EMBRACING PENSION REFORM
TO SECURE OUR FUTURE
TOGETHER

ANNUAL REPORT 2022

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 recognises, assesses and responds to changing environmental trends and provides sustainable social security that adequately reflects our value system and satisfies our customers' needs.

EMBRACING PENSION REFORM TO SECURE OUR FUTURE TOGETHER

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SAFEGUARDING THE FUTURE

MINISTER'S REVIEW

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

It is with great privilege and a deep sense of responsibility that I introduce the National Insurance Service (NIS) annual report for the fiscal year 2022. This report is a testament to the government's commitment to transparency, accountability, and most importantly, our duty to serve you, the people of St. Vincent and the Grenadines.

The Government has always prioritised providing a safety net for the most vulnerable in our society. In addition to that principal function, social security provides an additional cushion for people who face short-term contingencies such as sickness, employment injury, funeral expenses, and childbirth. Given the important function of social security, the Government is committed to ensuring that the system remains viable and economically sound.

The NIS has been a bright spark for the country in its darkest hours, helping the country through the COVID-19 pandemic and the eruption of the Soufriere volcano. The NIS also invests in several development projects that help stimulate the country's social and economic growth.

In our country, this social safety net is managed by the NIS, an institution whose Board and Management have an impeccable record of managing the National Insurance Fund and, by extension, helping to stimulate and grow our economy. They recognise the importance of the NIS to our people and our country today and well into the future.

The NIS also protects Vincentians in uncertain times and is by far the best and most rewarding investment that any worker can make in their working life. For example, the contribution rates of the NIS have not increased at the same pace as the overall increase in benefits, such that the NIS maintained a 5.5% contribution rate between its inception in 1987 and 1997, when 0.5% was added to facilitate employment injury benefits. Other increases have occurred since, but the records reflect that the NIS still has one of the lowest contribution rates in the Caribbean region. This is certainly no mean feat, considering that the predecessor institution, the National Provident Fund (NPF) enacted by Act 1 of 1970, carried a 10% contribution rate, which was paid for employees who were not pensionable.

The NIS' predecessor facilitated just three benefit types - old age, incapacitation and death. The NIS, on the other hand, covers all eligible workers in St. Vincent and the

Grenadines and offers a comprehensive suite of short-term, employment injury and long-term benefits.

Notably, in recent years, there has been a growing recognition among social security experts and policymakers regarding the critical need to strengthen their social security systems. Many countries across the globe either have implemented pension reforms or are seriously contemplating them, owing to the unsustainable nature of their current social security pension schemes. The primary objective of these reforms is to guarantee that individuals receive a steady and dependable income during their retirement years based on the contributions they have made throughout their working lives.

The Need for Reform

It is important to note that the NIS recognises its social responsibility towards individuals who were not given the opportunity to contribute to the scheme, but need financial support. To address this, the NIS provides a non-contributory assistance pension and an elderly assistance benefit to mitigate poverty among such individuals.

This was quite sustainable in the early years - the accumulation phase of the system - where there were only a few persons qualifying for old age pensions at a reduced rate. From 1997, however, retirees became eligible for a full pension starting at 30%, including retirees who could not receive below the established minimum pension. Over time, the numbers kept on increasing, and by 2015, some eligible pensioners were receiving a gross weekly pension of $500. As it currently stands, more people are ageing and becoming eligible for pensions, and many of them are public sector workers and private sector workers who are eligible for the current maximum pension. It is this phenomenon which justifies the need for pension reform.

It is important to acknowledge that similar issues exist in many social security systems around the Caribbean and the world. However, we cannot take comfort in this fact. We must recognise that if our NIS fails to take corrective action through urgent parametric reform, the system will continue to face demographic challenges and move closer to the decumulation phase of its pension lifecycle. In this phase, simply put, the NIS will have to utilise its reserves to meet recurrent expenditures. This is not a desirable financial situation for any financial institution, particularly an institution like the NIS that has the future of so many persons at stake. As it currently stands, if the NIS does not undertake the reform, the Fund is projected to be depleted in 2034. This is indeed a precarious situation that must be addressed now to prevent any further material shocks on the system and ensure its sustainability in the medium term.

The NIS, therefore, must take immediate action to boost its financial system and increase savings to meet its obligations to its beneficiaries.

Pension reform therefore, must also include an increase in the contribution rate. The rate of 10%, which is one of the lowest in the Caribbean, has not been increased since 2014, but the NIS has been consistent with its pensions and other benefit payments. These are the factors that have primarily contributed to the ever-increasing appeal of undertaking a pension system reform as a way of preserving the system for generations to come and increasing the overall sustainability of the NIS' finances. I wish to reiterate that with the increase in the number of pensioners, the amount disbursed as pension benefits has also shown a steady increase over the years. However, until 2021, when actual expenses exceeded total income, the Fund did not experience any cash flow problems.

In designing the proposed social security reform, the National Insurance Board, the external actuary, and the stakeholders started by making a diagnosis of the system using the available empirical evidence. The analysis assessed and measured the strengths and weaknesses of the current system. Second, the diagnosis employed a plausible causal model to explain the successes and failures. Having undertaken that assessment, one can say with reasonable certainty that there is a dire need to generate policy options to improve the NIS, as we know it.

Safeguarding the future

Based on the advice from the independent actuary, Mr. Derek Osborne, and the National Insurance Board and Management, it is evident that the complexities and challenges confronting the National Insurance Services' financial sustainability at this time necessitate urgent reform. It is, therefore, incumbent on me, as Minister of Finance with responsibility for the National Insurance Services, to act on this advice.

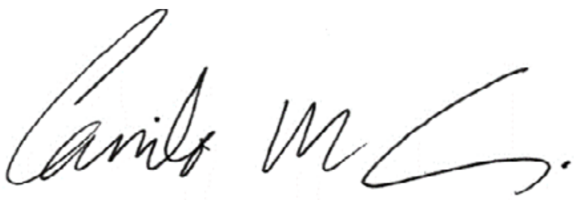
Failure to act now to build financial and operational resilience and financial sustainability can only result in the future detriment of the NIS and our country. Therefore, I am obligated to recommend that the Board and Management put the necessary measures in place based on the actuarial advice to move ahead with the reform agenda.

Rest assured that the NIS and the Government will do all in our power to maintain future pensions at viable economic levels.

Conclusion

In recent years, the ageing population worldwide has resulted in sustainability issues for defined-benefit pension systems like ours, resulting in pension reform emerging as one of the most significant economic and political issues of our time. To ensure the longevity of the National Insurance Services of St. Vincent and the Grenadines, we must take steps to prevent further strains on its sustainability. The Board of Directors, along with the Minister of National Insurance, supports the parametric reform as an urgent and necessary policy priority.

Finally, I wish to express my sincere thanks and appreciation to the Board of Directors of the NIS, its staff and stakeholders, and the Government and people of St. Vincent and the Grenadines for their efforts to make the NIS an institution, which is second to none in the landscape of St. Vincent and the Grenadines. I invite you to explore this annual report in greater detail and to stay connected with us as we embark on another year of service and growth. Together, we will continue to build an institution that we can all be proud of, one that upholds our shared values and aspirations.



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

CHAIRMAN'S MESSAGE

Lennox A. Bowman
Chairman
National Insurance Board

I am honoured to present the National Insurance Services (NIS) annual report for the fiscal year 2022. This report encapsulates our organisation's unwavering commitment to serving you, our fellow citizens, with dedication, transparency, and accountability.

As the Chairman of the NIS, I am privileged to lead a team of dedicated public servants who work tirelessly to fulfil our mission: To provide sustainable social security and to promote social and economic development in St. Vincent and the Grenadines, through prudent financial and people-centred management. This mission is not merely a set of words; it is a promise we make to all of you.

On January 5, 2022, the NIS celebrated 35 years of serving the people of St. Vincent and the Grenadines. The NIS was established as a progressive evolution from its predecessor, the National Provident Fund, emerging as a direct answer to the demand for a robust and inclusive social security system. This initiative aimed to safeguard the welfare of all employed individuals in the country. This evolution continues today as the NIS recognises the need to pivot, given the changing demographics in our country due to the growth in our older population. As the chair of the National Insurance Board, I proudly support implementing the necessary reforms to ensure the NIS' financial sustainability for future generations.

At the NIS, our core mandate is aligned with the International Labour Organisation's guidelines - to provide societal protection to all members, through a range of public measures, against economic and social distress that may result from sickness, maternity, employment injury, unemployment, invalidity, old age, and death. This, in essence, highlights the need for social security to meet minimum standards for the most vulnerable groups and to protect them against low and declining living standards.

Indeed, the NIS is committed to promoting social and economic development i through prudent financial and people-centred management. We have seen this demonstrated through the NIS' contributions to sectors such as health, education, housing, and other infrastructural development initiatives in St. Vincent and the Grenadines – all designed to safeguard our citizens against economic uncertainties and hardships. A material example of this was the implementation of the Temporary Unemployment Benefit from 2020 to 2021, introduced by the NIS to safeguard over three thousand contributors from falling into a poverty trap, owing to loss of employment income due to the COVID-19 pandemic.

Our NIS is designed to provide coverage for all employees aged 16 to pensionable age, including those in formal and informal employment, as well as pensionable and non-pensionable employees in the Public Service.

Over time, there has been a noticeable increase in the contributions to the NIS. This increase can be attributed to two main factors: the growing number of people who contribute to the Fund and the upper limit set on the earnings that are subject to insurance.

However, the manual operations, compliance challenges, and the cost of occupying the new headquarters have increased the NIS' administrative expenses. Additionally, with the growing ageing population in St. Vincent and the Grenadines, there is a greater demand for the NIS' pension benefits. This acceleration is causing a decrease in the labour supply and adversely affecting social security costs due to a lower support ratio, that is, the ratio of contributors to pensioners. For instance, in 2002, 9.8 contributors supported one pensioner; 20 years later, the ratio dramatically decreased, where 4.8 contributors are now supporting one pensioner.

The Actuary, in the 11th Actuarial Review of the National Insurance Fund, in addition to identifying the ageing population as a concern, warned that coupled with the trend of outward migration, there would be a decline in SVG's population. This eventuality presents a threat to the financial sustainability of the NIS. As fiduciaries who are intent on ensuring good governance in our operations, the NIS Board must take the obligations reposed upon it seriously. We are firm supporters of keeping the NIS in St. Vincent and the Grenadines financially sound and sustainable by, among other things, putting an operational framework in place that will allow the institution to meet all its obligations to the beneficiaries when they fall due. The policy framework that will be crafted will state and clarify the underlying mandates for social security reform and provide an institutional model that will facilitate synergy among stakeholders and consequently enhance the fundamental tenets of social security, which include social solidarity, universality, and equity.

The Reform Agenda

The Board aims, therefore, to make the NIS' reform agenda progressive by implementing the actuarial recommendations to balance contribution affordability, benefit adequacy, and the fund's sustainability. We are confident that this can be achieved by adopting an all-of-society approach to reform the NIS.

Currently, professionals such as lawyers, accountants, engineers, information technology experts, and even some business owners are not covered under the NIS. Our plan is, through the Government, to pass legislation that would require all self-employed individuals to make contributions to the NIS. Incorporating these workers into the system will ensure they receive proper benefits to support them in their old age. Additionally, their contributions will help boost the overall contributions collected, and it is worth noting that many of them are still well below the retirement age, so there is no urgent need to provide for their retirement benefits. Additionally, the NIS Board proposes that the contribution thresholds for the aforementioned categories of workers should be adaptable, considering their varying income patterns and needs.

Equally, the Board must consider adjustments to the eligibility criteria and benefits formula for the early-age pension, especially in light of the fact that many of the workers who opt for this arrangement are persons who are still working. The current 6% reduction rate per year has been shown to be generous when one considers that life expectancy continues to increase, thus putting an additional strain on an already fragile and delicate situation. If no further reforms are made, the situation will worsen and lead to more withdrawals than inflows.

The Board is also mindful that some beneficiaries have not directly contributed to the current system, but still benefit from it; namely non-contributory pensioners and elderly assistance beneficiaries. While we have no plans to reduce or affect the benefits that these individuals are currently receiving, we propose exploring alternative ways to provide for these groups in keeping with our duty to ensure they, too, meet minimum living standards.

Like other social security systems worldwide, we must take the current realities seriously and consider the recommendations given to us. If we ignore them, we risk jeopardising the finances of our National Insurance Services, and the social and demographic conditions may force us to move away from the ideals developed by Otto von Bismarck, the founder of the first social security system. Bismarck's goal was to assist poor and marginalised workers to have income support to cushion them in their vulnerable years.

