



# Annual Report 2024

Fiscal year ended | 31 December 2024



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## Message from The Honourable Premier and Minister for Finance and Economic Development



It is my privilege to present this message as part of the Cayman Islands National Insurance Company's 2024 Annual Report. As the Minister responsible for CINICO, I am pleased to highlight the Company's performance and strategic direction as we continue to enhance the accessibility of health and property insurance for the people of the Cayman Islands.

The year 2024 has been a pivotal one for CINICO, marked by solid financial management, operational improvements, and a continued commitment to providing high-quality health and property insurance coverage. CINICO has maintained its financial stability, ensuring that claims are processed efficiently while improving risk management strategies to safeguard its long-term viability. Despite economic challenges and evolving healthcare demands, CINICO has remained resilient, delivering essential services to thousands of policyholders across our Islands.

During the past year, CINICO has achieved several important milestones, including:

- **Product Innovation through Parametric Coverage:** This groundbreaking innovation, the first of its kind in at least the Cayman Islands and the Caribbean region, offers a unique home insurance policy. It provides a payout to policyholders based on the proximity of a tropical storm and wind speed, even without damage to the building. This would provide the policyholder with funds to reimburse their incidental costs while preparing for the storm.
- **Brand Refresh:** CINICO has undergone a comprehensive brand refresh, which includes a social media presence and updates to its logo, website and printed materials.
- **Relocation of its Main Office:** CINICO has moved to a new modern location, consolidating services to improve customer experience under one roof.
- **Digital Transformation improvements:** CINICO has advanced its digital infrastructure by providing an online claim submission portal for claim submissions, thereby improving processing times.

Looking ahead, the Government remains committed to strengthening CINICO's role as a cornerstone of healthcare accessibility in the Cayman Islands. The Company's focus for the coming years includes:

- **Enhancing Financial Sustainability:** We will continue to implement robust financial strategies to ensure the long-term viability of CINICO while exploring innovative ways to manage costs and maintain affordability;
- **Expanding Coverage and Accessibility:** Efforts will be made to expand insurance options to better serve the evolving needs of the population, including coverage for chronic diseases and specialized healthcare services;

- **Investing in Technology:** CINICO will further develop its digital capabilities to improve service delivery, data security, and customer experience; and
- **Strengthening Regulatory Compliance and Governance:** CINICO remains committed to upholding the highest standards of governance and regulatory compliance, ensuring transparency and accountability in all operations.

I extend my sincere appreciation to the Board of Directors, management, and staff of CINICO for their unwavering dedication and commitment to providing essential health insurance services to our people. The progress made in 2024 underscores CINICO's critical role in the healthcare system, and I am confident that with continued innovation and strategic foresight, the company will further strengthen its impact in the years ahead.

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

28 February 2025



## Foreword by the Chairman Of The Board



### I am pleased to present this Annual Report for the fiscal year period ended December 31, 2024.

2024 has been a transformative period for CINICO, marking significant advancements in our strategic operations, service offerings, and thought leadership initiatives. Our unwavering commitment to excellence, particularly in customer service, sets us apart as we enhance accessibility, efficiency, and responsiveness to better serve our members and stakeholders.

As part of our modernization efforts, we have undertaken a comprehensive brand refresh, unveiling a contemporary logo and an upgraded website designed to improve user experience and accessibility. Additionally, we have relocated our Head Office to a state-of-the-art facility on Elgin Avenue. This move has allowed us to consolidate our Grand Cayman operations, creating a more seamless and efficient customer experience. Our new location provides a superior environment for our staff and our valued members, ensuring that we continue to deliver the highest standard of service.

This year's significant milestone has been our strategic expansion into Motor and Residential insurance. Our entry into the Residential insurance market reflects our commitment to supporting the local industry, which has been adversely affected by a global shortage of reinsurance capacity. By taking this step, CINICO is proactively creating a safety net for Caymanian homeowners, ensuring that the Government has a framework to assist should reinsurance shortages intensify across the Caribbean.

In keeping with our spirit of innovation, we are particularly proud to introduce a pioneering Parametric element to our Residential insurance policies. This unique feature provides coverage for incidental expenses incurred under specific hurricane conditions—an offering that, to our knowledge, is unparalleled in the Caribbean and globally. This advancement underscores our team's ingenuity and commitment to delivering meaningful, customer-centric insurance solutions.

Beyond our operational achievements, CINICO remains dedicated to thought leadership and industry advocacy. In 2024, we convened a panel of distinguished experts to address stakeholders on the growing impact of high-cost prescription drugs on the Cayman Islands. This initiative was part of our broader strategy to drive informed discussions on critical healthcare and insurance issues, reinforcing our role as a trusted leader and advocate in the industry.

Financially, CINICO continues to demonstrate resilience and stability. We are pleased to report another year of profitability, further strengthening our foundation for sustainable growth. Notably, the Cayman Islands Government has not been required to provide additional capital support for our core operations for several years, reflecting our disciplined financial management and operational efficiency.

Looking ahead to 2025, we are excited about further innovations, including introducing new open-market health insurance products. These developments align with our vision to expand access to quality insurance solutions while reinforcing our role as a key player in the Cayman Islands' insurance sector.

From a governance perspective, the stability of our operations has enabled the Board of Directors to transition to a bi-monthly meeting schedule, with additional special meetings convened as necessary to address key matters. Furthermore, the Sub-Committees of the Board continue to meet as required under their Terms of Reference, ensuring effective oversight and strategic direction.

In closing, I wish to extend my sincere appreciation to my fellow Board members for their dedication and insight and to the Management and Staff of CINICO for their unwavering commitment to excellence. Their collective efforts have been instrumental in achieving our milestones and setting the foundation for continued success.

CINICO remains steadfast in its mission to provide innovative, reliable, and accessible insurance solutions to the people of the Cayman Islands. As we enter another exciting chapter, we look forward to delivering even greater value to our members and stakeholders while maintaining the exceptional customer service that has become our hallmark.

**George A. McCarthy**

Chairman of the Board of Directors Cayman Islands  
National Insurance Company

28 February 2025



## Message from the Chief Executive Officer

2024 was a significant year for CINICO in a number of respects. A significant feature has been the continuation of profitable operations, marking 5 consecutive years of surpluses in which we have not required any financial reinforcement for our core operations. For 2024, this took the form of a surplus in the region of \$3M. This surplus was not as large as some that we have recorded in the past few years, but more accurately reflects the objective of providing world class products and services with a small margin sufficient to provide cushion for unexpected expenses, and to accommodate growth.

As indicated in last year's report, we have embarked on an expansion programme at the request of the Cayman Islands Government. This programme has a number of dimensions which we have been gradually and successfully rolling out.

The first and perhaps most visible aspect has been our Brand Refresh and relocation to new premises. The various elements of our expansion have necessitated us acquiring additional office space as we had outgrown the previous space. We examined the option of taking additional space at our previous location, but it proved to be unsuitable for a number of reasons, and we were able to secure space on Elgin Avenue, which has enabled all of our Grand Cayman staff to work together in a unified environment for the first time, whilst proving a much better customer experience for our members. It is worth noting that even with the expenses inherent in a new location, we still ended the year with an expense ratio in the region of just 7%. This compares very favourably with the industry norms where expense ratios in the region of 10% to 20% and above are not unusual. Our new offices have a new look and feel which is also accompanied by updating our logo, our website, and other branding elements.

The consolidation at our new location was followed by the closure of our Savannah branch. We recognize that this has disappointed some of our members who found it convenient to use that branch, but the reality is that we were unable to justify the continued operations at that branch, based on the amount of its utilization at this time. We are in the process of enhancing our online service capability which will provide even greater convenience for our members, including those who formerly accessed our services at our Savannah branch.



### **I am pleased to present this Annual Report for the fiscal year period ended December 31, 2024.**

A second aspect of our expansion was our venture into the world of Property & Casualty insurance. This was launched successfully in 2024 when we commenced the sale of Motor insurance in March, followed by the launch of our Residential insurance product in August. The rationale for our venture into this arena will be described in more detail in the "Looking Forward" section of this Annual Report. Suffice it to say that the objective has medium-to-long-term implications.

We are pleased to note that our Residential Insurance policy offering represents our efforts at product innovation. This policy includes a Parametric component which provides for the recovery of incidental expenses under certain hurricane conditions, which are not recoverable under any other policy, in the Cayman Islands, the Caribbean, and as far as we have been able to ascertain, anywhere else in the world. Indeed, it has attracted favourable comments in the international

Insurance media, and we regard this as a feather in the cap of the Cayman Islands. Having introduced this product, we expect that other companies will follow suit or possibly even improve on it. As a Cayman Islands Government-owned insurance company, we regard our mandate as the betterment of all of the residents of the Cayman Islands, not just of our policyholders. Accordingly, if by raising the bar and other companies follow suit, we will have done our job and will be happy that as a result of our efforts, all of the residents of the Cayman Islands have access to a better insurance product.

The third aspect of our expansion is the creation of new products for the general public. Work is progressing on these and we expect to launch the first such product in 2025.

I would like to thank my staff and management team for their efforts this past year. It has been an honour and a privilege to lead this team. I also wish to thank our Chairman and Board of Directors for their unwavering support and guidance, and our Chief Officer, Deputy Chief Officer and Minister for Finance for their strong support of our endeavors.



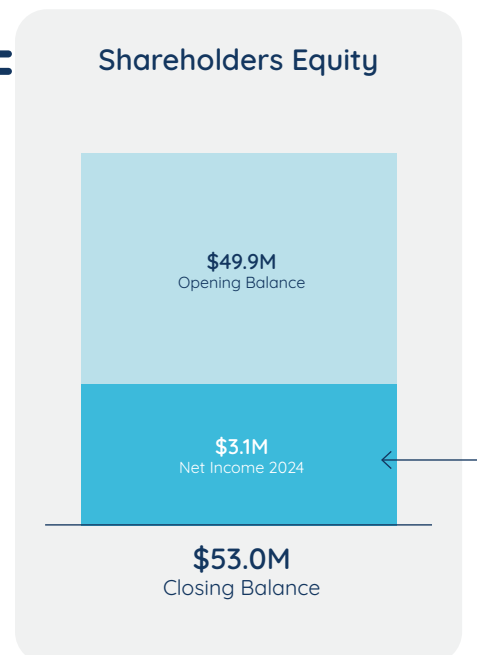
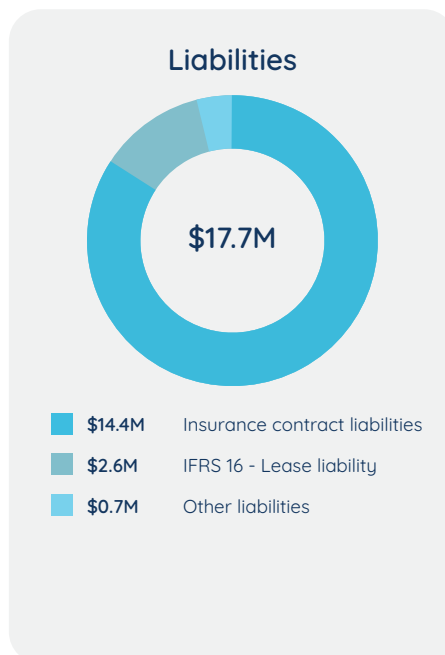
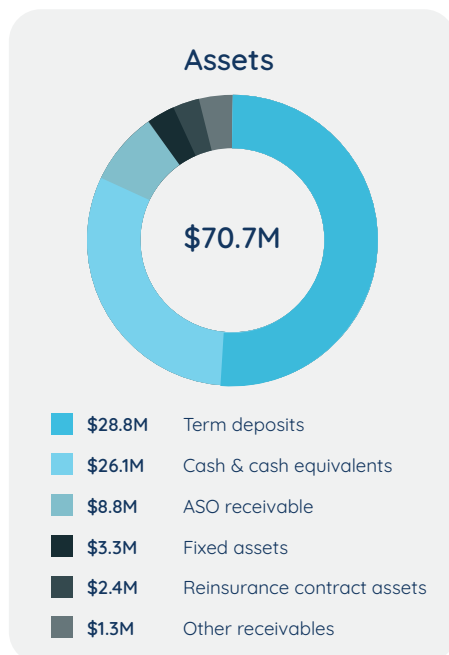
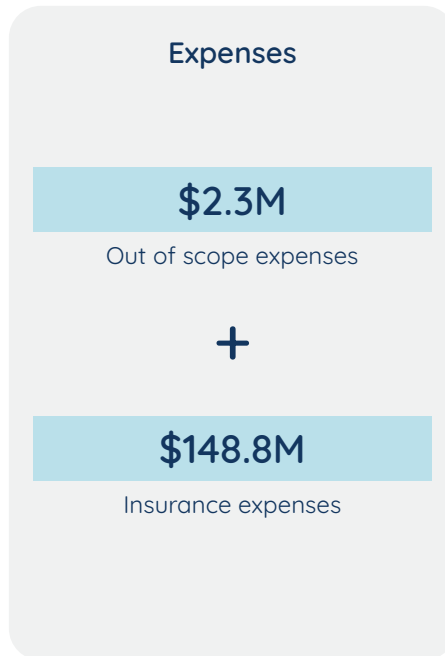
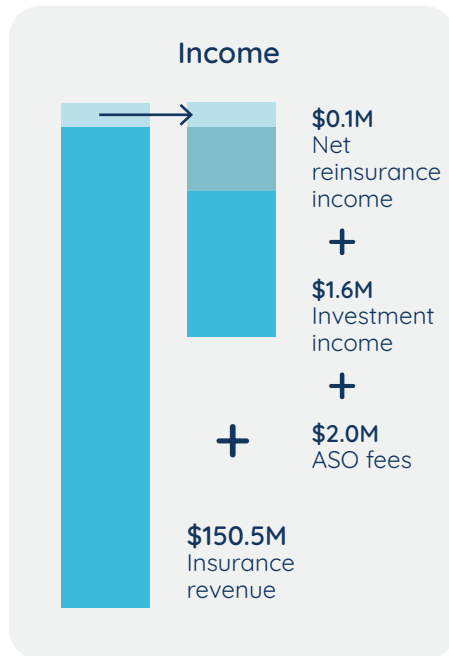
**Michael C. Gayle**  
Chief Executive Officer

28 February 2025



## 2024 | Fiscal Overview

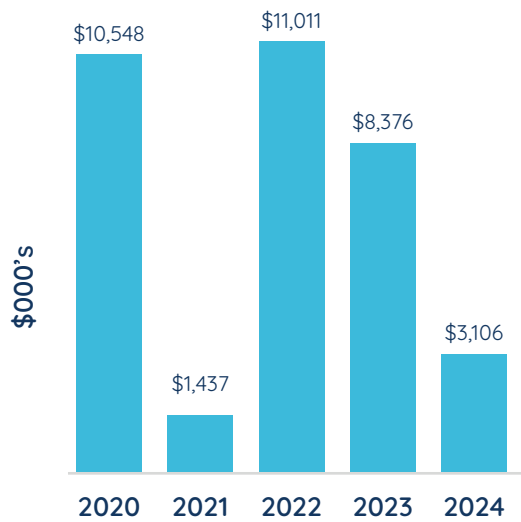
$$\begin{array}{rcl}
 \$154.2\text{M} & - & \$151.1\text{M} & = & \$3.1\text{M} \\
 \text{Total Income} & & \text{Total Expenses} & & \text{Net Income}
 \end{array}$$



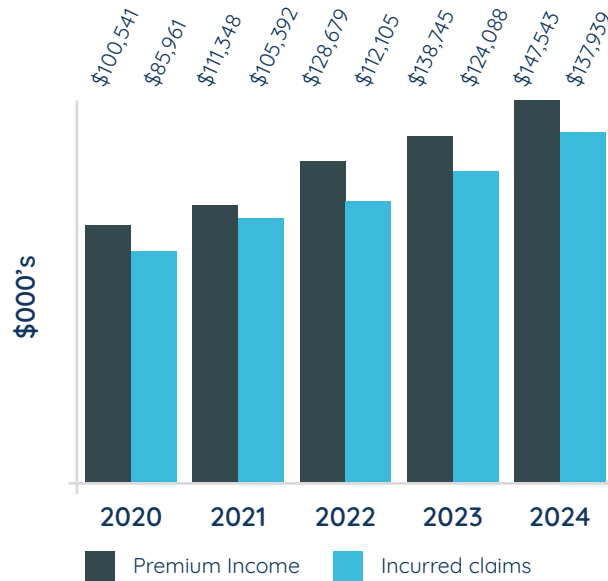
# Financial and Operational Highlights

This section of the Annual Report provides key financial and operational trends for the 2024 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.

