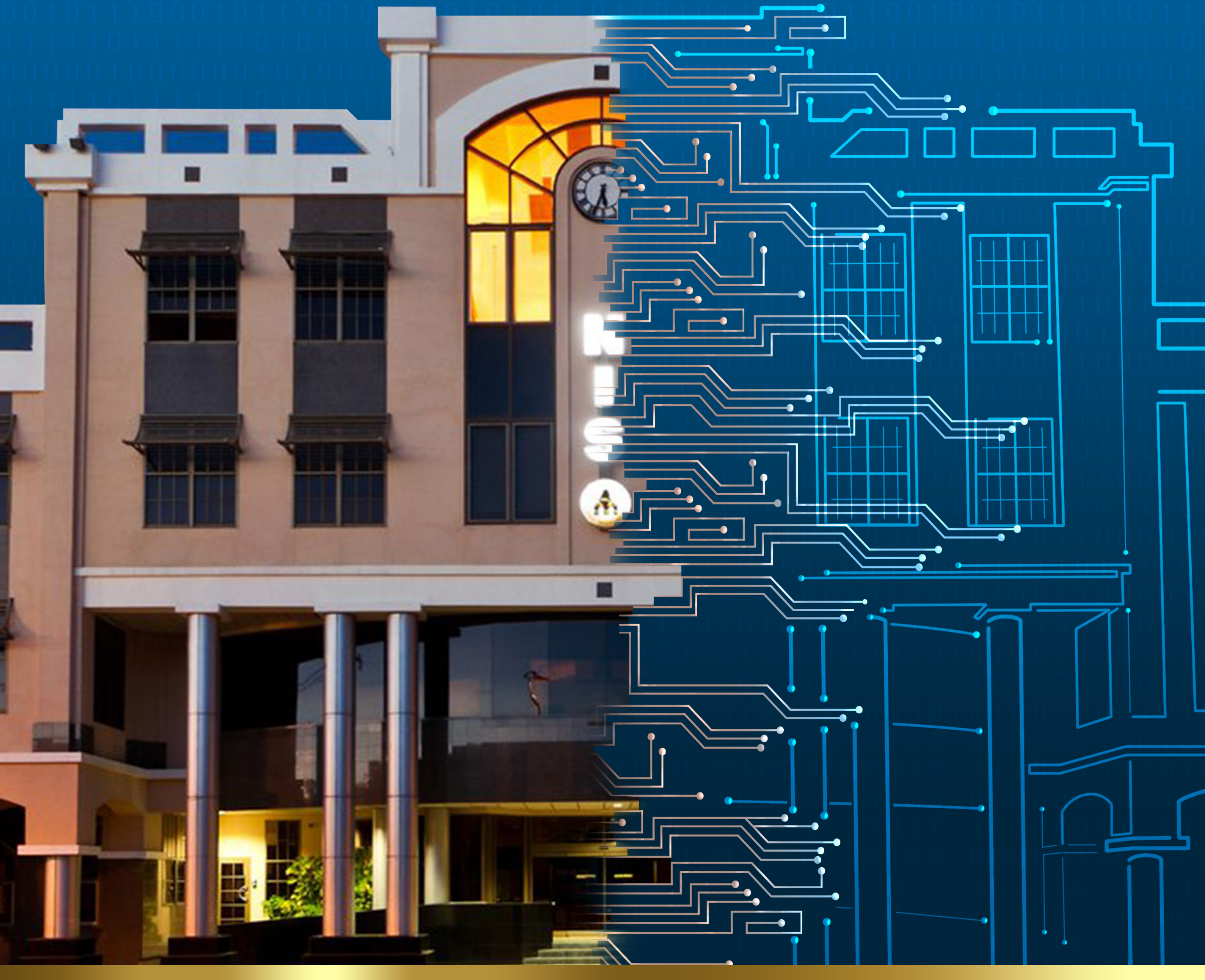
ENHANCING SUSTAINABILITY
THROUGH
REFORM AND DIGITAL TRANSFORMATION



The Saint Vincent & the Grenadines
NATIONAL INSURANCE SERVICES

ANNUAL REPORT
2021

Mission

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

Vision

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

CONTENTS

Minister's Review	03
Chairman's Message	06
Director's Report	08
Board of Directors	32
NIS' Social Response	33
NIS launches myNIS app	34
Their Stories: Customer Highlights	35
Our Stories: Staff Highlights	38
Financial Statements	41

SERVING BECAUSE WE CARE

Minister's Review

HON. CAMILLO M. GONSALVES
Minister with responsibility for National Insurance

Introduction

As Minister with responsibility for the National Insurance Services (NIS), I always look forward to addressing our stakeholders annually. This Annual Report presents an outline of the achievements and challenges of the NIS during the year 2021. I am proud to say that, despite the challenges that COVID-19 and the La Soufriere volcanic eruption presented, the NIS continued to fulfill its mandate of paying benefits throughout the year.

Let me take this opportunity to remind all contributors to NIS that when the system started in 1987, part of its aim was to establish a social protection system to address risks and vulnerabilities among the working people (employees), by offering short-term and long-term benefits based upon their contribution status. A legislative framework was also developed to provide guidance on how to implement this new policy, given the novelty of National Insurance in St. Vincent and the Grenadines (SVG).

Over its 34 years of operations, the system has been working well. Despite the fact that the social security system is intact, well established and comparable with other developed and developing countries, the system is currently at a stage where it is experiencing some maturity challenges particularly in its generous benefit structure relative to the low contribution rate. Failure to address this expeditiously will have serious repercussions on the medium-term sustainability of the system. The major challenges with the existing system are the generous design and the relatively low contribution rate. Since inception, this NIS' low contribution rate was increased less frequently than the long-term and short-term benefits have increased, thus creating an imbalance between revenue and expenditure. In addition, the current population-ageing situation in SVG is creating compounded sustainability challenges as the number of pensioners is rising faster than the number of contributors.

Another challenge for the NIS is the fact that informality and self-employment remain widespread in SVG reflecting a high proportion of workers still employed in subsistence agriculture and other self-employed ventures. However, the vast majority of these workers remain uninsured because there is no mandatory legislation to enforce coverage for this category of workers. As a result, the proportion of the working age population working, but not contributing to NIS, is increasing. This will need to change to create a contribution dividend that will redound to their benefit and the contribution collections of the NIS, particularly in receiving contributions from high-end workers such as lawyers, engineers, contractors and accountants. The delay in passing the amendments to the NIS Act has hindered several regulatory developments as far as this group is concerned.

Reform initiatives and Legislative Review Recommendations

Being cognizant of the aforementioned realities, the key focus for the year 2022 will have to be:

1. Continuously pursuing the NIS Act amendments.
2. Putting in place adequate risk measures to cushion the Fund and its members from the long term impacts of not increasing the contribution rates.
3. Monitoring the Fund's investments in the different countries and investment instruments, to ensure that the Fund is operating within risk tolerance levels.
4. Monitoring the Fund's policies to ensure compliance with all relevant laws and policies and implementation of the recommendations made by the Actuary and external audit.

The Actuary has been recommending a compulsory increase in the contribution rate since 2015, but this has never been implemented, hence the reason that the gap between income and expenditure still exists. This cannot continue for much longer, therefore as Minister, I am recommending that the recommendations of the Actuary for increased contribution be introduced to cover this existing social security gap. In addition, the contribution rate increase can be supported by pension increases to offset the financial burden of the rising inflation. The NIS could also give consideration for a feasibility assessment to provide coverage for an unemployment benefit, which NIS introduced temporarily during the COVID-19 pandemic.

I am suggesting that the NIS make a balanced and honest attempt to identify and discuss the inefficiencies in the system with all the stakeholders and then take bold steps to address them. Many of the proposals require behavioral changes, not only from employees but also on part of the employers. Many of these can only be brought about by legislative change with mandatory compliance being the best example. I reiterate that from where I sit, a frank assessment of the current NIS retirement savings landscape suggests that while many people in formal sector jobs contribute to retirement funds, the vast majority of self-employed and informal workers need to get on board sooner than later.

The primary objective of social security and retirement reform in SVG is to extend coverage, particularly to low-income earners, to provide adequate and affordable income protection and to keep the Fund sustainable in the long-term.

The reform can be likened to a long journey that needs the intervention of the Government as the major employer, the private sector and employees to work collaboratively to institute reform measures that will rectify the imbalances that currently exist and create an environment that upholds the principles of social security-social justice, universality, equity, and social solidarity.

Conclusion

In closing, I wish to thank the NIS' Board of Directors, management, and staff of the NIS for the splendid job that they have been doing in managing this noble institution. Building on the 2021 achievements, I expect a strengthened partnership in 2022 for better delivery whilst working together, especially during such tumultuous times for SVG. Going forward, this means we must pursue new ways of working together with our partners to ensure a greater impact and transformational change in the lives of the people in SVG as we strive to provide quality service and serve the insured population for whom we care.

Regards,

Hon. Camillo M. Gonsalves
Minister with responsibility for
National Insurance

Chairman's Message

MR. LENNOX A. BOWMAN
Chairman, NIB

Introduction

It gives me great pleasure as Chairman of the National Insurance Board, to address our stakeholders for the year under consideration. The year 2021 was an eventful one for the National Insurance Services (NIS). There were successes in that the institution was able to meet its pension obligations on time and in full. Also, as a Board, we were able to undertake investments with the sole purpose of trying to maintain financial soundness and keep the system as sustainable as possible given the constraints that have been confronting social security systems globally. Notwithstanding these positive features, there were challenges that must be confronted if the NIS is to fulfill its role as a social safety net in protecting its pensioners and other beneficiaries against adverse shocks, and continue on its path to assist the country in fostering social and economic development. Given the limitations, it is therefore expedient for the NIS to undertake specific parametric reforms and changes in its design, to ensure that pensioners receive their retirement benefits in sufficient amounts until death to avoid poverty in old age and that other members who are insured receive their other long-term and short-term benefits when they become due. As fiduciaries, it is the moral and legal responsibility of this Board to uphold this obligation.

Salient issues

The issues involved in designing, administering, and sustaining social security systems are complex, and involve many trade-offs between coverage, adequacy, affordability and administrative capacities. As it currently stands, there is a need to improve the NIS in terms of its design and to a lesser extent its offerings. As currently configured, the system is designed to receive mandatory contributions from employees between the ages of 16 – pensionable age (which was 62 years in the year 2021) with the assurance that on receiving the mandatory pensionable age that they will receive a pension for life. The reality is that from the amendments to the Act in 2014 allowance was made to accommodate an early pension once the beneficiary reaches the age of 60. Although there is a 6% adjustment per year for using this option, many persons are opting for this and in the long run, this can create problems for the system since the pensions for these persons will extend for a longer period. Essentially, by opting for the early pensions, one's contribution period is reduced and payments of benefits starts earlier. This creates financial pressure for the Fund. It must also be borne in mind that in the event of death, the survivors of these pensioners are entitled to survivors' pension and the prime beneficiary must receive a funeral grant albeit a one-off lump sum payment. Efforts should be made to adjust this phenomenon and make it mandatory for pensioners to receive their pensions at a fixed age as was the norm before the reform of 2014/2015.

What makes this situation so onerous is the fact that contributions rates are low. The inadequacy of the contribution in relation to the benefits paid is thus creating an imbalance in the financial arrangements. The long-term pension costs have been increasing over the years, but contributions have been flat over the past seven years of operations.

Coverage is also posing challenges in that the legislation only allows compulsory contributions from employed persons, but employment is increasing in the informal sectors and many workers are moving towards employment in the "GIG Economy", so it is essential to pass legislation to ensure that they contribute compulsorily to the social security system. The trade-offs from this could be phenomenal especially for those high earners in the prestigious sectors in the labour force. Determined efforts should be made to show this category of workers the fiscal and economic implications of their contributions to themselves and also for economic development of the country. While affordability among high earners should not pose any major challenges, the modalities for this need to be carefully examined and instituted. The Minister with responsibility for National Insurance can add significant value to this initiative.

Any effort to propel the reform agenda necessitates awareness building among all stakeholders. Efforts must, therefore, be made sooner rather than later to put the requisite systems in place to market this programme to solicit feedback among the wider populace including the Government, the private sector, and trade unions. This coalition and collaboration can only redound to the benefit of all players as they strive to keep National Insurance in St. Vincent and the Grenadines viable and financially sound. The discourse suggests urgent need for reforming SVG's social security system. The direction for such reform is also fairly clear. The aim is to ensure financial sustainability, and to expand coverage, particularly among the Informal sector.

Conclusion

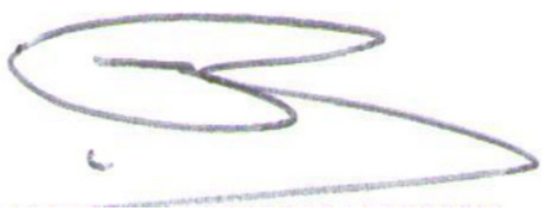
There has been increasing recognition of the need for reform by the actuary, the board, and management, broadly along the lines outlined above. We are aware that social security reform in any country is politically and socially quite sensitive. However,

It is essential to design and implement these reforms with professionalism, giving attention to all the implications.

I am confident that every effort will be made to ensure a smooth transition as we strive to keep social security beneficial to all our contributors and beneficiaries.

In closing, I wish to express my gratitude to the Board of Directors, management and staff for their professionalism and support displayed during the past year. Let us do all that lies within our ambit to "serve because we care."

Regards,



Lennox A. Bowman
Chairman
National Insurance Board

Director's Report

Stewart K. Haynes

Director

Preamble

In our social security context, 2021 was a year like no other. A year that our mature social security system faced extraordinary challenges and uncertainty matched by our employees' heroic and exceptional efforts to ensure the continuity of social security services. This was done amidst an unprecedented overlapping crisis of a pandemic-induced socio-economic disaster, and violent eruptions of the La Soufrière volcano on the shores of SVG.

Our small, open, vulnerable, and resource-challenged economy experienced many-sided difficulties occasioned by the COVID-19 pandemic, exacerbated by the violent eruption of our La Soufrière volcano. Many Vincentians' lives and livelihoods were disrupted, dislocated, and destroyed. Accordingly, our social security played an indispensable role in providing financial protection to individuals and households by extending its Temporary Unemployment Benefit program for a further three months to March 31, 2021. Additionally, our social security system served as an important economic stabilizer by injecting approximately $82 million in benefit payments to beneficiaries in the fractured economy. Also, the NIS lived its mission of **"contributing to the social and economic development of SVG",** through the efforts of our staff in giving their time, and personal resources to touch and transform the lives of displaced Vincentians in several emergency shelters throughout SVG. This courageous effort by our staff was testament of our patriotism and our commitment to be our brothers' keepers through their life journeys.

The overlapping crisis tested our plurality, as a critical pillar of the national social protection system, to strike a delicate balance between financial sustainability and social solidarity to achieve income equality and poverty alleviation. For instance, we prudently found the fiscal space to broaden our social safety net with the extension of the non-contributory Temporary Unemployment Benefit program at a time when our social security system experienced compounded severe financial pressures. Prior to the 2021 economic shocks, scars of COVID-19 and the volcanic eruptions, our social security system was assessed by the External Actuary, as unsustainable in the medium and long terms, if there were no further changes in the benefit provisions and contribution rates. The Actuary's opinion was premised on the dramatic increases in benefits because of population ageing, a maturing pension system and a generously designed pension program. In 2021, the debilitating effects of the overlapping crisis on the economy, labour market and financial market caused deepened distress to social security finances. The contribution income declined due to a rise in unemployment and a decline in insurable wages, while the benefit expenses increased due to a maturing plan, higher than expected rise in early age pensions and significant payout in COVID-19-related sickness benefits.

To counteract the adverse effects of the maturing plan and the ageing Vincentian population in the short-term, the Board and Management focused on non-parametric reform measures including revenue mobilization through improving contribution compliance, enhancing coverage, and strengthening investment income. On the expenditure side, efforts were strengthened around cost rationalization through prudent procurement and use of digital technology.

1.0 Programmatic Roadmap for 2021

Under the strategic goal of **building a Sustainable, Agile, Focused, Efficacious and Rights-based (SAFER) NIS**, the Board and Management crafted the 2021 five-pronged programmatic roadmap that focused on financial sustainability, customer service, human resource strengthening (capacity building), digital transformation, and corporate governance. Accordingly, we will report on our stewardship for the fiscal year 2021 under the strategic priorities.

1.1 Financial Sustainability

The subject of financial security remained the most important strategic priority for the period under review. To this end, the Board and Management prioritized resources to ensure improved financial sustainability of the social security fund. This strategic priority was broken down into tactical buckets of parametric reform, contribution collection and compliance, coverage, investment management function and cost rationalization.

1.1.1 Parametric Reform

After one year of delaying the 11th Actuarial Review to account for the 2020 pandemic-induced performance, the Board received and approved the 11th Actuarial Review in 2021 from Life Works. The key message of the 11th review mirrored that of the previous review (10th), which indicated that the National Insurance Fund is maturing and will face severe financial and actuarial sustainability challenges in the medium and long terms if no changes are made to the benefit provisions and contribution rates in the near term. The Actuary opined that the NIS provides adequate income protection to contributors and beneficiaries. However, its financial sustainability is threatened by the demographic situation of a high scheme dependency ratio, where the number of pensioners is growing faster than the contributing population. Accordingly, parametric reform is urgently needed to improve the financial and actuarial conditions of the Fund.
The population ageing phenomenon; increasing longevity, declining fertility, and increasing emigration at working ages; is the principal factor in rapidly escalating the long-term cost of the social security fund. In addition, the maturing nature of the Fund- as evidenced by the rapid increases in the pension payments as the number of pensioners and average new pensions rise on an annual basis, creates further solvency challenges to the Fund. These challenges are compounded by the generous design of the Fund (low contribution rate, high replacement rate and front-end loaded benefit formula) and low economic growth exacerbating the financial imbalance of the Fund.

The mentioned factors predominantly shaped the projected results of the Fund as per the 11th Actuarial Review:

- Total expenditure will exceed contribution income each year.

- Total expenditure will first exceed total income in 2021.

- The fund is projected to be depleted between 2033 and 2036 if there are no changes in the contribution rates and or benefit provision.

- The pay-as-you-go rate (the cost of the fund as expressed by total expenses over total insurable wages) in 2079 will be between 24% and 34%.

- The average long-term cost of benefits over the next 60 years, often referred to as the general average premium, is between 18% and 22%.

These results are similar to those of the 10th Actuarial Review and once again show that the Fund is financially and actuarially unsustainable over the medium and long terms at current benefit provisions and contribution rate. The implementation of parametric reform measures is necessary to place the Fund on more sustainable financial and actuarial footings. The reform measures promulgated by the external Actuary for Board and Management's consideration include but are not limited to the following:

1. **Contribution Rate Adjustments**
2. **Change in Benefit Provisions**

The Board and Management must take the socio-economic context in deciding the specific reform measures to be adopted. Accordingly, the above recommendations may be tweaked to take into account, public views and other socio-economic factors impacting the country. Of note is that the Board and Management are duty bound to ensure that the significant financial and social institution that is the NIS remains solvent and viable to provide adequate and affordable financial protection for the people of Saint Vincent and the Grenadines.

1.1.2 Contribution Collection and Compliance

The Compliance Unit was supported by the Legal Department to drive current contribution collection, contribution compliance and contribution arrears management. In the review period, the Compliance and Legal business units worked collaboratively to adopt a series of moral suasion activities to encourage employers to pay their NIS' contributions and comply with all provision in the NIS Act.

Failure on part of employers to settle their contribution arrears would lead to various remedies being implemented that are consistent with our law. The following provides a brief synopsis on the actions that have been taken in the fiscal year 2021 to collect outstanding contributions:

1. Execution of judgements for High Court claims – External Counsel, Duane Daniel Chambers, is vigorously pursuing outstanding judgements that were granted in favour of the institution
2. Garnishes have been filed against delinquent employers;
3. Liens have been registered against delinquent employers;
4. Debt proposals/settlement discussions have been held with several employers;
5. Magistrate court actions have been instituted against employers.

The contribution collection in 2021 showed an improvement over 2020 collections by $1.2 million. This improvement was largely due to higher collections from the Government and statutory bodies, which outweighed the decline in collections of contribution income from the private sector. In addition, there was a 3% increase in the average insurable wages during the period. Conversely, there was a decline in the number of contributors (declining from 43,095 to 40,200), and an 11% contraction of employers (moving from 2,318 to 2,064).

The historic trend for contribution collections, monthly average insurable earnings, and the employer and insured population for the period 1987 to 2021 is depicted in the graphs below:

Fig 1: 1987 to 2021 Contribution Income

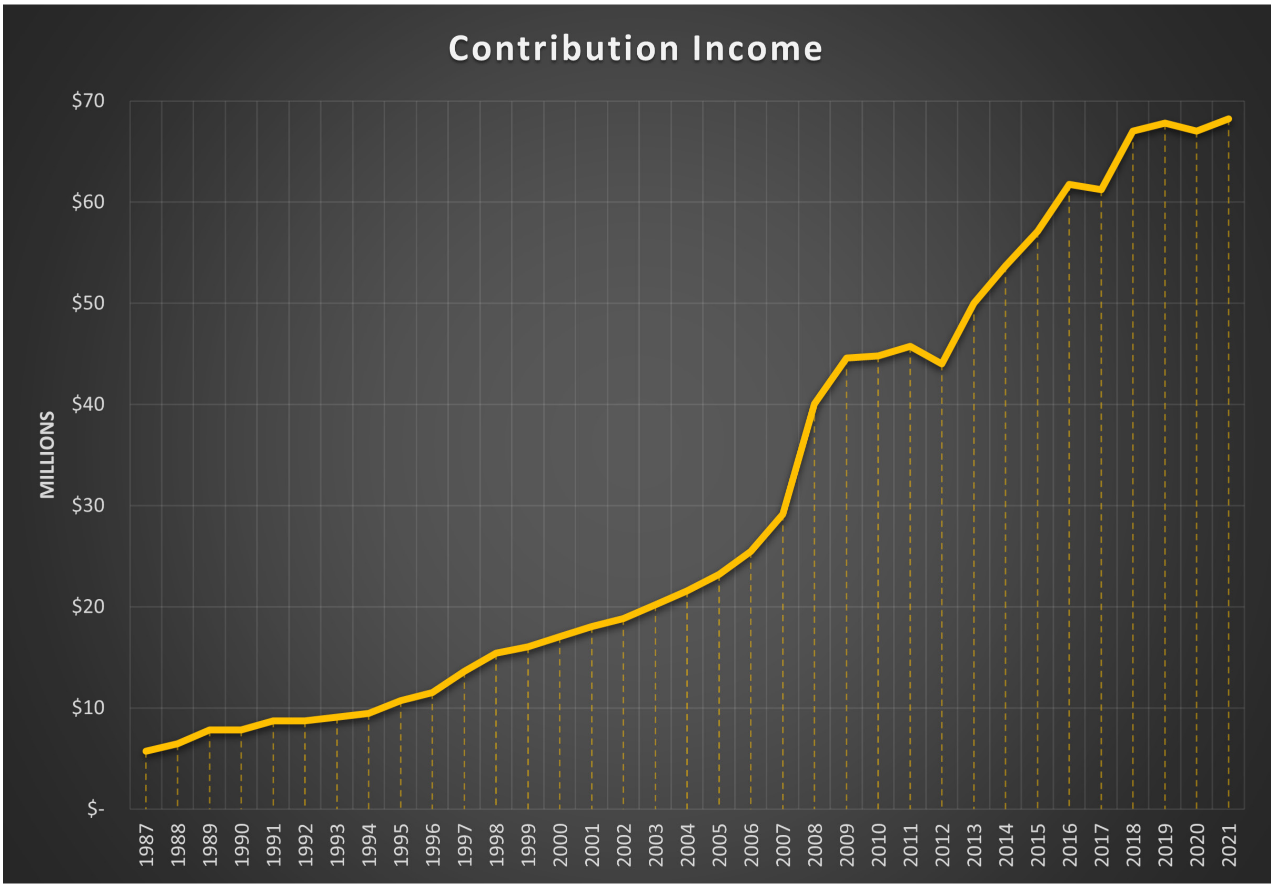


Fig 2: 1987 to 2021 Monthly Average Insurable Income

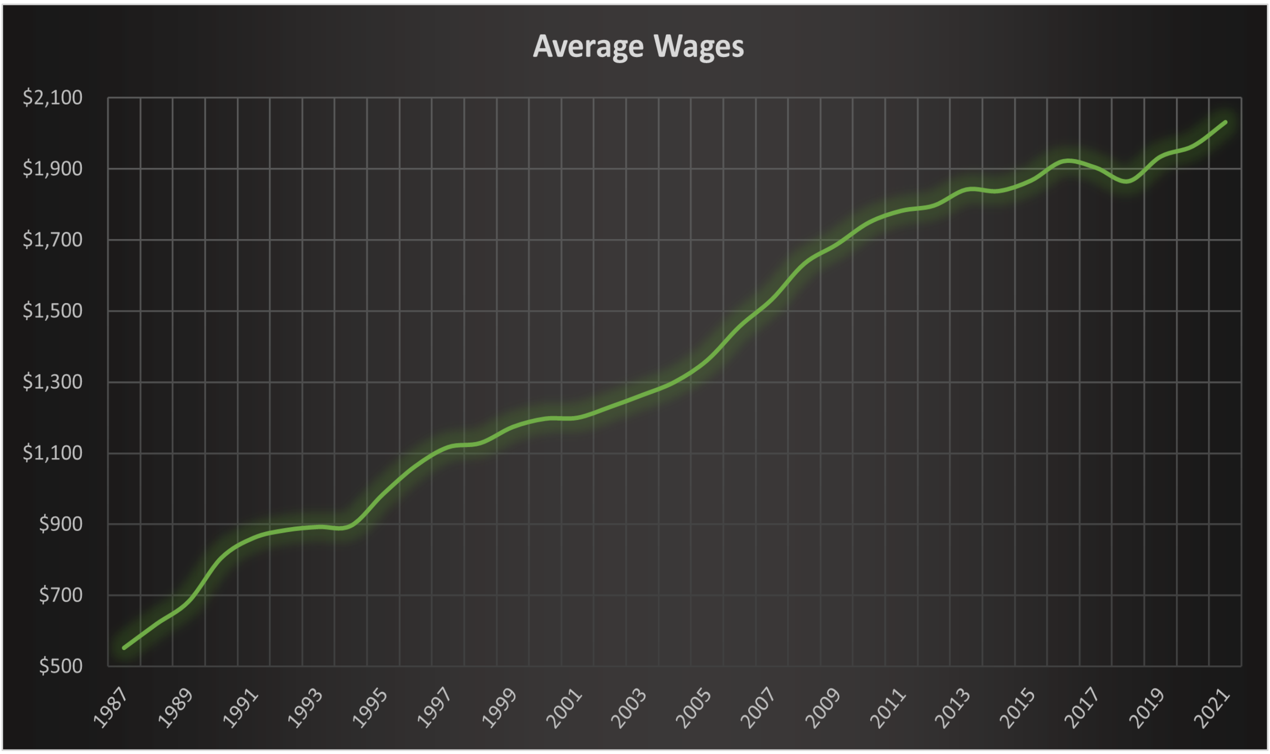


Fig 3: 1987 to 2021 Insured Population

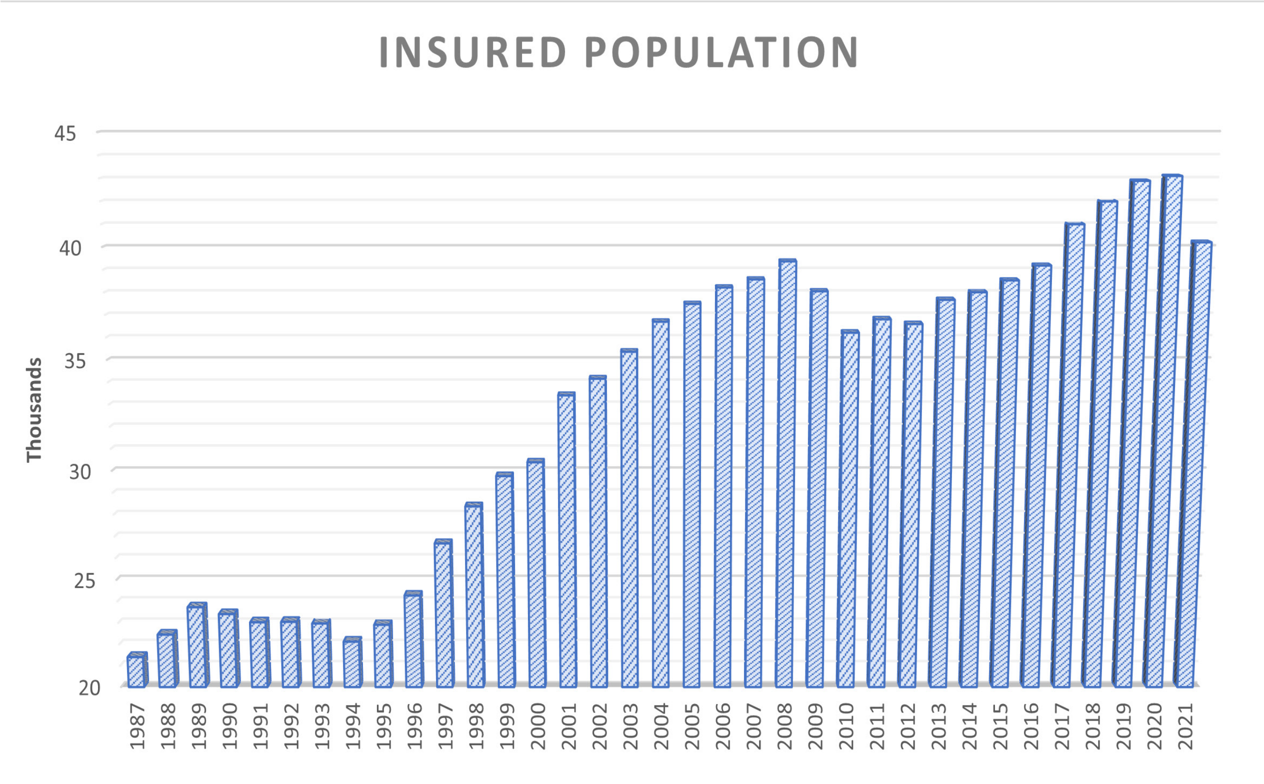


Fig 4: 1987 to 2021 Employer Population

1.1.3 Coverage

COVID-19 has brought to the fore some key fundamental gaps of the global social security systems including the low level of coverage among the informal and self-employed sectors. As such, these sectors were disproportionately affected by the pandemic-induced economic crisis. Additionally, there were questions raised about the relevance of social security to these sectors and pundits opined that **"social security systems failed these categories of workers"**. With the regional labor markets' trends of high informality and the growing gig economy, this matter of extension of coverage to the informal and self-employed sectors has become policy priority for most Governments and administrators of global social security systems.

Notwithstanding the extension of coverage to rural, informal, and self-employed workers, bridging the coverage gap was a strategic item for NIS pre-pandemic. The lessons learnt from COVID-19 have accelerated this important policy matter as one of the top priorities for our actions in 2021. To this end, the NIS redoubled its efforts to provide social security coverage to rural, informal, and self-employed workers. From the NIS' perspective, the extension of coverage helps the Fund in two fundamental ways, namely:

1. **To enhance relevance of the system through providing coverage for all;** we are not leaving anyone behind on our journey to provide social protection to all workers in SVG.

2. **To mitigate the financial implication of the growing scheme dependency ratio (the number of pensioners to number of contributors).** Extension of coverage would aid in the reduction of the cost of social security and thereby improve its financial sustainability.

Relating to financial sustainability, the degree of coverage directly impacts social security finances through contribution collections. Higher coverage would lead to improved financial viability as the level of coverage influences the contribution base and the contribution participation rate of a social security system. Once coverage improves, contribution income would increase by the upturn in the contribution base and contribution participation rate. Likewise, enhanced coverage reduces the scheme dependency ratio and the long-term cost of social security.

The context of COVID-19, coupled with its debilitating impact on our economy, tempered the coverage initiatives. The NIS focused on the utilization of social media platforms (including Facebook, Instagram, Twitter, WhatsApp and the institution's website) to reach our valued stakeholders. Moreover, the NIS used the Temporary Unemployment Benefit program and the Government Displacement Supplemental Income Program, which was administered by the NIS, to connect with the uncovered informal and self-employed workers.

The NIS also coordinated with other key stakeholders such as the Government, government agencies, financial institutions, and the self-employed and informal workers interest groups to promote social security coverage among their customers and memberships. As an example, the NIS established a Memorandum of Understanding with key stakeholders and the contribution collection agents for information sharing, execution of NIS' garnishee orders and setting requirements for the submission of letters of Good Standing from the NIS as part of doing business with the respective stakeholders.

One of the key success stories with these stakeholders' partnerships relates to the PRYME program (Promoting Youth Micro Enterprises) which was funded and administered by the Government in 2020 under the economic objective of keeping the economy afloat. The Government instituted the requirements for all applicants to be registered with the NIS for consideration under the program. This initiative resulted in significant new self-employed registration in 2020 reflected in the total number of self-employed registrants in 2021 standing at 1,403 comparative to 1,712 in 2020.

The crude estimates from the NIS suggest that coverage among the self-employed and informal workers of SVG is below 25% and coverage of the formal sector is approximately 85%. There is room for improvement in extending social security coverage to all categories at workers.

The self-employed and voluntary programs were introduced in 1997 and the trends relating to the total registrants for these two cohorts and employees are presented in the graphs below:

Fig 5: 1997 to 2021 Self-Employed Population

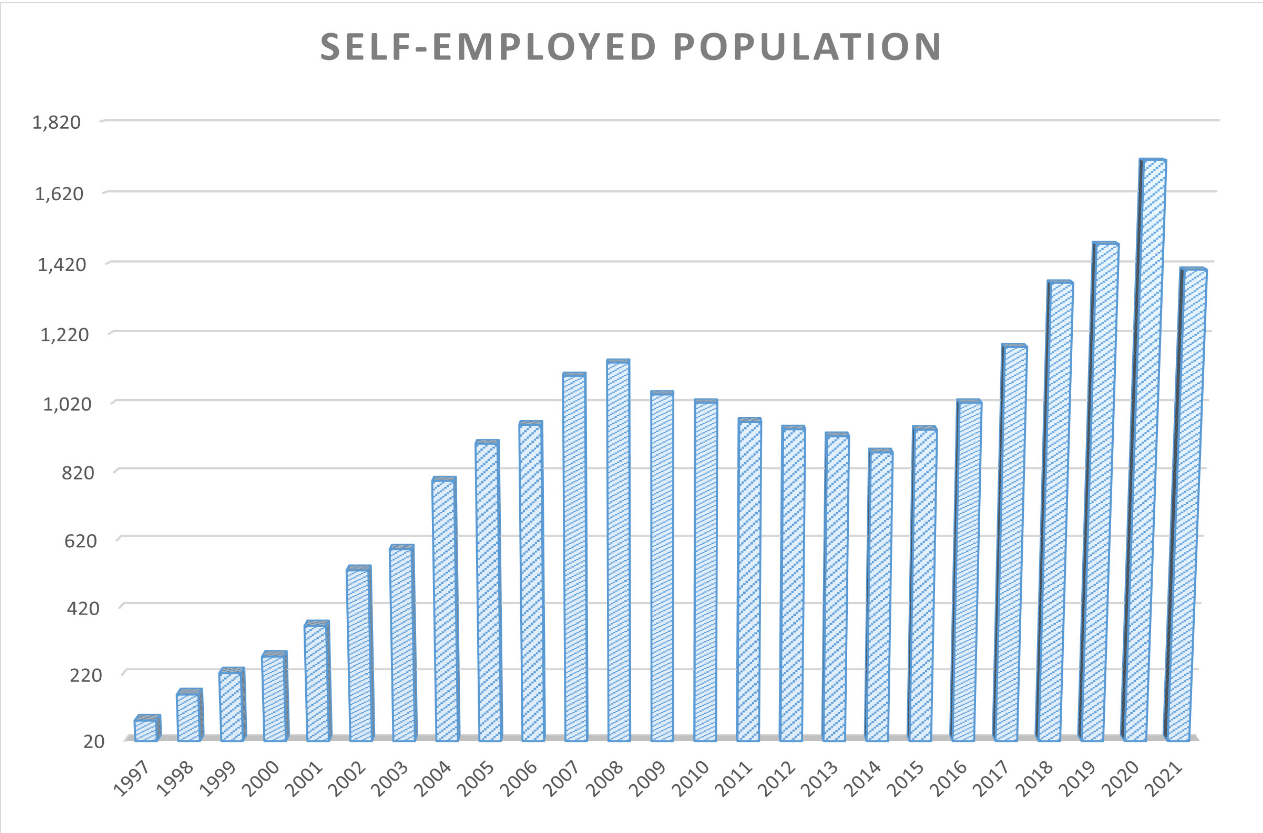
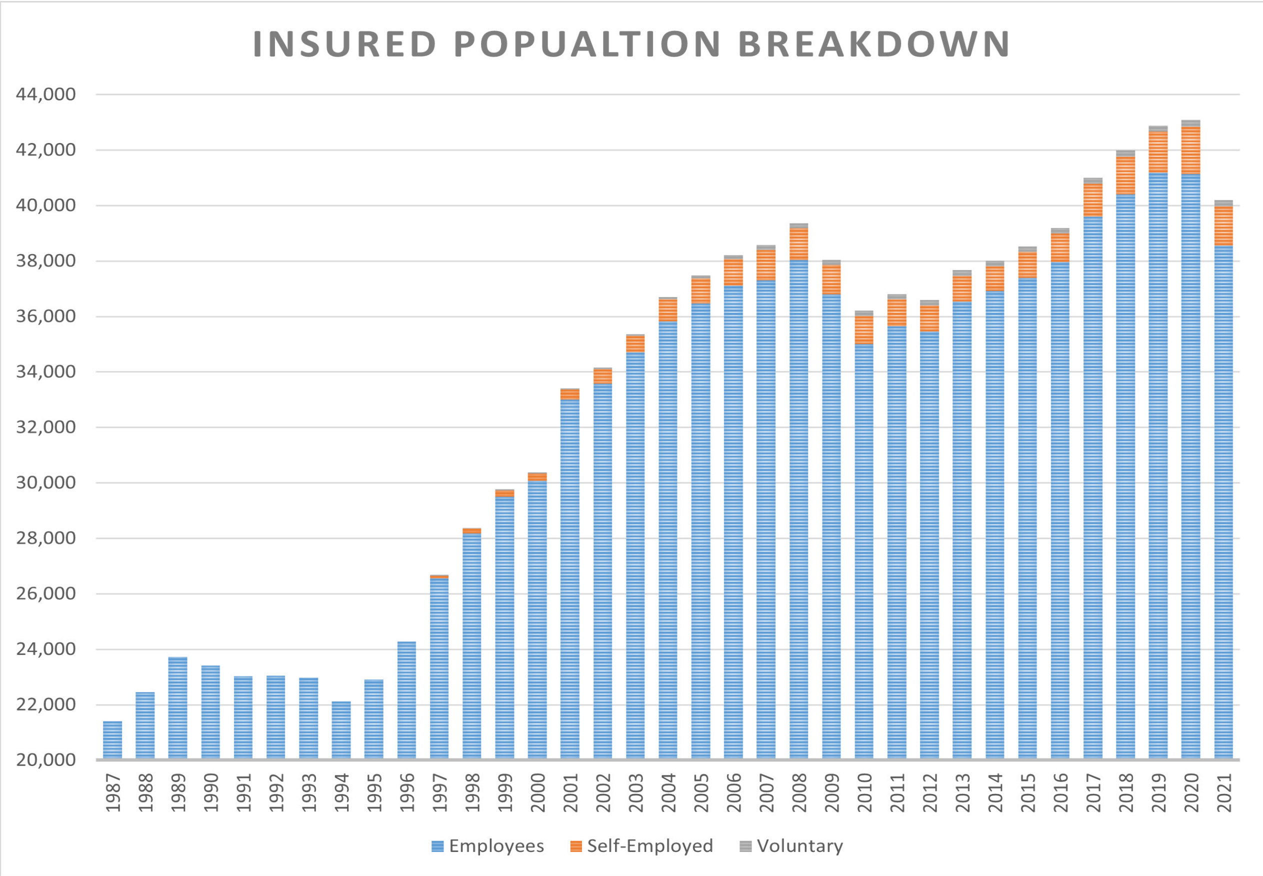


Fig 6: 1987 to 2021 Insured Population



Other key coverage indicators are presented in the table below:

CRITICAL INDICATORS	ESTIMATED VALUE	COMMENTS
Coverage of formal employees	80% - 85%	Fairly good coverage of the formal sector.
Coverage of informal workers	30% - 35%	Low coverage of the informal sector and reflective of compliance initiatives and low education on social security.
Coverage of self-employed	20% - 25%	The coverage is low due the voluntary nature and design mismatch with needs of self-employed persons.
Number of persons over 65 receiving an NIS pension	50% - 55%	Coverage needs improvement and is reflective of low coverage among the growing informal sector in SVG.
Number of births that resulted in maternity grants	35% - 40%	Indicator of low social security participation rate.
Number of deaths that resulted in funeral benefits	50% - 55%	Indicator of low social security participation rate.
Number of COVID-19 cases resulted in sickness benefits	35% - 40%	Indicator of low social security participation rate.

The coverage indicators revealed that the NIS does a reasonably good job in providing coverage to the formal sector workers. However, there is room for improvement in coverage among the informal sector and self-employed workers. This would be more worrisome in the context of a growing gig economy and increasing informality in the SVG labour market. The Government, Board and Management will continue to work assiduously to bridge the social security coverage gaps among the self-employed and informal workers. To this end, there have been discussions on legislating mandatory coverage to self-employed workers.

1.1.4 Investment Management

In the context of improving the financial sustainability for a partially funded defined benefit program like the NIS, a critical non-parametric reform measure is to bolster investment income through prudent management of the reserve fund. In this regard, the NIS was focused on its investment governance and management in the review period in order to reduce the net long-term social security costs of the Fund. The net cost is measured by total expenses (benefits and administrative expenses) minus investment income.

From an investment governance standpoint, the NIS revised its Investment Policy Statement to better align its investment objectives, risk appetite and other investment parameters given the current and projected funding needs. In addition, the NIS developed a strategic asset allocation plan that considered its current and future funding needs, and the historic performance of the investment portfolio. These policy actions were necessary as the NIS' funding situation further deteriorated because of the pandemic and the volcanic shocks that caused dramatic increases in benefit payouts and reduction in the contribution growth rate, consequently increasing the liquidity needs of the Fund as contribution income, investment income and a proportion of the reserves were required to finance the 2021 recurrent expenditure.

With the increasing funding pressures, the NIS adopted a more defensive investment strategy around capital preservation (safety), income generation (yield) and cash flow matching in short and medium terms (liquidity). To this end, the investment actions and decisions ensured that the core portfolio supplemented the contribution income to cover the expenses within the short and medium terms. Also, the portfolio was positioned to optimize returns within suitable risk limits and to minimize the asset/liability mismatch risks of the portfolio.

At the end of the review period (December 31, 2021), the portfolio was well-diversified across asset classes, geographical regions, maturity buckets/ladders and issuers. The following diagrams illustrate the well-diversified nature of the Fund's portfolio.