Prudent management and governance dictate that the NIS should do all in its power to avert this pending insolvency challenge. The National Insurance Board is, therefore, determined to adopt the reform agenda recommended by the 11th Actuarial Review.

Conclusion

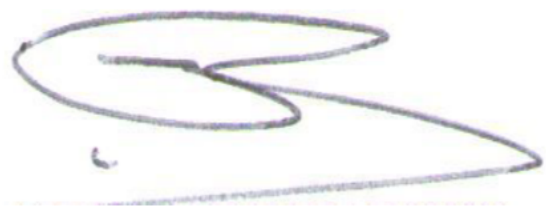
The Board of Directors of the National Insurance, in consultation with policymakers and stakeholders, is dedicated to preserving the NIS in St. Vincent and the Grenadines. The country's economic and social development are at risk, therefore, we urge all parties to prioritise the reform agenda and to consider it a national issue that necessitates adaptation and consensus from every sector. We hope that the reform agenda will receive the urgent attention it requires.

I would like to extend my heartfelt gratitude to my fellow Directors, the Management team, and all staff, as well as the Government of SVG and all stakeholders of the NIS for working to steady the ship and implement the needed reforms.

Please take the time to explore this annual report, where you will find a detailed account of our accomplishments, initiatives, and plans. We welcome your thoughts and ideas as we embark on another year of service to the country.

As we look to the future, we will continue to build on the NIS' legacy of financial stability and dependability, remaining true to our commitment of ***'protecting you in uncertain times'.***

I thank you.



Lennox A. Bowman
Chairman
National Insurance Board

EMBRACING PENSION REFORM TO SECURE OUR FUTURE TOGETHER

DIRECTOR'S REPORT

Stewart K. Haynes
Director
National Insurance Services

I am pleased to report that despite 2022 being a challenging year for the National Insurance Services (NIS) of St. Vincent and the Grenadines (SVG); the institution demonstrated its ongoing strength and resilience to effectively deliver comprehensive and adequate social security protection to its covered members and their dependents.

Over the past year, we have faced several challenges and opportunities. Still, one thing remained steadfast: our unwavering commitment to our mission to protect you in uncertain times and our relentless pursuit of excellence.

This report provides a comprehensive overview of our institution's performance, accomplishments, and vision for reform for a sustainable future. It is a testament to the hard work of our employees, the support of our partners, and the trust and confidence that the Government and people of SVG have placed in us.

Our achievements in the past year have been made possible by the dedication and ingenuity of our team. These include providing social security coverage to approximately 44% of Vincentians, financially protecting vulnerable persons such as older persons and workers in the case of workplace injuries, amongst others, administering the social security programme at an efficiency ratio of 15%, and a record of contribution collections, our team's commitment to innovation, quality, and customer satisfaction continues to drive our success.

As we look ahead, we remain resolutely focused on protecting our social security's future through reform. Our commitment to our core values and strategic goals is unwavering, and we are determined to navigate the ever-evolving social landscape with agility and foresight.

I encourage you to explore this annual report in detail to understand our performance and strategy better. Your feedback and insights are invaluable as we strive for continuous improvement and growth.

1.0 OVERVIEW - CONTEXTUAL ENVIRONMENT

The NIS' principal financing income (contribution income) is inextricably linked to SVG's small, open, and resource-challenged economy, and its secondary financing source (investment income) is linked to the developments of the international financial markets. As such, it is critically important that the NIS pays attention to the environmental trends that materially impact the financial viability of the Fund. Accordingly, the demographic, economic, labour market and financial market developments in the review period are highlighted below.

1.1 Demographic Developments

The long-standing, growing, unfavourable demographic trend of population ageing extended in 2022. The world continued to witness increasing life expectancy and declining fertility rates among populations across the globe, including the Caribbean.

Due to the ageing population, the NIS is witnessing a continuous decline in its support ratio (ratio of contributors to pensioners). This ratio moved from 9.8 in 2002 to 4.8 in 2022. This mainly caused the cost of social security to rapidly increase from $11.7 million in 2002 to $85.5 million in 2022. The 11th Actuarial Report indicated that this demographic ratio has the most material impact on the Fund's long-term sustainability.

1.2 Economic Developments

In 2022, global economic activity experienced a broad and deep slowdown due to the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures and the lingering COVID-19 pandemic, primarily in China.

Consequently, global growth showed its weakest performance since 2001, except for the global financial crises and the acute phase of the COVID-19 pandemic. The global growth slowed from 6.0% in 2021 to 3.4% in 2022. This 2022 growth level underperformed the historical (2000-2019) average of 3.8%. In addition, the global inflation rate has reached multi-decade highs. Inflation has risen sharply and persistently since 2021, reaching a multi-decade high of 8.8% from 4.7% in 2020.

Notwithstanding the extant economic challenges, the Vincentian economy showed resilience to generate an economic growth of 5%. Large-scale investment projects and recoveries in the tourism and agriculture sectors supported the growth. The external inflationary pressures pushed the local inflation rate to as high as 5.8% in 2022.

1.3 Financial Market Developments

In 2022, the financial markets were battered by skyrocketing inflationary pressures, unprecedented high interest rates and geopolitical turmoil. Consequently, from a return perspective, the bond and equity markets witnessed unprecedented and synchronised downturns.

This unprecedented financial downturn caused the NIS to record both realised and unrealised losses during the fiscal period. The NIS experienced realised losses of $9.9 million and unrealised losses of $8.2 million. However, because the NIS holds these international investments until they are matured, these losses are recoverable from the upswing in the performance of bond and stock markets.

1.4 Labour Market Developments

According to the International Labour Organization's World Employment and Social Outlook: Trends 2023 report, global unemployment declined significantly in 2022, from 235 million in 2020 to 205 million in 2022. However, the 2022 level fell 13 million below the 2019 unemployment level. From deeper analysis, this strong employment growth is uneven across countries. For example, in the Americas, Europe and Central Asia, unemployment rates fell below their pre-crisis levels, whereas unemployment remained above that level in other regions.

In the SVG context, there are limited sources for reliable estimates of employment statistics. However, on a crude basis, unemployment remained stubbornly high at double-digit levels. According to the World Bank's collection of development indicators, unemployment in SVG was reported at 18.98% in 2022. In addition, youth unemployment is estimated at approximately 35.0%.

1.5 Actuarial Valuation

The Board and Management gained insights into the Fund's medium to long-term financial sustainability from the findings of the 11th Actuarial Valuation of the National Insurance Fund. The 11th Valuation covered the period 2017 to 2019, and the upcoming 12th Valuation will cover the period 2020 to 2022. The 12th Valuation would be prepared in the fiscal year 2023 for a December 31, 2022 valuation date.

The principal actuary, Mr. Derek Osborne, made insightful observations of the current operations of the Fund, which are highlighted below:

- The current contribution and benefit provisions provided most workers with a reasonably good level of benefit adequacy and income protection.
- The participation rate among self-employed and informal sector workers remained very low.
- The NIS' investment portfolio is well-diversified.
- The administrative expenses for contributions collected decreased slightly during the review period but remained above the OECS average.

The major findings from the 60-year projections of the NIS income, expenditure, and reserves if there are no changes in the contribution rate and benefit provisions as per the 11th valuation report, included, but are not limited to:

- Total expenditure will exceed contribution income each year.
- Total expenditure will first exceed total income in 2021.
- The Fund will be depleted between 2033 and 2036.
- The pay-as-you-go rate at fund depletion will be 16% to 19%.
- The average long-term cost of benefits over the next 60 years is between 18% and 22%.

Throughout the report, the Actuary cited the following challenges to the NIS:

- The generosity of the plan's design, with a low contribution rate, high benefit replacement rate and generous early pension features.
- The demographic risks have the most material impact on the financial sustainability of the Fund. The number of contributors supporting one pensioner is projected to decline from 5.2 in 2019 to 2 in 2079.
- The low and slow economic growth would impact the contribution basis.
- The low coverage of the self-employed and informal sector workers.
- The higher-than-average administrative efficiency ratio on a regional scale.

Notwithstanding the challenges, the actuary advised the government and the social security administrators to take urgent, decisive actions to improve the sustainability of the Fund. Among several recommendations, the independent actuary suggested that the following recommendations may improve the life of the Fund by at least 15 years:

- To increase the contribution rate to 15% by 2030.
- To reduce the maximum Age/Invalidity pension percentage rate from 60% to 55%.
- Do not award early-age pensions to insureds who have not retired.
- To increase the reduction factors for early-age pensions from ½% per month (or 6% per year) to ¾% per month (or 9% per year).
- Make NIS registration and payment of contributions mandatory for all self-employed and informal sector workers.

The Board and Management have made material progress in promulgating parametric reform measures to enhance the financial sustainability of the NIS. We took note of the urgency of implementing meaningful changes to improve the health of the Fund.

2.0 PERFORMANCE OVERVIEW

Within the SVG social security context, the existing economic, financial, and demographic challenges overlapped with the NIS's structural challenges, including a generously designed and maturing defined benefit social security programme to threaten the social security's future financial sustainability. Further, the NIS confirmed to the Vincentian public that its programme is a robust, solid safety net for the workers of SVG. Over the review period, the following wins were recorded:

- Provided effective social security coverage from the cradle to the grave for approximately 44% of Vincentians against the risks that threaten childhood, illness, ageing, and employment injury.

- Protected vulnerable persons financially, including older persons, workers in case of work injury, persons with severe disabilities, mothers with newborns and surviving children, widows, and widowers, by replacing lost income to the value of $85.5 million compared to $82.2 million in 2021.

- Ensured that the 6,000 senior citizens, who depend on us as their only source of income, carried on with their lives without worrying if their pension payments would be in their bank accounts. The NIS paid approximately $45.3 million to this group.

- Collected $73.4 million in contributions from employers and employees. This is a record collection in the history of the NIS.

- Administered the social security programme at an efficiency ratio of 15%, reaching the budgeted internal target. According to the actuary, this ratio is trending downwards but is still relatively high compared to other OECS countries.

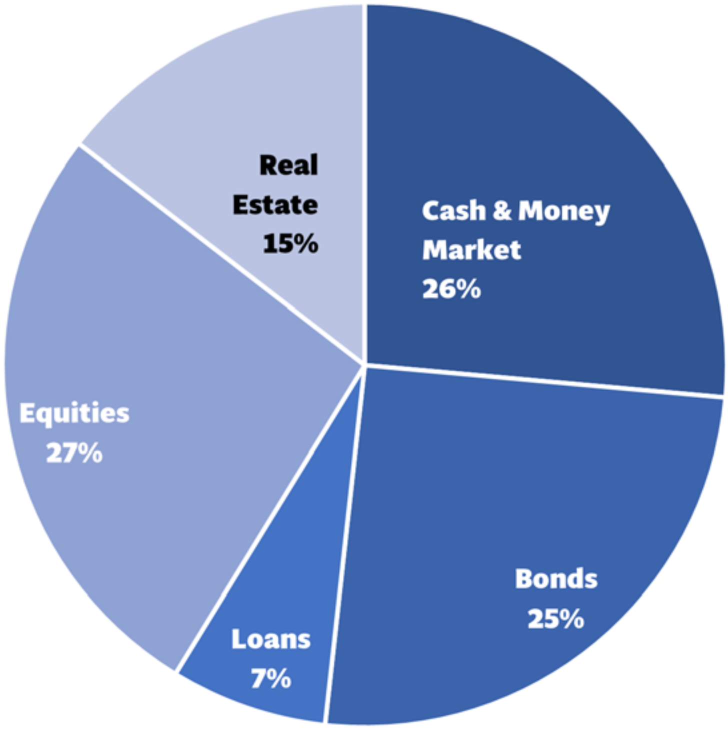
- Strengthened our governance apparatus by embarking on Board member training, revising policies (including risk management and investment) and strengthening the risk management framework.

- Broadened and deepened the social dialogue on pension reform with stakeholders to bolster multi-stakeholder participation in the conversation on reforming the NIS.