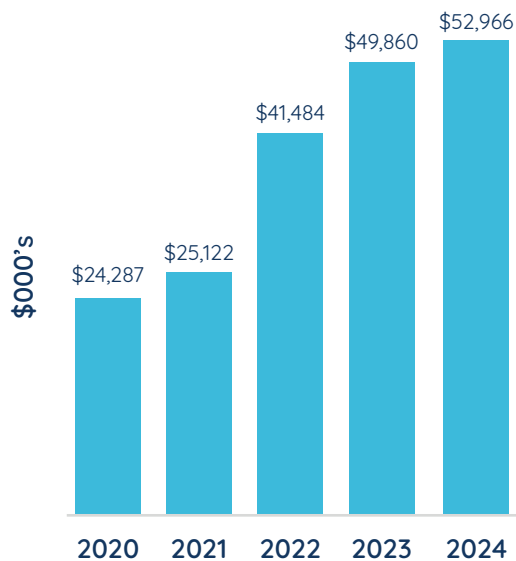
## NET INCOME/LOSS



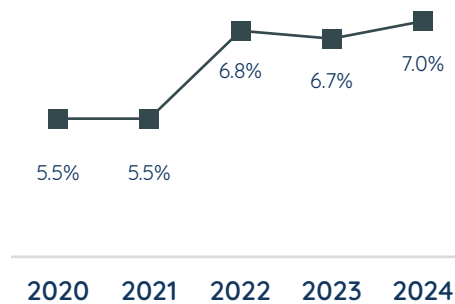
## NET PREMIUM INCOME VERSUS CLAIMS INCURRED



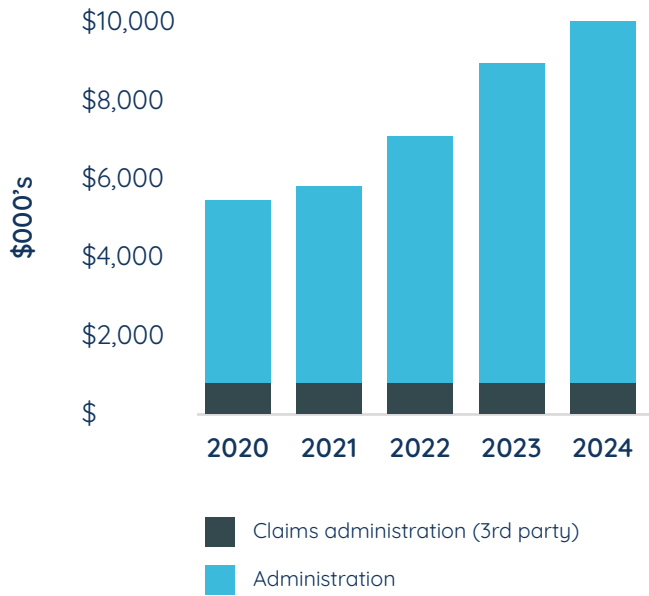
## SHAREHOLDER'S EQUITY



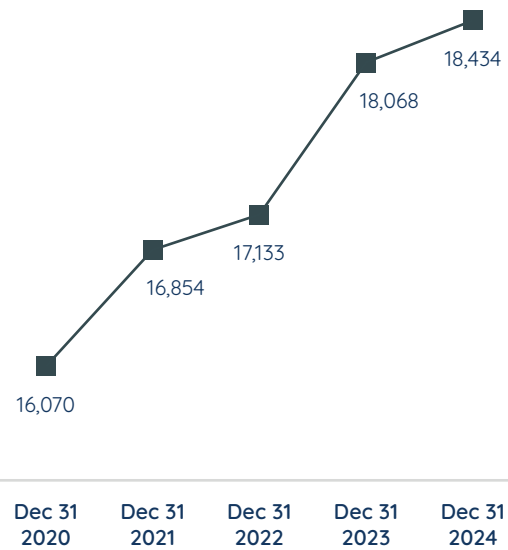
## PRODUCTIVITY RATIO (lower the better)



### TOTAL EXPENSES



### HEALTH MEMBERSHIP (as of December)



# Organizational Overview

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*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.

As part of its expansion plans, CINICO introduced home and motor insurance products in 2024. Motor insurance was introduced on March 18, 2024, and home insurance followed on August 5, 2024. As of December 31, 2024, CINICO had just over 300 policyholders.

## STAKEHOLDERS

Our key stakeholders are diverse and include:

- Cayman Islands Government (CIG)
- Cayman Islands Monetary Authority (CIMA)
- 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)
- Department of Financial Assistance (DFA)
- 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** *Top Row (left to right): Rudy Myles, Dr. George Meggs, Anne Owens, Letitia Lawrence, Karen Edie-Turner, Langston Sibbles, KC*  
*Bottom Row (left to right): Michael Gayle (CEO), George A. McCarthy (Chairman), Ormond A. Williams (Deputy Chairman)*

### 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 A. McCarthy (1,6,7)

Anne Owens (6,9)

Ormond A. Williams (2,4,8)

Dr. George Meggs (8)

Karen Edie-Turner (6,8)

Letitia Lawrence (3,8)

Rudy Myles (6,7)

Langston Sibblies, KC (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

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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.

# 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 ending 2024, CINICO recorded net income of \$3.1 million. The net income was due to a 2023 reserve release and 2023 reinsurance recoveries of \$2.4 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.

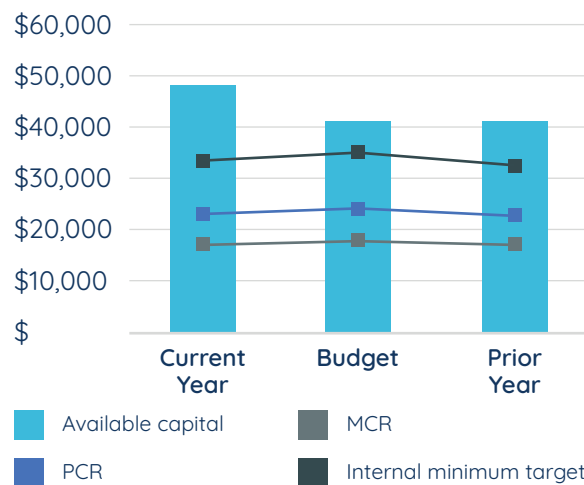
### Solid Capital Position – CINICO above CIMA Capital Requirements

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”. These regulations establish a Minimum Capital Requirement (MCR) and Prescribed Capital Requirement (PCR) through formula driven calculations. These calculations assess risk and asset factors for various balance sheet items and maintain prescribed margins on policy liabilities and net written premium.

In 2023, CINICO introduced a Capital Management Policy, setting an internal capital target at 150% above the PCR. The policy outlines proactive measures that Management will take ahead to avoid breaching the PCR.

With available capital of \$49.5 million, CINICO’s capital levels are 276% and 221% of the MCR and the PCR, respectively. In addition to this, the available capital exceeds CINICO’ internal target capital by 47%.

### MCR/PCR Capital Compliance (\$000’s)



### Reinsurance with Highly Rated Reinsurer

To safeguard its assets, capital and mitigate losses against claims severity and frequency, including catastrophic events, CINICO maintains a variety of reinsurance schemes with several highly rated reinsurers.

#### Health

CINICO maintains health reinsurance with Munich Re which has an A.M. Best rating of A+. Currently, CINICO is re-insured for any excess losses over US\$ 600,000 per individual per year. In the past year CINICO paid out \$2.5 million in reinsurance premiums and is on track to recover \$3.1 million in claims from the reinsurer. It is important to note that the purpose of reinsurance is to mitigate high losses, and not to collect an equivalent amount (or higher) in claims as paid out in premium.



#### Property and Casualty (P&C)

On the property and casualty side, CINICO maintains reinsurance treaties with several reinsurers using proportional, catastrophic and excess loss schemes. Additionally, CINICO maintains parametric reinsurance, an innovation in the insurance industry. Parametric cover provides a payout depending on a tropical storm's wind speeds and proximity to the Cayman Islands. As such, the payout is not dependent on incurring an insurable loss. The benefit is included in each homeowner's policy. All reinsurers have a credit rating of A- and above.

#### Timely, Efficient, and Collaborative

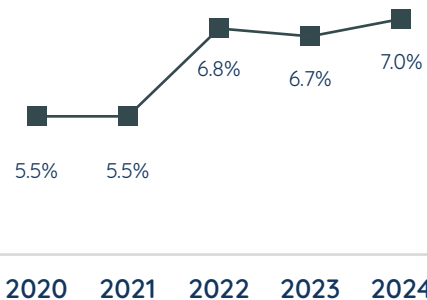
CINICO is committed to providing timely service to our members, seeking out avenues to become as efficient as possible in our service delivery, and to do so by working collaboratively with our stakeholders and delivery partners. This section of the Annual Report highlights our service performance in 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 7%, the graph below displays CINICO's productivity ratio over the last five years.

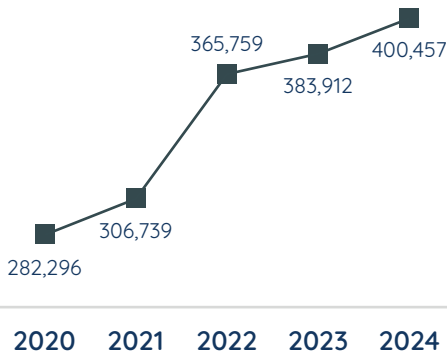
A lower ratio is associated with greater efficiency. The industry average for similarly sized companies in the USA is approximately 15% to 20%. In 2024, CINICO's ratio slightly deteriorated to 7% as we ramped up operations for P&C, which took effect partially during the year for reasons mentioned earlier. The higher ratio occurred because we incurred a full year's expenses but only partial revenues due to the later introduction of P&C. Despite this rise in 2024, CINICO's productivity ratio remains well below the industry average.



### Health Claims Processed and Payment Turnaround

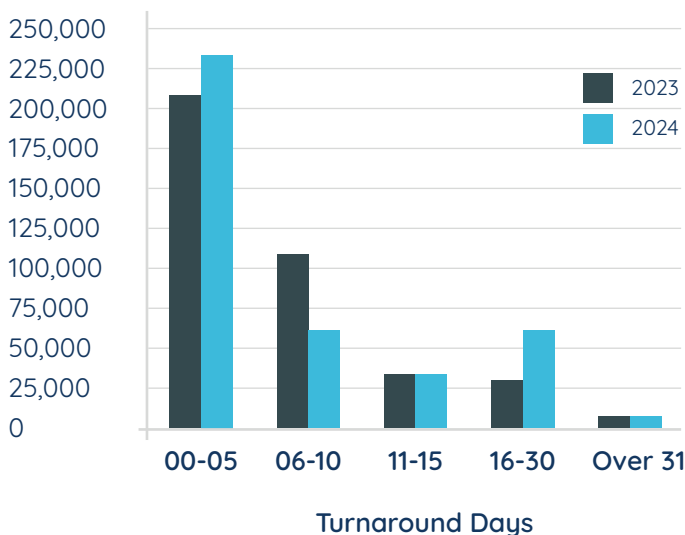
Except for claims incurred in the USA, all claim payment functions are performed in-house. In 2024 the total claims processed increased by just over 4% compared to the previous year. The rise is due to a 4% increase in the membership base, as well as higher utilization of medical benefits. The graph below shows the local claims processed over the last five years. The COVID lock down periods of 2020 and 2021 led to lower than normal claims, which rebounded in 2022.

### Health Claims Processed



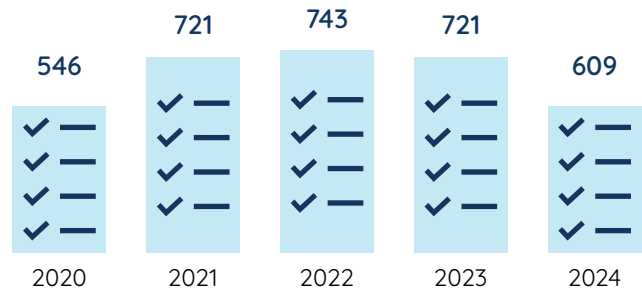
The claims turnaround is depicted below and illustrates that in 2024, eighty-three percent (83%) of claims received were processed within fifteen days, compared with ninety percent (90%) last year. The turnaround in the 6–10-day grouping deteriorated from 2023 as there were problems with claim submissions from our two largest providers. The turnaround below refers to when the claims are processed, the payment of processed claims would normally take up to one week. In 2025 we will be increasing the frequency of check runs.

### CLAIMS COUNT



### SHIC Applications Bound

The diagram below illustrates the number of SHIC insurance contracts bound from 2020 to 2024. By law, we are required to process a clean application within ten (10) days, however some applications may require review of the Health Insurance Commission for premium rate approval. We consistently meet our requirements.



### 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 of 31 December 2024, the area was staffed by fourteen (14) employees across two (2) offices – George Town 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).

With the introduction of the P&C line of business, we added four (4) staff supporting this business line in the main office and Cayman Brac office.

In the fourth quarter CINICO closed its Savannah Branch, which had been open for just under four (4) years. The branch was originally established to serve as a backup office for catastrophic purposes and to provide ease of access to east-end members. The new offices at Maiden place offer CAT 5 protection, is much stronger than the Savannah location, so it is no longer needed as a backup office for catastrophic purposes. Member visits at the branch were relatively light, and as such, we couldn’t justify the expense. A full suite of services is available at our main office, in addition to online services such as premium payments and claim submission through our portal (health).

### Overseas Referrals and Air Ambulance

CINICO is deeply committed to the health of its members, carrying out its duties with compassion and care. To this end, CINICO’s Medical Case Management Unit (MCMU) engages in a collaborative process to provide comprehensive coordination of medical services for its members. The team consists of nine (9) qualified licensed medical professionals who, along with the Chief Medical Officer (CMO) and the Referrals Team, work to ensure members have appropriate and timely access to healthcare, aiming for optimal health outcomes.

The case management process involves personalized interaction members and their families, evaluating their needs and providing necessary support in collaboration with practitioners, providers and relevant support services. This ensures 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). The MCMU also manages inpatient care by performing concurrent reviews to ensure members receive the most appropriate level of care, making 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 through Population Health and Disease Management programs.

In 2024, MCMU coordinated 2,668 USA medical services referrals for our members, a 12% decrease over the prior year referrals of 3,030.

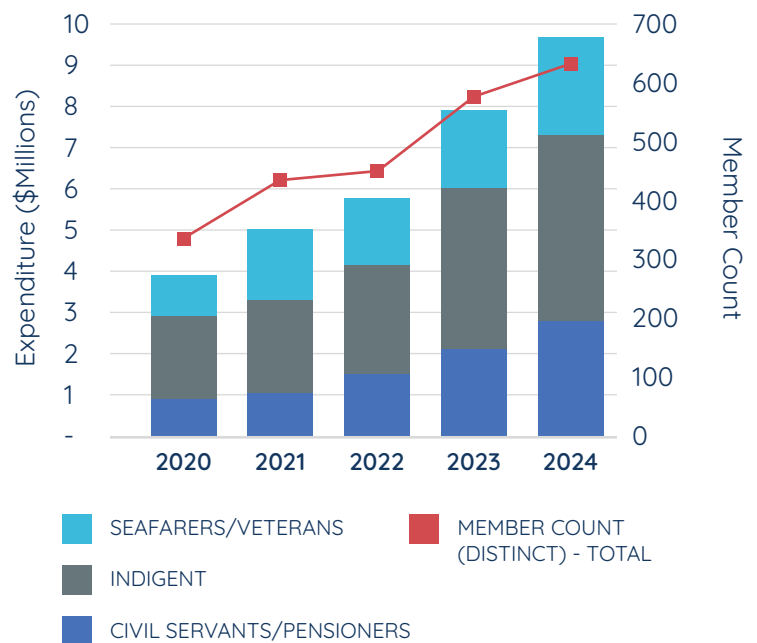
In instances where emergency care is required off-island, CINICO’s MCMU is on standby 24/7 to arrange emergency air evacuation through an air ambulance service. Table 1 provides quarterly statistics on the number of air ambulances coordinated in 2023 and 2024.

