



Annual Report 2023

Fiscal year ended | 31 December 2023



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

The Government of these Cayman Islands is committed to the continuation of the Islands' economic recovery and social welfare in a measured and sustainable manner that provides hope and prosperity and improves the quality of the lives of Caymanians.

A healthy population contributes to economic stability and productivity and access to affordable healthcare ensures that Caymanians remain active in the workforce and that absenteeism, disability rates and disparities in health outcomes are reduced.

Over the past year, CINICO continued to collaborate with the Government to provide a comprehensive approach to healthcare and to promote national health awareness in order to achieve a health-conscious society.

CINICO remained steadfast on delivering excellence in service and enhancing its operational and organizational structure in order to meet market demands and the planned expansion of its services and products. CINICO also remained committed to upholding the highest standards of integrity, transparency, and accountability in all of its operations.

One of CINICO's key priorities moving forward, is to enhance its capabilities and expand its reach to better meet the evolving needs of its customer base. CINICO continues to invest in technology, talent, and infrastructure to streamline processes, improve efficiency, and deliver superior customer experiences.

As the Government recognizes that CINICO's success is intrinsically linked to the well-being and prosperity of our Islands, the Government remains deeply committed to supporting and prioritizing its initiatives and ensuring that it has the necessary resources to remain agile, responsive, and competitive.



I would like to express my sincere appreciation to the dedicated Board of Directors, management and employees of CINICO, whose unwavering commitment, passion, and resilience are the driving force behind its success. Together, we will continue to build a healthier, brighter and more prosperous future for all.

Honourable Juliana O'Connor-Connolly, JP, MP
Premier and Minister for Finance and
Economic Development

29 February 2024

Foreword by the Chairman Of The Board



I am pleased to present this Annual Report for the fiscal year period ended December 31, 2023.

The Cayman Islands National Insurance Company Ltd. (CINICO) is pleased to affirm its overarching goal to continue serving its stakeholders with the highest level of efficiency and professionalism. This goal is combined with an awareness by the Board of Directors, in liaison with Senior Management, to keep at the forefront of the organization the need to anticipate, monitor, and address the full spectrum of health insurance needs consistent with our mandate and to ensure that we similarly address the accompanying risks.

In view of the preceding, I am pleased to report that 2023 was a year of considerable progress for the organization. Our expansion plans which were approved in 2022 were significantly advanced in 2023. Indeed, if not for circumstances beyond our control, we would have launched the first phases of this expansion towards the end of 2023. As it stands, we hope to launch these new product offerings in early 2024.

We remain very excited about these expansion plans as they will signal the initiation of a new era for CINICO and indeed, the Cayman Islands. We have carefully set about preparing the foundations for these expansions, including upgrading the technology infrastructure and enhancing our staffing complement.

We are mindful that our expansion comes at a time when our historical offering of health insurance has seen significant increases in certain prescription drugs and general health care costs. Additionally, in the property and casualty sector, the cost of property insurance has continued to rise over the past few years. Our Senior Management Team has been busy focusing its efforts on the provision of value to our clients while ensuring the business model is sound and sustainable.

Management presented a proposal for the Board's consideration with respect to re-locating our Head Office to a newer and more suitable location. After some discussion and review, the Board wholeheartedly supported this proposal, and we expect to be in our new home by the time this report is published.

The Board has continued to function effectively, meeting monthly with a few exceptions. In addition, a number of issues were dealt with expeditiously by round-robin outside the normal monthly meetings. Together with the various Sub-Committees of the Board, the full Board continues to be focused on good corporate governance of the organization, and providing oversight and support to the Senior Management Team.

I wish to place on record my appreciation for the contribution and support of my colleague Board members, along with the Management and Staff of CINICO, and also to take this opportunity to extend best wishes to our stakeholders for 2024, and beyond.

George McCarthy

Chairman of the Board of Directors
Cayman Islands National Insurance Company

29 February 2024

Message from the Chief Executive Officer

One of the features of the Government's budgeting process is that it operates on a 2 two-year cycle. Understandably, this presents some challenges with regard to projecting some costs and expenses so far in advance. This is a challenge that all arms of Government face and CINICO is no exception to this.

The 2022-23 budget cycle was particularly challenging. The dominant component of our budget is the projection of premiums which need to be charged for the coming two years. For the 2022-23 cycle, this exercise was carried out in the second quarter of 2021, following the COVID year of 2020. Premiums are actuarially determined, based on a review of the claims costs in the preceding periods. When this budget was being prepared, we had just experienced a spike in claims activity early in 2021, following a lower than normal level of claims in 2020, due to the COVID lockdown.

In reviewing the figures, we were unable to determine whether the spike in activity early in 2021, was indicative of a general increase in activity which would continue to manifest itself, or if it was reflecting a release in the suppressed activity during the post-COVID lockdown, and which would settle back down. In the face of this uncertainty, our actuaries provided us with three possible scenarios on which we could base our projected premiums:

1. A pessimistic projection which assumed that the increased claims activity would continue at the rate observed in early 2021. This would have required a projected premium increase in the region of 21% in 2022 instead of the typical approximately 6% increase in keeping with annual medical inflation.
2. An optimistic projection which assumed that the claims activity would revert to previous levels later in the year and would require an increase of 9% in 2022.
3. A middle-of-the-road projection recognizing the uncertainty and not committing to either the optimistic or the pessimistic projection. This would require an increase of about 14% in 2022.



I am pleased to present this Annual Report for the fiscal year period ended December 31, 2023.

After lengthy deliberation, we decided to proceed with the middle-of-the-road projection, a 14% increase in 2022 followed by a 6% increase in 2023. By the time 2021 was over, it had become apparent that the spike in activity was indeed a post-COVID aberration and the result is that the premiums charged for 2022-23 were higher than were required.

The result of this is that whereas we typically budget for a nominal surplus of about \$3 million per year, sufficient to maintain our solvency in the face of continued growth, we ended 2022 with a surplus of \$11 million and 2023 with a surplus in the region of \$8.4 million. Whereas, on the face of it, we could be expected to be happy with these surpluses, particularly given some deficit years in our past, we are actually quite uncomfortable with these results.

We recognize that these results have been partly derived as a result of our colleagues in other departments and ministries having to pay more than hindsight indicates that they actually needed to pay.

We have been able to compensate for this in two ways. First of all, we were able to assign some of this surplus to support our expansion plans, thereby relieving core Government of the obligation to provide additional capital which they had committed to do in 2023. In addition, we have proposed a nominal increase of approximately 1% in the premium rates for 2024 which should bring significant relief to our colleague departments and ministries. It must be noted that this applies to 2024 only, and 2025 will see more significant increases, but not in the order of the 2022-23 increases.

The dominant feature of our activities in 2023 was our preparation for expansion. We had hoped to have been able to launch the Preferred Provider Network (PPN) at the end of 2023, but we were asked to delay the implementation of the PPN until some future date. Accordingly, we have acceded to that request and await further guidance in that regard.

The launch of the Property & Casualty (P&C) insurance products was similarly delayed, but we expect these to be launched in early 2024. We anticipate that this launch will have taken place by the time this report is published.

There is a misperception that we are going into P&C to provide cheaper premiums. In order to provide cheaper premiums, the Government would have to commit appreciably more capital than they are currently able to, and with much less dependence on reinsurance.

The main driving forces for the P&C expansion are to lay the foundation for the Government, through CINICO, to be able to play a part in closing the protection gap which exists, due largely to the increasing reluctance of reinsurers to provide coverage in Cayman and the wider Caribbean. Our foray into P&C is thus reflective of the Government's foresight in seeking to address longer term challenges.

Coupled with the above is our intention to provide innovations which will hopefully serve to lead the way for other insurance companies to expand the scope of their offerings, to the benefit of all of the residents of the Cayman Islands.

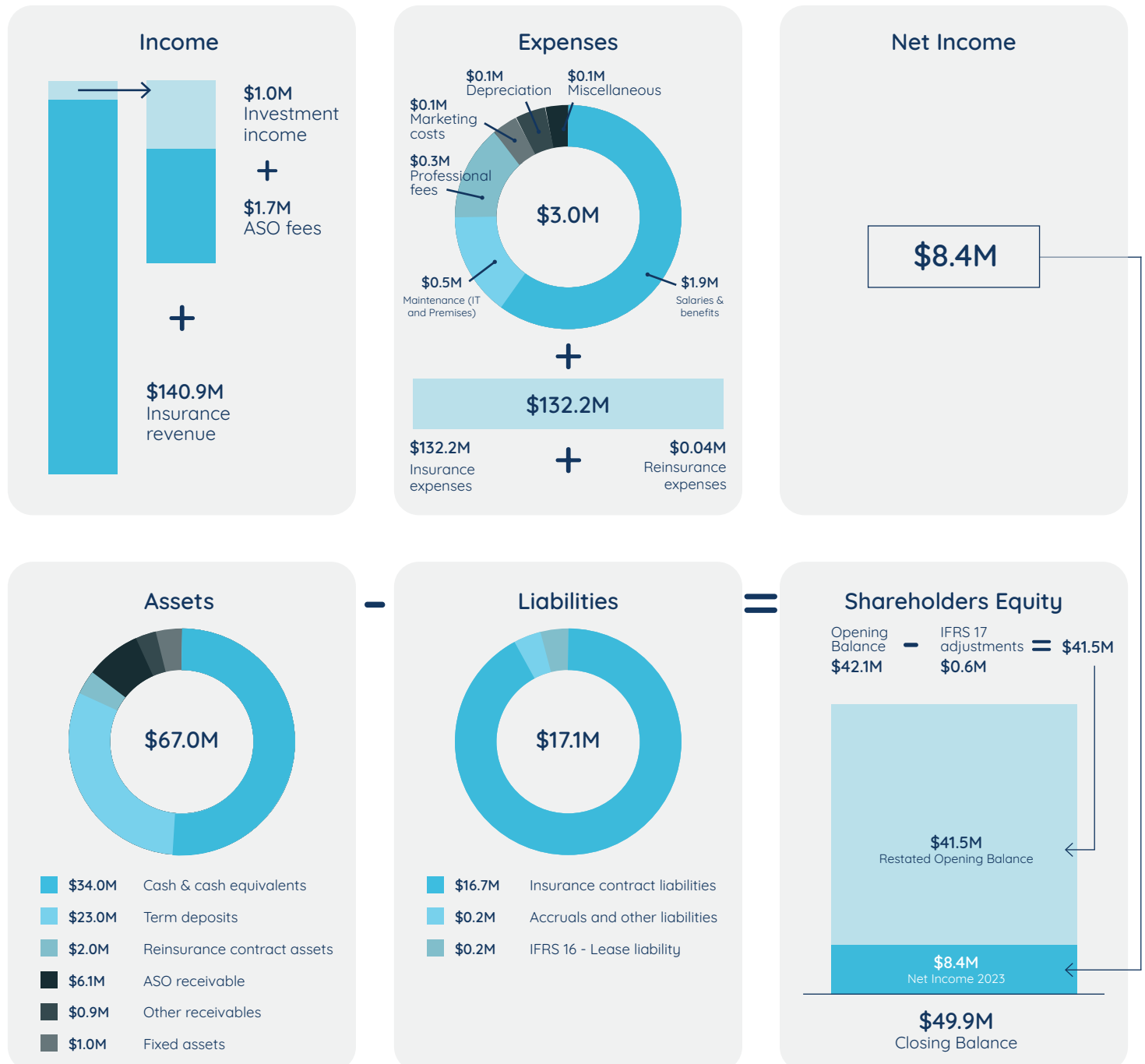
In closing, I wish to express my appreciation to my Management and staff, to our Board under the leadership of Chairman Mr. George McCarthy, to the Chief Officer and Deputy Chief Officer of the Ministry of Finance who have provided us with tremendous support and guidance, and to our Ministers for Finance who have continued their support of our operations.

Michael C. Gayle
Chief Executive Officer

29 February 2024

2023 | Fiscal Overview

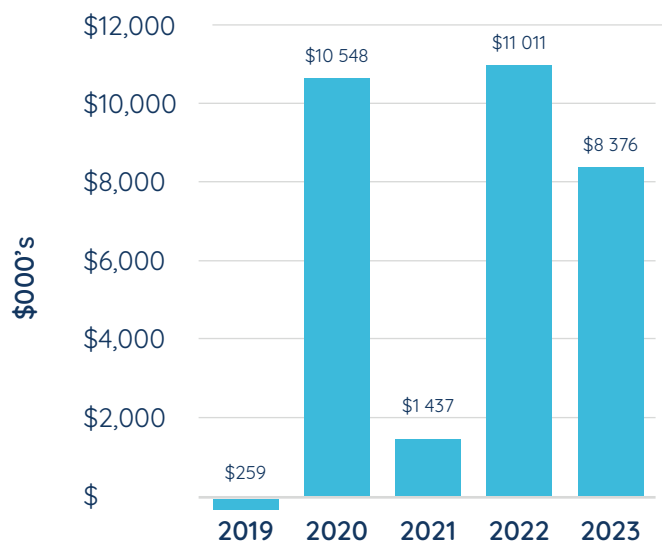
$$\begin{array}{rcl}
 \$143.6\text{M} & - & \$135.2\text{M} & = & \$8.4\text{M} \\
 \text{Total Income} & & \text{Total Expenses} & & \text{Net Income}
 \end{array}$$



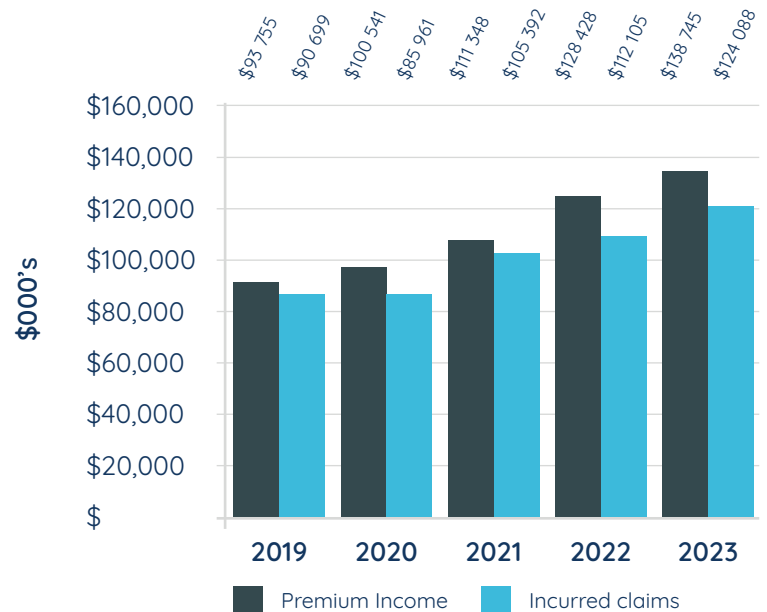
Financial and Operational Highlights

This section of the Annual Report provides key financial and operational trends for the 2023 fiscal year, and the four previous reporting periods. IFRS 17 became effective for the 2023 reporting period. As a result of this, the 2022 net income and shareholder's equity was restated. In addition, the net premium income was restated for the comparative five years. The restatements were not material.

