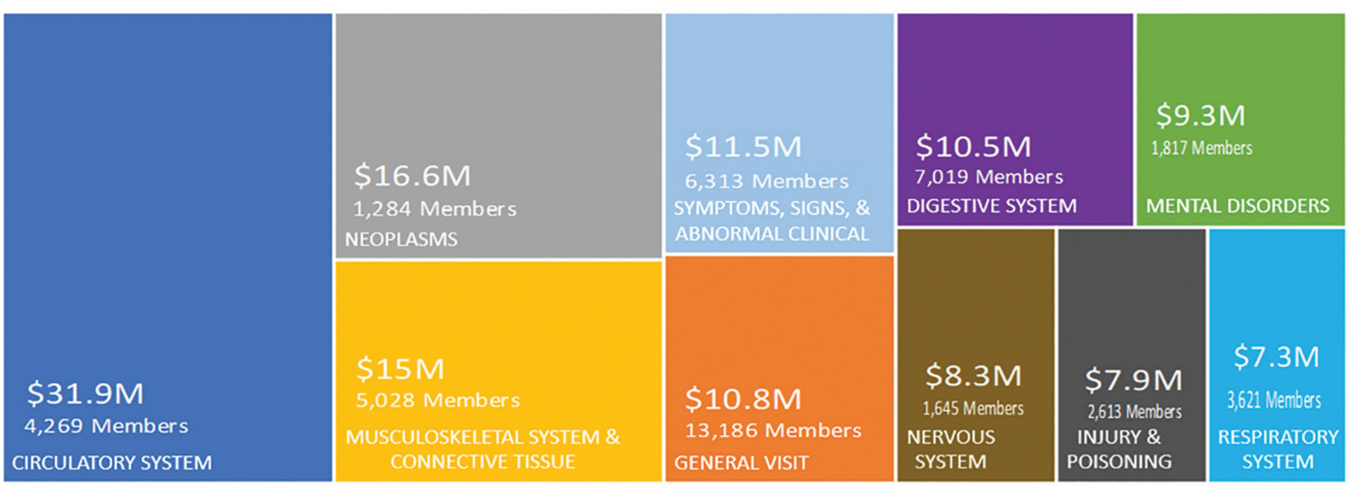
Through coverage offered under the Insurance and Indigent plans (not including SHIC), CINICO assists just under five hundred (500) members, mostly elderly, with Home Health Care benefits.

Claims by diagnosis type:

Along with its wider medical provider network, CINICO 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 corresponding claims paid amounts.

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

TOP 10 DIAGNOSIS FOR 2022 (INSURANCE & ASO)



Supplementary Information

Table 2: Risk Management

The 2022 and 2023 Ownership Agreements with the Shareholder identified the following key 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	Improved. Premium rates Approved from Cabinet are actuarially based and include a risk factor for adverse claims. Improved. Increase in claims below what was assumed in budget and premium rate. Improved discount from one overseas provider utilized frequently. Increasing risk due to high-cost drugs gene/cell therapy drugs. Improved. Internal audit of claim processing and controls.	• Continued overseas discounts resulting from completed RFP in 2019. • Utilization of 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 review with UHC of overseas inpatient. • Coordination of discharge plan both locally and overseas. • Capital preservation policy. • 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. Development of additional features to streamline workflows.	• Offsite disaster recovery of data. • Robust contracting with vendor supplying system, stipulating functions, penalties, etc. • Vendor SOC2 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 and • 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	Same	• Reinsurance cover reviewed every year. Additionally, the creditworthiness of the reinsurer is reviewed quarterly. Our current reinsurer has an A.M. Best rating of A+.	Approximately $4m based on year-end closing balance outstanding
Non-compliance with regulatory bodies rules and regulations (CIMA and HIC)	Improved. Additional Compliance resource	• Documented Corporate Governance, policies, and procedures. • Quarterly Risk & Compliance Committee meetings. • Chief Risk & Compliance Officer and Chief Information Officer. • Monthly Monitoring 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	• Creation of an ASO Agreement between CINICO and Government awaiting sign off. • Frequent monitoring. • Supplementary appropriations by Government. • 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	• 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 and addresses CINICO's risks.

Looking Forward

Our plans for 2023 and beyond continue to be framed within the context of our strategic objectives which 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

These objectives will be pursued against the background of the expansion plans.

ENSURE CINICO'S LONG TERM SUSTAINABILITY

As alluded to in last year's Annual Report, CINICO is changing direction. Whereas in the past, we have been almost entirely the Health Insurance provider for the Cayman Islands Government (CIG), we are expanding our footprint, and seeking to fulfill the Government's desire to fill some identified gaps in the Health Insurance landscape. This we are doing by developing specialized products for both lower levels of coverage (but superior to the Standard Health Insurance Contract) and also for retirees, not covered by the Government.

This marks a change in direction and is our first foray into the non-mandatory direct health insurance market. The CIG appreciates and values the role played by the private insurance companies, and CINICO's entry into this arena is not a signal of the CIG's desire to compete with and dominate this area, but rather, a recognition of the fact that there are aspects of the health insurance market which are not being adequately serviced, and that the CIG wishes to supplement the offerings of the private insurance companies in this regard.

The same holds true regarding our entry into the property and casualty insurance market. This entry is taking place at a particularly challenging time, but we do not regard this as a short-term venture, but a long term addition to the property and casualty segment of the market. We have assembled a strong team and are expecting to commence this section of our operations in the second quarter of this year, all other things being equal.

An essential component of our future activities is the establishment of a Preferred Provider Network (PPN) which will enable most of our members to have options as far as provision of medical services is concerned. The Health Services Authority (HSA) has continued to be the backbone of the medical services here in Cayman and enjoys our full support. Having said that, some of our members have long been expressing the desire to be able to access services outside of the HSA and we are responding to that call. Services rendered at the HSA will continue to be covered 100% but services rendered by our PPN partners which have not been referred to them by the HSA, will be covered up to 80% of the Standard Health Insurance Fee (SHIF).

We are still in the process of working out the logistics, but it is likely that we will start with expanding to include Health City and Doctors Hospital in the first instance, followed shortly thereafter by the inclusion of pharmacies. After a period of some months (to be determined), we will have established criteria for further expansion and will invite participation of other healthcare providers who meet those criteria.

We are very excited about being able to expand our offerings in this regard, but must do so in a controlled manner, in order to ensure that the necessary checks and balances are in place, so as to minimize operational challenges and avoid uncontrolled increases in costs.

DELIVER AN EXCEPTIONAL CUSTOMER EXPERIENCE ENABLED BY STRONG STAKEHOLDER RELATIONS

A critical element of the expansion thrust is the delivery of an exceptional customer service experience. There are a number of elements to this. One area which needs to be addressed is the need to bring clarity to CINICO's roles and responsibilities.

CINICO is but one participant in the CIG's medical and social welfare infrastructure, and the lines are sometimes blurred. There are too many occasions where we receive complaints which have nothing to do with us, but which may find their genesis in necessary procedures in other related sections of the CIG, but which are misattributed to us. In many such instances, the problems arise from the members themselves not following proper procedure. Accordingly, we have to work towards bringing clarity to these issues.

Having said that, we recognize that there are a number of areas where we need to improve our service capabilities. We have been gradually transitioning some of our procedures to a more customer friendly electronic approach, and this will be further enhanced when we introduce our new website and mobile apps later this year. We also plan to reorganize our office area to make it more efficient and customer friendly.

As mentioned in the previous section, we will be establishing a PPN which will strengthen stakeholder relations in a number of areas, and improve the customer experience significantly.

STRENGTHEN OUR STRATEGIC AND OPERATIONAL FOUNDATION FOR DELIVERY

This final section is actually closely aligned with the previous one. In order to enhance our customer experience, it will be necessary for us to strengthen our operational foundation. Aspects of this have been mentioned above.

In addition, we are also further strengthening our corporate governance roles and have initiated a formal ongoing Internal Audit process.

The IT landscape is continuously changing. We have invested heavily in this area, stressing security and redundancy, and will be leaning on technology to drive and underpin our expansion process.

Financial Performance Analysis

Financial Performance (Net Income/ (Loss))

For the year ended December 31, 2022, CINICO earned a surplus (net income) of $11 million, compared to the prior year of $1.4 million and a budget of $3.1 million. The net income was due to significantly lower than anticipated claims, favorable reinsurance experience and expenses.