**TABLE 1: AIR AMBULANCE COORDINATION**

	Q1	Q2	Q3	Q4	TOTAL
<b>2023</b>	18	6	7	11	42
<b>2024</b>	5	6	7	12	30

### Home Health Care

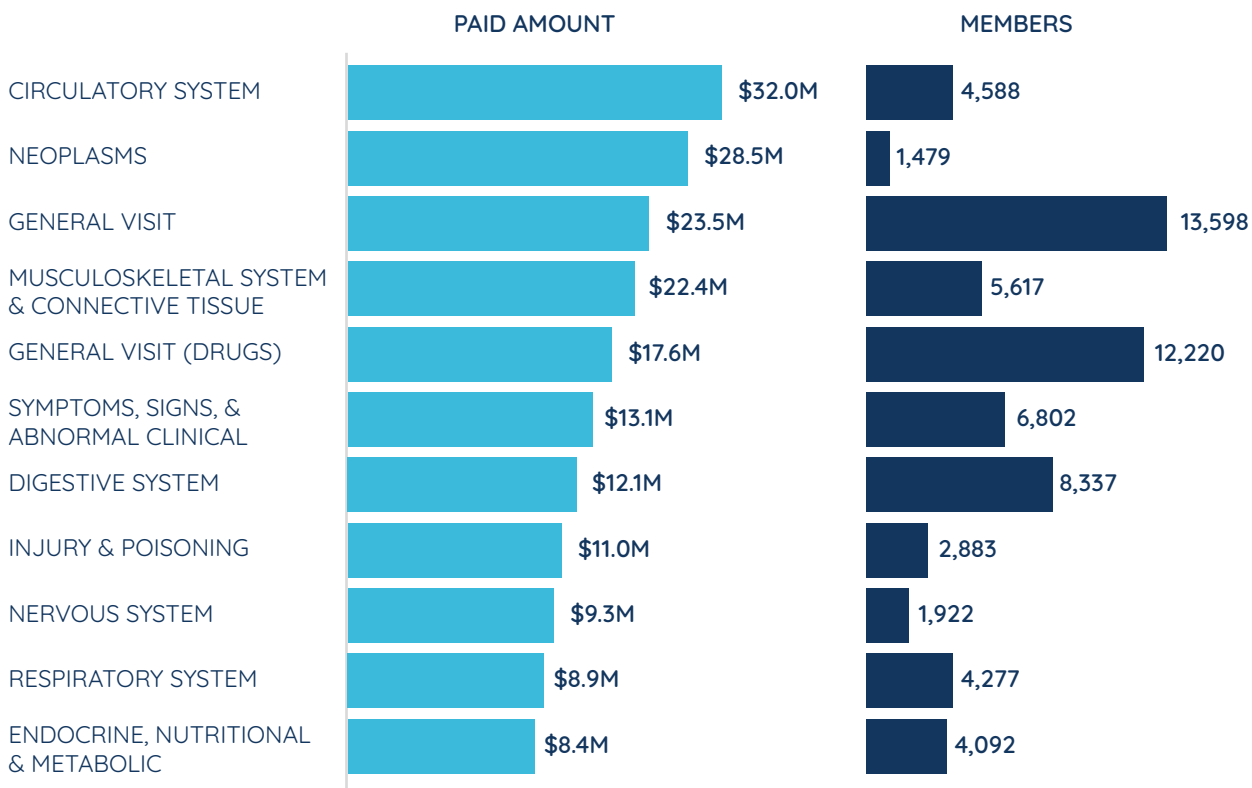
Home Health Care is more of a social service, as opposed to being offered through insurance. However, up until now, CINICO has been performing these services until they could be allocated within the appropriate core government department. In 2024, CINICO assisted just over six hundred (600) members, primarily elderly individuals within the Government and Indigent membership. This support amounted to an expenditure of \$9.6 million, reflecting an increase of \$1.1 million compared to the previous year. The graph below shows the growth of Home Health Care over the last five years.



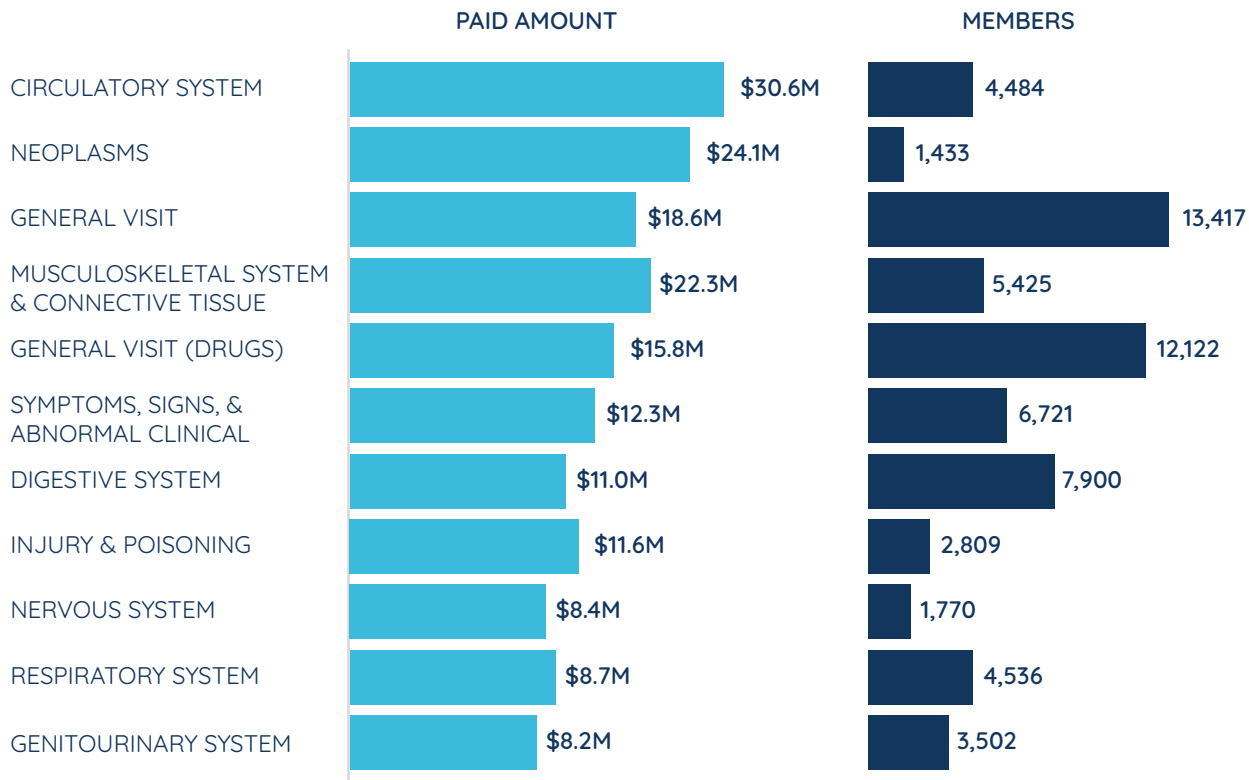
### Claims by Diagnosis Type

Along with its extensive medical provider network, CINICO assists its members in managing their health in times of need. The diagram below illustrates the number of members assisted by medical diagnosis and the corresponding claims paid amounts.

#### TOP 10 DIAGNOSIS (INSURANCE & ASO) - 2024



**TOP 10 DIAGNOSIS (INSURANCE & ASO) - 2023**



## CINICO IN THE COMMUNITY

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.



# Looking Forward

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2024 saw the rebirth of a new and improved CINICO. We completed our brand refresh with new logo, new Head Office location, new website and more significantly, we ventured into Property & Casualty (P&C) insurance in the form of Motor and Residential insurance products.

It is important for us to establish the context for our expansion into P&C insurance. Over the past two years, homeowners have experienced challenges in obtaining adequate insurance coverage for their homes. Some have been unable to get any coverage at all. The primary reason for this was the change in reinsurers' appetite for Caribbean property exposures, which are potentially subject to both hurricane and earthquake losses. Insurance companies in Cayman and the rest of the Caribbean are not large enough to cover the properties in the region against these perils and must rely on much larger reinsurance companies to provide the capacity which enables them to cover the local properties.

A series of worldwide events including Caribbean and Florida hurricanes have dampened reinsurers' enthusiasm for Caribbean business and the result of this has been that many companies were unable to offer insurance to new customers, or to accommodate increases in values for existing customers at any price. It is this shortage of reinsurance capacity which has prompted CINICO to enter into the P&C insurance arena.

The entire worldwide reinsurance landscape is changing, and we can foresee a future when existing types of reinsurance may not be as readily available, and Caribbean governments may be forced to intervene in order to ensure that homeowners are able to secure insurance coverage, or face the risk of ruin. It is against this background that CINICO has entered the market, with a view towards establishing a foundation from which the Cayman Islands Government can respond to that coverage crisis, if and when it comes.

The objective was not to provide cheaper insurance at this point. It is not feasible for us to seek to lower insurance costs whilst utilizing the capital of our reinsurers to cover these catastrophic exposures. Such savings can only be achieved by the Government committing considerably more capital than is feasible in the short run. The objective was thus to provide additional capacity now, to lay the foundation for a future widening of this coverage gap, and to introduce new products to the market.

In this regard, we are proud to have been able to introduce a homeowner's policy with what appears to be the first in the world coverage of incidental expenses such as groceries and supplies and other expenses after specified hurricane conditions, not otherwise recoverable under any insurance policy in the world as far as we have been able to ascertain. This has been done by including a Parametric component into our policy coverage.

Looking forward, we intend to continue to raise the bar in the insurance industry, recognizing that a raised bar benefits not only our policyholders, but all policyholders in our islands, as other insurance companies feel obliged to also improve their offerings.

We are also looking at the introduction of new open market products on the Health side of our business. The bulk of our Health insurance customers have traditionally been Government employees and Pensioners, along with their dependents, and other Government adjacent entities. We plan to introduce other options to the market, which will also include innovative features.

All told, we are very excited about the path that we are currently on, a path designed to provide better insurance options for all of our residents.

# Financial Performance Analysis

On January 1, 2023, IFRS 17 Insurance Contracts became effective, replacing IFRS 4. IFRS 17 is a significant standard that sets out principles for the recognition, measurement, presentation, and disclosure of insurance contracts allowing for consistency and comparability across the insurance industry. The main user of CINICO’s financials is CIG, and despite the administrative work required to adopt and maintain IFRS 17, we must maintain two sets of books for consolidation purposes and regulatory reporting. This year (2024) represents the second year of reporting under IFRS 17.

As IFRS 17 is a relatively new standard, we have highlighted the financial and presentational impacts below.

Financial Impacts	Presentational Impacts
<p><b>Risk Adjustment</b></p> <ul style="list-style-type: none"> <li>A provision will be added to the claims liability to reflect compensation required for accepting non-financial risk.</li> <li>This is viewed as a conservative liability reflecting uncertainty in the estimates used to calculate the liability.</li> </ul> <p><b>Onerous Contracts</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>CINICO considers the SHIC contracts onerous and has fronted one month of expected losses.</li> </ul>	<ul style="list-style-type: none"> <li>Results are calculated for portfolios of insurance contracts.</li> <li>Insurance contracts and reinsurance contracts must be measured separately.</li> <li>Expenses must be allocated to the following levels of granularity:               <ul style="list-style-type: none"> <li>Acquisition expenses, maintenance expenses and non-insurance expenses.</li> <li>To portfolios of contracts.</li> </ul> </li> <li>All insurance related cash flows are included within the insurance contract liabilities:               <ul style="list-style-type: none"> <li>Premiums receivable</li> <li>Accrued expenses and payables, etc.</li> </ul> </li> </ul>

The complete IFRS 17 financial statements and notes are included at the end of this annual report.

## FINANCIAL PERFORMANCE (NET INCOME/ (LOSS))

For the year ending December 31, 2024, CINICO earned a surplus (net income) of \$3.1 million compared to the prior year's surplus of \$8.4 million and a budget of \$0.8 million. The surplus was due to a \$2.4 million 2023 reserve release, investment income and favorable expenses, offset by unfavorable claims (net of the risk premium).

Table 2 illustrates the sources of profit (or variance to the budget) compared with the premium pricing level assumptions for 2024. Table 3 provides the same for 2023.

**TABLE 2: SOURCES OF NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2024 (\$ MILLIONS)**

Source of Net Income/(Loss)	Amount	Explanation
Unfavorable incurred local claims	\$(17.6)	Unfavorable in all lines of business.
Favorable incurred overseas claims	\$11.3	Favorable in all lines (net of unfavorable ceded claims). Includes 9 cases which breached the reinsurance retention level.
Risk premium	\$4.0	Actuary risk premium for adverse claims deviation.
Investment income	\$1.2	Returns on fixed deposits and cash balances.
Expenses and other	\$3.3	Favorable admin expenses, TPA fees, and higher ASO fee income.
<b>2024 True Net Income (Health)</b>	<b>\$2.2</b>	
*Property & Casualty and other	\$(1.5)	Loss expected, as this is P&C's first year of operation and the company has not yet achieved critical mass.
<b>2024 True Net Income</b>	<b>\$0.7</b>	
2023 Prior year reserve release (net of reinsurance recoveries)	\$2.4	Overseas - \$1.7M; Local - \$0.5M; Reinsurance Recovery - \$0.2M
<b>Net Income</b>	<b>\$3.1</b>	

\*Motor insurance was introduced in March 2024, followed by home insurance in August 2024.

Table 2 shows that the true 2024 net income for the active health lines of business is \$2.2 million, which is offset by a \$1.5 million loss in P&C. This results in a true 2024 net income of \$0.7 million, which is \$0.1 million below the budget. The prior year of 2023 reserve release of \$2.4 million increased the net income from \$0.7 million to \$3.1 million.

**TABLE 3: SOURCES OF NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2023 (\$ MILLIONS)**

Statement of Comprehensive Income	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.
<b>2023 True Net Income (Health)</b>	<b>\$5.0</b>	
**New business lines (not implemented)	\$(1.1)	Revenues less administration expenses
<b>2023 True Net Income</b>	<b>\$3.9</b>	
2022 Prior year reserve release (net of reinsurance recoveries)	\$4.5	Overseas - \$3.4M; Local - \$0.5M; Reinsurance Recovery - \$0.8M
<b>Net Income</b>	<b>\$8.4</b>	

\*\*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.

Figure 1 provides the net income / (loss) by business category for CINICO's active business lines. The graph in Figure 1 compares the current year, prior year, and budget. In the current year, all business categories incurred losses except for the Civil Servant, SAGC's and ASO segments.

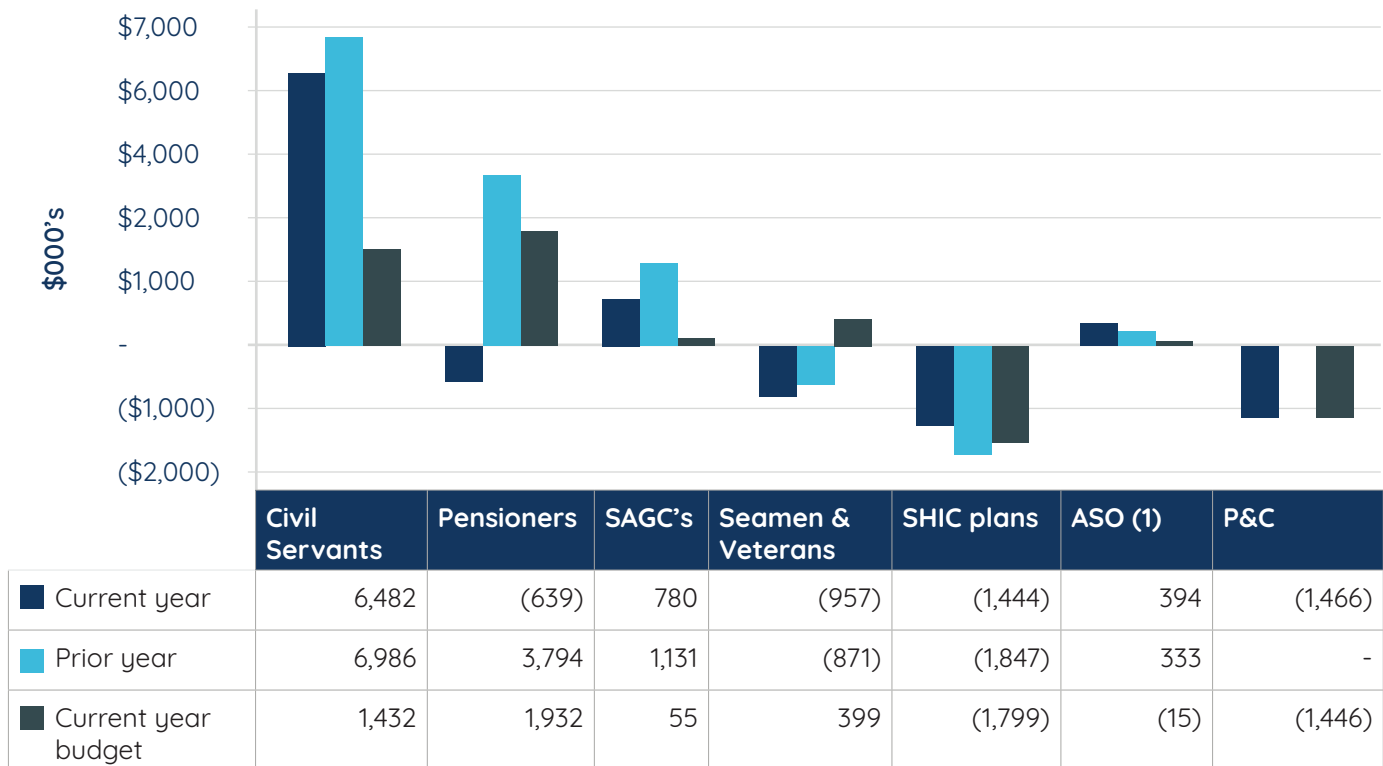
The losses in the S&V and Pensioner lines are due to higher claims than were assumed in the premium rate assumptions. Due to government requirements, the premium rates were developed at least one year prior to the coverage period. Since that period, and due to the aging membership in these groups, claims development worsened. Losses in the SHIC line are due to a disproportionate number of high-risk members as a percentage of the total SHIC population.