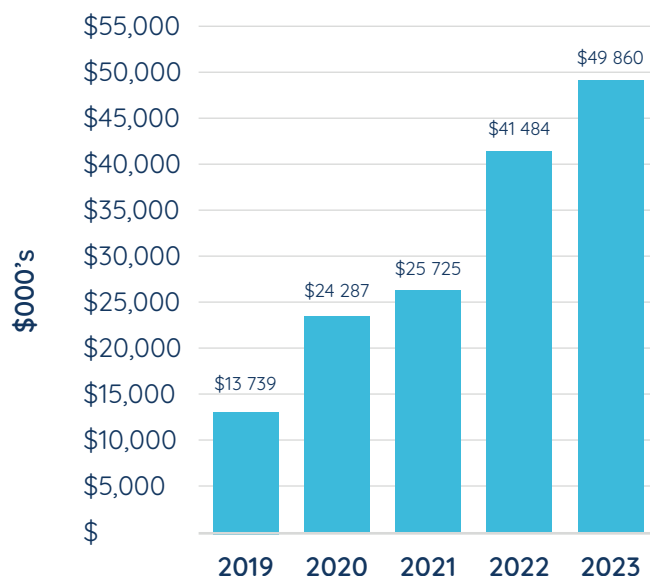
NET INCOME/LOSS



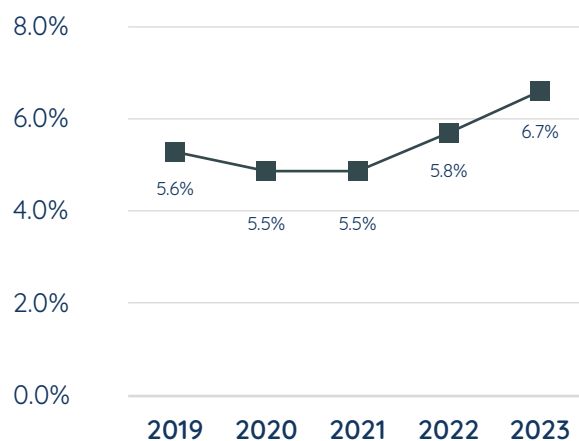
NET PREMIUM INCOME VERSUS CLAIMS INCURRED



SHAREHOLDER'S EQUITY



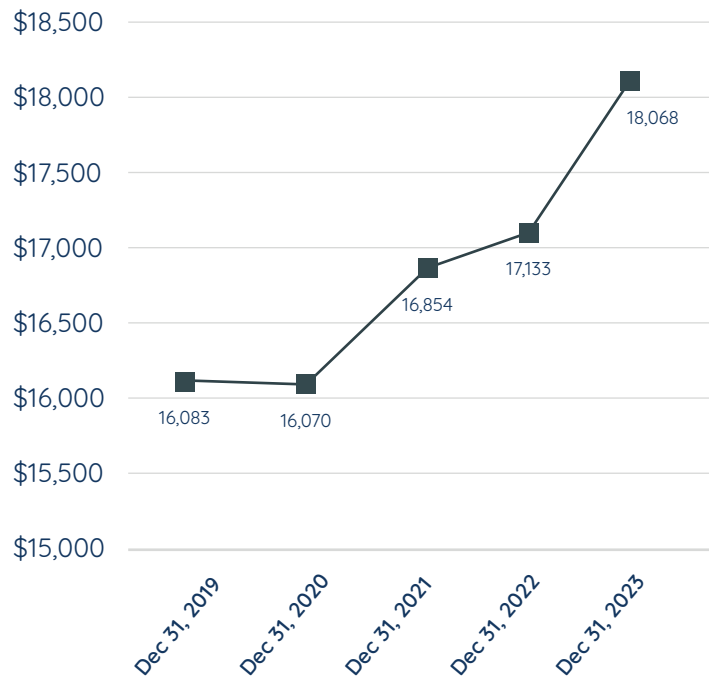
PRODUCTIVITY RATIO (lower the better)



TOTAL EXPENSES



MEMBERSHIP (as of December)



Organizational Overview



CINICO team

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.

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 Children & Family Services (DCFS)
- Needs Assessment Unit (NAU)
- Health City Cayman Islands (HCCI)
- Ministry of Finance and Economic Development (FED)
- 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



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.

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.



Executive Management team

The Board has three main committees with specific functions delegated to them. 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

THE BOARD OF DIRECTORS

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 Resources 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

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

Through excellent customer service, innovation and technology, we aim to deliver the best insurance cover and benefits in the Cayman Islands.

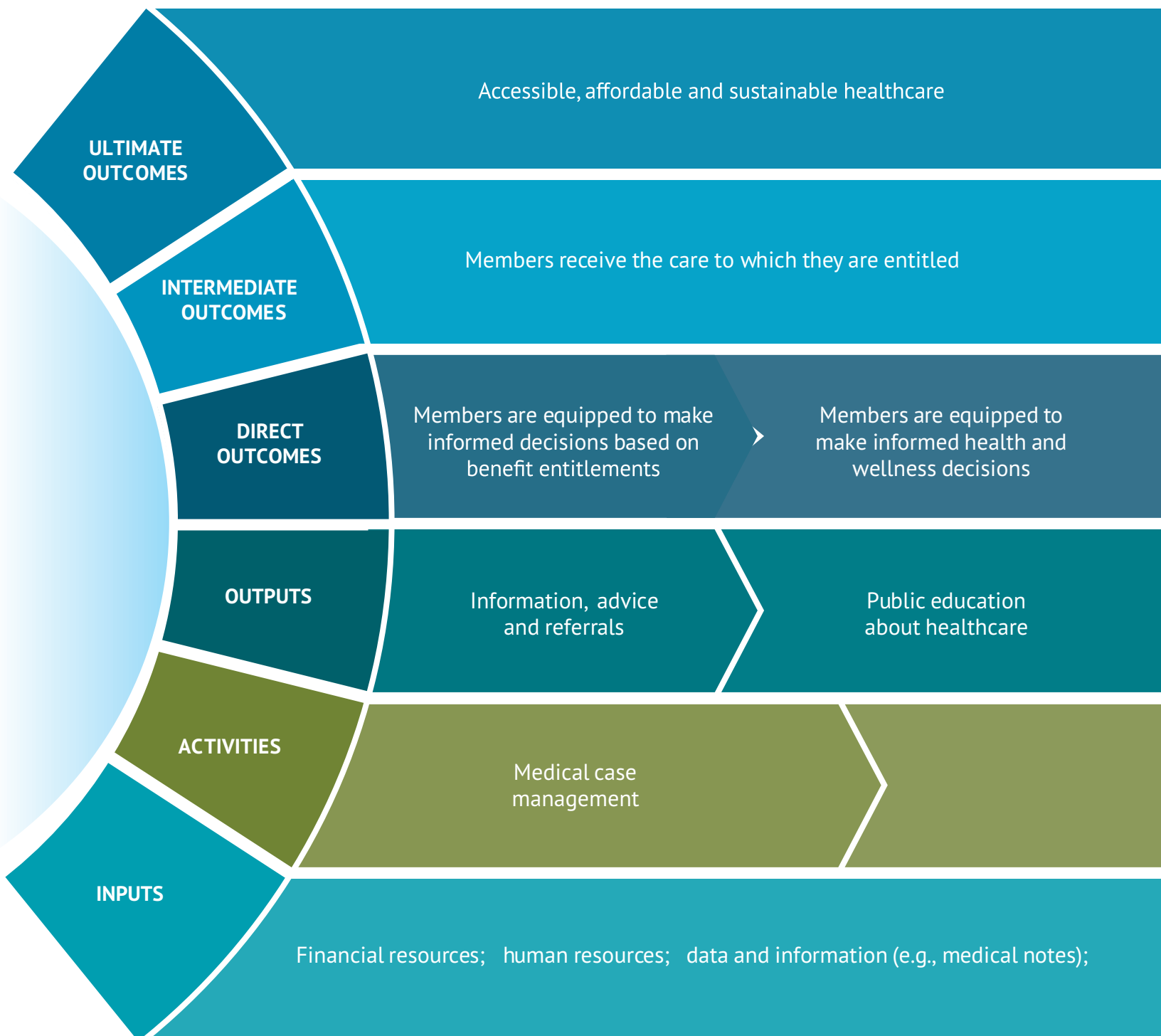
OUR Vision

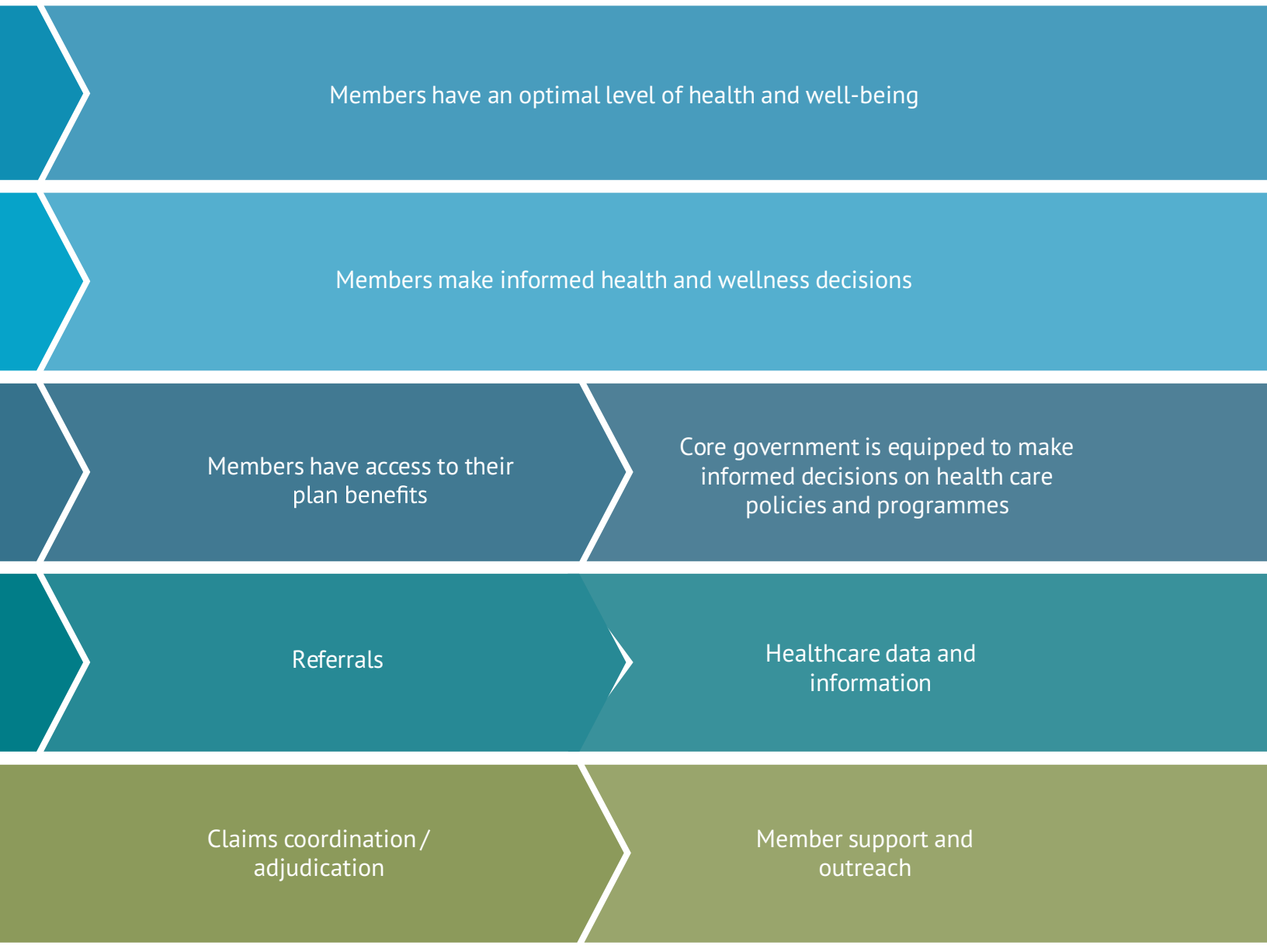
To be the best health, home and motor insurance provider for the people of the Cayman Islands.

OUR Values

- **Honesty and Integrity** - We serve the people of the Cayman Islands. We are truthful, open and transparent, and everything we do is for the progress and the prosperity of the Cayman Islands.
- **Compassionate Partners** - We want to help improve people's lives and protect their well-being. We listen first to understand and act as compassionate partners to our customers and our communities.
- **Excellence through Service** - We strive for excellence every day to find better ways to improve our products, services, and ourselves. What we do today we can do better tomorrow.
- **Innovation and Technology** - We want to bring real and sustainable change to the Cayman Islands insurance sector. We use technology and data-driven insights to innovate and create better products and services for our customers.
- **Reliable and Dependable** - Our customers rely and depend on us to be there when they need us most. We help them because we care.

CINICO Delivery Model





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

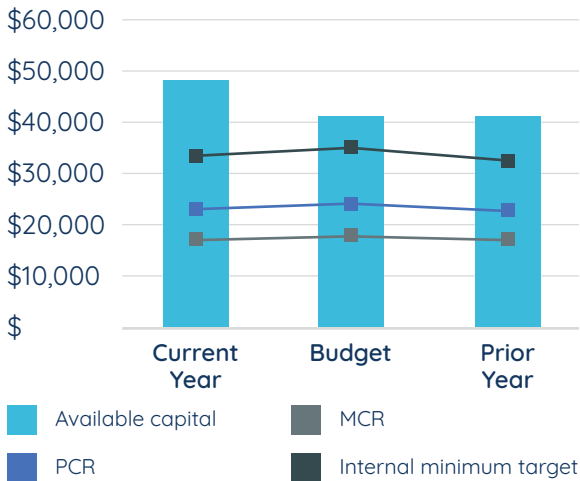
For the year ended 2023, CINICO delivered a consecutive fourth-year net income. The net income of \$8.4 million was due a 2022 reserve release and 2022 reinsurance recoveries of \$4.5 million, and favorable expenses offset by higher claim experience. Although expenses were above the prior year, they 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. In 2023, CINICO introduced a Capital Management Policy, which sets an internal capital target which is 150% above the PCR and describes actions that Management will take ahead of time to avoid breaching the PCR.

With available capital of \$49.5 million, CINICO’s capital levels are 290% and 232% of the MCR and the PCR, respectively. The available capital includes a \$5.35 million equity injection (received in 2022) for CINICO’s expansion into the Property and Casualty (P&C) line of business which will take place in 2024. It is estimated that out of the total \$49.5 million of available capital, \$10 million will be required for the P&C line of business.

MCR/PCR Capital Compliance (\$'000's)



Reinsurance with Highly Rated Reinsurer

To safeguard its assets, capital and mitigate losses against extraordinarily 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\$ 600,000 per individual per year. In the past year CINICO paid out \$2.2 million in reinsurance premiums and is on track to recover \$2.2 million in claims from the reinsurer. It is important to note that reinsurance's purpose is to mitigate high losses and not to collect the same amount in claims as paid out in premium.



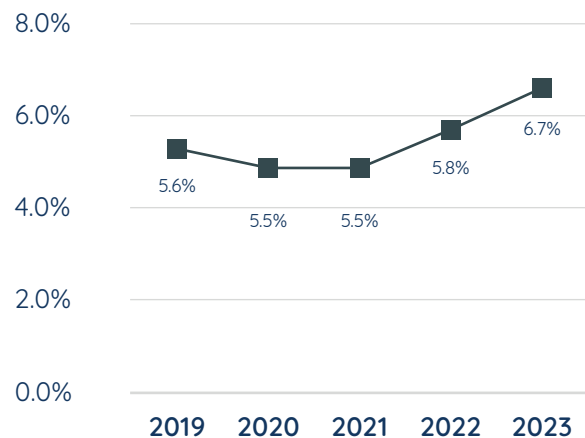
Timely, efficient, and collaborative

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

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

Expenses as a percentage of premium provides an indication of the Company's efficiency - or the number of cents per premium dollar that is expended on overhead and the administration of the insurance policies. Expenses include contribution to segregated fund fees, claims administration expenses (TPA fees) and administration expenses.

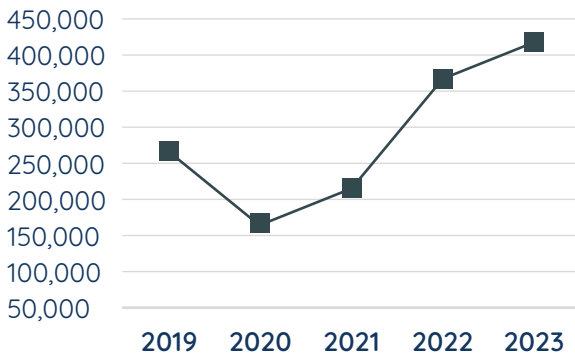
Ranging from 5.5% to 6.7%, the graph below displays CINICO's productivity ratio over the last five years. A lower ratio is associated with greater efficiency. The industry average for similarly sized companies in the USA is approximately 15% to 20%. In 2023, CINICO's ratio increased to 6.7% as we ramped up operations for expansion. However, revenues from the expansion will be realized in 2024 which will result in a reduction in the ratio. Despite the increase in the ratio in 2023, CINICO's productivity ratio is well below the industry average.