As part of the Government's two-year budget cycle, the 2022 premium rates were calculated in early 2021 following the COVID lock down in 2020 which resulted in a significant reduction in utilization. At the time the premium rates were developed it was difficult to predict the utilization claim costs following the COVID year. The actuarial premium rates anticipated a sharp rise in claim utilization in 2022 assuming the return of pent-up demand (as indicated in the first quarter of 2021) coming from suppressed utilization in the prior years. This resulted in a thirteen percent (13%) premium rate increase for 2022 (Civil Servant & Pensioners plan).

In addition to the above, CINICO recovered $4.6M in reinsurance claims in 2022 mainly due to one claim in excess of $5 million (i.e., reinsurance recoveries were $4.6 million higher than the reinsurance premium paid). CINICO's favorable reinsurance experience, and the reinsurer's poor experience has resulted in a CI$1 million increase in CINICO's 2023 reinsurance premium.

Table 3 illustrates the sources of profit (or variance to the budget) compared with the premium pricing level assumptions for the year ended December 31, 2022. Table 4 provides same for the year ended December 31, 2021.

The table below shows that the true 2022 net income is $9.5 million. In 2022, we recorded a $1.5 million favorable reserve adjustment from the 2021 policy year, so that the reported net income was $11 million.

Table 3: Sources of Net Income for the Year Ended December 31, 2022 ($ Millions)

SOURCE OF NET INCOME /(LOSS)	AMOUNT	EXPLANATION
Favorable incurred local claims	$1.7	Favorable in all lines of business except SHIC.
Favorable incurred overseas claims	$0.6	Favorable. Includes 9 claims which breached the reinsurance retention level for a reinsurance claim recovery of $4.6M.
Risk premium	$3.9	Actuary risk premium for adverse claims deviation.
Expenses and other	$3.3	Predominantly admin expenses, TPA fees, and higher ASO fees.
2022 True Net Income	**$9.5**	
2021 Prior year reserve adjustments (net of reinsurance recoveries)	$1.5	Overseas release of $2.3M offset by local strengthening of $0.8M
Net income	**$11.0**	

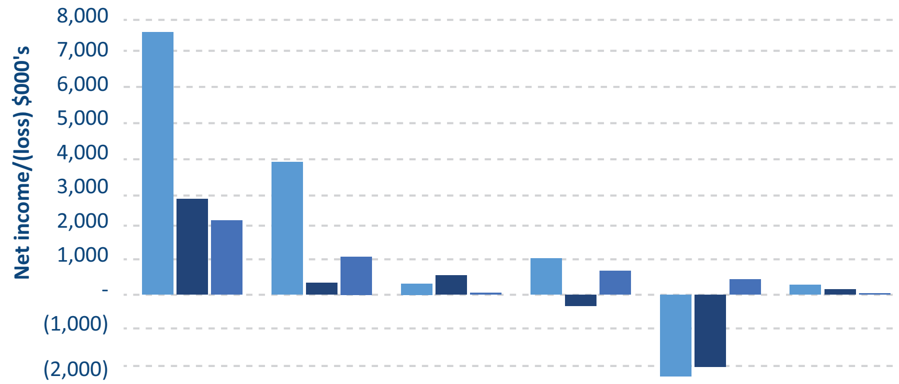
Table 4: Sources of Net Income for the Year Ended December 31, 2021 ($ Millions)

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**	

Figure 1 provides the net income / (loss) by business category for the current year, prior year, and budget. During the current year, all business categories earned a profit except for the SHIC business line. The losses in the SHIC line are due to a disproportionate number of high-risk members as a percentage of the total SHIC population. We have been unable to change the SHIC premium rates given that the standard community base rate is CI$167. However, as our SHIC portfolio contains many high-risk members, we will be conducting an actuary pricing analysis to review our options.

The surpluses in the other lines of business are primarily due to lower claims experience than the assumption in the premium rates.

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



	Civil Servants	Pensioners	SAGCs	Seamen & Veterans	SHIC plans	ASO (1)
Current year	7,764	3,956	323	1,060	(2,399)	293
Prior year	2,812	346	567	(333)	(2,114)	160
Current year budget	2,177	1,117	51	703	(454)	31

(1) ASO includes Group 30102 – Indigents, and one off costs not attributed to a business line.

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
Statement of financial position			
Cash and cash equivalents	$ 33,597,736	$ 21,110,844	$ 19,490,016
Term deposits	18,489,773	10,000,000	12,078,003
Premiums receivable	249,278	5,000,000	582,458
ASO claims and fees receivable	6,938,232	5,500,000	11,251,809
Other receivables & other assets	5,033,068	800,000	725,302
Provision for claims incurred	21,398,971	17,576,342	17,819,695
Shareholder's equity	42,072,241	24,355,050	25,724,550
Statement of financial performance			
TOTAL INCOME			
Premium income	$ 129,721,424	$ 126,611,396	$ 112,597,257
Reinsurance premium	(1,042,641)	(990,213)	(1,002,564)
ASO fees	1,633,682	1,486,713	1,128,452
Other income	307,128	114,400	241,030
Total	**$ 130,619,593**	**$ 127,221,811**	**$ 112,964,175**
TOTAL EXPENSES			
Incurred claims	$ 112,104,970	$ 114,692,036	$ 105,391,559
Other Expenses	7,516,932	8,905,115	6,135,306
Total	**$ 119,621,902**	**$ 123,597,151**	**$ 111,526,865**
NET INCOME/(LOSS)	**$ 10,997,691**	**$ 3,624,661**	**$ 1,437,310**

Cash, cash equivalents and term deposits

Cash and cash equivalents increased by $14.1 million from the prior year to $33.6 million. The increase is due to CINICO's favorable operating results. The cash balances will be required to settle the year-end $21.4 million provision for claims.

Term deposits increased by $6.4 million from the prior year to $18.5 million. The increase is due to a $5.35 million equity injection to support CINICO's expansion into the property & casualty (P&C) line of business. Term deposits comprise of several one-year fixed deposits earning approximately a 4% return. To ensure liquidity and maximum returns, the maturity dates are set out such that a term deposit expires each month. These are subsequently renewed for an additional one-year term.

Cash and term deposits (excluding the equity injection for the P&C business) represent just over four months of operating expenses, one month above CINICO's target level.

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 and funded by the Ministry through the NGS 55 output (Tertiary Care at Various Local and Overseas Institutions).

ASO claims and fees receivable were $6.9 million at the end of the year, $4.3 million below 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 in 2023.

Other receivables & other assets

The total balance outstanding of $5.0 million is predominantly comprised of reinsurance receivables and recoverables of $4.6 million for several claims that have reached the reinsurance retention of US$550k. The amount is significantly above the prior year and budget, as these periods did not include as much reinsurance claim activity as 2022.

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 $3.6 million from the prior year to $21.4 million. The increase is due to growth in CINICO's backlog compared to the prior year. 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 2018 reporting year.

Shareholder's equity

Shareholder's equity increased by $16.4 million to $42.1 million for the year ended December 31, 2022. The increase is due to the 2022 Net Income and the $5.35 million equity injection to fund CINICO's expansion into property and casualty. 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	$20.7	$25.7	$5.0
2022 Net income	3.6	11.0	7.4
Equity injection for expansion (P&C)		5.4	5.4
Closing shareholder's equity	**$24.3**	**$42.1**	**$17.8**

Shareholder's equity is $17.8 million better than budget due to a higher opening position, higher net income to budget and the $5.4 million equity injection.

