Annual Report 2012-2013

National Insurance Services

Mission

To provide social security and to promote social and economic development in St. Vincent and the Grenadines through prudent financial and people-centred management.

Vision

To be an institution that recognizes and assesses changing environmental trends and provides Social Security that adequately reflects our value system and satisfies our customers' needs.

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Prime Minister's Message

Introduction

The extant literature on Social security systems proffers that the three main ingredients for the proper functioning of social security systems are 1) good governance, 2) a healthy economy and 3) a good scheme design. After 26 years of operation, I can boast that the social security of St.Vincent and the Grenadines continues to thrive and grow on these three pillars. And I can vouch that such framework would always be strengthened as long as I am the Minister with responsibility for Social Security.

Since I assumed the portfolio as Minister for Social security services, our administration has fashioned some bold policies that bolster the governance structure of the NIS and strengthen the economic base from which it collects its contribution income and invest its reserves. In my tenure as Minister responsible for Social security Services, our government has modernized and improved the legislative and governance framework of the NIS by ensuring the following:

- The appointment in a timely manner fit and proper Boards of Directors according to the legislative framework;
- The enactment of legislation that gives the NIS the legal authority to enforce charges against non-compliant employers;
- The passage of legislation for the increases in benefit payments in accordance with the Actuary's recommendations;
- The effecting of an increase in contribution rates from 8% to 10%;
- The honouring of the Government's financial obligations to the NIS in terms of contribution payments;
- A strict adherence to the policy and practice of non-interference in the day-to-day operations or management of the NIS;
- The commissioning of a study by the IMF for the assessment of the need for a national pension reform.

Over the NIS' 26 years of operation, it has experienced annual increases in contribution income collections. Due to the fact that Government is the largest contributor of the NIS, a year-on-year increase in NIS' contribution income is mainly attributable to Government's timely and growing payments of contribution income.

Pension Reform

For the fiscal year 2013, the National Insurance Services-related expenditures have for the first time exceeded 40 million dollars. The ageing society and declining fertility rates, the increase in emigration among the working population, the general changes in the economic landscape, and the increase in the maturities of the NIS plan and the Civil Service Pension programme signal the need for urgent pension reform to the St. Vincent and the Grenadines National Insurance Services in order to make it a system with balance between the benefit adequacy and the financial sustainability of both the NIS plan and the Civil service pension plan.

The major challenges with the NIS plan include:

- Low contribution rate relative to benefit payments. NISSVG has one of the lowest contribution rates in the region.
- The national retirement Age is 60 which is also the lowest in the region.
- The benefit formula of the plan is very generous relative to other regional plans. After 10 years of service, a contributor is entitled to a pension based on 30% of final salary (three best years' salaries in the last 15 years).
- The plan is maturing which is evidenced by growing number of beneficiaries relative to active contributors

On the other hand, the civil service pensions plan is a significant and growing fiscal burden to the government, threatening to crowd out other programmes. The following issues relate to the plan:

- The plan runs parallel with the social security plan. The cost of operating this dual plan outweighs the benefits. Theoretically, the maximum replacement rate for the Public Service plan is 67.67% of final salary and the maximum replacement rate of social security plan is 60%. In effect, if there is no reform, it is possible for public servants to receive 127% of final salary in combined pensions. This situation is unsustainable on part of the Government and the economy.

Prime Minister - DR. THE HON. RALPH E. GONSALVES

- The Public service plan is a non-contributory plan. The benefits are financed from consolidated funds. Members do not make contributions into the plan.
- The retirement age is 55 for civil servants who enter the plan prior to 1983 and 60 for civil servants who enter the plan after 1983. The 55 years retirement age does not synchronize with the NIS retirement age of 60 years.

The growing financial imbalances of both the NIS plan and civil service plan necessitate the need to review the main rules and parameters of the program. The parameters include the eligibility criteria, the defined benefit formula and the contributions from employees and employers. The reform would set the stage for integrating the plans and put both plans on a sustainable financial footing without compromising the retirement benefits of pensionable public service employees currently.

Future Plans

In an effort to maintain the relevance of National Insurance Services to its beneficiaries, I will be working collaboratively with the National Insurance Board to enhance and strengthen the existing system so that the beneficiaries can have access to high quality services leading to a better quality of life.

The Government will continue to support the efforts of the NIS to enable senior citizens to be independent and able to live with dignity by providing a yearly subvention for senior citizens who attend the National Insurance Golden Years' Activity Centres. The Government will also work with the NIS in the creation of educational opportunities for youth by providing funding to the Student Loan programme to allow students to pursue tertiary education. As the Minister of Social Security, it is also my intention to ensure that the ILO Recommendation No. 202 0f 2012 which espouses Social Protection Floor covering for all people is enshrined , particularly for workers in the informal sector who currently comprise about 12% of the Labour force.

Appreciation

As Prime Minister and Minister with responsibility for Social Security, it is a distinct honour for me to celebrate 26 years of operation with the Board of Directors, management, staff and the people of St. Vincent and the Grenadines. I can attest to the fact that over my fourteen year term in office as Prime Minister and Minister of Finance, I have seen tenacity, resilience, creativity, and resoluteness in the Board and staff. This was most evident over the last seven years of the turbulent global recession and its consequences. I must say that your sterling efforts deserve the highest commendation.

The NIS has reached a critical juncture in its operation, but I am confident that structures are in place to facilitate the smooth functioning of the system as you continue to serve the members of this institution. Heartiest congratulations and best wishes to the successive Administrative Directors, Boards, Management, Staff and people of St. Vincent and the Grenadines as we join hearts and hands to keep this bastion of economic and social solidarity sustainable now and in the future.

Dr. The Hon. Ralph E. Gonsalves
Prime Minister with responsibility for Social Security

Chairman's Report

Introduction

While over the 26 years of operations, neither investment income nor investment assets have been used to finance current and/or capital expenditure; they are a critical pillar to the financial sustainability of social security systems. Since inception, excess contribution income over cost of operations has been accumulated in financial instruments in order to safeguard the system's ability to pay future benefits and provide services and simultaneously act as a buffer to future economic and demographic shocks. Recognising the importance of the proper investment of social security funds to the actuarial and financial viability of the plan, the National Insurance Board (NIB) and Investment Committee, have fashioned appropriate and effective policies to strengthen the governance structure for the effective investment of these funds.

Governance & Capacity Building

In 2004, the NIB implemented a comprehensive investment policy that took into account risk management, diversification, matching of assets and liabilities and performance, monitoring and measurement. Every year thereafter, the NIB ensured that the investment policy is reviewed with the intent of maintaining its relevance and incorporating significant demographic and financial developments.

As part of strengthening the governance framework, the NIS continues to invest in building capacity and competence of the investment staff and the investment committee. This deliberate strategy ensures that there is a high level of integrity, professionalism and skills in the governance and administration of social security funds. Where appropriate, the NIB would seek expert advice or appoint professionals to carry out certain functions.

The NIS has also bolstered the accountability mechanism, by requiring the investment management team to uphold transparent and prudent processes in discharging investment functions and providing regular reports to Investment Committee, NIB and other stakeholders. In addition, the Internal Auditor serves as a catalyst to further uphold high standards of transparency and accountability. Since inception, all financial statements have received the unqualified opinion of our external auditors.

In 2013, the National Insurance Board of St. Vincent and the Grenadines collaborated with the International Social Security Association (ISSA) in hosting the ISSA Governance workshop. It was indeed an historic occasion for the SVG National Insurance Services to welcome the ISSA President Mr. Errol Stoove since it was the first time in their over 83 years of existence that any of the ISSA's Presidents had visited the Caribbean. This gesture demonstrated beyond doubt the commitment of the NIS to the guidelines of accountability, transparency, predictability, participation and dynamism which the ISSA has established to assist social security institutions to "do right".

During the years under review, the Board continued to pay attention to building the capacity of its staff. In this regard, all members of staff have been exposed to internal training on customer service, performance management, leadership, legislation, ethics and professionalism, among other skills. Several members of staff have been exposed to overseas training in the areas of Investment, Internal Auditing, Social Security Administration, Human Resource Development, and Financial Management. Furthermore, the yearly cultural audit has been undertaken to assist management in determining the overall working environment, identifying the unwritten norms and rules governing employee interactions and workplace practices, highlighting the possible barriers to effective work practices and communication and making appropriate recommendations for addressing the problems identified by the employees.

Investment

The tumultuous economic and financial environments have posed extant challenges for international, regional and local institutional investors in the management of their investment portfolios. Our Board believes that strengthening the risk management framework of the Fund would provide a solid basis to navigate through this challenging investment climate. In this regard, the Board has developed a dynamic and risk-focused investment policy that pays attention to the following:

1. Clear separation of oversight and operational responsibilities for Board, Investment Committee and Management;
2. Fiduciary duties, including duty of loyalty, care and diligence, for all investment parties;
3. Mitigation of the inherent investment risks of the investment portfolio;
4. Strategic asset allocation that considers the risk and return objectives of the Fund;

5. Standard for proper reporting and monitoring of the Fund.

Given the current low liquidity requirement of the Fund and the long-term sustainability challenges (based on current plan design), the Board intends to focus on the following strategic investment objectives:

1. To outperform the actuarial hurdle rate of 6.0%;
2. To achieve capital preservation and capital appreciation;
3. To further diversify the investment portfolio across geographic regions, issuers and economic sectors;
4. To stimulate socio-economic development.

The Board intends to achieve the said objectives by devising the following strategies:

1. To increase allocation to global equities through the use of External Asset Managers;
2. To partner with other social security institutions through the pooling of resources and reserves initiatives to further diversify the Fund across geographic regions and economic sectors;
3. To reduce allocation to short-term interest sensitive instruments while focusing on increasing holdings in longer term safe investments and real estates;
4. To forge strategic alliances with the Government to engage in economically targeted investments that promote job creation among the youth;
5. To continue to harness the skills and talents of the investment team.

The Board recognizes that proper and prudent investment management of the Fund is germane to enhancing the financial viability of the plan. To this end, the Board would expend appropriate resources and give policy guidance to ensure sound management of the Fund.

Contribution to social and economic development

Like all other social security systems in the world, the NIS also takes into account the social and economic utility of investments. As such, the NIS contributed to economic and social development through investments in private sector initiatives (Small Business facility at National Commercial Bank (NCB) and National Development Foundation), state enterprises (National lottery, NCB and National Properties Limited (NPL)), student loans (National Student Loan company and deposits at lending institutions including banks and credit unions), low-cost housing (100% mortgage finance window at NCB) old-age facilities (Golden Years activity centres), health Infrastructure (ultra-sound and CT scan machines) and projects enhancing human resources. These investments have contributed to long-term national growth rates even if the indirect rates of return may not always be fully reflected in our nominal investment returns.