Claim processed and payment turnaround

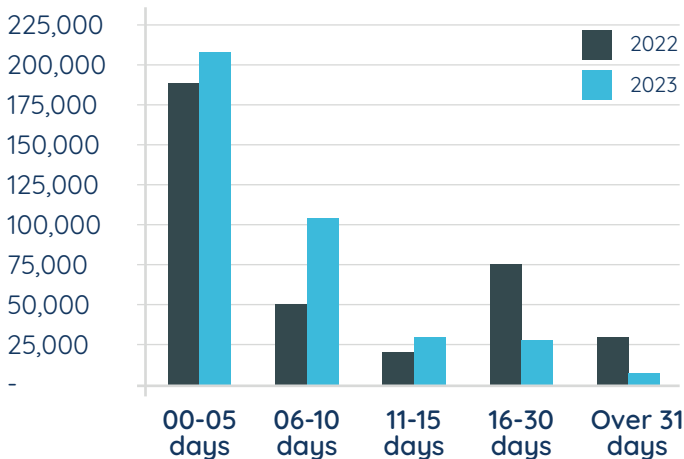
Except for USA claims, the claims payment functions are performed in-house. In 2023 total claims processed increased by 5% over the prior year. The increase is attributable to a higher membership base, which increased by 3%. The graph below shows the local claims processed over the last five years.

Claims Processed



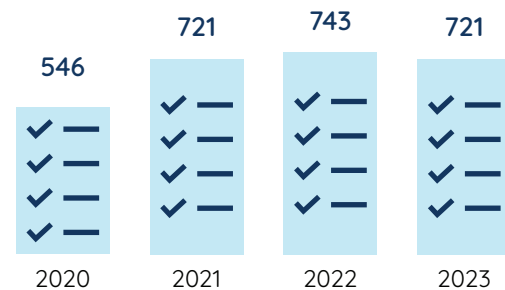
The claims turnaround is depicted below and illustrates that in 2023, ninety percent (90%) of claims received were processed within fifteen days, compared with seventy percent (70%) last year. Last year was an anomaly as there were problems with claim submissions from our two largest providers with duplicate submissions. On average, all claims were processed within ten days, well within the minimum requirement of thirty days.

CLAIMS COUNT



SHIC applications bound

The below diagram shows the number of SHIC insurance contracts bound from 2020 to 2023. By law we are required to process a clean application within 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. As at 31 December 2023 the area was staffed by twelve (12) employees in three (3) offices – George Town, Savannah, and Cayman Brac. The team is responsible for a customer base of over 18,000 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. To this aim, CINICO's Medical Case Management Unit (MCMU) engages in a collaborative process to provide comprehensive coordination of medical services for CINICO members. The team comprises of nine (9) qualified licensed medical professionals who, in conjunction with the Chief Medical Officer (CMO) and the Referrals Team, work to ensure members have appropriate and timely access to healthcare, in an effort to attain optimal health outcomes.

The Case management process involves personalized interaction with the member and family, whereby the member's needs are evaluated, and the necessary support provided, in collaboration with practitioners, providers and relevant support services, to ensure that care is continuous, comprehensive and cost effective. Through a referral process, overseas care is coordinated for services not available on-island. Coordination of outpatient services include medical appointments, medically necessary Durable Medical Equipment (DME) and Home Health Care (HHC); MCMU also manages inpatient care by performing concurrent reviews to ensure the member is at the level of care that is most appropriate, and the team makes recommendations based on established Clinical Criteria Guidelines for admission and continuing care.

The team is available 24/7 to coordinate emergency air evacuations/air ambulance transfers. In line with CINICO's core values, MCMU is committed to serving with compassion, honesty and integrity, and endeavours to promote wellness by engaging in educational opportunities specific to the known chronic diseases via Population Health and Disease Management programs.

In 2023, MCMU coordinated 3,072 off-island medical services (referrals) for our members, a 14% increase over the prior year referrals of 2,691.

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 2022 and 2023.

TABLE 1: AIR AMBULANCE COORDINATION

	Q1	Q2	Q3	Q4	TOTAL
2022	3	13	10	13	39
2023	18	6	7	11	42

Home Health Care

Through coverage offered under the Insurance and Indigent plans (not including SHIC), CINICO assists just under six hundred (600) members, mostly elderly, with Home Health Care (HHC) benefits amounting to an expenditure of \$7.9 million. The number of members has grown from last year, which stood at 448 people.

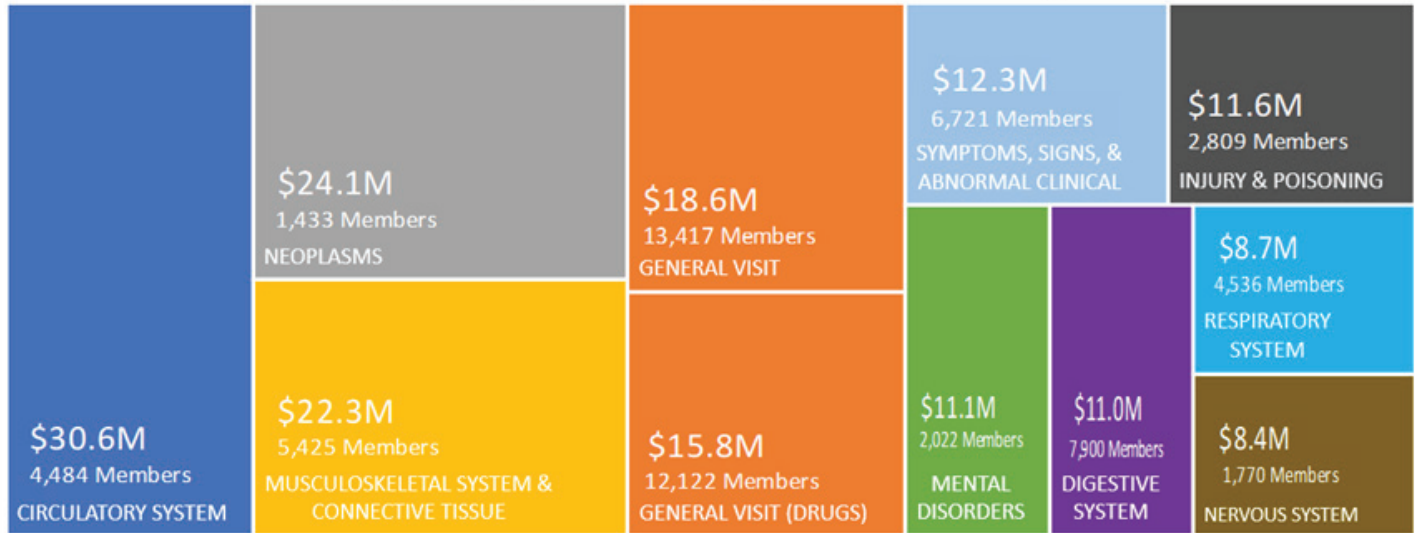
Claims by diagnosis type

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.

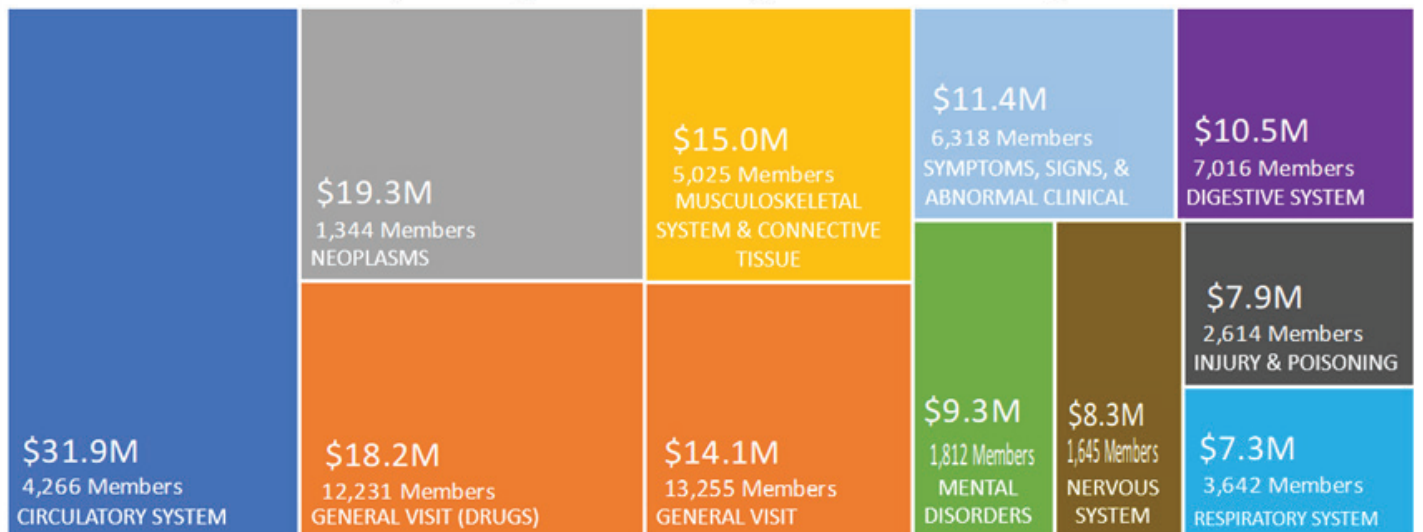
CINICO also supports several community initiatives annually, including but not limited to the DG5K, the Healthcare Conference, the Alex Panton Foundation, Special Olympics, Red Cross etc.



Top 10 Diagnosis for 2023 (INSURANCE & ASO)



Top 10 Diagnosis for 2022 (INSURANCE & ASO)



Supplementary Information

RISK MANAGEMENT

The 2022 and 2023 Ownership Agreements with the Shareholder identified the following key risk for management by CINICO:

TABLE 2: RISK MANAGEMENT

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.	Same. Premium rates approved by Cabinet are actuarially based and include a risk factor for adverse claims. Increasing risk due to high-cost gene/cell therapy drugs. Same. Increase in claims below what was assumed in budget and premium rate (including risk premium). Improved discount from one overseas provider utilized frequently. Improved. Internal audit of claim processing and controls. Improved. SHIC products – establishment and compliance with strict underwriting procedures.	- Premium rates are actuarially based prior to Cabinet approval. - Continued overseas discounts through overseas provider UHC. - Utilization of CINICO in-house, Medical Case Management Unit (MCMU). - Gene/cell therapy – Sensitizing government to the high costs and encouraging the development of a national policy. - 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). - Review of large pharmacy claims. - Concurrent review with UHC and reinsurer of overseas claims. - Coordination of discharge plan both locally and overseas. - Capital preservation policy. - Annual meetings with overseas network provider. - In-house claims adjudication. - Large claim reviews. - Claim analysis and review of claim trends.	Not quantifiable.

TABLE 2: RISK MANAGEMENT CONTINUED

Key risks faced by cinico	Changed in status from previous year	Actions to manage risk	Financial value of risk
Potential issues with lease claims system.	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. • Reconciliation of reports.	Not quantifiable.
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 \$1m based on year-end closing balance outstanding.
Non-compliance with regulatory bodies rules and regulations (CIMA and HIC).	Improved. Additional Compliance resources. Improved. Review of policies and procedures.	• 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.

TABLE 2: RISK MANAGEMENT CONTINUED

Key risks faced by cinico	Changed in status from previous year	Actions to manage risk	Financial value of risk
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 of outstanding balance. • Work with CIG to ensure Supplementary budget sought. • 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. Development of an Internal Capital Management Policy.	• 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.	
Cybersecurity threat.	Increased globally.	• Chief Information Officer provides oversight of cybersecurity measures implemented by IT provider. • Mitigate threats alerted by CIG's Chief Information Security Officer. • Robust policies and procedures in accordance with CIMA's Statement of Guidance. • Staff training. • Increase in security posture via software and monitoring.	

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.

Looking Forward



Whereas in the past, we have framed our “Looking Forward” narrative within the context of our strategic objectives, we will take a slightly more pragmatic approach this year.

The primary reason for this is that we are approaching the end of the period covered by our current Strategic Plan, and in that regard, one of the elements that we look forward to is the review of the existing plan and formulation of a new plan for the coming 4 or 5 years. We have already commenced this process.

We expect 2024 to be a significant year for us in a number of respects. This year will see the launch of a new CINICO in a number of respects.

The first and most visible aspect will be our brand refresh. Our existing branding has served us well these past twenty years, but as we move forward, we have seen the need to refresh our brand. This will encompass a new logo, livery, website and other areas, some of which can be seen in this report.

We are also relocating our Head Office to newer, more modern premises on Elgin Avenue, as we have outgrown the suitable available space at and functionality of our Cayman Centre location, a location which has been home to us for 16 years.

These physical changes will underpin various operational changes including an expansion into the arena of Property and Casualty (P&C) Insurance, where rather than competing with the private insurers, we hope to supplement their offerings, at a time when there are a number of capacity constraints in that area. We also hope to introduce a number of innovations in this area which will enhance the mart’s P&C offerings, even beyond CINICO in due course.

On the health side, we will launch a low-cost product which represents a significant improvement on the current SHIC scale of benefits. We will also seek to develop a more comprehensive open-market insurance plan. We also have plans to develop a product for Retirees. This will be the subject of further discussions with our Minister and other Ministries as it will have financial implications for the Government.

Financial Performance Analysis

On January 1, 2023, IFRS 17 Insurance Contracts became effective and replaced IFRS 4. IFRS 17 is a significant standard which sets out principles of recognition, measurement, presentation, and disclosure of insurance contracts allowing for consistency of treatment and comparison among the insurance industry. The main user of CINICO's financials is CIG, and despite the administration work required to adopt and maintain IFRS 17, we must maintain two sets of books for consolidation purposes and regulatory reporting. Under IFRS 17 the financial statements would look completely different and include additional note disclosures required under the new standard. In addition, there are minor immaterial financial impacts.

The below table illustrates both the financial and presentational impacts.

Financial Impacts	Presentational Impacts
Risk Adjustment - A provision will be added to the claims liability to reflect compensation required for accepting non-financial risk. - This is viewed as a conservative liability reflecting uncertainty in the estimates used to calculate the liability. Onerous Contracts - When contracts are issued that are expected to be loss-making, we will need to upfront the expected loss and establish a corresponding liability which is then amortised over the life of the contract. - CINICO considers the SHIC contracts onerous and has upfronted one month of expected losses.	- Results are calculated for portfolios of insurance contracts. - Insurance contracts and reinsurance contracts must be measured separately. - Expenses must be allocated to the following levels of granularity: - Acquisition expenses, maintenance expenses and non-insurance expenses. - To portfolios of contracts. - All insurance related cash flows are included within the insurance contract liabilities: - Premiums receivable - Accrued expenses and payables, etc.

The financial impact of IFRS 17 is quantified in the table below. The 2023 opening equity position was restated by negative \$0.6 million. For 2023 the financial impact of IFRS 17 was immaterial at \$18k.

IFRS 17 item	\$000's	
	December 2021/2022 Equity Impact	2023 P&L Impact
Insurance Liability	\$ (689)	\$ 157
Reinsurance Asset	136	(74)
Loss Component for 1 month of 2024 Forecasted SHIC loss	(36)	(101)
Net Impact	\$ (589)	\$ (18)

The complete IFRS 17 financials and notes are included following Appendix 2 of this annual report.

FINANCIAL PERFORMANCE (NET INCOME/ (LOSS))

For the year ended December 31, 2023, CINICO earned a surplus (net income) of \$8.4 million compared to the prior year's surplus of \$11 million and a budget of \$1.7 million. The surplus was due to a \$4.5 million 2022 reserve release and reinsurance recovery, favorable claims (net of the risk premium) and favorable expenses.

Table 3 illustrates the sources of profit (or variance to the budget) compared with the premium pricing level assumptions for 2023. Table 4 provides same for 2022.

TABLE 3: SOURCES OF NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2023 (\$ MILLIONS)		
Source of Net Income/(Loss)	Amount	Explanation
Unfavorable incurred local claims	\$(3.1)	Unfavorable in all lines of business except Civil Servant and SAGC plan.
Favorable incurred overseas claims	\$1.4	Favorable in all lines except SHIC. Includes 10 cases which breached the reinsurance retention level.
Risk premium	\$4.0	Actuary risk premium for adverse claims deviation.
Expenses and other	\$2.7	Favorable admin expenses, TPA fees, and higher ASO fees. Offset by higher reinsurance premium.
2023 True Net Income (Health)	\$5.0	
**New business lines (not implemented)	\$(1.1)	Administration expenses
2023 True Net Income	\$3.9	
2022 Prior year reserve release (net of reinsurance recoveries)	\$4.5	Overseas - \$3.4M; Local - \$0.3M; Reinsurance Recovery - \$0.8M
Net Income	\$8.4	

** In 2023 CINICO intended to introduce the Property & Casualty (P&C) line of business, and a new SHIC enhanced product. We encountered challenges in P&C as the global reinsurance market had capacity limitations, thus making it difficult for CINICO to launch in 2023. The SHIC enhanced product introduction experienced unintentional delays. These two new lines were budgeted; however, no revenues have been earned for reasons mentioned.