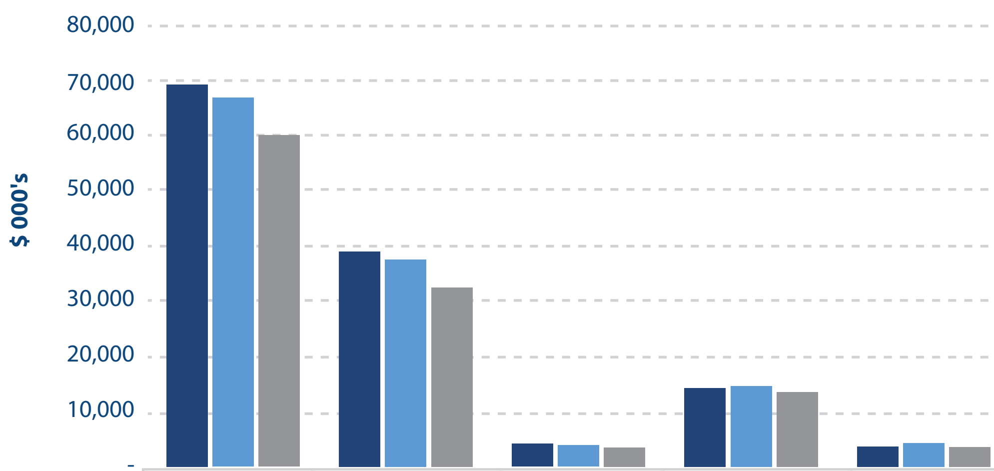
Premium income

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



	Civil Servants	Pensioners	SAGCs	Seafarers and Veterans	SHIC plans
Current year	68,926	38,828	4,117	14,181	3,609
Budget	66,543	37,382	3,872	14,551	4,264
Prior Year	59,762	32,331	3,479	13,482	3,543

TABLE 7: AVERAGE NUMBER OF COVERED LIVES INSURED

	CURRENT YEAR	BUDGET	PRIOR YEAR	% CHANGE TO BUDGET	% CHANGE TO PRIOR YEAR
Civil Servants	9,186	8,958	9,005	3%	2%
Pensioners	2,405	2,362	2,340	2%	3%
SAGCs	532	521	521	2%	2%
Seafarers and Veterans	1,058	1,074	1,071	-1%	-1%
Indigent	1,931	1,798	1,666	7%	16%
SHIC plans	1,823	1,812	1,808	1%	1%
Total	**16,935**	**16,525**	**16,411**	**2%**	**3%**

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.

The average member covered lives in 2022 was 16,935. Compared with budget and the prior year, overall covered member lives increased by two percent and three percent respectively. The Indigent and the Pensioners groups realized the largest increases over the prior year with growth rates of 16% and 3% respectively. The Indigent group also had the highest growth versus budget. The Seafarers & Veterans group showed a slight decrease of 1% to budget and the prior year.

The combined current year premium income of $129.7 million is $3.1 million or 2% above the budget, mainly due to higher membership with the exception of S&V which had lower membership versus budget, and SHIC with lower premium rates than what was assumed in the budget.

The current year premium income is $17.1 million or 15% higher than the prior year which is predominantly driven by premium rate increases of 13% in 2022 (Group 30100), and to a lesser extent membership growth of approximately 2% (Table 7).

ASO Fees and Other Income

ASO fees are earned on a per member per month (PMPM) basis per each indigent member. Fees amounted to $1.6 million in the current year and above the budget and prior year due to a higher number of members (Table 7). 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, 2022, increased to $112.1 million from the prior year of $105.4 million. The budgeted incurred claims totaled $114.7 million. Total claims represent approximately 94% of the overall expenses of $119.6 million.

Table 8 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. This table presents incurred claims on a "hindsight basis". For example, the year ended December 31, 2021, original reported claims were $107.5 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 2021 claim reserve showed a favorable development of $1.5 million (net of reinsurance), so that the final 2021 claims incurred are $106 million compared with the original reported figure of $107.5 million.

Table 8 illustrates that $15.8 million or 14% of the 2022 total claims incurred of $113.6 million is made up of IBNRs (Incurred But not Reported). This represents just under two months of incurred claims. Last year's IBNR was 15% of total incurred claims. IBNRs are essentially accruals for claims and calculated using actuarial methods and assumptions. The adequacy of the 2022 IBNR reserve will only be known in subsequent months.

TABLE 8: INCURRED CLAIM LOSSES (000's)

	2021			2022			2022 less 2021 Calendar Year	2022 Budget	Inc/(dec) - 2021 reported less Budget
	Reported	Hindsight adjustment*	Final	Incurred in 2022 & paid in 2022	IBNR	Reported			
Local									
Group 30100	63,207	581	63,788	62,072	6,749	68,821	5,033	70,559	(1,738)
Group 30101	12,802	195	12,997	11,066	1,117	12,183	(814)	12,915	(732)
Group 30104	2,803	48	2,851	2,677	297	2,974	123	2,138	836
	78,812	**824**	**79,636**	**75,815**	**8,163**	**83,978**	**4,342**	**85,612**	**(1,634)**
Overseas *									
Group 30100	26,444	(2,296)	24,148	20,383	6,910	27,293	3,145	27,284	9
Group 30101	-	-	-	-	-	-	-	-	-
Group 30104	2,273	(46)	2,227	1,586	733	2,319	92	1,573	746
	28,717	**(2,342)**	**26,375**	**21,969**	**7,643**	**29,611**	**3,236**	**28,857**	**754**
Total									
Group 30100	89,651	(1,715)	87,936	82,455	13,658	96,113	8,177	97,843	(1,730)
Group 30101	12,802	195	12,997	11,066	1,117	12,183	(814)	12,915	(732)
Group 30104	5,076	2	5,078	4,263	1,030	5,293	215	3,711	1,582
	107,529	**(1,518)**	**106,011**	**97,784**	**15,805**	**113,589**	**7,578**	**114,469**	**(880)**
Prior year adjustment in reserves	(2,400)					(1,518)			
ALAE reserve	263					34		223	
Claim losses per f/s	105,392					112,105		114,692	

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

As shown in Table 8 incurred claims increased by $7.6 million from the prior year. This is primarily due to increased utilization and the growth in membership (shown in Table 7). Incurred claims were $0.9 million below budget as the budget assumed higher utilization offset by lower growth in membership.

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	250,460	250,181	247,190
Claims administration and other expenses	1,039,746	1,747,534	1,032,381
Administration expenses	6,226,726	6,907,400	4,855,735
Total expenses	**$7,516,932**	**$8,905,115**	**$6,135,306**

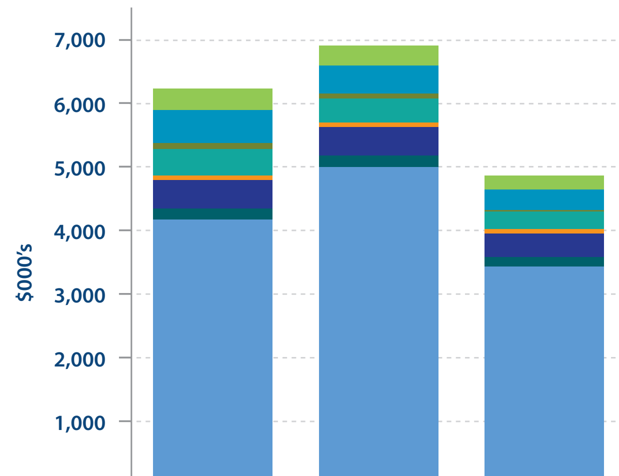
For the year ending December 31, 2022, other expenses amounted to $7.5 million and below budget by $1.4 million, and $1.4 million higher than the prior year.

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 slightly above budget and the prior 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. Current year expenditure and prior year expenditure amounted to $1.0 million despite increases in membership. This is due to negotiated lower rates with our vendor. Actual expenditure is below budget due to various initiatives anticipated in the budget year which have not materialized in the current year.

Administration expenses 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 $0.7 million better than budget. The favorable variance is mainly attributed to personnel costs due to unfilled vacant positions and training. These were offset by unfavorable variances in IT costs, director fees, actuarial and audit. Current year expenses were $1.4 million higher than the prior year, mostly due to personnel costs resulting from a higher headcount over the prior year. Other notable increases occurred in IT, actuarial, director fees, depreciation, and marketing. Some of these costs were incurred for the implementation of CINICO's expansion. Figure 4 shows the major expense types compared with budget and prior year.