Strategic vision

As a Board, our vision is to manage a social security system that is financially and actuarially sound, that offers benefits that are relevant to the beneficiaries whom we serve, to fashion a system that extends coverage to all workers in the formal and informal sectors in St. Vincent and the Grenadines, and to facilitate progressive advancement of the National Insurance Services' goals.

Focus on customers

The motto of the National Insurance Services is "Quality service and financial soundness". As a Board, we believe that it is imperative for us to do everything within our power to ensure that our internal and external customers are satisfied. During the year under review, the Board partnered with corporate St. Vincent and the Grenadines to recognise the International Day of the Elderly under the theme "Working Towards the Well-being of the Elderly in SVG". It was fulfilling to engage our senior citizens in exercises, singing, drama and general socialisation. Several of them were honoured and appreciated for the contributions that they made to the Vincentian society in their respective spheres of life.

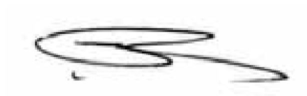
Chairman - LENNOX BOWMAN

In 2013, the NIS undertook a Stakeholders' exercise to sensitise employers and employees about the benefits of electronic submission (E-Submit) in paying their contributions. The attendees praised the innovation for giving users the ability to quickly and efficiently submit contributions in a safe, secure and cost-effective way.

Appreciation

I take this opportunity, on behalf of the NIB, to congratulate the National Insurance Services (NIS) on serving the people of St. Vincent and the Grenadines for 26 years, thus far. I would also like to thank the various Ministers of Social Security and Boards of Directors who have served this noble institution over its years of existence. I particularly wish to express gratitude to the current Minister of Social Security for prudently executing his fiduciary responsibility to the NIS over the past fourteen (14) years. I extend a heartfelt Thank You to the current Board of Directors which continues to give yeoman service to the NIS.

Further, I publicly express sincere thanks to the Executive Director, Management and staff for their unswerving dedication and service to the NIS and the citizens of St. Vincent and the Grenadines. You have played an integral part in the success of the NIS over its years of operation. Finally, I owe a debt of gratitude to the insured population, the employers and all stakeholders who have contributed in one way or another to the viability of the St.Vincent and the Grenadines National Insurance Services. Once again, I congratulate the NIS on 26 years of successful operations and I wish to record how pleased I am to be the Chairman of this prestigious institution as the "NIS turns 26 and celebrates the past, balances the present and projects into the future."



Lennox A. Bowman
Chairman

The Capital Kingstown

Photo:Edson Reese

TIMELINE

2000 - Deputy Director Appointment
Ms. Mineva Glasgow
The first female Deputy Director

2001 - New Prime Minister and Minister with the responisbility for National Insurance - Hon. Dr. Ralph Gonsalves
New Chairman - Mr. Lennox Bowman
Appointment of new Board of Directors

2001 - The 5th Actuarial Review was completed

2002 - Launching of "Walk Through...Layman Guide to NIS Legislation"
By Ms. Mineva Glasgow

2003 - Golden Years Activity Centre,the Year 2003 signalled the commencement of the Golden Years Activity Centre at Cane Grove

2003 - Re-launching of "NIS on Wheels" Public Education Programme

2004 - Official name change from "National Insurance Scheme" to "National Insurance Services"

2004 - Launching of the Self-employed Programme for Market Vendors

2004 & 2005 - Opening of NIS Golden Years Activity Centres at Cane Grove and Black Point

2005 - Launching of "NIS Made Simple for Schools"
By Ms. Mineva Glasgow

2005 - Completion of 6th Acturial Review

2006 - Launcing of E-Submit Software
E-Submit Software was launched to facilitate electronic submission of records

2006 - Increase in NIS Insurable Earnings
Monthly - $4,333
Weekly - $1,000

2006 - Establishment of NIS Medical Board

2000 2001 2002 2003 2004 2005 2006 2

20th Anniversary

2007 - NIS 20th Anniversary Activities:
- Church Service
- Hosting of the CARICOM Social Security Heads Meeting
- Panel Discussion – "The Future of Social Security in the English Speaking Caribbean"
- School Rally
- Open Day and Pensioners Fun Walk
- Launching of the NIS – "Heritage Groovers Musical Band"
- Donation to the School for Children with Special Needs

2008 - Opening of the NIS new Headquarters

2008- Opening of NIS Union Island Land Service Centre

2007 & 2008 - Presentation of the NIS Carnival Monday T-Shirt Band dubbed "Magic Monday"

2009 - Adoption of the ILO Occupational Health & Safety in the workplace; Adoption of the ILO Decent Work Agenda

2009 - Hosting of the Regional Social Security Easter Games
St. Vincent NIS Sports Club placed 1st

January 5, 2010
Launched OSH Policy

2010 - International Social Security Association (ISSA) Best Practice Award for the Americas

October 01, 2010 - Initiated the International Day of the Elderly

2011 - Opening of the NIS Research Centre

2013 - Launching of the Enhanced version of the E-Submit Software

2007 2008 2009 2010 2011 2012 2013

Executive Director's Report

Overview

The Global financial environment remains quite challenging. Regionally, the challenges for the economies remain generally unchanged showing high public debt, external imbalances and financial sector vulnerabilities. Despite these major hurdles that led to decreased registration and a fall off in investment income, the NIS was still able to experience an increase in contribution income, honoured its commitment to its beneficiaries with an increase in the level of pension in pay and successfully completed the 8th Actuarial Review, which among other things, recommended the urgent need for pension reform.

Like many other social security organisations, one of the prime objectives of the National Insurance Services is to provide a strong buffer to its members against short term contingencies such as sickness, maternity, and employment injury and to enable access to income security to retirees who would have contributed in proportion to their incomes during their working lives.

2013 Operations

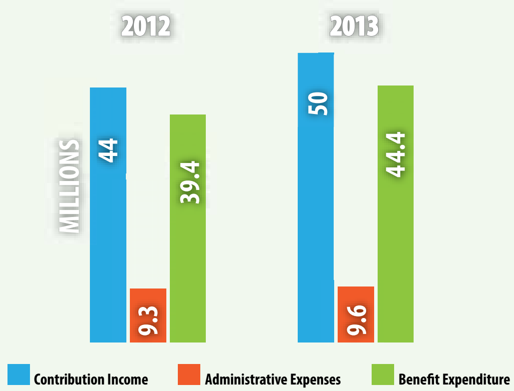
During the year under review, our beneficiaries continued to utilize these services. In the area of benefit, the NIS paid out over 40 million Eastern Caribbean dollars as total benefits. Contribution income amassed to $50.0 for the fiscal year. The increase from 2012 was attributed to stricter compliance by some of our larger employers. Our investments yielded 3.75% annual return, and our asset base increased by $.4 Million to $449.6 Million. Administrative costs as a percentage of contribution income decreased from 21.8% in 2012 to 19.2% in 2013. Nevertheless, we are cognizant of the fact that there has been an increase in the cost of operating the fund. This is quite evident in the benefit expenditures and as such, we have put structures and institutional arrangements in place to ensure that the social security institution is managed effectively, and that our policies are open to public scrutiny because we believe that as fiduciaries of social security funds, we have a duty to the persons whose funds we hold in our trust.

Table 1: Performance indicators

INDICATORS	2012	2013	Change
	(millions of $)	(millions of $)	(%)
Contribution income	44.0	50.0	13.6%
Admin. Cost	9.3	9.6	3.5%
Reserves	446.1	446.0	0.0%
Total Assets	449.2	449.6	0.1%

OTHER INDICATORS	2012	2013	Change
	(%)	(%)	(%)
Yield on investment	4.81%	3.75%	-1.1%
Admin cost as a % of contribution income	21.8%	19.2%	-2.6%
Fund Ratio	9.03	8.03	-11.1%
Expenditure rate	8.6%	8.3%	-0.3%
Admin. Index	$0.12	$0.10	-11.8%

KEY OPERATING VARIABLES



CUSTOMER BASE	2012	2013	Change
Active employers	1,992	1,814	-8.9%
Active employees	35,029	34,321	-2.0%
Self employed persons	943	915	-3.0%
Voluntary Contributors	194	200	3.1%
Pensioners	6,137	6,450	5.1%
Short Term Claims	6,259	5,830	-6.9%
Employment Injury Claims	317	408	28.7%

8th Actuarial Report

Service excellence

In keeping with our quest to deliver world class service, the NIS was able to serve over 51,000 contributors and beneficiaries in 2012. Our pensioners population increased from 6,137 in 2012 to 6,450, a testament of the fact that the NIS is fulfilling its mandate to its senior citizens. For the same period, active employees declined by 2.0% and active employers reduced by 8.9%. Extending social security to the informal sector has aways been one of the NIS' goals. In 2013, the new self-employed registrants fell to 230 from 260 in 2012, but efforts are being made to enhance this aspect of registration by trying to meet the rural self employed in their respective communities. Our programme to include undocumented Vincentian nationals in the Diaspora continue to reap dividends although it does not have the momentum that we anticipated. For the review year, 38 persons were enrolled in the programme. Short term claims decreased from 6,259 in 2012 to 5,830 due mainly to late submission of claims and insufficiency of contributions to make them eligible for receipt of the benefits. The Employment Injury claims increased by 28.7% from 317 to 408. This increase may be ascribed to the negligence of some employers in ensuring that their employees adhere to the stipulations given by the NIS in its deliberate efforts to educate employers on the need for a safe and healthy work environment.

