CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD. (CINICO)

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

April 2026

Office of the Auditor General
CAYMAN ISLANDS

To help the public service spend wisely

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2025, financial statements of the Cayman Islands National Insurance Company Ltd (the "Company"). In providing my audit opinion on the financial statements I relied on the work carried out on my behalf by a private accounting firm. The firm performed its work in accordance with International Standards on Auditing (ISAs). ISAs require that we communicate certain matters to those charged with governance of the Company in sufficient time to enable them to take appropriate action. The matters we are required to communicate under ISAs include:

   - Auditor's responsibilities in relation to the audit
   - The overall scope and approach to the audit, including any expected limitations, or additional requirements
   - Relationships that may bear on our independence, and the integrity and objectivity of our staff
   - Expected modifications to the audit report
   - Significant findings from our audit.

2. This report sets out for the consideration of those charged with governance, those matters arising from the audit of the 2025 financial statements that we consider worthy of drawing to your attention.

3. This report has been prepared for the sole use of those charged with governance, and we accept no responsibility for its use by a third party. Under the *Freedom of Information Act* (*2021 Revision*), it is the policy of the Office of the Auditor General to proactively release all final reports through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING (ISAs)

4. ISAs require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters, and this report includes only those matters of interest that came to our attention during the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 11 August 2025. The engagement letter was signed by the Office of the Auditor General, the Company and the private accounting firm. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

6. While we have no responsibility to perform any audit work on other information, including forward-looking statements containing audited financial statements, we will read the other information contained in the Company's annual report to determine whether it is materially consistent with information appearing in the financial statements or our knowledge of the Company's operations. We have not reviewed other documents containing the Company's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. The accounting firm applied a risk-based approach to planning and conducting the audit, with the audit procedures focused on balances, transactions and disclosures that are considered higher risk (or a higher likelihood of material misstatement). The risk assessment was based on the firm's understanding of the Company and its environment, including its objectives, strategies, operations, governance structures and internal controls. They also obtained an understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements and reviewed the Company's business process and internal controls.

8. The accounting firm's overall audit strategy was to test the design and implementation of controls for significant risks identified and then to take a fully substantive approach.

9. Information on the integrity and objectivity of the Office of the Auditor General and audit staff and the nature and scope of the audit were outlined in the engagement letter and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors, including that of the private auditing firm.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

10. We have issued an unmodified audit opinion on the 31 December 2025 financial statements.

11. There were no corrected or uncorrected audit misstatements identified during the audit.

12. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to us on 27 April 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

13. We are responsible for providing our views about qualitative aspects of the Company's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

14. Generally accepted accounting principles provide for the Company to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are, however, not aware of any new or controversial accounting practices reflected in the Company's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

15. Management has made judgements and estimates with regard to the following financial statement items:

- Insurance and reinsurance contracts.
- Depreciation of property, plant and equipment.
- Expected credit loss.
- Lease liabilities.
- Useful lives and impairment of property, plant and equipment.

GOING CONCERN DOUBTS

16. As a result of our audit, we did not become aware of any events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

INTERNAL CONTROL MATEERS AND SIGNIFICANT FINDINGS

17. Internal control matters and significant findings are noted in Appendix 1, along with management's response.

FRAUD OR ILLEGAL ACTS

18. Applicable auditing standards recognise that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts and regulations rests with both those charged with governance of the entity and with management. It is important that management, under the oversight of those charged with governance, places a strong emphasis on fraud prevention and deterrence.

19. They are also responsible for establishing and maintaining controls pertaining to the Company's objective of preparing financial statements that are presented fairly, in all material respects, in accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. When exercising oversight responsibility, those charged with governance should consider the potential for management to override controls or exert other inappropriate influences over the financial reporting process.

20. As auditors, in planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud.

21. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

22. No fraud or illegal acts came to our attention as a result of the 2025 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

23. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

24. We have had no disagreements with management resulting from our audit.

ANY OTHER SIGNIFICANT MATTERS

25. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

26. We would like to express our thanks to the Company's staff for their help and assistance during the audit of this year's financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours sincerely,

Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1: INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response
1. Lack of ASO agreement Consistent with our management reports for the audits completed from 2014 to 2024, we noted that there is a discrepancy between the administration of the ASO plan offered by CINICO and the details contained within the plan document. The discrepancy relates to Cayman Islands Government Group 30102 Plan 30102-01 Social Programs (“Indigent Plan”) for which CINICO provides administration services only (“ASO”). The ASO plan is not for the employees of Cayman Islands Government as stated in the plan document and CINICO is not the plan sponsor. There is therefore no binding	**Risk:** There is a risk that the administrative services provided by CINICO are not supported by an accurate and legally binding contract. This could result in errors in ASO fees earned and ASO receivable in the financial statements, as well as delays in processing ASO reimbursements. **Recommendation:** CINICO formally enter a binding contract with the Cayman Islands	Yes	Yes	Management fully agrees with the recommendation. Along with the Board of Directors, we remain committed to resolving this issue. Both Management and the Board have made numerous attempts over the past years to reach an agreement with the government but have been unsuccessful. We remain concerned about this and will continue to follow up to obtain an agreement. In the absence of an agreement, CINICO will continue to take other steps to limit the risk of uncollectable receivables. We note that in the past, the government always paid for the claims, and services rendered.

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response
agreement in place which specifically covers the administrative services provided by CINICO under this plan.	Government covering the ASO services, ensuring the plan details accurately reflect the administration of the plan.			