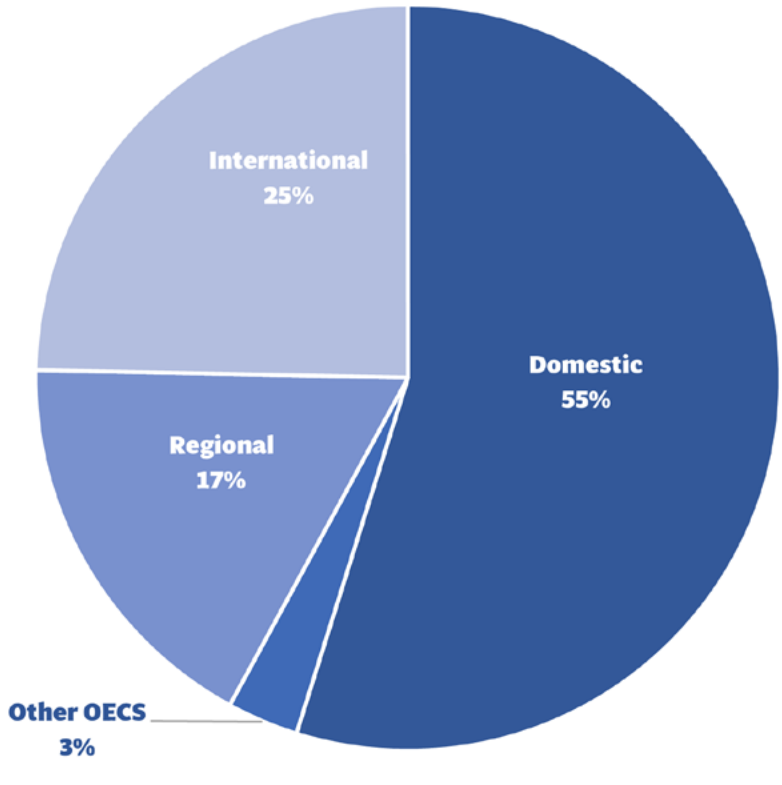
- Professionalised and modernised management practices through talent management, capacity building and succession planning for our human resources, strengthening our operational backbone by developing a new National Insurance Management System.

- Over the review period, the volatility in the International Financial Markets contributed to the NIS' Investment Portfolio's total return of - 0.6 %. This performance comprises interest income (8.4m), dividend income (2.0m), gains from sales of investment securities (4.4), unrealised losses (9.9m) and rental income (0.8m). Noteworthy is that the unrealised losses are attributed to headwinds associated with international equity markets. However, through diversification, the NIS international equity portfolio was insulated against the full impact of the headwinds, performing at a negative 12.5 per cent compared to the negative 19.4 per cent reported by the S&P 500 stock market index. Exposures in terms of asset class, issuer, and geographic diversity as of December 31, 2022, are presented below:

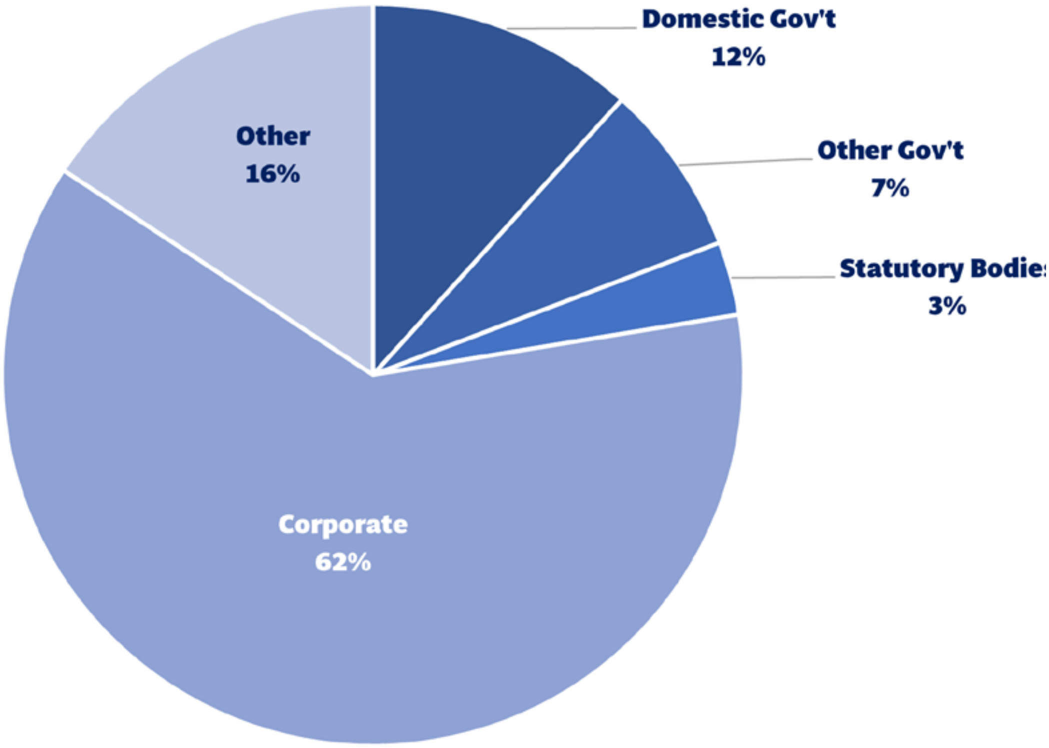
Graph 1 - Investment by Asset Class as of December 31, 2022



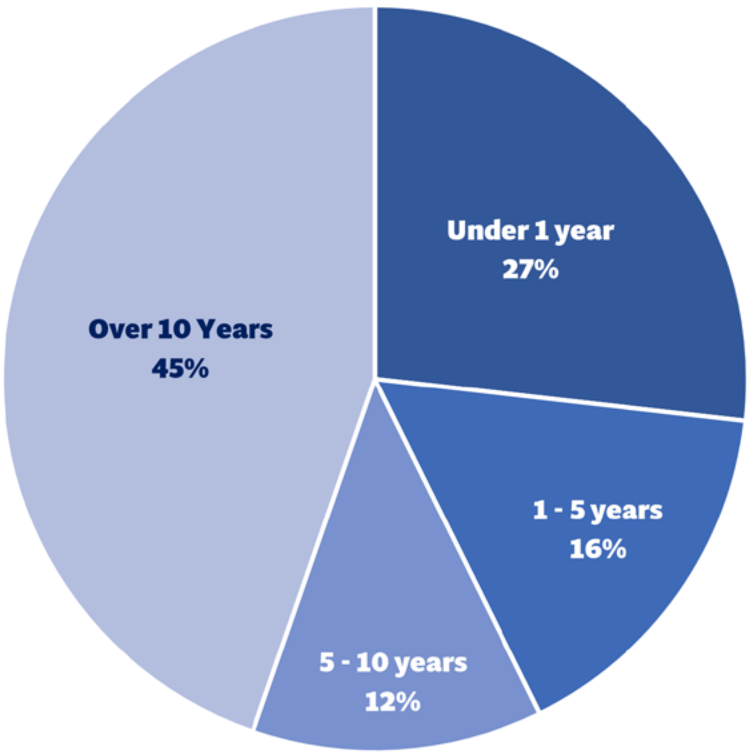
Graph 2 - Investment by Geographic Location as of December 31, 2022



Graph 3 - Investment by Issuer as of December 31, 2022



Graph 4 - Investment by Maturity Profile as of December 31, 2022



Given the volatile operating environment and the fiscal deficit (where total expenditure exceeded total income), management's accomplishments were no small feat. The progress was attributed to the NIS pivoting to focus on financial sustainability, operational resilience, and customer engagement and satisfaction. In our flexible and versatile approach to the administration of our social security programme, we prioritise collecting contributions and ensuring compliance, making wise investments, paying benefits on time, and increasing efficiency in administration. Simultaneously, the NIS invests in the future through digital transformation, strengthening our human resources, improving governance, and engaging the public extensively on pension reform.

3.0 OUR CURRENT AND FUTURE STRATEGY

In our multi-prong approach to the administration of our social security programme, we focused on today ensuring contribution collection and compliance, prudent investing, timely payment of benefits and efficiency in administration. At the same time, investing in tomorrow through digital transformation, human resource strengthening, enhancing governance and extensive public engagement on pension reform.

3.1 Strategic Priority Area One: Improving Financial Sustainability

The management segmented financial sustainability into short- medium- and long-term positions. In the short term, the NIS paid attention to the Financial Performance Indicators, Contribution Collection and Compliance, Investment Management, Benefit Expense Management and Administrative Efficiency. Each of these programmatic activities is presented in turn below:

Short-Term Perspective

3.1.1 Financial Performance Indicators

The Fund's performance indicators were assessed and are presented in table 1 on the following page:

Table 1 - National Insurance Performance Indicators for Actuarial Valuation Periods 2016, 2019 and 2022

Performance Indicators	2016	2019	2022	Comments
Benefit Expenditure rate as a % Insurable wages	11.0%	11.9%	11.5%	Exceeded the contribution rate, which indicated a financial imbalance of the Fund
Benefit as a % of GDP	2.7%	3.1%	3.3%	Greater stimulation of economic activities as benefits consistently increased
Reserve-Expenditure Ratio	7.0	6.0	4.8	Benefit growth exceeded growth in reserve as the fund matures
3-year average nominal return on reserves	3.5%	4.0%	3.2%	Below target return and reflected volatility in equity portfolio
Administrative expenses as a % contributions	18.3%	17.0%	15.0%	Met the benchmark of 15% and trending downwards
# of contributors per pensioner	5.4	5.2	4.8	Declined as expected for a maturing Fund
Avg. pensions as a % Avg. Insurable wages	41.3%	46.8%	50.0%	Overall, average pensions increased faster than the average insurable wages
Total expenses as % of total insurable wages	12.8%	13.6%	13.02%	Elevated social security costs relative to a financing rate of 10%

The findings were in line with what was expected. Without parametric or contribution rate changes, the system's financial health would reflect a maturing pension plan. This means that the growth of benefits would be higher than the income from contributions. As a result, there would be a financial imbalance where expenses exceed the income. The results of the financial indicators pointed to the need for urgent reform of the Fund.

3.1.2 Contribution Collection and Compliance

In 2022, contribution collection increased to $73.4 million from $68.2 million in 2021, surpassing the pre-COVID-19 level of $67.8 million. The robust 8% growth was attributed to growth in the variables:

- Active insured population from 41,521 to 43,597
- Average insurable wages from $24,419.00 to $25,091.00

- Active Employers from 2,064 to 2,175
- Active new employees from 1,694 to 2,596
- Active new employers from 169 to 215

The relentless efforts of the Compliance Unit in its investigative function and the meaningful relationships forged with the government, quasi-government entities and the private sector aided the success of contribution collections.

Unfortunately, despite the provisions in the legislation and moral suasion, a minority of employers have chosen to contravene the provisions of the Act and the regulations. The issue resulted in the NIS taking several actions to ensure compliance. These actions have intensified over the last few years. For instance, the NIS devised several strategies to address the issue of non-compliance, coverage and collection of contributions that include the following:

- Garnishes (most successful action)
- Debt Proposals (settlement arrangements are made with delinquent employers. Where there is default, court action is initiated)
- Liens on property, movable and immovable (limited in scope as the liens become effective upon sale)
- Magistrate Court Actions (Enforcement)
- High Court Actions (Enforcement)

3.1.3 Investment Management

The NIS's investment philosophy has remained consistent and grounded in safety, liquidity, yield, and social and economic utility. Focusing on the long-term sustainability of the National Insurance Fund, we strive to achieve investment objectives by applying international best practices and a robust decision-making framework. Accordingly, the NIS has adopted a structure incorporating the International Social Security Association's (ISSA) Guidelines around its investment management function.

During 2022, the NIS' investment strategy primarily focused on income-generating investments to match funding needs in the short to medium term whilst maintaining sufficient liquid assets to cater for contingencies and a prudent exposure to assets with long-term capital appreciation to offer protection against inflation. In this regard, NIS' investment strategy continues to be guided by the terms and nature of its liabilities.

Against this backdrop, the principal approach to investment portfolio construction is to capitalise on fixed-income opportunities offered by the new interest regime. These efforts will be supplemented by prudent allocations to equity investments that are safe, income-earning, and satisfy the strategic and tactical views of the NIS.

3.1.4 Benefit Expenses Management

The NIS was laser-focused on ensuring efficient benefits payments in the short and long term, including employment injury, whilst adopting appropriate strategies to minimise errors and eliminate fraud.

In the review period, the NIS paid out $85.5 million in benefit expenses compared to $82.2 million in the previous period. The principal driver of the $3.4 million growth was the $3.5 million increase in early-age pensions. Decreases in short-term benefits and employment injury expenses tempered the growth.

The major component of benefit expenses is the long-term benefit branch. At the end of 2022, the long-term benefits (pensions) comprised 92% of benefit expenses, whilst short-term benefits, employment injury, and the National Provident Fund made up 5%, 0.3% and 1.7%, respectively. Therefore, the long-term benefits shape the cost and financial sustainability trajectories of the NIS.

The NIS recognised the higher-than-expected take-up in early-age pensions, which was the principal driver of the increased benefit costs in recent years. The early-age pension took effect in 2014, with the first payment in 2016. In the first year of payment, 2016, the early-age pension represented 2% of long-term benefits. At the end of 2022, early-age pension represented 20% of the long-term benefit expenses.