Executive Director - REGINALD THOMAS

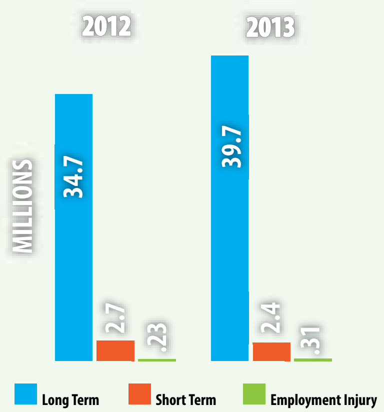
Table 2: Benefit Expenditure by Benefit Branch

BENEFITS PAID	2012	2013	Change
	(millions of $)	(millions of $)	(%)
Long Term	34.7	39.7	14.4%
Short Term	2.7	2.4	-9.6%
Employment Injury	0.23	0.31	35.5%
TOTAL	**37.6**	**42.4**	**12.8%**

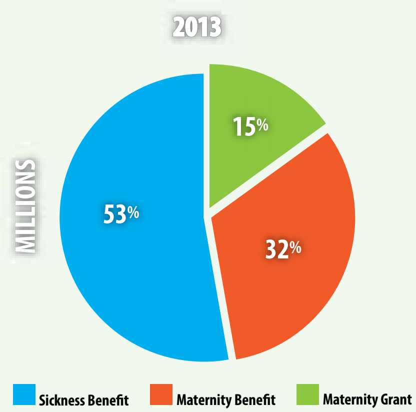
Table 3: Benefit Expenditure by Benefit Type

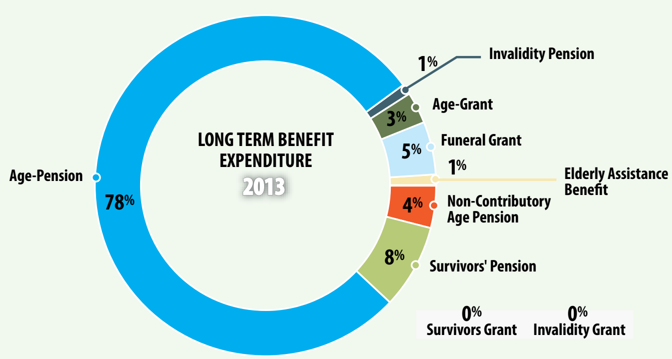
BENEFITS PAID	2012	2013	Change
SHORT TERM	($)	($)	(%)
Sickness Benefit	1,238,919	1,273,106	2.8%
Maternity Benefit	1,064,919	778,450	-26.9%
Maternity Grant	354,060	352,069	-0.6%
	2,657,898	**2,403,625**	**-9.6%**
LONG TERM			
Funeral Grant	1,512,036	1,808,527	19.6%
Age-Pension	26,298,069	30,934,722	17.6%
Age-Grant	1,131,415	1,326,150	17.2%
Survivors Grant	14,978	12,452	-16.9%
Survivors' Pension	2,920,308	3,003,291	2.8%
Invalidity Pension	502,828	482,740	-4.0%
Invalidity Grant	2,336	2,756	18.0%
Non-Contributory Age Pension	1,758,287	1,576,543	-10.3%
Elderly Assistance Benefit	544,156	518,717	-4.7%
	34,684,413	**39,665,898**	**14.4%**
EMPLOYMENT INJURY			
Injury	90,141	170,387	89.0%
Disablement pension	90,827	74,790	-17.7%
Disablement grant	1,278	-	-100.0%
Constant Attendance	17,405	9,123	-47.6%
Medical Expenses	3,248	22,275	585.8%
Death Benefit	23,086	29,653	28.4%
	225,986	306,228	35.5%
GRAND TOTAL	**37,568,297**	**42,375,750**	**12.8%**

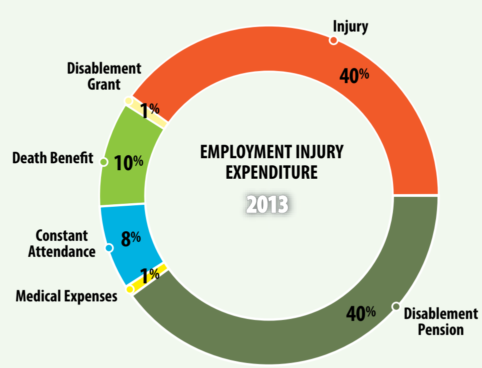
BENEFITS EXPENDITURE BY BENEFIT BRANCH

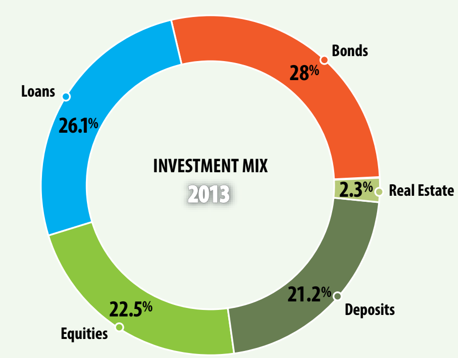


SHORT TERM BENEFIT EXPENDITURE









Claims under the CARICOM Reciprocal Agreement

To date, the St. Vincent and the Grenadines National Insurance has not paid any full claims under the Reciprocal Agreement, but we have provided information on employment history for twenty-four (24) persons who would have contributed to the St. Vincent system and would have needed the additional contributions to allow for totalisation so that they could have received a partial pension. In terms of partial pensions, the NIS paid a total of three (3) in 2013. The regional social security institutions continued to reap the benefits of the training session on the CARICOM Reciprocal Agreement that was hosted by the St. Vincent and the Grenadines National Insurance in 2013.

Investment Portfolio

Investment Management is a pivotal focus of the structures, systems, and processes that support strong governance, accountability and transparency. We have instituted a dynamic investment policy (which is reviewed annually) that clearly upholds all principal tenets of good governance and clearly delineate the oversight and operational responsibilities of the Board, Investment Committee and In-house investment team. For the year under review, the investment portfolio consisted of the following instruments: Bonds (28.0%), Deposits (21.2%), Loans (26.1%), Equities (22.5%), and Real Estate (2.3%). The level of reserves remained constant over the years 2012 and 2013.

Human Resource Management

The National Insurance Services recognises that its human resources are the most valuable assets. This means that they must be effectively deployed, trained, and utilised to add competitive value to the institution. During 2013, the NIS worked assiduously to ensure that best international Human Resources Management practices were upheld. 144 hours were dedicated to training eighty members of staff in aspects of communication, natural justice, total quality management, Team Building and interpersonal relationships, leadership, and customer service. For the first time, the institution drafted a sexual Harassment Policy as a preventative measure to protect its staff from sexual harassment in the work place. In addition, seven (7) members of staff pursued tertiary training, three (3) at the Graduate level in Human Resources Management, Health Informatics and Finance and three (3) at the undergraduate and certificate level in Finance, Management, and computing to enrich their personal and professional development.

Health and Safety

The Occupational Safety and Health Policy was updated and a Booklet was prepared on HIV and AIDS to mark World HIV and AIDS Day. This was distributed to staff members as well as to members of the general public. The NIS also created a Non-Communicable Diseases (NCDS) Policy to reduce the effect of NCDS on workers and to encourage staff to maintain a safe work environment to deal with NCDs in the work place.

The NIS is acutely aware of the link between labour force participation and health and more so, the need for timely access to preventative health opportunities. Given this critical linkage, the NIS partnered with the Bank of St, Vincent and the Grenadines to provide an eight (8) slice CT Scan machine to the Ministry of Health as part of its social outreach programme and its commitment to the well being of the citizens of St. Vincent and the Grenadines. This CT scan machine will enhance the service delivery of the Milton Cato Memorial Hospital and by extension, alleviate some of the health issues which impact the labour force in St. Vincent and the Grenadines.

ICT Development

E-Submit +

The issue of technological sustainability remained paramount to the NIS' operations. In this regard, the organisation invested considerable resources in ensuring that there was an IT infrastructure in place that would maximize efficiency; enhance flexibility and responsiveness as well as positioning the institution to achieve productivity gains. During 2013 therefore, the institution upgraded its technological platform by bringing on stream the ESubmit plus. This feature allowed employers to submit their contribution records easily, timely, and efficiently. All stakeholders were trained to use the facility. During 2013, the institution consolidated the process of reviewing the current National Insurance Management Systems (NIMS) that is used for most of our operations. Mr. Daryl Redd, an independent consultant from the USA was contracted to provide guidance on the project and to ensure that the transition to the new system is seamless.

Expanding Points of Service and Public Outreach

Today's fast-paced technological age makes it imperative to decentralize, so the service centre that was established in the Grenadines Island of Union Island continues to serve the people of the Southern Grenadines who do not have to travel to the Mainland to conduct business or wait until our compliance officers visit. The institution will continue to extend points of service in an effort to improve our customer service and to make our services relevant to the beneficiaries whom we serve.

In an effort to sensitise students and their parents on the offerings of the NIS and in keeping with our corporate citizenship, the NIS partnered with the Ministry of Education for the seventh (7th) consecutive year in sponsoring the National Literacy competition for the Primary Schools.

Public outreach sessions were also conducted for the Adult Education Division in Clare Valley, Union Island, and Georgetown. The NIS also made presentations on its services to five (5) Schools during their Professional Development Week. The NIS has embarked upon this concerted marketing strategy in an attempt to inform our members about the process and procedure for claiming and also apprising them about their rights under the NIS.

Golden Years Activity Centres

The NIS continues to provide support to our golden agers by making a concerted effort to improve their quality of life at the Golden Years Activity Centres. Every year the NIS injects over $60,000.00 in these centres to ensure that the nutritional and social needs of the attendees are met. These centres operate three days a week and they are hailed as a home away from home for many of our senior citizens who otherwise would have been living in isolation.

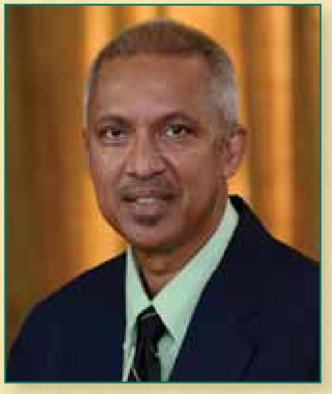
Conclusion

The accomplishments of the NIS over its years of existence were achieved in the context of tripartism on the local level and in concert with key partners regionally (CARICOM, ECCB, CISS, and sister social Security institutions) and internationally (ISSA, IMF, World Bank and the Social Security Association of the United States) .

Given the global and regional challenges that confront social security institutions, continual efforts will be needed to ensure financial sustainability of the social protection framework, it is therefore fitting for me to pay tribute to the following persons who have contributed to the development initiatives of the NIS. Firstly, I wish to acknowledge the valiant efforts of the Prime Minister and Minister with responsibility for Social Security who through the years has been supportive of the NIS in its efforts to ensure coverage and general effectiveness of the social protection system. Secondly, I applaud the sterling contributions made by the NIB and its sub-committees for their herculean efforts in ensuring administrative and operational efficiency and effectiveness, facilitating the extension of social security coverage, proactive and preventive approaches in social security, and for ensuring adequacy and quality of social security benefits and services. Finally I must salute the management employees who bring to bear their expertise and leadership skills to foster a team environment and my general staff who have given dedicated and committed service on a daily basis to ensure that our strategic goals and objectives were attained. Let us continue to work together in the best interests of the stakeholders of the National Insurance Services.

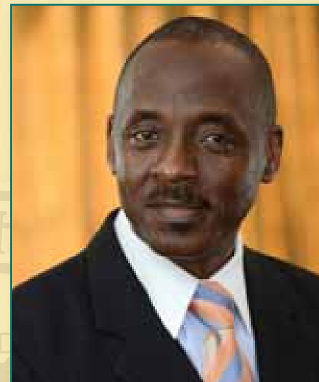
Mr. Reginald Thomas
Executive Director

BOARD OF DIRECTORS

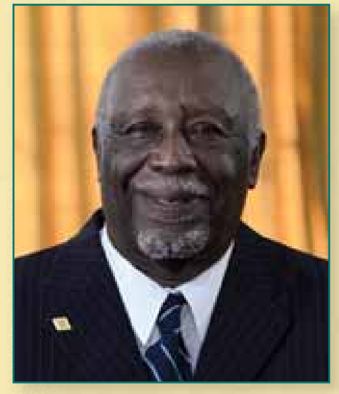


Mr. Lennox Bowman
CHAIRMAN

Mr. Elroy John
DEPUTY CHAIRMAN



Mr. Reginald Thomas
EXECUTIVE DIRECTOR

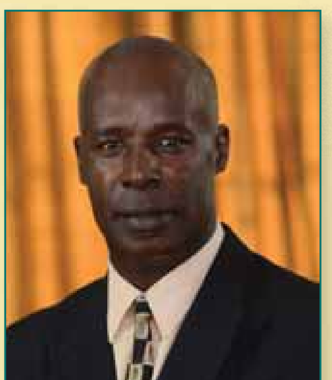


Mr. Venold Barnwell
DIRECTOR (2012)

Miss Ann Jones
DIRECTOR (2013)

Mr. Gideon Browne
DIRECTOR

Mr. Lloyd Small
DIRECTOR



Mr. Gavin Jackson
DIRECTOR

Mr. Liley Cato
DIRECTOR

Ms. Joy Matthews
DIRECTOR

The National Insurance Board has a tripartite configuration comprising nine (9) members representing Government, employers, and employed persons.