Table 3 shows that the true 2023 net income for the active health lines of business is \$5.0 million. A total of \$1.1 million was incurred/allocated in expenses for the start of the new lines of business such that the true 2023 overall net income was \$3.9 million prior to adjusting for the \$4.5 million 2022 reserve release and reinsurance recovery.

TABLE 4: SOURCES OF NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2022 (\$ MILLIONS)

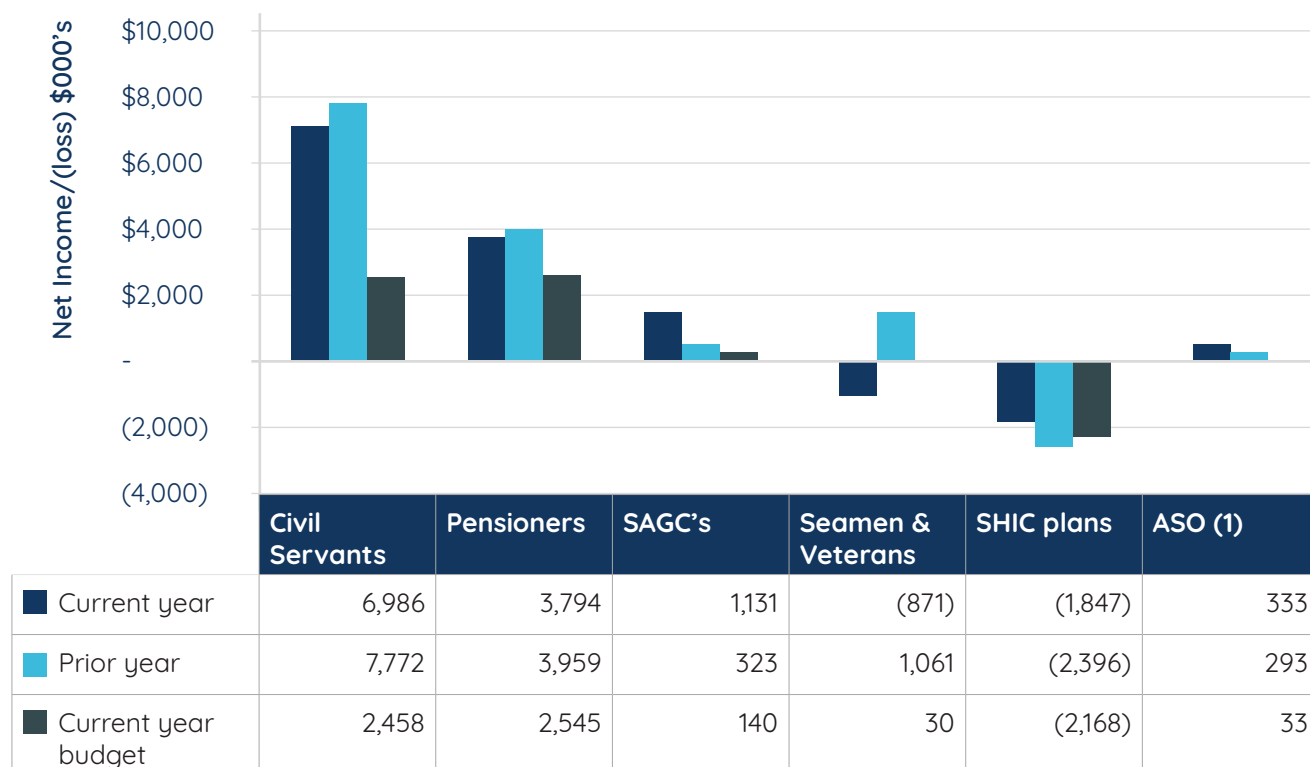
Source of Net Income/(Loss)	Amount	Explanation
Favorable incurred local claims	\$1.7	Favorable in all lines of business except SHIC.
Favorable incurred overseas claims	\$0.6	Favorable in all lines. Includes 9 claims which breached the reinsurance retention level for a reinsurance claim recovery of \$4.6M.
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	

Figure 1 provides the net income / (loss) by business category for CINICO's active business lines (not including P&C and SHIC enhanced).

The graph compares the current year, prior year, and budget. In the current year, all business categories earned a profit except for the S&V and SHIC business lines. The losses in the S&V line are due to higher claims than what was assumed in the premium rate assumptions. 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 have conducted an actuary pricing review and will submit an application to the Health Insurance Commission for approval to increase CINICO's SHIC rates.

The surpluses in the other lines of business are primarily due to lower claims experience (net of the risk premium), lower expenses and the 2022 reserve release net of reinsurance recoveries.

FIGURE 1: Net Income / (Loss) By Business Category



(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. These are on an IFRS-17 basis, and as such the prior year figures were restated where necessary.

TABLE 5: FINANCIAL HIGHLIGHTS FOR FINANCIAL YEAR ENDING

	Current year	Current year budget	Prior Year
Statement of financial position (selected items)			
Cash and cash equivalents	\$ 33,625,221	\$ 32,047,913	\$ 33,597,736
Term deposits	22,996,053	22,252,500	18,489,773
ASO claims and fees receivable	6,112,110	7,000,000	6,938,232
Reinsurance contract assets	1,961,326	537,860	4,667,635
Insurance contract liabilities	16,668,857	20,175,655	22,490,948
Shareholder's equity	49,859,738	43,129,073	41,483,582

TABLE 5: FINANCIAL HIGHLIGHTS FOR FINANCIAL YEAR ENDING CONTINUED

	Current year	Current year budget	Prior Year
Statement of comprehensive income			
INSURANCE RESULT			
Insurance revenue	\$ 140,901,011	\$ 137,710,087	\$ 129,470,964
Insurance service expenses	(132,225,889)	(135,013,768)	(123,758,902)
Net expenses from reinsurance contracts held	(47,197)	(246,033)	5,230,832
Subtotal: Insurance service result	8,627,925	2,450,286	10,942,894
ASO fees	1,736,588	1,684,146	1,633,682
Investment & other income	1,003,242	769,300	307,128
Subtotal	2,739,830	2,453,446	1,940,810
Total Income	\$ 11,367,755	\$ 4,903,732	\$ 12,883,704
Other operating expenses	\$ (2,991,599)	\$ (3,202,172)	\$ (1,872,341)
NET INCOME	\$ 8,376,156	\$ 1,701,560	\$ 11,011,363

Cash, cash equivalents and term deposits

Cash and cash equivalents at \$33.6 million remained at the same level as the prior year. The cash balances will be required to settle the year-end insurance contract liabilities which are just below \$17 million..

Term deposits increased by \$4.5 million from the prior year to \$23 million. Term deposits comprise of several one-year fixed deposits earning a return of just over 4%. 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 a 2022 equity injection for the P&C business) represent four and a half months of 2023 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 \$6.1 million at the end of the year compared to \$6.9 million in the prior year. The 2022 balance was subsequently paid in 2023. We expect the remaining current year balance to be settled in 2024.

Reinsurance contract assets

Reinsurance assets comprise of reinsurance recoveries of cases that reached retention that have not been settled to date. As at 31 December 2023 there are nine cases that triggered the reinsurance stop loss limit which totaled \$1.4 million. In 2022 there were eleven cases that triggered the stop loss limit for a recovery of over \$6 million.

Insurance contract liabilities

Table 6 illustrates the components of the insurance contract liabilities. These include any balance sheet items, such as premium receivable, prepayments, payables, that are required for in acquiring or maintaining insurance contracts, plus the non-financial risks and provision of onerous contracts.

TABLE 6: COMPONENTS OF INSURANCE CONTRACT LIABILITIES		
	December 31, 2023	December 31, 2022
Assets related to insurance contracts	\$ (1,211,308)	\$ 424,261
Liabilities related to insurance contracts	1,024,904	791,627
Provision for IBNR	16,199,082	21,398,971
Non-financial risk adjustment	531,796	688,995
Loss component - (SHIC)	137,383	35,616
Insurance contract liabilities	\$ 16,668,857	\$ 22,490,948

A majority of the balance is made up of the provision for claims incurred but not reported (IBNR), which 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.

Note 4.1 and 5 of the financial statements provide further details on the insurance contract liabilities.

Shareholder's equity

Shareholder's equity increased by \$8.4 million to \$49.9 million for the year ended December 31, 2023. The increase is due to the 2023 Net Income. Note, IFRS 17 requires a provision for non-financial risk, as such the original 2022 closing balance was reduced by \$0.6 million representing the IFRS 17 adjustment. Table 7 provides an analysis of shareholder's equity to budget.

TABLE 7: ANALYSIS OF SHAREHOLDER'S EQUITY (\$ millions)

	Budget	Actual	Variance
Opening shareholder's equity (IFRS4)	\$ 42.1	\$ 42.1	\$ -
IFRS 17 adjustment	(06)	(0.6)	-
Restated shareholder's equity	41.5	41.5	-
2023 Net Income	1.7	8.4	6.7
Closing shareholder's equity	43.2	49.9	6.7

Shareholder's equity is \$6.7 million better than budget due to a higher net income to budget.

Insurance revenue

Insurance revenue is earned from health insurance plans under the following business categories:

- Group 30100 – Civil Servant and Statutory Authority & Government Companies (SAGC's),
- 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 insurance revenue income by insurance plan categories. Note the budget does not include any expansion lines (i.e. P&C and the new SHIC enhanced plan).

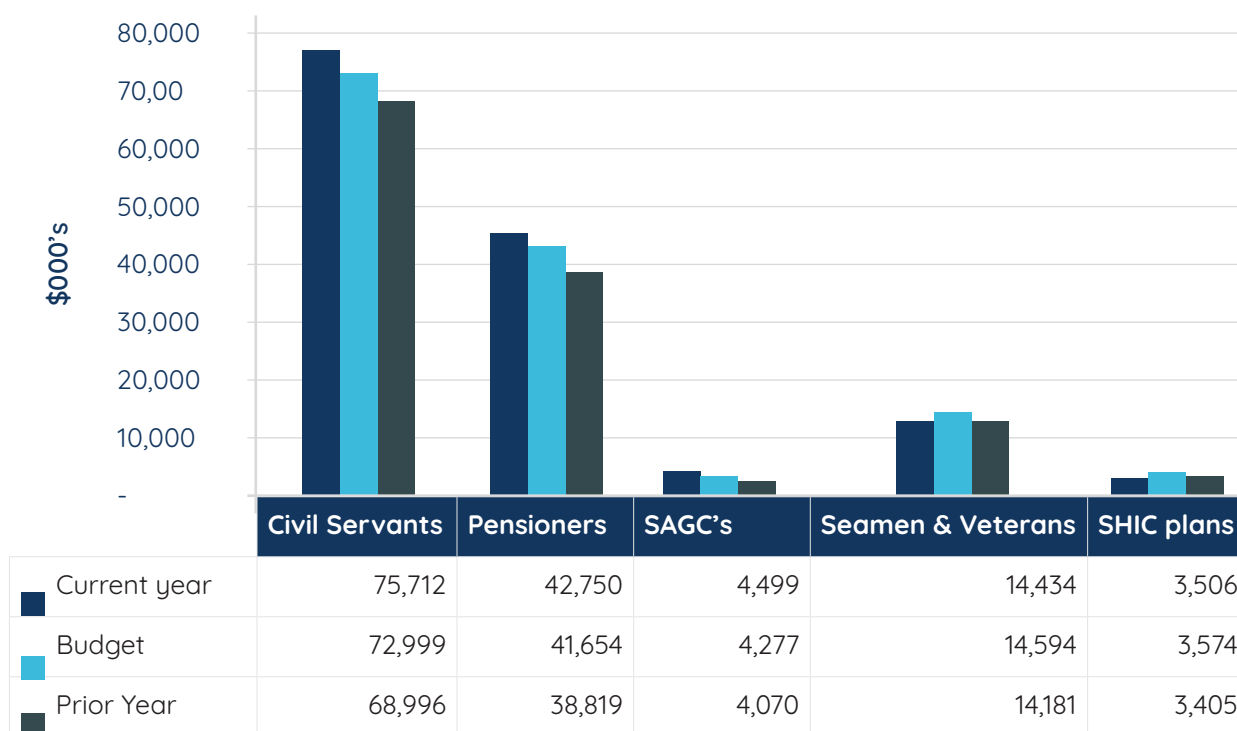
FIGURE 2: INSURANCE REVENUE BY BUSINESS CATEGORY


TABLE 8: AVERAGE NUMBER OF COVERED LIVES INSURED

	Current Year	Budget	Prior Year	% Change to Budget	% Change to Prior Year
Civil Servants	9,589	9,316	9,186	3%	4%
Pensioners	2,486	2,474	2,405	-%	3%
SAGCs	544	544	532	-%	2%
Seafarers & Veterans	1,023	1,043	1,058	-2%	-3%
Indigent	2,056	2,035	1,931	1%	6%
SHIC plans	1,820	1,766	1,823	3%	-%
Total	17,518	17,178	16,935	2%	3%

Insurance revenue 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 8 shows the covered lives throughout the comparative periods. The number of covered lives also drives other items such as claims, reinsurance and claims administration fee expenses.

The average member covered lives in 2023 increased to 17,518 from the prior year's covered lives of 16,935, a 3% increase. Compared with the budget overall covered member lives increased by two percent. The Indigent and the Civil Servants segments realized the largest increases over the prior year with growth rates of 6% and 4% respectively. It is to be noted that the Indigent segment also had a 16% increase in 2022 over 2021. The Seafarers and Veterans cover lives decreased by 3% from the prior year.

The overall current year insurance revenue of \$140.9 million is \$3.2 million or 2% above the budget due to higher membership, mainly with Civil Servants, Pensioners and SAGC's. Despite higher membership levels, SHIC insurance revenue was below budget as the average actual premium rates were below those assumed in the budget.

The current year premium income is \$11.4 million or 9% higher than the prior year which is predominantly driven by premium rate increases of 6% in 2023 (Group 30100), and membership growth of approximately 3% (Table 8).

INSURANCE SERVICE EXPENSES

Table 9 provides a breakdown of IFRS 17's "Insurance Service Expenses".

	Current Year	Current Year Budget	Prior Year
Incurred claims	\$ 130,120,172	\$ 126,524,404	\$ 119,210,328
Prior year reserve release	(3,656,620)	-	(971,872)
Incurred claims (P&C/new health)	-	356,175	-
Other (IFRS 17, ALAE)	242,230	295,261	145,855
Allocated expenses			
P&C expenses	-	701,335	-
TPA Fees	915,114	1,193,089	856,291
Admin expenses	5,092,453	5,943,504	4,518,300
Subtotal: Allocated expenses	6,007,567	7,837,928	5,374,591
Total	\$ 132,225,889	\$ 135,013,768	\$ 123,758,902

Much of the insurance service expenses relate to incurred claims, or medical benefits payable under CINICO's various insurance plans. For the year ended December 31, 2023, incurred claims increased to \$130.1 million from the prior year's amount of \$119.2 million. The budgeted incurred claims totaled \$126.5 million. Table 10 provides an analysis of the incurred claims by insured plan. The insurance service expense also includes adjustments for IFRS 17 (\$242k for December 31, 2023), and an allocation of expenses. The portion of these allocated expenses to the insurance service expense component will be analyzed in the section entitled "Other Operating Expenses".

It must be noted that the incurred claims (gross) presented in Table 10 does not include the reduction for reinsurance recoveries as IFRS 17 requires that reinsurance recoveries be reported under a separate line, "net expenses from reinsurance contracts held". In table 10 we have restated the 2022 incurred claims to follow the current IFRS 17 requirement.

The incurred claims for 2022 are on a "hindsight basis". For example, the year ended December 31, 2022, original reported claims were \$119.2 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 2023 claim reserve showed a favorable development of \$3.7 million, so that the final 2022 claims incurred are \$115.6 million compared with the original reported figure of \$119.25 million.

Table 10 also illustrates that \$15.3 million or 12% of the 2023 total claims incurred of \$130.1 million is made up of IBNRs (Incurred But not Reported). This represents just under two months of incurred claims. IBNRs are essentially accruals for claims and calculated using actuarial methods and assumptions. The adequacy of the 2023 IBNR reserve will only be known in subsequent months.