Fig 7: Portfolio Breakdown by Asset Classes as at December 31, 2021

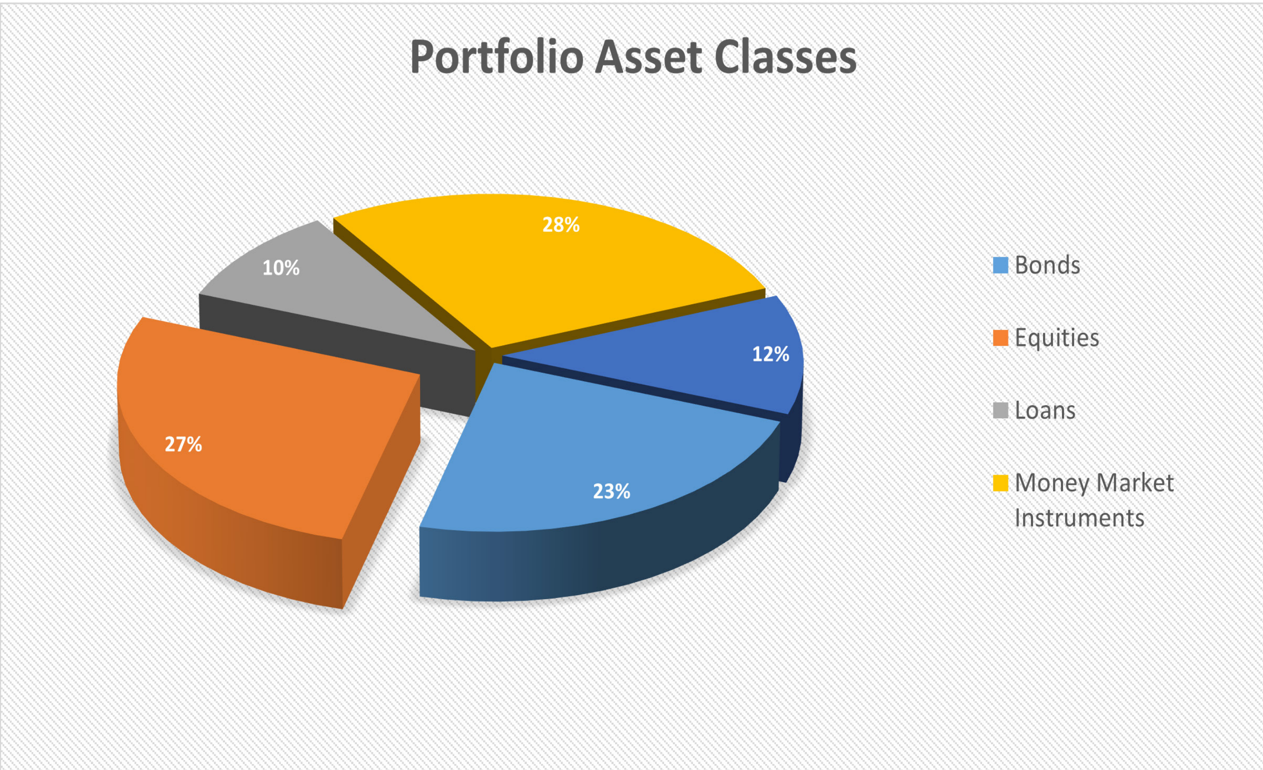


Fig 8: Portfolio Breakdown by Geographical Location as at December 31, 2021

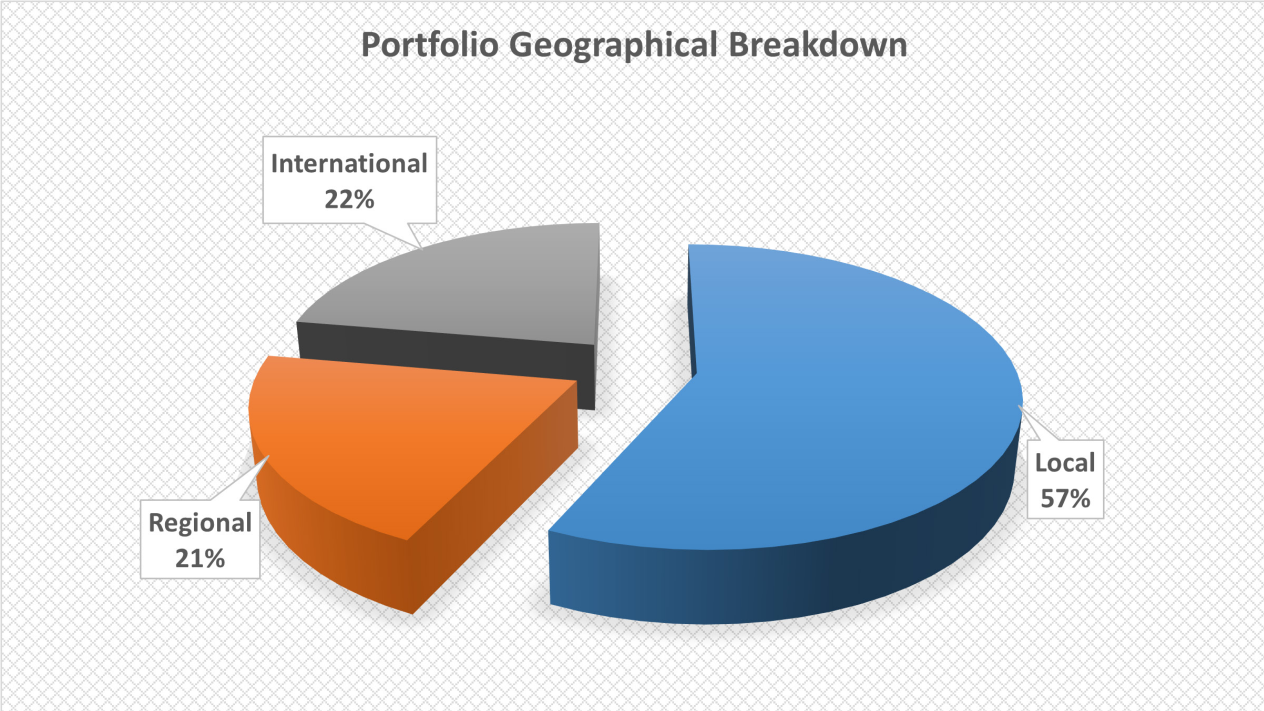


Fig 9: Portfolio Breakdown by Maturity Profile as at December 31, 2021

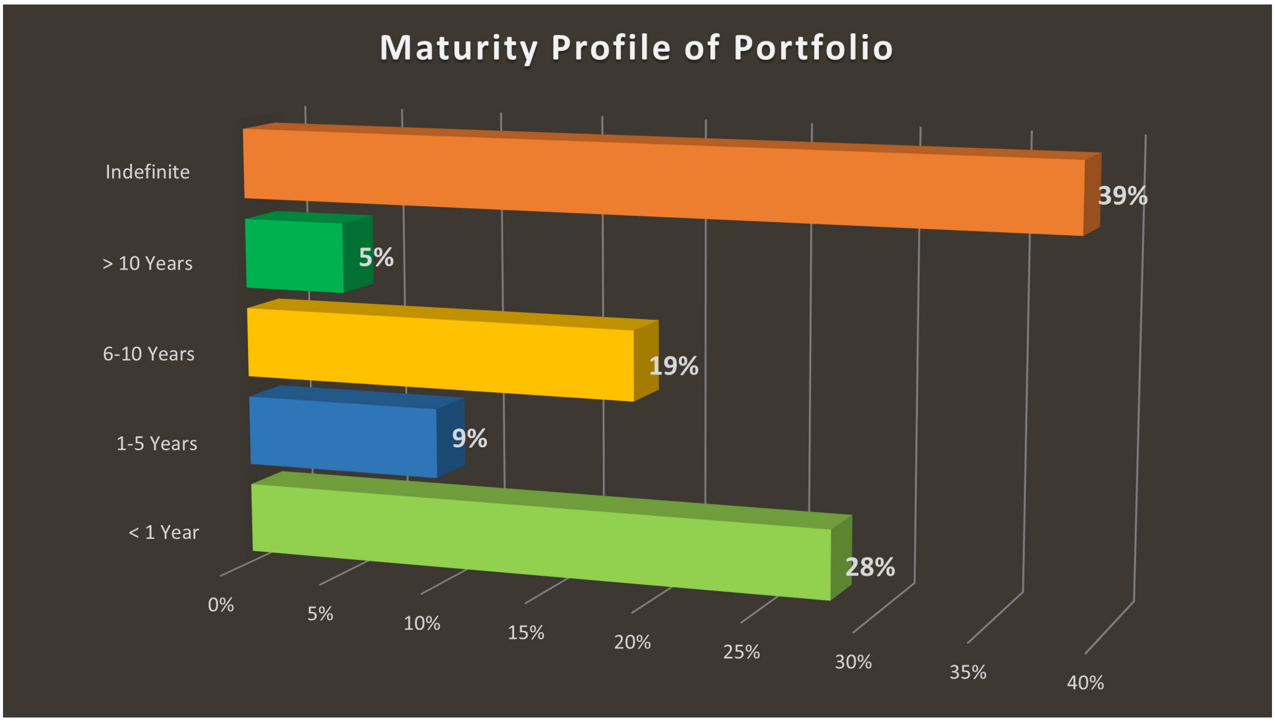
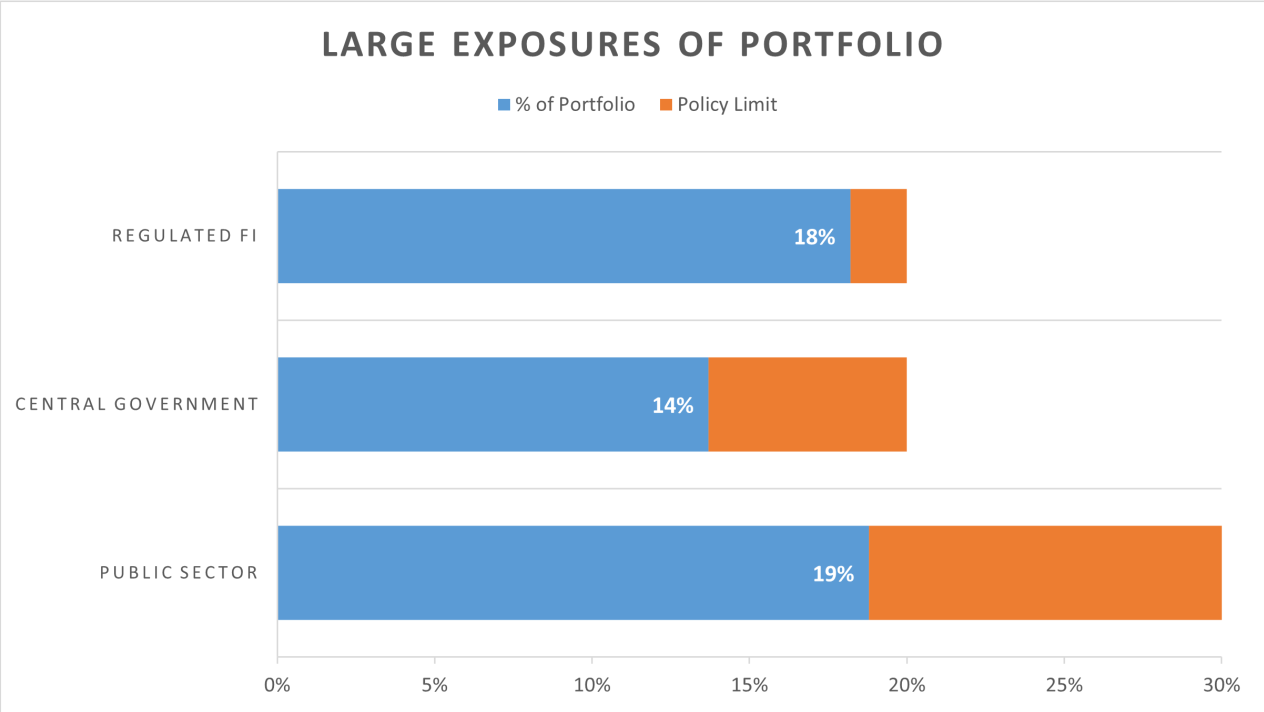


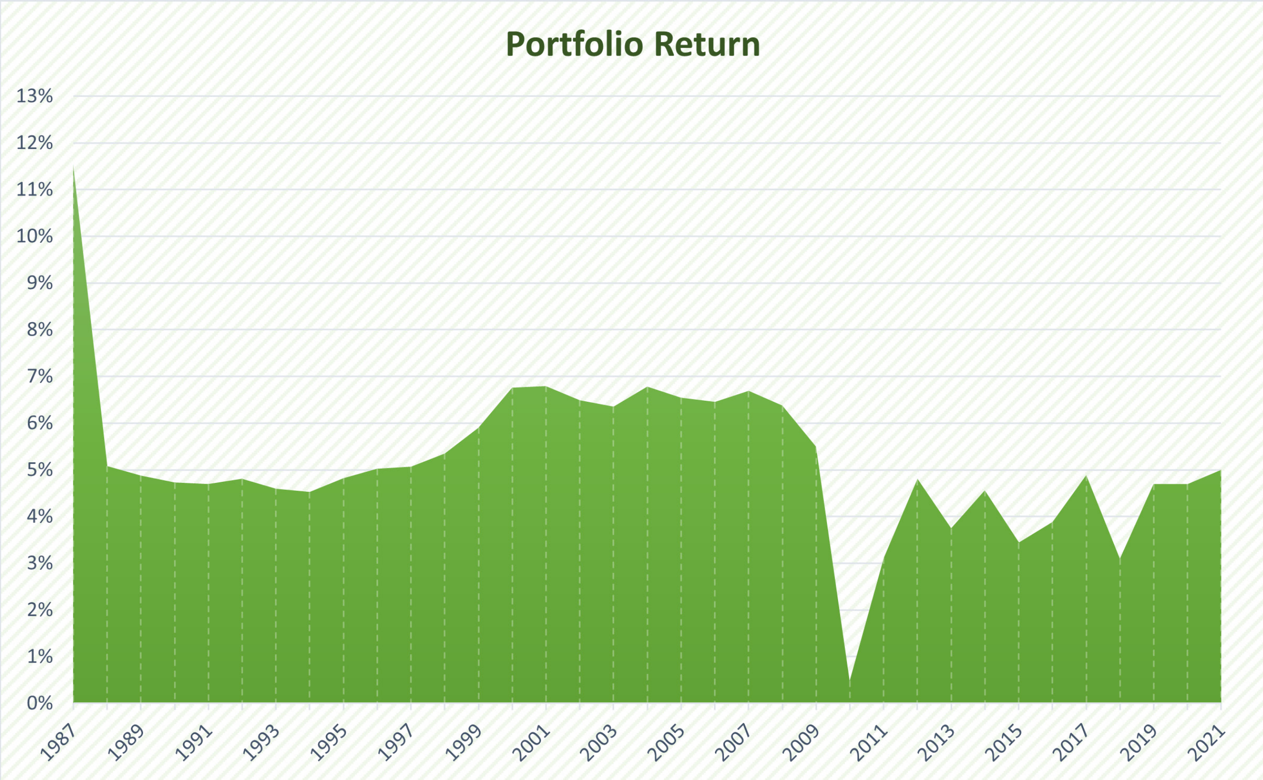
Fig 10: Large Exposures of Portfolio as at December 31, 2021



Notwithstanding the diversity of the investment portfolio, the investment portfolio plummeted by 2.3%, moving from $490.0 million in 2020 to $478.8 million in 2021. The decline in the portfolio was mainly attributed to the drawdown of a proportion of reserves (approximately $5.3 million) to finance recurrent expenditure. In addition, the full utilization of investment income to finance expenditure means that the fund is in a decumulation phase, and thus contributions and investment income are no longer being used to build the reserves.

Nevertheless, the return on the investment portfolio outperformed the policy benchmark, the actuarial hurdle rate, of 4.5% by 53 basis points. This robust investment return of 5.03% was underpinned by the strong performance of the international equity portfolio generating an impressive yield of 11.6% in the review period. It is important to note that the investment yield obtained was tempered by a low interest rate environment that increased re-investment risks and the more defensive investment strategies that were employed by Management. The historical performance of the investment portfolio for the period 1987 to 2021 is depicted in the chart below.

Fig 11: 1987 to 2021 Portfolio Returns



As the plan matures, the Fund's investments and the income they generate will play a more prominent role in influencing the Fund's financial viability.

1.1.5 Cost Rationalization

The costs of our social security system comprise of benefits expenses, which are paid under three branches; namely long-term, short-term and employment injury branches; National Provident Fund (NPF) expenses, and the administrative expenses. In our context, the benefit expenses is the main driver of the social security costs and shape the financial trajectory of the Fund.

In 2021, the benefit expenses comprised 82% of total costs, NPF made up 5% and administrative expenses accounted for 13% of total costs. The following graph shows the schematic presentation of total costs breakdown from inception to 2021.

From a cost rationalization perspective, the benefit costs are typically controlled through parametric reforms of the benefit structure. On the other hand, the administrative expenses are contained through non-parametric measures.

The total costs of the social security program have dramatically increased since inception because of population ageing and the maturing nature of the plan; there is a higher number of pensioners with increased new pensions. The historical total costs of the program together with total income are depicted in the graph below from the inception at January 1987 to end of the review period at December 2021.

Fig 12: 1987 to 2021 Total Cost Breakdown

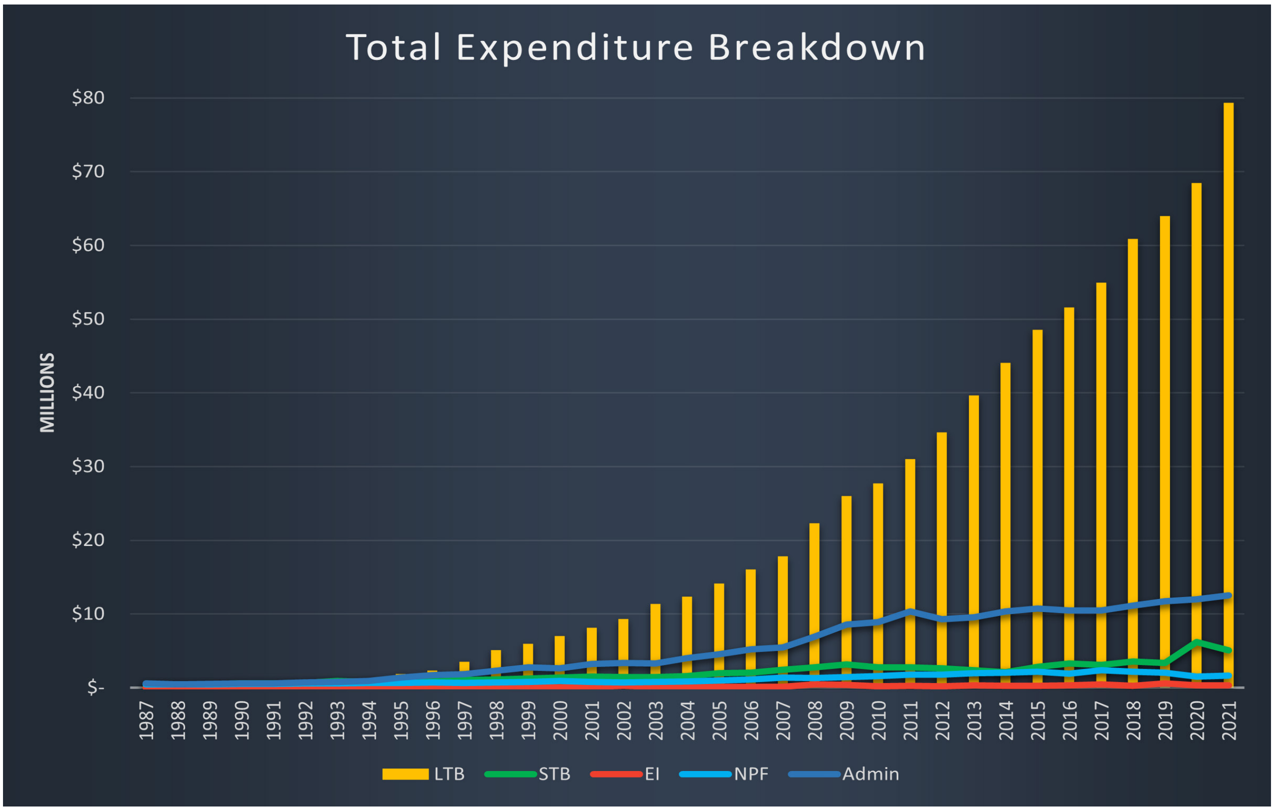
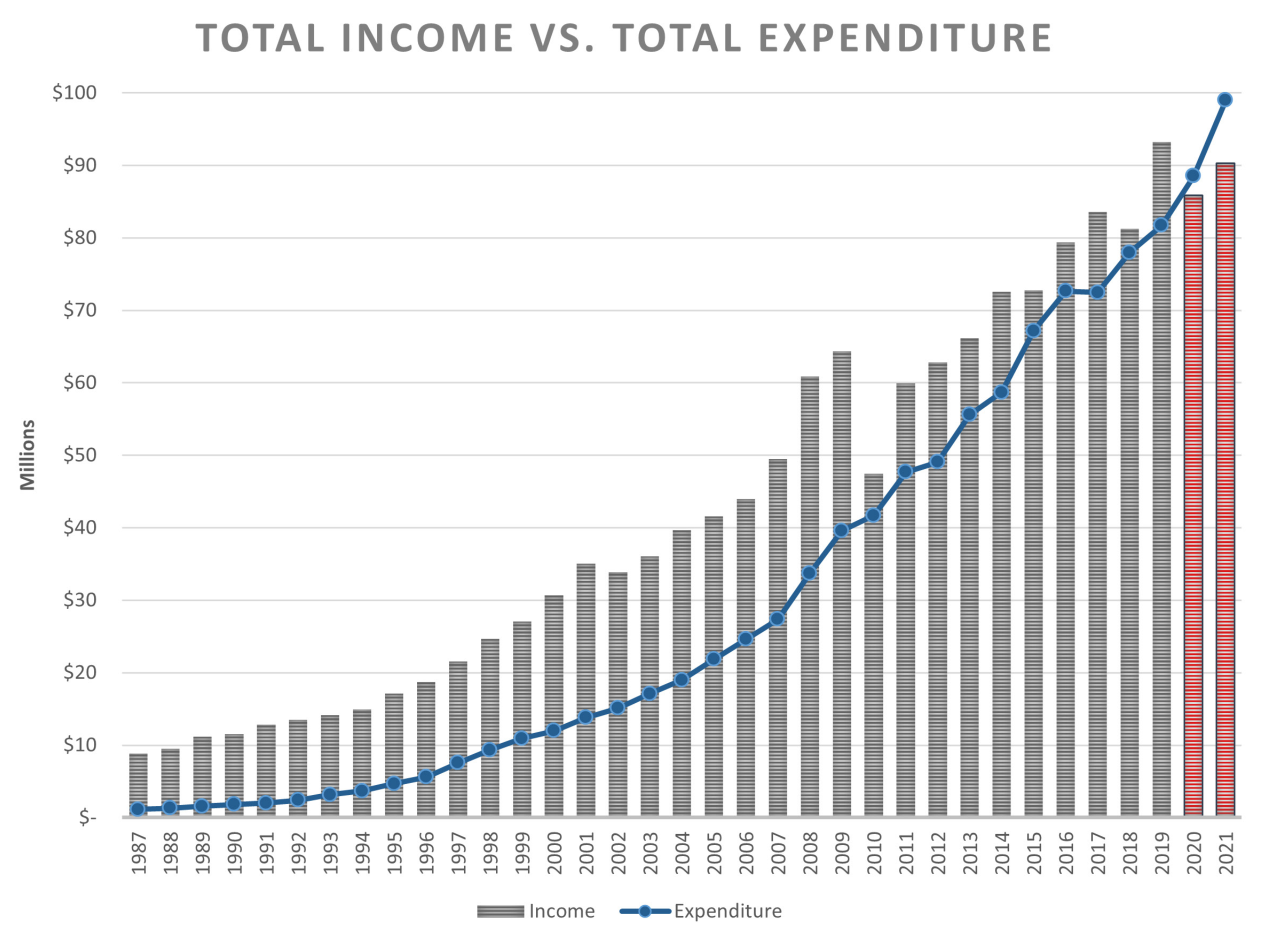


Fig 13: 1987 to 2021 Total Income versus Total Expenditure



The growth of each of the cost components is presented in the following sub-sections.

1.1.6 Benefit Costs

The NIS provides social security benefits through three main branches: the long-term benefit branch, the short-term benefit branch, and the employment benefit branch. The long-term benefit branch covers three separate types of risks including:

1) Age;
2) Invalidity; and
3) Survivorship

The short-term benefit branch provides financial protection against three separate risks:

1) Maternity;
2) Sickness; and
3) Death

The employment injury branch provides protection against employment injury risk.

As at end of the review period, the long-term benefit branch accounted for 93% of total benefit costs whilst the short-term and employment injury branches accounted for 6% and 1% of total benefit costs respectively. Over the 34 years of operations, the long-term benefit branch has been the dominant cost-driver and its growing significant costs are influenced by, among other things, population ageing and the maturing nature of the Fund. Whereas the short-term and the employment injury branches have generated relatively stable costs throughout the years. For these reasons, the evolution of each cost structure is presented separately. The analysis of the branches is presented below.

1.1.6.1 Long-Term Benefit Costs

The long-term benefit expenses noticeably climbed in the review period, advancing from $68.5 million in 2020 to $79.4 million in 2021. The increase was underpinned by the rise in the following variables between 2020 and 2021:

- The pensioners population increased from 9,298 to 9,812
- The average weekly total pensions rose from $163.50 to $168.00
- The average weekly new pensions escalated from $168.00 to $179.00

The old-age benefits (comprising normal age pensions, early age pensions and reduced pensions) are the main drivers for the growth in the long-term benefits. Noteworthy, is that the average weekly new early age pensions of $248.00 was significantly higher than the average weekly new old age pensions of $182.00. This is a worrying situation as the rise in the rate of early age pensions means that persons are contributing for shorter periods and are receiving their benefits earlier thereby increasing the financial burden on the plan and cementing the greater adverse impacts of an ageing population.