In 2024, CINICO applied to the Health Insurance Commission for approval to increase the SHIC premium rates. Despite year-over-year losses, our request was denied, so we can expect continued losses. Management is pursuing this matter further.

For the P&C segment, 2024 marked the first year of operations. Motor Insurance was introduced on March 18th and Property Insurance on August 5th. As this was the first year of operation, we have not had the opportunity to build critical mass, so losses are expected for the next two to three years as premium volumes increase. The 2024 budget assumed that P&C was in its second year of operation, thus premium volume was higher in the budget leading to a lower loss.

The surpluses in the other lines of business are primarily due to lower expenses and the 2023 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 4 below illustrates selected financial highlights of various IFRS 17 balance sheet and income statement items.

**TABLE 4: FINANCIAL HIGHLIGHTS FOR FINANCIAL YEAR ENDING DECEMBER 31**

	Current year	Current year budget	Prior Year
<b>Statement of financial position (selected items)</b>			
Cash and cash equivalents	\$ 26,128,208	\$ 29,732,172	\$ 33,625,221
Term deposits	28,739,304	23,351,500	22,996,053
ASO claims and fees receivable	8,750,765	7,000,000	6,112,110
Reinsurance asset	2,429,128	9,255	1,961,326
Insurance contract liabilities	14,405,574	18,574,194	16,668,857
Shareholder's equity	52,965,522	43,951,641	49,859,738
<b>Statement of comprehensive income</b>			
<b>INSURANCE RESULT</b>			
Insurance revenue	\$ 150,490,571	\$ 150,830,056	\$ 140,901,011
Insurance service expenses	(148,759,750)	(145,728,654)	(132,225,889)
Reinsurance expenses	141,897	(2,672,311)	(47,197)
Subtotal Insurance service result	\$ 1,872,718	\$ 2,429,091	\$ 8,627,926
ASO fees	1,976,109	1,874,944	1,736,588
Investment & other income	1,579,251	1,111,000	1,003,241
Subtotal	3,555,360	2,985,944	2,739,829
<b>Total Income</b>	<b>\$ 5,428,078</b>	<b>\$ 5,415,035</b>	<b>\$ 11,367,754</b>
Other operating expenses	\$ (2,322,294)	\$ (4,592,467)	\$ (2,991,598)
<b>NET INCOME</b>	<b>\$ 3,105,784</b>	<b>\$ 822,568</b>	<b>\$ 8,376,156</b>

### Cash, cash equivalents and term deposits

Cash and cash equivalents stood at \$26.1 million, a decrease of \$7.5 million from the prior year. The decrease is mainly attributed to purchasing additional term deposits. Cash balances will be required to settle the year-end insurance contract liabilities which are slightly over \$14 million, in addition to maintaining liquidity.

Term deposits increased by \$5.7 million from the prior year, reaching \$28.7 million. Term deposits comprise of several one-year fixed deposits placed with various highly rated financial institutions in the Cayman Islands. To ensure liquidity and maximum returns, the maturity dates are staggered so that a term deposit expires each month. Upon maturity, these deposits are then renewed for an additional one-year term, unless needed to fund cash flow deficits. The overall annual yield for 2024 was just under 5% earning approximately \$1.3 million in investment income. Cash balances also earned interest during the period.

Cash and term deposits represent just over four months of 2024 operating expenses.

### 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). These 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 \$8.8 million at the end of the year, compared to \$6.1 million in the prior year. We expect the remaining current year balance to be settled in 2025.

### Reinsurance contract assets

Reinsurance assets primarily consist of reinsurance recoveries, offset by reinsurance premium payables. In 2024, there were nine health cases that exceeded the reinsurance limits and remained unsettled to date, totaling just over \$3 million. For the year ending 31 December 2023, there were ten cases with unsettled recoveries amounting to just under \$2 million.

In 2024 there were no material P&C reinsurance recoveries.

### Insurance contract liabilities

Table 5 illustrates the components of the insurance contract liabilities. These include any balance sheet items such as premium receivable, prepayments, and payables reclassified under IFRS 17, plus the non-financial risks and a provision for onerous contracts.

TABLE 5: COMPONENTS OF INSURANCE CONTRACT LIABILITIES		
	December 31, 2024	December 31, 2023
Assets related to insurance contracts	\$ (2,010,527)	\$ (1,224,308)
Liabilities related to insurance contracts	1,533,212	1,024,904
Provision for IBNR	14,039,556	16,199,082
Case reserves (P&C)	13,004	-
Non-financial risk adjustment	457,341	531,796
Loss component - (SHIC)	372,989	137,383
<b>Insurance contract liabilities</b>	<b>\$ 14,405,574</b>	<b>\$ 16,668,857</b>

A majority of the balance consists of the provision for claims incurred but not reported (IBNR), 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 based on historical data are used, which may or may not be realized in the future. These assumptions include the severity of losses, claims utilization factors, claim payment patterns, provider discounts, the outcome of patients’ medical condition, length of inpatient stays, and more. As assumptions are used, the ultimate (“hindsight”) reserve liability may be more 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 \$3.1 million to \$53 million for the year ended December 31, 2024. The increase is due to the 2024 Net Income. Table 6 provides an analysis of shareholder’s equity to budget.

TABLE 6: ANALYSIS OF SHAREHOLDER’S EQUITY (\$ million)			
	Budget	Actual	Variance
Opening shareholder’s equity	\$43.1	\$49.9	\$6.8
<b>2024 Net Income</b>	<b>0.8</b>	<b>3.1</b>	<b>2.3</b>
Closing shareholder’s equity	\$43.9	\$53.0	\$9.1

Shareholders’ equity is \$9.1 million better than budget due to a higher net income of \$2.3 million compared to the budget, and a higher opening equity versus budget. The higher opening equity is attributed to the 2023 net income being higher than what was assumed when the 2024/2025 budget was being calculated.

### Insurance revenue

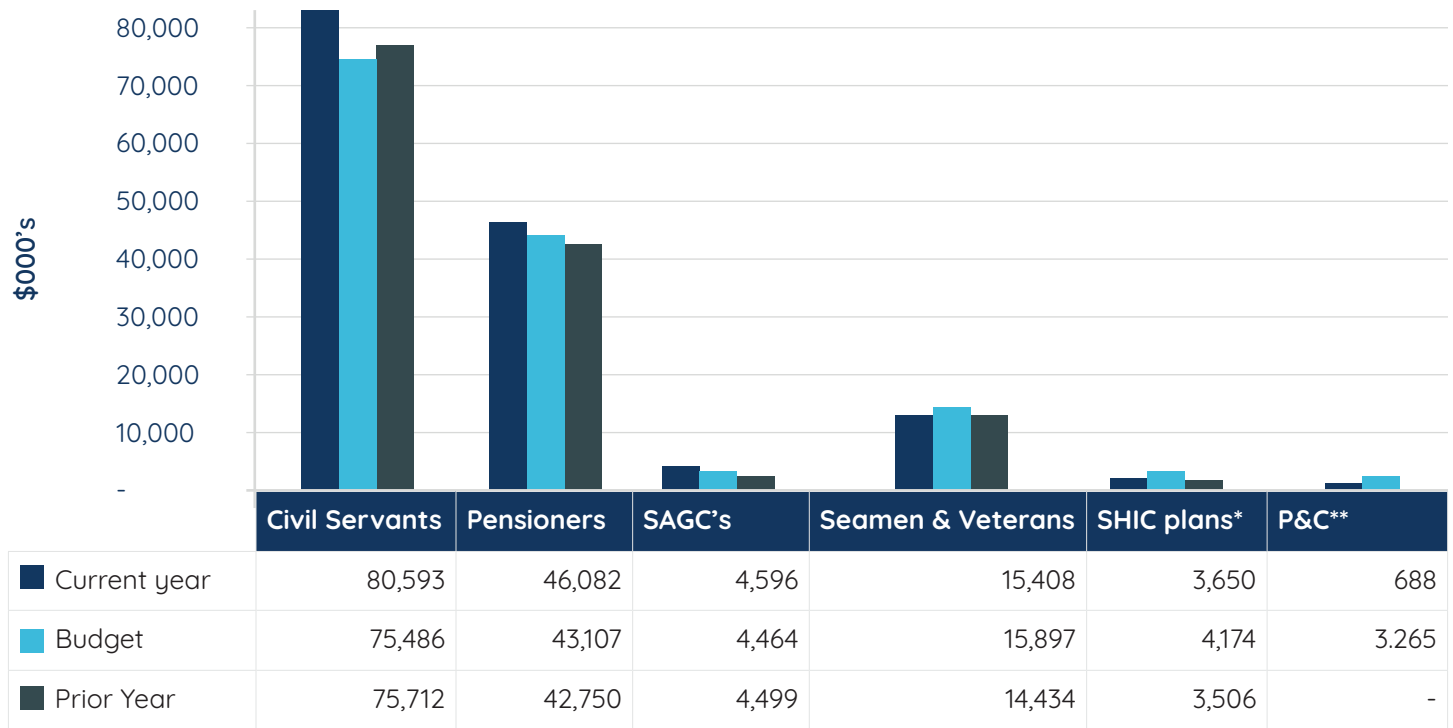
Premium income is earned from health insurance plans under the following business categories:

- 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).

Premium income is also earned from Property and Casualty, this year.

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

**FIGURE 2: INSURANCE REVENUE (PREMIUM INCOME) BY BUSINESS CATEGORY**



\*SHIC Plans – The original budget assumed the introduction of an enhanced SHIC plan in 2024. However, due to circumstances beyond our control, the plan was not introduced in 2024. The graph above does not include the enhanced plan's budget premium.

\*\*P&C – The budget assumed P&C went into effect for the full year, whereas Motor was introduced in March and Home in August. The delay was due to the availability of reinsurance in the market.

**TABLE 7: AVERAGE NUMBER OF COVERED LIVES INSURED (HEALTH)**

	Current Year	Budget	Prior Year	% Change to Budget	% Change to Prior Year
Civil Servants	10,087	9,415	9,589	7%	5%
Pensioners	2,636	2,513	2,486	5%	6%
SAGCs	555	552	544	1%	2%
Seafarers & Veterans	1,009	1,041	1,023	-3%	-1%
Indigent	2,140	2,071	2,056	3%	4%
SHIC plans	1,854	1,783	1,820	4%	2%
<b>Total</b>	<b>18,281</b>	<b>17,375</b>	<b>17,518</b>	<b>5%</b>	<b>4%</b>

Insurance revenue is driven by the number of lives covered and the premium rates charged (e.g., the higher the number of members covered, the greater premium income earned). The number of covered lives also drives other items such as claims, reinsurance and claims administration fee expenses. Table 8 shows the lives covered throughout the comparative periods. Table 7 shows the lives covered throughout the comparative periods.

The average number of covered lives in 2024 increased to 18,281 from the prior year's 17,518, a 4% increase. Compared with the budget, overall covered member lives increased by 5%. The Pensioners and Civil Servants segments realized the largest increases over the prior year, with growth rates of 6% and 5%, respectively. The Indigent segment also saw a 4% increase in 2024. The Seafarers and Veterans cover lives decreased by 1% from the prior year and are 3% below the budget.

The overall current year insurance revenue of \$150.5 million is \$0.8 million below the budget, primarily due to P&C and the enhanced SHIC segments, as noted in Figure 2. This shortfall is offset by higher than budget premium revenue in the Civil Servant, Pensioners and SAGC's segments, due to a higher number of covered lives than budgeted (Table 7). Despite higher membership levels, SHIC insurance revenue was below budget because the average actual premium rates were below those assumed in the budget.

On the P&C side, as of 31 December 2024 CINICO sold 247 Motor policies and 65 Home policies.

The current year's premium income is \$9.6 million, which is 7% higher than the prior year. This increase is largely driven by a 1% premium rate increase in 2024 (Group 30100) and approximately 5% membership growth (Table 8). Additionally, there was \$0.2 million in P&C net written premium in 2024, compared to none in 2023.



## INSURANCE SERVICE EXPENSES

“Insurance service expenses” is a new term under IFRS 17 and refers to all expenses incurred for the acquisition or maintenance of insurance business. A breakdown of this amount is contained in Table 9.

TABLE 8: INSURANCE SERVICE EXPENSES			
	Current Year	Current Year Budget	Prior Year
Incurring claims (health)	\$ 142,413,838	\$130,954,811	\$ 129,052,722
Prior year reserve release	(2,215,996)	-	(3,659,620)
Incurring claims (P&C)	32,783	318,250	-
Incurring claims (new health)		4,633,573	
Other (IFRS 17, ALAE)	14,621	59,586	(242,230)
Allocated expenses			
P&C expenses	930,227	1,650,490	-
TPA fees/re pricing fees	1,825,478	2,289,104	1,982,564
Admin expenses	5,758,799	5,822,843	5,092,453
Subtotal: Allocated expenses	8,514,504	9,762,437	7,075,017
<b>Total</b>	<b>\$ 148,759,750</b>	<b>\$145,728,654</b>	<b>\$132,255,889</b>

As is evident in Table 8, much of the insurance service expenses relate to claims incurred or medical benefits paid or payable under CINICO’s various insurance plans. For the year ended December 31, 2024, health claims incurred increased to \$142.4 million from \$129.1 million in the prior year. The prior year’s figure was restated upward by \$1 million to add re-pricing fees, which are now classified as administrative expenses in accordance with IFRS 17.

The actual health claims incurred exceeded the budget of \$130.9 due to higher utilization and higher than budget membership. Table 9 provides an analysis of the claims incurred by insured plan. The insurance service expense also includes adjustments for IFRS 17 (\$15k as of December 31, 2024), and an allocation of insurance-related 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 9 do not include the reduction for reinsurance recoveries, as IFRS 17 requires reinsurance recoveries be reported under a separate line, “net expenses from reinsurance contracts held”.

The incurred claims for 2023 are evaluated on a “hindsight basis”. For instance, for the year ended December 31, 2023, the originally reported claims amounted to \$129.1 million. This figure included claims incurred and paid during the period, plus an estimate for claims incurred but not reported (claim provision). In hindsight, one year later, the 2024 claim reserve showed a favorable development of \$2.2 million. Consequently, the final 2023 claims incurred are \$126.8 million, compared to the original reported figure of \$129.1 million.

Table 9 also illustrates that \$13.5 million, or 10% of the 2024 total claims incurred of \$142.4 million is comprised of IBNRs (Incurred But not Reported). This represents just under two months of claims incurred. IBNRs are essentially accruals for claims, calculated using actuarial methods and assumptions. The adequacy of the 2024 IBNR reserve will only be known in subsequent months.

TABLE 9: INCURRED CLAIM LOSSES (000's)									
	2024			2024			2024 less 2023 Calendar Year	2024 Budget	Inc/(dec) - 2024 reported less Budget
	Reported*	Hindsight adjustment**	Final	Incurred in 2024 & paid in 2024	IBNR	Reported			
<b>Local</b>									
Group 30100	80,519	(360)	80,159	85,253	6,449	91,702	11,543	72,749	18,953
Group 30101	14,403	31	14,434	14,130	1,269	15,399	965	14,353	1,046
Group 30104	3,143	(154)	2,990	3,114	264	3,378	389	2,784	594
	<b>98,065</b>	<b>(483)</b>	<b>97,582</b>	<b>102,497</b>	<b>7,982</b>	<b>110,479</b>	<b>12,897</b>	<b>89,885</b>	<b>20,594</b>
<b>Overseas*</b>									
Group 30100	28,893	(1,630)	27,262	25,076	5,333	30,409	3,147	38,963	(8,554)
Group 30101	-	-	-	-	-	-	-	-	-
Group 30104	2,095	(103)	1,992	1,307	218	1,526	(467)	2,106	(581)
	<b>30,988</b>	<b>(1,733)</b>	<b>29,255</b>	<b>26,383</b>	<b>5,552</b>	<b>31,935</b>	<b>2,680</b>	<b>41,070</b>	<b>(9,135)</b>
<b>Total</b>									
Group 30100	109,412	(1,990)	107,421	110,329	11,782	122,111	14,690	111,712	10,399
Group 30101	14,403	31	14,434	14,130	1,269	15,399	965	14,353	1,046
Group 30104	5,239	(257)	4,982	4,421	482	4,904	(78)	4,890	14
	<b>129,053</b>	<b>(2,216)</b>	<b>126,837</b>	<b>128,880</b>	<b>13,534</b>	<b>142,414</b>	<b>15,577</b>	<b>130,955</b>	<b>11,459</b>

\* Includes claims paid to Health City Cayman Islands and Baptist International in US\$.