Our analysis indicated that the early-age pension option is tempering the cost savings from the 2014 comprehensive reform measures, thereby escalating the cost of benefits. These early-age pensioners have shortened their contribution periods by taking their pensions earlier. Consequently, it creates further financial pressure on the Fund.

The other main driver of the long-term benefit costs was the normal old-age pensions. The normal old-age pensions comprised 67% of total long-term benefit costs. This cost category marginally increased from $50.7 million in 2021 to $51.4 million in 2022. The attributing factors for the increase were the growth in average weekly pensions from $181.70 to $182.6 and the 63 new pensioners.

From a cost perspective, the annual expenses under the short-term, employment injury and national provident fund branches remained relatively low and flat. At the same time, the long-term benefit expenses are mainly influencing the long-term social security costs. Therefore, any reform measures to control future social security costs must be fashioned around eligibility conditions and benefit formulas for early-age and normal old-age pensions.

3.1.5 Administrative Efficiency

The Board uses the administrative efficiency ratio (the ratio of administrative expenses to contribution income) as an index to judge the cost level of administrative expenses. It serves as a benchmark to establish needed bounds on administrative costs of operations. Accordingly, the Board erred on the side of prudence and adopted administrative expenses to contribution income ratio as its benchmark for administrative expenses.

The administrative expenses remained flat at $11.3 million for the period under review. However, the administrative efficiency ratio improved to 15% from 17% due to strong contribution performance and prudent management of administrative expenses.

Over the last few years, the administrative efficiency ratio has been trending downwards as the management has sought ways to rationalise administrative expenses, including digitalisation, robust procurement policies and practices, and building a cost-conscious environment among staff.

Medium to Long-term Perspective

3.2 Strategic Priority Area 2: Building Operational Resilience

The NIS skilfully leveraged its robust governance structure and advanced technological resources, complemented by its dynamic and capable workforce, to excel in an environment characterized by volatility, uncertainty, complexity, and ambiguity.

3.2.1 Human Resource Strengthening

Our human resources have been the cornerstone of our resilience and responsiveness in providing people-centric social security services within the unpredictable and changing operating environment. Accordingly, the NIS prudently continued its investments in staff development to improve efficiency and service delivery. In this regard, the NIS supported its employees' professional development and academic programmes; 22 staff were assisted in pursuing degree programmes across relevant disciplines related to social security administration through staff loans of more than

$436,000. Further, five staff received scholarships through the Reserve Advisory Management Partnership (RAMP) programme from the World Bank to pursue Chartered Financial Analyst (CFA), Association of Chartered Certified Accountants (ACCA) and Financial Risk Management (FRM) Programmes. Additionally, educational refunds of $48,000 were made to two staff who completed their undergraduate studies. These investments in our human capital continue to generate positive returns as they relate to improving productivity, bolstering the NIS' bench strength, and building a succession plan.

For the period under review, our senior employees benefited from 12 practical and relevant capacity-building programmes under our agreement with RAMP. For example, to support social security resilience, staff were exposed to the following virtual workshops:

- **Governance** - Legal Aspects of Governance and Asset Management
- **Operations & IT** - Business Continuity Management
- **Portfolio Management** - Managing an External Asset Management Programme
- **Risk Management** - Risk Budgeting and Active Portfolio Management
- **Strategic Asset Allocation** - Governance and Fundamentals of Asset Allocation for Reserve Management

Recognising that our talented and dedicated team has an indispensable role in educating the public on pension reform and the critical importance of social security to Vincentians' lives and livelihood, Management capitalised on opportunities to train staff in different areas of social security administration. In this regard, our team was exposed to training facilitated by the ISSA in the following areas:

- **Social Security Reform** – Participants received practical knowledge in transforming and reforming social security systems in a changing world in the World Social Security Forum. The sessions were augmented with case studies from Europe, the Americas, and the Caribbean
- **Social Security Benefits** - Unemployment insurance in the CARICOM region
- **Risk Management** - Governance, strategic planning, and risk management in the context of a dynamic social security system
- **Digital Transformation** – Digitally transforming social security operations to strengthen resilience and improve financial sustainability.

Our investments in human resources support the pragmatic steps taken by Management to influence and change staff culture, encourage staff to think of innovative approaches to identify and address challenges and enhance service delivery.

3.2.2 Technology- Digital Transformation

In 2022, the NIS broadly strengthened its cyber-security apparatus and technology infrastructure to enhance its ability to support modern operations. These digital transformation requirements are the critical path toward delivering the operational backbone required to ensure improved delivery and sustainable, available information and communication technologies.

Management commenced the development of a new management system as a critical component in strengthening its operational backbone to deliver customer-centric services. In this endeavour, we recognised that social security fund management requires two essential functions for success. Firstly, the management of eligible insured persons and their data and the employer's responsibility for contributions on behalf of these insured persons. Secondly, the management of contributions data; to support the Fund and determine the applicable benefits. The NIS has achieved building out the data requirements to affect these underlying fund management activities entirely for the first requirement. In addition, we have provisioned the platform in support of the second function. Completing this first function now improves back-office operations, becoming more modern with improved internal controls in compliance with our legal mandate. The phase one release of this updated system is expected to culminate in January 2023.

We anticipate that within 2023, the organisation will transform in alignment with the ongoing supporting backdrop of parametric reform. The NIS would be able to look at the business and technical constituents to guide or drive possible improvement in existing social security products and even introduce new products that might have been impossible to offer before because of the limitation of manual fund administration. The NIS could rapidly make changes and offer better products and services to the Vincentian population and diaspora.

We continue to use technology as a catalyst to adopt new ways of working, broaden communication channels, deepen the client relationship in existing services, and improve the quality of services provided to members.

3.2.3 Risk Management

Enterprise-wide risk management is becoming increasingly important in an environment where volatility and uncertainty appear to be the new normal. The organisation has recognised this importance and, since 2017, introduced a Risk Management Unit (RMU) to the organisational structure. The role of the RMU is to strengthen the NIS' corporate governance framework by adopting an effective risk management programme.

The Risk Management framework follows a 'three lines of defence' structure. Managers of respective Business Units are the first line of defence in risk management. They must identify, assess, treat, and monitor the risks they face in carrying out their respective functions. These risks are placed in the institution's risk register. The RMU, the second line of defence, supports, monitors, and challenges the first lines on risk-related matters. The Internal Audit function, the third line, provides independent and objective assurance and advice on all matters related to achieving objectives. Monitoring mechanisms are reinforced through the quarterly reporting of key risks to the Audit and Risk sub-committees of the Board. Yearly external audits and triennial actuarial valuations complement them.

Lastly, there must be appropriate business continuity mechanisms to ensure that the institution remains resilient to external shocks. The NIS developed a Business Continuity Management Policy and Implementation Guidelines, thus enhancing our ability to continue operations for key business processes during and after a business disruption. In addition, a Disaster Recovery Plan is in the works to combat possible cyber threats effectively. The NIS has well-established risk governance and operational frameworks to manage the organisation's risks effectively and ensure agility and service continuity in times of volatility and uncertainty.

3.3 Strategic Priority Area 3: Strengthening Customer Engagement and Satisfaction

Our Vision and Mission espoused our commitment and dedication to providing customer-centric services and achieving high customer satisfaction. We live this "people-first" culture in our day-to-day social security service delivery. For instance, we are upscaling and expanding our digital offerings through our mobile app, e-submit and e-payment platforms to ensure the wide-ranging needs of our customers are met. Additionally, we are strengthening our operational backbone by changing our management systems to ensure more efficient processing of employee and employer registration, employee wage records, contribution collections, and benefits payments.

As the organisation makes progress in ensuring the continuity and sustainability of social security services to the people of SVG, it commenced extensive conversations with the public on the importance of the NIS to social and economic development, the necessity of the NIS to improve the quality of lives of individuals, families and communities, the challenges facing the NIS in delivering sustainable social protection and the important measures required to enhance the financial sustainability of the NIS. This multi-stakeholder social dialogue forms the basis for the NIS to strengthen its customers' participation in shaping the financial sustainability and service delivery transition of the NIS.

As reiterated by the Secretary General of ISSA in the 2022 World Social Security Forum, "We have seen a growing trend in the Americas, including the Caribbean, to adopt parametric reforms to contributory pension systems as part of efforts to better ensure the sustainability of social security systems in the face of ***increasing longevity and higher dependency ratios"***. Accordingly, the NIS has localised this global issue through meetings of many stakeholders to shape reform solutions tailored to the needs of Vincentians. Essentially, we have shaped our context and realities to ensure all Vincentians embrace pension reform to secure our future together.

Against this backdrop, the NIS commenced its comprehensive social dialogue on NIS and pension reform to solicit opinions and ideas from stakeholders to set the stage for putting the NIS on a more sustainable financial and actuarial footing. To this end, the NIS engaged in public consultations around its contributions to providing a sound safety net to the workers of SVG and their dependents whilst making a meaningful contribution to social and economic development through its investments in health, education, housing, and other socio-economic sectors.

Also, we discussed with the public the generosity of the design of our social security system and its corresponding financial pressures on the Fund. The consultation extended to regional comparison and benchmarking with nine other regional social security systems. Of note, only two other countries have a contribution rate of 10%, along with SVG, St. Lucia and Anguilla. However, St. Lucia and Anguilla's 10% contribution rates were set in 1979 and 1982, respectively, while SVG's 10% was set very recently in 2014. However, the retirement age for both St. Lucia and Anguilla is 65, whilst SVG is currently 63. For Antigua, Barbados, Dominica, Grenada, Montserrat and St. Kitts and Nevis, the contribution rates are greater than 11%, and their retirement ages range from 62 to 67, whilst BVI is 8.5% with a retirement age of 65. All have had reforms done recently or are in the process of reforming, whether lightly or extensively.

Additionally, we consulted the public on suitable measures to safeguard the Fund's financial sustainability and reinforce that the demographic challenges of population ageing are threatening the future viability of the Fund. Lastly, we listened to your views and opinions on serving our public better. Across the stakeholder base that included Government, employers' group, employees' group, and community groups, we heard your voice under the following themes:

- "Would there be a merger of the Government's pension and the NIS pension? If so, why?"

- “There should be a document for participants to accompany the presentation. It’s a lot to remember. A brochure with information about the services offered by the NIS.”
- "More forums for consultation are necessary before the final decision to unemployment."
- “Would love to see the pension retirement age and NIS pension age the same level, age 60.”
- “Well presented, hope for another session going forward. Thank you”
- “Very informative presentation; it brought clarity to the pension reform.”
- “I must say I got a lot of new information here, and to make it, the information was distributed very clearly. Job well done.”
- “Work with the Ministry of Education to introduce NIS education in schools. Consider selling reinsurance for members.”

The public’s voice would certainly play a pivotal role in shaping the NIS’ reform measures and administrative pathways in the delivery of social security services to the people of SVG.

4.0 CONCLUSION

Your NIS is repositioning and reinvigorating its governance, financial and operational structures through parametric and administrative reforms to sustain the protection and support of our covered members and their dependents from the cradle to the grave. Your voice and tangible contributions are necessary to secure tomorrow's social security.

From our extensive social dialogue on reform, we learnt that our social security system is increasingly understood to be an indispensable programme to promote inclusive and people-centred development through our branch-related coverage for specific life cycle and labour market risks, such as old age, disability, survivorship, maternity, work injury and illness, which are essential to life and living. In addition, our sustained investments in health, education, housing, and other social measures form a fundamental pillar for a well-functioning economy.

Implementing pension reform around contribution rate increase and tweaking the benefit design would ensure greater financial sustainability of the Fund. As we advance the reform initiative, we will continue to use technological and human resources as catalysts to be innovative, transformative, resilient, and responsive to the needs of our stakeholders.

5.0 ACKNOWLEDGEMENT

Our lessons and successes have been shaped by the unwavering support of our loyal membership base of contributors, employers, and beneficiaries. I want to express gratitude to our many stakeholders, including the Government of SVG.

Our Board stood strategically at the right distance, horizon, and altitude to provide appropriate governance structures and mechanisms for the Management to deliver social security service effectively. This sound judgement is well recognised and appreciated by the Director.

Our accomplishments across our strategic priorities were only possible through our dedicated and committed staff, to whom I owe a debt of gratitude.