In addition, two members with experience in matters relating to business administration, finance, and accountancy and the Executive Director or in his absence, the Deputy Executive Director make up the full complement. By and large, the Board is responsible for the policy direction and initiatives of the institution.

The Board of Directors has a legal responsibility to appoint employees with different skills set for the effective operations of the institution. Currently, eighty-five (85) employees perform the functions of overseeing the operations at the Main Office in Kingstown and the sub-Branch in Union Island, Southern Grenadines.

EXECUTIVE MANAGEMENT

Mr. Reginald Thomas
Executive Director
BSc Public Administration
MBA

Mr. Lennox Timm
Financial Comptroller
MAAT, FCCA, MCSI

Dr. Mineva Glasgow
Deputy Executive Director
Ph.D (International Business)
MBA (Human Resources Management)
LLB (Hons)

Mr. Stewart Haynes
Investment and Research Analyst
BSc, MSc in Acturial Studies
CFA, FIA

DEPARTMENT MANAGERIAL STAFF

The National Insurance Service is pleased to present some of our key personnel in the different departments of the NIS.

We know of their capabilities and the dedication to their respective jobs where they are often called on to interact with the public. These are the people who help to keep NIS operating smoothly.

Cornelia Quashie

Internal Auditor

Cert. Public Administration
BSc. Accounting (Hons)
FCCA, CMIIA

Richard Lewis

Manager, Compliance Division

Dip. Information Technology,
Associate Degree in Computing

Colleen Thomas

Manager Benefits Division

Bsc. Business Information Technology
MSc. Health Informatics

Dayne Nichols

Manager, Document Imaging Division

HND
BSc. Business Computing

Dawn Small

Manager, Marketing Division

Assoc. Degree in Small Business Management
BBA in Human Resources Management (Hons)
MBA in Human Resources Management (Hons)

Hannif Sutherland

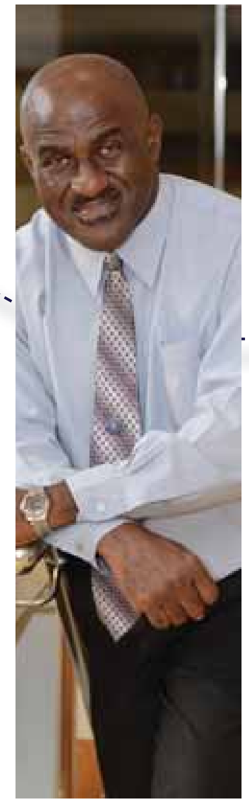
Manager, Information Technology Division

CISSP
MCSE
CCNP

Leslie Jacobs

Manager, Buildings and Maintenance

Cert. Public Administration
Dip. in Social Security Management



Avil Harry

Manager, Records Division

Cert. Public Administration

Sharon Ashton

Manager, Data Processing Division

Cert. Business Administration
BSc. Management Studies

Jeremy Jackson

Accountant

Dip. Business Administration
MSc. in Accounting and Finance
FCCA, MCSI

MANAGEMENT AND STAFF OF THE NIS

Throughout its 26 years of existence, the importance of employees has been increasingly emphasized at the National Insurance Services (NIS). The NIS has a diverse workforce (20-60 years) working in its ten (10) major Departments and at the Union Island Service Centre.

We are cognisant that our success increasingly depends on the knowledge, skills, and abilities of our employees. To this end, we have encouraged our employees to pursue different academic disciplines to ensure that the institution has a set of core competencies which distinguishes us in corporate St. Vincent. The current staff comprises persons with skills in Accounting, Actuarial Science, Banking and Finance, Health Informatics, Human Resource Management, Information Technology, Internal Auditing, International Business, Legal studies, Management, Marketing, Secretarial Studies and more.

National Insurance Services Building
Photo: Seymour Hinds

Social Outreach Programme

Services for the Elderly

The care of the elderly is enshrined in the mission of the National Insurance Services (NIS), as it speaks towards providing social security coverage to the people of St. Vincent and the Grenadines. These services are provided through the provision of various benefits, particularly retirement benefit.

In addition to providing senior citizens with retirement income, the NIS in keeping with its social responsibility, has created history in the region by constructing two activity centres for senior citizens, one at Black Point and the other at Cane Grove. The Centres focus on providing daytime accommodation for retired persons who wish to age actively by sharing their skills or learning a new skill. The Centres are served by buses and the elderly can look forward to the International Day of the Elderly as an added opportunity for interaction.

Pensioners' Appreciation Day

In an attempt to pay tribute to our pensioners who have helped build our country and continue to make valuable contributions to Vincentian communities, and society, the National Insurance Services instituted Pensioners Appreciation Day in 1999. We saw this as an occasion for us to appreciate and celebrate with them for the yeoman service that they have given to our nation.

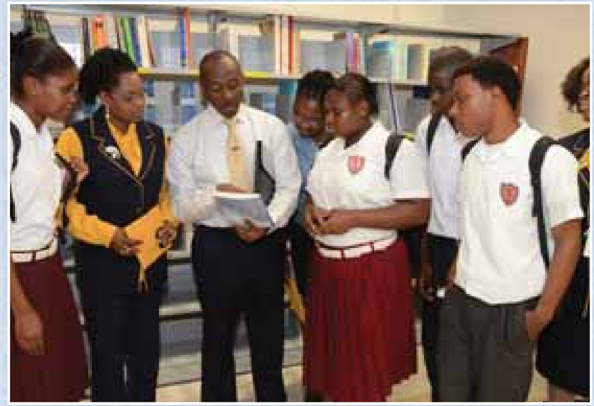
Pensioners' Appreciation Day provides an opportunity for the Pensioners to socialize and fraternize. Those pensioners who receive their pensions at the NIS Office on a fortnightly basis look forward to the camaraderie on Fridays when they meet. We thought that it would be a good gesture to extend this on a larger scale. In 2010, we changed gears slightly when we celebrated the International Day of the Elderly. This was repeated in 2011 and 2012 where we chose an appropriate theme, "Recognizing, Respecting and Reconnecting Retirees."

All photos on pages 24 and 25: Seymour Hinds

Social Outreach Programme

CT Scan Machine for the Milton Cato Memorial Hospital

In keeping with the NIS commitment to social development, the institution has partnered with the Bank of St. Vincent and the Grenadines to purchase a CT Scan Machine for the Milton Cato Memorial Hospital.



The NIS Research Centre

This unit provides information relating to social security, health and labour market issues. It is available to the employees of the NIS, students and members of other Institutions.

NIS Student Loan Programme

"Unlocking doors to a brighter future by investing in education in St. Vincent and the Grenadines"

Many more Vincentians have accessed tertiary level studies through the NIS supported Student Loan Programme

Contribution towards Culture

As part of its mission, the NIS has contributed significantly towards cultural development in SVG by way of annual sponsorship of Vincy Mas, our premier and national festival. Additionally, it has helped to revive the Monday T-Shirt Band by partnering with GECCU in presenting a band dubbed **"Magic Monday… Off Da Chain Jam"** in 2007 and 2008. It had attracted persons from different age groups, as well as our different customer groups. Hence, it was an opportune time to connect with our valued customers, and to celebrate the cultural festival. Consequently, we were able to change the perceived notion that the Institution is one that only pays out Age and Death Benefits.

All photos on pages 26 and 27: Seymour Hinds

E-SUBMIT

Electronic Submission Software

Employers can submit the monthly *"Turn Around Document"* (*Form C5*) using our *web based software (e-Submit+)* or by using a *payroll software* that can produce the file in the required format. This format can be obtained from the NIS IT Department.

Our software (*e-Submit+*) is user friendly and is available to employers who do not have a payroll system and who employ 1 to 100 employees.

Employers using their own payroll software can submit information via various media types (compact discs, USB flash drive etc.).

Employers desirous of submitting their information electronically must apply to the NIS for permission to do so. Forms are available on the NIS website at www.nissvg.org.

NIS personnel are available to work along with employers to ensure that the process is clearly understood, and to provide technical support for *"e-Submit+"* users.

House of Parliament and Courthouse

Photo: Edson Reese

Cruise Ship Berth

Photo: Edson Reese

NATIONAL INSURANCE SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

NATIONAL INSURANCE SERVICES

Table of Contents	Pages

NATIONAL INSURANCE SERVICES

REGISTERED OFFICE	**Bay Street, Kingstown** **St. Vincent**
DIRECTORS	**Mr. Lennox Bowman - Chairman** **Mr. Elroy John - Deputy Chairman** **Mr. Gideon Browne** **Mr. Garvin Jackson** **Ms. Joy Matthews** **Mr. Lloyd Small** **Mr. Liley Cato** **Ms. Ann Jones (effective June 1, 2013)** **Mr. Venold Barnwell (March 1, 2011–June 1, 2013)**
EXECUTIVE DIRECTOR	**Mr. Reginald Thomas**
SECRETARY	**Mr. Reginald Thomas**
BANK	**Bank of St. Vincent and the Grenadines Limited** **Bank of Nova Scotia** **RBTT Bank Caribbean Limited** **Scotia Private Client Group** **First Citizens Investment Services Ltd** **St. Vincent Co-operative Credit Union** **RBC (Royal Bank) Trinidad and Tobago Ltd**
SOLICITORS	**Regal Chambers** **Phillips and Williams** **Saunders and Huggins** **Caribbean International Law Firm** **Baptiste and Company Law Firm Inc.** **Duane Daniel Chambers**
AUDITORS	**KPMG Eastern Caribbean** **Chartered Accountants**

KPMG Eastern Caribbean
The Financial Services Centre
Kingstown Park
P.O. Box 561
Kingstown
St. Vincent and the Grenadines

Telephone (784) 456-2669
(784) 456-1644
Fax (784) 456-1576
e-Mail kpmg@kpmg.vc

INDEPENDENT AUDITORS' REPORT

To: The Honourable Minister of Finance and Economic Planning
Administrative Building
Kingstown

Report on the Financial Statements

We have audited the accompanying financial statements of National Insurance Services ("the NIS" or "the Service"), which comprise the statement of financial position as at December 31, 2013, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

The Honourable Minister of Finance and Economic Planning
Administrative Building
Kingstown

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the National Insurance Services as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to note 2(b) to the financial statements which indicates that the NIS' eighth actuarial valuation report recommended that the NIS implement certain pension reform measures to ensure the long term sustainability of the NIS.