TABLE 10: INCURRED CLAIM LOSSES (000's)									
	2022			2023			2023 less 2022 Calendar Year	2023 Budget	Inc/(dec) - 2023 reported less Budget
	Reported*	Hindsight adjust-ment**	Final	Incurred in 2023 & paid in 2023	IBNR	Reported			
Local									
Group 30100	69,801	(271)	69,530	74,434	6,085	80,519	10,989	70,899	9,620
Group 30101	12,183	48	12,231	13,238	1,164	14,403	2,171	13,496	906
Group 30104	2,974	(34)	2,940	2,727	416	3,143	204	2,837	306
	84,958	(258)	84,700	90,399	7,665	98,065	13,364	87,233	10,832
Overseas*									
Group 30100	31,934	(3,017)	28,917	22,855	7,076	29,932	1,015	37,115	(7,183)
Group 30101	-	-	-	-	-	-	-	-	-
Group 30104	2,319	(385)	1,934	1,522	602	2,124	190	2,177	(53)
	34,253	(3,402)	30,851	24,377	7,678	32,055	1,205	39,292	(7,236)
Total									
Group 30100	101,735	(3,288)	98,447	97,289	13,161	110,450	12,004	108,014	2,436
Group 30101	12,183	48	12,231	13,238	1,164	14,403	2,171	13,496	906
Group 30104	5,293	(419)	4,873	4,249	1,018	5,267	394	5,014	253
	119,211	(3,660)	115,551	114,777	15,343	130,120	14,569	126,524	3,596

*Includes US\$ claims paid to Health City Cayman Islands and Baptist Health Diagnostic Imaging, Grand Cayman.

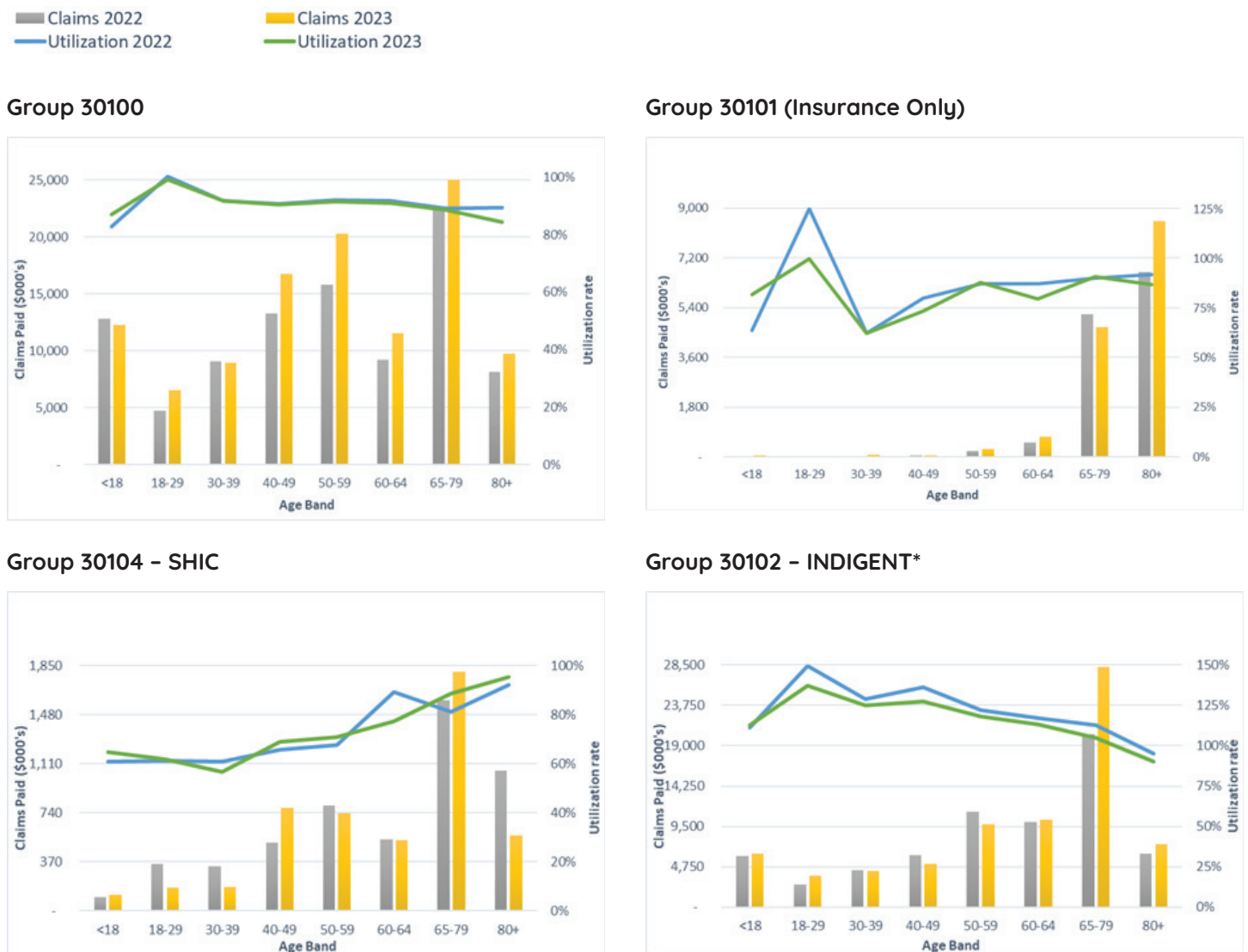
As shown in Table 10 incurred claims increased from \$115.6 million in 2022 to \$130.1 million in 2023, an increase of \$14.6 million from the prior year. The increase is primarily due to higher utilization and the growth in CINICO's membership (shown in Table 8). The increase in utilization is highest within Group 30100 (local), which showed a \$11 million increase in spending over the prior year. The medical services which accounted for the majority of the overall increases are as follows; inpatient, outpatient, mental health, MRI/scans/x-rays, and therapy.

Group 30101 showed a \$2.2 million increase in expenditure despite a three percent decrease in membership. This group is an older demographic and as Figure 3 would show, claims increase in advanced ages. The medical services accounting for a large part of the increase from the prior year are as follows, inpatient, home health care and therapy.

Total incurred claims were \$3.6 million, or three percent above budget which is in line with higher membership in 2023 versus budget (Table 8).

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



*Utilization over 100% is possible when one or more individuals are enrolled for a portion of the year and incur claims.

ASO FEES AND INVESTMENT & OTHER INCOME

ASO fees are earned on a per member per month (PMPM) basis per each indigent member. Fees amounted to \$1.7 million in the current year and above the budget and prior year due to a higher number of members (Table 8). Other income includes investment income, income from re-activations of SHIC policies, and stale dated checks over 7 years from issue. Other Income is higher than budget and the prior year primarily due to higher earned investment income resulting from higher yields than forecasted.

OTHER OPERATING EXPENSES

IFRS 17 requires that expenses be allocated between insurance service expenses, reinsurance expenses, and out of scope expenses. The table that follows illustrates the allocation of these followed by an analysis of variances between budget and prior year.

TABLE 11: IFRS 17 Allocated Expenses			
	Current Year	Current Year Budget	Prior Year
Insurance service expenses	\$6,007,567	\$7,837,928	\$5,374,591
Net expenses from reinsurance contracts held	21,280	32,363	19,540
Other operating expenses	2,991,599	3,202,172	1,872,341
Total other expenses (TPA & Administration expenses)	\$9,020,446	\$ 11,072,463	\$ 7,266,472
Claims administration expenses (TPA)	\$1,120,045	\$1,749,210	\$1,039,746
Administration expenses	7,900,401	9,323,253	6,226,726
Total other expenses (TPA & Administration expenses)	\$9,020,446	\$11,072,463	\$ 7,266,472

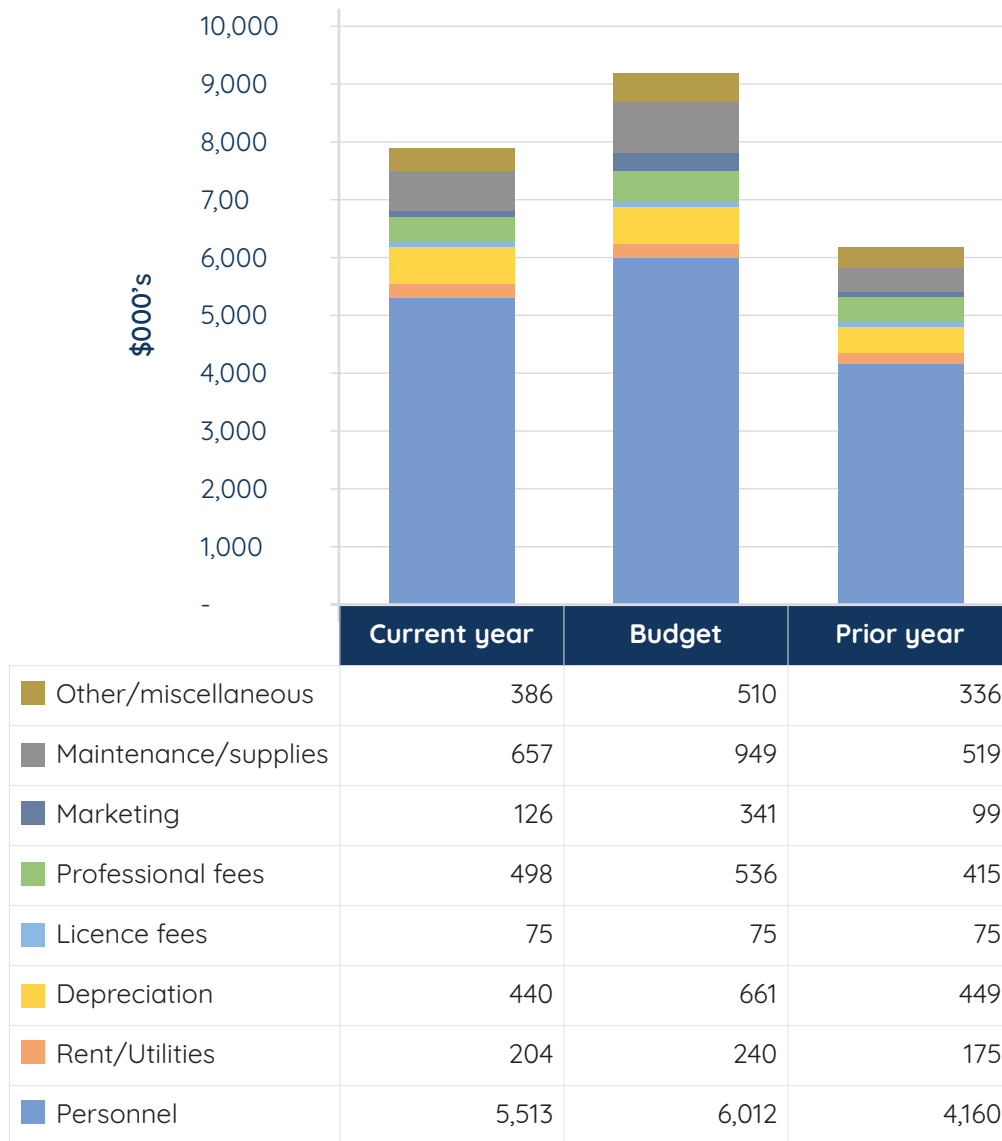
For the year ending December 31, 2023, other expenses amounted to \$9 million, below budget by \$2.1 million, and \$1.7 million higher than the prior year.

The components of other expenses are claim administration expenses (TPA fees) and administration expenses.

Claims administration expenses are services rendered by third party administrators (TPAs). Most of the expense incurred is for the use of the insurance administration system. At \$1.1 million, the current year expenditure is slightly above the prior year due to a higher number of covered lives. Actual expenditure is below budget due to various initiatives anticipated in the budget year which have not materialized in the current year, this includes the introduction of the property & casualty business segment.

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 \$1.5 million below the budget. The favorable variance is mainly attributed to personnel costs due to unfilled vacant positions and training. The recast budget assumed additional expenses related to the business expansion (namely property & casualty, and a new health insurance product). As these didn't come to fruition, expenses were below budget. The current year expenses were \$1.7 million higher than the prior year, mostly due to personnel costs resulting from a higher headcount over the prior year. Figure 4 shows the major expense types compared with budget and prior year.

FIGURE 4: ADMINISTRATION EXPENSES BY TYPE



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

Financial Performance Measure	2023 Actual \$000'S	2023 Original Budget \$000'S	2023 Final Budget \$000'S	Annual Variance \$000'S (To Final)	Note
REVENUE FROM CABINET	\$57,138	\$55,153	\$56,216	\$922	1
REVENUE FROM MINISTRIES, PORTFOLIOS, STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES	81,996	76,227	79,008	2,988	2
REVENUE FROM OTHERS, PERSONS OR ORGANISATIONS	2,606	3,609	2,923	(317)	3
SURPLUS/DEFICIT FROM OUTPUTS					
OTHER EXPENSES	133,364	131,548	136,445	3,081	4
NET SURPLUS	8,376	3,441	1,702	6,674	5
TOTAL ASSETS	68,321	43,608	64,800	3,521	5
TOTAL LIABILITIES	18,461	15,812	21,678	3,210	
NET WORTH	49,860	27,796	43,129	6,731	6
CASH FLOWS FROM OPERATING ACTIVITIES	5,467	342	4,114	1,353	5
CASH FLOWS FROM INVESTING ACTIVITIES	(5,175)	(136)	(5,332)	157	
CASH FLOWS FROM FINANCING ACTIVITIES	264	(263)	(332)	68	
CHANGE IN CASH BALANCES	27	(56)	(1,550)	1,577	

Notes: Explanation of variance:

1. Revenue from Cabinet: CIN 2 premium higher than budget (\$1.1M) due to higher membership, offset by lower CIN 1 premium (\$200k) due to lower membership. See Table 8 for Membership.
2. Higher revenues due to higher than budgeted membership (Table 8 – Membership).
3. Unfavorable variance: Budget assumed expansion into a new Health product and P&C, which did not take place in 2023. This is offset by higher than budgeted investment income.
4. The “other expenses” line is made up of the following items:

Expense Item	Actual \$M	Budget \$M	Variance \$M	Explanation
Claims costs	\$124.1	\$125.1	\$1.0	2022 reserve release & reinsurance recoveries totaling \$4.5m, offset by higher than budget utilization in part due to higher than budgeted covered lives.
Segfund fees	0.3	0.3	-	
TPA fees	1.1	1.8	0.7	Underutilization of claims admin support, wellness rewards, other vendor services, and no actual TPA fees vs budget for P&C.
Admin expenses	7.9	9.3	1.4	Budget includes expenses for the P&C segment, which was not initiated in 2023. Favorable expenses in personnel costs, IT, depreciation and marketing.
Total	\$133.4	\$136.5	\$3.1	

5. Net Surplus. See financial performance section. Total Assets and cash flow from operating activities are above budget due to higher surplus than budget.

6.