The historical pattern of the long-term benefit costs and the growth in the pensioner population is presented in the following graphs:

Fig 14: 1987 to 2021 Long-Term Benefit Costs

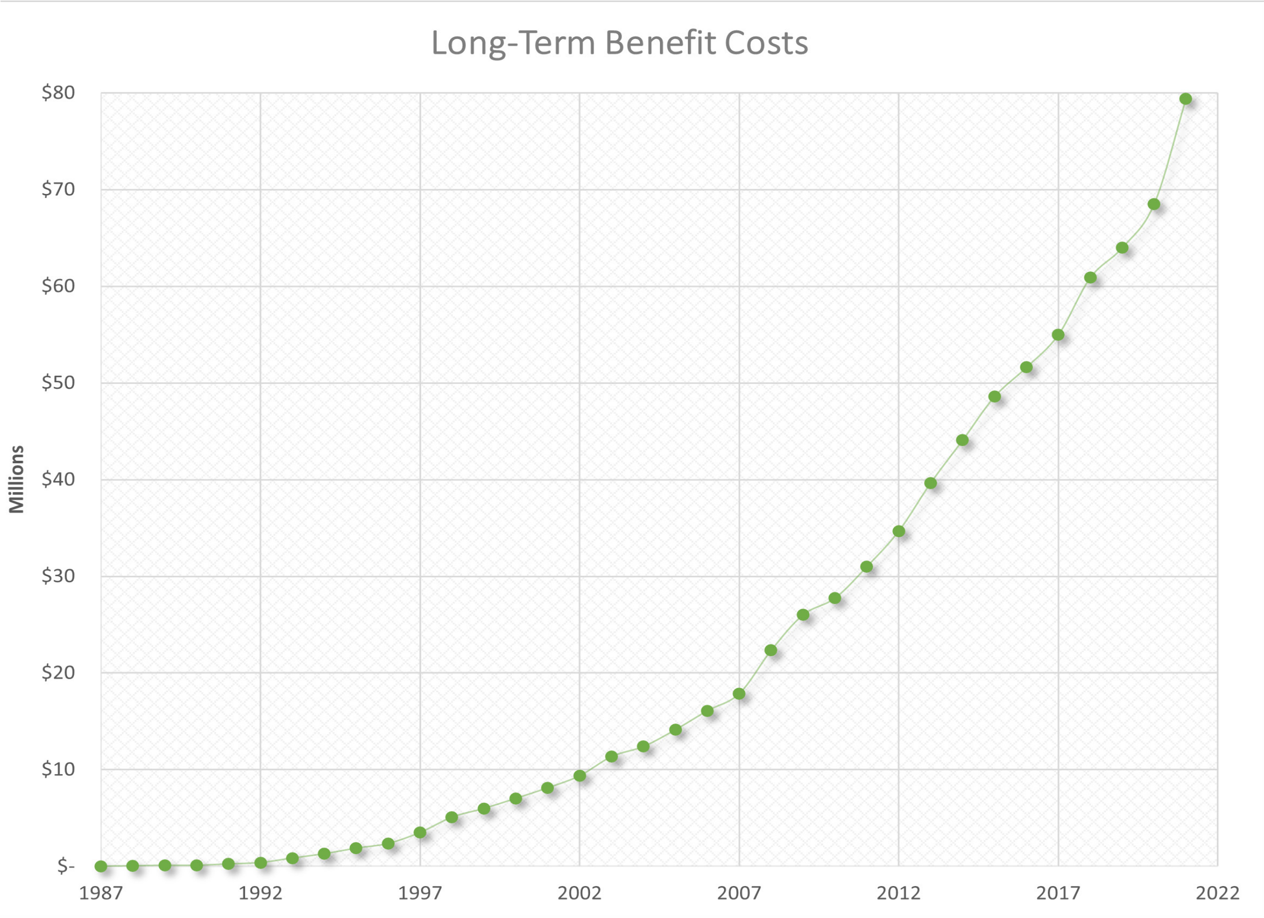
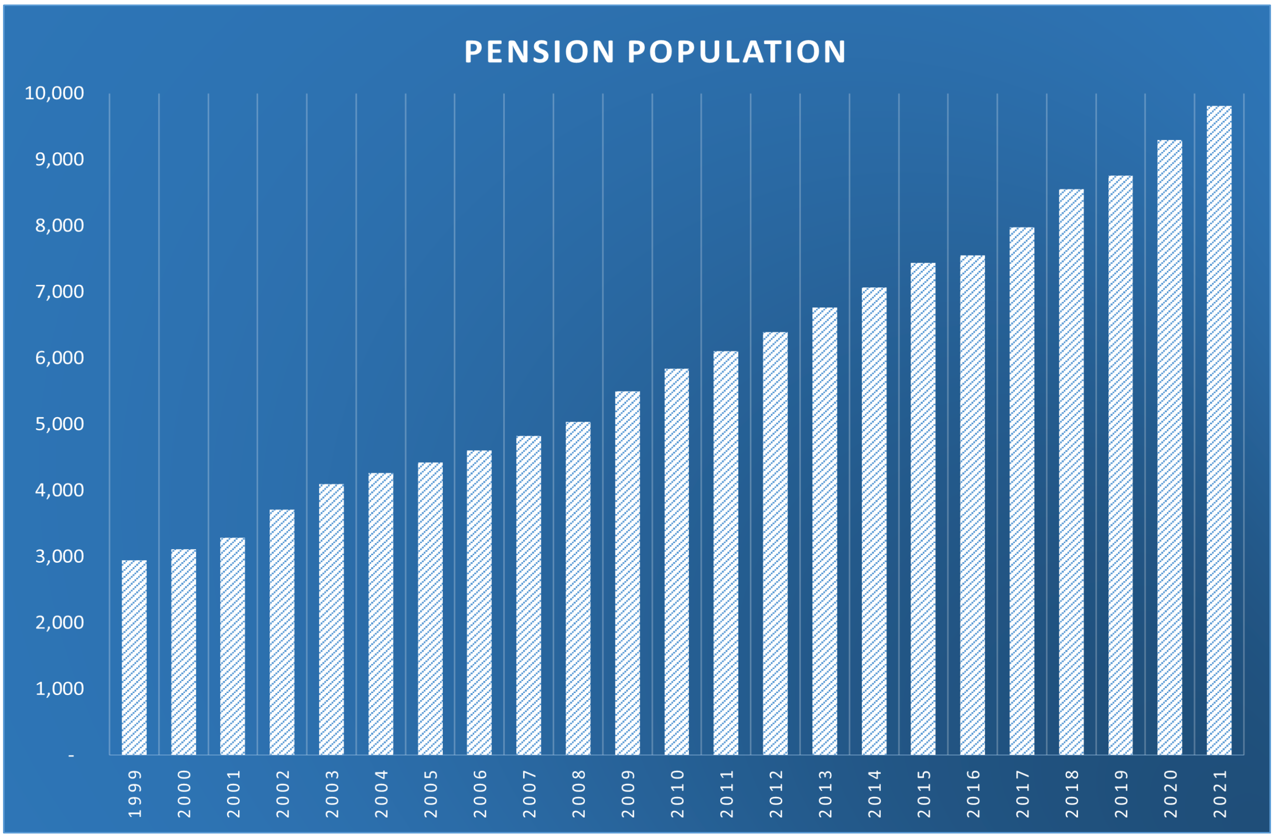


Fig 15: 1987 to 2021 Pensioner Population

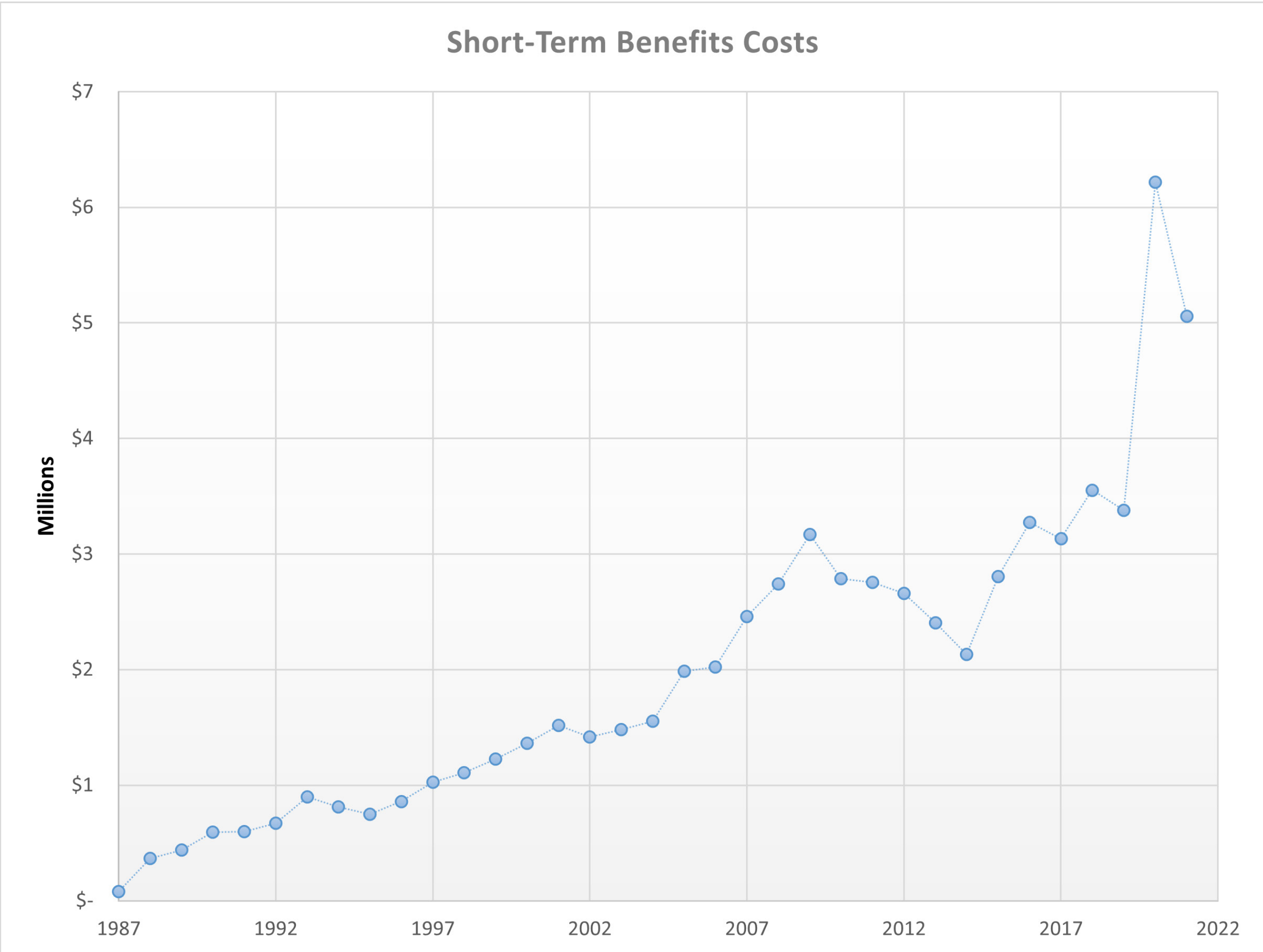


1.1.6.2 Short-Term Benefit Costs

The short-term benefit costs declined in the review period, moving from $6.2 million to $5.1 million reflecting the decrease in sickness benefit claims in 2021 compared to 2020. In 2020, the number of sickness benefit claims dramatically rose to record levels due to the COVID-19 pandemic. In 2021, the number of COVID-19 claims reduced relative to the previous year, resulting in lower short-term benefit costs.

Based on our experience, the costs of this branch are relatively stable from year to year unless there is a pandemic or epidemic that causes national morbidity rates to increase. The historical development of the short-term benefit branch is depicted below:

Fig 16: 1987 to 2021 Short-Term Benefit Costs



1.1.6.3 Employment Injury Benefits

The costs of the employment injury branch increased from $302,768 to $322,586. Like the short-term benefit branch, the costs under employment injury have been stable and also immaterial in the context of total benefit expenses. However, this branch is inherently risky as the future costs are uncertain and could potentially be significant based on the number of serious employment injury related cases.

1.1.6.4 National Provident Fund

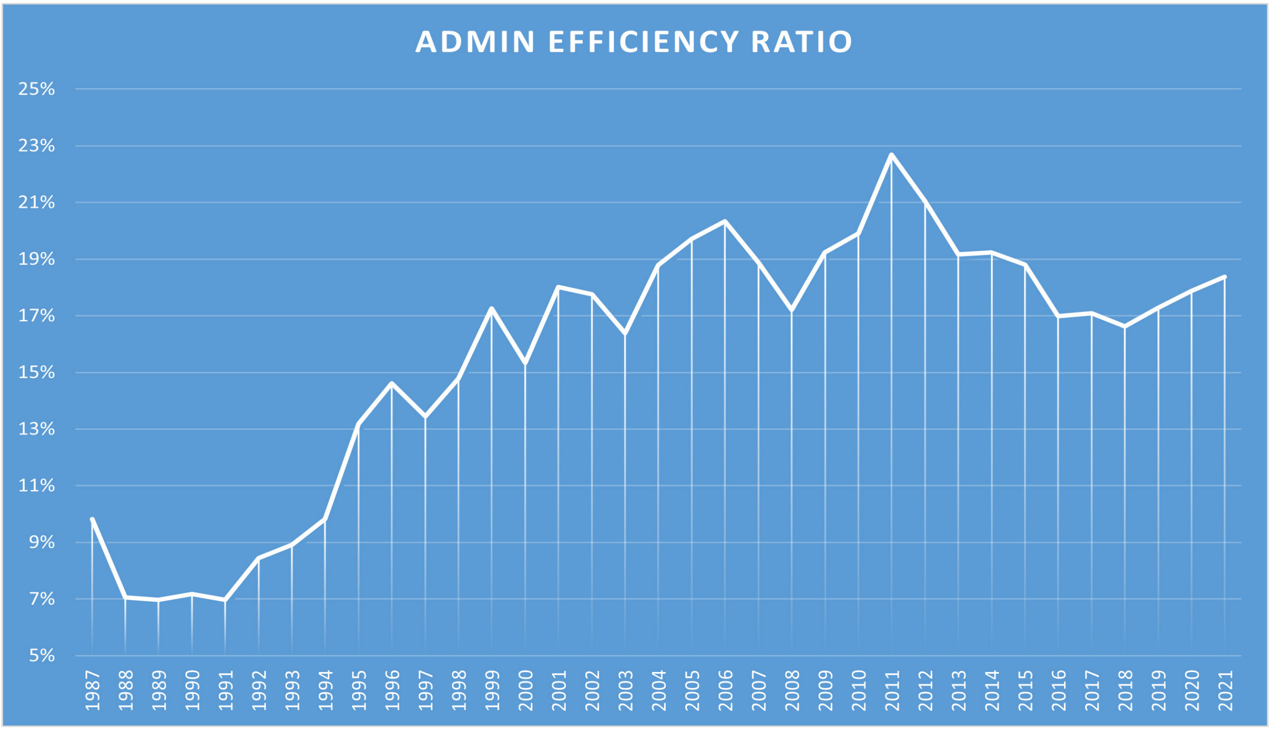
The National Provident Funds (NPF) is administered by the NIS. In the review period, the benefits paid under the NPF program marginally increased from $1.5 million to $1.7 million. Typically, the payouts for NPF oscillate from year to year with low variability.

1.1.7 Administrative Expenses

Improving administrative efficiency remained a strategic priority for Management in the review period. To this end, Management engaged in several sensitization exercises with staff to build a cost containment culture. In addition, Management adhered to prudent procurement policies and practices to contain administrative costs. Also, Management digitized and digitalized some processes, including online payment of contributions, online submission of contribution records via e-submit, utilization of the Electronic Fund Transfer systems to make payments to suppliers and honored payment of social security benefits via the banking system rather than the manual cheque-payments.

In the review period, the administrative efficiency ratio (expressed as administrative expenses over contribution income) marginally increased from 17.9% to 18.4%. This level remained above the institution's target of 15%. The cost savings from performing the core business were more than offset by increases in audit fees (change in auditors in 2021), investment management expenses (fees are proportionately related to the growth in the market value of the investment portfolio) and staff costs (procurement of uniforms for staff) in 2021 compared to 2022. Also, the rate of growth in contribution income was lower than that of the administrative expenses. The historical administrative efficiency ratio is presented in the graph below:

Fig 15: 1987 to 2021 Pensioner Population



1.2 Customer Service

Customer service excellence is not only a strategic priority for the NIS, but also one of the cornerstones of our ethos. The NIS' vision (meeting customer needs), Mission (people-centeredness) and value system (empathy and respect) envelopes customer centricity.

In the review period, the NIS solicited the views of its customers on its products and services through its annual customer service survey and the customers' feedback was humbling and encouraging. Our customers rated us at an 85% satisfaction level, which is the same as the previous year. We have reflected on our ratings and renewed our commitment to strive for better performance in the future.

In addition, the NIS promoted its client first perspective by its initiatives around sustained customer engagement, recognizing staff who demonstrate exceptional customer service, providing support to team members that fall below our service excellence standard, holding staff accountable to quality customer service delivery, conducting reinforcement sessions on customer service and championing customers' perspective in the reengineering of our business processes.

Notwithstanding our ambitions towards customer service excellence, there were noticeable gaps in our customer service delivery. For instance, we did not meet some internal benchmarks for delivery of some of our core services. The matrix below outlines our performance in some core areas of operations:

Table 2: Institutional Performance for 2020 and 2021 comparative to Institutional Benchmark

TURNAROUND ELEMENTS	BENCHMARK (DAYS)	2020 (DAYS)	2021 (DAYS)
Registration of Employees	4	4.7	4.6
Registration of Employers	4	4.9	5.4
Registration of Self-Employed	4	2.5	4.8
Processing of Wage Records	5	2.0	2.5
Processing of Short-Term Benefits	4	5.7	7.3
Processing of Long-Term Benefits	10	4.3	5.8

We have also noted here that there is room for improvement in formulating procedures for customers' feedback and appeals. The NIS will strive to bridge these gaps in its operations through digitization with the view of improving customer service delivery. Our thrust towards digital transformation through changing our operational backbone is flagged as one of our pragmatic approaches to improve customers' experience in doing business at the NIS.

1.3 Human Resources Strengthening

The heroic and resilient efforts of our staff during a period of unprecedented uncertainty and volatility partly reflected the strong institutional support to our human resources. The Board and Management recognized the potential mental health challenges for staff in the tumultuous period and proactively allocated resources in mental wellness programs. The staff benefited from sound peer-to-peer support, a structured physical work-out program, and sessions on mental health by local health professionals.

In the area of capacity building, the NIS partnered with the Reserve Advisory Management Program (RAMP) of the World Bank to provide tailored and specialized training in Investment Management, Risk Management and Corporate Governance. Our team has testified that the training programs were very relevant, timely, practical, and useful in the context of applied knowledge to their day-to-day work.

Additionally, under its people-centric education policy and procedures, the NIS provided financial and moral support to 27 staff members (30% of staff), who pursued undergraduate and post graduate studies in various relevant disciplines including Psychology, Human Resource Management, Marketing, Accounting, Business Administration and Computer Science.

The NIS views its human resource as its linchpin in delivering its social security mandate to the Government and people of Saint Vincent and the Grenadines. Accordingly, the NIS will sustain its investments in human resource strengthening.

1.4 Digital Transformation

The gloomy and uncertain macro-economic outlook, the rapid emergence of the digital economy, primarily, the consequential labor market developments (composed of 'gig workers' and rise in informality), the demographic shifts towards population ageing, and the increasing public expectations present the NIS with many-sided challenges that must be addressed to ensure sustainability. To this end, the need for a digital arm of the organization extending into the future social security operations has emerged as a necessity. Organizational ambidexterity is no longer a fad; in reality, it is an immediate necessity for the institution's survival into the next decade and beyond.

The extant challenges are compounded by manual processes, with limited-service delivery channels leading to unsustainability in its current form. Therefore, our strategy is to build a sustainable social security system. This entails strengthening the financial sustainability of the NIS through excellence in administration by implementing a modern, adaptable information management system to improve our operations, enhance customer service, provide digital offerings, and enable cost efficiency by eliminating manual and duplicate processes. NIS has a well-cultured and vibrant human resource capital; we will develop a high-performing and supportive cadre of staff by investing in training programs toward digital and data-driven processes, automation, and cloud administration.

We must transform and modernize internal processes and policies that support us in this disruptive and fast-evolving technology landscape to exploit opportunities where our applicable laws and regulatory frameworks allow, or where we can influence the needed change. We will ensure our business process reengineering is done with targeted stakeholder engagement to provide a laser focus on improving productivity and driving efficiencies into operational processes. In incorporating these critical focal areas, we will document and ensure operational procedures adequately address all our critical tasks.

The risk of doing business digitally is upon us all. Cybersecurity, unauthorized disclosure, data privacy, the gig-economy, modern cross-cultural and cross-boundary challenges must be addressed. We must achieve our alignment with ISO27001 Information Security Management System as we consolidate and bolster corporate governance and risk management systems and mechanisms. In light of this, we adopted a risk-based approach to assets to deliver backup operational resilience and ensure business continuity.

Accordingly, we engaged a technology partner, Davyn, to supply, implement, customize, and maintain a modernized and scalable Social Security Management System for the National Insurance Services St. Vincent and the Grenadines. The contract was signed in 2021 and this transformational project is expected to commence in January 2022 for an 18-month period.

1.5 Corporate Governance

As fiduciaries, we continue to prioritize our efforts towards bolstering corporate governance in the administration and operations of the social security trust fund. To this end, transparency, openness, sound risk management, and accountability are guiding principles of our day-to-day actions.

Accordingly, we engaged the Social Insurance Administrative Diagnostic (eSIAD) team (collaboration of the World Bank and International Social Security Association) to independently assess our administration, operation, and delivery systems with a focus on governance, infrastructure, and business processes. The eSIAD is rooted in the framework of the ISSA Guidelines on social security administration. The ISSA guidelines provide standards, based on best practices, against which a social security agency can measure the quality of its governance and delivery systems and processes. The assessment is done using an eSAID systemic tool that focuses on governance, infrastructure and business processes.

The significant findings of the assessment revealed the following:

- **The NIS has developed strong internal governance structures and processes, mainly modelled on the ISSA guidelines**, and that in most aspects these meet or exceed the eSIAD management principles and the ISSA guidelines. The NIS has a tripartite board structure, which is augmented by committees of the Board, namely, Human Resources, Investment, Risk, Audit, Procurement, and ICT Governance.

- **The NIS has a robust strategic planning process that includes a risk management strategy that cascades to all administrative and operational units**. The NIS' risk management structure involves the Board, Risk Committee, Risk Department, Enterprise Risk Management Policy, Risk Appetite Statement, and a comprehensive institutional risk register. The "three-line" risk management system promotes efficacy and places managers of business units at the forefront of the risk management process.

- **The NIS' corporate management is sound. It has an appropriate suite of formal corporate management policies**. This corporate management framework underpins the transparency and accountability in the NIS' operations.

The report also cited areas for improvements such as, the Board and management being advised to develop a formal policy on "whistle blowing" as an additional mechanism for transparency in NIS' management of the Fund. Additionally, NIS was advised to give more life to its strategic objective of improving customers' experience.

The findings and recommendations of the eSIAD report would be input variables of the 2022 strategic plan. We expressed gratitude to the eSIAD team for a comprehensive assessment of the NIS' administration and operation of the social security system.

2.0 Strategic Linkages and Partnerships

The NIS recognizes that there are opportunities for institutional strengthening through strategic partnerships with regional and international organizations. In this regard, the NIS bolstered its relationships with key regional and strategic partners including:

- **Eastern Caribbean Central Bank (ECCB)** – The NIS participated and contributed to all meetings of the heads of the Eastern Caribbean Social Security Systems in the review period The meetings were coordinated by the Governor of the ECCB and were centered on socio-economic developments in the region and social security priorities, plans, practices, and programs across the ECCU space to strengthen the regional social security safety nets.

- **World Bank Group** – The NIS joined the Reserve Advisory and Management Program in 2021 to strengthen its investment management framework and capabilities, to access high-quality and efficient training, for advisory and asset management services, and to access a network for practitioners and a forum to discuss new developments. In 2021, the NIS benefited from attending tailored workshop, training, and webinars on areas relating to governance and organizational structure, funding policy, investment policy, strategic asset allocation, and risk management and performance.

- **International Labour Organization (ILO)** – In 2021, the NIS joined the Global Partnership for Universal Social Protection to achieve the Sustainable Development Goals (USP 2030) and attended its 2nd Membership Assembly. Additionally, the NIS participated in other ILO training, discussions and symposiums around thematic issues including From Recovery-Resilience-Decent work for a resilient Caribbean, Protecting workers from shocks and International Public Sector Accounting Standards in the context of social security programs.

- **International Social Security Organization (ISSA)** – The NIS achieved a significant milestone in March 2021 with the launching of the ISSA Focal Point for the English-speaking Caribbean countries. The momentous event in the Caribbean was highlighted in the ISSA 2020/21 Annual Review The ISSA interview with Mr. Stewart Haynes, Director of the NIS in St. Vincent is highlighted below:

NEW FOCAL POINT IN THE CARIBBEAN

Why is it important for the region to have a focal point?

Our regional social security systems are experiencing many-sided challenges regarding the administration and sustainability of the systems. We recognize this partnership with ISSA as an indispensable tool to fortify governance, administration, and institutional capabilities to better identify and respond to these challenges.

What motivated the National Insurance Services in Saint Vincent and the Grenadines to host the Focal Point for the English-Speaking Caribbean Countries?

As a Bureau member of ISSA, representing the English-speaking Caribbean social security systems, I have first-hand knowledge and experience of the significant benefits of the Focal Point. As such, I was energized to position our regional social systems to improve access to the practical knowledge, extensive network, activities, products, and services offered.

What would you say are the key similarities and differences in terms of social security systems within the region?

Some key similarities of our systems are that they operate in small and open economies that are vulnerable to external shocks including natural disasters, and we face significant challenges to provide social protection for self- employed and informal sector workers. The key differences of our systems are around the administrative and governance practices.

What will be the key activities of the Focal Point in the coming year?

In addition to representation and presentations at the next meeting of the heads of regional social security systems to be facilitated by CARICOM Secretariat, there will also be workshops and webinars on key areas and a needs-assessment across individual social security systems, which would inform the work programme and activities for the region.