Stewart K. Haynes
Director
National Insurance Services

Saint Vincent & the Grenadines

NATIONAL INSURANCE SERVICES

CELEBRATING • 35 YEARS OF SERVICE •

35th

ANNIVERSARY

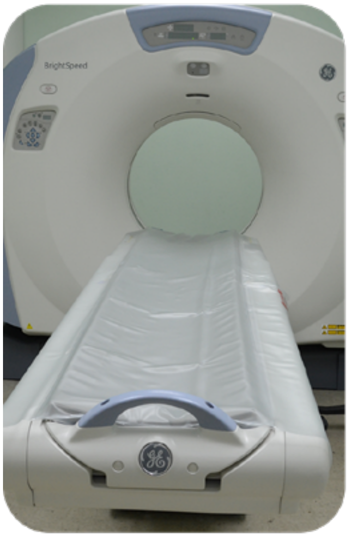
On January 5th, 2022, the National Insurance Services celebrated 35 years of providing sound social security to insured persons and their dependents.
Since becoming operational in 1987, the NIS has contributed to the social and economic development of Saint Vincent and the Grenadines through multiple targeted programmes.

NIS IN THE HEALTH SECTOR

Our contributions to the health sector span over our 35 years of operation. An important part of social security and its sustainability is the well-being of contributors. In recognising this, the NIS has committed to protecting not only current contributors but past and future contributors.

The NIS' commitment to the development of Saint Vincent and the Grenadines is reflected in all of its activities. Healthcare did not escape the NIS' outreach, as evidenced by the donation of an Ultrasound machine in 1997 and the first donation of a CT Scan machine in 2009. These machines have brought immeasurable value to the functionality of the Milton Cato Memorial Hospital, and by extension, helped in improving the level of service in the healthcare sector.

In May 2020, The NIS partnered with the Government of St. Vincent and Grenadines (SVG) to develop an isolation facility at Argyle. The NIS recognised the importance of such a facility for the Vincentian people and donated $750,000.00 to assist with the financing of the facility. This echoes our vision statement: "To be an institution that recognises, assesses and responds to changing environmental trends and provides sustainable Social Security that adequately reflects our value system and satisfies our customers' needs".

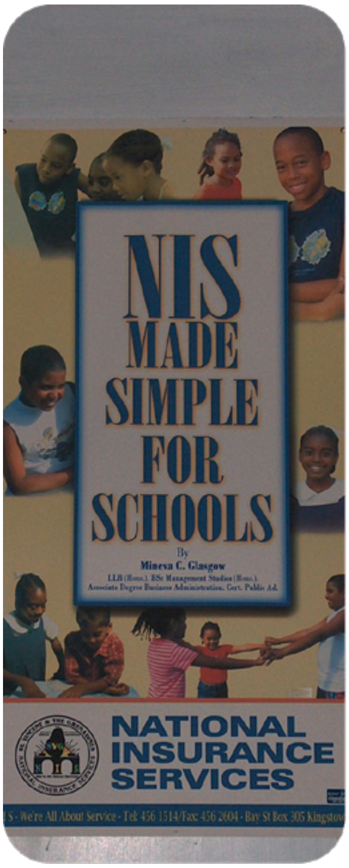


THE NIS AND EDUCATION

In 1994, the NIS collaborated with the Ministry of Education to fund a National Student Loan programme. This initiative sought to finance economically disadvantaged students who are desirous of pursuing undergraduate studies. Over the years, the NIS has made contributions via financial institutions for this purpose. In 2010, the National Student Loan Company was established to administer the programme and the initial funding was made by the NIS.

In 2002, the NIS launched the book "Walk Through – A Layman's Guide to St. Vincent & Grenadines National Insurance Scheme Legislation." This was written by the then Deputy Executive Director, Dr. Mineva Glasgow.

In 2005, the NIS launched the "NIS Made Simple for Schools" book by the then Deputy Executive Director, Dr. Mineva Glasgow. The book sought to simplify elements of social security, not only for students, but also for adults.



THE NIS' SOCIAL RESPONSE

In 1995, the NIS introduced its Pensioners Appreciation Day. This programme looked at providing pensioners, with an opportunity to access health checks, social activities, and engage in sporting events.

In 2004 and 2005, the NIS opened its Golden Years Activity Centres at Cane Grove and Pembroke respectively. The purpose of the centres was to provide a place where elderly persons can engage in daily activities such as devotional and motivational sessions, arts and crafts, exercises, health checks, and outdoor events.

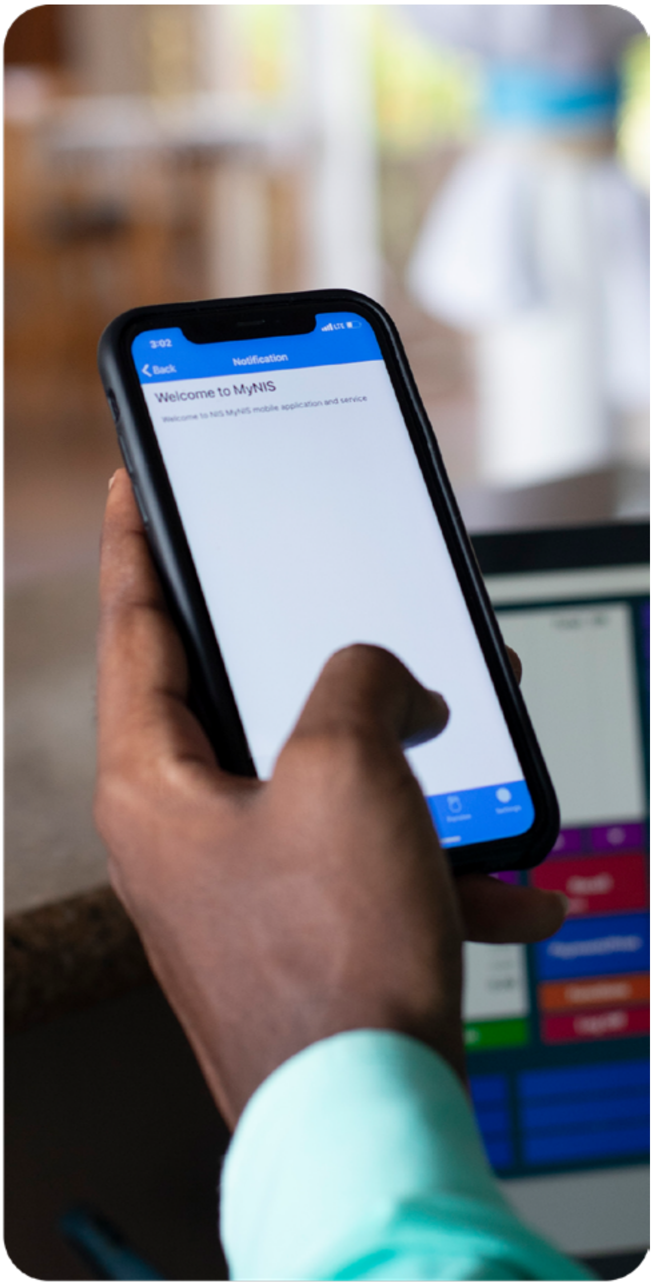
In 2021, thousands of Vincentians on mainland Saint Vincent, from both the Windward and Leeward sides, were evacuated due to La Soufriere's explosive volcanic eruptions that began on Friday, April 9th. The NIS thought it necessary to meet the social needs of the evacuees. As such, staff volunteers created and executed a series of activities at various shelters in SVG designed to touch the lives of those in need. These activities ranged from games evenings, karaoke, devotional sessions and arts and crafts.

ENHANCING SERVICE

In 2012, the NIS launched the eSubmit platform, a web application, which allows employers to submit schedule information electronically at any time of the day. The application allows uploads of schedules exported from payroll or spreadsheet applications, or direct input of schedule information. Calculations and error checking are automatically completed.

Visit this link esubmit.nissvg.org to access this application.

In 2021, the NIS launched the myNIS app. Our mobile application provides a platform for our stakeholders to receive notifications when contributions have been paid, check their contribution history, query missing contributions and run a pension simulation to determine what their pension amount may be upon retirement. The application is available iOS and Android devices.



NIS LAUNCHES PROJECT YURUMEIN

Over the last few years, we have sought to enhance our service delivery and processes, not just to serve our customers better, but also to improve our efficiency.

In 2021, accelerated steps were taken towards digital transformation, through the replacement of our management system, NIMS, which is the key determinant in our service delivery and business process.

As a result of our accelerated steps, we signed a contract with Davyn on February 1st, 2022, to replace NIMS. Davyn is a company based in Trinidad and Tobago, and has the largest team of Microsoft-certified professionals in the region. The signing of this contract means that Davyn will undertake extensive work to provide NIS with a management system that transforms the way we do business, and how we serve our customers.

PENSION REFORM

In September 2022, the NIS heightened its awareness initiatives around its social contributions and pension reform. Since its inception, the institution has remained steadfast in its mandate of providing protection for all insured persons and their dependents and contributing to the development of Saint Vincent & the Grenadines.

While there has been much discussion on pension reform and its necessity, pension reform is not a foreign topic or action to Saint Vincent & the Grenadines and the world. Regionally, nine social security systems either have implemented recent pension reform measures or are in discussions to do so.

Of note, only two other countries have a contribution rate of 10% along with SVG, Saint Lucia and Anguilla. The retirement age for both Saint Lucia and Anguilla however is 65 whilst SVG is currently 63. For Antigua, Barbados, Dominica, Grenada, Montserrat and St. Kitts and Nevis, their contribution rate is 11% and up with retirement age ranging from 62 to 67, whilst BVI is 8.5% with a retirement age of 65. All of the aforementioned social security systems have implemented reform over their lifespan to strengthen the sustainability of their funds. For NIS SVG, several changes have been made since 1987 ranging from increases in benefit payments, the addition of new benefits, increases in pensionable age and changes in the contribution rate. These changes were made based on recommendations from the triennial actuarial valuations that are conducted by an external actuary. An actuarial valuation is a comprehensive assessment of the current and projected state of the NIS' funds

and provides policy recommendations to enhance the sustainability of the fund. To date, the NIS has had 11 actuarial reviews with the first being done in 1992. Since then, based on the recommendations; pension increases were applied in 1994, 1997, 1999, 2002, 2005, 2008 and 2014.

The maternity grant payment moved from $50.00 in 1987 to $660.00 in 2014 whilst funeral grant payment moved from $500.00 in 1987 to $4,525.00 in 2014.

For minimum pension, the payment increased from $40.00 in 1994 to $70.00 2008, whilst the old age, invalidity and survivor's pension saw the following increases.

- **In 1994:** 5%-15.5%
- **In 1997:** 3%-18%
- **In 1999:** 3%-6%
- **In 2002:** 3%-6%
- **In 2005:** 3%-6%
- **In 2008:** 4.5%-9%
- **In 2014:** 1.5%-4.5%

Additionally, in 1997, the NIS introduced the Non-contributory Assistance Age Pension (NAAP), the self-employed programme and the employment injury benefit. The programme targeted economically challenged older persons who were unable to participate in the NIS program because of their ages. These persons initially received $40.00 per fortnight but now receive $75.00 per fortnight.

The self-employment programme has eight contribution bands where self-employed persons can select a band based on their earnings and provides access to sickness, maternity, invalidity, age, funeral and survivors' benefits and age pensions.

The employment injury programme provides replacement income for employees who are injured at work or for employees who sustain injury at their work places/ in the course of work. All of the implemented changes sought to expand coverage and protection to our stakeholders.

Amongst these changes, increases in contribution rates were also made. Notably, when the NIS replaced the National Provident Fund in 1987, the contribution rate moved from 10% to 5.5%.

Transforming Benefits
Over the years.

13x
Maternity Grant Increase
1987 - 2014

9x
Funeral Grant Increase
1987 - 2014

1.75x
Minimum Pension Increase
1994 - 2008

3.0 - 15.5%
Yearly Pension Increases
1994 - 2014

- **Restructured Pension Accruals** (2014)
- **New Programmes & Benefits**
  - Non-contributory Assistance Age Pension (NAAP)
  - Emploment Injury Benefit
  - Self-employed Programme (1997)

This was followed by an increase in 1997 to 6%, in 2008, it increased to 8% and in 2014, it increased to 10%. Whilst the increases have helped to build reserves, a number of factors have contributed to a projection of the fund depletion in 2034, namely, we are a maturing plan, which is further exacerbated by demographic challenges. We have seen a faster growth rate in pensioners than we see for our contributors. This means that our benefit payout is growing at a more rapid rate than contributions. To ensure the fund's sustainability where the NIS can meet its financial obligations, several reform options have been recommended, they are:

TO ENHANCE COVERAGE

1. Make NIS registration and payment of contributions mandatory for all self-employed and informal sector workers.
2. Implement new technologies that will allow self-employed persons and informal sector workers to pay contributions to and receive benefits from the NIS easily.