FIGURE 4: ADMINISTRATION EXPENSES BY TYPE



	Current Year	Budget	Prior year
Other/miscellaneous	336	316	221
Maintenance/supplies	519	436	320
Marketing	99	85	30
Professional fees	415	374	270
Licence fees	75	75	75
Depreciation	449	447	370
Rent/Utilities	175	182	151
Personnel	4,160	4,991	3,418

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

FINANCIAL PERFORMANCE MEASURE	2022 ACTUAL $000'S	2022 BUDGET $000'S	ANNUAL VARIANCE $000'S	NOTE
REVENUE FROM CABINET	$52,943	$51,864	$1,079	1
REVENUE FROM MINISTRIES, PORTFOLIOS, STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES	74,746	71,901	2,845	2
REVENUE FROM OTHERS PERSONS OR ORGANISATIONS	2,930	3,456	(526)	3
SURPLUS/DEFICIT FROM OUTPUTS				
OTHER EXPENSES	119,622	123,597	3,975	4
NET SURPLUS/DEFICIT	10,998	3,625	7,373	5
TOTAL ASSETS	65,138	43,551	21,587	5
TOTAL LIABILITIES	23,066	19,196	(3,870)	
NET WORTH	42,072	24,355	17,717	6
CASH FLOWS FROM OPERATING ACTIVITIES	15,504	3,455	12,049	5
CASH FLOWS FROM INVESTING ACTIVITIES	(85)	(417)	332	
CASH FLOWS FROM FINANCING ACTIVITIES	5,097	(250)	5,347	7
CHANGE IN CASH BALANCES	20,516	2,788	17,728	

Notes: Explanation of Variance:

1. Revenue from Cabinet: CIN 2 premium higher than budget ($1.4M) 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: Lower average SHIC premium versus budget, higher reinsurance premium, offset by higher investment income.
4. Overall, the variance is 3% better than budget. The "other expenses" line is made up of the following items:

EXPENSE ITEM	ACTUAL $M	BUDGET $M	VARIANCE $M	EXPLANATION
Claims costs	$112.1	$114.7	$2.6	2021 reserve release of $1.5m, lower than budget utilization, offset by additional utilization due to higher than budgeted covered lives.
Segfund fees	0.3	0.3	-	
TPA fees	1.0	1.7	0.7	Underutilization of claims admin support, wellness rewards, other vendor services, including negotiated lower fees.
Admin expenses	6.2	6.9	0.7	Predominantly due lower personnel costs and training due to vacant posts; offset by higher IT costs, director fees, actuarial & consulting and marketing.
Total	**$119.6**	**$123.6**	**$4.0**	

5. Net Surplus. See financial performance section.
   Total Assets higher due to higher surplus than budget in addition to a $5.35 million equity injection for capital requirements of the expansion into the property & casualty (P&C) line of business.
   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	$20.7	$25.7	$5.0
2022 Surplus	3.6	11.0	7.4
Equity injection for expansion (P&C)		5.4	
Closing shareholder's equity	$24.3	$42.1	$17.8

7. The cash inflow from financing activities is due to a $5.4 million equity injection required for regulatory capital requirements for the expansion into the P&C line of business (the second installment of $5 million will be paid in 2023).

FINANCIAL PERFORMANCE RATIO	2022 ACTUAL %	2022 BUDGET %	ANNUAL VARIANCE %
CURRENT ASSETS: CURRENT LIABILITIES	279%	221%	58%
TOTAL ASSETS: TOTAL LIABILITIES	282%	227%	55%

Maintenance of Capability

HUMAN CAPITAL MEASURES	2022 ACTUAL	2022 BUDGET	ANNUAL VARIANCE
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	45	51	(6)
STAFF TURNOVER (%)			
SENIOR MANAGER	0%	0%	0%
PROFESSIONAL AND TECHNICAL STAFF	0%	0%	0%
ADMINISTRATIVE STAFF	8.1%	0%	8.1%

PHYSICAL CAPITAL MEASURES	2022 ACTUAL $ 000'S	2022 BUDGET $ 000'S	ANNUAL VARIANCE $000'S
VALUE OF TOTAL ASSETS	$65,138	$43,551	$21,587
ASSET REPLACEMENTS: TOTAL ASSETS	0.1%	1%	(0.9)%
BOOK VALUE OF ASSETS: COST OF THOSE ASSETS	20.6%	23.4%	(2.8)%
DEPRECIATION: CASH FLOW ON ASSET PURCHASES	529%	48%	481%
CHANGES TO ASSET MANAGEMENT POLICES	None	None	None

MAJOR CAPITAL EXPENDITURE PROJECTS	2022 ACTUAL $ 000'S	2022 BUDGET $ 000'S	ANNUAL VARIANCE $ 000'S
IT equipment, office equipment, furniture, etc.	$85	$417	$332

Other Financial Information

TRANSACTION	2022 ACTUAL $ 000'S	2022 BUDGET $ 000'S	ANNUAL VARIANCE $ 000'S
Equity Investments into CINICO	$5,350	-	$5,350
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	$1,120	$861	$(259)
Remuneration Payments made to Senior Management	$963	$789	$(174)

(1) Senior Management and Board. Actual includes one additional Senior Manager than budgeted.

	2022 ACTUAL	2022 BUDGET	ANNUAL VARIANCE
Number of Senior Management	6	5	1

Statement of Outputs Delivered to Cabinet

CINICO is committed to providing timely service to its 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	2022 ACTUAL	2022 BUDGET	ANNUAL VARIANCE
Quantity Total (average) number of persons insured - premiums fully paid by Cabinet	1,046	1,060	(14)
Total (average) number of persons insured – premiums partially paid by Cabinet (Veterans)	8	10	(2)
Quality All eligible Seamen, Veterans and their dependents are insured who meet the definition under the Health Insurance Law	98-100%	98-100%	-
Timeliness • 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)			
Monthly Premium Rates			
Premiums fully paid by Cabinet: $1,129			
Veteran premiums partially paid by Cabinet: $1,015			
Price (paid by Cabinet for the output)	**$14,124,661**	**$14,482,680**	**$(358,019)**

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	2022 ACTUAL	2022 BUDGET	ANNUAL VARIANCE
Quantity Total average number of insured persons (Insured = Enrollees + dependents).	2,405	2,362	43
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 • 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)	38,819,099	$37,381,779	$1,437,320
Monthly Premium Rates			
Price (paid by Cabinet for the output)	**$38,819,099**	**$37,381,779**	**$1,437,320**

Age range	
Under 18	$260
18-29 years	$414
30-39 years	$534
40-49 years	$702
50-59 years	$1,109
60- 64 years	$1,278
65 years & over	$1,678

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, 2022

Cayman Islands National Insurance Company Ltd.

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Office of the Auditor General
CAYMAN ISLANDS

Phone: (345) - 244-3211
Fax: (345) - 945-7738
AuditorGeneral@oag.gov.ky
www.auditorgeneral.gov.ky

3rd Floor, Anderson Square
64 Shedden Road, George Town
P.O.Box 2583
Grand Cayman, KY1-1103, Cayman Islands

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 2022 the statements of comprehensive income, changes in shareholder's equity and statement of cash flows for the year ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 9 to 25.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year ended 31 December 2020 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 it's 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 2023
Cayman Islands

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by 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 maintaining 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 Cayman Islands National Insurance Company Ltd.

As Chief Executive Officer and the Chief Financial Officer we are responsible for the preparation of Cayman Islands National Insurance Company Ltd.'s 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, 2022.

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, 2022;
(b) fairly reflect the financial position as at December 31, 2022, and financial performance for the year ended December 31, 2022;
(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 on Auditing.

Michael Gayle
Chief Executive Officer

Frank Gallippi
Chief Financial Officer

Dated: April 28, 2023

Cayman Islands National Insurance Company Ltd.