As shown in Table 9 incurred claims increased from \$126.8 million in 2023 to \$142.4 million in 2024, an increase of \$15.5 million from the prior year. The increase is primarily due to higher utilization and the growth in CINICO's membership (as shown in Table 7). The highest increase in utilization is within Group 30100 (local), which experienced an \$11.5 million increase from the prior year. The medical services accounting for the majority of the overall increases are pharmacy, outpatient, radiation therapy and MRI/scans/x-rays.

Group 30101 experienced a moderate \$1 million increase in expenditure despite a one percent decline in membership. The increase in expenditure should not be surprising, given the older demographic of the group. As Figure 3 illustrates, claims tend to rise with advanced age. The medical services contributed significantly to the increase from the prior year including therapy, supplies/DME (Durable Medical Equipment), home health care, and pharmacy. Interestingly, inpatient claims decreased.

Group 30104 experienced a slight decline in claim expenditure, decreasing by \$78k to \$4.9 million. The medical services accounting for a large part of the increase from the prior year include inpatient and outpatient.

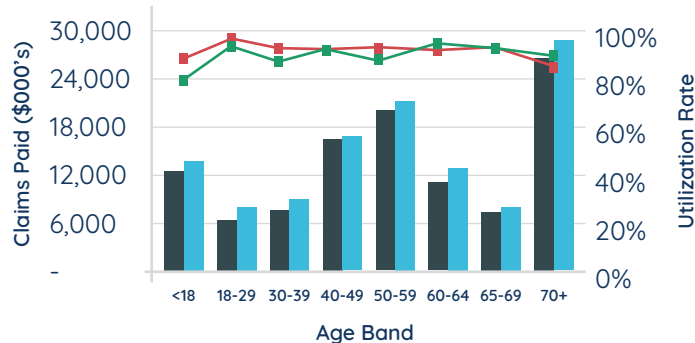
Compared to the budget, claims incurred were \$11.4 million, or nine percent above budget. Of the overall increase, \$10.4 million is from Group 30100. The increase in spend in this group aligns with the higher membership compared to the budget (as shown in Table 8).

Claims costs are driven by the demographics of the individual groups. Claim costs correlate with age. As the membership ages, claim costs rise. Figure 3 illustrates the relationship of claims paid and utilization with age bands for each group.

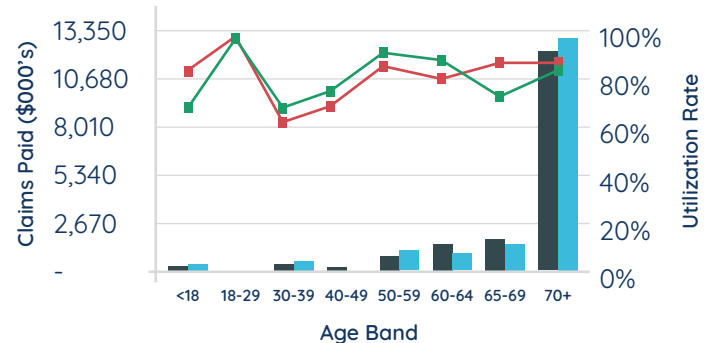
**FIGURE 3 - CLAIMS PAID / UTILIZATION RATES BY AGE BAND**

■ Claims 2023 YTD Q4    ■ Utilization 2023 YTD Q4  
■ Claims 2024 YTD Q4    ■ Utilization 2024 YTD Q4

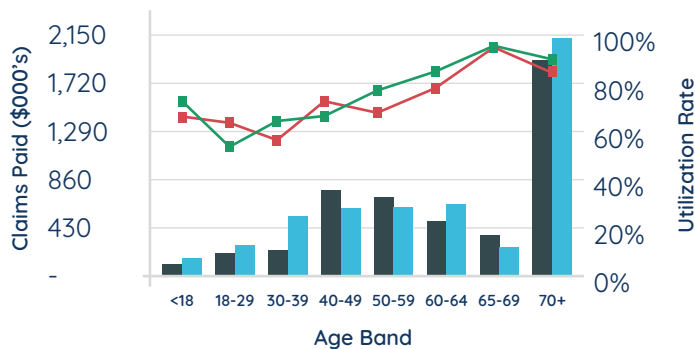
**Group 30100**



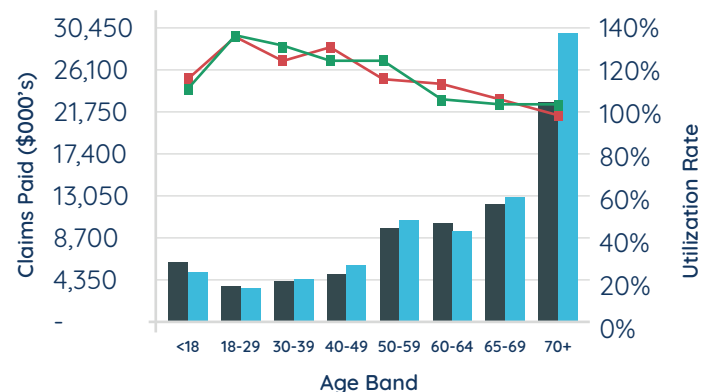
**Group 30101 (Insurance Only)**



**Group 30104 - SHIC**



**Group 30102 - INDIGENT\***



\*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 \$2 million in the current year, exceeding both budget and the prior year due to a higher number of members (Table 8).

Other income includes investment income, income from re-activations, and stale date checks over 7 years from issue. Other Income is higher than budget and the prior year primarily due to higher investment income earned resulting from higher yields than forecasted and a larger amount invested. Additionally, CINICO was able to negotiate interest on operating balances. Overall, the term deposit returns were just under 5%.

## 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 10: IFRS 17 ALLOCATED EXPENSES			
IFRS 17	Current Year	Current Year Budget	Prior Year
Insurance service expenses	8,514,504	9,762,437	7,075,018
Net expenses from reinsurance contracts held	81,539	115,585	21,280
Other operating expenses	2,322,294	4,592,467	2,991,598
<b>Total other expenses (TPA &amp; Administration expenses)</b>	<b>10,918,337</b>	<b>14,470,489</b>	<b>10,087,896</b>
Claims administration expenses (TPA)	\$1,167,442	\$2,134,119	\$1,120,045
Repricing fees	910,299	1,000,000	1,067,450
Administration expenses	8,840,596	11,336,370	7,900,401
<b>Total other expenses (TPA &amp; Administration expenses)</b>	<b>\$10,918,337</b>	<b>\$14,470,489</b>	<b>\$10,087,896</b>

Total other expenses amounted to \$10.9 million for the year ending December 31, 2024. This is \$3.6 million below budget, and \$0.8 million higher than the prior year.

Other expenses consist of claim administration expenses (TPA fees), repricing fees and administration expenses.

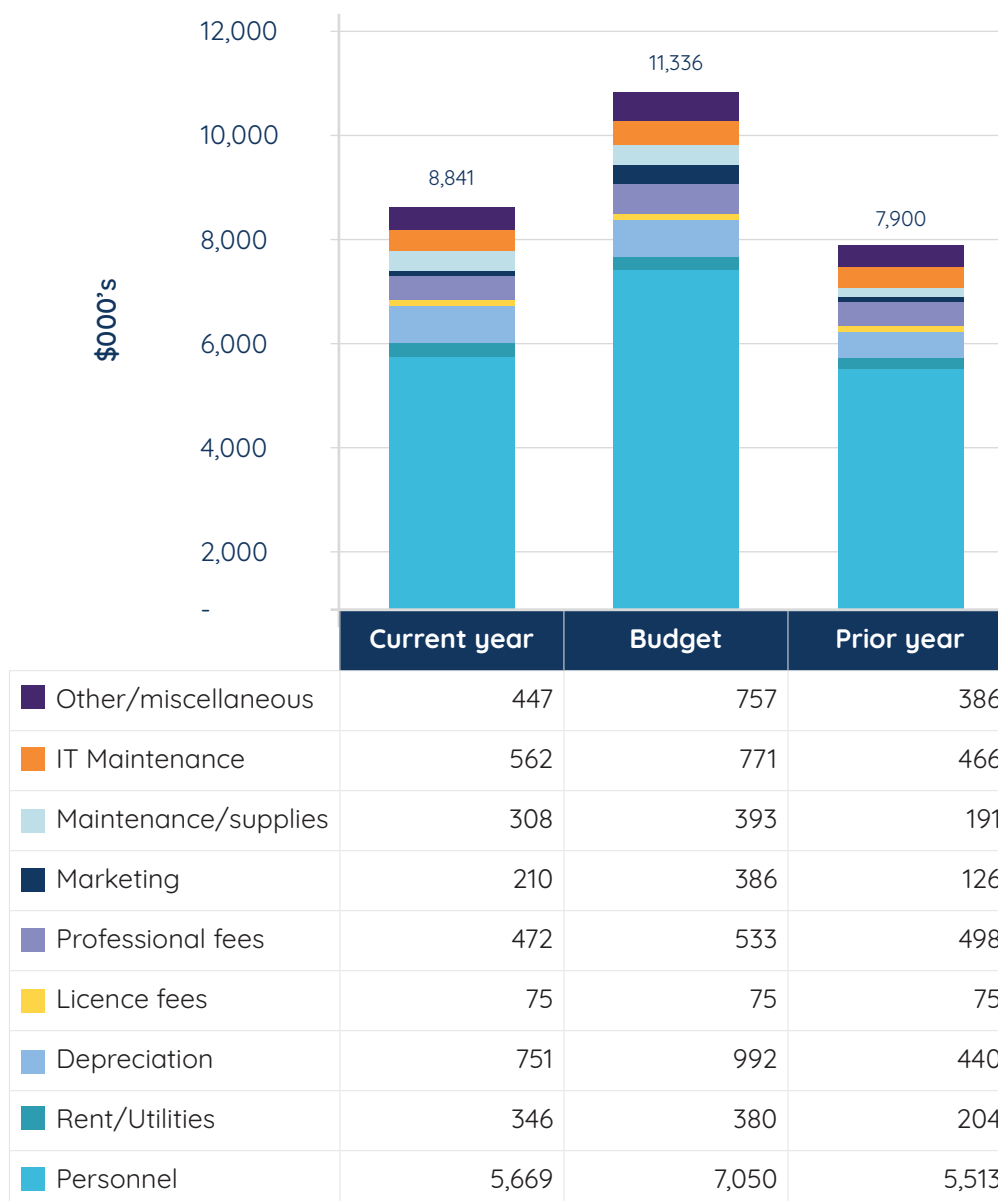
Claims administration expenses are incurred for services provided by third party administrators (TPAs), which include the use of the insurance administration system (software as a service). These charges are based on the number of active members each month. Repricing fees include managing overseas referrals, claims review and USA network access. The repricing fees are a fixed rate per month and allocated to the various business lines.

This year's expenses were \$2.1 million (TPA and repricing fees), slightly less than last year due to lower repricing fees. The current year's expenditure was below budget because several planned initiatives, including the introduction of a new health product, did not materialize during the year. The addition of a new health product would have resulted in higher membership and thus higher expenses.

Administration expenses are costs incurred in the operation of the Company's office, including personnel costs, rent, depreciation, audit fees, actuary fees, and more. These expenses were \$2.5 million below the budget, primarily attributed to the timing of introducing the new business lines (P&C and new health plan) as envisioned in the budget, leading to below budget expenditure in depreciation, marketing and IT. Variances were also seen in personnel costs from unfilled vacant positions.

Current year expenses were \$0.9 million higher than the prior year. This increase is mainly due to higher depreciation expenses associated with our move to the new offices (IFRS 16), as well as rent, utilities and personnel expenses. 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 to Cabinet

Financial Performance Measure	2024 Actual \$000'S	2024 Budget \$000'S	Annual Variance \$000'S (To Final)	Note
REVENUE FROM CABINET	\$61,468	\$58,932	\$2,536	1
REVENUE FROM MINISTRIES, PORTFOLIOS, STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES	87,192	81,825	5,367	2
REVENUE FROM OTHERS, PERSONS OR ORGANISATIONS	2,659	8,929	(6,270)	3
SURPLUS/DEFICIT FROM OUTPUTS				
OTHER EXPENSES	148,212	148,863	651	4
NET SURPLUS	3,106	822	2,283	5
<b>TOTAL ASSETS</b>	70,657	71,147	(490)	
<b>TOTAL LIABILITIES</b>	17,692	27,195	9,506	6
NET WORTH	52,966	43,952	9,014	7
CASH FLOWS FROM OPERATING ACTIVITES	(1,133)	412	(1,545)	
CASH FLOWS FROM INVESTING ACTIVITES	(6,010)	(6,255)	246	
CASH FLOWS FROM FINANCING ACTIVITES	(353)	3,528	(3,882)	
CHANGE IN CASH BALANCES	(7,497)	(2,316)	(5,181)	8

**Notes: Explanation of variance:**

1. Revenue from Cabinet: CIN 2 premiums were \$3M higher than expected due to higher membership, offset by lower CIN 1 premium (\$400k) due to lower membership. See Table 7 for Membership.
2. Higher revenues due to higher than budgeted membership (Table 7 – Membership).
3. Unfavorable variance: Budget anticipated the introduction of a new Health product in 2024, which did occur for reasons out of our control. In addition, the P&C expansion commenced partway through the year, whereas the budget assumed a January start. 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	\$137.9	\$135.1	\$(2.8)	Active lines of business are higher than budget due to increased utilization, partly due to higher than budgeted covered lives. This is offset by a \$2.4m reserve release & reinsurance recovery, as well as \$9.6m of budgeted claims for a health expansion product not introduced in 2024.
Active lines of business	137.9	125.5	(12.4)	
Expansion business	-	9.6	9.6	
Seg fund fees	0.3	0.3	-	Favorable variance primarily attributed to the timing of introducing the new business lines as envisioned in the budget, leading to favorable variances in depreciation, marketing and IT. Variances were also seen in personnel costs from unfilled vacant positions.
TPA fees	1.2	2.1	1.0	Underutilization of claims admin support, wellness rewards, other vendor services, and no actual TPA fees vs budget for P&C.
Admin expenses	8.8	11.3	2.5	Budget includes expenses for the P&C segment, which was not initiated in 2023. Favorable expenses in personnel costs, IT, depreciation and marketing.
<b>Total</b>	<b>\$148.2</b>	<b>\$148.9</b>	<b>\$0.7</b>	

5. Net Surplus. See financial performance section.
6. Total Liabilities are lower than budget as the actual results follow IFRS 17, which offsets liabilities with insurance assets like premium receivables. Additionally, IFRS 16 lease liabilities are \$1.1m below budget.
7. See table 7 Analysis of Shareholder's Equity.
8. Net cash flow is lower than budget as budget assumes lower receivables and higher liabilities. Additionally, more funds were invested in term deposits than anticipated in the budget.