TO ENHANCE SUSTAINABILITY

1. Increase contribution rate from 10% to 15% over the next 10 years.
2. Reduce the maximum pension replacement rate from 60% to 55%.
3. Hasten increase in pensionable age so that 65 is reached in 2026 instead of 2028.
4. Only award early pensions to insured who have substantially retired.
5. Gradually increase the age at which reduced-age pensions are awarded from 60 to 62.
6. Increase the reduction factors that apply to Early Age pensions from ½% per month to as much as ¾% per month to discourage early pensions.
7. Improve contribution compliance through effective linkages with government departments that issue permits to businesses and self-employed persons.

TO ENHANCE BENEFIT ADEQUACY

1. Consider allowing those receiving an Age/Invalidity pension to receive a portion of a Survivors pension if they meet the eligibility conditions for both pensions.
2. For sickness, maternity, and injury benefits, revise the days for which benefits are paid to exclude one day, instead of Sunday in every case.

TO ENHANCE ADMINISTRATIVE EFFICIENCY

1. Seek ways to reduce administrative costs.

TO ENHANCE STAKEHOLDER CONFIDENCE IN SOCIAL SECURITY

1. Share with the public the 11th Actuarial Review, recent audited financial statements, and the Board's plan to ensure long-term sustainability of the National Insurance Fund. The actuarial report should be placed on the website.
2. Prepare two new policies – Benefits Policy and Funding Policy and update the existing Investment Policy and Enterprise Risk Management Policy.
3. Revise the composition of the Investment Committee by replacing two of the three Board members with non-Board members.

Whilst all of the options may not be implemented, the NIS must make recommendations for the implementation of some to ensure the sustainability of the fund. Of importance however, is stakeholder understanding of what pension reform entails, and why it is necessary. The engagement with stakeholders on pension reform will continue and be executed with groups across Saint Vincent & the Grenadines.

EMBRACING PENSION REFORM TO SECURE OUR FUTURE TOGETHER

AUDITED FINANCIAL STATEMENTS

Grant Thornton

National Insurance Services

Financial Statements
For the Year Ended December 31, 2022
(in Eastern Caribbean Dollars)

Contents

Corporate Information

REGISTERED OFFICE

Bay Street
Kingstown
St. Vincent

DIRECTORS

Mr. Lennox A. Bowman – Chairman
Mr. Elroy R. John – Deputy Chairman
Mr. Carlos Leslie Liley Cato
Mr. Garvin A. Jackson
Ms. Joy E. Matthews
Mr. Brian A. George
Mr. Noel C. Jackson
Mrs. Gloria E. Stapleton

DIRECTOR

Mr. Stewart K. Haynes

SECRETARY

Mr. Stewart K. Haynes

BANKS AND NON-BANK FINANCIAL INSTITUTIONS

Bank of St. Vincent and the Grenadines Ltd.
Republic Bank EC Ltd.
1st National Bank St Lucia (formally RBTT Bank Caribbean 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

Duane Daniel Chambers

AUDITORS

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

Grant Thornton

Independent Auditor's Report

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, 2022 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, 2022, 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 Information

Management is responsible for the other information. The other information comprises the NIS' 2022 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' 2022 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 28, 2023

National Insurance Services

Statement of Financial Position

As of December 31, 2022

(in Eastern Caribbean dollars)

	Notes	**2022** $	2021 $
ASSETS			
Cash and cash equivalents	5	**47,601,205**	51,464,704
Contributions receivable	6	**3,407,946**	3,781,883
Other assets	7	**7,597,721**	23,477,275
Loans and advances	8	**33,538,923**	40,176,610
Investment securities	9	**266,427,848**	274,445,752
Inventories	10	**7,704,500**	7,704,500
Investment in associate	11	**28,215,196**	26,936,635
Investment properties	12	**53,301,564**	45,579,854
Property and equipment	13	**24,629,718**	26,156,994
Intangible assets	14	**1,009,210**	191,273
Total Assets		**473,433,831**	499,915,480
LIABILITIES			
Benefits payable	15	**5,345,906**	3,698,139
Accounts payable and accrued liabilities	16	**1,089,817**	1,370,165
Deferred income		**-**	5,620
Total Liabilities		**6,435,723**	5,073,924
RESERVES			
Short-term benefit	17	**33,631,977**	32,396,904
Long-term benefit	17	**311,601,556**	336,426,127
Employment injury benefit	17	**94,284,078**	89,648,462
National provident fund	17	**31,581,626**	33,129,135
Accumulated other comprehensive income	18	**(4,101,129)**	3,240,928
Total Reserves		**466,998,108**	494,841,556
Total Liabilities and Reserves		**473,433,831**	499,915,480

The financial statements were approved by the Board of Directors and authorized for issue on June 28, 2023, and signed on its behalf by:

Lennox A. Bowman
Chairman

Stewart K. Haynes
Secretary

Elroy R. 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, 2022

(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, 2021	30,969,632	347,868,883	82,685,488	34,595,785	1,081,806	497,201,594
Net surplus (deficit) for the year	1,427,272	(11,442,756)	6,962,974	(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	32,396,904	336,426,127	89,648,462	33,129,135	3,240,928	494,841,556
Net surplus (deficit) for the year	1,235,073	(24,824,571)	4,635,616	(1,547,509)	-	(20,501,391)
Net change in fair value – FVOCI equity instruments	-	-	-	-	(7,869,436)	(7,869,436)
Foreign exchange loss – FVOCI equity instruments	-	-	-	-	258,852	258,852
Net change in fair value – FVOCI debt instruments	-	-	-	-	(428,585)	(428,585)
Share of OCI - associate	-	-	-	-	697,112	697,112
Balance at December 31, 2022	33,631,977	311,601,556	94,284,078	31,581,626	(4,101,129)	466,998,108

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

National Insurance Services

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2022

(in Eastern Caribbean dollars)

	Notes	2022 $	As Restated 2021 $
Contribution Revenue	19	**73,444,488**	68,237,291
Net Investment Income	20	**3,448,454**	16,986,028
Other Income, Net	21	**731,933**	811,305
Appreciation of fair value in investment properties	12	**89,210**	-
Total Revenue		**77,714,085**	86,034,624
Benefits expense	22	**(85,540,706)**	(82,179,421)
Gross Margin		**(7,826,621)**	3,855,203
General and administrative expenses	23	**(11,259,666)**	(11,263,255)
Bad debts expense	6	**(1,996,553)**	2,334,644
Total Expenses		**(13,256,219)**	(8,928,611)
Operating Loss		**(21,082,840)**	(5,073,408)
Share of Profit of Associate	11	**581,449**	554,248
Net Loss for the Year		**(20,501,391)**	(4,519,160)
Other Comprehensive (Loss) Income			
Items that will not be Reclassified Subsequently to Profit or Loss:			
Net change in fair value – FVOCI equity instruments	18	**(7,869,436)**	2,745,457
Foreign exchange (loss) gain – FVOCI equity instruments	18	**258,852**	(365,587)
		(7,610,584)	2,379,870
Items that are or may be Reclassified Subsequently to Profit or Loss:			
Net change in fair value – FVOCI debt instruments	18	**(428,585)**	(207,417)
Share of OCI – associate	18	**697,112**	(13,331)
		268,527	(220,748)
Other Comprehensive (Loss) Income		**(7,342,057)**	2,159,122
Total Comprehensive Loss for the Year		**(27,843,448)**	(2,360,038)

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

National Insurance Services

Statement of Cash Flows

For the Year Ended December 31, 2022

(in Eastern Caribbean dollars)

	Notes	**2022** $	**As Restated** 2021 $
Operating Activities			
Loss for the year		**(20,501,391)**	(4,519,160)
Adjustments for:			
Depreciation expense	13	**1,323,786**	1,218,197
Amortization expense	14	**81,691**	68,310
Loss on disposal of property and equipment		**518,671**	-
Impairment (recovery) loss – contributions and other assets		**2,152,369**	(2,354,649)
Impairment (recovery) loss – investment securities and loans and advances		**907,159**	(2,877,509)
Share of profit of associate		**(581,449)**	(554,248)
Appreciation in fair value of investment properties		**(89,210)**	-
Decline (appreciation) in investment securities	20	**9,895,131**	(4,510,792)
Increase in interest receivable		**(176,675)**	66,451
Dividend received from associated company		**-**	360,000
Foreign exchange (gain) loss on securities		**(19,108)**	83,733
Net Loss before Changes in Operating Assets and Liabilities		**(6,489,026)**	(13,019,667)
Change in other assets		**8,091,238**	(3,334,489)
Change in contributions receivable		**(1,622,616)**	3,496,140
Increase (decrease) in benefits payable		**1,647,761**	(1,061,796)
Decrease in deferred income		**(5,620)**	(9,210)
Change in accounts payable and accrued liabilities		**(280,348)**	42,152
Change in inventories		**-**	(4,500)
Net Cash Generated from (Used in) Operating Activities		**1,341,389**	(13,891,370)
Cash Flows from Investing Activities			
Increase in investments, net		**(10,392,926)**	9,924,438
Reduction in loans and advances		**6,402,847**	4,454,749
Purchase of property, plant and equipment		**(360,181)**	(1,607,011)
Proceeds from sale of property, plant and equipment		**45,000**	-
Addition of intangibles		**(899,628)**	(13,343)
Net Cash (Used in) Generated from Investing Activities		**(5,204,888)**	12,758,833
Net Decrease in Cash and Cash Equivalents		**(3,863,499)**	(1,132,537)
Cash and Cash Equivalents at Beginning of Year		**51,464,704**	52,597,241
Cash and Cash Equivalents at End of Year	5	**47,601,205**	51,464,704

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

National Insurance Services

Index to Notes to the Financial Statement

(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.

(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.

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.

(in Eastern Caribbean dollars)

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

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

The amendment does not 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.

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 amendment does not have a material impact on the NIS.

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.

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

(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 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.

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.

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.

Insurance Contracts – IFRS 17

In May 2017, the IASB issued IFRS 17 to replace IFRS 4 Insurance Contracts. The standard establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The following are included within the scope of the standard:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

The amendments are effective for annual reporting periods beginning on or after January 1, 2023

The amendment is not applicable to the NIS.

(in Eastern Caribbean dollars)

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

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 an 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

	2022	2021
	$	$
Cash on hand	**981**	1,036
Bank balances	**47,600,224**	51,463,668
	47,601,205	51,464,704

(in Eastern Caribbean dollars)

6. Contributions Receivable

	2022	2021
	$	$
Contributions receivable	**13,444,838**	11,822,222
Allowance for impairment losses (**Note 28 (b) (i)**)	**(10,036,892)**	(8,040,339)
	3,407,946	3,781,883

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

	2022	2021
	$	$
Balance at January 1	**8,040,339**	10,374,983
Change in allowance for impairment losses	**1,996,553**	(2,334,644)
Balance at December 31	**10,036,892**	8,040,339

7. Other Assets

	2022	2021
	$	$
Prepayments	**280,417**	638,380
Staff receivables	**245,041**	109,234
Rent receivables	**230,000**	526,859
Other receivables	**8,314,863**	23,519,586
	9,070,321	24,794,059
Allowance for impairment losses	**(1,472,600)**	(1,316,784)
	7,597,721	23,477,275

The movement in allowance for impairment in other assets during the year was as follows:

	2022	2021
	$	$
Balance at January 1	**1,316,784**	1,336,789
Change in allowance for impairment losses **(Note 21)**	**155,816**	(20,005)
Balance at December 31	**1,472,600**	1,316,784

(in Eastern Caribbean dollars)

8. Loans and Advances

	2022 $	2021 $
Loans guaranteed by the Government of St. Vincent and the Grenadines	**32,623,068**	37,010,294
Loans secured by mortgage	**8,654,013**	10,649,950
Unsecured staff loans	**459,584**	479,268
	41,736,665	48,139,512
Allowance for impairment losses	**(11,176,352)**	(10,649,672)
Total loans	**30,560,313**	37,489,840
Interest receivable on loans	**2,978,610**	2,686,770
	33,538,923	40,176,610

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

	2022 $	2021 $
Balance at January 1	**10,649,672**	11,430,814
Movements during the year **(Note 20)**	**526,680**	(781,142)
Balance at December 31	**11,176,352**	10,649,672

9. Investment Securities

	2022 $	2021 $
Investment Securities at FVTPL		
Equities	**37,664,337**	43,916,033
Investment Securities at Amortized Cost		
Debt securities	**190,841,792**	184,824,813
Interest receivable	**1,890,142**	2,005,307
Expected credit losses (**Note 28 (b) (i)**)	**(17,855,645)**	(17,475,166)
	174,876,289	169,354,954
Investment Securities at FVOCI		
Debt securities	**3,688,024**	4,116,500
Interest receivable	**29,960**	29,960
Equities designated as at FVOCI	**50,169,238**	57,028,305
	53,887,222	61,174,765
	266,427,848	274,445,752