Our opinion is not qualified in respect of this matter.

Kpmg

KPMG Eastern Caribbean
Kingstown, St. Vincent and the Grenadines
October 31, 2014

NATIONAL INSURANCE SERVICES

Statement of Financial Position

December 31, 2013

(Expressed in Eastern Caribbean Dollars)

	Note	2013 $	2012 $
ASSETS			
Cash and cash equivalents		13,896,224	3,516,869
Loans and advances	6	97,632,260	79,235,521
Interest receivable on investment securities	7	5,047,216	5,885,499
Interest receivable on loans	7	4,053,735	3,767,134
Investment securities and deposits	8	266,594,537	294,713,832
Investment properties	9	8,458,735	8,447,595
Property, plant and equipment	10	32,149,604	33,229,513
Contributions receivable	11	19,375,347	17,799,529
Other assets	12	2,421,005	2,630,605
TOTAL ASSETS		449,628,663	449,226,097
LIABILITIES AND RESERVES			
Benefits payable		1,278,116	865,225
Accounts payable and accrued liabilities		2,309,276	2,218,834
Total liabilities		3,587,392	3,084,059
Reserves			
Short-term benefit	13	17,840,198	16,199,461
Pension	13	343,265,987	337,945,184
Employment injury benefit	13	45,681,751	41,936,502
National provident fund	13	45,895,452	47,268,057
Fair value reserve		(6,642,117)	2,792,834
Total reserves		446,041,271	446,142,038
TOTAL LIABILITIES AND RESERVES		449,628,663	449,226,097

The notes on pages 8 to 39 are an integral part of these financial statements.

SIGNED ON BEHALF OF THE BOARD

Chairman

Director

Secretary

NATIONAL INSURANCE SERVICES
Statement of Comprehensive Income
For the year ended December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Note	2013 $	2012 $
INCOME			
Contributions			
Employers' contributions		27,598,493	24,240,786
Insured persons' contributions		21,480,791	18,858,111
Self-employed contributions		680,353	690,581
Voluntary contributions		267,617	249,243
		50,027,254	44,038,721
Benefits paid		(42,375,751)	(37,568,297)
SURPLUS OF CONTRIBUTIONS OVER BENEFITS		7,651,503	6,470,424
Net finance income	14	12,991,498	18,032,821
		12,991,498	18,032,821
Other expenses/ income, net			
Surcharges and other income	15	1,895,171	736,744
		1,895,171	736,744
Income before administrative expenses and National Provident Fund (NPF) benefits		22,538,172	25,239,989
NPF benefits paid		(2,008,833)	(1,799,736)
Bad debt expense		(1,607,875)	(439,577)
General and administrative expenses		(9,587,280)	(9,267,181)
NET INCOME FOR THE YEAR		9,334,184	13,733,495
Other comprehensive income			
Items reclassified subsequently to profit or loss:			
Fair value reserve (available-for-sale financial assets):			
Net change in fair value	14	(9,434,951)	(691,542)
Other comprehensive income for the year		(9,434,951)	(691,542)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(100,767)	13,041,953

The notes on pages 8 to 39 are an integral part of these financial statements.

Statement of Changes in Reserves
December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Short-term benefit $	Pension $	Employment injury benefit $	National provident fund $	Fair value reserve $	Total $
Balance as of January 01, 2012	15,248,158	328,028,644	37,959,101	48,379,806	3,484,376	433,100,085
Net income for the year	274,311	14,035,061	535,872	(1,111,749)	-	13,733,495
Other comprehensive income	-	-	-	-	(691,542)	(691,542)
Total comprehensive income	274,311	14,035,061	535,872	(1,111,749)	(691,542)	13,041,953
Balance as of December 31, 2012	15,522,469	342,063,705	38,494,973	47,268,057	2,792,834	446,142,038
Adjustments	676,992	(4,118,521)	3,441,529	-	-	-
Balance as of December 31, 2012 (adjusted)	16,199,461	337,945,184	41,936,502	47,268,057	2,792,834	446,142,038
Net income for the year	1,640,737	5,320,803	3,745,249	(1,372,605)	-	9,334,184
Other comprehensive income	-	-	-	-	(9,434,951)	(9,434,951)
Total comprehensive income	1,640,737	5,320,803	3,745,249	(1,372,605)	(9,434,951)	(100,767)
Balance as of December 31, 2013	17,840,198	343,265,987	45,681,751	45,895,452	(6,642,117)	446,041,271

The notes on pages 8 to 39 are an integral part of these financial statements.

NATIONAL INSURANCE SERVICES
Statement of Cash Flows
December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Note	2013 $	2012 $
Cash flows from operating activities			
Net income for the year		9,334,184	13,733,495
Adjustments for:			
Depreciation expense	10	1,527,131	1,693,450
Gain on disposal of property, plant and equipment		-	(3,701)
Impairment losses on financial assets		4,476,446	3,969,506
Finance income		(18,720,861)	(20,726,832)
		(3,383,100)	(1,334,082)
Change in other assets		209,600	(651,659)
Change in contributions receivable		(1,575,818)	(12,083,911)
Change in benefits payable		412,891	213,949
Change in accounts payable and accrued liabilites		90,442	(905,399)
Net cash used in operating activities		(4,245,985)	(14,761,102)
Cash flows from investing activities			
Change in investment properties	9	(11,140)	-
Change in investment securities and deposits		15,815,773	(8,865,003)
Change in loans and advances		(18,396,739)	4,126,157
Acquisition of property, plant and equipment	10	(447,222)	(489,265)
Proceeds from disposal of property, plant and equipment		-	13,813
Interest received		16,554,761	21,622,455
Dividend received		1,109,907	1,073,529
Net cash from investing activities		14,625,340	17,481,686
Net change in cash and cash equivalents		10,379,355	2,720,584
Cash and cash equivalents at January 1		3,516,869	796,285
Cash and cash equivalents at December 31		13,896,224	3,516,869

The notes on pages 40 to 71 are an integral part of these financial statements.

1. Reporting entity

The National Insurance Scheme (the NIS) was established in 1986, and the name was changed to the National Insurance Services in March 2004. It was established by the National Insurance Act and assumed the assets and obligations of the former National Provident Fund. The principal activity of the National Insurance Services is to provide social security services in the state of St. Vincent and the Grenadines. The registered office is at Bay Street, Kingstown, St. Vincent.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretation adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on September 4, 2014.

(b) Pension Reform

The eighth actuarial valuation report on the NIS, which was approved by the Board of Directors in October 2012, recommended the implementation of reform measures to ensure the long-term sustainability of the NIS. The measures included the phasing-in of a new pension age and increasing the pension contribution rate. In January 2013, the Government of St. Vincent and the Grenadines announced its intention to commence pension reform which includes among other things, increasing the contribution rate from 8% to 10% and increasing the pension age from 60 to 65 years on a phased basis with effect from January 1, 2014. The National Insurance Act has been amended to allow for pension reform through Act No. 28 of 2013 and Statutory Rules and Orders Nos. 24 – 28 which were gazetted on December 5, 2013.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets and investment properties which are measured at fair value. The methods used to measure fair value are discussed further in note 5.

(d) Functional and presentation currency

The financial statements are presented in Eastern Caribbean dollars, which is the Service's functional currency. All financial information presented in Eastern Caribbean dollars has been rounded to the nearest dollar.

2. Basis of preparation (cont'd)

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3(d) - Property, plant and equipment
- Note 3(e) - Impairment
- Note 5 - Determination of fair values

(f) Changes in accounting policies

Except for the changes below, the NIS has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements. Certain comparative amounts in the statement of comprehensive income have been re-presented as a result of a change in the accounting policy regarding the presentation of items of OCI.

The NIS has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013:

- IFRS 13, *Fair value measurement*. In accordance with the transitional provisions of IFRS 13, the NIS has applied the new definition of fair value, as set out in note 3 prospectively. The change had no significant impact on the measurements of the NIS' assets and liabilities, but the NIS has included new disclosures in the financial statements, which are required under IFRS 13. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the NIS has provided the relevant comparative disclosures under those standards.

- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)*. As a result of the amendments to IAS 1, the NIS has modified the presentation of items of OCI in its statement of comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

3. Significant accounting policies

Except for the changes explained in note 2(f), the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into Eastern Caribbean dollars at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Eastern Caribbean dollars at rates prevailing at the date of the financial statements and non-monetary assets and liabilities are translated at historic rates. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year. Realised and unrealised gains and losses on foreign currency positions are reported in income of the current year. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(b) Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, loans and advances, cash and cash equivalents, accounts payable and accrued liabilities.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Service becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Service's contractual rights to the cash flows from the financial assets expire or if the Service transfers the financial assets to another party without retaining control or substantially all risks and rewards of ownership of the asset. Regular way purchases and sales of financial assets are accounted for at the trade date, that is, the date that the Service commits itself to purchase or sell the assets. Financial liabilities are derecognised if the Service's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Service's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(i).

Loans and advances
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and advances are measured at amortised cost using the effective interest method, less any impaiment losses.

3. Significant accounting policies (cont'd)

(b) Financial instruments

Non-derivative financial instruments

Held-to-maturity investments
If the Service has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets
The Service's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3 (e)) and foreign exchange gains and losses on available-for-sale monetary items (see note 3 (a)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(c) Investment properties

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if is probable that the future economic benefits embodied within the part will flow to the Service and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The annual rates for the current and comparative periods are as follows:

Freehold buildings	2%
Furniture and fixtures	15%
Office equipment	15-20%
Building related equipment	10%
Computer equipment	20-33%
Computer software	15-20%
Motor vehicles	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

3. Significant accounting policies (cont'd)

(e) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the NIS on terms that the NIS would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

(ii) Financial assets measured at amortised cost

The NIS considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the NIS uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the NIS considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

3. Significant accounting policies (cont'd)

(e) Impairment (cont'd)

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

(iv) Non-financial assets

At each reporting date, the NIS reviews the carrying amounts of its non-financial assets (other than investment property), to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Provisions

A provision is recognised if, as a result of a past event, the Service has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (cont'd)

(g) Contributions receivable

Contributions receivable on active accounts is estimated based on the last remittance by contributors. No estimate is made for dormant or ceased accounts as it is not probable that the economic benefits associated with the transaction will flow to the Service.

(h) Revenue

Revenue from contributions is recognised in the statement of comprehensive income on an accrual basis.

(i) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Service's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises foreign currency losses.