FINANCIAL PERFORMANCE RATIO	2024 ACTUAL %	2024 BUDGET %	ANNUAL VARIANCE %
CURRENT ASSETS: CURRENT LIABILITIES	390%	240%	150%
TOTAL ASSETS: TOTAL LIABILITIES	357%	262%	95%

#### MAINTENANCE OF CAPABILITY

Human Capital Measures	2024 Actual	2024 Budget	Annual Variance
TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	54	65	11
<b>STAFF TURNOVER (%)</b>			
SENIOR MANAGER	0%	0%	0%
PROFESSIONAL AND TECHNICAL STAFF	0%	0%	0%
ADMINISTRATIVE STAFF	7.8%	0%	7.8%

Physical Capital Measures	2024 Actual \$ 000'S	2024 Budget \$ 000'S	Annual Variance \$ 000'S
VALUE OF TOTAL ASSETS	\$70,657	\$71,147	\$(490)
ASSET REPLACEMENTS: TOTAL ASSETS	4.1%	0.3%	3.8%
BOOK VALUE OF ASSETS: COST OF THOSE ASSETS	49%	31.8%	17.2%
DEPRECIATION: CASH FLOW ON ASSET PURCHASES	25%	274%	(249)%
CHANGES TO ASSET MANAGEMENT POLICES	None	None	None

Major Capital Expenditure Projects	2024 Actual \$ 000'S	2024 Budget \$ 000'S	Annual Variance \$ 000'S
IT equipment, office equipment, furniture, website, etc.	\$266	\$184	\$(82)
Right of use asset (IFRS 16- ROU)	1,926	4,972	3,045

#### OTHER FINANCIAL INFORMATION

Transaction	2024 Actual \$ 000'S	2024 Budget \$ 000'S	Annual Variance \$ 000'S
Equity Investments into CINICO	-	-	-
Capital Withdrawals from CINICO	-	-	-
Dividend or Profit Distributions to be made by CINICO	-	-	-
Government Loans to be made to CINICO	-	-	-
Government Guarantees to be issued in relation to CINICO	-	-	-
Remuneration Payments made to Key Management Personnel	\$1,250	\$1,176	\$(74)
Remuneration Payments made to Senior Management	\$1,052	\$978	\$(74)

	2024 Actual	2024 Budget	Annual Variance
Number of Senior Management	6	6	-

## RISK MANAGEMENT

The 2024 and 2025 Ownership Agreements with the Shareholder identified the following key management by CINICO:

KEY RISKS FACED BY CINICO	CHANGED IN STATUS FROM PREVIOUS YEAR	ACTIONS TO MANAGE RISK	FINANCIAL VALUE OF RISK
<p>Claim losses higher than what can be supported by revenues</p>	<p>No change. Premium rates approved by Cabinet are actuarially based and include a risk factor for adverse claims.</p> <p>Increasing risk due to high-cost gene/cell therapy drugs.</p>	<ul style="list-style-type: none"> <li>• Premium rates are actuarially based prior to Cabinet approval.</li> <li>• Maintain overseas discounts through the overseas provider UHCG.</li> <li>• CINICO's in-house, Medical Case Management Unit (MCMU) works collaboratively with the Chief Medical Officer.</li> <li>• Monitoring, control, and follow-up of local and overseas referrals through Apollo guidelines.</li> <li>• Review of medical necessity.</li> <li>• Reinsurance arrangement in place to limit the Company's risk on large claims (30100 Group only).</li> <li>• Review of large pharmacy claims.</li> <li>• Concurrent review of overseas claims with UHCG and reinsurer.</li> <li>• Coordination of discharge plan both locally and overseas.</li> <li>• Gene/cell therapy – Sensitizing government to the high costs and encouraging the development of a national policy.</li> <li>• Annual meetings with overseas network provider.</li> <li>• In-house claims adjudication.</li> <li>• Large claim reviews.</li> <li>• Claim analysis and review of claim trends.</li> <li>• Claim adjudication limits, audits, etc.</li> <li>• Annual review of claims via audit.</li> </ul>	<p>Not quantifiable</p>

KEY RISKS FACED BY CINICO	CHANGED IN STATUS FROM PREVIOUS YEAR	ACTIONS TO MANAGE RISK	FINANCIAL VALUE OF RISK
Potential issues with the leased claims system (software as a service)	Development of additional features to streamline workflows.	<ul style="list-style-type: none"> <li>• Offsite disaster recovery of data.</li> <li>• Robust contracting with vendor, stipulating functions, penalties, data protection and cybersecurity standards, etc.</li> <li>• Vendor SOC2 Internal control report reviewed by CINICO Risk &amp; Compliance Committee.</li> <li>• 24-hour support.</li> <li>• In-house claims department staffed with experienced claim adjudicators.</li> <li>• Use of a “ticketing” system to report faults.</li> <li>• Weekly meetings with vendors.</li> <li>• USER ID segregation of duties.</li> <li>• Reconciliation of reports.</li> </ul>	Not quantifiable
Risk that CINICO’s reinsurer will be unable to pay its liabilities (Health)		<ul style="list-style-type: none"> <li>• 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+.</li> </ul>	Approximately \$3m based on year-end closing balance outstanding
Property and Casualty – exposure of CINICO’s capital to financial losses.	New risk	<ul style="list-style-type: none"> <li>• Establishment of and compliance with Board approved Reinsurance. Procurement Policy which articulates risk appetite and capital exposure limitations. This includes procurement of reinsurance against catastrophes.</li> <li>• Current reinsurers have a credit rating of A- and above.</li> </ul>	Not quantifiable
Non-compliance with regulatory bodies rules and regulations (CIMA and HIC)		<ul style="list-style-type: none"> <li>• Documented Corporate Governance, policies, and procedures.</li> <li>• Quarterly Risk &amp; Compliance Committee meetings.</li> <li>• Chief Risk &amp; Compliance Officer and Chief Information Officer.</li> <li>• Monthly Monitoring compliance with MCR/PCR monthly – quarterly forecasts of capital requirements.</li> </ul>	CIMA and HIC fines

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.	<ul style="list-style-type: none"> <li>• Creation of an ASO Agreement between CINICO and Government awaiting sign off.</li> <li>• Frequent monitoring of outstanding balance.</li> <li>• Work with CIG to ensure Supplementary budget sought.</li> <li>• Capital and Cash Preservation Policy.</li> </ul>	\$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		<ul style="list-style-type: none"> <li>• Actuarial premium in place.</li> <li>• Internal Capital Management Policy.</li> <li>• Enforcement of Company's credit and liquidity risk policy.</li> <li>• Continuous follow up on government outstanding premium.</li> <li>• Government support if CIMA's capital requirements not met.</li> </ul>	Not quantifiable
Cybersecurity threat	Increased globally.	<ul style="list-style-type: none"> <li>• Chief Information Officer provides oversight of cybersecurity measures implemented by IT provider.</li> <li>• Mitigate threats alerted by CIG's Chief Information Security Officer, by reliable cybersecurity news media and vendors.</li> <li>• Robust policies and procedures in accordance with CIMA's Statement of Guidance.</li> <li>• Staff training.</li> <li>• Increase in security posture via software and monitoring, and penetration testing.</li> </ul>	

In addition to the above measures, CINICO has implemented an Enterprises Risk Management Framework. This framework addresses various company risks, including cybersecurity, liquidity, strategic, compliance, concentration, among others. Policies and procedures have been established to manage these risks effectively.

## Appendix 2: Reporting on Outputs Delivered to Cabinet

### STATEMENT OF OUTPUTS DELIVERED TO CABINET

CINICO is committed to providing timely service to our members, seeking out avenues to become as efficient as possible in our delivery service, 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	2024 Actual	2024 Final Budget	Annual Variance
<b>Quantity</b> Total (average) number of persons insured - premiums fully paid by Cabinet.	1,002	1,029	(27)
Total (average) number of persons insured - premiums partially paid by Cabinet (Veterans)	5	8	(3)
<b>Quality</b> All eligible Seamen, Veterans and their dependents are insured who met the definition under the Health Insurance Law.	98-100%	98-100%	-
<b>Timeliness</b> <ul style="list-style-type: none"> <li>Insurance cards issued within 15 days of notification of eligibility.</li> <li>Insurance claims (clean claims) paid within 30 days.</li> </ul>	98-100%	98-100%	-
	100%	100%	-
<b>Location</b> Grand Cayman, Cayman Brac and Little Cayman.			
<b>Cost (of producing the output)</b>	n/a	n/a	-
Monthly Premium Rates			
Premiums fully paid by Cabinet	\$1,272		
Veteran premiums partially paid by Cabinet	\$1,158		
<b>Price (paid by Cabinet for the output)</b>	<b>\$15,385,916</b>	<b>\$15,825,000</b>	<b>\$(439,084)</b>

#### 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	2024 Actual	2024 Final Budget	Annual Variance
<b>Quantity</b> Total average number of insured persons (Insured = Enrollees + dependents).	2,636	2,513	123
<b>Quality</b> 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%	-
<b>Timeliness</b> <ul style="list-style-type: none"> <li>Insurance cards issued within 15 days of notification of eligibility.</li> <li>Insurance claims (clean claims) paid within 30 days.</li> </ul>	98-100%	98-100%	-
	98-100%	98-100%	-
<b>Location</b> Grand Cayman, Cayman Brac and Little Cayman.	n/a	n/a	-
<b>Cost (of producing the output)</b>	\$46,081,868	\$43,106,545	\$2,975,323
<b>Monthly Premium Rates</b>			
Under 18	\$277		
18-29 years	\$443		
30-39 years	\$570		
40-49 years	\$750		
50-59 years	\$1,185		
60- 64 years	\$1,365		
65 years & over	\$1,793		
<b>Price (paid by Cabinet for the output)</b>	<b>\$46,081,868</b>	<b>\$43,106,545</b>	<b>\$2,975,323</b>

### Explanation of variances

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

## APPENDIX 3: 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
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
SAGCs	Statutory Authorities & Government Companies
SHIC	Standard Health Insurance Contract
SPD(s)	Summary Plan Document
TPAs	Third Party Administrators
SPD(s)	Summary Plan Document
TPAs	Third Party Administrators

# Audited Financial Statements

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Financial Statements of

**Cayman Islands National Insurance Company Ltd.**

**December 31, 2024**

## **Cayman Islands National Insurance Company Ltd.**

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## 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 (2020 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Act (2020 Revision)*.

As Director/Chairperson 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 Director/Chairperson 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, 2024.

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, 2024;
- (b) fairly reflect the financial position as at December 31, 2024, and financial performance for the year ended December 31, 2024;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General and its agent jointly conduct an independent audit and express 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.

  
**George McCarthy**  
Director/Chairperson

  
**Frank Gallippi**  
Chief Financial Officer

Dated: APRIL 25, 2025

## 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 2024 the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year ended 31 December 2024, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 9 to 32.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year ended 31 December 2024 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.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism

## AUDITOR GENERAL'S REPORT (continued)

- 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.



Patrick O. Smith CFE, CPA  
Acting Auditor General

25 April 2025  
Cayman Islands

# Cayman Islands National Insurance Company Ltd.

## Statement of Financial Position

As at December 31, 2024

Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b><u>Assets</u></b>			
<i>Current</i>			
Cash and cash equivalents	7	\$ 26,128,208	\$ 33,625,221
Fixed deposits	9	28,739,304	22,996,053
Funds held in escrow	8	-	390,451
ASO claims and fees receivable	17	8,750,765	6,112,110
Other receivables and other assets	10	1,291,285	861,520
Reinsurance contract assets	4.2,5,6,12	2,429,128	1,961,326
<i>Non-current</i>			
Fixed assets	11	3,318,393	1,033,501
<b>Total assets</b>		<b>70,657,083</b>	<b>66,980,182</b>
<b><u>Liabilities</u></b>			
Insurance contract liabilities	4.1,5,6,12	14,405,574	16,668,857
Lease liability	13	2,588,562	177,299
Accruals and other liabilities	12	664,111	274,288
Derivative liabilities	2.2	33,314	-
<b>Total liabilities</b>		<b>17,691,561</b>	<b>17,120,444</b>
<b><u>Shareholder's equity</u></b>			
Share capital	14	1	1
Share premium	14	2,999,999	2,999,999
Additional paid-in capital	15	43,073,251	43,073,251
Accumulated surplus		6,892,271	3,786,487
<b>Total shareholder's equity</b>	19	<b>52,965,522</b>	<b>49,859,738</b>
<b>Total liabilities and shareholder's equity</b>		<b>\$ 70,657,083</b>	<b>\$ 66,980,182</b>

**George McCarthy**  
Chairman of the Board

Dated: April 25, 2025

**Frank Gallippi**  
Chief Financial Officer

Dated: April 25, 2025

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, 2024

*Amounts stated in Cayman Islands dollars*

	<u>Note</u>	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b>Income</b>			
Insurance revenue	4.1,16,17	\$ 150,490,571	\$ 140,901,011
Insurance service expenses	4.1,5,6,17	(148,759,750)	(132,225,889)
Net income/(expenses) from reinsurance contracts	4.2,5,6	141,897	(47,197)
<b>Insurance service result</b>		1,872,718	8,627,925
ASO fees	2,17	1,976,109	1,736,588
Investment and other income		1,579,251	1,003,241
<b>Other income</b>		3,555,360	2,739,829
<b>Other operating expenses</b>	6	(2,322,294)	(2,991,598)
<b>Net income for the year</b>		3,105,784	8,376,156
<b>Total comprehensive income for the year</b>		\$ 3,105,784	\$ 8,376,156

*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, 2024

Amounts stated in Cayman Islands dollars

	<u>Note</u>	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b>Cash flows from operating activities</b>			
Net income for the period		\$ 3,105,784	\$ 8,376,156
Adjustments for non-cash items:			
Depreciation	11	751,308	440,417
Gain from lease termination		(4,585)	-
Changes in:			
Reinsurance contract assets	4.2	(467,802)	2,706,309
Funds held in escrow	8	390,451	(365,582)
ASO claims and fees receivable	17	(2,638,655)	826,122
Other receivables and other assets	10	(429,765)	(535,495)
Insurance contract liabilities	4.1	(2,263,283)	(5,822,091)
Accruals and other liabilities	12	389,823	(158,975)
Derivative liabilities	2.2	33,314	-
<b>Net cash (used in)/ from operating activities</b>		<b>(1,133,410)</b>	<b>5,466,861</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed deposits	9	(5,743,251)	(4,506,280)
Purchase of fixed assets	11	(266,367)	(669,037)
<b>Net cash used in investing activities</b>		<b>(6,009,618)</b>	<b>(5,175,317)</b>
<b>Cash flows from financing activities</b>			
Payments of lease liability	13	(353,985)	(264,059)
<b>Net cash used in financing activities</b>		<b>(353,985)</b>	<b>(264,059)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,497,013)</b>	<b>27,485</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>33,625,221</b>	<b>33,597,736</b>
<b>Cash and cash equivalents at end of the year</b>		<b>\$ 26,128,208</b>	<b>\$ 33,625,221</b>

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, 2024**

*Amounts stated in Cayman Islands dollars*

	Share capital	Share premium	Additional paid- in capital	Accumulated surplus/(deficit)	Total shareholder's Equity
<b>Balance, January 1, 2023</b>	\$ 1	\$ 2,999,999	\$ 43,073,251	\$ (4,589,669)	\$ 41,483,582
<b>Year ended December 31, 2023</b>					
<b>Comprehensive income for the year:</b>					
Net income for the year	-	-	-	8,376,156	8,376,156
<b>Total comprehensive income for the year:</b>	-	-	-	8,376,156	8,376,156
<b>Balance, December 31, 2023</b>	\$ 1	\$ 2,999,999	\$ 43,073,251	\$ 3,786,487	\$ 49,859,738
<b>Year ended December 31, 2024</b>					
<b>Comprehensive income for the year:</b>					
Net income for the year	-	-	-	3,105,784	3,105,784
<b>Total comprehensive income for the year:</b>	-	-	-	3,105,784	3,105,784
<b>Balance, December 31, 2024</b>	\$ 1	\$ 2,999,999	\$ 43,073,251	\$ 6,892,271	\$ 52,965,522

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

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

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 dependents), 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. On March 18, 2024 and August 5, 2024, the Company started to issue Motor and Property policies, respectively, in accordance with its expansion plans.

The Company's registered office is at Maiden Place, Elgin Avenue, George Town, Grand Cayman. At December 31, 2024, the Company employed 54 permanent staff (December 31, 2023: 52 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. It also requires management to exercise its judgement in applying the Company's policies.

#### 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. Lack of exchangeability (Amendments to IAS 21)
- ii. Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS Accounting Standards 10 and IAS 28)
- iii. Amendments to the classification and measurement of financial instruments (Amendments to IFRS Accounting Standards 9 and 17)
- iv. Annual improvements to IFRS Accounting Standards (Amendments to IFRS Accounting Standards 1, 7, 9, 10, and IAS 7)
- v. Contracts referencing nature-dependent electricity (Amendments to IFRS Accounting Standards 9 and 17)
- vi. IFRS Accounting Standards 18 Presentation and disclosures in financial statements
- vii. IFRS Accounting Standards 19 Subsidiaries without public accountability: disclosures

#### 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
Right-of-use assets	Over the term of the lease

See also Note 11. 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, 2024

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

#### 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, 2024

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 for 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.

###### Separating components from insurance and reinsurance contracts

The Company provides parametric coverage within its property policies, which promises a set of scaled benefit payouts triggered by specific events in line with the reinsurance agreement with Swiss Re. The parametric coverage is classified as an embedded derivative in accordance with the guidelines of IFRS Accounting Standards 9 and IFRS Accounting Standards 17. As such the parametric component within the insurance contracts is accounted for and disclosed in the financial statements as derivative instruments.