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

	2022 $	2021 $
Balance at January 1	**17,475,166**	19,571,533
Increase (reduction) of impairment loss	**380,479**	(2,096,367)
Balance at December 31 **(Note 28)**	**17,855,645**	17,475,166

(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:

	2022	2021
	$	$
Gross carrying value at December 31	**19,612,467**	19,612,467
Allowance for impairment	**(16,785,034)**	(16,785,034)
Fixed deposit, net	**2,827,433**	2,827,433

10. Inventories

	2022	2021
	$	$
Land at Peter's Hope	**7,704,500**	7,704,500
	7,704,500	7,704,500

The land at Peter's hope is currently being developed 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:

	2022 **$**	2021 $
Percentage ownership interest	**20%**	20%
Total assets	**1,323,231,201**	1,294,419,198
Total liabilities	**(1,182,155,222)**	(1,159,736,022)
Net Assets (100%)	**141,075,979**	134,683,176
NIS' share of net assets, being carrying amount of interest in associate	**28,215,196**	26,936,635
Revenue	**54,427,590**	50,790,365
Profit from continuing operations (100%)	**2,907,243**	2,771,227
Other comprehensive income (100%)	**3,485,560**	(66,657)
Total Comprehensive Income (100%)	**6,392,803**	2,704,570
Balance as at January 1	**26,936,635**	26,755,718
Share of profit	**581,449**	554,248
Share of OCI (**Note 18**)	**697,112**	(13,331)
Dividend received	**-**	(360,000)
Balance as at December 31	**28,215,196**	26,936,635

12. Investment Properties

	2022 **$**	2021 $
Balance as at January 1	**45,579,854**	22,179,000
Acquisition of investment properties	**7,632,500**	23,400,854
Appreciation in fair value of investment properties	**89,210**	-
Balance at December 31	**53,301,564**	45,579,854

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

(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, 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
Balance at January 1, 2022	35,212,569	2,348,999	568,550	3,188,034	1,961,973	453,967	43,734,092
Additions	-	42,788	41,292	1,114	148,647	126,340	360,181
Disposals	(1,717,052)	-	-	-	(6,275)	(225,928)	(1,949,255)
Balance at December 31, 2022	**33,495,517**	**2,391,787**	**609,842**	**3,189,148**	**2,104,345**	**354,379**	**42,145,018**
Accumulated Depreciation							
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
Balance at January 1, 2022	11,569,222	2,122,775	540,292	1,352,381	1,630,539	361,889	17,577,098
Depreciation for the year	792,977	72,141	13,260	231,429	139,978	74,001	1,323,786
Disposals	(1,167,597)	-	-	-	(2,313)	(215,674)	(1,385,584)
Balance at December 31, 2022	**11,194,602**	**2,194,916**	**553,552**	**1,583,810**	**1,768,204**	**220,216**	**17,515,300**
Carrying Amounts							
At December 31, 2021	23,643,347	226,224	28,258	1,835,653	331,434	92,078	26,156,994
At December 31, 2022	**22,300,915**	**196,871**	**56,290**	**1,605,338**	**336,141**	**134,163**	**24,629,718**

(in Eastern Caribbean dollars)

14. Intangible Asset

	Software Development $	Computer Software $	Total $
Cost			
Balance at January 1, 2021	-	2,312,471	2,312,471
Additions	-	13,343	13,343
Balance at December 31, 2021	-	2,325,814	2,325,814
Balance at January 1, 2022	-	2,325,814	2,325,814
Additions	826,336	73,292	899,628
Balance at December 31, 2022	826,336	2,399,106	3,225,442
Accumulated Amortization			
Balance at January 1, 2021	-	2,066,231	2,066,231
Amortization for the year	-	68,310	68,310
Balance at December 31, 2021	-	2,134,541	2,134,541
Balance at January 1, 2022	-	2,134,541	2,134,541
Amortization for the year	-	81,691	81,691
Balance at December 31, 2022	-	2,216,232	2,216,232
Carrying Amounts			
At December 31, 2021	-	191,273	191,273
At December 31, 2022	826,336	182,874	1,009,210

15. Benefits Payable

The following summarizes the benefits payable for each service branch:

	Short-term Benefit		Long-term Benefit		Employment Injury Benefit		Total	
	2022 $	2021 $	**2022 $**	2021 $	**2022 $**	2021 $	**2022 $**	2021 $
Benefits payable	**272,226**	249,519	**5,057,204**	3,433,799	**16,476**	14,821	**5,345,906**	3,698,139
Total	**272,226**	249,519	**5,057,204**	3,433,799	**16,476**	14,821	**5,345,906**	3,698,139

16. Accounts Payable and Accrued Liabilities

	2022 $	2021 $
Due to BVI Social Security	**306,084**	188,345
Contributions refundable	**212,947**	88,401
Accounts payable and accruals	**529,257**	1,048,397
Other payables	**41,529**	45,022
	1,089,817	1,370,165

(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:

	2022	2021
	%	%
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 11th 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

	2022	2021
	$	$
Unrealized foreign exchange losses	**(56,078)**	(314,930)
(Depreciation) Appreciation in fair value of investment securities	**(4,045,051)**	3,555,858
	(4,101,129)	3,240,928

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

	2022	2021
	$	$
Unrealized Foreign Exchange Gain (Loss) on Investment Securities		
Beginning of year	**(314,930)**	50,657
Exchange gain (loss) during year	**258,852**	(365,587)
End of year	**(56,078)**	(314,930)
(Diminution) Appreciation in Fair Value of Investment Securities		
Beginning of year	**3,555,858**	1,031,149
(Diminution) appreciation of equities	**(7,869,436)**	2,745,457
(Diminution) appreciation of debt securities	**(428,585)**	(207,417)
Share of associates – OCI (**Note 11**)	**697,112**	(13,331)
End of year	**(4,045,051)**	3,555,858
	(4,101,129)	3,240,928

(in Eastern Caribbean dollars)

19. Contribution Income

	2022	2021
	$	$
Employers' contributions	**39,500,790**	36,745,560
Insured persons contributions	**32,284,750**	29,977,279
Self employed contributions	**1,208,743**	1,093,546
Voluntary contributions	**450,205**	420,906
	73,444,488	68,237,291

20. Net Investment Income

	2022	2021
	$	$
Interest on loans and advances	**1,926,213**	2,296,938
Interest income on investments securities	**6,573,372**	7,226,285
Dividend income	**2,022,545**	1,961,126
Rental income from investment properties	**814,309**	862,398
Gain on sales of investments securities	**4,389,153**	4,458,133
Investment expenses	**(1,493,956)**	(1,294,687)
Net Investment Income Realized	**14,231,636**	15,510,193
Net foreign exchange gain (loss) on investments	**19,108**	(83,733)
(Decline) appreciation of fair value in investments securities	**(9,895,131)**	4,510,792
Credit impairment on loans **(Note 8)**	**(526,680)**	781,142
Credit impairment on investment securities	**(380,479)**	(3,732,366)
Other (Loss) Gain	**(10,783,182)**	1,475,835
Net Investment Income recognized in Profit or Loss	**3,448,454**	16,986,028

21. Other Income, Net

	2022	2021
	$	$
Rental income	**445,656**	482,838
Impairment of other assets **(Note 7)**	**(155,816)**	20,005
Gain on disposal of property, plant and equipment	**30,786**	-
Surcharges and other fees	**411,307**	308,462
	731,933	811,305

(in Eastern Caribbean dollars)

22. Classification of Benefits

The following summarizes the benefits expense by each service branch:

	Short-term Benefit		Long-term Benefit		Employment Injury Benefit		National Provident Fund		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Sickness benefit	**2,799,250**	2,784,922	**-**	-	**-**	-	**-**	-	**2,799,250**	2,784,922
Maternity benefit	**1,171,251**	1,152,514	**-**	-	**-**	-	**-**	-	**1,171,251**	1,152,514
Maternity grant	**298,980**	309,680	**-**	-	**-**	-	**-**	-	**298,980**	309,680
Funeral grant	**-**	-	**2,255,319**	2,325,803	**-**	-	**-**	-	**2,255,319**	2,325,803
Invalidity benefit	**-**	-	**1,141,968**	1,037,538	**-**	-	**8,721**	8,028	**1,150,689**	1,045,566
Survivor's benefit	**-**	-	**6,756,119**	6,172,474	**-**	-	**36,513**	49,224	**6,792,632**	6,221,698
Age benefit	**-**	-	**67,780,279**	63,423,041	**-**	-	**1,652,305**	1,605,424	**69,432,584**	65,028,465
Age grant	**-**	-	**727,006**	1,694,202	**-**	-	**-**	-	**727,006**	1,694,202
NIS employment injury medical	**-**	-	**-**	-	**2,807**	3,782	**-**	-	**2,807**	3,782
NIS employment injury	**-**	-	**-**	-	**108,069**	112,376	**-**	-	**108,069**	112,376
NIS employment disablement	**-**	-	**-**	-	**91,150**	95,583	**-**	-	**91,150**	95,583
NIS employment death	**-**	-	**-**	-	**56,380**	55,828	**-**	-	**56,380**	55,828
Non-contributory assistance age pension	**-**	-	**422,539**	483,638	**-**	-	**-**	-	**422,539**	483,638
Elderly assistance benefit	**-**	-	**232,050**	269,864	**-**	-	**-**	-	**232,050**	269,864
Temporary unemployment benefit	**-**	595,500	**-**	-	**-**	-	**-**	-	**-**	595,500
Total Expenditure	**4,269,481**	4,842,616	**79,315,280**	75,406,560	**258,406**	267,569	**1,697,539**	1,662,676	**85,540,706**	82,179,421

(in Eastern Caribbean dollars)

23. General and Administrative Expenses

	2022	2021
	$	$
Accommodation and travel expenses	**86,764**	21,672
Advertising and promotion	**34,144**	50,596
Amortization expense **(Note 14)**	**81,691**	68,310
Annual awards dinner and anniversary celebrations	**10,500**	21,736
Audit fees	**103,530**	140,615
Bank charges	**96,284**	105,905
Bad debt expense	**-**	16,198
Cleaning expense	**112,140**	112,850
Depreciation expense **(Note 13)**	**1,323,786**	1,218,197
Directors' fees and expenses	**171,753**	128,433
Donations, community and education projects	**1,046,639**	701,730
Insurance	**210,073**	206,872
Legal fees	**2,171**	821
Miscellaneous expenses	**19,279**	11,654
Office expenses	**35,752**	38,159
Postage and stationery	**112,370**	105,579
Post office charges	**48,000**	48,000
Professional fees	**472,115**	378,450
Repairs and maintenance	**453,061**	541,195
Staff costs (**Note 24**)	**5,586,123**	6,294,637
Subscriptions	**432,773**	301,673
Security	**167,501**	192,645
Utilities	**653,217**	557,328
	11,259,666	11,263,255

24. Staff Costs

	2022	2021
	$	$
Salaries and wages	**4,852,330**	5,452,955
National Insurance contributions	**187,832**	192,408
Retirement benefit plan contributions (**Note 26**)	**255,042**	259,528
Staff training	**111,514**	80,550
Uniforms and medical insurance	**179,405**	309,196
	5,586,123	6,294,637
Number of employees at December 31	**90**	95

25. Income Tax

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

(in Eastern Caribbean dollars)

26. 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 $255,042 (2021: $259,528), 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.

27. 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, 2022				
Assets				
Cash and cash equivalents	**47,601,205**	-	-	**47,601,205**
Contributions receivable	**3,407,946**	-	-	**3,407,946**
Other assets	**7,597,721**	-	-	**7,597,721**
Loans and advances	**33,538,923**	-	-	**33,538,923**
Investment securities and deposits	**174,876,289**	**53,887,222**	**37,664,337**	**266,427,848**
Total Financial Assets	**267,022,084**	**53,887,222**	**37,664,337**	**358,573,643**
Liabilities				
Benefits payable	**5,345,906**	-	-	**5,345,906**
Accounts payable and accrued liabilities	**1,089,817**	-	-	**1,089,817**
Deferred income	-	-	-	-
Total Financial Liabilities	**6,435,723**	-	-	**6,435,723**

(in Eastern Caribbean dollars)

27. 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, 2021				
Assets				
Cash and cash equivalents	51,464,704	-	-	51,464,704
Contributions receivable	3,781,883	-	-	3,781,883
Other assets	23,477,275	-	-	23,477,275
Loans and advances	40,176,610	-	-	40,176,610
Investment securities and deposits	169,354,954	61,174,765	43,916,033	274,445,752
Total Financial Assets	288,255,426	61,174,765	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

28. 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)

28. 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.