Statement of Financial Position
As at December 31, 2022
Amounts stated in Cayman Islands dollars

	Note	December 31, 2022	December 31, 2021
Assets			
Current			
Cash and cash equivalents	4	$ 33,597,736	*$ 31,571,520*
Short term investments	4.2	18,489,773	-
Funds held in escrow	4.1	24,869	*34,683*
Premiums receivable	5	249,278	*582,458*
Advance claims, ASO claims and fees receivable	5.1	6,938,232	*11,251,809*
Reinsurance claims recoveries	12	4,531,701	*357,507*
Other receivables and other assets	6	501,367	*367,795*
Long term			
Fixed assets	7	804,881	*1,168,956*
Total assets		65,137,837	*45,334,728*
Liabilities			
Accounts payable	8	132,586	*31,806*
Premiums received in advance		218,416	*190,434*
Accruals and other liabilities	9, 21	834,286	*854,513*
Lease liability	10	441,358	*694,768*
Claims payable		39,979	*18,962*
Provision for claims incurred	12	21,398,971	*17,819,695*
Total liabilities		23,065,596	*19,610,178*
Shareholder's equity			
Share capital	13	1	*1*
Share premium	13	2,999,999	*2,999,999*
Additional paid-in capital	14	43,073,251	*37,723,251*
Accumulated deficit		(4,001,010)	*(14,998,701)*
Total shareholder's equity	22	42,072,241	*25,724,550*
Total liabilities and shareholder's equity		$ 65,137,837	*$ 45,334,728*

Michael Gayle — April 28, 2023

Chief Executive Officer — Date

Frank Gallippi — April 28, 2023

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, 2022
Amounts stated in Cayman Islands dollars

	Note	December 31, 2022	December 31, 2021
Income			
Premium income	15, 19	$ 129,721,424	*$ 112,597,257*
Reinsurance premium	15	(1,042,641)	*(1,002,564)*
ASO fees	16, 19	1,633,682	*1,128,452*
Total underwriting income		130,312,465	*112,723,145*
Investment income and other income	20	307,128	*241,030*
Total income		130,619,593	*112,964,175*
Expenses			
Claims paid	11	114,693,481	*101,150,763*
Reinsured claims	12	(6,167,787)	*(1,054,836)*
Movement in provision for claims incurred	12	3,579,276	*5,295,632*
Contributions to segregated insurance fund	17, 19	250,460	*247,190*
Claims administration and other expenses		1,039,746	*1,032,381*
Total underwriting expenses		113,395,176	*106,671,130*
Administrative expenses and other expenses	18	6,226,726	*4,855,735*
Total expenses		119,621,902	*111,526,865*
Net income for the year		10,997,691	*1,437,310*
Total comprehensive income for the year		$ 10,997,691	*$ 1,437,310*

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, 2022
Amounts stated in Cayman Islands dollars

	Note	December 31, 2022	December 31 2021
Cash flows from operating activities			
Net income for year		$ 10,997,691	*$ 1,437,310*
Adjustments for non-cash items			
Depreciation	7	448,878	*370,015*
Funds held in escrow		9,814	*755,612*
Premiums receivable		333,180	*2,943,085*
Advance claims, ASO claims and fees receivable		4,313,577	*(4,274,982)*
Reinsurance claims recoveries		(4,174,194)	*276,723*
Other receivables and other assets		(133,572)	*(30,778)*
Accounts payable		100,780	*(304,541)*
Premiums received in advance		27,982	*(6,125)*
Accruals and other liabilities		(20,227)	*41,590*
Claims payable		21,017	*15,152*
Provision for claims incurred		3,579,276	*5,295,632*
Net cash flows from operating activities		15,504,202	*6,518,693*
Cash flows from investing activities			
Purchase of short term investments		(18,489,773)	-
Purchase of fixed assets	7	(84,803)	*(460,508)*
Net cash flows from investing activities		(18,574,576)	*(460,508)*
Cash flows from financing activities			
Payment of lease liability		(253,410)	(194,112)
Receipt of additional paid-in capital	14	5,350,000	-
Net cash flows from financing activities		5,096,590	*(194,112)*
Net cash inflow for the year		2,026,216	*5,864,073*
Cash and cash equivalents at beginning of the year		31,571,520	*25,707,447*
Cash and cash equivalents at end of the year		$ 33,597,736	*$ 31,571,520*

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

Cayman Islands National Insurance Company Ltd.

Statement of Changes in Shareholder's Equity
For the year ended December 31, 2022
Amounts stated in Cayman Islands dollars

	Share capital	Share premium	Additional paid-in capital	Accumulated deficit	Total shareholder's Equity
Balance January 1, 2021	$ 1	$ 2,999,999	$ 37,723,251	$ (16,436,011)	$ 24,287,240
Year ended December 31, 2021					
Comprehensive income:					
Net income for the year	-	-	-	1,437,310	1,437,310
Total comprehensive income for the year:	-	-	-	1,437,310	1,437,310
Balance, December 31, 2021	$ 1	$ 2,999,999	$ 37,723,251	$ (14,998,701)	$ 25,724,550
Year ended December 31, 2022					
Comprehensive income:					
Net income for the year	-	-	-	10,997,691	10,997,691
Total comprehensive income for the year:	-	-	-	10,997,691	10,997,691
Transactions with owners:					
Additional paid-in capital received	-	-	5,350,000	-	5,350,000
Total transactions with owners:	-	-	5,350,000	-	5,350,000
Balance, December 31, 2022	$ 1	$ 2,999,999	$ 43,073,251	$ (4,001,010)	$ 42,072,241

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 dependents ("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, 2022 the Company employed 45 permanent staff (December 31, 2021: 35 permanent staff and 2 temporary staff).

2 Accounting policies

Basis of preparation
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 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.

The financial statements were authorised for issue by the Company's Board of Directors on April 28, 2023.

Standards issued but not yet effective
A number of new standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

(a) IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023. The Company is able to apply this exemption as it has not previously applied any version of IFRS 9 and its activities were predominantly connected with insurance as at June 30, 2015, the date specified in the amendments to IFRS 4.

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 insurance liabilities.

At December 31, 2022 and 2021 the Company's financial assets are held to collect contractual cash flows solely of principal and interest (see below). The carrying amount of all financial assets approximates their fair value due to the short term nature of the assets.

Financial assets - Classification and measurement
The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL").

A financial asset not designated as FVTPL is measured at amortised cost if it is both held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. A financial asset not designated as FVTPL is measured at FVOCI if it is both held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

The Company's financial assets consist primarily of cash and cash equivalents and various receivables that contain contractual obligations to pay the instrument holder certain cash flows. These are measured at amortised cost under IAS 39 and will also be measured at amortised cost under IFRS 9 as they are held to collect contractual cash flows where those cash flows represent payments solely of principal and interest. The Company therefore doesn't expect any significant change in classification or measurement of financial assets under IFRS 9.

2 Accounting policies (continued)
Standards issued but not yet effective (continued)

(a) IFRS 9 Financial Instruments (continued)

Financial assets - Impairment

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. The new ECL model will apply to the Company's financial assets measured at amortised cost. IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. The Company expects to apply the following impairment model:

- A financial instrument that is not credit-impaired on initial recognition will be classified in 'Stage 1'. Financial instruments in Stage 1 will have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument will be moved to 'Stage 2' but is not yet deemed to be credit impaired. Instruments in Stages 2 will have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument will then be moved to 'Stage 3'. Instruments in Stage 3 will have their ECL measured based on expected credit losses on a lifetime basis.

The Company will assess on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The Company will recognise a loss allowance for such losses at each reporting date. The measurement of ECL will reflect:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Measurement of ECL
The estimation of credit exposure for risk management purposes is complex and may require the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Company will measure credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

Financial liabilities
IFRS 9 largely retains the requirements of IAS 39 for the classification and measurement of financial liabilities, other than for financial liabilities designated as FVTPL. As the Company has no financial liabilities designated as FVTPL it does not expect any material impact from these changes.

Transition
Under IFRS 9, entities have the option to restate prior periods on transition. The Company expects to restate comparatives in line with the IFRS 17 approach for restatement.

Impact assessment
Management does not have a reliable estimate of the impact of IFRS 9 . There will be changes to presentation and disclosures, including reflecting the business model assessment required for classification of financial investments under IFRS 9.

(b) IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Contract in scope
The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Company does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements. The Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of significant loss.

Level of aggregation
The Company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. Under IRFS 17, all insurance contracts within a product line represent a portfolio of contracts. Each portfolio will be further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and profitability groups. The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise.

Portfolios of reinsurance contracts held will be assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company will aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into profitability groups.

2 Accounting policies (continued)
Standards issued but not yet effective (continued)

(b) IFRS 17 Insurance Contracts (continued)

Contract boundaries
Under IFRS 17, the measurement of a group of contracts includes all future cash flows within the boundary of each contract in the group. For insurance contracts issued, cash flows are within the contract boundary if they arise from rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. For reinsurance contracts held, cash flows are within the contract boundary if they arise from rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. The Company does not expect the IFRS 17 contract boundary requirements to significantly change the cash flows to be included in the measurement of insurance and reinsurance contracts.