	Actual \$M	Budget \$M	Variance \$M
Opening shareholder's equity (IFRS 4)	\$42.1	\$42.1	\$-
IFRS 17 Adjustment	(0.6)	(0.6)	-
Restated shareholder's equity (IFRS 17)	\$41.5	41.5	-
2023 Surplus	1.7	8.4	6.7
Closing shareholder's equity	\$43.2	\$49.9	\$6.7

MAINTENANCE OF CAPABILITY

Human Capital Measures	2023 Actual	2023 Original Budget	2023 Final Budget	Annual Variance (Vs Final Budget)
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	52	51	62	10
STAFF TURNOVER (%)				
SENIOR MANAGER	0%	0%	0%	0%
PROFESSIONAL AND TECHNICAL STAFF	0%	0%	0%	0%
ADMINISTRATIVE STAFF	15.6%	0%	11%	4.6%

Physical Capital Measures	2023 Actual \$ 000'S	2023 Original Budget \$ 000'S	2023 Final Budget \$ 000'S	Annual Variance \$ 000'S (Vs Final Budget)
VALUE OF TOTAL ASSETS	\$67,212	\$43,608	\$64,800	\$(2,412)
ASSET REPLACEMENTS: TOTAL ASSETS	1%	0.3%	2.4%	1.4%
BOOK VALUE OF ASSETS: COST OF THOSE ASSETS	22.6%	19.7%	31.8%	9.2%
DEPRECIATION: CASH FLOW ON ASSET PURCHASES	66%	168.1%	42%	(24)%
CHANGES TO ASSET MANAGEMENT POLICES	None	None	None	None

Major Capital Expenditure Projects	2023 Actual \$ 000'S	2023 Original Budget \$ 000'S	2023 Final Budget \$ 000'S	Annual Variance \$ 000'S (Vs Final Budget)
IT equipment, office equipment, furniture, etc.	\$669	\$136	\$1,569	\$900

OTHER FINANCIAL INFORMATION

Transaction	2023 Actual \$ 000'S	2023 Original Budget \$ 000'S	2023 Final Budget \$ 000'S	Annual Variance \$ 000'S (Vs Final Budget)
Equity Investments into CINICO	-	-	-	-
Capital Withdrawals from CINICO	-	-	-	-
Dividend or Profit Distributions to be made by CINICO	-	-	-	-
Government Loans to be made to CINICO	-	-	-	-
Government Guarantees to be issued in relation to CINICO	-	-	-	-
Remuneration Payments made to Key Management Personnel	\$1,215	\$696	\$1,170	\$(45)
Remuneration Payments made to Senior Management	\$1,017	\$624	972	\$(45)

	2023 Actual	2023 Original Budget	2023 Final Budget	Annual Variance (Vs Final Budget)
Number of Senior Management	6	6	6	-

OUTPUTS DELIVERED TO CABINET

CINICO is committed to providing timely service to our members, seeking out avenues to become as efficient as possible in our service delivery, and to do so by working collaboratively with our stakeholder and delivery partners.

This section of the annual report highlights our service performance related to the two key outputs we deliver to Cabinet.

CIN 1 HEALTH INSURANCE FOR SEAMAN & VETERAN				
DESCRIPTION Provision of Health Insurance (premium) for Seaman & Veteran and their dependents for insurance coverage by CINICO (local coverage only, excluding Tertiary Care).				
Measures	2023 Actual	2023 Original Budget	2023 Final Budget	Annual Variance (Vs Final Budget)
Quantity Total (average) number of persons insured - premiums fully paid by Cabinet.	1,010	1,052	1,029	19
Total (average) number of persons insured - premiums partially paid by Cabinet (Veterans)	8	8	10	2
Quality All eligible Seamen, Veterans and their dependents are insured who met the definition under the Health Insurance Law.	98-100%	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%	-
	100%	100%	100%	-
Location Grand Cayman, Cayman Brac and Little Cayman.	n/a	n/a	n/a	-
Cost (of producing the output)				
Monthly Premium Rates				
Premiums fully paid by Cabinet	\$1,186			
Veteran premiums partially paid by Cabinet	\$1,072			
Price (paid by Cabinet for the output)	\$14,387,677	\$15,078,676	\$14,523,554	\$135,877

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	2023 Actual	2023 Original Budget	2023 Final Budget	Annual Variance (Vs Final Budget)
Quantity Total average number of insured persons (Insured = Enrollees + dependents).	2,486	2,386	2,474	(12)
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%	98-100%	-
Timeliness - Insurance cards issued within 15 days of notification of eligibility. - Insurance claims (clean claims) paid within 30 days. Location Grand Cayman, Cayman Brac and Little Cayman.	98-100%	98-100%	98-100%	-
	98-100%	98-100%	98-100%	-
	n/a	n/a	n/a	-
Cost (of producing the output)				
Monthly Premium Rates				
Age Range				
Under 18				
18-29 years				
30-39 years				
40-49 years				
50-59 years				
60- 64 years				
65 years & over				
Price (paid by Cabinet for the output)	\$ 42,750,005	\$ 40,074,174	\$ 41,654,228	\$ 1,095,777

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
H&W	(Ministry of) Health & Wellness
HSA	(Cayman Islands) Health Services Authority
IBNR	Incurred But Not Reported
IFRS 17	International Reporting Standard - 17 Insurance Contracts
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, 2023

Cayman Islands National Insurance Company Ltd.

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AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Cayman Islands National Insurance Company Ltd (the "Company"), which comprise the statement of financial position as at 31 December 2023 the statements of comprehensive income, changes in shareholder's equity and statement of cash flows for the year ended 31 December 2023, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 9 to 28.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 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 its work in accordance with International Standards on Auditing.

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

Management is responsible for the preparation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

AUDITOR GENERAL'S REPORT (continued)

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

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

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



Sue Winspear
Auditor General

26 April 2024
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, 2023.

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, 2023;
- (b) fairly reflect the financial position as at December 31, 2023, and financial performance for the year ended December 31, 2023;
- (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 have been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

A handwritten signature in black ink, appearing to read "M. Gayle".

Michael Gayle
Chief Executive Officer

A handwritten signature in black ink, appearing to read "F. Gallippi".

Frank Gallippi
Chief Financial Officer

Dated: APRIL 26, 2024

Cayman Islands National Insurance Company Ltd.

Statement of Financial Position

As at December 31, 2023

Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022 (Restated)*</u>	<u>January 1,</u> <u>2022 (Restated)*</u>
<u>Assets</u>				
<i>Current</i>				
Cash and cash equivalents	7	\$ 33,625,221	\$ 33,597,736	\$ 31,571,520
Short term investments	9	22,996,053	18,489,773	-
Funds held in escrow	8	390,451	24,869	34,683
ASO claims and fees receivable	16	6,112,110	6,938,232	11,251,809
Other receivables and other assets		861,520	326,025	227,576
Reinsurance contract assets	4,2,5,6,11	1,961,326	4,667,635	368,022
<i>Long term</i>				
Fixed assets	10	1,033,501	804,881	1,168,956
Total assets		66,980,182	64,849,151	44,622,566
<u>Liabilities</u>				
Insurance contract liabilities	4,1,5,6,11	16,668,857	22,490,948	18,409,442
Lease liability	12	177,299	441,358	694,768
Accruals and other liabilities	11	274,288	433,263	396,137
Total liabilities		17,120,444	23,365,569	19,500,347
<u>Shareholder's equity</u>				
Share capital	13	1	1	1
Share premium	13	2,999,999	2,999,999	2,999,999
Additional paid-in capital	14	43,073,251	43,073,251	37,723,251
Accumulated surplus/(deficit)		3,786,487	(4,589,669)	(15,601,032)
Total shareholder's equity	18	49,859,738	41,483,582	25,122,219
Total liabilities and shareholder's equity		\$ 66,980,182	\$ 64,849,151	\$ 44,622,566

Michael Gayle
Chief Executive Officer

April 26, 2024
Date

Frank Gallippi
Chief Financial Officer

April 26, 2024
Date

*See Note 2.1

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, 2023

Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022 (Restated)*</u>
Income			
Insurance revenue	4.1,15,16	\$ 140,901,011	\$ 129,470,964
Insurance service expenses	5,6,16	(132,225,889)	(123,758,902)
Net (expenses)/income from reinsurance contracts	5,6	(47,197)	5,230,832
Insurance service result		8,627,925	10,942,894
ASO fees	2,16	1,736,588	1,633,682
Investment income		1,003,241	307,128
Other income		2,739,829	1,940,810
Other operating expenses	6	(2,991,598)	(1,872,341)
Net income for the year		8,376,156	11,011,363
Total comprehensive income for the year		\$ 8,376,156	\$ 11,011,363

*See Note 2.1

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, 2023

Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022 (Restated)*</u>
Cash flows from operating activities			
Net income for the year		\$ 8,376,156	\$ 11,011,363
Adjustments for non-cash items:			
Depreciation	10	440,417	448,878
Changes in:			
Reinsurance contract assets	4.2	2,706,309	(4,299,613)
Funds held in escrow	8	(365,582)	9,814
ASO claims and fees receivable	16	826,122	4,313,577
Other receivables and other assets		(535,495)	(98,449)
Insurance contract liabilities	4.1	(5,822,091)	4,081,506
Accruals and other liabilities	11	(158,975)	37,126
Net cash from operating activities		5,466,861	15,504,202
Cash flows from investing activities			
Purchase of short term investments	9	(4,506,280)	(18,489,773)
Purchase of fixed assets	10	(669,037)	(84,803)
Net cash used in investing activities		(5,175,317)	(18,574,576)
Cash flows from financing activities			
Payment of lease liability	12	(264,059)	(253,410)
Receipt of additional paid-in capital	14	-	5,350,000
Net cash (used in)/from financing activities		(264,059)	5,096,590
Net increase in cash and cash equivalents		27,485	2,026,216
Cash and cash equivalents at beginning of the year		33,597,736	31,571,520
Cash and cash equivalents at end of the year		\$ 33,625,221	\$ 33,597,736

*See Note 2.1

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, 2023

Amounts stated in Cayman Islands dollars

	Share capital	Share premium	Additional paid- in capital	Accumulated surplus/(deficit)	Total shareholder's Equity
Balance at January 1, 2022, as previously reported	\$ 1	\$ 2,999,999	\$ 37,723,251	\$ (14,998,701)	\$ 25,724,550
Adjustment on initial application of IFRS 17*	-	-	-	(602,331)	(602,331)
Restated balance, January 1, 2022	\$ 1	\$ 2,999,999	\$ 37,723,251	\$ (15,601,032)	\$ 25,122,219
Year ended December 31, 2022					
Comprehensive income for the year (restated):					
Net income for the year	-	-	-	11,011,363	11,011,363
Total comprehensive income for the year (restated):	-	-	-	11,011,363	11,011,363
Transactions with owners:					
Additional paid-in capital received	-	-	5,350,000	-	5,350,000
Total transactions with owners:	-	-	5,350,000	-	5,350,000
Restated balance, December 31, 2022	\$ 1	\$ 2,999,999	\$ 43,073,251	\$ (4,589,669)	\$ 41,483,582
Year ended December 31, 2023					
Comprehensive income for the year:					
Net income for the year	-	-	-	8,376,156	8,376,156
Total comprehensive income for the year:	-	-	-	8,376,156	8,376,156
Balance, December 31, 2023	\$ 1	\$ 2,999,999	\$ 43,073,251	\$ 3,786,487	\$ 49,859,738

*See Note 2.1

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

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2023

Amounts stated in Cayman Islands dollars

1 Reporting Entity

Cayman Islands National Insurance Company Ltd. ("CINICO" or the "Company") was formed on December 18, 2003, under the Cayman Islands Companies Act and was granted a Class A Insurance Licence under the Insurance Act (2003 Revision) on February 1, 2004. The Company was established and is wholly owned by the Cayman Islands Government ("CIG") and the principal activity is the provision of health insurance for Government insureds including civil servants, pensioners, other CIG Statutory Authorities and Companies (including CINICO employees and dependants), seamen & veterans and their 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, 2023, the Company employed 52 permanent staff (December 31, 2022: 45 permanent staff).

2 Material accounting policies

Basis of preparation

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

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. In addition the financial statements captioned under IFRS Accounting Standards 17 have changed in comparison to IFRS Accounting Standards 4 and certain prior year figures have also been restated. It also requires management to exercise its judgement in applying the Company's policies.

Changes in material accounting policies

This is the first set of the Company's annual financial statements in which IFRS Accounting Standards 17 Insurance contracts and IFRS Accounting Standards 9 Financial instruments have been applied. The related changes to accounting policies are described below on Notes 2.1 and 2.2.

Standards issued but not yet effective

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

- i. Non-current liabilities with covenants and classification of liabilities as current or non-current (Amendments to IAS 1)
- ii. Lease liability in a sale and leaseback (Amendments to IFRS Accounting Standards 16)
- iii. Supplier finance arrangements (Amendments to IAS 7 and IFRS Accounting Standards 7)
- iv. Lack of exchangeability (Amendments to IAS 21)
- v. Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS Accounting Standards 10 and IAS 28)

Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions made in measuring insurance and reinsurance contracts is included in Note 2.1.

Fixed assets and depreciation

Fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related fixed assets is capitalised as part of the related fixed assets. If significant parts of fixed assets have different useful lives, then they are accounted for as separate items of fixed assets. Any gain or loss on disposal of an item of fixed assets is recognised within other income in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expenses as incurred. 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 Telecommunication Equipment	3 years
Leasehold Improvements	Over the term of the lease

See also Note 10. The assets' depreciation methods, useful lives and residual values are reviewed at each statement of financial position date and adjusted where appropriate.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2023

Amounts stated in Cayman Islands dollars

2 Material accounting policies (continued)

Income taxes

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

Administrative services only 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. The Company also 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.

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.

2.1 IFRS Accounting Standards 17 Insurance contracts

The Company has initially applied IFRS Accounting Standards 17, including any consequential amendments to other standards from January 1, 2023. These standards have brought material changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amount and presented a third statement of financial position as at January 1, 2022.

2.1.1 Definition and classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

All of the Company's insurance contracts transfer significant insurance risk. 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 Accounting Standards 17 requirements. The Company does, however, issue ASO non-insurance contracts which do not transfer any risk to the Company and, therefore, fall outside the scope of IFRS Accounting Standards 17.

In the normal course of business, 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 a significant loss.

2.1.2 Measurement

The Company uses the Premium Allocation Approach ("PAA") to simplify the measurement of groups of contracts when the following criteria are met at inception.

Insurance contracts: The coverage period of each contract in the group is one year or less.

Reinsurance contracts: The coverage period of each contract in the group is one year or less.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the Liability for Remaining Coverage ("LRC") is measured at the premiums received on initial recognition adjusted for any amount arising from the derecognition of any prior carried assets in the Assets for Remaining Coverage ("ARC") or liabilities in the LRC previously recognised for cash flows related to the group of contracts. Given that all contracts were determined as having coverage periods of 12 months or less, the Company elected the option of expensing acquisition cash flows as incurred rather than deferring them through the LRC and subsequently amortising them. This decision removed the requirement to measure acquisition cash flows within the LRC. Other non-acquisition expense cash flows are also recognised as incurred, therefore, all expense cash flows attributable to insurance will be recognised as incurred.

Subsequently, the carrying amount of the LRC is increased by any premiums received decreased by the amount recognised as insurance revenue for services provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2023

Amounts stated in Cayman Islands dollars

2 Material accounting policies (continued)

2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

2.1.2 Measurement (continued)

Insurance contracts (continued)

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows ("FCF") that relate to the remaining coverage exceed the carrying amount of the LRC.

The Company recognises the Liability for Incurred Claims ("LIC") of a group of insurance contracts at the amount of the FCF relating to incurred claims. The future cash flows are not discounted since they are expected to be paid in one year or less from the date that the claims are incurred.

Reinsurance contracts

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary, to reflect features that differ from those of insurance contracts.

2.1.3 Unit of account

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. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

- i. contracts that are onerous at initial recognition;
- ii. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- iii. a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured.

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

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

- i. contracts for which there is a net gain at initial recognition;
- ii. contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- iii. remaining contracts in the portfolio.

Reinsurance contracts held are assessed for aggregation requirements at the portfolio level. The Company tracks internal management information reflecting historical experience of such contracts' performance and receives actuarial projections to assess the associated profitability cohort of groups of reinsurance contracts.

2.1.4 Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage is recognised at the later of:
 - i. the beginning of the coverage period of the group; and
 - ii. the initial recognition of any underlying insurance contract;

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

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2 Material accounting policies (continued)

2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

2.1.4 Recognition and derecognition (continued)

- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;

Unless the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohort's restriction. Composition of the groups is not reassessed in subsequent periods. An insurance contract is derecognised when it is extinguished.

2.1.5 Fulfilment cash flows and contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits, and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The estimates of future cash flows:

- a. are based on point estimates derived from historical completion factors and claim payment patterns;
- b. are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- c. reflect conditions existing at the measurement date.

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Company uses consistent assumptions to measure the estimates of the future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b. both of the following criteria are satisfied:
 - i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

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. Cash flows that are directly attributable to a portfolio of insurance contracts are allocated to groups of insurance contracts on a systematic and rational basis and are expensed as incurred.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

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2 Material accounting policies (continued)

2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

2.1.6 Insurance service result from insurance contracts issued

The Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts. The amount of insurance revenue for the period is the amount of expected premium receipts allocated to the period.

