

CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD

Report to those charged with governance on the 2021 audit

MAY 2022

*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 2021 financial statements of the Cayman Islands National Insurance Company Ltd (“the Company”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the company in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:
 - Auditors 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 financial statements for 2021 that we consider are 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 release all final reports proactively through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING

- 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 which came to our attention as a result of the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE:

- Management's responsibilities are detailed in the engagement letter signed by management on 19th November 2021 to which this engagement was subject. 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:

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

CONDUCT, APPROACH, AND OVERALL SCOPE OF THE AUDIT

- Information on the integrity and objectivity of the Office of the Auditor General and audit firm's staff, and the nature and scope of the audit, were outlined in the Engagement Letter presented to the Chief Financial Officer and the Board signed and on 19th November 2021 and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. We issued an unmodified audit opinion on the financial statements.
9. There were no misstatements corrected by management for the audit of the financial year. There were no misstatements that were uncorrected by management for the audit of the financial year.
10. As part of the completion of our audit we have received written representations from management on aspects of the accounts and judgements and estimates made. Management has provided us with representations, which formed part of our audit evidence. These representations were provided to us on 28th April 2022.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. 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. Generally accepted accounting principles provide for the Company to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are not aware of any areas where the significant accounting practices have changed from the previous year or are not consistent with general industry practice. In addition, we are not aware of any new or controversial accounting practices reflected in the Company's financial statements.
12. Details of any significant findings from the audit are included in Appendix 1 along with management's response. Other findings from the audit have been communicated to the client through email or verbally.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. There were no matters which required management to make significant judgments or which required significant estimates other than those for which actuarial services are utilized such as provisions for claim incurred.

GOING CONCERN DOUBTS

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

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

15. Details of the significant deficiencies in internal control and other internal control findings are included in Appendix 1 along with management's response.

FRAUD OR ILLEGAL ACTS:

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable laws and regulations rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance; place a strong emphasis on fraud prevention and fraud deterrence. They are also responsible for establishing and maintaining controls pertaining to the entity'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. In exercising oversight responsibility, those charged with governance should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.
17. As auditors, in planning and performing the audit, the audit firm upon who we have placed reliance are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud. However, we/ they 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.
18. No fraud or illegal acts came to our attention as a result of our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

19. No serious difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

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


ANY OTHER SIGNIFICANT MATTERS

21. There was no other significant matter noted during the audit.

ACKNOWLEDGEMENTS

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

Yours sincerely,



Sue Winspear, CPFA
Auditor General

APPENDIX 1 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p><u>Observation:</u></p> <p>Consistent with our management reports for the audits completed from 2014 - 2020, we noted that a number of the plan documents were not signed/authorised appropriately. In addition, we noted two instances of discrepancies between the administration of the plans offered by CINICO and the detail contained within the plan documents. The first discrepancy relates to Cayman Islands Government Group 30102 Plan 30102-01 Social Programs ("Indigent Plan") for which CINICO provides administration services. The plan is not for the employees of Cayman Islands Government as stated in the plan document and CINICO is not the plan sponsor. The second discrepancy relates to Cayman Islands Government Group 30101 Plan - Plan 30101-10 Employed Spouse's and Children of</p>	<p><u>Risk/ Implication:</u></p> <p>There is a risk that the insurance coverage provided by CINICO is not supported by an authorised and legally binding contract. This could result in errors in premium income, claims paid, claims payable and/or provision for claims incurred in the financial statements.</p> <p><u>Recommendation:</u></p> <p>CINICO formally authorise/ratify all current plan documents for insurance plans currently offered by CINICO. We also recommend that plan documents are reviewed and corrected where management has</p>	<p>We agree with the recommendation and have already taken steps to rectify the issues with Group 30102, under the ASO Agreement. Under the Group 30100 – Insurance Plan document, as noted in our 2020 Management response we were hoping to have received feedback from the stakeholders on the changes recommended, unfortunately none was provided, we will continue to follow up. As per KPMG's notion on potential risks, we are currently in the process of trying to determine whether there are any potential situations which are clearly not supported by the Plan document and may lead to the claim misclassification, premium retro issues, etc.</p>	

<p>Seafarer’s and Veterans (“Plan 30101”). The plan document for Plan 30101 states that covered dependents include an employed spouse, however dependent benefits terminate when the spouse becomes employed.</p>	<p>noted errors or omissions with the details contained within the plan documents.</p>		
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