Measurement
IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company. Under IFRS 17, the Company's expects that all its insurance contracts issued and reinsurance contracts will be eligible to be measured using the Premium Allocation Approach ("PAA"), which is a simplified approach compared to the general measurement model in IFRS 17. In estimating future cash flows the Company will incorporate all reasonable and supportable information that is available without undue cost or effort at the reporting date. The Company does not expect to adjust the insurance contracts issued and reinsurance contracts held for the effect of the time value of money.

Insurance acquisition cash flows
The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Under IFRS 17, insurance acquisition cash flows will be allocated to groups of insurance contracts on a systematic and rational basis. Acquisition cash flows will be expensed as incurred.

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk under IFRS 17 is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company will estimate the risk adjustment using a margin approach. That is, the Company will quantify the required compensation for accepting non-financial risk as a percentage of expected insurance claims and expenses within the contract boundary. A higher margin will be used for insurance contracts that have a higher degree of uncertainty, resulting in a higher compensation required by the Company. The margins are product-specific and range from 3% to 5%.

Changes to presentation and disclosure
For presentation in the statement of financial position, the Company will aggregate insurance issued and reinsurance contracts held, respectively and present separately:
- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

For the presentation in the statement of comprehensive income, the Company will report the following line items:
- Insurance revenue;
- Insurance service expenses; and
- Net expenses from reinsurance contracts held.

The Company will provide disaggregated qualitative and quantitative information in the notes of the financial statements about:
- Amounts recognised in its financial statements from insurance contracts; and
- Significant judgements, and changes in those judgements, when applying IFRS17.

Transition
On transition date, January 1, 2022, the Company will adopt IFRS 17 retrospectively. The Company expects to apply the full retrospective approach to the insurance contracts in force at the transition date. On this basis, the Company will: identify, recognize, and measure each group of insurance contracts as if IFRS 17 had always been applied; derecognize any existing balances that would not exist if IFRS 17 had always been applied; and recognise any resulting net difference in equity.

Impact assessment
Management does not have a reliable estimate of the impact of IFS 17.

2 Accounting policies (continued)

(c) The following standards issued but not yet effective are not expected to have a significant impact on the Company's financial statements:

i. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
ii. Definition of Accounting Estimate (Amendments to IAS 8)
iii. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes
iv. Classification of liabilities as current or non-current (Amendments to IAS 1)
v. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
vi. Non-current Liabilities with Covenants (Amendments to IAS 1)
vii. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 by the Company 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. The Company uses reinsurance contracts to limit its exposure to significant insurance risk. As a general guideline, the Company defines 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.

Claims and provision for claims incurred and reinsurance recoveries

Claims paid are recorded based on claims reported to the Company and adjudicated in house and also 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, cash equivalents and short term investments

Cash and cash equivalents is comprised of cash, interest bearing deposits with maturities of three months or less at date of acquisition, and demand deposits held to meet short term commitments. Fixed deposits with maturities of three months or more, which are not held to meet short term commitments, are classified as short term investments in the statement of financial position.

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 private insured persons (Group 30104) policies where the premiums are unpaid for 30 days after the due date.

2 Accounting policies (continued)

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.

Leases (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.

2 Accounting policies (continued)

Administrative Services Only contracts
The Company pays the claims that are generated from the Administrative Services Only ("ASO") contract and seeks reimbursement for the full amount from CIG. The Company also earns revenue from fees for 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.

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 as at December 31, 2022 or 2021.

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, 2021: US$550,000), up to US$6,100,000 in respect of any one covered person during the policy year, with no aggregate cap (December 31, 2021: 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 services to its members. 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, on an as needed basis, the Appeals Committee deliberate on 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;
• short term investments;
• 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.

3.2 Financial risk (continued)

As at December 31, 2022 and 2021 all of the Company's cash and cash equivalents and short term investments are held with reputable financial institutions in the Cayman Islands. 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, 2022	*December 31, 2021*
Cash and cash equivalents	$ 33,597,736	*$ 31,571,520*
Short term investments	$ 18,489,773	*$ -*
Funds held in escrow	24,869	*34,683*
Premiums receivable	249,278	*582,458*
Advance claims, ASO claims and fees receivable	6,938,232	*11,251,809*
Reinsurance claims recoveries	4,531,701	*357,507*
Other assets and receivables	117,612	*49,822*
Total financial assets	$ 63,949,201	*$ 43,847,799*

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

As at December 31, 2022:	Neither past due nor impaired	Past due but not impaired	Impaired	Provision for bad debt	Total
Cash and cash equivalents	$ 33,597,736	$ -	$ -	$ -	33,597,736
Short term investments	$ 18,489,773	-	-	-	18,489,773
Funds held in escrow	24,869	-	-	-	24,869
Premiums receivable	-	249,278	13,700	(13,700)	249,278
Advance claims, ASO claims and fees receivable	-	6,938,232	-	-	6,938,232
Reinsurance claims recoveries	4,531,701	-	-	-	4,531,701
Other assets	117,612	-	-	-	117,612
Total assets exposed to credit risks	$ 56,761,691	$ 7,187,510	$ 13,700	$ (13,700)	$ 63,949,201

As at December 31, 2021:	Neither past due nor impaired	Past due but not impaired	Impaired	Provision for bad debt	Total
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
Reinsurance claims recoveries	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

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

As at December 31, 2022:	Up to 30 days	30 to 60 days	> 60	Total
Advance claims, ASO claims and fees receivable	$ 3,612,333	$ 1,996,671	$ 1,329,228	$ 6,938,232
Premiums receivable	249,278	-	-	$ 249,278
Reinsurance claims recoveries	-	-		-
	$ 3,861,611	$ 1,996,671	$ 1,329,228	$ 7,187,510

As at December 31, 2021:	Up to 30 days	30 to 60 days	> 60	Total
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
Reinsurance claims recoveries	-	-		-
	$ 4,805,162	$ 2,534,781	$ 4,494,324	$ 11,834,267

3.2 Financial risk (continued)

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, 2022	*December 31, 2021*
AAA	$ -	*$ -*
AA	$ 30,370,078	*$ 27,447,809*
A	24,869	*25,434*
BBB	963,297	*2,575,968*
Below BBB or not rated	2,264,360	*1,556,992*
Total cash and cash equivalents bearing credit risk	$ 33,622,604	*$ 31,606,203*

The majority of the amounts due from insurance contract premiums receivable holders are due from the Cayman Islands Government which has a Moody rating of Aa3 (December 31, 2022: $210,442; December 31, 2021: $545,749).

Interest rate risk

Cash and cash equivalents and short term investments exposes the Company to cash flow from both fixed and variable interest rates. Given the short-term nature of cash and cash equivalents this exposure is not considered material to the Company. Short term investments are held wiht banks with credit ratings of AA and BB.

Foreign currency risk

The Company receives revenue in Cayman Islands Dollars (CI$), and pays claims in both Cayman Islands and United States dollars (US$). Since the exchange between CI$ 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, 2022, the Company had cash and cash equivalents (including funds held in escrow) of $33,622,605 (2021: $31,606,203). 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, 2022 and December 31, 2021. Insurance contract liabilities and associated reinsurance recoveries without contractual maturities are presented based on expected cash flow timings.

	Contractual cash flows (undiscounted)						
December 31, 2022	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	$ 33,597,736	$ -	$ 33,597,736	$ -	$ -	$ -	$ -
Short term investments	18,489,773		$ 18,489,773				
Funds held in escrow	24,869		24,869				
Advance claims, ASO claims and fees receivable	6,938,232	-	6,938,232	-	-	-	-
Premiums receivable	249,278	-	249,278	-	-	-	-
Reinsurance recoveries	4,531,701	-	4,531,701	-	-	-	-
Other assets	501,367	-	501,367	-	-	-	-
Total	$ 64,332,956	$ -	$ 64,332,956	$ -	$ -	$ -	$ -

3.3 Management of financial risks (continued)

Short term insurance liabilities							
Insurance contracts	$ 21,438,950	$ -	$ 21,438,950	-	-	-	-
Other financial liabilities	966,872	-	966,872	-	-	-	-
Total	$ 22,405,822	$ -	$ 22,405,822	$ -	$ -	$ -	$ -
Difference in contractual flows	$ 41,927,134	$ -	$ 41,927,134	$ -	$ -	$ -	$ -

		Contractual cash flows (undiscounted)					
December 31, 2021	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	$ 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	$ -	$ -	$ -	$ -

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. The Company has a concentration of insurance risk as all insurance is health insurance written in the Cayman Islands. The Company has reinsurance contract which a company with AMBest rating of A (Excellent) which minizes its sensitive to financial risk.