4. New standards, and interpretations of and amendments to existing standards that are not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the NIS are set out below. The NIS does not plan to adopt these standards early.

- IFRS 9, *Financial Instruments (2010)*. The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2015. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities. The NIS is assessing the impact that the standard will have on its 2015 financial statements.

5. Determination of fair values

(a) Investment properties

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Service's investment property. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

5. Determination of fair values (cont'd)

(b) Investments in equity and debt securities

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost.

6. Loans and advances

	2013 $	2012 $
Loans guaranteed by the Government of St. Vincent and the Grenadines	32,611,421	23,278,071
Loans secured by mortgage	65,122,441	56,143,442
Unsecured staff loans	66,001	95,086
	97,799,863	79,516,599
Provision for impairment	(167,603)	(281,078)
	97,632,260	79,235,521

As at December 31 the maturity distribution of the loans was as follows:-

	2013 $	2012 $
Maturity		
Within 1 year	34,273	394,708
1 - 5 years	1,747,946	1,188,392
6 - 10 years	16,171,559	1,628,983
Over 10 years	79,678,482	76,023,438
	97,632,260	79,235,521

The movement in the allowance for impairment in respect of loans and advances during the year was as follows:

	2013 $	2012 $
Balance at January 1	281,078	39,291
Impairment loss recognised	-	241,787
Impairment loss reversed	(113,475)	-
	167,603	281,078

7. Interest receivable on loans and investment securities

	2013 $	2012 $
Interest receivable – investment securities	9,337,818	8,229,443
Provision for impairment	(4,290,602)	(2,343,944)
	5,047,216	5,885,499
Interest receivable - loans	4,586,298	4,299,697
Provision for impairment	(532,563)	(532,563)
	4,053,735	3,767,134

The movement in the allowance for impairment in respect of interest receivable during the year was as follows:

	2013 $	2012 $
Balance at January 1	2,876,507	6,935,908
Impairment loss recognised	1,946,658	1,830,379
Amounts written off	-	(5,889,780)
Balance at December 31	4,823,165	2,876,507

8. Investment securities and deposits

	2013 $	2012 $
Held-to-maturity investment securities and deposits	182,524,641	222,681,665
Available-for-sale investment securities	84,069,896	72,032,167
	266,594,537	294,713,832

The movement in the allowance for impairment in respect of investment securities and deposits during the year was as follows:

	2013 $	2012 $
Balance at January 1	18,711,556	19,097,638
Impairment loss recognised	3,020,979	914,794
Impairment loss reversed	-	(1,300,876)
Balance at December 31	21,732,535	18,711,556

8. Investment securities and deposits (cont'd)

	2013 $	2012 $
Held-to-maturity investment securities and deposits		
Bonds		
Government bonds	87,252,957	99,145,772
Corporate bonds	21,703,513	21,917,740
	108,956,470	121,063,512
Provision for impairment of corporate bonds	(4,335,161)	(1,314,182)
	104,621,309	119,749,330
Fixed deposits		
Fixed deposits	95,300,706	120,329,709
Provision for impairment of fixed deposits	(17,397,374)	(17,397,374)
	77,903,332	102,932,335
	182,524,641	222,681,665
Available-for-sale investment securities		
Corporate bonds	-	1,434,155
Equity securities with readily determinable fair values	71,182,595	59,379,424
Unquoted equity securities at cost	12,887,301	11,218,588
	84,069,896	72,032,167
	266,594,537	294,713,832

In January 2009, the Central Bank of Trinidad and Tobago affirmed the financial problems, and announced that it had intervened into the operations of CL Financial Limited, Colonial Life (Trinidad) Ltd., CLICO Investment Bank, British American Insurance Company (Trinidad) Limited and Caribbean Money Market Brokers, all members of the CL Financial Group (the Group).

Later during 2009, British American Insurance Company Limited, a Bahamian registered subsidiary of CL Financial Limited, which owned and operated branches in the Organisation of Eastern Caribbean States (OECS) was deemed to be insolvent. Consequently, the company and its branches throughout the OECS were placed under Judicial Management.

In April, 2011 the Supreme Court of Barbados placed CLICO International Life Insurance Limited, also a CL Financial Limited subsidiary, under Judicial Management. Effective with the appointment, the Judicial Manager assumed immediate control of the affairs of the company, and is responsible for assessing its financial position and reporting to the Court.

The Government and Central Bank of Trinidad and Tobago, where CL Financial Limited is incorporated, the Government of Barbados, where CLICO International Life Insurance Limited is incorporated, and the OECS Governments including the Government of St. Vincent and the Grenadines have undertaken by way of various actions and initiatives, to protect the interests of the Group's respective policyholders, depositors, and other creditors. The outcome of these undertakings cannot be guaranteed.

As at December 31, 2013, National Insurance Services had investments and deposits with the various CL Financial Group entities amounting to $18,460,240 (2012: $18,460,246); on which impairment provisions amounting to $17,397,374 (2012: $17,397,374) have been made. It is not possible to determine with a reasonable degree of certainty whether any additional impairment provisions are necessary for investment securities and deposits or interest receivable on investments.

9. Investment properties

	2013 $	2012 $
Balance at January 1	8,447,595	8,445,789
Additions	11,140	1,806
Balance at December 31	8,458,735	8,447,595

Investment property comprises parcels of land and buildings located at Pembroke, Peter's Hope and Union Island. The property in Pembroke was revalued on February 4, 2012 by an independent valuer, Alexander & Alexander, Licensed Land Surveyor/SCI Diploma Estate Appraiser.

10. Property, plant and equipment

	Freehold buildings $	Furniture and fixtures $	Office equipment $	Building related equipment $	Computer equipment $	Computer software $	Motor vehicles $	Total $
Cost								
Balance at January 1, 2013	34,530,344	2,260,145	555,211	1,344,143	1,274,538	1,850,882	302,222	42,117,485
Additions	-	5,295	20,150	2,670	117,047	302,060	-	447,222
Disposals	-	-	-	-	(64,810)	-	-	(64,810)
Balance at December 31, 2013	34,530,344	2,265,440	575,361	1,346,813	1,326,775	2,152,942	302,222	42,499,897
Accumulated depreciation								
Balance at January 1, 2013	3,732,424	1,438,852	505,619	369,563	1,022,437	1,687,432	131,645	8,887,972
Depreciation for the year	834,370	328,830	40,042	103,338	131,715	39,104	49,732	1,527,131
Disposals	-	-	-	-	(64,810)	-	-	(64,810)
Balance at December 31, 2013	4,566,794	1,767,682	545,661	472,901	1,089,342	1,726,536	181,377	10,350,293
Carrying amounts								
At January 1, 2013	30,797,920	821,293	49,592	974,580	252,101	163,450	170,577	33,229,513
At December 31, 2013	29,963,550	497,758	29,700	873,912	237,433	426,406	120,845	32,149,604

11. Contributions receivable

	2013 $	2012 $
Contributions receivable	22,020,308	19,622,814
Provision for impairment losses	(2,644,961)	(1,823,285)
	19,375,347	17,799,529

12. Other assets

	2013 $	2012 $
Prepayments	213,434	229,653
Rent and other receivables	2,933,549	2,258,021
Staff receivables	167,123	142,931
	3,314,106	2,630,605
Provision for impairment losses	(893,101)	-
	2,421,005	2,630,605

13. Reserves

Section 20 of the National Insurance Services (Financial and Accounting) Regulations, 1996 stipulates that at the end of each year, the excess of income over expenditure for each branch be transferred to a separate reserve fund to finance the approved benefits.

Apportionment of income

Section 18 of the National Insurance Services (Financial and Accounting) Regulations, 1996 stipulates that income from contributions be apportioned to the benefit branches in accordance with the approved recommendations of the actuarial reports, and that investment income be apportioned to the various benefit branches in proportion to the balances of the reserve funds.

Contribution income is allocated as follows:

	2013 %	2012 %
Pension	85.5	85.5
Short-term benefit	8.3	8.3
Employment injury benefit	6.2	6.2
	100.0	100.0

14. Finance income and expenses

	2013	2012
Recognised in profit and loss	$	$
Interest on loans	6,886,261	5,400,567
Interest income on unimpaired held-to-maturity investments	10,589,213	14,252,736
Dividend income on available-for-sale financial assets	1,245,387	1,073,529
Finance income	18,720,861	20,726,832
Net foreign exchange (loss)/gain	(2,860,792)	835,918
Impairment loss on financial assets	(2,868,571)	(3,529,929)
Net finance expense	(5,729,363)	(2,694,011)
Net finance income recognised in profit and loss	12,991,498	18,032,821

Recognised in other comprehensive income

	2013	2012
	$	$
Net change in fair value of available-for-sale financial assets	(9,434,951)	(691,542)
Finance expense recognised in other comprehensive income	(9,434,951)	(691,542)

15. Other expenses/ income, net

	2013	2012
	$	$
Gain on disposal of property, plant and equipment	-	3,701
Rental income	519,764	654,950
Surcharges and other fees	156,766	406,393
Gain / (loss) on disposal of investments	1,218,641	(328,300)
	1,895,171	736,744

16. Classification of benefits

Benefits are classified to benefit branches in accordance with Section 3 of the National Insurance Services (Financial and Accounting) Regulations, 1996.

17. Income tax

The National Insurance Services is exempt from the payment of income tax under the Income Tax Act, 1979.

18. Pension plan

The National Insurance Services provides retirement benefits under a defined contribution plan administered by Colonial Life Insurance Company (Trinidad) Limited (CLICO) for all of its employees. Under the provisions of the plan, the National Insurance Services and its employees are required to contribute 6% and 3% respectively of the employees' basic monthly salary towards the plan. During the year, National Insurance Services' contribution to the pension plan amounted to $200,247 (2012-$177,391). This amount was charged to operations.

19. Financial instruments

(a) Introduction and overview

The Service has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- regulatory reserves

This note presents information about the Service's exposure to each of the above risks, the Service's objectives, policies and processes for measuring and managing risk, and the Service's management of reserves.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Service's risk management framework.

The Service's risk management policies are established to identify and analyse the risks faced by the Service, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. The Service, 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 obligations.

