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AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Government Employees Health Insurance Fund as at March 31, 1999 and the statement of revenues and expenses and fund equity for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I was unable to obtain sufficient appropriate audit evidence to support the accuracy and completeness of contributions revenue of $17,145,979. As a result, I was unable to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, assets and fund equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify contributions revenue as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Government Employees Health Insurance Fund as at March 31, 1999 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda
February 12, 2002

Larry T. Dennis, C.A.
Auditor General

GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

BALANCE SHEET

MARCH 31, 1999

	1999	1998
	$	$
ASSETS		
CURRENT ASSETS		
Due from the Consolidated Fund of the Government of Bermuda (note 3)	8,140,256	4,918,883
Prepaid reinsurance (note 5)	400,000	
	8,540,256	4,918,883
LIABILITIES AND FUND DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	56,163	61,280
Claims payable to Bermuda Hospitals Board	1,740,887	1,616,179
Claims payable to Mutual Reinsurance		177,363
Other claims payable	3,611,194	2,980,606
Portability received in advance	616,484	623,257
Contributions received in advance	1,186,044	1,030,653
	7,210,772	6,489,338
FUND EQUITY (DEFICIT)	1,329,484	(1,570,455)
	8,540,256	4,918,883

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

GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

STATEMENT OF REVENUES AND EXPENSES AND FUND EQUITY

FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
	$	$
REVENUES		
Contributions (note 4)	17,145,979	13,904,096
Interest	427,705	130,140
	17,573,684	14,034,236
EXPENSES		
Claims (note 4)	13,337,704	12,192,675
Premiums - Mutual Re-insurance Fund (note 5)	790,040	700,452
Reinsurance (note 5)	300,000	
Salaries	180,500	155,000
Administration	35,167	30,723
Audit fees	19,611	15,000
Actuary	4,700	
Postage	2,949	
Telephone	2,640	3,662
Supplies	434	
	14,673,745	13,097,512
EXCESS OF REVENUES OVER EXPENSES	2,899,939	936,724
FUND DEFICIT, BEGINNING OF YEAR	1,570,455	2,507,179
FUND EQUITY (DEFICIT), END OF YEAR	1,329,484	(1,570,455)

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

GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. AUTHORITY

The Government Employees Health Insurance Fund ("the Fund") was established under the Government Employee (Health Insurance) Act 1986 and its subsequent amendments.

The Fund provides health insurance benefits for government employees and their enrolled dependants and covers medical expenses, such as hospital stays, doctor's visits and prescription drugs. The Fund derives its revenue from contributions received from contributors and the Government of Bermuda. Contributions to the Fund are compulsory for all government employees, and are matched by an equivalent amount from the Consolidated Fund.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada and include the following significant accounting policies:

(a) Translation of Foreign Currencies

The financial statements are reported in Bermuda dollars. The Bermuda dollar is at par with the United States dollar. Assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated at the exchange rate in effect of the transaction date. Translation gains and losses are included the statement of revenues and expenses and fund deficit.

(b) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues earned and expenses incurred during the year. Actual results could differ from these estimates.

3. DUE FROM THE CONSOLIDATED FUND OF THE GOVERNMENT OF BERMUDA

The amount of $8,140,256 (1998 - $4,918,883) due from the Consolidated Fund of the Government of Bermuda represents the net position of certain revenues received and expenses paid by the Consolidated Fund on behalf of the Fund, which has not yet been reimbursed. The rate of interest accruing on the balance is 7% per annum.

4. COMBINED FUNDS PRESENTATION

The Government Employees Health Insurance Fund (GEHI) and the Supplementary Insurance Scheme Fund (SIS) have been combined as of April 1, 1996. The two Funds fall under the Government Employee (Health Insurance) Act 1986 and its subsequent amendments and in management's opinion should be presented together.

	1999	1998
	$	$
Contributions		
GEHI	16,895,029	13,653,840
SIS	250,950	250,256
	17,145,979	13,904,096
Claims		
GEHI	12,952,979	11,799,617
SIS	384,725	393,058
	13,337,704	12,192,675

5. REINSURANCE

Effective July 1, 1998, reinsurance was purchased for claims in excess of $100,000. No claims were received in excess of $100,000.

6. PREMIUMS – MUTUAL RE-INSURANCE FUND

The Fund pays premiums to the Mutual Re-insurance Fund which provides reinsurance for the costs of haemodialysis treatment, long-stay hospital care and, kidney transplants and the required anti-rejection drugs and diabetic counselling.

7. RELATED PARTY TRANSACTIONS

The Bermuda Hospitals Board, the Mutual Re-insurance Fund, the Consolidated Fund and the Government Employees Health Insurance Fund are under the common control of the Government of Bermuda.

All transactions between the Government Employee Health Insurance Fund and the related parties are in the normal course of operations.

8. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared as it would not provide additional useful information.

9. SUBSEQUENT EVENT

Effective March 1, 2000, Ministers and Members of the Legislature, their non-employed spouses and dependants, were included under the Government Employees (Health Insurance) Scheme in accordance with the Government Employees (Health Insurance) Amendment (No. 2) Act 1999. Their participation in the Scheme is voluntary.

This amendment has no financial effect on the current year's financial statements.