3.0 Conclusion and the Way Forward

2021! A year like no other in the life of our social security system. The overlapping crises created socio-economic shock waves, which detrimentally impacted the already-fragile financial conditions of the NIS. The overall scope and scale of these impacts will depend on the duration and pathways of the multi-pronged crises.

Notwithstanding this additional pressure on the costs and financing of social security coupled with the pre-crisis challenges, the NIS prudently continued its human-centered and inclusive policy measures to safeguard lives and livelihoods. In particular, the NIS extended the Temporary Unemployment Benefits program for three months in 2021 as the NIS understood the inherent vulnerability and poverty trap of some of its members who seemed to be getting by relatively well pre-crisis but were not adequately covered by existing social protection measures.

The pandemic showed the critical importance of the NIS for mitigating poverty and income inequality in SVG. It also revealed the operational and financial resilience of the social security system. In a multi-pronged crisis environment, the NIS efficaciously delivered the following social security services and measures to promote human-centered and inclusive economic stability.

The strategic and operational priorities include but are not limited to the following:

1. **Bridging the coverage gaps among the self-employed and informal sector workers**. In this regard, the NIS would intensify its direct marketing strategies, including hosting symposiums, branding some self-employed activities, and forging strategic linkages with self employed interest groups.

2. **Commencement of the second phase of the Fund's digital transformation journey to strengthen its operational backbone by further digitizing its processes**. To this end, the NIS engaged Davyn Consulting Firm to develop, implement, customize, and maintain a new national insurance

management system. This initiative will improve operational efficiency through cost reduction, increased productivity and enhanced service quality and delivery. The modernized system intends to revolutionize the NIS' operations and customers' experiences by moving the core social security services from "in line" to online.

3. In its World Social Protection Report 2020-2022, the International Labour Organisation urged governments and social security administrators **"to take decisive action now about the future of social protection and pursue a high-road policy approach with vigour"**. Doing so will empower societies to deal with future crises and the challenges posed by demographic changes, the evolving world of work, migration, environmental challenges, and the existential threat of climate change". In the context of SVG, the Government and the NIS have made progress in strengthening social protection coverage, but there are still opportunities to improve. The NIS has considered a series of parametric reform measures to strengthen the financial sustainability of the social protection system However, the unprecedented and unknowable socio-economic challenges brought about by COVID-19 propelled the delay in implementing these critical reform measures. Through the advice of the External Actuary, the NIS will implement this tool kit in the near future to ensure all working Vincentians and their dependents are well protected against both systemic shocks and ordinary life cycle risks.

4.0 Appreciation

The year 2021 brought on unprecedented challenges for our social security system, and the Government and people of Saint Vincent and the Grenadines. Our performance would not have been made possible without the collaborative efforts of staff, Management, and the Board of Directors. For this, I extend my sincere gratitude to a heroic team.

Through the ashes, our employers, employees, and the public showed extraordinary resilience and supported the initiatives and programs of the NIS. We are extremely grateful for their loyal and long-standing support to this noble institution.

The exemplary work of the Government to keep the economy afloat and preserving the enabling environment for the NIS to grow is also well-recognized and appreciated.

As a nation, we have collectively navigated the multi-pronged crises through resilience, togetherness and being our brothers' keepers. I pray that we will continue to grow in love and peace in the years ahead.

Regards,

Stewart K. Haynes
Director
National Insurance Services

Meet the Board of Directors

The St. Vincent and the Grenadines National Insurance Board

supports the fundamental principles of the institution and is responsible to nurturing our corporate culture, governance framework and mechanism. The Board of Directors is appointed annually by Cabinet and represents our stakeholders including, the Government, Employers and Employees.

Mr. Stewart K Haynes
Director

Mr. Lennox Bowman
Chairman

Mr. Elroy John
Deputy Chairman

Ms. Joy Matthews
Employee's Representative

Mr. Brian George
Employee's Representative

Mr. Liley Cato
Employer's Representative

Ms. Gloria Stapleton
Employer's Representative

Mr. Noel Jackson
Board Member

Mr. Garvin Jackson
Board Member

NIS' Social Response

On Friday, April 9, 2021, Saint Vincent and the Grenadines were rocked by the explosive eruption of the La Soufriere Volcano, which displaced thousands of persons. The eruption affected the social, emotional, and physical well-being of residents and pushed the country into further economic strain following the declaration of COVID-19 as a pandemic in 2020. In recognizing this, the NIS responded by introducing social activities to twelve shelters that housed displaced persons, primarily through art and craft, story time and book club, devotions, movie night, and karaoke and games evening. The activities were executed by the staff of the NIS and touched over one thousand persons.

The NIS also strengthened its call to pensioners who receive their pension payments by cheque. This call sought to encourage pensioners to provide an account for a financial institution to enable the direct deposit of their pensions. The need for this became increasingly clear amidst the increase in COVID-19 cases and the disruption of office hours because of the eruption. This meant there was some uncertainty surrounding the ability to print cheques. However, the facility for the direct transfer of payments was in place. This meant that if pensioners provided an account, there would be no delays with their payments.

NIS Launches myNIS App

On October 5, 2021, the NIS launched its mobile application called "myNIS" which makes accessing information easier. The app allows insured persons to access their contribution information, log complaints and calculate their estimated pension. The app, which is the catalyst for the NIS' digital transformation, is a key tool in helping to hold employers accountable for the mandatory submission of contributions. The issue of non-compliance is one that the NIS has had to deal with, as some employers attempt to withhold contributions for employees, which can deprive them of benefits when they fall due.

To download the app, visit the play store or apple store from your android or apple device and search "myNIS".

- Once you have completed this step, complete the registration form with your personal information. You must have your NIS number and an email address.
- After you have submitted your form, our team will review and once all of the information is, correct, you will be sent an approval email within two business days.
- For contribution checks, navigate to contribution, you will be able to view your contribution history. If you note there are missing contributions, select missing contributions, input the name of the employer from whom your contributions are missing, the year of work, the period in terms of the month and your monthly salary then select save. Our team will receive your report and look into it.
- For a simulation of your Pension, navigate to pension. Here, you will be able to see your projected pension. Please note this is just an estimate.

Their Stories

There are so many stories and experiences that touch us daily. Stories that show how we impact the lives of our customers and experiences that shape who we are. Through it all, our team remains dedicated to executing the mandate of the NIS, recognizing the significant contributions we make in helping so many persons during unprecedented times. From our daily encounters to life-changing moments, these are ***Our Stories.***

Customer Highlights

"I always knew that I wanted to become a lawyer from a tender age so I knew that pursuing further studies was on my agenda, however I did not know how it would have happened given my financial situation at home and the fact that I did not want to place any extra pressure or burden on my family. For the most part, I always worked towards my career goal academically and as I grew older, I looked at ways that could help in funding my studies. I started entering pageants with a goal to enter the Miss SVG pageant and win the scholarship. Whilst I did not win the pageant, I did not give up; I continued working towards my career goal. This led to a conversation with some members of the Beauty Shows Committee and persons within my community who told me about the student loans that the government would offer to students who were disadvantaged. I looked into it and decided to apply for it.


Shackell Bobb

I applied for the student loan in 2015 and I was granted a disadvantaged student loan given the fact that I was in a single parent household and the income that you are supposed to meet yearly, we did not meet that.

This meant a lot for my family and me because I did not think there were other avenues to fund my attendance to University. Having this opportunity also helped with my personal development, becoming more independent, and learning how to budget effectively.

At first, I thought I would not be able to go onto Law school immediately after I finished my degree but after having conversations with Mr. Haynes and persons on the Student Loans Committee, I realized that I was able to continue. I completed studies in September 2020, I am very grateful for the programme because other than that I really do not know how I would have been able to afford UWI, and Law school as law school is very expensive."

Customer Highlights

"I grew up in a Christian household with my grandparents who were Salvation Army preachers. I went to Grammar school and got kicked out in form 5, at that time, when you went to those schools you were entitled to a job. I got an apprenticeship with a dentist but it did not work out too well. I left because I had a reputation of breaking dentures when they were placed in the machine to be polished. After this I got a daily paid worker at public works as a votes clerk, I spent a year there then I went to Arnos Vale then worked in the stores house I was also a barber, so I trimmed everyone in the department. One day the engineer said you went to secondary school, you need to finish school and if you finish I will get you a course to go and study, so I did. However, I only got one subject, Maths. From there, I was transferred in 1966 to the Land and Surveys department; I loved it and saw it as an opportunity for growth.

Sebastian 'Bassy' Alexander

After a while I went to Canada to further my studies, came back and spent twenty years with the Government to move on. At that time, there were no benefits for employers but my employees had benefits. During that time, there was a lot of resentment and hesitation towards the NIS so it took a while to sign up my workers, However I never did. When it got closer to my retirement age, an officer told me that I could now sign up for NIS, so I did. I paid under $400.00 a month for NIS, I retired in 2001. It is now 2021 and I have been a pensioner for 20 years. My payment per fortnight is a little under $200.00 and although the payment is small, it is useful. I do not hesitate to tell people how much I treasure my pension, who feels it, knows it, it is only when you feel your pension in your hand you know. It feels like the people in the Western Union and MoneyGram line but for me I go straight to the bank because that is where it is sent. Although things are hard now, the contribution is 10%, a worthy sacrifice so that if you live to retirement age you receive your benefit, if you die your surviving relative receives the funeral grant and a survivor's pension."

Customer Highlights

"I grew up in Stubbs. In those days, we were very community oriented. You would wake up and go to your neighbors to pitch marbles or play cricket. I spent all of my working life in the Aviation Industry. In 1979, I worked at the ET Joshua Airport with a company called Tropical Air Services, the first charter service to operate in Saint Vincent. In 1981, I went on to work as an Assistant Airport Manager at the Mustique Airport for four years. I then worked with Mustique Airways from 1997-2001, then in 2001 I joined Shell Company at ET Joshua. In 2006, I joined SOL after they bought Shell and worked with them up until 2017. When I first started working, the company I was working for told me about the National Provident Fund and then NIS came into being in 1987, so my contributions were deducted and to be honest, I never went into depth about the NIS. The only thing I thought about was when I retired I would get a pension, it was only when I got sick I went into debt.

Junior Butler

I was diagnosed with Parkinson's disease, which made it hard for me to do any work; at that point, I was told by the NIS I could get a benefit based on a recommendation from my Doctor. I explored it and came before the medical board. The benefit was approved and now I am receiving a fortnightly invalidity benefit. Without this, without the NIS I do not know how I would have been able to provide for myself or sustain my mortgage. Unfortunately, I do not think people understand the importance of NIS and you often hear it in the way they talk. You find this a lot in the construction industry and this needs to change."

7 BENEFITS PROVIDED BY THE NIS

We are dedicated and committed to providing a wide range of benefits.

Maternity Benefit

Sickness Benefit

Invalidity Benefit

Age Benefit

Funeral Grant

Survivors' Benefit

Employment Injury Benefit

Our Stories

Staff Highlights

Keenan Castello
Assistant Supervisor, Data Division

When someone dies, it is hard for his or her loved ones to comprehend and accept their passing and in some cases, financially, it can be difficult.

I remember when I just started working at the NIS; I had an encounter with a woman whose father had just passed away. She was seeking a funeral grant to help with the expenses but he was short of weeks in terms of his contributions. The team however kept searching, we checked his entire work history, we went to all his employers, and we went through his entire work history with a fine-tooth comb. As a result, we were able to obtain outstanding records, which helped in the approval of a funeral grant. This is what we do; we understand the important role and value we play in so many lives, which is evident each time we interact with customers. I have had many rewarding experiences but to date, this was the most rewarding. It helped me to see the importance of employers submitting their records and how crucial it is for the timely receipt of benefits.

Terisha Payne
Junior Audit Officer, Audit Division

Achievements may be a part of every person's existence. Everything we do, we should strive harder. Being an employee of the NIS and working in the Internal Audit Division has taught me that one can achieve anything in life once you put your mind to it.

Ten years ago, if someone told me that I would be pursuing the ACCA program, I would have doubted them. Today, however, thanks to my manager, Mrs. Marika Drakes, who played a pivotal role in my personal and professional development, I am on a transformational journey to become the best version of myself.

I am now equipped with the requisite tools needed for my goals to help in growing in the organization, and becoming a chartered certified accountant.

I encourage young women like myself to dream big, stay focused and make it happen.

Staff Highlights

Adrian Da Silva
Programmer, IT Division

I have had many experiences that have helped to shape me into who I am. One that stands out is when I found myself in financial difficulty. When I just started to work, I received this influx of money I did not have before and I developed a habit of "it's there to be used, use it". I found myself struggling to cover many bills and it truly woke me up. It made me realize how much I needed to take control of my finances. Thankfully, I was able to get myself out of that difficult period and started practicing proper financial management to ensure that I save for "rainy days". To me, it seems that young people are not prepared or taught how to manage finances at an early enough age. I, for one, did not have that experience or education.

I have been working at the NIS for 7 years and I am a programmer in the IT division. My job entails writing and reviewing codes, database management, and software maintenance. Recently, I worked on two applications that I am truly proud of, the eSubmit application and the myNIS app. What I love most about the NIS however, is that the institution recognizes the importance of providing replacement income, when insured persons lose their income. Although my loss of income was a result of mismanagement, I know how difficult it is to not have any other source of income or any additional income.

Sharon Ashton
Customer Service Manager

I have countless memorable occasions of my time spent at the National Insurance Services (NIS) and there is nothing I would change about my journey.
My thirty-plus years at NIS made me the person I have become. I have grown to appreciate what life has afforded me: maturity, patience, understanding, gratitude, empathy, and humility.
I am grateful that I was able to have a positive impact on persons, especially when they were most vulnerable. From time to time, persons I assisted in one way or another would call or meet me in the street and remind me that they are still praying for me. This warms my heart and has helped to change my perspective on life. Their gratitude makes all the difference to me.
Over the years, the institution has evolved, and the seriousness of my responsibility as a social security officer has never wavered. I have never taken for granted the work I do and the impact it has on current and future customers.

Richard Lewis
Compliance Manager

In my 35-plus years at the National Insurance Services, I have witnessed many events that have positively impacted the lives and livelihood of persons within the system.

The first thing that registers in my mind is the introduction of the minimum pension, basically giving persons, especially those on the lower end, an opportunity to receive a more meaningful pension which ensures some level of normalcy in their lives.

Another area was the introduction of the Employment Injury branch of the Sickness Benefit, which covers persons impacted by accidents or incidents in the workplace. It replaced the Workmen Compensation act when it was repealed. The Employment Injury Benefit, among other things, covers medical expenses, which you do not get through the regular Sickness Benefit. This benefit allows insured persons to have some extended coverage.

In more recent times, the implementation of our Temporary Unemployment Benefit stands out. Many persons, especially in the hospitality sector, were impacted heavily due to COVID-19. Even though it became challenging for people to sustain themselves, the NIS allowed persons to access this fund and they were able to have some level of compensation during that time.

Donesa McMillan
Supervisor, Customer Service Division

I have been employed with the NIS for nineteen (19) years. During this time, I have worked in several departments, all of which share the same goal of providing excellent service to our customers. One of the things I love most about working with the NIS is being able to help our customers and providing satisfaction by ensuring they receive their benefits when they fall due.

I am currently in the Customer Service Department and I always try to go the extra mile because I want our customers to be satisfied with the service they receive. In 2019, I received an award for the ICARE model, which embodies how we, as employees, should execute our tasks. The model, which speaks to Integrity, Commitment, Accountability, Respect, and Empathy, guides how we serve both internal and external customers and is a reflection of our morals. Receiving this award reinforced to me that I should continue to perform exemplarily in executing my duties.

Audited Financial Statements

For the year ended December 31, 2021

Grant Thornton

National Insurance Services

Financial Statements
For the Year Ended December 31, 2021
(in Eastern Caribbean Dollars)

Contents

Page 43	Corporate Information
Page 44	Independent Auditor’s Report
Page 47	Statement of Financial Position
Page 48	Statement of Changes in Equity
Page 49	Statement of Profit or Loss and Other Comprehensive Income
Page 50	Statement of Cash Flows
Page 51	Notes to the Financial Statements

Corporate Information

REGISTERED OFFICE

Bay Street
Kingstown
St. Vincent

DIRECTORS

Mr. Lennox Bowman – Chairman
Mr. Elroy John – Deputy Chairman
Mr. Liley Cato
Mr. Garvin Jackson
Ms. Joy Matthews
Mr. Gideon Browne (January – May 2021)
Ms. Ann Jones (January – May 2021)
Mr. Lloyd Small (January – May 2021)
Mr. Brian George (July – Present)
Mr. Noel Jackson (July – Present)
Mrs. Gloria Stapleton (July – Present)

DIRECTOR

Mr. Stewart Haynes

SECRETARY

Mr. Stewart Haynes

BANKS AND NON-BANK FINANCIAL INSTITUTIONS

Bank of St. Vincent and the Grenadines Ltd.
Republic Bank EC Ltd.
RBTT Bank Caribbean Limited
First Citizens Investment Services Ltd.
St. Vincent Co-operative Bank Limited
St. Vincent Union of Teachers Co-operative Credit Union
RBC (Royal Bank) Trinidad and Tobago Ltd.
National Bank of the British Virgin Islands

SOLICITORS

Baptiste and Company Law Firm Inc.
Duane Daniel Chambers
Saunders and Huggins

AUDITORS

Grant Thornton
Chartered Accountants
Sergeant-Jack Drive
Arnos Vale
St. Vincent

Independent Auditor's Report

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Sergeant-Jack Drive, Arnos Vale
P.O. Box 35
Kingstown, St. Vincent
West Indies
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To the Honourable Minister of Finance
National Insurance Services
St. Vincent and the Grenadines

Opinion

We have audited the financial statements of National Insurance Services ("the NIS"), which comprise the statement of financial position as at December 31, 2021 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, comprising significant policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NIS as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NIS in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of National Insurance Services for the year ended December 31, 2020, were audited by another auditor who expressed an unqualified opinion on those statements on December 30, 2021.

Other Information

Management is responsible for the other information. The other information comprises the NIS' 2021 Annual Report but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the NIS' 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Grant Thornton

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the NIS' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the NIS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NIS' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NIS' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NIS' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the NIS to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton

June 29, 2022

National Insurance Services

Statement of Financial Position

As of December 31, 2021

(in Eastern Caribbean dollars)

	Notes	**2021** $	2020 $
ASSETS			
Cash and cash equivalents	5	**51,464,704**	52,597,241
Contributions receivable	6	**3,781,883**	4,943,379
Interest receivable on loans and investment securities	27	**4,770,874**	4,837,325
Other assets	7	**23,477,275**	43,523,634
Loans and advances	8	**37,489,840**	41,163,447
Investment securities and deposits	9	**272,361,648**	273,590,208
Inventories	10	**7,704,500**	7,700,000
Investment in associate	11	**26,936,635**	26,755,718
Investment properties	12	**45,579,854**	22,179,000
Property and equipment	13	**26,156,994**	25,768,180
Intangible assets	14	**191,273**	246,240
Total Assets		**499,915,480**	503,304,372
LIABILITIES AND RESERVES			
Liabilities			
Benefits payable	15	**3,698,139**	4,759,935
Accounts payable and accrued liabilities	16	**1,370,165**	1,328,013
Deferred income		**5,620**	14,830
Total Liabilities		**5,073,924**	6,102,778
Reserves			
Short-term benefit	17	**32,405,949**	30,969,632
Long-term benefit	17	**336,324,116**	347,868,883
Employment injury benefit	17	**89,741,428**	82,685,488
National provident fund	17	**33,129,135**	34,595,785
Accumulated other comprehensive income	17	**3,240,928**	1,081,806
Total Reserves		**494,841,556**	497,201,594
Total Liabilities and Reserves		**499,915,480**	503,304,372

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 29, 2022.

Lennox Bowman
Chairman

Stewart Haynes
Secretary

Elroy John
Deputy Chairman

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

National Insurance Services

Statement of Changes in Reserves

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Short-term Benefits	Long-term Benefits	Employment Injury	National Provident Fund	Accumulated Other Comprehensive Income	Total
	$	$	$	$	$	$
Balance as of January 1, 2020	30,903,667	350,647,800	74,965,670	35,891,264	(3,930,697)	488,477,704
Net surplus/(deficit) for the year	65,965	(2,778,917)	7,719,818	(1,295,479)	-	3,711,387
Net change in fair value – FVOCI equity instruments	-	-	-	-	2,357,677	2,357,677
Foreign exchange loss – FVOCI equity instruments	-	-	-	-	128,839	128,839
Net change in fair value – FVOCI debt instruments	-	-	-	-	159,248	159,248
Share of OCI - associate	-	-	-	-	2,366,739	2,366,739
Balance at December 31, 2020	30,969,632	347,868,883	82,685,488	34,595,785	1,081,806	497,201,594
Net surplus/(deficit) for the year	1,436,317	(11,544,767)	7,055,940	(1,466,650)	-	(4,519,160)
Net change in fair value – FVOCI equity instruments	-	-	-	-	2,745,457	2,745,457
Foreign exchange loss – FVOCI equity instruments	-	-	-	-	(365,587)	(365,587)
Net change in fair value – FVOCI debt instruments	-	-	-	-	(207,417)	(207,417)
Share of OCI - associate	-	-	-	-	(13,331)	(13,331)
Balance at December 31, 2021	32,405,949	336,324,116	89,741,428	33,129,135	3,240,928	494,841,556

National Insurance Services

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Notes	**2021** **$**	2020 $
INCOME			
Contributions			
Employers' contributions		**36,745,560**	35,968,741
Employee's contributions		**29,977,279**	29,458,383
Self-employed persons' contributions		**1,093,546**	1,161,399
Voluntary contributions		**420,906**	425,904
		68,237,291	67,014,427
Benefits paid	19	**(82,179,421)**	(77,121,522)
Deficit		**(13,942,130)**	(10,107,095)
Net Finance Income	20	**20,369,541**	16,713,065
Other Income, Net	21	**1,653,698**	2,127,654
Revaluation of inventories		**-**	(1,674,154)
Revaluation of investment properties	12	**-**	(740,137)
Surplus before Impairment Losses		**8,081,109**	6,319,333
Impairment recovery (loss) – contributions receivable		**2,334,644**	(142,636)
Impairment recovery – rent receivables		**180,856**	252,710
Impairment (loss) – other assets		**(160,851)**	-
Impairment recovery (loss) – investment securities and loans		**(2,951,224)**	8,539,400
General and administrative expenses	22	**(12,557,942)**	(11,981,780)
		(13,154,517)	(3,332,306)
Share of Profit of Associate	11	**554,248**	724,360
Net (Loss) Surplus for the Year		**(4,519,160)**	3,711,387
Other Comprehensive Income			
Items that will not be Reclassified Subsequently to Profit or Loss:			
Net change in fair value – FVOCI equity instruments	18	**2,745,457**	2,357,677
Foreign exchange (loss) gain – FVOCI equity instruments	18	**(365,587)**	128,839
		2,379,870	2,486,516
Items that are or may be Reclassified Subsequently to Profit or Loss:			
Net change in fair value – FVOCI debt instruments	18	**(207,417)**	159,248
Share of OCI – associate	18	**(13,331)**	2,366,739
		(220,748)	2,525,987
Other Comprehensive Income		**2,159,122**	5,012,503
Total Comprehensive (Loss) Income for the Year		**(2,360,038)**	8,723,890

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

National Insurance Services

Statement of Cash Flows

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Operating Activities			
Profit for the year		**(4,519,160)**	3,711,387
Adjustments for:			
Depreciation expense		**1,218,197**	1,174,973
Amortization expense		**68,310**	55,342
Gain on disposal of property and equipment		**-**	(11,166)
Accounts receivable write off		**16,198**	-
Impairment (recovery) loss – contributions and other assets		**(2,354,649)**	(110,074)
Impairment (recovery) loss – investment securities		**2,951,224**	(8,540,613)
Share of profit of associate		**(554,248)**	(724,360)
Revaluation of investment property		**-**	740,137
Revaluation of inventories		**-**	1,674,154
Finance income		**(20,369,541)**	(16,713,065)
Net Profit before Changes in Operating Assets and Liabilities		**(23,543,669)**	(18,743,285)
Change in other assets		**20,050,166**	(39,313,522)
Change in contributions receivable		**3,496,140**	58,835
Change in benefits payable		**(1,061,796)**	760,591
Change in deferred income		**(9,210)**	(9,210)
Change in accounts payable and accrued liabilities		**42,152**	(489,347)
Change in inventories		**(4,500)**	(55,441)
Net Cash Used in Operating Activities		**(1,030,717)**	(57,791,379)
Cash Flows from Investing Activities			
Acquisition of investment properties		**(23,400,854)**	-
Change in investment securities and deposits		**8,553,839**	(3,067,385)
Change in loans and advances		**4,454,749**	48,121,923
Acquisition of property and equipment		**(1,607,011)**	(322,776)
Proceeds from disposal of property and equipment		**-**	12,000
Acquisition of intangible assets		**(13,343)**	(80,371)
Interest received		**9,589,674**	19,579,954
Dividend received		**2,321,126**	3,444,796
Net Cash Used in Investing Activities		**(101,820)**	67,688,141
Net Increase (Decrease) in Cash and Cash Equivalents		**(1,132,537)**	9,896,762
Cash and Cash Equivalents at Beginning of Year		**52,597,241**	42,700,479
Cash and Cash Equivalents at End of Year	5	**51,464,704**	52,597,241

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

National Insurance Services

Index to Notes to the Financial Statement

Note 1	Reporting Entity
Note 2	Basis of Preparation
Note 3	Summary of Significant Accounting Policies
Note 4	New and Amended Standards and Interpretations not yet Adopted
Note 5	Cash and Cash Equivalents
Note 6	Contribution Receivable
Note 7	Other Assets
Note 8	Loans and Advances
Note 9	Investment Securities and Deposits
Note 10	Inventories
Note 11	Investment in Associates
Note 12	Investment Properties
Note 13	Property and Equipment
Note 14	Intangible Assets
Note 15	Benefits Payable
Note 16	Accounts Payable and Accrued Liabilities
Note 17	Reserves
Note 18	Accumulated Other Comprehensive Income
Note 19	Net Finance Income
Note 20	Other Income, Net
Note 21	Classification of Benefits
Note 22	General and Administrative Expenses
Note 23	Staff Costs
Note 24	Income Tax
Note 25	Retirement Benefit Plan
Note 26	Classification of Financial Assets and Financial Liabilities
Note 27	Financial Risk Review
Note 28	Fair Value of Financial Instruments
Note 29	Regulatory Reserves
Note 30	Related Parties
Note 31	Commitments
Note 32	Corona Virus Pandemic (COVID-19)
Note 33	Comparative figures

(in Eastern Caribbean dollars)

1. Reporting Entity

National Insurance Services ("the NIS") was established in 1986, and the name was changed to the National Insurance Services ("the NIS") in March 2004. It was established by the National Insurance Act no. 33 of 1986 and assumed the assets and obligations of the former National Provident Fund. The principal activity of the National Insurance Services is the provision of social security services in the state of St. Vincent and the Grenadines. The registered office is Bay Street, Kingstown, St. Vincent.