The Service's audit committee is responsible for monitoring compliance with the Service's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Service. The audit committee is assisted in these functions by internal audit. Internal audit performs both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

19. Financial instruments (cont'd)

(a) Introduction and overview (cont'd)

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the NIS determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

IFRS 13.72 The NIS measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective is valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

cial instruments (cont'd)

'air values of financial instruments

December 31, 2013	Carrying Amount					Fair Value		
	Available for sale	Held to maturity	Loans and receivables	Other financial assets/liabilities	Total	Level 1	Level 2	Level 3
'inancial assets measured at fair value								
Equity securities	84,133,413	-	-	-	84,133,413	-	84,133,413	-
	84,133,413	-	-	-	84,133,413			
'inancial assets not measured at fair value								
Cash and cash equivalents	-	-	13,896,224	-	13,896,224	-	-	-
'ixed deposits	-	77,863,450	-	-	77,863,450	-	-	-
Debt securities	-	104,621,309	-	-	104,621,309	-	104,621,309	-
Loans and advances	-	-	96,130,568	-	96,130,568	-	96,130,568	-
Contributions receivable	-	-	17,634,941	-	17,634,941	-	-	-
Other assets	-	-	-	1,948,175	1,948,175	-	-	-
	-	182,484,759	127,661,733	1,948,175	312,094,667			
'inancial liabilities not measured at fair value								
Benefits payable	-	-	-	(1,278,116)	(1,278,116)	-	-	-
Accounts payable and accrued liabilities	-	-	-	(2,309,276)	(2,309,276)	-	-	-
	-	-	-	(3,587,392)	(3,587,392)			

cial instruments (cont'd)

Fair values of financial instruments (cont'd)

December 31, 2012	Carrying Amount					Fair Value		
	Available for sale	Held to maturity	Loans and receivables	Other financial assets/liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Equity securities	72,032,167	-	-	-	72,032,167	-	72,032,167	-
	72,032,167	-	-	-	72,032,167			
Financial assets not measured at fair value								
Cash and cash equivalents	-	-	3,516,869	-	3,516,869	-	-	-
Fixed deposits	-	102,932,335	-	-	102,932,335	-	-	-
Debt securities	-	119,749,330	-	-	119,749,330	-	119,749,330	-
Loans and advances	-	-	79,235,521	-	79,235,521	-	79,235,521	-
Contributions receivable	-	-	17,799,529	-	17,799,529	-	-	-
Other assets	-	-	-	2,630,605	2,630,605	-	-	-
	-	222,681,665	100,551,919	2,630,605	325,864,189			
Financial liabilities not measured at fair value								
Benefits payable	-	-	-	(865,225)	(865,225)	-	-	-
Accounts payable and accrued liabilities	-	-	-	(2,218,834)	(2,218,834)	-	-	-
	-	-	-	(3,084,059)	(3,084,059)			

19. Financial instruments (cont'd)

(c) Credit risk

Credit risk is the risk of financial loss to the Service if a contributor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from contributions receivable, loans to related parties and investments.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2013	**2012**
	$	**$**
Cash and cash equivalents	13,896,224	3,516,869
Interest receivable	9,100,951	9,652,633
Loans and advances	97,632,260	79,235,521
Investment securities and deposits	266,594,537	294,713,832
Contributions receivable	19,375,347	17,799,529
Other assets	2,421,005	2,630,605
	409,020,324	407,548,989

Management of credit risk

The Board of Directors has responsibility for the management of credit risk and this includes:

- *Formulating credit policies* covering collateral requirements, credit assessment, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval of investments and loans.
- *Reviewing and assessing credit risk.* The investment committee assesses all credit exposures in excess of designated limits, prior to funds being committed to new investments. Loans are subject to the same review process.

Impaired loans and securities are loans and securities for which the Service determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / security agreement(s).

19. Financial instruments (cont'd)

(c) Credit risk (cont'd)

	2013 $	2012 $
Financial assets past due but not impaired		
Carrying amounts		
Interest on loan	14,838	3,764,744
	14,838	3,764,744

	2013 $	2012 $
The aging of the financial assets is as follows:		
1-12 months in arrears	14,838	3,764,744
	14,838	3,764,744

Current comprises:	2013 $	2012 $
Loans guaranteed by the Government of St. Vincent and the Grenadines	32,450,860	9,170,000
Loans secured by mortgage	65,115,399	69,970,435
Unsecured loans	66,001	95,086
	97,632,260	79,235,521

Impaired interest receivable, loans and advances and investment securities and deposits

Individually impaired financial assets are assets (other then those carried at fair value through profit or loss) for which the Service determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/invesment security agreement(s).

Past due and individually impaired comprises:

	2013 $	2012 $
Individually impaired		
Deposits	17,397,374	17,397,374
Interest on deposits	2,145,904	2,145,904
	19,543,278	19,543,278

inancial instruments (cont'd)

:) **Credit risk (cont'd)**

	Interest receivable		Loans and advances		Investment securities		Lending comm
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $
Off balance sheet							
Lending commitments	-	-	-	-	-	-	5,175,979
Loans with renegotiated terms							
Gross carrying amount	-	-	49,536,104	49,536,104	-	-	-
Impaired amount	-	-	-	-	-	-	-
Allowance for impairment	-	-	-	-	-	-	-
Net carrying amount	-	-	49,536,104	49,536,104	-	-	-
Neither past due nor impaired							
Gross carrying amount	5,336,207	5,887,889	97,632,260	79,235,521	261,910,569	293,322,415	-
Past due but not impaired							
30-60 days	-	-	-	-	-	-	-
60-90 days	-	-	-	-	-	-	-
90-180 days	-	-	-	-	-	-	-
over 180 days	3,764,744	3,764,744	-	-	-	-	-
Individually impaired							
Gross carrying amount	4,823,165	2,876,507	167,603	281,078	26,416,503	20,102,973	-
Allowance for impairment							
Individual	4,823,165	2,876,507	167,603	281,078	21,732,535	18,711,556	-

19. Financial instruments (cont'd)

(c) Credit risk (cont'd)

The table below sets out the credit quality of trading debt securities. The analysis has been based on rating agency ratings where applicable.

	2013 $	2012 $
Government bonds		
Rated AA- to AA+	930,880	1,101,081
Rated A- to A+	-	1,352,165
Rated BBB+ and below	1,557,140	323,928
	2,488,020	2,777,173
Corporate bonds		
Rated AA- to AA+	1,268,699	1,502,875
Rated A- to A+	-	908,856
Rated BBB+ and below	3,246,653	1,388,044
	4,515,352	3,799,775

19. Financial instruments (cont'd)

(c) Credit risk (cont'd)

The Service holds collateral against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure:

	Percentage of exposure that is subject to collateral requirements		
	2013 %	**2012 %**	**Principal type of collateral held**
Loans and advances			
Loans to the Government of St. Vincent and the Grenadines	100	-	Property and Government guarantees
Loans to other statutory bodies	100	100	Property and Government guarantees
Staff Loans	99	98	Property and bills of sale
Other	100	100	Property and Government guarantees
Investment debt securities			
Government bonds	-	-	None
Corporate bonds	-	-	None

19. Financial instruments (cont'd)

(c) Credit risk (cont'd)

Concentration of credit risk

The maximum exposure to credit risk by geographic region was:

	Interest receivable		Loans and advances		Investment securities and deposits		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Domestic	4,406,423	6,229,913	97,632,260	79,235,521	35,928,386	123,787,471	137,967,069	209,252,905
OECS	81,023	105,594	-	-	14,048,160	19,528,731	14,129,183	19,634,325
Other Caribbean	4,488,174	2,929,051	-	-	203,431,579	130,005,916	207,919,753	132,934,967
Other	125,331	388,075	-	-	13,186,412	21,391,714	13,311,743	21,779,789
Carrying amount	9,100,951	9,652,633	97,632,260	79,235,521	266,594,537	294,713,832	373,327,748	383,601,986

The maximum exposure to credit risk by sector was:

	Interest receivable		Loans and advances		Investment securities and deposits		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Local Government and other related entities	4,729,514	5,236,160	69,151,426	64,264,438	32,601,415	66,205,141	106,482,355	135,705,739
Other governments	2,076,590	1,704,685	-	-	54,340,801	84,264,288	56,417,391	85,968,973
Corporate	2,294,847	2,711,788	22,672,994	9,170,000	179,652,321	144,244,403	204,620,162	156,126,191
Employees	-	-	5,807,840	5,801,083	-	-	5,807,840	5,801,083
Carrying amount	9,100,951	9,652,633	97,632,260	79,235,521	266,594,537	294,713,832	373,327,748	383,601,986

19. Financial instruments (cont'd)

(d) Liquidity risk

Liquidity risk is the risk that the Service will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Service's approach to managing liquity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Service's reputation.

The following were the contractual maturities of financial liabilities at year end:

December 31, 2013	**Carrying amount $**	**Contractual cash flows $**	**Under 1 year $**
Non-derivative financial liabilities			
Benefits payable	1,278,116	(1,278,116)	(1,278,116)
Accounts payable and accrued liabilities	2,309,276	(2,309,276)	(2,309,276)
	3,587,392	(3,587,392)	(3,587,392)

December 31, 2012	**Carrying amount $**	**Contractual cash flows $**	**Under 1 year $**
Non-derivative financial liabilities			
Benefits payable	865,225	(865,225)	(865,225)
Accounts payable and accrued liabilities	2,218,834	(2,218,834)	(2,218,834)
	3,084,059	(3,084,059)	(3,084,059)

Exposure to liquidity risk

The key measure used by the Service for managing liquidity risk is the ratio of contributions received to benefits paid to contributors.

(e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Service's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return .

19. Financial instruments (cont'd)

(e) Market risk (cont'd)

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Service's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Service's operations and are faced by all business entities.

The Service's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Service's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Service standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance with operational standards is supported by a programme of periodic reviews undertaken by the internal auditor. The results of reviews are discussed with the management to which they relate, with summaries submitted to senior management of the Service.

19. Financial instruments (cont'd)

(e) Market risk (cont'd)

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The NIS incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollar. There is no exposure to foreign currency risk in respect of the United States Dollar because the EC Dollar is pegged at EC$2.70 for US$1. However, there is exposure to foreign currency risk affecting the Service's statement of profit or loss resulting from the fluctuations of other currencies like the Australian Dollar (AUD), Canadian Dollar (CAD), and the Republic of Trinidad and Tobago Dollar (TTD). Moreover, the NIS does not have any foreign currency exposure affecting its equity as there are no currency swaps and forward foreign exchange contracts used as cash flow hedges.

The Service's exposure to currency risk was as follows based on notional amounts:

	TTD	Other
	December 31, 2013	
Interest receivable	188,619	89,210
Investment securities and deposits	20,940,665	8,097,810
Net exposure	21,129,284	8,187,020

	TTD	Other
	December 31, 2012	
Interest receivable	182,403	254,419
Investment securities and deposits	33,568,923	7,581,587
Net exposure	33,751,326	7,836,006

The following significant exchange rates have been applied during the year:

		2013 EC$	2012 EC$
1 TTD:	0.35	0.4025	0.4361
1 CAD:	2.48	2.5283	2.7064
1 AUD:	2.35	2.4000	2.7943

19. Financial instruments (cont'd)

(e) Market risk (cont'd)

Currency risk (cont'd)
A reasonably possible strengthening (weakening) of the Eastern Caribbean dollar against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected reserves and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2013 EC$		2012 EC$	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
TTD (10% movement)	272,157	(272,157)	598,879	(598,879)
CAD (10% movement)	1,709,733	(1,709,733)	3,716,829	(3,716,829)
AUD (10% movement)	1,622,955	(1,622,955)	3,837,583	(3,837,583)

Interest rate risk

The Service adopts a policy of ensuring that 55% of its exposure to changes in interest rates is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. The Service does not enter into any interest rate swaps as hedges of the variability in cash flows attributable to interest rate risks.