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**
Interest rate and investment	The impact of an absolute change in market interest rates by approximately 1%
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

	Expenses		**Loss ratios**	
	+10%	**-10%**	**+10%**	**-10%**
Sensitivities as at December 31, 2022				
Impact on Net income for the year	(129,021)	129,021	(11,827,276)	11,827,276
Impact on Shareholder's equity	(129,021)	129,021	(11,827,276)	11,827,276

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

4 Cash and cash equivalents

	December 31, 2022	*December 31, 2021*
Demand deposits	$ -	*$ 12,078,003*
Cash at bank	33,597,736	*19,490,016*
Deposit in transit	-	*3,501*
	$ 33,597,736	*$ 31,571,520*

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.

4.2 Short term investments

Short term investments inculde various fixed deposits totalling $18,489,773 (2021:$0) with maturity of one year. The fixed deposits are held at various financial institutions within the Cayman Islands and are held primarily for investments purposes.

5 Premiums receivable

	December 31, 2022	*December 31, 2021*
Current		
Premiums receivable from related parties, gross	$ 210,442	*$ 545,749*
Premiums receivable from unrelated entities, gross	52,536	*56,009*
Less: provisions for bad debts	(13,700)	*(19,300)*
	$ 249,278	*$ 582,458*

During the year ended December 31, 2022, bad debts of $131,249 has been written off, of which $19,300 was provided for in 2021 (December 31, 2021- $103,881). It is management's opinion that a provision for bad debts of $13,700 (Dec 31, 2021 - $19,300) for unrelated individuals is required at December 31, 2022. All bad debts written off are from unrelated individuals. Once a bad debt is written off coverage to the unrelated individual is terminated.

5.1 Advance claims, ASO claims and fees receivable

	December 31, 2022	*December 31, 2021*
Current		
ASO claims and fees receivable	$ 6,938,232	*$ 11,251,809*
	$ 6,938,232	*$ 11,251,809*

6 Other receivables and other assets

Components of other receivables and other assets are as follows:

	December 31, 2022	*December 31, 2021*
Current		
Claims administration and other expenses	25,528	-
Advance to employees	350	-
Investment income	117,612	*49,822*
Amount paid in advance to providers	5,450	-
Unallocated claims expense		*84,217*
Prepaid expenses, deposits, and other receivables		
Amount on deposit with Cayman Travel	29,400	-
Amount on deposit with Cayman Airways *	84,000	*84,000*
Licence fees *	75,000	*75,000*
Work permit fees *	35,735	*32,151*
Prepaid rent	5,207	*6,282*
Prepaid software licences	110,803	*26,529*
Maintenance/software costs	758	*1,550*
Marketing costs	-	*5,351*
Telecommunication costs	3,488	-
Insurance expense	1,627	*1,003*
Miscellaneous	6,409	*1,890*
	$ 501,367	*$ 367,795*

* 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, 2021	$ 910,842	$ 1,037,805	$ 202,779	$ 641,330	$ 374,879	$ 3,167,635
Additions	194,704	-	96,118	47,668	316,722	655,212
Disposals	-		-	-	-	-
Cost at December 31, 2021	1,105,546	1,037,805	298,897	688,998	691,601	3,822,847
Accumulated depreciation at January 1, 2021	238,215	983,228	168,516	542,678	351,239	2,283,876
Depreciation for period	208,955	38,598	21,149	53,374	47,939	370,015
Disposals		-	.	-	-	-
Accumulated depreciation at December 31, 2021	447,170	1,021,826	189,665	596,052	399,178	2,653,891
Carrying value at December 31, 2021	$ 658,376	$ 15,979	$ 109,232	$ 92,946	$ 292,423	$ 1,168,956
Cost at January 1, 2022	$ 1,105,546	$ 1,037,805	$ 298,897	$ 688,998	$ 691,601	$ 3,822,847
Additions	-	-	17,889	66,914	-	84,803
Disposals	$ -		-	-	-	$ -
Cost at December 31, 2022	1,105,546	1,037,805	316,786	755,912	691,601	3,907,650
Accumulated depreciation at January 1, 2022	447,170	1,021,826	189,665	596,052	399,178	2,653,891
Depreciation for period	249,338	14,416	29,471	60,602	95,051	448,878
Disposals		-	.	-	-	-
Accumulated depreciation at December 31, 2022	696,508	1,036,242	219,136	656,654	494,229	3,102,769
Carrying value at December 31, 2022	$ 409,038	$ 1,563	$ 97,650	$ 99,258	$ 197,372	$ 804,881

Included in office building is the right-of use asset for the office lease with a book value at December 31, 2022 of $409,038 (December 31, 2021: $658,376).

8 Accounts payable

		December 31, 2022		*December 31, 2021*
Payable to unrelated entities	$	132,586	*$*	*31,806*
Payable to related parties		-		*-*
	$	132,586	*$*	*31,806*

Included in accounts payable in respect of unrelated entities are amounts relating to administrative expenses of $132,586 (2021:$31,806 administrative expenses).

9 Accruals and other liabilities

Components of accruals and other liabilities are as follows:

		December 31, 2022		*December 31, 2021*
Personnel	$	6,200	*$*	*83,463*
Indigent fund		20,340		*21,050*
Audit Fees - Auditor General *		16,475		*11,000*
Audit fees		158,666		*117,000*
Actuarial & Consulting fees		101,625		*84,820*
Insurance expense		6,749		*6,635*
Legal Fees		26,909		*21,260*
Hi-Tech/UHC/CHN Expenses		170,100		*170,100*
Maintenance/Utilities & Telecommunications		13,270		*11,719*
Water		300		*118*
Marketing costs		-		*2,234*
Stale dated cheques		290,506		*289,980*
Stamp duty		588		*648*
Other accruals		22,558		*34,487*
	$	834,286	*$*	*854,514*

See note 19 for disclosure on related party balances.

10 Lease liabilities

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2022 is as follows:

	within 1 year	1-2 years	2-3 years	over 3 years	Total
Lease payment	276,621	163,432	16,748		456,801
Finance charges	12,564	2,781	98		15,443
Grand Total	264,057	160,651	16,650		441,358

11 Claims paid

	December 31, 2022	December 31, 2021
Net US$ claims (translated to CI$)	29,989,068	*22,751,495*
CI$ claims	84,704,413	*78,399,268*
Total claims	$ 114,693,481	*$ 101,150,763*
Less repricing fees	(978,690)	*(1,098,733)*
Claims paid (net of repricing fees)	$ 113,714,791	*$ 100,052,030*

12 Provision for claims incurred and reinsurance recoveries

Through the use of an independent actuary, management has estimated a provision for claims which have been incurred but not yet reported ("IBNR"), and a corresponding reinsurance recoverable on unpaid claims, on an undiscounted basis. While management has estimated IBNR and the associated reinsurance recoverable based on all information it had 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 are peer reviewed by the actuarial firm. The most significant assumptions are the completion factors and claim lags derived from claims payment history.