Insurance service expenses include the following:

- a. incurred claims and benefits, reduced by loss component allocations;
- b. incurred directly attributable expenses;
- c. changes that relate to past service – changes in the FCF relating to the LIC; and
- d. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

2.1.7 Insurance service result from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- a. reinsurance expenses;
- b. incurred claims recovery, reduced by loss-recovery component allocations;
- c. other incurred directly attributable expenses;
- d. changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- e. effect of changes in the risk of reinsurers' non-performance; and
- f. amounts relating to accounting for onerous groups of underlying insurance contracts issued.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services. The Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

2.1.8 Judgements

Insurance contracts aggregation

For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

The aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous and groups of other contracts is also an area of judgement for the Company. The areas of potential judgements include:

- a. the determination of contract sets within portfolios and whether the Company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group; and
- b. judgements may be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous and other contracts)

For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement.

The Company generally sets premiums considering recent experience with the expectation of making a profit. This process results in contracts that are expected to be profitable when pricing is performed and the Company considers any unprofitable contracts to be immaterial.

2.1.9 Methods used in determining the IFRS Accounting Standards 17 transition amounts

The Company has adopted IFRS Accounting Standards 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date. The Company has identified, recognised, and measured each group of insurance contracts as if IFRS Accounting Standards 17 had always applied; derecognised any existing balances that would not exist if IFRS Accounting Standards 17 had always applied

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

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2 Material accounting policies (continued)

2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

2.1.10 Estimates and assumptions

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In applying IFRS Accounting Standards 17 measurement requirements, the following inputs and methods were used that include significant estimates. The calculated future cash flows is estimated using best estimates as at the measurement date. The assumptions used in the estimation are derived to approximate the point estimated future cash flows.

2.1.10.1 Estimates of future cash flows to fulfill insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS Accounting Standards 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on point estimated future cash flows derived from historical completion factors and claim payment patterns as at the measurement date. In making these estimates, the Company uses information about past events, current conditions, and forecasts of future conditions.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

2.1.10.2 Methods used to measure health insurance contracts

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. Through the use of an independent actuary, management has estimated an insurance contract liability which is inclusive of claims that have been incurred but are yet to be reported. While management has estimated an insurance contract liability based on all information it has available to it at the time, the ultimate liability may be in excess of, or less than, the amounts provided. Provisions for claims incurred but not reported are estimated using acceptable reserving methods and form part of the LIC.

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 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, exempting the Company from reflecting discounting in the provision for the claims incurred.

The carrying value at December 31, 2023 of insurance contract liabilities is \$16,668,857 (2022: \$22,490,948). The amount of reinsurance contract assets estimated at December 31, 2023 is \$1,961,326 (2022: \$4,667,635).

2.1.10.3 Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. The Company estimates an adjustment for non-financial risk separately from all other estimates. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion.

Using the margin approach, the risk adjustment is determined by increasing the assumed claims and expenses by a deterministic factor that accounts for the uncertainty and historic volatility associated with the group of contracts. This approach was used by the Company prior to adoption of IFRS Accounting Standards 17. The pricing philosophy of the Company is to set premiums at least equal to the expected claims and expenses after accounting for the provision for uncertainty related to non-financial risk, there is no additional profit margin that is considered in the premium.

Based on the historical gross estimates of the Company's actuary, the management has observed that the resulting amount of the calculated risk adjustment have been sufficient in 90% (2022: 83.3%) of the current estimates of historical claims and expenses.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

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Amounts stated in Cayman Islands dollars

2 Material accounting policies (continued)

2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

2.1.11 Sensitivity analysis to underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to how underwriting risk variables impact insurance liabilities before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	Liability for Incurred Claims	December 31, 2023					
		Loss Ratio +10%			Expenses +10%		
		Impact on LIC	Impact on profit	Impact on equity	Impact on LIC	Impact on profit	Impact on equity
Insurance contract liabilities	17,379,374	1,670,968	(1,670,968)	(1,670,968)	66,969	(66,969)	(66,969)
Reinsurance contract assets	(2,140,055)	(213,994)	213,994	213,994	(11)	11	11
Net insurance contract liabilities	15,239,319	1,456,974	(1,456,974)	(1,456,974)	66,958	(66,958)	(66,958)

	Liability for Incurred Claims	December 31, 2022 (Restated)					
		Loss Ratio +10%			Expenses +10%		
		Impact on LIC	Impact on profit	Impact on equity	Impact on LIC	Impact on profit	Impact on equity
Insurance contract liabilities	22,486,194	2,210,109	(2,210,109)	(2,210,109)	38,511	(38,511)	(38,511)
Reinsurance contract assets	(4,667,635)	(466,765)	466,765	466,765	(2)	2	2
Net insurance contract liabilities	17,818,559	1,743,344	(1,743,344)	(1,743,344)	38,509	(38,509)	(38,509)

2.2 IFRS Accounting Standards 9 Financial instruments

The Company has adopted IFRS Accounting Standards 9 with a date of transition of January 1, 2023. The adoption of IFRS Accounting Standards 9 has resulted in changes in accounting policies for recognition, classification, measurement, and impairment of financial assets. As permitted by IFRS Accounting Standards 9, the Company elected not to restate comparative figures. At the date of transition and the end of the current period, the Company determined that there are no material adjustments to the carrying amounts of financial assets.

2.2.1 Classification and subsequent measurement

IFRS Accounting Standards 9 included three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS Accounting Standards 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

IFRS Accounting Standards 9 has not had a material effect on the Company's accounting for financial liabilities.

Debt instruments are those that contain contractual obligations to pay the instrument holder certain cash flows. Cash and cash equivalents, short-term investments, funds held in escrow, ASO claims and fees receivable, and other receivables and other assets are classified as debt instruments. The classification and subsequent measurement of debt instruments depend on the assessment of business model and characteristics of cash flow.

A business model reflects the objective of holding different assets, that is, whether the Company's objective is to collect the contractual cash flows from the assets or is to collect the cash flows arising from the sale of the assets, or both. The cash flow test considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Company classifies and measures its debt instruments at amortised cost, as they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. The Company has not disclosed fair value leveling and hierarchy as the fair value are approximated by the carrying amounts of the financial instruments.

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS Accounting Standards 9 at January 1, 2023, are compared in the table that follows.

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Notes to the financial statements

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2 Material accounting policies (continued)

2.2 IFRS Accounting Standards 9 Financial instruments (continued)

2.2.1 Classification and subsequent measurement (continued)

	Original classification under IAS 39	New classification under IFRS Accounting Standards 9	Original carrying amount under IAS 39	New carrying amount under IFRS Accounting Standards 9
Cash and cash equivalents	Loans and receivables	Amortised cost	33,597,736	33,597,736
Short-term investments	Loans and receivables	Amortised cost	18,489,773	18,489,773
Funds held in escrow	Loans and receivables	Amortised cost	24,869	24,869
ASO claims and fees receivable	Loans and receivables	Amortised cost	6,938,232	6,938,232
Other receivables and other assets	Loans and receivables	Amortised cost	326,026	326,026

2.2.2 Credit risk measurement

IFRS Accounting Standards 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their Expected Credit Loss ("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 is moved to 'Stage 2' but is not yet deemed to be credit impaired. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in 'Stage 3' have their ECL measured based on expected credit losses on a lifetime basis.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

For debt instruments, the Company examines the issuer's capital adequacy, financial performance, and liquidity position to assess whether the issuer has experience significant increase in credit risk since the origination of the assets. Default is defined as the miss of contractual payment of principal or interests.

2.2.3 Impairment measurement

The Company assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- 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.

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

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. PD is generated based on historical default data.

EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. EAD is assessed based on contractual terms of the debt instruments.

Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

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2 Material accounting policies (continued)

2.2 IFRS Accounting Standards 9 Financial instruments (continued)

2.2.3 Impairment measurement (continued)

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future period and for each individual exposure or collective segment. These three components are multiplied together and discounted.

When incorporating Forward Looking Information ("FLI"), such as macroeconomic forecasts, into determination of expected credit losses, the Company considers the relevance of the information for each specific group of financial instruments. These variables and their associated impact on the ECL varies by financial instrument.

In addition to the base economic scenario, the Company also incorporated upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes each chosen scenario is representative of. Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired.

3 Management of insurance and financial risk

3.1 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk committee is responsible for developing and monitoring the Company's risk management policies, and reports to the board of directors in its activities.

3.2 Operational risk

The Company's risk management policies are established to identify and analyse the risks faced by the Company and include various internal controls to mitigate these risks. The overarching risk management policy and its associated policies are reviewed regularly by the Company's risk committee to reflect changes in the market and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a discipline and constructive control environment in which all employees understand their roles and responsibilities.

3.3 Underwriting 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 liabilities. 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\$600,000 (December 31, 2022: 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, 2022: no aggregate cap 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. In addition, there is a concentrated risk to the Company's insurance revenue as these are mostly coming from the CIG. However, the Company believes that the risk is not significant in nature as premiums due from CIG are realised within 12 months or less. See Note 16 for the aging analysis of amounts due from the CIG.

3.4 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. Regardless, the Company addresses each of the financial risk as set out in the following paragraphs.

Cayman Islands National Insurance Company Ltd.

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3 Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

3.4.1 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 were set out in Notes 2.1 and 2.2.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised per IFRS Accounting Standards 9. However, the Company determined that the ECL allowance for the current period is not material and, thus, presents no impact to the carrying value of the financial assets. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

	December 31, 2023					2022 (Restated)
	ECL Staging					
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit- impaired	Total	Total
Debt instruments - amortised costs						
Credit grade:						
Investment grade	63,985,355	-	-	-	63,985,355	59,376,635
Non-investment grade	-	-	-	-	-	-
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	63,985,355	-	-	-	63,985,355	59,376,635
Loss allowance	-	-	-	-	-	-
Carrying amount	63,985,355	-	-	-	63,985,355	59,376,635

The Company associates the credit grade of its current financial instruments based on the equivalent credit rating mapping from the Standard and Poors ("S&P") to other international external credit rating agencies, such as Moody's rating, used by the financial institution that holds the financial instrument. The Company classifies a financial instrument that meets the equivalent S&P credit rating of AAA to BBB- as an investment grade. The concentration of credit risk is substantially unchanged compared to the prior year.

	December 31, 2023	December 31, 2022 (Restated)
AA	390,451	24,869
AA-	54,482,381	52,791,026
BBB+	3,040,281	2,264,360
BBB-	6,072,242	4,296,380
	63,985,355	59,376,635

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to a change in inputs of default whether in the PD, EAD, or LGD, used in the calculation including the movement between 12 months and lifetime ECL;
- Impact on the measurement of ECL due to changes made to models and model assumptions;
- Impact on FLI adjustments to the ECL due to significant changes to the carrying amounts of the financial assets from the calculated ECL before FLI adjustments
- Foreign exchange retractions for assets denominated in foreign currencies

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information. The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date, with;
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure

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3 Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

3.4.1 Credit risk (continued)

Significant increase in credit risk (continued)

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company also reviews changes in bond yields, and with available press and regulatory information about issuers. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned with external credit rating definitions from S&P and/or any other international external credit rating agencies. The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of an 'investment grade' as previously stated. The Company identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed on an individual instrument basis as described above.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by periodic reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred from 12-month ECL measurement ("Stage 1") to credit-impaired ("Stage 3"); and
- There is no unwarranted volatility in loss allowance from transfers between Stage 1 and lifetime ECL ("Stage 2") measurements

Definition of default

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security, if any is held. In assessing whether a debtor is in default, the Company considers indicators that are qualitative and/or quantitative, and based on information from internal and external sources. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company currently does not incorporate forward-looking information and, thus, have not applied any forward looking adjustments. This is attributed to the fact that FLI incorporation is not expected to have any material impact since the calculated ECL before any FLI adjustments has been determined by the Company to not have any material impact to the carrying amounts of financial assets.

IFRS Accounting Standards 9 Carrying Values

The following table explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit- impaired	Total
Debt instruments - amortised costs					
Gross carrying amount as at January 1, 2023 (Restated)	59,376,635	-	-	-	59,376,635
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	4,608,720	-	-	-	4,608,720
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2023	63,985,355	-	-	-	63,985,355

Cayman Islands National Insurance Company Ltd.

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3 Management of insurance and financial risk (continued)

3.4 Financial risk (continued)

3.4.2 Interest rate risk

Cash and cash equivalents and short term investments expose 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 also held with banks with credit ratings classified as investment grade.

3.4.3 Foreign currency risk

The Company receives 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.

3.4.4 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. Under the PAA, a maturity analysis disclosure does not need to be included. All financial instruments are expected to be realised within 12 months.

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4 Reconciliation of the insurance contract liabilities and reinsurance contract assets

The following tables present reconciliations of insurance contract liabilities and reinsurance contract assets excluding pre-recognition cash flows.

4.1 Insurance contracts issued

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Future cash flows	Risk adjustment	
Opening insurance contract liabilities/(assets) January 1, 2023 (Restated) (A)	(30,862)	35,616	21,797,199	688,995	22,490,948
Insurance revenue (B)	(140,901,011)	-	-	-	(140,901,011)
Incurred claims and other directly attributable expenses	-	(427,394)	135,940,942	531,796	136,045,344
Changes that relate to past service	-	-	(3,659,620)	(688,995)	(4,348,615)
Losses on onerous contracts and reversals of those losses	-	529,160	-	-	529,160
Insurance service expenses (C)	-	101,766	132,281,322	(157,199)	132,225,889
Insurance service result (D = B+C)	(140,901,011)	101,766	132,281,322	(157,199)	(8,675,122)
Premiums received	140,083,974	-	-	-	140,083,974
Claims and other directly attributable expenses paid	-	-	(137,230,943)	-	(137,230,943)
Cash flows (E)	140,083,974	-	(137,230,943)	-	2,853,031
Closing insurance contract liabilities/(assets) December 31, 2023 (F = A+D+E)	(847,899)	137,382	16,847,578	531,796	16,668,857

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Future cash flows	Risk adjustment	
Opening insurance contract liabilities/(assets) January 1, 2022 (Restated) (A)	(392,024)	27,113	18,188,409	585,944	18,409,442
Insurance revenue (B)	(129,470,964)	-	-	-	(129,470,964)
Incurred claims and other directly attributable expenses	-	(325,352)	124,619,220	688,995	124,982,863
Changes that relate to past service	-	-	(971,872)	(585,944)	(1,557,816)
Losses on onerous contracts and reversals of those losses	-	333,855	-	-	333,855
Insurance service expenses (C)	-	8,503	123,647,348	103,051	123,758,902
Insurance service result (D = B+C)	(129,470,964)	8,503	123,647,348	103,051	(5,712,062)
Premiums received	129,832,126	-	-	-	129,832,126
Claims and other directly attributable expenses paid	-	-	(120,038,558)	-	(120,038,558)
Cash flows (E)	129,832,126	-	(120,038,558)	-	9,793,568
Closing insurance contract liabilities/(assets) December 31, 2022 (Restated) (F = A+D+E)	(30,862)	35,616	21,797,199	688,995	22,490,948

Cayman Islands National Insurance Company Ltd.

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4 Reconciliation of the insurance contract liabilities and reinsurance contract assets (continued)

4.2 Reinsurance contracts held

	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss component	Loss component	Future cash flows	Risk adjustment	
Opening reinsurance contract assets January 1, 2023 (Restated) (A)	-	-	4,531,684	135,951	4,667,635
Reinsurance expenses	(2,156,407)	-	(21,280)	-	(2,177,687)
Incurred claims recovery	-	-	1,406,849	62,328	1,469,177
Changes that relate to past service	-	-	797,264	(135,951)	661,313
Net (expenses)/income from reinsurance contracts held (B)	(2,156,407)	-	2,182,833	(73,623)	(47,197)
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,977,678	-	21,407	-	1,999,085
Recoveries from reinsurance	-	-	(4,658,197)	-	(4,658,197)
Cash flows (C)	1,977,678	-	(4,636,790)	-	(2,659,112)
Closing reinsurance contract assets/(liabilities) December 31, 2023 (D = A+B+C)	(178,729)	-	2,077,727	62,328	1,961,326

	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss component	Loss component	Future cash flows	Risk adjustment	
Opening reinsurance contract assets January 1, 2022 (Restated) (A)	-	-	357,297	10,725	368,022
Reinsurance expenses	(1,042,641)	-	(19,540)	-	(1,062,181)
Incurred claims recovery	-	-	5,621,572	135,951	5,757,523
Changes that relate to past service	-	-	546,215	(10,725)	535,490
Net (expenses)/income from reinsurance contracts held (B)	(1,042,641)	-	6,148,247	125,226	5,230,832
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,042,641	-	19,733	-	1,062,374
Recoveries from reinsurance	-	-	(1,993,593)	-	(1,993,593)
Cash flows (C)	1,042,641	-	(1,973,860)	-	(931,219)
Closing reinsurance contract assets December 31, 2022 (Restated) (D = A+B+C)	-	-	4,531,684	135,951	4,667,635

5 Claims development

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at December 31 2023.