2. Basis of Preparation

a. Statement of Compliance

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

b. Basis of Measurement

The financial statements were prepared on the historical cost basis except for the following material items:

Items	Measurement Basis
Financial instruments at FVTPL	Fair value
Financial instruments at FVOCI	Fair value
Investment properties	Fair value
Inventory	Lower of cost or net realizable value

c. Functional and Presentation Currency

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

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates and the underlying assumptions, as well as the judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The COVID-19 pandemic has significantly affected estimation uncertainty. The most significant estimate affected is expected credit losses. The probability of default has a relatively higher degree of estimation uncertainty, as compared with prior periods due to uncertainty, as compared with prior periods due to unpredictable duration of the adverse impact of the novel virus. The probability of significant variances between actual and anticipated results may be material.

(in Eastern Caribbean dollars)

2. Basis of Preparation …..*Cont'd*

d. Use of Estimates and Judgements …..*Cont'd*

The NIS' accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, and the NIS exercises judgement in carrying out such designation; this judgement relates to whether the instruments meet the criteria for the particular classification. Judgements that have a significant effect on the amounts recognized in the financial statements and estimates can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year.

Significant valuation issues noted are reported to the NIS' Audit Committee.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9 - Investment properties
- Note 27 - Financial risk review
- Note 28 - Fair value of financial instruments

Residual values and Useful Lives of Property and Equipment

As notes in note 3 (f), the residual values and useful life of each asset are reviewed at least at each reporting date and if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The assumptions regarding residual values give rise to estimation uncertainty.

3. Summary of Significant Accounting Policies

Except for the changes below, the NIS has consistently applied the following accounting policies to all periods presented in these financial statements.

a. New and Amended Standards and Interpretations

The NIS applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The NIS has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Management anticipates that all the relevant pronouncements will be adopted in the NIS' accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not adopted or listed below are not expected to have a material impact on the NIS' financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On May 28, 2020, the IASB issued Covid-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. This amendment had no impact on the financial statements of the NIS.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

a. New and Amended Standards and Interpretations …..*Cont'd*

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the NIS. The NIS intends to use the practical expedients in future periods if they become applicable.

b. New and Amended Standards and Interpretations Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the NIS' financial statements are disclosed below. The NIS intends to adopt these standards, if applicable, when they become effective. The new and amended standards and interpretations are not expected to have a significant impact on the NIS' financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The NIS does not expect any effect on its financial statements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of Property, Plant and Equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit and loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the NIS.

Onerous Contracts – Costs of Fulfilling a Contract – amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

b. New and Amended Standards and Interpretations Issued but not yet Effective …..*Cont'd*

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The NIS will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The NIS will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the NIS.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the NIS.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, The IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

b. New and Amended Standards and Interpretations Issued but not yet Effective …..*Cont'd*

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier adoption permitted. Since the amendments to the Practice Statement 2 provide for non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The NIS is currently assessing the impact of the amendments to determine the impact they will have on the NIS' accounting policy disclosures.

c. Foreign Currency Transactions

Transactions in foreign currencies are translated into Eastern Caribbean dollars at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising on the translation of the equity instruments classified as FVOCI are recognized in OCI.

d. Investment in Associate

Associates are those entities in which the NIS has significant influence, but no control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transactions costs. Subsequent to initial recognition, the financial statements include the NIS' share of the profit or loss and OCI of the associate, until the date on which significant influence ceases.

e. Financial Assets and Liabilities

(i) Recognition and Initial Measurement

The NIS initially recognizes loans and advances, deposits, debt and equity securities issued and liabilities on the date on which they are originated.

A financial asset or financial liability is measured at fair value plus, for a item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

e. Financial Assets and Liabilities …..*Cont'd*

(ii) Classification

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

Debt Instruments

Debts instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and subsequent measurement of debt instruments depend on:

- The business model for managing the assets; and
- The cash flows characteristics of the asset.

Based on the factors the debt instruments will be classified into the three following categories:

Amortized Cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortized cost.

Fair Value through Other Comprehensive Income (FVOCI): financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI).

Fair Value through Profit or Loss (FVTPL): assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss.

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Business Model Assessment

The NIS makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and guidelines for the investment portfolio;
- how the performance of the portfolio is evaluated and reported to the NIS' management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

e. Financial Assets and Liabilities …..*Cont'd*

(ii) Classification …..*Cont'd*

Business Model Assessment …..*Cont'd*

Assessment of whether Contractual Cash Flows are solely Payments and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the NIS considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that cold change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the NIS considers contingent events that would change the amount and timing of cash flows.

Equity Instruments

Equity instrument are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the NIS changes its business model for managing financial assets.

Financial Liabilities

The NIS classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

(iii) Derecognition

Financial Assets

The NIS derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the NIS neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (iii) any cumulative gain or loss that had been recognized in OCI in recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the NIS is recognized as a separate asset or liability.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

e. Financial Assets and Liabilities …..*Cont'd*

(iv) Offsetting

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the NIS' trading activity. Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position when, and only when, there is a current legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(v) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date in the principal or, in its absence, the most advantageous market to which the NIS has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the NIS measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the NIS uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the NIS determines that the value of on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

(vi) Impairment

The NIS assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The NIS recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 25 provides more detail of how the expected credit loss allowance is measured.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

e. Financial Assets and Liabilities …..*Cont'd*

(vi) Impairment …..*Cont'd*

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the NIS determines that the borrower does not have assets or sources of income that could general sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the NIS' procedures for recovery or amounts due.

f. Investment Properties

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognized 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 recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to reserves.

g. Property and Equipment

(i) Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property and equipment is recognized 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 sire on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

(ii) Reclassification to Investment Property

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

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

g. Property and Equipment …..*Cont'd*

(iii) Subsequent Costs

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

(iv) Depreciation

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

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

Freehold buildings	4%
Furniture and fixtures	15%
Office equipment	15-20%
Building related equipment	10%
Computer equipment	20-33%
Motor vehicles	20%

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

h. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

(i) Recognition and Measurement

Intangible assets are measured at cost less accumulated amortization charge and impairment losses.

(ii) Amortization

Intangible assets are amortized using the straight-line method. Amortization commences when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Amortization expense is recognized in profit or loss.

(iii) Derecognition

Gains or losses arising from the disposal of an intangible asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and are recognized in profit or loss when the asset is disposed.

(iv) Internally Generated Intangible Assets

To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:

(i) Research Phase

Expenditure on research (or on the research phase of an internal project) is recognized as an expense when it is incurred.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

h. Intangible Assets …..*Cont'd*

(iv) Internally Generated Intangible Assets …..*Cont'd*

(ii) Development Phase

An intangible asset arising from development (or from the development phase of an internal project) is capitalized only if an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

i. Impairment

(i) Financial Assets

IFRS requires the estimation of expected credit losses where are derived from unbiased and probability weighted estimates. The following assets and disclosures that are applicable to the NIS are within the scope of IFRS 9:

- Financial assets measured at amortized cost
- Financial assets measured at FVOCI
- Loan commitments (except those measured at FVTPL)
- Lease receivable under IFRS 16

There are two impairment approaches required: the general approach and the simplified approach. The general approach is a three-stage expected credit loss approach as follows:

Stage 1 – there was no significant increase in credit risk since initial recognition and the instrument was not credit impaired upon purchase. The expected credit losses to be incurred within 12 months of the assessment date is recognized.

Stage 2 – there was a significant increase in credit risk since initial recognition, but the instrument is not credit impaired. The expected credit losses to be incurred during the lifetime of the instrument is recognized.

Stage 3 – the instrument is credit impaired. The expected credit losses to be incurred during the lifetime of the instrument is recognized.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

i. Impairment …..*Cont'd*

(i) Financial Assets …..*Cont'd*

The inputs used to estimate the balances are the probability of default, the exposure at default and the loss given default. The expected credit loss is discounted by the effective interest rate. Information about future events and economic conditions are incorporated in the model.

The simplified approach is based on the historic default rate. The average historical rate of return is used as a proxy for the effective interest rate.

(ii) Non-Financial Assets

At each reporting date, the NIS review the carrying amounts of its non-financial assets (other than investment properties and inventories), to determine whether there is any indication of impairment. If any such indication exists for any asset, then that 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reverse 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 amortization, if no impairment loss had bee recognized.

j. Contributions Receivable

Contributions receivable on active accounts are estimated based on the most recent remittance by contributors. No estimate is made for dormant or ceased accounts as it is not probable that any economic benefits will flow to the NIS.

k. Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

l. Contributions

Revenue from contributions is recognized in profit or loss on the accrual basis at the requisite statutory rates utilizing employer monthly contribution statements which are settled in arrears.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies …..*Cont'd*

m. Finance Income and Expense

Financial income comprises interest income, dividend income, gains on the disposal of financial assets and foreign currency gains on investments. Interest income is recognized as it accrues, using the effective interest method. Dividend income is recognized on the date that the NIS' right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises foreign currency losses on investments.

n. Loan Commitments

Loan commitments are firm commitments to provide credit under the pre-specified terms and conditions.

The NIS has not issued any loan commitments that are measured at FVTPL.

For other loan commitments, the NIS recognizes a loss allowance.

Liabilities arising from loan commitments ae included within provisions.

o. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and other short-term highly liquid instruments with original maturities of three months or less.

4. New and Amended Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, these standards are not expected to have a significant impact on impact on the NIS' financial statements.

5. Cash and Cash Equivalents

	2021	2020
	$	$
Cash on hand	**1,036**	1,103
Bank balances	**51,463,668**	52,596,138
	51,464,704	52,597,241

(in Eastern Caribbean dollars)

6. Contributions Receivable

	2021	2020
	$	$
Contributions receivable	**11,822,222**	15,318,362
Allowance for impairment losses (**Note 27 (b) (i)**)	**(8,040,339)**	(10,374,983)
	3,781,883	4,943,379

The movement in the provision for impairment losses in respect of contributions receivable during the year was as follows:

	2021	2020
	$	$
Balance at January 1	**10,374,983**	10,232,347
Change in allowance for impairment losses	**(2,334,644)**	142,636
Balance at December 31	**8,040,339**	10,374,983

7. Other Assets

	2021	2020
	$	$
Prepayments	**638,380**	381,492
Staff receivables	**109,234**	107,274
Rent receivables	**526,859**	754,660
Other receivables	**23,519,586**	43,616,998
	24,794,059	44,860,424
Allowance for impairment losses	**(1,316,784)**	(1,336,790)
	23,477,275	43,523,634

(in Eastern Caribbean dollars)

8. Loans and Advances

	2021 $	2020 $
Loans guaranteed by the Government of St. Vincent and the Grenadines	**37,010,294**	40,700,983
Loans secured by mortgage	**10,649,950**	11,495,948
Unsecured staff loans	**479,268**	397,330
	48,139,512	52,594,261
Allowance for impairment losses	**(10,649,672)**	(11,430,814)
	37,489,840	41,163,447

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

	2021 $	2020 $
Balance at January 1	**11,430,814**	15,460,226
Movements during the year	**(781,142)**	(4,029,412)
Balance at December 31	**10,649,672**	11,430,814

9. Investment Securities and Deposits

	2021 $	2020 $
Investment Securities at FVTPL		
Equities	**43,916,033**	37,334,797
Investment Securities at Amortized Cost		
Debt securities	**184,824,812**	196,124,781
Expected credit losses (**Note 27 (b) (i)**)	**(17,475,166)**	(19,571,553)
	167,349,646	176,553,228
Investment Securities at FVOCI		
Debt securities	**4,116,501**	5,823,593
Equities designated as at FVOCI	**56,979,468**	53,878,590
	61,095,969	59,702,183
	272,361,648	273,590,208

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

	2021 $	2020 $
Balance at January 1	**19,571,533**	24,052,609
Reduction of impairment loss	**(2,096,367)**	(4,481,056)
Balance at December 31 (**Note 27 (b) (ii)**)	**17,475,166**	19,571,553

(in Eastern Caribbean dollars)

9. Investment Securities and Deposits …..*Cont'd*

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 Organization 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 2013, the Supreme Court of Barbados place 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 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.

The NIS has investments in fixed deposits in CL Financial Group as at December 31, as follows:

	2021	2020
	$	$
Fixed deposit	**19,612,467**	19,612,467
Payments received	**-**	-
Gross carrying value at December 31	**19,612,467**	19,612,467
Provision for impairment	**(16,785,034)**	(16,635,143)
Fixed deposit, net	**2,827,433**	2,977,324

10. Inventories

	2021	2020
	$	$
Balance as at January 1	**7,700,000**	9,318,713
Acquisitions/additions	**4,500**	55,441
Net change in fair value of inventories	**-**	(1,674,154)
Balance at December 31	**7,704,500**	7,700,000

Inventories comprise land at Peter's Hope held for real estate development.

The General Employees Co-operative Credit Union Limited (GECCU) owns property adjoining the lands owned by the NIS. Both parties, the NIS and GECCU, entered into a Memorandum of Understanding (MOU) that establishes a working relationship for the joint planning and physical infrastructural development of the properties owned by the parties ("the Project"). The MOU establishes and defines the Project activities and provides for, among other things, a framework for project administration and cost allocation. The total size of the proposed development is 57.2 acres. GECCU is the owner of 31.2 acres and the NIS owns 26 acres. The parties plan to develop the lands for residential and commercial purposes with the intention of sale in the ordinary course of business.

(in Eastern Caribbean dollars)

11. Investment in Associate

The NIS has twenty percent (20%) ownership of the Bank of St. Vincent and the Grenadines. The Bank's principal place of business is located at Reigate Building, Granby Street, Kingstown, St. Vincent. The principal activities of the Bank are the provision of retail and corporate banking and investment services. The NIS is represented by two (2) persons on the Bank's Board of Directors.

The following table summarizes the financial information of the Bank of St. Vincent and the Grenadines as indicated in its own financial statements:

	2021 $	2020 $
Percentage ownership interest	**20%**	20%
Total assets	**1,294,419,198**	1,214,583,302
Total liabilities	**(1,159,736,022)**	(1,080,804,714)
Net Assets (100%)	**134,683,176**	133,778,588
NIS' share of net assets, being carrying amount of interest in associate	**26,936,635**	26,755,718
Revenue	**50,790,365**	53,771,347
Profit from continuing operations (100%)	**2,771,227**	3,621,634
Other comprehensive income (100%)	**(66,657)**	11,833,694
Total Comprehensive Income (100%)	**2,704,570**	15,455,328
Balance as at January 1	**26,755,718**	25,074,619
Share of profit	**554,248**	724,360
Share of OCI (**Note 18**)	**(13,331)**	2,366,739
Dividend received	**(360,000)**	(1,410,000)
Balance as at December 31	**26,936,635**	26,755,718

12. Investment Properties

	2021 $	2020 $
Balance as at January 1	**22,179,000**	22,919,137
Acquisition of investment properties	**23,400,854**	-
Net change in fair value of investment properties	**-**	(740,137)
Balance at December 31	**45,579,854**	22,179,000

The properties were revalued by an independent valuer within the last three (3) years.

Rental income from investment properties of $1,345,236 (2020: $1,426,399) has been recognized in other income.

(in Eastern Caribbean dollars)

12. Investment Properties …..*Cont'd*

Measurement of Fair Values

(i) Fair Value Hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being values. The independent valuers provide the fair value of the NIS' investment property portfolio every three years.

The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value based on the inputs o the valuation technique used (see **Note 28 (a)**).

(ii) Valuation Technique and Significant unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Val. Technique	Sig. Unobs. Inputs	Relationship
Building: the market and income approach was used.		
Market Approach: comparable properties were assessed, and the most comparable property was chosen as a basis on the condition of the building.	1. Judgement about the physical condition of the building; and 2. The determination and value of comparable properties.	The estimated fair value would increase (decrease) if: 1. The value per square foot were higher (lower); and 2. The assessment of the condition of the building was not reasonable.
Income Approach: the assessed rental value is derived from assessing comparable rental rates, then adjusting it downward for insurance, repairs and property management. A discount rate deemed to be appropriate for prime rental property was chosen to determine perpetuity then the value was derived based on the years to perpetuity and the assessed rental value.	1. An appropriate discount rate; 2. The determination of comparable properties; and 3. The size and price per square foot of comparable properties.	1. An appropriate discount rate was not used; and 2. The assessed rent was not reasonable.
Land:		
Market Approach: comparable properties were assessed, and the most comparable property was chosen as a basis for the valuation.	1. Judgements about the characteristics of the land; and 2. The determination and value of comparable properties.	The estimated fair value would increase (decrease) if: 1. The value per square foot were higher (lower); and 2. The assessment of the condition of the land was not reasonable.

(in Eastern Caribbean dollars)

13. Property and Equipment

	Freehold Buildings $	Furniture and Equipment $	Office Equipment $	Building related Equipment $	Computer Equipment $	Motor Vehicles $	Total $
Cost							
Balance at January 1, 2020	35,212,569	2,146,459	551,975	1,847,150	1,802,647	481,727	42,042,527
Additions	-	30,517	-	11,611	213,023	67,625	322,776
Disposals	-	-	(394)	-	(142,443)	(95,385)	(238,222)
Balance at December 31, 2020	35,212,569	2,176,976	551,581	1,858,761	1,873,227	453,967	42,127,081
Balance at January 1, 2021	35,212,569	2,176,976	551,581	1,858,761	1,873,227	453,967	42,127,081
Additions	-	172,023	16,969	1,329,273	88,746	-	1,607,011
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2021	**35,212,569**	**2,348,999**	**568,550**	**3,188,034**	**1,961,973**	**453,967**	**43,734,092**
Accumulated Depreciation							
Balance at January 1, 2020	9,845,904	2,087,643	522,788	1,104,389	1,552,178	308,414	15,421,316
Depreciation for the year	861,659	13,475	8,935	118,259	101,032	71,613	1,174,973
Disposals	-	-	(302)	-	(141,700)	(95,386)	(237,388)
Balance at December 31, 2020	10,707,563	2,101,118	531,421	1,222,648	1,511,510	284,641	16,358,901
Balance at January 1, 2021	10,707,563	2,101,118	531,421	1,222,648	1,511,510	284,641	16,358,901
Depreciation for the year	861,659	21,657	8,871	129,733	119,029	77,248	1,218,197
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2021	**11,569,222**	**2,122,775**	**540,292**	**1,352,381**	**1,630,539**	**361,889**	**17,577,098**
Carrying Amounts							
At December 31, 2020	24,505,006	75,858	20,160	636,113	361,717	169,326	25,768,180
At December 31, 2021	**23,643,347**	**226,224**	**28,258**	**1,835,653**	**331,434**	**92,078**	**26,156,994**

(in Eastern Caribbean dollars)

14. Intangible Asset

	Computer Software $
Cost	
Balance at January 1, 2020	2,232,100
Additions	80,371
Balance at December 31, 2020	2,312,471
Balance at January 1, 2021	2,312,471
Additions	13,343
Balance at December 31, 2021	2,325,814
Accumulated Amortization	
Balance at January 1, 2020	2,010,889
Amortization for the year	55,342
Balance at December 31, 2020	2,066,231
Balance at January 1, 2021	2,066,231
Amortization for the year	68,310
Balance at December 31, 2021	2,134,541
Carrying Amounts	
At December 31, 2020	246,240
At December 31, 2021	191,273

15. Benefits Payable

The following summarizes the benefits payable for each service branch:

	Short-term Benefit		Long-term Benefit		Employment Injury Benefit		Total	
	2021 **$**	2020 $	**2021** **$**	2020 $	**2021** **$**	2020 $	**2021** **$**	2020 $
Benefits payable	**249,519**	76,545	**3,433,799**	4,683,222	**14,821**	168	**3,698,139**	4,759,935
Total	**249,519**	76,545	**3,433,799**	4,683,222	**14,821**	168	**3,698,139**	4,759,935

16. Accounts Payable and Accrued Liabilities

	2021 **$**	2020 $
Due to BVI Social Security	**188,345**	319,808
Contributions refundable	**88,401**	40,956
Accounts payable and accruals	**1,048,397**	951,049
Other payables	**45,022**	16,200
	1,370,165	1,328,013

(in Eastern Caribbean dollars)

17. Reserves

(a) Benefit Reserves

Pursuant to section 20 of the National Insurance Act 1996, the excess of income over expenses of each service branch shall be credited to a reserve fund to finance the approved benefits. The accumulated benefit reserves are not liabilities; but an appropriation of the reserves on a ratio stipulated by the NIS' regulations.