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 enforce. 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 the 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	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:						
At end of period	80,916,008	90,413,117	85,595,610	107,171,311	118,231,638	
One year later	80,974,231	90,419,610	83,291,110	106,410,150	n.a.	
Two years later	80,998,761	90,805,102	83,165,273	n.a.	n.a.	
Three years to four years later	81,012,466	90,675,167	n.a.	n.a.	n.a.	
Current estimate of cumulative claims	81,012,466	90,675,167	83,165,273	106,410,150	118,231,638	
Cumulative payments to date	81,012,466	90,674,530	83,150,706	106,091,169	98,006,125	
Gross liability recognized in the statement of financial position	-	637	14,567	318,981	20,225,513	20,559,698
Allocated loss expenses ("ALE") reserve	-	19	479	14,942	823,833	839,273
Reinsurance recoverable on unpaid claims	-	-	-	-	(1,475,560)	(1,475,560)
Net liability recognized in the statement of financial position	$ -	$ 656	$ 15,046	$ 333,923	$ 19,573,786	$ 19,923,411

	Year ended December 31 2022			*Year ended December 31, 2021*		
	Gross	Reinsurance	Net	*Gross*	*Reinsurance*	*Net*
Balance at beginning of year	$ 17,819,695	$ (357,508)	$ 17,462,187	*$ 12,524,063*	*$ (634,230)*	*$ 11,889,833*
Incurred related to:						
Current year	118,231,638	(5,621,572)	112,610,066	*$ 107,171,311*	*(741,872)*	*106,429,439*
Prior year	(971,872)	(546,215)	(1,518,087)	*$ (2,086,979)*	*(312,964)*	*(2,399,943)*
	117,259,766	(6,167,787)	111,091,979	*105,084,332*	*(1,054,836)*	*104,029,496*
Paid related to:						
Current year	98,006,124	(4,146,012)	93,860,112	*90,472,311*	*(386,649)*	*90,085,662*
Prior year	15,708,667	(903,723)	14,804,944	*9,579,719*	*(944,909)*	*8,634,810*
	113,714,791	(5,049,735)	108,665,056	*100,052,030*	*(1,331,558)*	*98,720,472*
ALE Reserve movement	34,301	-	34,301	*263,330*	-	*263,330*
Balance at end of period	$ 21,398,971	$ (1,475,560)	$ 19,923,411	$ 17,819,695	$ (357,508)	$ 17,462,187
Movement in provision for claims incurred	$ 3,579,276			*$ 5,295,632*		

For the year ended December 31, 2022, there was a hindsight reserve release of $1,518,087 (year ended December 31, 2021 hindsight reserve release of $2,399,943). The reinsurance recoverable on unpaid claims is included in reinsurance recoveries on the statement of financial position. As stated above, IBNR and the corresponding reinsurance recoverable are estimated with all known information at the time.

	December 31, 2022	*December 31, 2021*
Components of reinsurance recoveries are as follows:		
Reinsurance claims receivable on paid claims	$ 3,056,141	*$ -*
Reinsurance claims recoveries on unpaid claims	$ 1,475,560	*$ 357,507*
	$ 4,531,701	*$ 357,507*

13 Share capital

		December 31, 2022		*December 31, 2021*
Authorized:				
1,000,000 unclassified shares of $1.00 each	$	1,000,000	*$*	*1,000,000*
Issued and fully paid:				
1 unclassified 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 $2,999,999.

14 Additional paid-in-capital

		December 31, 2022		*December 31, 2021*
Additional paid in capital received	$	43,073,251	*$*	*37,723,251*
	$	43,073,251	*$*	*37,723,251*

Additional paid-in capital represents additional capital contributions of CIG 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 CIG solely at the discretion of the Board of Directors. During the year ended December 31, 2022, the Company received $5,350,000 in additional paid-in capital from CIG to fund the Company's expansion.

15 Premium income

Premium income earned by insured type is as follows;

For the Period Ended December 31, 2022								
		Group 30100		Group 30101		Group 30104/31304		Total
Premium income	$	111,931,549	$	14,180,781	$	3,609,094	$	129,721,424
Reinsurance premium		(1,042,641)		-		-		(1,042,641)
Net premium	$	110,888,908	$	14,180,781	$	3,609,094	$	128,678,783

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	$	94,569,910	$	13,481,966	$	3,542,817	$	111,594,693

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 issued to a related party, being CIG.

Reinsurance premium is calculated at USD$7.82 per person per month (December 31, 2021 USD$8.30).

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, 2022, the Company accrued contributions totaling $250,460 (December 31, 2021: $247,190).

18 Administrative expenses and other expenses

Components of administrative expenses and other expenses are as follows:

	December 31, 2022	December 31, 2021
Administrative expenses		
Salaries	$ 3,327,777	*$ 2,805,124*
Employee benefits	832,240	*613,355*
Maintenance (IT and Premises)	471,845	*287,124*
Depreciation	448,878	*370,012*
Professional fees	414,521	*270,262*
Other/miscellaneous	312,547	*201,189*
Utilities	162,578	*137,233*
Marketing	99,283	*29,856*
Licence fees	75,000	*75,000*
Office supplies	46,851	*32,531*
Rent	11,995	*13,863*
	6,203,515	*4,835,549*
Other expenses		
Interest expenses (IFRS 16)	23,212	*20,186*
	$ 6,226,727	*$ 4,855,735*

19 Related party transactions

A. Shareholder 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 with various Ministries/Portfolios, and Statutory Authorities and Government Companies ("SAGCs"). Related party transactions entered into include insurance premiums, ASO contracts and services rendered by the Cayman Islands Health Services Authority and Cayman Airways (fellow subsidiaries of CIG), 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, internal audit fees and work permit fees. Related party balances and transactions with CIG and SAGCs from the statements of financial position and comprehensive income are represented below.

	December 31, 2022	December 31, 2021
Assets		
Current		
Premiums receivable	$ 210,442	*$ 545,749*
Advance claims, ASO claims receivable and fees receivable, net of bad debt	6,938,232	*11,251,809*
Other receivables and other assets	195,085	*191,151*
	$ 7,343,759	*$ 11,988,709*
Liabilities		
Premiums received in advance	$ 6,067	$ 5,399
Accruals and other liabilities	44,452	*39,451*
	$ 50,519	*$ 44,850*

19 Related party transactions (continued)

A. Shareholder and ultimate controlling party (continued)

Income		
Premium income	$ 126,051,388	*$ 108,979,392*
ASO fees	1,633,682	*1,128,452*
	$ 127,685,070	*$ 110,107,844*
Expenses		
Claims paid	$ 59,541,403	*$ 51,830,353*
Contributions to segregated insurance fund	250,460	*247,190*
Administrative expenses	773,210	*592,517*
	$ 60,565,073	*$ 52,670,060*

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, 2022	December 31, 2021
Short-term employee benefits	$ 963,400	*$ 690,386*
Post-employment benefits	52,000	*38,000*
Director fees	156,806	*60,250*
	$ 1,172,206	*$ 788,636*

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 were also made to Caring Hands Cayman and Cayman Hearing Centre Ltd. during the year ended December 31, 2022 and 2021, in relation to medical services provided to the Company's insured members. These companies were related parties by way of two members of the Board of Directors, who did not participate in any decisions related to these companies. The Board member related to Caring Hands Cayman ceased to be a Director of the Company on February 28, 2022. Related party transactions included within the statement of comprehensive income are represented below.

Expenses - Claims paid	December 31, 2022	December 31, 2021
Claims paid to Caring Hands Cayman (for 2022, up to February 28)	$ 101,397	*$ 504,990*
Claims paid to Cayman Hearing Centre Ltd	$ 261,341	187,263
	$ 362,738	*$ 692,253*

20 Investment income & other income

Investment income represents interest earned from the cash and cash equivalents 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. The Pension expense for the year ended December 31, 2022 is $229,469 (December 31, 2021: $191,904).

22 Net worth for regulatory purposes

	December 31, 2022	*December 31, 2021*
Share capital	$ 1	$ 1
Share premium	2,999,999	2,999,999
Additional paid-in-capital	43,073,251	37,723,251
Accumulated deficit	(4,001,010)	(14,998,701)
	$ 42,072,241	$ 25,724,550

22 Net worth for regulatory purposes (continued)

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 to 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 which time the Company also calculates the Minimum Capital Requirement ("MCR") and Prescribed Capital Requirements ("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 the PCR, this which involve seeking a capital injection from CIG.

As at December 31, 2022 and 2021, the Company was in compliance with both the MCR and PCR as shown below.

	December 31, 2022	December 31, 2021
Available capital	$ 41,918,739	$ 25,008,941
CIMA Capital Requirements		
MCR	$ 16,580,487	$ 14,688,589
PCR	$ 20,725,609	$ 18,360,739

23 Subsequent events

In preparing these financial statements management has evaluated subsequent events up to April 28, 2023, which is the date that the financial statements were available to be issued. No subsequent events were identified that require additional disclosures in these financial statements.

CAYMAN ISLANDS
CINICO
NATIONAL INSURANCE COMPANY

P.O.Box 10112,
Grand Cayman KY1-1001
CAYMAN ISLANDS

Tel: +1 345 949 8101
Fax: +1 345 949 8226

www.cinico.ky