At the reporting date the interest rate profile of the Service's interest bearing financial instruments was:

	Carrying amount 2013 $	2012 $
Fixed rate instruments		
Financial assets	364,226,797	373,949,353

Fair value sensitivity analysis for fixed rate instruments
The Service does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

19. Financial instruments (cont'd)

(e) Market risk (cont'd)

Interest rate risk (cont'd)

Fair value versus carrying amounts

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

Fair values	**December 31, 2013**		**December 31, 2012**	
	Carrying amount EC$	**Fair value EC$**	**Carrying amount EC$**	**Fair value EC$**
Cash and cash equivalents	13,896,224	13,896,224	3,516,869	3,516,869
Available-for-sale financial assets	84,069,896	84,069,896	72,032,167	72,032,167
Held-to-maturity investments	182,524,641	182,524,641	222,681,665	222,681,665
Loans and advances	97,632,260	97,632,260	79,235,521	79,235,521
Contributions receivable	19,375,347	19,375,347	17,799,529	17,799,529
Other assets	1,948,174	2,421,005	2,630,605	2,630,605
Benefits payable	(1,278,116)	(1,278,116)	(865,225)	(865,225)
Accounts payable and accrued liabilities	(2,309,276)	(2,309,276)	(2,218,834)	(2,218,834)
	396,331,981	396,331,981	394,812,297	394,812,297

The basis for determining fair value is noted in note 4.

(f) Regulatory reserves

The National Insurance (Financial and Accounting) Regulations 1996 sets the capital requirements for the Service as a whole.

In implementing current reserve requirements the regulation requires that the Service transfer the excess of income over expenditure for each branch to a separate reserve at the end of the year.

The Service's regulatory reserves are analysed into three categories:

- short-term benefit reserve;
- pension reserve; and
- employment injury benefit reserve.

The Service's policy is to maintain a strong reserve base so as to sustain future development of the Service and finance approved benefits. The Service recognises the need to maintain a balance between the higher benefit payments that might be possible and the advantages and security afforded by a sound reserve position.

The Service has complied with all externally imposed reserve requirements throughout the period.

There was no material changes in the Service's management of reserves during the period.

20. Staff costs

	2013 $	2012 $
National Insurance contributions	122,341	116,994
Retirement benefit contributions	200,247	177,391
Salaries and wages	4,034,027	3,749,997
Staff training	174,583	93,701
Uniforms and medical insurance	120,446	109,849
	4,651,644	4,247,932
Number of employees at reporting date	79	71

21. Related parties

(a) *Identification of related party*
A party is related to the Service if:
(i) Directly or indirectly the party:
- Controls, is controlled by, or is under common control with the Service.
- Has an interest in the Service that gives it significant influence over the Service or
- Has joint control over the Service.

(ii) The party is a member of the key management personnel of the Service
(iii) The party is a close member of the family of any individual referred to in (i) or (ii)
(iv) The party is a post-employment benefit plan for the benefit of employees of the Service or any entity that is a related party of the Service.

(b) *Related party transactions and balances*
A number of transactions have been entered into with related parties in the normal course of business.

(c) *Transactions with key management personnel*
In addition to their salaries, the Service also provides non-cash benefits to executive officers and contributions to a post-employment defined contribution plan on their behalf. The key management personnel compensation includes:
- Short-term employee benefits
- Post-employment benefits
- Termination benefits

The Service is controlled by the Government of St. Vincent and the Grenadines.

21. Related parties (cont'd)

Significant transactions with related parties during the year were as follows:	2013 $	2012 $
National Lotteries Authority		
Repayment of loan	491,133	448,540
Loan advances	200,000	500,000
Bank of St. Vincent and the Grenadines		
Repayment of loan	1,274,516	295,723
Loan advances	10,000,000	-
Government of St. Vincent and the Grenadines		
Contributions received	3,630,496	-
Loan advances	5,574,021	-
Acquisition of bonds	15,084,424	12,750,000
Receipts of principal on bonds	8,014,493	1,527,513
National Student Loan Company		
Loan advances	4,307,426	3,570,000

Related party balances at year end are as follows:	2013 $	2012 $
National Lotteries Authority		
Loan balance	570,917	862,050
Interest receivable	3,806	2,389
Bank of St. Vincent and the Grenadines		
Loan balance	22,672,994	13,947,510
Interest receivable	52,164	-
Government of St. Vincent and the Grenadines		
Contributions receivable	13,131,064	13,254,819
Loan balance	55,110,125	49,536,104
Interest receivable	3,997,765	3,764,744
Bonds	32,601,416	25,631,485
Bond interest receivable	727,943	497,189
National Student Loan Company		
Loan balance	13,477,426	9,170,000

22. Commitments

(a) Capital commitments

As of the reporting date, the Board of Directors approved capital expenditure amounting to $5 million (2012: Nil).

(b) Credit commitments

In the normal course of business, various credit commitments are outstanding which are not reflected in the statement of financial position.

These financial instruments are subject to normal credit standards, financial controls and monitoring procedures.

	2013 $	2012 $
Commitment to extend credit	5,175,979	20,000,000
Total off-balance sheet credit commitments	5,175,979	20,000,000

NATIONAL INSURANCE SERVICES

ADDITIONAL INFORMATION

TO THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

KPMG Eastern Caribbean
Chartered Accountants

ADDITIONAL INFORMATION

Table of Contents

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ADDITIONAL COMMENTS OF INDEPENDENT AUDITORS

To: The Honourable Minister of Finance and Economic Planning
Administrative Building
Kingstown

The accompanying schedules I to III are presented as supplementary information only. In this respect, they do not form part of the financial statements of the National Insurance Services for the year ended December 31, 2013 and hence are excluded from the opinion expressed in our report dated October 31, 2014 to the Honourable Minister of Finance and Economic Planning on such financial statements.

KPMG Eastern Caribbean

Kingstown, St. Vincent and the Grenadines

October 31, 2014

NATIONAL INSURANCE SERVICES
Schedule of Branch Operations
For the year ended December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	Short-term Benefits		**Long-term Benefits**		**Employment Injury**		**National Provident Fund**		**Total**	**Total**
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Income										
Contributions	4,127,248	3,633,195	42,748,289	37,631,087	3,151,717	2,774,440	-	-	50,027,254	44,038,721
Net financing income	445,493	721,252	9,293,663	15,516,067	1,153,275	1,795,502	-	-	10,892,431	18,032,821
Interest on National Provident Fund	(26,021)	(27,517)	(542,844)	(591,968)	(67,363)	(68,502)	636,228	687,987	-	-
Other	307,903	32,944	3,412,412	633,435	273,923	70,364	-	-	3,994,238	736,744
Total income	4,854,623	4,359,874	54,911,520	53,188,621	4,511,552	4,571,804	636,228	687,987	64,913,923	62,808,286
Expenditure										
Benefits	2,403,625	2,657,898	39,665,898	34,684,413	306,228	225,986	2,008,833	1,799,736	44,384,584	39,368,033
Bad debts expense	132,650	36,265	1,373,929	375,619	101,296	27,693	-	-	1,607,875	439,577
Administrative expenses	677,611	714,408	8,550,890	8,212,049	358,779	340,724	-	-	9,587,280	9,267,181
Total expenditure	3,213,886	3,408,571	49,590,717	43,272,081	766,303	594,403	2,008,833	1,799,736	55,579,739	49,074,791
Net income for the year	1,640,737	951,303	5,329,803	9,916,540	3,745,249	3,977,401	(1,372,605)	(1,111,749)	9,334,184	13,733,495

SCHEDULE II

NATIONAL INSURANCE SERVICES

Schedule of Benefits

For the year ended December 31, 2013

(Expressed in Eastern Caribbean Dollars)

	Short-term Benefits		Long-term Benefits		Employment Injury		National Provident Fund		Total	Total
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$	$	$
Sickness benefit	1,273,106	1,238,919	-	-	-	-	-	-	1,273,106	1,238,919
Maternity benefit	778,450	1,064,919	-	-	-	-	-	-	778,450	1,064,919
Maternity grant	352,069	354,060	-	-	-	-	-	-	352,069	354,060
Funeral grant	-	-	1,808,527	1,512,036	-	-	-	-	1,808,527	1,512,036
Invalidity benefit	-	-	482,740	502,828	-	-	55,518	30,012	538,258	532,840
Survivor’s benefit	-	-	3,015,743	2,935,286	-	-	84,117	101,841	3,099,860	3,037,127
Age benefit	-	-	30,934,722	26,298,069	-	-	1,869,198	1,667,883	32,803,920	27,965,952
Age grant	-	-	1,326,150	1,131,415	-	-	-	-	1,326,150	1,131,415
Invalidity grant	-	-	2,756	2,336	-	-	-	-	2,756	2,336
NIS employment injury medical	-	-	-	-	22,275	3,248	-	-	22,275	3,248
NIS employment injury	-	-	-	-	179,510	107,547	-	-	179,510	107,547
NIS employment disablement	-	-	-	-	74,790	92,105	-	-	74,790	92,105
NIS employment death	-	-	-	-	29,653	23,086	-	-	29,653	23,086
Non contributory assistance age pension	-	-	1,576,543	1,758,287	-	-	-	-	1,576,543	1,758,287
Elderly assistance benefit	-	-	518,717	544,156	-	-	-	-	518,717	544,156
Total expenditure	2,403,625	2,657,898	39,665,898	34,684,413	306,228	225,986	2,008,833	1,799,736	44,384,584	39,368,033

NATIONAL INSURANCE SERVICES
Schedule of General and Administrative Expenses
For the year ended December 31, 2013
(Expressed in Eastern Caribbean Dollars)

	2013 $	2012 $
Accommodation and travel expenses	375,591	311,998
Advertising and promotion	141,326	84,775
Annual awards dinner and anniversary celebrations	30,000	233,893
Audit fees	77,281	65,582
Bank charges	39,926	18,285
Cleaning expense	90,120	90,800
Depreciation expense	1,527,131	1,693,450
Directors’ fees and expenses	120,985	138,085
Donations, community and education projects	452,562	403,248
Insurance	195,331	195,230
Management fees	91,138	181,996
Miscellaneous expenses	7,295	9,345
Office expenses	28,312	28,956
Postage and stationery	184,796	172,555
Post office charges	48,000	48,000
Professional fees	129,747	102,469
Repairs and maintenance	227,651	286,528
Seminar expenses	89,326	-
Staff costs	4,651,644	4,247,932
Subscriptions	184,437	94,788
Security	189,546	187,297
Utilities	705,135	671,969
	9,587,280	9,267,181

NOTES

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