At the inception of a property policy, the Company separates the derivative embedded in an insurance or reinsurance contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument. The Company accounts for these as if they were stand-alone financial instruments (see Note 2.2).

After separating any financial instrument components from the insurance contract, the Company separates any promises to transfer distinct benefits or services to policyholders, other than insurance coverage and investment services, and accounts for them as separate contracts with customers (i.e., not as insurance contracts). A benefit or service is considered distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A benefit or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the benefit or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides significant integration of the benefit or service with the insurance component.

##### 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.

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

### 2 Material accounting policies (continued)

#### 2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

##### 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;
- 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. The 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.

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

### 2 Material accounting policies (continued)

#### 2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

##### 2.1.5 Fulfilment cash flows and contract boundary (continued)

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.

##### 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 the 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.

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

### 2 Material accounting policies (continued)

#### 2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

##### 2.1.9 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 are 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.

##### 2.1.9.1 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.

##### 2.1.9.2 Methods used to measure 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 for health insurance contracts which is inclusive of claims that have been incurred but are yet to be reported. Management has also estimated an insurance contract liability for Property & Casualty ("P&C") insurance contracts which is inclusive of case reserves. 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 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. For health insurance contracts, 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, 2024 of insurance contract liabilities is \$14,405,574 (2023: \$16,668,857). The amount of reinsurance contract assets estimated at December 31, 2024, is \$2,429,128 (2023: \$1,961,326).

##### 2.1.9.3 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 the 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 has been sufficient in 91% (2023: 90%) of the current estimates of historical claims and expenses.

## Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

### 2 Material accounting policies (continued)

#### 2.1 IFRS Accounting Standards 17 Insurance contracts (continued)

##### 2.1.10 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.

	December 31, 2024						
	Liability for Incurred Claims	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	15,156,747	1,461,739	(1,461,739)	(1,461,739)	53,935	(53,935)	(53,935)
Reinsurance contract assets	(3,166,027)	(316,617)	316,617	316,617	14	(14)	(14)
<b>Net insurance contract liabilities</b>	<b>11,990,720</b>	<b>1,145,122</b>	<b>(1,145,122)</b>	<b>(1,145,122)</b>	<b>53,949</b>	<b>(53,949)</b>	<b>(53,949)</b>

	December 31, 2023						
	Liability for Incurred Claims	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
<b>Net insurance contract liabilities</b>	<b>15,239,319</b>	<b>1,456,974</b>	<b>(1,456,974)</b>	<b>(1,456,974)</b>	<b>66,958</b>	<b>(66,958)</b>	<b>(66,958)</b>

#### 2.2 IFRS Accounting Standards 9 Financial instruments

##### 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 is approximated by the carrying amounts of the financial instruments.

##### Derivatives, including embedded derivatives

Derivatives, including embedded derivatives separated from their host contracts, are classified as held-for-trading unless they form part of a qualifying net investment hedging relationship. They are measured at fair value, with changes in fair value recognised in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). When the host contract is a financial asset within the scope of IFRS Accounting Standards 9, the hybrid financial instrument as a whole is assessed for classification, and the embedded derivative is not separated from the host contract.

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

### 2 Material accounting policies (continued)

#### 2.2 IFRS Accounting Standards 9 Financial instruments (continued)

##### 2.2.1 Classification and subsequent measurement (continued)

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract (see Note 2.1.2).

For other contracts, the Company accounts for an embedded derivative separately from the host contract when:

- i. the hybrid contract is not measured at FVTPL;
- ii. the terms of the embedded derivative would have met the definition of a derivative if they were contained in a separate contract; and
- iii. the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. In particular, an embedded derivative is closely related to a host insurance contract if they are so interdependent that the embedded derivative cannot be measured separately - i.e. without considering the host contract.

Management determines the fair value of derivative liabilities embedded in insurance contracts based on the unearned premium allocated to the derivative component of the contract. This is considered to be a Level 2 financial liability in the fair value hierarchy.

##### 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 experienced 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.

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.

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

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### 2 Material accounting policies (continued)

#### 2.2 IFRS Accounting Standards 9 Financial instruments (continued)

##### 2.2.3 Impairment measurement (continued)

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 vary 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 take 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.

#### 2.3 IFRS Accounting Standards 16 Leases

##### 2.3.1 Leased assets

###### *The Company as a lessee*

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

##### 2.3.2 Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. The period over which the lease payments are discounted is the non-cancellable period for which the Company has the right to use the underlying asset together with the renewal options that the Company is reasonably certain to exercise those options. The period needs to also consider termination options that the Company is reasonably certain not to exercise.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) less any lease incentives receivable, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. Each lease payment is allocated between a reduction of the liability and finance cost.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in fixed assets.

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

### 2 Material accounting policies (continued)

#### 2.3 IFRS Accounting Standards 16 Leases (continued)

##### 2.3.3 Short-term leases and leases of low value assets

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

### 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 about 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 disciplined 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, 2023: US\$600,000), up to US\$6,100,000 in respect of any one covered person during the policy year, with no aggregate cap (December 31, 2023: 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 deliberates 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 17 for the aging analysis of amounts due from the CIG.

Property risks are comprised principally of physical damage to property and auto physical damage. Property policies are underwritten by reference to the commercial replacement value of the properties and contents insured.

Casualty risks are comprised of liability coverage under motor and homeowners' policies.

For the Company's P&C insurance contracts, significant risks exposures arise from low frequency, high severity events such as hurricanes. Single events, such as flooding or fires may also generate significant claims.

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs of rebuilding properties, replacement or indemnity for contents are the key factors that influence the level of claims under these policies.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Company manages these risks through its underwriting strategy, reinsurance arrangements and claims handling. Underwriting guidelines are in place to ensure appropriate risk selections. Analytics are used to look at pricing models to ensure that loss ratios remain relatively stable. The Company has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Company manages and seeks early settlements of claims which have been determined to reduce exposure to claims deterioration. The Company will, where necessary, appoint lawyers to act on the Company's behalf in respect of serious bodily injury claims or other claims where necessary.

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 3 Management of insurance and financial risk (continued)

##### 3.3 Underwriting risk (continued)

The Company follows the policy of underwriting and reinsuring contracts of insurance, which generally limits the liability for any one risk. Catastrophe deductibles are limited to a maximum of \$750,000, which is less than 1% of the Company's capital and surplus in the event of a series of claims arising out of a single occurrence.

The Company is exposed to contractual disputes with its reinsurers and the possibility of default by its reinsurers. The Company's strategy is to select reinsurers with the best combination of financial strength, price and capacity.

In the event that the Company's reinsurers are unable to meet their obligations under the reinsurance agreements in place, the Company would still be liable to pay all claims made under the insurance policies it issues. However, it would only receive reimbursement to the extent that the reinsurers could meet their obligations.

Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers. The reinsurance program is reviewed by the Risk and Compliance committee and approved by the Board on an annual basis.

##### 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 risks as set out in the following paragraphs.

##### 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 as per IFRS Accounting Standards 9. However, the Company determined that the ECL allowance for the current year 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, 2024					2023
	ECL Staging					
Debt instruments - amortised costs	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit impaired	Total	Total
Credit grade:						
Investment grade	64,909,562	-	-	-	64,909,562	63,985,355
Non-investment grade	-	-	-	-	-	-
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	64,909,562	-	-	-	64,909,562	63,985,355
Loss allowance	-	-	-	-	-	-
Carrying amount	64,909,562	-	-	-	64,909,562	63,985,355

The Company associates the credit grade of its current financial instruments based on the equivalent credit rating mapping from the Standard and Poor ("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, 2024	December 31, 2023
AA	-	390,451
AA-	49,099,168	54,482,381
A+	6,280,577	-
BBB+	1,817,018	3,040,281
BBB-	7,712,799	6,072,242
	64,909,562	63,985,355

# Cayman Islands National Insurance Company Ltd.

## Notes to the financial statements

December 31, 2024

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### 3 Management of insurance and financial risk (continued)

#### 3.4 Financial risk (continued)

##### 3.4.1 Credit risk (continued)

###### 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 retranslations 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

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 a 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.

## Cayman Islands National Insurance Company Ltd.

Notes to the financial statements

December 31, 2024

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### 3 Management of insurance and financial risk (continued)

#### 3.4 Financial risk (continued)

##### 3.4.1 Credit risk (continued)

##### IFRS Accounting Standards 9 Carrying Values

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

Debt instruments - amortised costs	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit- impaired	Total
<b>Gross carrying amount as at January 1, 2024</b>	63,985,355	-	-	-	63,985,355
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 year	-	-	-	-	-
Changes in principal and interest	924,207	-	-	-	924,207
Foreign exchange adjustment	-	-	-	-	-
<b>Gross carrying amount as at December 31, 2024</b>	64,909,562	-	-	-	64,909,562

Debt instruments - amortised costs	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit- impaired	Total
<b>Gross carrying amount as at January 1, 2023 (Restated)</b>	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	-	-	-	-	-
<b>Gross carrying amount as at December 31, 2023</b>	63,985,355	-	-	-	63,985,355

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

##### 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 exposure to liquidity risk and its objectives, policies, and processes for managing liquidity risks, have not changed significantly from the prior year.

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

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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, 2024 (A)	(847,899)	137,382	16,847,578	531,796	16,668,857
<b>Insurance revenue (B)</b>	<b>(150,490,571)</b>	-	-	-	<b>(150,490,571)</b>
Incurred claims and other directly attributable expenses	-	(1,648,584)	150,814,595	457,340	149,623,351
Changes that relate to past service	-	-	(2,215,996)	(531,796)	(2,747,792)
Losses on onerous contracts and reversals of those losses	-	1,884,191	-	-	1,884,191
<b>Insurance service expenses (C)</b>	-	<b>235,607</b>	<b>148,598,599</b>	<b>(74,456)</b>	<b>148,759,750</b>
<b>Insurance service result (D = B+C)</b>	<b>(150,490,571)</b>	<b>235,607</b>	<b>148,598,599</b>	<b>(74,456)</b>	<b>(1,730,821)</b>
Premiums received	150,214,308	-	-	-	150,214,308
Claims and other directly attributable expenses paid	-	-	(150,746,770)	-	(150,746,770)
<b>Cash flows (E)</b>	<b>150,214,308</b>	-	<b>(150,746,770)</b>	-	<b>(532,462)</b>
Closing insurance contract liabilities/(assets) December 31, 2024 (F = A+D+E)	(1,124,162)	372,989	14,699,407	457,340	14,405,574

	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 (A)	(30,862)	35,616	21,797,199	688,995	22,490,948
<b>Insurance revenue (B)</b>	<b>(140,901,011)</b>	-	-	-	<b>(140,901,011)</b>
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
<b>Insurance service expenses (C)</b>	-	<b>101,766</b>	<b>132,281,322</b>	<b>(157,199)</b>	<b>132,225,889</b>
<b>Insurance service result (D = B+C)</b>	<b>(140,901,011)</b>	<b>101,766</b>	<b>132,281,322</b>	<b>(157,199)</b>	<b>(8,675,122)</b>
Premiums received	140,083,974	-	-	-	140,083,974
Claims and other directly attributable expenses paid	-	-	(137,230,943)	-	(137,230,943)
<b>Cash flows (E)</b>	<b>140,083,974</b>	-	<b>(137,230,943)</b>	-	<b>2,853,031</b>
Closing insurance contract liabilities/(assets) December 31, 2023 (F = A+D+E)	(847,899)	137,382	16,847,578	531,796	16,668,857

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 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, 2024 (A)	(178,729)	-	2,077,726	62,328	1,961,325
Reinsurance expenses	(2,992,640)	-	(81,540)	-	(3,074,180)
Incurred claims recovery	-	-	3,070,445	15,388	3,085,833
Changes that relate to past service	-	-	192,572	(62,328)	130,244
<b>Net (expenses)/income from reinsurance contracts held (B)</b>	<b>(2,992,640)</b>	<b>-</b>	<b>3,181,477</b>	<b>(46,940)</b>	<b>141,897</b>
Premiums paid net of ceding commissions and other	2,434,470	-	81,286	-	2,515,756
Recoveries from reinsurance	-	-	(2,189,850)	-	(2,189,850)
<b>Cash flows (C)</b>	<b>2,434,470</b>	<b>-</b>	<b>(2,108,564)</b>	<b>-</b>	<b>325,906</b>
Closing reinsurance contract assets/(liabilities) December 31, 2024 (D = A+B+C)	(736,899)	-	3,150,639	15,388	2,429,128

	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 (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
<b>Net (expenses)/income from reinsurance contracts held (B)</b>	<b>(2,156,407)</b>	<b>-</b>	<b>2,182,833</b>	<b>(73,623)</b>	<b>(47,197)</b>
Premiums paid net of ceding commissions and other	1,977,678	-	21,407	-	1,999,085
Recoveries from reinsurance	-	-	(4,658,197)	-	(4,658,197)
<b>Cash flows (C)</b>	<b>1,977,678</b>	<b>-</b>	<b>(4,636,790)</b>	<b>-</b>	<b>(2,659,112)</b>
Closing reinsurance contract assets December 31, 2023 (D = A+B+C)	(178,729)	-	2,077,727	62,328	1,961,326

#### 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, 2024.

Gross claims development	Incurred year					
	2019	2020	2021	2022	2023	2024
Estimate of ultimate claim costs (undiscounted)						
At end of incurred year	90,413,117	85,595,610	107,239,033	118,316,231	129,052,722	142,413,855
1 year later	90,419,610	83,291,110	106,410,150	114,876,415	127,064,625	n.a.
2 years later	90,805,102	83,165,273	106,240,568	114,798,033	n.a.	n.a.
3 years later	90,675,167	83,184,939	106,223,710	n.a.	n.a.	n.a.
4 years later	90,680,598	83,326,131	n.a.	n.a.	n.a.	n.a.
5 years later	90,680,598	n.a.	n.a.	n.a.	n.a.	n.a.

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 5 Claims development (continued)

	Incurred year						Total
	2019	2020	2021	2022	2023	2024	
Current estimate of gross cumulative insurance claims	90,680,598	83,326,131	106,223,710	114,798,033	127,064,625	142,413,855	
Gross cumulative insurance claims and other directly attributable expenses paid	90,680,598	83,326,131	106,219,813	114,800,995	127,031,047	128,285,013	
Gross cumulative insurance claims liabilities	-	-	3,897	(2,962)	33,578	14,128,842	14,163,355
Effect of the risk adjustment for non-financial risk	-	-	126	(96)	1,084	456,227	457,341
Amounts related to expense payable and accruals							511,023

Gross liabilities for incurred claims (Health) 15,131,718

Gross liabilities for incurred

claims (P&C) 25,029

Insurance contract assets -

ARC including loss component (751,173)

**Insurance contract liabilities 14,405,574**

	2019	2020	2021	2022	2023	2024	Total
Ceded reinsurance claims (undiscounted)	-	-	-	-	(4,591)	(3,146,193)	(3,150,783)
Effect of the risk adjustment for non-financial risk of reinsurance	-	-	-	-	-	(15,388)	(15,388)
Amounts related to reinsurance expense payable and accruals							143

Gross assets for incurred claims (3,166,028)

Reinsurance contract liabilities -

LRC 736,899

**Reinsurance contract assets (2,429,128)**

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 6 Expenses by nature

An analysis of the expenses by nature incurred by the Company for the years ended December 31, 2024, and 2023 is included in the table below:

Expense Type	December 31, 2024				December 31, 2023			
	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Salaries	426,046	2,915,327	879,741	4,221,114	234,336	2,615,807	1,337,319	4,187,462
TPA fees	84,834	889,268	192,005	1,166,107	-	893,125	204,658	1,097,783
Employee benefits	162,969	1,010,799	357,443	1,531,211	75,271	874,299	469,567	1,419,137
Repricing fees	-	910,299	-	910,299	-	1,067,450	-	1,067,450
Maintenance (IT and Premises)	166,216	604,260	186,736	957,212	52,116	339,012	183,762	574,890
Professional fees <sup>†</sup>	86,014	301,861	282,592	670,467	-	324,304	372,046	696,350
Depreciation	103,104	520,885	127,319	751,308	24,531	298,854	117,033	440,418
Rent	728	91,776	12,125	104,629	-	10,261	1,364	11,625
Marketing costs	76,105	33,321	101,009	210,435	-	-	126,420	126,420
Utilities	14,656	80,480	25,130	120,266	5,042	45,099	20,089	70,230
License fees	11,476	49,476	14,048	75,000	-	313,506	17,424	330,930
Office supplies	4,197	22,408	6,980	33,585	2,795	25,002	10,780	38,577
Interest expense (IFRS16)	7,244	3,172	128,456	138,872	-	-	75,556	75,556
Other and miscellaneous	26,974	(7,849)	8,709	27,834	-	151,419	55,580	206,999
	<b>1,170,563</b>	<b>7,425,481</b>	<b>2,322,294</b>	<b>10,918,338</b>	<b>394,091</b>	<b>6,958,138</b>	<b>2,991,598</b>	<b>10,343,827</b>

<sup>†</sup>Professional fees above include the following breakdown of audit fees:

	December 31, 2024	December 31, 2023
Audit fees - KPMG <sup>Δ</sup>	177,700	199,400
Audit fees - Auditor General*	10,000	11,000
Audit fees - Internal Audit*	110,000	110,000
	<b>297,700</b>	<b>320,400</b>

<sup>Δ</sup> This includes all fees paid to KPMG that covers the requirement to disclose all audit, non-audit, and any other fees.