Gross claims development Estimate of ultimate claim costs (undiscounted)	Accident year					
	2018	2019	2020	2021	2022	2023
At end of accident year	80,916,008	90,413,117	85,595,610	107,239,033	118,316,231	129,052,722
1 year later	80,974,231	90,419,610	83,291,110	106,410,150	114,876,415	n.a.
2 years later	80,998,761	90,805,102	83,165,273	106,240,568	n.a.	n.a.
3 years later	81,012,466	90,680,598	83,184,939	n.a.	n.a.	n.a.
4 years later	81,012,466	90,680,598	n.a.	n.a.	n.a.	n.a.
5 years later	81,012,466	n.a.	n.a.	n.a.	n.a.	n.a.

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5 Claims development (continued)

	Accident year						Total
	2018	2019	2020	2021	2022	2023	
Current estimate of gross cumulative insurance claims	81,012,466	90,680,598	83,184,939	106,240,568	114,876,415	129,052,722	
Gross cumulative insurance claims and other directly attributable expenses paid	81,012,466	90,680,598	83,179,804	106,213,288	114,696,393	113,066,077	
Gross cumulative insurance claims liabilities	-	-	5,135	27,280	180,022	15,986,645	16,199,082
Effect of the risk adjustment for non-financial risk	-	-	169	895	5,910	524,822	531,796
Amounts related to expense payable and accruals							648,496
Gross liabilities for incurred claims							17,379,374
Insurance contract assets - ARC including loss component							(710,517)
Insurance contract liabilities							16,668,857
	2018	2019	2020	2021	2022	2023	Total
Ceded reinsurance claims (undiscounted)	-	-	-	2,928	(674,202)	(1,406,343)	(2,077,617)
Effect of the risk adjustment for non-financial risk of reinsurance	-	-	-	88	(20,226)	(42,190)	(62,328)
Amounts related to reinsurance expense payable and accruals							(110)
Gross assets for incurred claims							(2,140,055)
Reinsurance contract liabilities - LRC							178,729
Reinsurance contract assets							(1,961,326)

6 Expenses by nature

An analysis of the expenses by nature incurred by the Company for the years ended December 31, 2023 and 2022 is included in the table below:

Expense Type	December 31, 2023				December 31, 2022 (Restated)			
	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Salaries	234,336	2,615,807	1,337,319	4,187,462	193,226	2,327,389	783,751	3,304,366
Employee benefits	75,271	874,299	469,567	1,419,137	53,327	675,444	209,264	938,035
TPA fees	-	893,125	204,658	1,097,783	-	854,803	183,263	1,038,066
Repricing fees	-	1,067,450	-	1,067,450	-	978,690	-	978,690
Professional fees [†]	-	324,304	372,046	696,350	-	291,679	279,648	571,327
Maintenance (IT and Premises)	52,116	339,012	183,762	574,890	45,564	335,691	111,336	492,591
Depreciation	24,531	298,854	117,033	440,418	27,292	335,473	86,112	448,877
License fees	-	313,506	17,424	330,930	-	309,436	16,024	325,460
Marketing costs	-	-	126,420	126,420	-	-	99,283	99,283
Utilities	5,042	45,099	20,089	70,230	4,854	42,418	13,447	60,719

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6 Expenses by nature (continued)

Expense Type	December 31, 2023				December 31, 2022 (Restated)			
	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Office supplies	2,795	25,002	10,780	38,577	3,779	33,022	10,050	46,851
Rent	-	10,261	1,364	11,625	-	10,627	1,368	11,995
Interest expense (IFRS 16)	-	-	75,556	75,556	-	-	23,212	23,212
Other and miscellaneous	-	151,419	55,580	206,999	-	100,566	55,583	156,149
	394,091	6,958,138	2,991,598	10,343,827	328,042	6,295,238	1,872,341	8,495,621

†Professional fees above include the following breakdown of audit fees:

	December 31, 2023	December 31, 2022 (Restated)
Audit fees - KPMG ^Δ	199,400	127,000
Audit fees - Auditor General [*]	11,000	9,000
Audit fees - Internal Audit [*]	110,000	36,666
	320,400	172,666

^ΔThis includes all fees paid to KPMG that covers the requirement to disclose all audit, non-audit, and any other fees.

^{*}See Note 16 for disclosure on related party balances.

Furthermore, the expenses by nature set out previously are allocated to insurance services and reinsurance contracts as follows.

	December 31, 2023				December 31, 2022 (Restated)			
	Acquisition cash flows	Other directly attributable expenses	Claims-related expenses from insurance or reinsurance contracts	Total	Acquisition cash flows	Other directly attributable expenses	Claims-related expenses from insurance or reinsurance contracts	Total
Insurance revenue	-	255,930	(141,156,941)	(140,901,011)	-	250,460	(129,721,424)	(129,470,964)
Other directly attributable expenses	394,091	6,680,928	125,150,870	132,225,889	328,042	6,025,238	117,405,622	123,758,902
Reinsurance expenses	-	21,280	25,917	47,197	-	19,540	(5,250,372)	(5,230,832)
Insurance service result as per SOCI				(8,627,925)				(10,942,894)

7 Cash and cash equivalents

	December 31, 2023	December 31, 2022 (Restated)
Cash at bank	33,625,221	33,597,736
	33,625,221	33,597,736

8 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.

9 Short-term investments

Short-term investments include various fixed deposits totaling \$22,996,053 (December 31, 2022: \$18,489,773) with maturity between three months and one year. The fixed deposits are held at various financial institutions within the Cayman Islands and are held primarily for investments purposes.

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10 Fixed assets

	Office Building	System Development Costs	Office Equipment	Computer & Telecoms Equipment	Leasehold Improvements	Total
Cost at January 1, 2023	1,105,546	1,037,805	316,786	755,912	691,601	3,907,650
Additions	-	256,601	20,386	32,050	360,000	669,037
Disposals	-	-	-	-	-	-
Cost at December 31, 2023	1,105,546	1,294,406	337,172	787,962	1,051,601	4,576,687
Accumulated depreciation at January 1, 2023	696,508	1,036,242	219,136	656,654	494,229	3,102,769
Depreciation for the period	249,335	4,018	30,966	61,382	94,716	440,417
Disposals	-	-	-	-	-	-
Accumulated depreciation at December 31, 2023	945,843	1,040,260	250,102	718,036	588,945	3,543,186
Carrying value at December 31, 2023	159,703	254,146	87,070	69,926	462,656	1,033,501

	Office Building	System Development Costs	Office Equipment	Computer & Telecoms Equipment	Leasehold Improvements	Total
Cost at January 1, 2022 (Restated)	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 (Restated)	1,105,546	1,037,805	316,786	755,912	691,601	3,907,650
Accumulated depreciation at January 1, 2022 (Restated)	447,170	1,021,826	189,665	596,052	399,178	2,653,891
Depreciation for the period	249,338	14,416	29,471	60,602	95,051	448,878
Disposals	-	-	-	-	-	-
Accumulated depreciation at December 31, 2022 (Restated)	696,508	1,036,242	219,136	656,654	494,229	3,102,769
Carrying value at December 31, 2022 (Restated)	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 of \$159,703 (December 31, 2022: \$409,038).

11 Accruals and other liabilities

Components of accruals and other liabilities are as follows:

	December 31, 2023	December 31, 2022 (Restated)
TPA expenses	428,202	190,643
Reinsurance premium due	178,729	-
Stale dated cheques	156,520	290,506
Audit fees - KPMG	143,080	122,000
Actuarial and consulting fees	133,824	144,510
Maintenance/utilities & telecommunications *	58,202	62,305
Audit fees - Internal Audit *	55,000	36,666
Personnel	25,936	56,717
License fees	22,422	20,928
Audit fees - Auditor General*	11,000	16,475
Other accruals	20,832	26,120
	1,233,747	966,870
Amounts above allocated to insurance and reinsurance contracts:		
Insurance contract liabilities - liabilities for incurred claims	(780,480)	(533,232)
Reinsurance contract assets - liabilities for remaining coverage	(178,979)	(375)
Accruals and other liabilities as per statement of financial position	274,288	433,263

*See Note 16 for disclosure on related party balances.

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12 Lease liabilities

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2023 is as follows:

	within 1 year	1-2 years	2-3 years	over 3 years	Total
Lease payment	163,432	16,747	-	-	180,179
Finance charges	(2,781)	(99)	-	-	(2,880)
Grand Total	160,651	16,648	-	-	177,299

13 Share capital

Authorised:	December 31, 2023	December 31, 2022 (Restated)
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, 2023	December 31, 2022 (Restated)
Additional paid-in capital	43,073,251	43,073,251
	43,073,251	43,073,251

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. In 2022, the Company received \$5,350,000 in additional paid-in capital from CIG to fund the Company's expansion. During the year ended December 31, 2023, there was no additional paid-in capital was received from CIG.

15 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, 2023, the Company accrued contributions totaling \$255,930 (December 31, 2022: \$250,460). As per IFRS Accounting Standards 17, these contributions are netted off against the insurance revenue.

16 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 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.

Assets	December 31, 2023	December 31, 2022 (Restated)
<i>Current</i>		
ASO claims and fees receivable	6,112,110	6,938,232
Insurance contract assets	1,023,665	260,080
Other receivables and other assets	91,338	126,859
Reinsurance contract assets	27	122
	7,227,140	7,325,293
Liabilities		
Accruals and other liabilities	11,833	19,919
	11,833	19,919

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16 Related party transactions (continued)

A. Shareholder and ultimate controlling party (continued)

	December 31, 2023	December 31, 2022 (Restated)
Income		
Insurance revenue	137,127,419	125,800,928
Insurance service expenses	(67,629,979)	(60,137,197)
Reinsurance expenses	(2,048)	(1,833)
Other income		
ASO fees	1,736,588	1,633,682
Other operating expenses	(287,919)	(175,583)

An aging analysis for the assets shown above relating to the related party balances with CIG and SAGC are set out below.

As at December 31, 2023	Up to 30 days	30 to 60 days	> 60	Total
ASO claims and fees receivable	6,112,110	-	-	6,112,110
Insurance contract assets	1,006,780	16,885	-	1,023,665
Other receivables and other assets	91,338	-	-	91,338
Reinsurance contract assets	27	-	-	27
	7,210,255	16,885	-	7,227,140

As at December 31, 2022	Up to 30 days	30 to 60 days	> 60	Total
ASO claims and fees receivable	3,612,333	1,996,671	1,329,228	6,938,232
Insurance contract assets	260,080	-	-	260,080
Other receivables and other assets	126,859	-	-	126,859
Reinsurance contract assets	122	-	-	122
	3,999,394	1,996,671	1,329,228	7,325,293

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 follows:

i. Key management personnel compensation

	December 31, 2023	December 31, 2022 (Restated)
Short-term employee benefits	1,033,911	963,400
Post-employee benefits	103,607	52,000
Director fees	198,000	156,806
	1,335,518	1,172,206

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 Cayman Hearing Centre Ltd. during the period ended December 31, 2023; Caring Hands Cayman and Cayman Hearing Centre Ltd. for the year ended December 31, 2022, 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.

	December 31, 2023	December 31, 2022 (Restated)
Insurance service expenses		
Claims paid to Caring Hands Cayman (for 2022, up to February 28)	-	101,397
Claims paid to Cayman Hearing Centre Ltd	576,880	261,341
	576,880	362,738

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17 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, 2023 is \$ 481,869 (December 31, 2022: \$ 229,469).

18 Net worth for regulatory purposes and capital management

	December 31, 2023	December 31, 2022 (Restated)
Share capital	1	1
Share premium	2,999,999	2,999,999
Additional paid-in capital	43,073,251	43,073,251
Accumulated surplus/(deficit)	3,786,487	(4,589,669)
	<u>49,859,738</u>	<u>41,483,582</u>

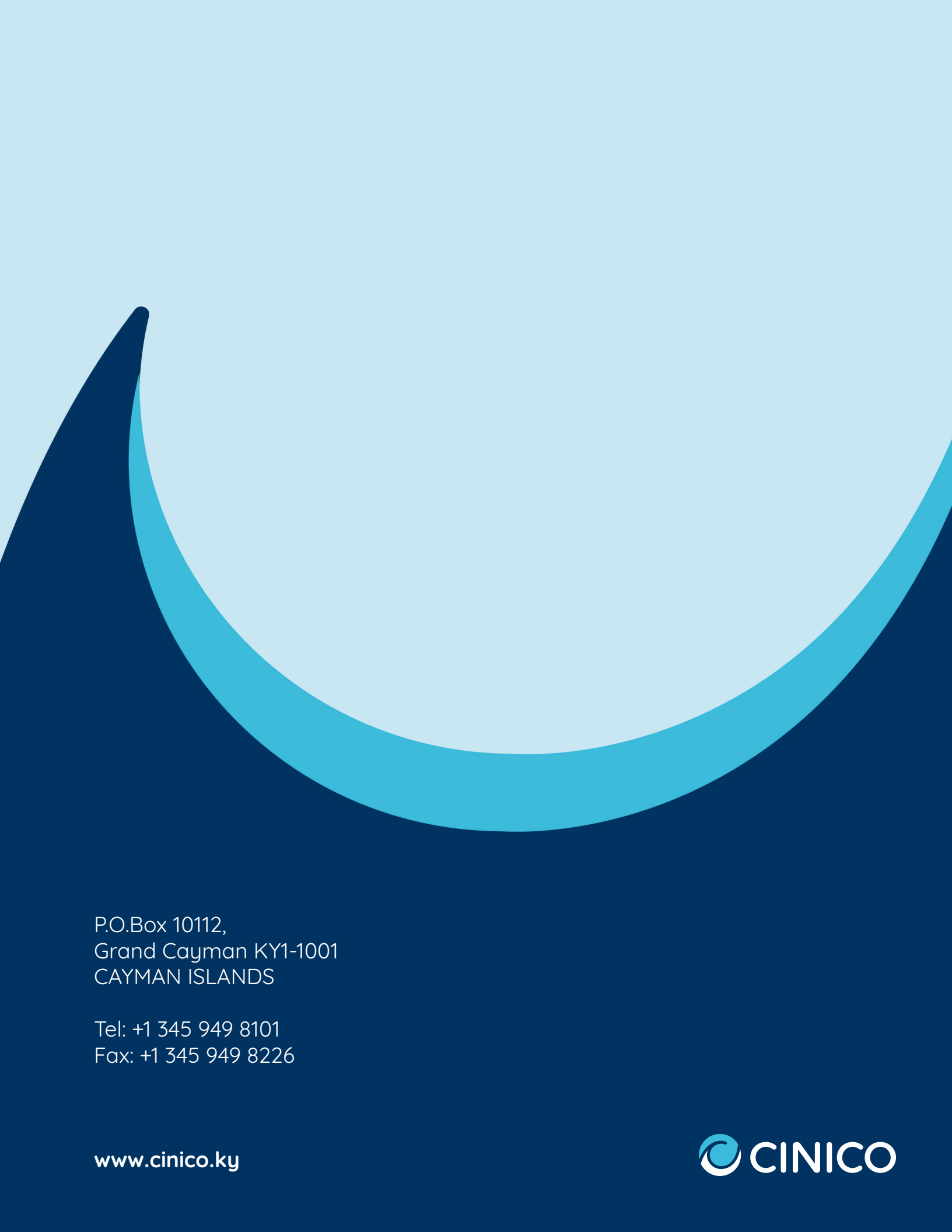
It is the policy of the Company to operate in a manner designed to maintain capitalisation within CIMA's Prescribed Capital Requirements ("PCR"). As a Class A insurance company, the Company is required to maintain capital levels in accordance with the Insurance (Capital and solvency) (Class A Insurers) regulations, 2012 which is a risk-based approach 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 utilisation rates. Financial performance is reviewed monthly, at which time the Company also calculates the Minimum Capital Requirement ("MCR") and 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, 2023 and 2022, the Company was in compliance with both the MCR and PCR as shown below.

	December 31, 2023	December 31, 2022 (Restated)
Available capital	49,509,448	41,330,080
CIMA capital requirements		
MCR	17,311,746	16,697,965
PCR	21,639,683	20,872,456

19 Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to April 26, 2024, 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.



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