Apportionment of Contribution Income

In accordance with section 18 of the National Insurance Services (Financial and Accounting) Regulations of 1996, the contribution income was apportioned to the benefit branches, as recommended by the approved actuary, as follows:

	2021	2020
	%	%
Long-term benefit	**85.45**	85.45
Short-term benefit	**8.25**	8.25
Employment injury benefit	**6.30**	6.30
	100.00	100.00

Section 17 of the National Insurance Act, requires an actuarial review every third year and each such review, shall make a report on the financial condition of the NIS, and the adequacy or otherwise of contributions to support benefits. Accordingly, the 11^{th} actuarial review was conducted by covering a 3-year period 2017 to 2019. The review report dated August 31, 2021, was issued by LifeWorks, the appointed actuaries. The review report states that the NIS is not financially sustainable over the medium and long terms at current benefit provisions and contributions rate. By design, the NIS is partially funded, and the current contribution rate and accumulated reserves are expected to be adequate to meet all obligations for approximately 15 to 20 years. Key assumptions in arriving at these projections are:

- Average contribution rate – 9.87%
- Long-term yield on reserves – 4.0%
- Other income – 2.0%

Principal demographic and economic assumptions made by the actuary include:

- Long-term inflation – 2.0%
- Real increase in wages – 0.6%
- Real GDP Growth Rates – 1.5% decreasing to 1.25% in 2025. 1.25% until 2039 and 0.5% thereafter.

The actual recommendations ensuring the NIS' solvency are being examined by management in consultation with the Ministry of Finance of St Vincent and the Grenadines.

(in Eastern Caribbean dollars)

17. Reserves …..*Cont'd*

(b) National Provident Fund

The National Provident Fund (NPF) includes legacy contributors under the NIS.

(c) Foreign Exchange Reserve

Foreign exchange reserve comprises all foreign currency differences arising on translation of debt and equity securities classified at FVOCI.

(d) Fair Value Reserve

The fair value reserve comprises of:

(i) the cumulative net change in the fair value of equity securities designated at FVOCI;

(ii) the cumulative net change in the fair value of debt securities at FVOCI until the assets are derecognized or reclassified. This amount is reduced by the amount of loss allowance; and

(iii) revaluation reserves relating to revaluation of investment properties.

18. Accumulated Other Comprehensive Income

	2021	2020
	$	$
Unrealized foreign exchange gains (losses)	**(314,930)**	50,657
Appreciation in fair value of investment securities	**3,555,858**	1,031,149
	3,240,928	1,081,806

The following summarises the movements in the components of other compressive income:

	2021	2020
	$	$
Unrealised foreign exchange gain/(loss) on Investment Securities		
Beginning of year	**50,657**	(78,182)
Exchange gain (loss) during year	**(365,587)**	128,839
End of year	**(314,930)**	50,657
Appreciation in fair value of investment securities		
Beginning of year	**1,031,149**	(3,852,515)
Appreciation of equities	**2,745,457**	2,357,677
Appreciation of debt securities	**(207,417)**	159,248
Share of associates – OCI (**Note 11**)	**(13,331)**	2,366,739
End of year	**3,555,858**	1,031,149
	3,240,928	1,081,806

(in Eastern Caribbean dollars)

19. Classification of Benefits

The following summarizes the benefits paid by each service branch:

	Short-term Benefit		Long-term Benefit		Employment Injury Benefit		National Provident Fund		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$			**$**	$
Sickness benefit	**2,784,922**	2,282,354	**-**	-	**-**	-	**-**	-	**2,784,922**	2,282,354
Maternity benefit	**1,152,514**	1,245,516	**-**	-	**-**	-	**-**	-	**1,152,514**	1,245,516
Maternity grant	**309,680**	330,660	**-**	-	**-**	-	**-**	-	**309,680**	330,660
Funeral grant	**-**	-	**2,325,803**	2,088,685	**-**	-	**-**	-	**2,325,803**	2,088,685
Invalidity benefit	**-**	-	**1,037,538**	1,055,826	**-**	-	**8,028**	8,890	**1,045,566**	1,064,716
Survivor's benefit	**-**	-	**6,172,474**	5,426,060	**-**	-	**49,224**	44,527	**6,221,698**	5,470,587
Age benefit	**-**	-	**63,423,041**	58,210, 050	**-**	-	**1,605,424**	1,490,713	**65,028,465**	59,700,763
Age grant	**-**	-	**1,694,202**	1,356,251	**-**	-	**-**	-	**1,694,202**	1,356,251
NIS employment injury medical	**-**	-	**-**	-	**3,782**	9,963	**-**	-	**3,782**	9,963
NIS employment injury	**-**	-	**-**	-	**112,376**	139,662	**-**	-	**112,376**	139,662
NIS employment disablement	**-**	-	**-**	-	**95,583**	93,049	**-**	-	**95,583**	93,049
NIS employment death	**-**	-	**-**	-	**55,828**	60,093	**-**	-	**55,828**	60,093
Non-contributory assistance age pension	**-**	-	**483,638**	635,584	**-**	-	**-**	-	**483,638**	635,584
Elderly assistance benefit	**-**	-	**269,864**	286,014	**-**	-	**-**	-	**269,864**	286,014
Temporary unemployment benefit	**595,500**	2,357,625	**-**	-	**-**	-	**-**	-	**595,500**	2,357,625
Total Expenditure	**4,842,616**	6,216,155	**75,406,560**	69,058,470	**267,569**	302,767	**1,662,676**	1,544,130	**82,179,421**	77,121,522

(in Eastern Caribbean dollars)

20. Net Finance Income

	2021	2020
	$	$
Interest on loans	**2,296,938**	2,592,513
Interest income on unimpaired investments	**7,226,285**	8,024,837
Dividend income	**1,961,126**	2,034,796
Finance Income	**11,484,349**	12,652,146
Net foreign exchange gain (loss) on investments	**(83,733)**	22,675
Gain on disposal of investments	**8,968,925**	4,038,244
Other Gains	**8,885,192**	4,060,919
Net Finance Income recognized in Profit or Loss	**20,369,541**	16,713,065

21. Other Income, Net

	2021	2020
	$	$
Rental income	**1,345,236**	1,426,399
Gain on disposal of property, plant and equipment	**-**	11,165
Surcharges and other fees	**308,462**	690,090
	1,653,698	2,127,654

(in Eastern Caribbean dollars)

22. General and Administrative Expenses

	2021 $	2020 $
Accommodation and travel expenses	**21,672**	58,612
Advertising and promotion	**50,596**	52,566
Amortization expense	**68,310**	55,342
Annual awards dinner and anniversary celebrations	**21,736**	48,499
Audit fees	**140,615**	107,926
Bank charges	**106,507**	125,612
Bad debt expense	**16,198**	-
Cleaning expense	**112,850**	129,300
Depreciation expense	**1,218,197**	1,174,973
Directors' fees and expenses	**128,433**	150,428
Donations, community and education projects	**701,730**	1,399,339
Insurance	**206,872**	210,358
Legal fees	**821**	873
Management fees	**1,294,084**	1,027,677
Miscellaneous expenses	**11,655**	6,553
Office expenses	**38,159**	42,928
Postage and stationery	**105,579**	104,466
Post office charges	**48,000**	48,000
Professional fees	**378,450**	148,039
Repairs and maintenance	**541,195**	160,222
Staff costs (**Note 23**)	**6,294,637**	5,970,907
Subscriptions	**301,673**	218,793
Security	**192,645**	198,891
Utilities	**557,328**	541,476
	12,557,942	11,981,780

23. Staff Costs

	2021 $	2020 $
Salaries and wages	**5,452,955**	5,297,118
National Insurance contributions	**192,408**	195,901
Retirement benefit plan contributions (**Note 25**)	**259,528**	249,260
Staff training	**80,550**	62,402
Uniforms and medical insurance	**309,196**	166,226
	6,294,637	5,970,907
Number of employees at December 31	**95**	95

24. Income Tax

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

(in Eastern Caribbean dollars)

25. Retirement Benefit Plan

The National Insurance Services provides retirement benefits under a defined contribution plan, which was administered by Colonial Life Insurance Company (Trinidad) Limited (CLICO), currently under judicial management, for its permanent employees. Under the plan's provisions, the National Insurance Services and its permanent employees are required to contribute 6% and 3% respectively, of the employees' basic monthly salary to the plan. During the year, the National Insurance Services' contributions to the pension plan, which amount to $259,528 (2020: $249,260), were charged to profit or loss. Effective October 2010, the NIS suspended payment directly to CLICO and commenced making the contributions into a deposit account at the Bank of St. Vincent and the Grenadines Ltd. for the benefit of staff. The pension fund's assets are not included in these financial statements.

26. Classification of Financial Assets and Financial Liabilities

The table below provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Amortized Cost $	Fair Value through Other Comprehensive Income $	Financial Asset at Fair Value through Profit or Loss $	Total $
December 31, 2021				
Assets				
Cash and cash equivalents	**51,464,704**	**-**	**-**	**51,464,704**
Contributions receivable	**3,871,883**	**-**	**-**	**3,871,883**
Interest receivable on loans and investment securities	**4,692,077**	**78,797**	**-**	**4,770,874**
Other assets	**23,477,275**	**-**	**-**	**23,477,275**
Loans and advances	**37,489,840**	**-**	**-**	**37,489,840**
Investment securities and deposits	**167,349,646**	**61,095,969**	**43,916,033**	**272,361,648**
Total Financial Assets	**288,255,425**	**61,174,766**	**43,916,033**	**393,346,224**
Liabilities				
Benefits payable	**3,698,139**	**-**	**-**	**3,698,139**
Accounts payable and accrued liabilities	**1,370,165**	**-**	**-**	**1,370,165**
Deferred income	**5,620**	**-**	**-**	**5,620**
Total Financial Liabilities	**5,073,924**	**-**	**-**	**5,073,924**

(in Eastern Caribbean dollars)

26. Classification of Financial Assets and Financial Liabilities …..*Cont'd*

	Amortized Cost $	Fair Value through Other Comprehensive Income $	Financial Asset at Fair Value through Profit or Loss $	Total $
December 31, 2020				
Assets				
Cash and cash equivalents	52,597,241	-	-	52,597,241
Contributions receivable	4,943,379	-	-	4,943,379
Interest receivable on loans and investment securities	4,695,724	141,601	-	4,837,325
Other assets	43,523,634	-	-	43,523,634
Loans and advances	41,163,447	-	-	41,163,447
Investment securities and deposits	176,553,228	59,702,183	37,334,797	273,590,208
Total Financial Assets	323,476,653	59,843,784	37,334,797	420,655,234
Liabilities				
Benefits payable	4,759,935	-	-	4,759,935
Accounts payable and accrued liabilities	1,328,013	-	-	1,328,013
Deferred income	14,830	-	-	14,830
Total Financial Liabilities	6,102,778	-	-	6,102,778

27. Financial Risk Review

(a) Introduction and Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk Management Framework

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

The NIS' risk management policies are established to identify, assess, manage, monitor and report the risks faced by the NIS. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. The NIS, through its training and management standards and procedures, aims to develop a disciplined and constructive environment, in which all employees understand their roles and obligations.

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(a) Introduction and Overview …..*Cont'd*

Risk Management Framework …..*Cont'd*

The NIS' Audit and Risk Committees are responsible for monitoring compliance with the NIS' risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the NIS. The Audit Committee and the Risk Management Committee are assisted in these functions by the Internal Audit Department and Internal Risk Management Unit. Both internal units perform both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and Risk Management Committee.

(b) Credit Risk

Credit risk is the risk of financial loss to the NIS if a contributor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from contributions receivable, loans and investment securities and deposits.

Exposure to Credit Risk

The carrying amount of the financial assets represents the maximum credit exposure.

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 authorization structure for the approval of investment and loans.
- Reviewing and assessing credit risk including assessing 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 NIS 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 agreements.

National Insurance Services

Notes to the Financial Statement
For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(i) Credit Quality Analysis IFRS 9

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
December 31, 2021				
Debt Securities Measured at Amortized Cost				
Investment grade	42,588,959	8,791,163	-	51,380,122
Non-investment grade	111,020,990	2,811,233	-	113,832,223
Credit impaired	-	-	19,612,467	19,612,467
Gross Carrying Amount	153,609,949	11,602,396	19,612,467	184,824,812
Less: loss allowance	(478,605)	(211,527)	(16,785,034)	(17,475,166)
Carrying Amount	153,131,344	11,390,869	2,827,433	167,349,646
Debt Securities Measured at FVOCI				
Investment grade	3,792,228	-	-	3,792,228
Non-investment grade	-	-	-	-
Credit impaired	-	-	-	-
Gross Carrying Amount	3,792,228	-	-	3,792,228
Less: loss allowance	(543)	-	-	(543)
Carrying Amount	4,116,501	-	-	4,116,501

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
December 31, 2021				
Loans to Corporations and Public Sector Measured at Amortized Cost				
Investment grade	-	-	-	-
Non-investment grade	21,930,494	-	-	21,930,494
Credit impaired	-		20,955,860	20,955,860
Gross Carrying Amount	21,930,494	-	20,955,860	42,886,354
Less: loss allowance	(64,233)	-	(10,437,100)	(10,501,333)
Carrying Amount	21,866,261	-	10,518,760	32,385,021
Loans to Employees Measured at Amortized Cost				
Performing	4,982,022	-	-	4,982,022
Past due but not credit impaired	-	-	-	-
Credit impaired	-	-	271,136	271,136
Gross Carrying Amount	4,982,022	-	271,136	5,253,158
Less: loss allowance	(66,205)	-	(82,134)	(148,339)
Carrying Amount	4,915,817	-	189,002	5,104,819
	26,782,078		10,707,762	37,489,840

(in Eastern Caribbean dollars)

27. Financial Risk Review .....*Cont'd*

(b) Credit Risk .....*Cont'd*

(i) Credit Quality Analysis IFRS 9 .....*Cont'd*

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
December 31, 2020				
Debt Securities Measured at Amortized Cost				
Investment grade	40,924,707	9,504,814	-	50,429,521
Non-investment grade	111,549,375	14,533,418	-	126,082,793
Credit impaired	-	-	19,612,467	19,612,467
Gross Carrying Amount	152,474,082	24,038,232	19,612,467	196,124,781
Less: loss allowance	(565,453)	(2,370,957)	(16,635,143)	(19,571,553)
Carrying Amount	151,908,629	21,667,275	2,977,324	176,553,228
Debt Securities Measured at FVOCI				
Investment grade	5,210,720	-	-	5,210,720
Non-investment grade	-	268,820	-	268,820
Credit impaired	-	-	-	-
Gross Carrying Amount	5,210,720	268,820	-	5,479,540
Less: loss allowance	(866)	(17)	-	(883)
Carrying Amount	5,554,770	268,823	-	5,823,593

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
December 31, 2020				
Loans to Corporations and Public Sector Measured at Amortized Cost				
Investment grade	-	-	-	-
Non-investment grade	26,082,290	-	-	26,082,290
Credit impaired	-	-	20,955,860	20,955,860
Gross Carrying Amount	26,082,290	-	20,955,860	47,038,150
Less: loss allowance	(75,654)	-	(11,112,748)	(11,188,402)
Carrying Amount	26,006,636	-	9,843,112	35,849,748
Loans to Employees Measured at Amortized Cost				
Performing	5,037,417	-	-	5,037,417
Past due but not credit impaired	-	-	-	-
Credit impaired	-	-	518,694	518,694
Gross Carrying Amount	5,037,417	-	518,694	5,556,111
Less: loss allowance	(61,718)	-	(180,694)	(242,412)
Carrying Amount	4,975,699	-	338,000	5,313,699
	30,982,335	-	10,181,112	41,163,447

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(i) Credit Quality Analysis IFRS 9 …..*Cont'd*

	2021 $	2020 $
Contributions Receivable Measured at Amortized Cost		
Current	**458,892**	2,461,929
Past due 0 – 30	**93,005**	33,353
Past due 31 – 60	**37,860**	14,230
Past due 61 -90	**32,009**	47,725
Non-performing	**11,200,456**	12,761,125
Gross carrying amount	**11,822,222**	15,318,362
Less: loss allowance (**Note 6**)	**(8,040,339)**	(10,374,983)
Carrying amount	**3,781,883**	4,943,379

	2021 $	2020 $
Rent Receivables Measured at Amortized Cost		
Current	**(5,701)**	(1,296)
Past due 0 – 30	**1,780**	-
Past due 31 – 60	**400**	(100)
Past due 61 -90	**-**	-
Non-performing	**541,080**	763,356
Gross carrying amount	**537,559**	761,960
Less: loss allowance	**(394,760)**	(575,617)
Carrying amount	**142,799**	186,343

(ii) Expected Credit Loss Measurement

The NIS recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- contributions receivable;
- rent receivables; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

Expected credit losses are the probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive);
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the NIS if the commitment is drawn down and the cash flows that the NIS expects to receive;

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

General Approach

Loss allowance under IFRS 9 for investment securities and the staff loan portfolio are estimated under the requirements of the general approach. The following outlines the requirements of IFRS 9 general approach for impairment provisions, which is based on changes in credit quality since initial recognition:

Stage 1 – A debt instrument is categorized in stage 1 if there is no significant increase in credit risk. Expected credit losses are estimated based on default events that are possible in the next 12 months.

Stage 2 – If the debt instrument is not credit impaired but there is a significant increase in credit risk (see below), the debt instrument is transferred to stage 2. Expected credit losses at stage 2 are estimated based on all possible events over the life of an asset. Interest revenue is recorded on the carrying amount: gross of expected credit losses.

Stage 3 – If a debt instrument is credit impaired it is categorized as stage 3. Like stage 2 instruments, lifetime expected losses are estimated. Interest revenue is recorded on the carrying amount, net of expected credit losses.

Simplified Approach

The NIS estimated expected credit losses for contributions receivable and rent receivables by applying the simplified approach. Under this approach, expected credit losses are recognized on a lifetime basis, utilizing a provision matrix or ageing analysis to calculate default rates.

Significant Increase in Credit Risk

For debt securities, the NIS assesses significant increase in credit risk based on credit risk migration or backstop criteria. Credit risk migration criteria is reliant on the IFRS 9 low credit risk exemption, which assumes no significant increase in credit risk for investment grade instruments. On the other hand, the backstop criteria are utilized when there is insufficient information to determine credit risk rating.

As far as available and practical, public external ratings in the source of credit ratings. In instances where securities are unrated, the ratings are determined internally by applying Moody's Methodology for the sector to which the investment security is assigned. As a matter of policy, if there is insufficient information available to conduct an internal rating, then significant increase in credit risk may be determined by qualitative and quantitative credit risk factors. In these situations, the NIS must exercise clear and sound judgement in credit risk rating. Credit risk factors include inter alia:

- Significant adverse changes in business, financial or economic risk associated with the borrower
- Expected forbearance or restructuring
- Indications of significant adverse operating results
- Significant reduction in collateral value for secured obligations
- Early signs of liquidity problems

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

Default and Credit Impaired

The NIS defines a financial instrument as "in default" or credit impaired based on the following:

- Quantitative Criteria:
  - More than 90 days past due on its contractual payments
- Qualitative Criteria:
  - The issuer is in long-term forbearance
  - The issuer is insolvent
  - The issuer is in breach of financial covenants
  - The issuer is expected to enter into bankruptcy

Credit Risk Curing

Debt instruments classified as stage 3 and stage 2 are reclassified if the following conditions are satisfied:

- Stage 3 debt instruments are reclassified to stage 2 or 1 if the instrument is no longer deemed to be credit impaired. The quantitative and qualitative criteria for both stages 2 and 1 will determine the stage to which the instrument is categorized.
- An instrument classified as stage 2 will be classified as stage 1 when the credit risk is deemed to be low based on the quantitative factors.

Expected Credit Loss Model

The components of the expected credit loss model are the probability of default (PD), the exposure at default (EAD), the loss given default (LGD) and the effective interest rate.

Debt Securities

The expected credit loss for contribution and rent receivable is the product of the Probability of Default, Loss Given Default and Exposure at Default, discounted to the report date using the effective interest rate.

Contribution and Rent Receivables

The expected credit loss for contribution and rent receivable is the product of the default rate and carrying value discounted to the report date using the NIS actuarial hurdle rate.

Probability of Default

The probability of default (PD) represents likelihood of default over the next 12 months or over the remaining lifetime of the financial asset.

For debt securities exclusive of staff loans, cumulative PDs published in Moody's rating agency Default Study are integrated into the expected credit loss model on the basis of credit rating or credit quality.

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

Expected Credit Loss Model …..*Cont'd*

Probability of Default …..Cont'd

Due to insufficient historical data and supportable information, staff loan default rate is approximated by a variable with a universal scope. In this regard, the NIS incorporates non-performing loans (NPL) ratios for the banking sector of St. Vincent and the Grenadines, published by the Eastern Caribbean Central Bank. To convert the observed NPL ratios into cumulative or lifetime default rates, the NIS uses an exponential transformation function.

Default rates for contribution and rent receivables comprise the following:

- Calculation of marginal default rates or roll rates from historical ageing analysis; and
- Exponential transformation of average roll rate to establish a default rate term structure of cumulative or lifetime measures

Exposure at Default

Exposure at default (EAD) include amounts the NIS estimates to be outstanding at the time of default, over the next 12 months or over the remaining lifetime. Estimates take account for contractual cash flows of financial instruments to establish a point in time measure of the EAD.

Loss given Default

Loss given default provides an estimate of the expectation of the extent of loss on a defaulted exposure. The LGD takes the form of the percentage loss per unit of exposure, which is residual of any recoverable value. Therefore, the LGD model is applied as one minus the recovery rate of the security (1-r) with the recoverable amount calculated based on the following considerations:

- The value of collateral for secured financial assets;
- Risk neutral credit spreads;
- Cash flows from debt exchange/workout;
- Moody's recovery rates as per priority ranking;
- The prospect of regulatory or home authority support for regulated financial institutions; and
- The application of adequate management overlay where estimates of the recoverable value are irrelevant.

The table below shows techniques for estimating the LGD:

Approach	Description	Scope
Asset pricing model LGD	This approach assumes that the spread above risk free rate reflects the recovery rate once the PD is estimated	Sovereign bonds Treasury bills
Work-out LGD	Present value of estimated cash flows resulting from work-out or recovery process	Loans Fixed deposits
Market-based LGD	Estimates of LGD are derived from recovery rates published by external rating agency	Corporate bonds

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

Expected Credit Loss Model …..*Cont'd*

Forward-looking Information

To incorporate forward-looking information into the estimate of the ECL, the NIS:

- Considers macroeconomic forecasts for indicators, such as, unemployment rate, GDP, inflation, debts to GDP, interest rates and credit spreads from reputable sources to form expectations for input into forecasting model;
- Selects an appropriate stochastic process to produce forecasts of macroeconomic variables over a five-year period; and
- Incorporates multiple scenarios by:
  - Examining historical experience;
  - Applying an appropriate simulation technique to generate a large number of alternative economic scenarios;
  - Selecting economic scenarios that correspond to a 10.0 per cent downside (10^{th} percentile), a base case (50^{th} percentile), and 10.0 percent upside (90^{th} percentile), respectively;
  - Calculating the likelihood or probability weight of each selected scenarios based on the statistical properties from the distribution of the scenarios;
  - Transforming through the cycle PDs with an appropriate credit risk model; and
  - Applying judgemental overlay or through the cycle PDs when economic forecasts are unreliable or there is an absence of reasonable or supportable input data.