\*See Note 17 for disclosure on related party balances.

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

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#### 6 Expenses by nature (continued)

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

	December 31, 2024				December 31, 2023			
	Acquisition cash flows	attributable expenses	expenses from insurance or	Total	Acquisition cash flows	attributable expenses	expenses from insurance or	Total
Insurance revenue	-	264,580	(150,755,151)	(150,490,571)	-	255,930	(141,156,941)	(140,901,011)
Other directly attributable expenses	1,170,563	7,343,941	140,245,246	148,759,750	394,091	6,680,928	125,150,870	132,225,889
Reinsurance expenses	-	81,540	(223,437)	(141,897)	-	21,280	25,917	47,197
<b>Insurance service result as per SOCI</b>				<b>(1,872,718)</b>				<b>(8,627,925)</b>

#### 7 Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash at bank	26,128,208	33,625,221
	<b>26,128,208</b>	<b>33,625,221</b>

#### 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. Balance as at December 31, 2024 Nil (December 31, 2023: \$390,451).

#### 9 Fixed deposits

Fixed deposits are held with financial institutions in the Cayman Islands and are held primarily for investments purposes totaling \$28,739,304 (December 31, 2023: \$22,996,053). These deposits are classified as current or non-current based on their maturity at the reporting date. Fixed deposits maturing within 12 months from the reporting date are classified as current; those maturing after 12 months are classified as non-current. Management changed the financial statements caption from Short term investments to Fixed deposits to accurately reflect the nature of the underlying investments.

#### 10 Other receivables and other assets

Components of other receivables and other assets are as follows:

	December 31, 2024	December 31, 2023
Investment income	667,675	621,478
Receivable from TPA	483,555	-
Amount on deposit with providers*	113,400	113,400
Prepaid rent	74,310	5,327
Insurance expense	59,613	(22,696)
IT prepaid costs	54,058	55,311
Stamp duty on lease	45,058	-
Marketing prepaid costs	30,132	3,000
Miscellaneous	12,721	196,674
Work permit fees*	6,842	19,365
Advance to employees	-	2,004
	1,547,364	993,863
Amounts above allocated to insurance and reinsurance contracts:		
Insurance contract liabilities -		
liabilities for incurred claims	(252,123)	(131,985)
Reinsurance contract assets -		
liabilities for remaining coverage	(3,956)	(358)
<b>Other receivables and other assets as per statement of financial position</b>	<b>1,291,285</b>	<b>861,520</b>

\*See Note 17 for disclosure on related party balances.

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 11 Fixed assets

	Right-of-Use Asset (ROU)	System Development Costs	Office Equipment	Computer & Telecoms Equipment	Leasehold Improvements	Total
Cost at January 1, 2024	1,105,546	1,294,406	337,172	787,962	1,051,601	4,576,687
Additions	2,821,655	52,840	9,371	31,403	172,753	3,088,022
Disposals	(895,333)	-	-	-	-	(895,333)
Cost at December 31, 2024	3,031,868	1,347,246	346,543	819,365	1,224,354	6,769,376
Accumulated depreciation at January 1, 2024	945,843	1,040,260	250,102	718,036	588,945	3,543,186
Depreciation for the year	451,039	72,138	31,017	54,495	142,619	751,308
Disposals	(843,511)	-	-	-	-	(843,511)
Accumulated depreciation at December 31, 2024	553,371	1,112,398	281,119	772,531	731,564	3,450,983
Carrying value at December 31, 2024	2,478,497	234,848	65,424	46,834	492,790	3,318,393
	Right-of-Use Asset (ROU)	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 year	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

See Note 13.2 for the details of the right-of-use assets .

#### 12 Accruals and other liabilities

Components of accruals and other liabilities are as follows:

	December 31, 2024	December 31, 2023
Reinsurance premium due	915,187	178,729
Stale dated cheques	346,988	156,520
TPA expenses	337,383	428,202
Funds owe to escrow	158,037	
Actuarial and consulting fees	129,210	133,824
Audit fees - KPMG	124,390	143,080
Audit fees - Internal Audit*	110,000	55,000
Maintenance/utilities & telecommunications*	96,164	58,202
Other accruals and other liabilities	92,261	20,832
Regulatory fees	34,471	22,422
Audit fees - Auditor General*	11,000	11,000
Personnel	3,477	25,936
	2,358,568	1,233,747
Amounts above allocated to insurance and reinsurance contracts:		
Insurance contract liabilities - liabilities for incurred claims	(775,170)	(780,480)
Reinsurance contract assets - liabilities for remaining coverage	(919,287)	(178,979)
<b>Accruals and other liabilities as per statement of financial position</b>	<b>664,111</b>	<b>274,288</b>

\*See Note 17 for disclosure on related party balances.

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

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#### 13 Leases

##### 13.1 Lease liabilities

The Company has a lease for an office building. The lease is reflected on the statement financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its fixed assets (see Note 11). Lease liabilities are presented in the consolidated statement of financial position as follows:

Lease liabilities	December 31, 2024	December 31, 2023
Lease payment	3,111,071	180,179
Finance charges	(522,509)	(2,880)
Total lease liabilities	2,588,562	177,299

Remaining contractual undiscounted lease payments as at December 31, 2024, were as follows:

Remaining undiscounted lease payments as at December 31	December 31, 2024	December 31, 2023
Less than one year	505,825	163,432
Between one and three years	1,037,629	16,747
Greater than three years	1,567,617	-
Total remaining undiscounted lease payments	3,111,071	180,179

##### 13.2 Right-of-use assets

The lease liabilities are secured by the related underlying assets.

Type of asset	Office building
Carrying amount as at January 1, 2024	159,703
Additions during the year	2,821,655
Disposal of cost	(895,333)
Reversal of depreciation related to disposal	843,511
Depreciation charges for the year	(451,039)
Total right-of-use assets	2,478,497

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on the statement of financial position:

Right-of-use asset	No. of right-of-use assets leased	No. of lease w/ extension options	Weighted remaining lease term
Office building	3	1	6 years

Amounts recognised in the statement of comprehensive income	December 31, 2024	December 31, 2023
Interest expense on lease liabilities	138,872	75,556
Depreciation of the right-of-use asset	451,039	249,338

#### 14 Share capital

Authorised:	December 31, 2024	December 31, 2023
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.

#### 15 Additional paid-in capital

	December 31, 2024	December 31, 2023
Additional paid-in capital	43,073,251	43,073,251
	<b>43,073,251</b>	<b>43,073,251</b>

Additional paid-in capital represents additional capital contributions of CIG not made in connection with the issuance of shares. These capital contributions have the same rights and characteristics as share premium and, accordingly, they can be returned/distributed to CIG solely at the discretion of the Board of Directors. During the year ended December 31, 2024, there was no additional paid-in capital received from CIG.

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

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#### 16 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, 2024, the Company accrued contributions totaling \$264,580 (December 31, 2023: \$255,930). As per IFRS Accounting Standards 17, these contributions are netted off against the insurance revenue.

#### 17 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, 2024	December 31, 2023
<i>Current</i>		
ASO claims and fees receivable	8,750,765	6,112,110
Insurance contract assets	1,351,817	1,023,665
Other receivables and other assets	111,280	91,338
Reinsurance contract assets	17	27
	10,213,879	7,227,140
<b>Liabilities</b>		
Accruals and other liabilities	65,186	11,833
	65,186	11,833

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 17 Related party transactions (continued)

	December 31, 2024	December 31, 2023
Income		
Insurance revenue	146,418,505	137,127,419
Insurance service expenses	(76,793,742)	(67,629,979)
Reinsurance expenses	(8,211)	(2,048)
Other income		
ASO fees	1,976,109	1,736,588
Other operating expenses	(243,702)	(287,919)

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, 2024	Up to 30 days	30 to 60 days	60 to 90 days	> 90	Total
ASO claims and fees receivable	7,875,443	875,322	-	-	8,750,765
Insurance contract assets	1,351,817	-	-	-	1,351,817
Other receivables and other assets	111,280	-	-	-	111,280
Reinsurance contract assets	17	-	-	-	17
	<u>9,338,557</u>	<u>875,322</u>	<u>-</u>	<u>-</u>	<u>10,213,879</u>
As at December 31, 2023	Up to 30 days	30 to 60 days	60 to 90 days	> 90	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
	<u>7,210,255</u>	<u>16,885</u>	<u>-</u>	<u>-</u>	<u>7,227,140</u>

#### B. Transactions with key management personnel

As at December 31, 2024 the Company had 6 (December 31, 2023: 6) key employee 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, 2024	December 31, 2023
Short-term employee benefits	1,052,018	1,033,911
Post-employee benefits	105,447	103,607
Director fees	198,000	198,000
	<u>1,355,465</u>	<u>1,335,518</u>

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

##### ii. Key management personnel transactions

	December 31, 2024	December 31, 2023
Premium on motor insurance	1,432	-
Premium on property insurance	33,274	-
	<u>34,706</u>	<u>-</u>

Payments were also made to Cayman Hearing Centre Ltd. during the year ended December 31, 2024, and the year ended December 31, 2023, in relation to medical services provided to the Company's insured members. This company was a related party by way of a member of the Board of Directors, who did not participate in any decisions related to these companies. Related party transactions included within the statement of comprehensive income are represented below.

	December 31, 2024	December 31, 2023
Claims paid to Cayman Hearing Centre Ltd	648,996	576,880
	<u>648,996</u>	<u>576,880</u>

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

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#### 18 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, 2024, is \$492,491 (December 31, 2023: \$481,869).

#### 19 Net worth for regulatory purposes and capital management

	December 31, 2024	December 31, 2023
Share capital	1	1
Share premium	2,999,999	2,999,999
Additional paid-in capital	43,073,251	43,073,251
Accumulated surplus	6,892,271	3,786,487
	52,965,522	49,859,738

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, 2024 and as at December 31, 2023, the Company was in compliance with both the MCR and PCR as shown below.

	December 31, 2024	December 31, 2023
Available capital	49,503,155	49,509,448
CIMA capital requirements		
MCR	17,956,886	17,311,746
PCR	22,446,108	21,639,683

#### 20 Segmented information

The Company's operations are segmented into the following two business segments:

- Health
- Property and Casualty (P&C)

The Company conducts business in the Cayman Islands only and as a result there is no disclosure required by geographical segment.

The segment results for the year ended December 31, 2024, and 2023 are as follows:

<b>December 31, 2024</b>	<b>Health</b>	<b>P&amp;C</b>	<b>Total</b>
Insurance revenue	150,329,153	161,418	150,490,571
Insurance service expenses	(147,461,550)	(1,298,200)	(148,759,750)
Net income/(expenses) from reinsurance contracts	633,137	(491,240)	141,897
Insurance service result	3,500,740	(1,628,022)	1,872,718
Investment and other income	3,276,971	278,389	3,555,360
Other operating expenses	(2,205,501)	(116,793)	(2,322,294)
Segment income/(loss)	4,572,210	(1,466,426)	3,105,784
<b>December 31, 2023</b>	<b>Health</b>	<b>P&amp;C</b>	<b>Total</b>
Insurance revenue	140,901,011	-	140,901,011
Insurance service expenses	(132,225,889)	-	(132,225,889)
Net expenses from reinsurance contracts	(47,197)	-	(47,197)
Insurance service result	8,627,925	-	8,627,925
Investment and other income	2,739,829	-	2,739,829
Other operating expenses	(2,991,598)	-	(2,991,598)
Segment income	8,376,156	-	8,376,156

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 18 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, 2024, is \$492,491 (December 31, 2023: \$481,869).

#### 19 Net worth for regulatory purposes and capital management

	December 31, 2024	December 31, 2023
Share capital	1	1
Share premium	2,999,999	2,999,999
Additional paid-in capital	43,073,251	43,073,251
Accumulated surplus	6,892,271	3,786,487
	52,965,522	49,859,738

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, 2024 and as at December 31, 2023, the Company was in compliance with both the MCR and PCR as shown below.

	December 31, 2024	December 31, 2023
Available capital	49,503,155	49,509,448
CIMA capital requirements		
MCR	17,956,886	17,311,746
PCR	22,446,108	21,639,683

#### 20 Segmented information

The Company's operations are segmented into the following two business segments:

- Health
- Property and Casualty (P&C)

The Company conducts business in the Cayman Islands only and as a result there is no disclosure required by geographical segment.

The segment results for the year ended December 31, 2024, and 2023 are as follows:

<b>December 31, 2024</b>	<b>Health</b>	<b>P&amp;C</b>	<b>Total</b>
Insurance revenue	150,329,153	161,418	150,490,571
Insurance service expenses	(147,461,550)	(1,298,200)	(148,759,750)
Net income/(expenses) from reinsurance contracts	633,137	(491,240)	141,897
Insurance service result	3,500,740	(1,628,022)	1,872,718
Investment and other income	3,276,971	278,389	3,555,360
Other operating expenses	(2,205,501)	(116,793)	(2,322,294)
Segment income/(loss)	4,572,210	(1,466,426)	3,105,784
<b>December 31, 2023</b>	<b>Health</b>	<b>P&amp;C</b>	<b>Total</b>
Insurance revenue	140,901,011	-	140,901,011
Insurance service expenses	(132,225,889)	-	(132,225,889)
Net expenses from reinsurance contracts	(47,197)	-	(47,197)
Insurance service result	8,627,925	-	8,627,925
Investment and other income	2,739,829	-	2,739,829
Other operating expenses	(2,991,598)	-	(2,991,598)
Segment income	8,376,156	-	8,376,156

## Cayman Islands National Insurance Company Ltd.

### Notes to the financial statements

December 31, 2024

Amounts stated in Cayman Islands dollars

#### 20 Segmented information (continued)

Management has allocated the Company's expenses based on the estimated amount of resources utilised by each segment, which is generally 90% for the Health segment (2023: 100%), and 10% for the P&C segment (2023: 0%).

The segment assets and liabilities at December 31, 2024 and 2023 are as follows:

<b>December 31, 2024</b>	<b>Health</b>	<b>P&amp;C</b>	<b>Total</b>
Reinsurance contract assets/(liabilities)	2,865,309	(436,181)	2,429,128
Insurance contract liabilities	14,026,587	378,987	14,405,574
<b>December 31, 2023</b>	<b>Health</b>	<b>P&amp;C</b>	<b>Total</b>
Reinsurance contract assets	1,961,326	-	1,961,326
Insurance contract liabilities	16,668,857	-	16,668,857

#### 21 Compliance with the Public Authorities Act (2020 Revision)

The Cayman Islands National Insurance Company ("CINICO") is required to comply with The Public Authorities Act, (2020 Revision).

Section 36(1) of The Public Authorities Act, (2020 Revision) requires public authorities to pay an annual capital charge for the use of equity invested by the Government in CINICO. The capital charge is set by the Minister of Finance and Economic Development ("the Ministry") after consultation with the public authority's board. Based on past practice, CINICO expects that the applicable rate for the 2024 financial year will be set at 0% (2023: 0%) and that no capital charge will be payable for 2024 (2023: \$0). Going forward, CINICO may be required to pay a capital charge in accordance with The Public Authorities Act, (2020 Revision) for future equity investments by the Government.

Section 39(2) of The Public Authorities Act, (2020 Revision) requires that any surplus cash exceeding three months' reserve should be paid to the Cayman Islands Government, unless directed otherwise by Cabinet, after consultation with the Board. In prior years, Cabinet has exempted public authorities from paying over surplus cash reserves and CINICO expects that a similar exemption will be made in respect of its surplus cash reserves as at 31 December 2024.

The Ministry has advised CINICO that it will not be required to pay a dividend out of its surplus because its operations are not self-sustaining. Going forward, CINICO may be required to pay a dividend in accordance with the Government's policy for the payment of annual dividends unless the Office continues to satisfy the exemption criteria noted under the policy.

#### 22 Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to April 25, 2025, which is the date that the financial statements were available to be issued. Other than 5% cost of living adjustment increase to employees' salary which has been approved by Cabinet there are no other subsequent events identified that require additional disclosures in these financial statements.

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