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

Amounts arising from ECLs

	2021			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Debt Securities Measured at Amortized Cost				
Balance at January 1	**565,453**	**2,370,957**	**16,635,143**	**19,571,553**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	**(108,699)**	**(49,688)**	**149,891**	**(8,496)**
Net assets originated or purchased	**52,316**	-	-	**52,316**
Assets derecognized or repaid	**(30,465)**	**(2,109,742)**	-	**(2,140,207)**
Write-offs	-	-	-	-
Balance at December 31	**478,605**	**211,527**	**16,785,034**	**17,475,166**
Debt Securities Measured at FVOCI				
Balance at January 1	**866**	**17**	-	**883**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	**(323)**	-	-	**(323)**
Net assets originated or purchased	-	-	-	-
Assets derecognized or repaid	-	**(17)**	-	**(17)**
Write-offs	-	-	-	-
Balance at December 31	**543**	-	-	**543**

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

Amounts arising from ECLs

	2021			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Loans to Corporations and Public Sector Measured at Amortized Cost				
Balance at January 1	**75,654**	**-**	**11,112,748**	**11,188,402**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	**(22,754)**	**-**	**(675,648)**	**(698,402)**
Net assets originated or purchased	**11,333**	**-**	**-**	**11,333**
Assets derecognized or repaid	-	-	-	-
Write-offs	-	-	-	-
Balance at December 31	**64,233**	**-**	**10,437,100**	**10,501,333**
Loans to Employees Measured at Amortized Cost				
Balance at January 1	**61,717**	**-**	**180,695**	**242,412**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	**(8,969)**	**-**	**-**	**(8,969)**
Net assets originated or purchased	**26,232**	**-**	**-**	**26,232**
Assets derecognized or repaid	**(12,775)**	**-**	**(98,561)**	**(111,336)**
Write-offs	-	-	-	-
Balance at December 31	**66,205**	**-**	**82,134**	**148,339**

	2021					
	Current $	**0-30 $**	**31-60 $**	**61 – 90 $**	**Over 90 $**	**Total $**
Contributions Receivable						
Balance at January 1	**1,113,650**	**23,221**	**10,089**	**33,949**	**9,194,074**	**10,374,983**
Net remeasurement of loss allowance	**(913,713)**	**38,703**	**15,663**	**(12,133)**	**(1,463,164)**	**(2,334,644)**
Balance at December 31	**199,937**	**61,924**	**25,752**	**21,816**	**7,730,910**	**8,040,339**
Rent Receivable						
Balance at January 1	**-**	**-**	**-**	**-**	**575,617**	**575,617**
Net remeasurement of loss allowance	**-**	**1,226**	**254**	**-**	**(182,337)**	**(180,857)**
Balance at December 31	**-**	**1,226**	**254**	**-**	**393,280**	**394,760**

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

Amounts arising from ECLs

	2020			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Debt Securities Measured at Amortized Cost				
Balance at January 1	6,157,999	1,155,462	16,739,148	24,052,609
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(43,397)	43,397	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	(4,230,021)	1,172,098	(104,005)	(3,161,928)
Net assets originated or purchased	155,498	-	-	155,498
Assets derecognized or repaid	(1,474,626)	-	-	(1,474,626)
Write-offs	-	-	-	-
Balance at December 31	565,453	2,370,957	16,635,143	19,571,553
Debt Securities Measured at FVOCI				
Balance at January 1	10,255	19,560	-	29,815
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	(9,389)	(19,543)	-	(28,932)
Net assets originated or purchased	-	-	-	-
Assets derecognized or repaid	-	-	-	-
Write-offs	-	-	-	-
Balance at December 31	866	17	-	883
	522,922	2,414,372	16,635,143	19,572,437

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(ii) Expected Credit Loss Measurement …..*Cont'd*

Amounts arising from ECLs

	2020			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Loans to Corporations and Public Sector Measured at Amortized Cost				
Balance at January 1	1,076,506	-	14,133,419	15,209,925
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	(1,000,852)	-	(2,804,480)	(3,805,332)
Net assets originated or purchased	-	-	-	-
Assets derecognized or repaid	-	-	(216,191)	(216,191)
Write-offs	-	-	-	-
Balance at December 31	75,654	-	11,112,748	11,188,402
Loans to Employees Measured at Amortized Cost				
Balance at January 1	64,691	-	185,610	250,301
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	(12,903)	-	(6,923)	(19,826)
Net assets originated or purchased	11,391	-	2,008	13,399
Assets derecognized or repaid	(1,462)	-	-	(1,462)
Write-offs	-	-	-	-
Balance at December 31	61,717	-	180,695	242,412

	2020					
	Current $	0-30 $	31-60 $	61 – 90 $	Over 90 $	Total $
Contributions Receivable						
Balance at January 1	1,192,096	32,741	37,172	31,250	8,939,088	10,232,347
Net remeasurement of loss allowance	(78,446)	(9,520)	(27,083)	2,699	254,986	142,636
Balance at December 31	1,113,650	23,221	10,089	33,949	9,194,074	10,374,983
Rent Receivable						
Balance at January 1	3,546	932	51,311	-	772,538	828,327
Net remeasurement of loss allowance	(3,546)	(932)	(51,311)	-	(196,921)	(252,710)
Balance at December 31	-	-	-	-	575,617	575,617

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(iii) Collateral held and Other Credit Enhancements

The NIS 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		
	2021	2020	Principal Type of Collateral Held
	%	%	
Loans and Advances			
Loans to Government of St. Vincent and the Grenadines	**100**	100	Property and Government guarantees
Loans to other statutory bodies	**100**	100	Property and Government guarantees
Staff loans	**99**	99	Property and bills of sale
Other	**100**	100	Property and Government guarantees
Investment Debt Securities			
Government bonds	**-**	-	None
Corporate bonds	**-**	-	None
Contributions receivable	**-**	-	None

National Insurance Services

Notes to the Financial Statement

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(iv) Concentration of Credit Risk

The maximum exposure of credit risk by geographic region was:

	Contributions Receivable $	**Other Assets $**	**Interest Receivable $**	**Loans and Advances $**	**Investment Securities and Deposits $**	**Total $**
December 31, 2021						
Domestic	**3,781,883**	**23,477,275**	**3,880,515**	**37,489,840**	**99,054,286**	**167,683,799**
OECS	**-**	**-**	**21,133**	**-**	**17,260,997**	**17,282,130**
Other Caribbean	**-**	**-**	**541,759**	**-**	**76,963,884**	**77,505,643**
Other	**-**	**-**	**327,467**	**-**	**79,082,481**	**79,409,948**
Carrying Amount	**3,781,883**	**23,477,275**	**4,770,874**	**37,489,840**	**272,361,648**	**341,881,520**

	Contributions Receivable $	Other Assets $	Interest Receivable $	Loans and Advances $	Investment Securities and Deposits $	Total $
December 31, 2020						
Domestic	4,943,379	43,523,634	3,402,105	41,163,447	106,626,077	199,658,642
OECS	-	-	78,326	-	19,783,871	19,862,197
Other Caribbean	-	-	1,138,601	-	81,971,502	83,110,103
Other	-	-	218,293	-	65,208,758	65,427,051
Carrying Amount	4,943,379	43,523,634	4,837,325	41,163,447	273,590,208	368,057,993

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

(v) Concentration of Credit Risk

The maximum exposure of credit risk by sector was:

	Other Assets $	**Interest Receivable $**	**Loans and Advances $**	**Investment Securities and Deposits $**	**Total $**
December 31, 2021					
Local government and other related entities	**23,477,275**	**3,423,538**	**24,514,713**	**52,773,323**	**104,188,849**
Other governments	**-**	**374,637**	**-**	**25,441,325**	**25,815,962**
Corporate	**-**	**972,274**	**7,870,308**	**194,147,000**	**202,989,582**
Employees	**-**	**425**	**5,104,819**	**-**	**5,105,244**
Carrying Amount	**23,477,275**	**4,770,874**	**37,489,840**	**272,361,648**	**338,099,637**

	Other Assets $	Interest Receivable $	Loans and Advances $	Investment Securities and Deposits $	Total $
December 31, 2020					
Local government and other related entities	43,523,634	2,789,920	24,481,437	59,686,435	130,481,426
Other governments	-	945,217	-	39,156,494	40,101,711
Corporate	-	1,072,865	11,368,311	174,747,279	187,188,455
Employees	-	29,323	5,313,699	-	5,343,022
Carrying Amount	43,523,634	4,837,325	41,163,447	273,590,208	363,114,614

(in Eastern Caribbean dollars)

27. Financial Risk Review .....*Cont'd*

(c) Liquidity Risk

Liquidity risk is the risk that the NIS will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The NIS' approach to managing liquidity 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 NIS' reputation.

The following were contractual maturities of financial liabilities at the reporting date:

	Carrying Amount $	Contractual Cash Flows $	Under 1 Year $	1 – 5 Years $	6 – 10 Years $	Over 10 Years $
December 31, 2021						
Non-Derivative Financial Assets						
Cash and cash equivalents	51,464,704	51,464,704	51,464,704	-	-	-
Contributions receivable	3,781,883	3,781,883	3,781,883	-	-	-
Interest receivable on loans and investment securities	4,770,874	4,770,874	4,770,874	-	-	-
Other assets	23,477,275	23,477,275	23,477,275	-	-	-
Loans and advances	37,489,840	51,319,724	1,374,644	12,543,616	32,296,645	5,104,819
Investment securities and deposits	272,361,648	305,520,465	59,502,701	51,005,777	66,147,206	128,864,781
	393,346,224	440,334,925	144,372,081	63,549,393	98,443,851	133,969,600
Non-Derivative Financial Liabilities						
Benefits payable	(3,698,139)	(3,698,139)	(3,698,139)	-	-	-
Accounts payable and accrued liabilities	(1,370,165)	(1,370,165)	(1,370,165)	-	-	-
Deferred income	(5,620)	(5,620)	(5,620)	-	-	-
	(5,073,924)	(5,073,924)	(5,073,924)	-	-	-
Net Liquidity Gap	388,272,300	435,261,001	139,298,157	63,549,393	98,443,851	133,969,600

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(c) Liquidity Risk …..*Cont'd*

	Carrying Amount $	Contractual Cash Flows $	Under 1 Year $	1 – 5 Years $	6 – 10 Years $	Over 10 Years $
December 31, 2020						
Non-Derivative Financial Assets						
Cash and cash equivalents	52,597,241	52,597,241	52,597,241	-	-	-
Contributions receivable	4,943,379	4,943,379	4,943,379	-	-	-
Interest receivable on loans and investment securities	4,837,325	12,161,338	12,161,338	-	-	-
Other assets	43,523,634	44,284,806	44,284,806	-	-	-
Loans and advances	41,163,447	60,236,597	-	18,613,727	36,309,172	5,313,699
Investment securities and deposits	273,590,208	302,514,116	66,475,059	40,395,265	75,750,140	119,893,652
	420,655,234	476,737,477	180,461,823	59,008,992	112,059,312	125,207,351
Non-Derivative Financial Liabilities						
Benefits payable	(4,759,935)	(4,759,935)	(4,759,935)	-	-	-
Accounts payable and accrued liabilities	(1,328,013)	(1,328,013)	(1,328,013)	-	-	-
Deferred income	(14,830)	(14,830)	(9,210)	(5,620)	-	-
	(6,102,778)	(6,102,778)	(6,097,158)	(5,620)	-	-
Net Liquidity Gap	414,552,456	470,634,699	174,364,665	59,003,372	112,059,312	125,207,351

Exposure to Liquidity Risk

The key metric used by the NIS for measuring liquidity requirements is the ratio of budgeted contributions income to benefits payable.

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(d) Market Risk

Market risk is the risk that changes in the value market, 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 NIS' 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 optimizing the return.

The table below sets out the allocation of financial assets and financial liabilities subject to market risk between trading and non-trading portfolios.

	Market Risk Measure		
	Carrying Amount	**Trading Portfolios**	**Non-Trading Portfolios**
	$	**$**	**$**
December 31, 2021			
Assets subject to Market Risk			
Cash and cash equivalents	**51,464,704**	**-**	**51,464,704**
Loans and advances	**37,489,840**	**-**	**37,489,840**
Investments securities and deposits	**272,361,648**	**43,916,033**	**228,445,615**
Total	**361,316,192**	**43,916,033**	**317,400,159**

	Market Risk Measure		
	Carrying Amount	Trading Portfolios	Non-Trading Portfolios
	$	$	$
December 31, 2020			
Assets subject to Market Risk			
Cash and cash equivalents	52,597,241	-	52,597,241
Loans and advances	41,163,447	-	41,163,447
Investments securities and deposits	273,590,208	37,334,797	236,255,411
Total	367,350,896	37,334,797	330,016,099

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(d) 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 is exposed to 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 is pegged at EC$2.70 for USD$1. However, there is exposure to foreign currency risk affecting the NIS' statement of profit or loss resulting from the fluctuations of other currencies like the Canadian dollar (CAD) and the Republic of Trinidad and Tobago dollar (TTD). The NIS also has foreign currency exposure affecting its equity.

The NIS' exposure to currency risk was as follows, based on notional amounts:

	December 31, 2021		
	CAD	**TTD**	**Other**
	$	**$**	**$**
Interest receivable	**-**	**58,376**	**-**
Investment securities and deposits	**549,760**	**9,111,796**	**2,111,081**
Total Exposure	**549,760**	**9,170,172**	**2,111,081**

	December 31, 2020		
	CAD	TTD	Other
	$	$	$
Interest receivable	4,954	81,130	9,564
Investment securities and deposits	2,440,828	5,141,075	1,438,332
Total Exposure	2,445,782	5,222,205	1,447,896

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

	2021	2020
	EC$	EC$
1 TTD	**0.3699**	0.3826
1 CAD	**2.1204**	2.1113

A reasonably possible strengthening (weakening) of the Eastern Caribbean dollar against all other relevant currencies at December 31 would have affected the measurement of financial instruments denominated in a foreign currency and affected reserves 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.

	2021		2020	
	EC$		EC$	
	Strengthening	**Weakening**	Strengthening	Weakening
TTD (10% movement)	**917,017**	**(917,017)**	522,221	(522,221)
CAD (10% movement)	**54,976**	**(54,976)**	244,578	(244,578)

(in Eastern Caribbean dollars)

27. Financial Risk Review …..*Cont'd*

(d) Market Risk ……*Cont'd*

Interest Rate Risk

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

At reporting date, the interest rate profile of the NIS' interest bearing financial instruments was:

Fixed Rate Instruments

	Carrying Amount	
	2021	2020
	$	$
Interest-earning financial assets	**209,078,902**	223,656,129

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The NIS 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.

28. Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market price 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.

When measuring the fair value of an asset or a liability, the NIS uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The NIS recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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 or (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments values 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 date.

(in Eastern Caribbean dollars)

28. Fair Value of Financial Instruments …..*Cont'd*

- 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 the differences between the instruments.

The objective of 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.

(a) Financial Assets Measured at Fair Value

	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
December 31, 2021				
Debt securities	**-**	**4,116,501**	**-**	**4,116,501**
Equities	**59,206,372**	**39,503,830**	**2,185,299**	**100,895,501**
	59,206,372	**43,620,331**	**2,185,299**	**105,012,002**

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2020				
Debt securities	5,823,593	-	-	5,823,593
Equities	50,951,663	38,190,553	2,071,172	91,213,388
	56,775,256	38,190,553	2,071,172	97,036,981

Unobservable inputs used in measuring Level 3 fair values:

Valuation Technique	**Significant Unobservable Inputs**	**Inter-Relationship between Key Unobservable Inputs and Fair Value Measurement**
Asset based approach with discounts applied where prudent, with subsequent consideration of the NIS' shareholding	Net assets Shareholding percentage	The estimated fair value would increase (decrease) if: Net assets were higher (lower) Shareholding increases (decreases)

There are no movements between level 2 and level 3 investment securities.

(b) Financial Assets not Measured at Fair Value

For other financial instruments which include cash and cash equivalents, loans and advances, investment securities at amortized cost, interest receivable on loans and investment securities, contributions receivable and benefits payable, the carrying amount is a reasonable approximation of the fair value.

(in Eastern Caribbean dollars)

29. Regulatory Reserves

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

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

The NIS' regulatory reserves are analyzed into three categories:

- Short-term benefit reserve;
- Long-term benefit reserve; and
- Employment injury benefit reserve.

The NIS' policy is to maintain a strong reserve base so as to sustain future development of the NIS and finance approved benefits. The NIS recognizes 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.

There was no material change in the NIS' management of reserves during the period.

30. Related Parties

(a) Identification of Related Party

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(i) A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(ii) An entity is related to a reporting entity if any of the following conditions applies:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(in Eastern Caribbean dollars)

30. Related Parties .....*Cont'd*

(a) Identification of Related Party .....*Cont'd*

(iii) An entity is related to a reporting entity if any of the following conditions applies .....*cont'd*:

- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity (or a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependents of that person or that person's spouse or domestic partner.

(b) Related Party Transactions and Balances

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

(c) Transactions with Key Management Personnel

- Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.
- Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care.
- Other long-term employee benefits, including long-services leave or sabbatical leave, jubilee or other long-service benefits, log-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation.
- Termination benefits.

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

Government refers to government, government agencies and similar bodies whether local, national or international.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

(in Eastern Caribbean dollars)

30. Related Parties …..*Cont'd*

Significant transactions with related parties during the year were as follows:

	Net Transaction Values for the Year Ended December 31		Balance as at December 31	
	2021	2020	**2021**	2020
	$	$	**$**	$
Loans and Advances				
National Lotteries Authority	**(659,922)**	(618,715)	**3,109,467**	3,769,389
Bank of St. Vincent and the Grenadines	**(3,502,822)**	(3,294,762)	**7,882,196**	11,385,018
Government of St. Vincent and the Grenadines	**(1,428,803)**	3,313,440	**9,499,081**	10,927,884
National Student Loan Company	**-**	-	**20,955,860**	20,955,860
National Properties Limited	**-**	(42,769,635)	**-**	-
Central Water and Sewerage Authority	**1,377,240**	-	**1,439,750**	-
Staff	**(302,953)**	211,535	**5,253,158**	5,556,111
Investments				
Government of St. Vincent and the Grenadines	**(9,466,702)**	(4,238,806)	**50,553,658**	60,020,360
Campden Park Container Port	**-**	-	**27,000**	27,000
Rent				
Government of St. Vincent and the Grenadines	**10,677**	(166,288)	**132,910**	122,233
Receivable				
COLS – Government of St. Vincent and the Grenadines	**245,680**	279,450	**4,070,838**	3,825,158
TUB – Government of St. Vincent and the Grenadines	**4,867,200**	4,509,600	**9,376,800**	4,509,600
NPL Loan Resolution due from Government of St. Vincent and the Grenadines	**(25,864,142)**	35,016,073	**9,151,931**	35,016,073
Contribution Income				
Government of St. Vincent and the Grenadines	**3,090,437**	2,069,036	**29,347,520**	26,257,083
Interest Receivable				
National Lotteries Authority	**(1,906)**	(995)	**9,775**	11,682
Bank of St. Vincent and the Grenadines	**(6,499)**	1,279	**8,644**	15,143
Government of St. Vincent and the Grenadines-Bonds	**(137,096)**	(53,696)	**727,619**	864,715
Government of St. Vincent and the Grenadines –Loans	**116,708**	(7,971)	**168,478**	51,770
National Student Loan Company	**1,279,469**	984,051	**5,289,200**	4,009,730
National Properties Limited	**-**	(9,146,438)	**-**	-
Staff	**(28,898)**	3,770	**3,519**	32,417
Investment in Associate				
Bank of St. Vincent and the Grenadines	**180,917**	1,681,099	**26,936,635**	26,755,718

(in Eastern Caribbean dollars)

30. Related Parties …..*Cont'd*

Key Management Personnel Compensation

Key management personnel compensation comprised the following:

	2021	2020
	$	$
Short-term employee benefits	**483,949**	490,542
Post-employment benefits	**30,061**	28,600
Directors	**99,699**	111,322
	613,709	630,464

31. Commitments

As of the reporting date, the Board of Directors approved capital expenditure amounting to:

	2021	2020
	$	$
Capital expenditure	**3,983,706**	-

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.

	2021	2020
	$	$
Total off balance sheet credit commitments	**-**	25,000

32. Corona Virus Pandemic (COVID-19)

In March 2020, the World Health Organization declared the COVID-19 a worldwide pandemic. To control the spread of the virus, Government throughout the world implemented emergency measures which included restrictions on events and gatherings, travel bans, quarantine terms, physical distancing and the wearing of face coverings in public places. These measures significantly disrupted businesses globally, resulting in a worldwide economic slowdown.

Government implemented fiscal and monetary relief programmes to mitigate the effects of layoffs and furloughs.

During the reporting period (January 1 to December 31, 2021) the impact of the virus on the National Insurance Services' operations mainly affected the following areas:

1. Payments amounting to $595,500 (2020: $2,357,625) under the Temporary Unemployment Benefit programme. This benefit type is not a part of the NIS' normal ongoing programme. The proceeds from its implementation assisted many employees who lost their jobs or were otherwise unable to earn an income as a result of restrictive measures which the Government implemented to curb the spread of the virus.
2. Increased expenditure to sanitize the work environment.
3. The loss of contributions from businesses directly affected by the pandemic.
4. The volatility of stock prices in the global equity market, impacted net financing income in the profit and loss statement.

(in Eastern Caribbean dollars)

32. Corona Virus Pandemic (COVID-19) …..*Cont'd*

With the exception of the Temporary Employment Benefit, which cost can be reliably determined, other items, such as revenue or cost, may pose a challenge to be reliably quantified.

Management's outlook regarding the potential future impact of COVID-19 on the financial operations of the NIS is embedded in various calculations for provisions, expected credit losses and the going concern assumption. These calculations use a blend of historic and forward-looking information, on a scenario basis. Forward-looking information involves known and unknown risks and uncertainties, general or specific. The resulting expectations, forecast, predictions, projections or conclusions therefrom, may not prove to be accurate and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Mitigation factors include but are not limited to:

- Deferral of capital expenditure
- Reduction of discretionary expenses
- Restriction of new hires

33. Comparative figures

Certain comparative figures were restated to be consistent with the current year's presentation.

NATIONAL INSURANCE SERVICES

ADDITIONAL INFORMATION

TO THE

FINAICAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Contents

Page 107 Additional Comments of the Independent Auditors' Report

Page 108 Schedule of Branch Operations

Additional Comments of Independent Auditors'

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To
The Honourable Minister of Finance
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Kingstown
St. Vincent

The accompanying Schedule of Branch Operations is presented as supplementary information only. In this respect, it does not form part of the financial statements of the National Insurance Services for the year ended December 31, 2021, and hence is excluded from the opinion expressed in our report dated June 29, 2022, to the Honourable Minister of Finance on such financial statements.

Grant Thornton

June 29, 2022

National Insurance Services

Schedule of Branch Operations

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Short-term Benefits		Long-term Benefits		Employment Injury Benefit		National Provident Fund		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Income										
Contributions	**5,629,577**	5,528,690	**58,308,765**	57,263,828	**4,298,949**	4,221,909	**-**	-	**68,237,291**	67,014,427
Net financing income	**1,368,447**	1,133,078	**15,307,832**	12,808,553	**3,693,262**	2,771,434	**-**	-	**20,369,541**	16,713,065
Interest on National Provident Fund	**(13,169)**	(16,857)	**(147,315)**	(190,561)	**(35,542)**	(41,232)	**196,026**	248,650	**-**	-
Other	**182,156**	36,012	**1,886,689**	372,998	**139,101**	27,500	**-**	-	**2,207,946**	436,510
Total Income	**7,167,011**	6,680,923	**75,355,971**	70,254,818	**8,095,770**	6,979,611	**196,026**	248,650	**90,814,778**	84,164,002
Expenditure										
Benefits	**4,842,616**	6,216,155	**75,406,560**	69,058,470	**267,569**	302,768	**1,662,676**	1,544,129	**82,179,421**	77,121,522
Impairment loss – contributions and rent receivables	**(207,529)**	(9,081)	**(2,149,494)**	(94,058)	**(158,477)**	(6,935)	**-**	-	**(2,515,500)**	(110,074)
Impairment loss – other assets	**13,270**	-	**137,447**	-	**10,134**	-	**-**	-	**160,851**	-
Impairment loss – investment securities	**198,266**	(579,018)	**2,217,863**	(6,545,353)	**535,095**	(1,416,242)	**-**	-	**2,951,224**	(8,540,613)
Administrative expenses	**884,071**	986,902	**11,288,362**	10,614,676	**385,509**	380,202	**-**	-	**12,557,942**	11,981,780
Total Expenditure	**5,730,694**	6,614,958	**86,900,738**	73,033,735	**1,039,830**	(740,207)	**1,662,676**	1,544,129	**95,333,938**	80,452,615
Net Surplus for the Year	**1,436,317**	65,965	**(11,544,767)**	(2,778,917)	**7,055,940**	7,719,818	**(1,466,650)**	(1,295,479)	**(4,519,160)**	3,711,387

The Saint Vincent & the Grenadines
NATIONAL INSURANCE SERVICES

ANNUAL REPORT
2021

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