(in Eastern Caribbean dollars)

28. 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, 2022				
Debt Securities Measured at Amortized Cost				
Investment grade	58,669,382	-	-	58,669,382
Non-investment grade	99,998,510	14,451,575	-	114,450,085
Credit impaired	-	-	19,612,467	19,612,467
Gross Carrying Amount	158,667,892	14,451,575	19,612,467	192,731,934
Less: loss allowance	(536,636)	(452,288)	(16,866,721)	(17,855,645)
Carrying Amount	158,131,256	13,999,287	2,745,746	174,876,289
Debt Securities Measured at FVOCI				
Investment grade	3,822,188	-	-	3,822,188
Non-investment grade	-	-	-	-
Credit impaired	-	-	-	-
Gross Carrying Amount	3,822,188	-	-	3,822,188
Less: loss allowance	(436)	-	-	(436)
Carrying Amount	3,821,752	-	-	3,821,752

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
December 31, 2022				
Loans to Corporations and Public Sector Measured at Amortized Cost				
Investment grade	-	-	-	-
Non-investment grade	15,536,178	-	-	15,536,178
Credit impaired	-	-	23,781,966	23,781,966
Gross Carrying Amount	15,536,178	-	23,781,966	39,318,144
Less: loss allowance	(63,742)	-	(10,964,035)	(11,027,777)
Carrying Amount	15,472,436	-	12,817,931	28,290,367
Loans to Employees Measured at Amortized Cost				
Performing	5,125,995	-	271,136	5,397,131
Past due but not credit impaired	-	-	-	-
Credit impaired	-	-	-	-
Gross Carrying Amount	5,125,995	-	271,136	5,397,131
Less: loss allowance	(66,441)	-	(82,134)	(148,575)
Carrying Amount	5,059,554	-	189,002	5,248,556
	20,531,990	-	13,006,933	33,538,923

(in Eastern Caribbean dollars)

28. 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, 2021				
Debt Securities Measured at Amortized Cost				
Investment grade	43,156,835	8,864,132	-	52,020,967
Non-investment grade	112,325,535	2,871,151	-	115,196,686
Credit impaired	-	-	19,612,467	19,612,467
Gross Carrying Amount	155,482,370	11,735,283	19,612,467	186,830,120
Less: loss allowance	(478,605)	(211,526)	(16,785,035)	(17,475,166)
Carrying Amount	155,003,765	11,523,757	2,827,432	169,354,954
Debt Securities Measured at FVOCI				
Investment grade	3,822,188	-	-	3,822,188
Non-investment grade	-	-	-	-
Credit impaired	-	-	-	-
Gross Carrying Amount	3,822,188	-	-	3,822,188
Less: loss allowance	(543)	-	-	(543)
Carrying Amount	3,821,645	-	-	3,821,645

	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	22,112,859	-	-	22,112,859
Credit impaired	-		23,459,840	23,459,840
Gross Carrying Amount	22,112,859	-	23,459,840	45,572,699
Less: loss allowance	(64,233)	-	(10,437,100)	(10,501,333)
Carrying Amount	22,048,626	-	13,022,740	35,071,366
Loans to Employees Measured at Amortized Cost				
Performing	4,982,447	-	-	4,982,447
Past due but not credit impaired	-	-	-	-
Credit impaired	-	-	271,136	271,136
Gross Carrying Amount	4,982,447	-	271,136	5,253,583
Less: loss allowance	(66,205)	-	(82,134)	(148,339)
Carrying Amount	4,916,242	-	189,002	5,105,244
	26,964,868	-	13,211,742	40,176,610

(in Eastern Caribbean dollars)

28. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

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

	2022 $	2021 $
Contributions Receivable Measured at Amortized Cost		
Current	**1,758,246**	458,892
Past due 0 – 30	**103,867**	93,005
Past due 31 – 60	**50,081**	37,860
Past due 61 -90	**38,127**	32,009
Non-performing	**11,494,517**	11,200,456
Gross carrying amount	**13,444,838**	11,822,222
Less: loss allowance (**Note 6**)	**(10,036,892)**	(8,040,339)
Carrying amount	**3,407,946**	3,781,883

	2022 $	2021 $
Rent Receivables Measured at Amortized Cost		
Current	**17,433**	(5,701)
Past due 0 – 30	**44,579**	1,780
Past due 31 – 60	**30,553**	400
Past due 61 -90	**6,788**	-
Non-performing	**130,647**	530,380
Gross carrying amount	**230,000**	526,859
Less: loss allowance	**(184,392)**	(394,760)
Carrying amount	**45,608**	132,099

(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)

28. 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)

28. 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)

28. 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)

28. 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)

28. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

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

Amounts arising from ECLs

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Debt Securities Measured at Amortized Cost				
Balance at January 1	**478,605**	**211,527**	**16,785,034**	**17,475,166**
Transfer to stage 1	**-**	**-**	**-**	**-**
Transfer to stage 2	**(2,395)**	**2,395**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**	**-**
Net measurement of loss allowance	**55,171**	**238,536**	**81,687**	**375,394**
Net assets originated or purchased	**30,537**	**-**	**-**	**30,537**
Assets derecognized or repaid	**(25,282)**	**(170)**	**-**	**(25,452)**
Write-offs	**-**	**-**	**-**	**-**
Balance at December 31	**536,636**	**452,288**	**16,866,721**	**17,855,645**
Debt Securities Measured at FVOCI				
Balance at January 1	**543**	**-**	**-**	**543**
Transfer to stage 1	**-**	**-**	**-**	**-**
Transfer to stage 2	**-**	**-**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**	**-**
Net measurement of loss allowance	**(107)**	**-**	**-**	**(107)**
Net assets originated or purchased	**-**	**-**	**-**	**-**
Assets derecognized or repaid	**-**	**-**	**-**	**-**
Write-offs	**-**	**-**	**-**	**-**
Balance at December 31	**436**	**-**	**-**	**436**
	537,072	**452,288**	**16,866,721**	**17,856,081**

(in Eastern Caribbean dollars)

28. Financial Risk Review …..*Cont'd*

(b) Credit Risk …..*Cont'd*

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

Amounts arising from ECLs

	2022			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Loans to Corporations and Public Sector Measured at Amortized Cost				
Balance at January 1	64,233	-	10,437,100	10,501,333
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	(491)	-	526,935	526,444
Net assets originated or purchased	-	-	-	-
Assets derecognized or repaid	-	-	-	-
Write-offs	-	-	-	-
Balance at December 31	63,742	-	10,964,035	11,027,777
Loans to Employees Measured at Amortized Cost				
Balance at January 1	66,205	-	82,134	148,339
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	(18,483)	-	-	(18,483)
Net assets originated or purchased	19,575	-	-	19,575
Assets derecognized or repaid	(856)	-	-	(856)
Write-offs	-	-	-	-
Balance at December 31	66,441	-	82,134	148,575

	2022					
	Current $	0-30 $	31-60 $	61 – 90 $	Over 90 $	Total $
Contributions Receivable						
Balance at January 1	199,937	61,924	25,752	21,816	7,730,910	8,040,339
Net remeasurement of loss allowance	24,195	517,206	42,922	22,996	1,389,234	1,996,553
Balance at December 31	224,132	579,130	68,674	44,812	9,120,144	10,036,892
Rent Receivable						
Balance at January 1	-	1,226	254	-	393,280	394,760
Net remeasurement of loss allowance	-	(639)	2,030	-	(211,759)	(210,368)
Balance at December 31	-	587	2,284	-	181,521	184,392

(in Eastern Caribbean dollars)

28. 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				
Transfer to stage 1	866	17	-	883
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net measurement of loss allowance	-	-	-	-
Net assets originated or purchased	(323)	-	-	(323)
Assets derecognized or repaid	-	-	-	-
Write-offs	-	(17)	-	(17)
Balance at December 31	-	-	-	-
	543	-	-	543

(in Eastern Caribbean dollars)

28. 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)

28. 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		
	2022 **%**	2021 %	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

(in Eastern Caribbean dollars)

28. 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 $	Loans and Advances $	Investment Securities and Deposits $	Total $
December 31, 2022					
Domestic	**3,407,946**	**7,597,721**	**33,538,923**	**89,312,423**	**133,857,013**
OECS	**-**	**-**	**-**	**13,287,033**	**13,287,033**
Other Caribbean	**-**	**-**	**-**	**71,298,198**	**71,298,198**
Other	**-**	**-**	**-**	**92,530,194**	**92,530,194**
Carrying Amount	**3,407,946**	**7,597,721**	**33,538,923**	**266,427,848**	**310,972,438**

	Contributions Receivable $	Other Assets $	Loans and Advances $	Investment Securities and Deposits $	Total $
December 31, 2021					
Domestic	3,781,883	23,477,275	40,176,610	100,248,031	167,683,799
OECS	-	-	-	17,282,130	17,282,130
Other Caribbean	-	-	-	77,505,643	77,505,643
Other	-	-	-	79,409,948	79,409,948
Carrying Amount	3,781,883	23,477,275	40,176,610	274,445,752	341,881,520

(in Eastern Caribbean dollars)

28. 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 $	**Loans and Advances $**	**Investment Securities and Deposits $**	**Total $**
December 31, 2022				
Local government and other related entities	**7,597,721**	**24,140,538**	**42,204,464**	**73,942,723**
Other governments	**-**	**-**	**39,717,703**	**39,717,703**
Corporate	**-**	**4,149,829**	**184,505,681**	**188,655,510**
Employees	**-**	**5,248,556**	**-**	**5,248,556**
Carrying Amount	**7,597,721**	**33,538,923**	**266,427,848**	**307,564,492**

	Other Assets $	Loans and Advances $	Investment Securities and Deposits $	Total $
December 31, 2021				
Local government and other related entities	23,477,275	27,192,414	53,519,160	104,188,849
Other governments	-	-	25,815,962	25,815,962
Corporate	-	7,878,952	195,110,630	202,989,582
Employees	-	5,105,244	-	5,105,244
Carrying Amount	23,477,275	40,176,610	274,445,752	338,099,637

(in Eastern Caribbean dollars)

28. 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, 2022						
Non-Derivative Financial Assets						
Cash and cash equivalents	47,601,205	47,601,205	47,601,205	-	-	-
Contributions receivable	3,407,946	3,407,946	3,407,946	-	-	-
Other assets	7,597,721	7,597,721	7,597,721	-	-	-
Loans and advances	33,538,923	45,665,738	2,978,610	13,845,345	23,593,518	5,248,265
Investment securities and deposits	266,427,848	302,491,164	69,344,819	62,119,198	56,762,121	114,265,026
	358,573,643	406,763,774	130,930,301	75,964,543	80,355,639	119,513,291
Non-Derivative Financial Liabilities						
Benefits payable	(5,345,906)	(5,345,906)	(5,345,906)	-	-	-
Accounts payable and accrued liabilities	(1,089,817)	(1,089,817)	(1,089,817)	-	-	-
Deferred income	-	-	-	-	-	-
	(6,435,723)	(6,435,723)	(6,435,723)	-	-	-
Net Liquidity Gap	352,137,920	400,328,051	124,494,578	75,964,543	80,355,639	119,513,291

(in Eastern Caribbean dollars)

28. 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, 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	-	-	-
Other assets	23,477,275	23,477,275	23,477,275	-	-	-
Loans and advances	40,176,610	54,006,494	4,061,414	12,543,616	32,296,645	5,104,819
Investment securities and deposits	274,445,752	306,759,815	61,586,806	51,005,777	65,302,451	128,864,781
	393,346,224	439,490,171	144,372,082	63,549,393	97,599,096	133,969,600
Non-Derivative Financial Liabilities						
Benefits payable	(3,698,135)	(3,698,135)	(3,698,135)	-	-	-
Accounts payable and accrued liabilities	(1,370,165)	(1,370,165)	(1,370,165)	-	-	-
Deferred income	(5,620)	(5,620)	(5,620)	-	-	-
	(5,073,920)	(5,073,920)	(5,073,920)	-	-	-
Net Liquidity Gap	388,272,304	434,416,251	139,298,162	63,549,393	97,599,096	133,969,600

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)

28. 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, 2022			
Assets subject to Market Risk			
Cash and cash equivalents	**47,601,205**	**-**	**47,601,205**
Loans and advances	**33,538,923**	**-**	**33,538,923**
Investments securities and deposits	**266,427,848**	**37,664,337**	**228,763,511**
Total	**347,567,976**	**37,664,337**	**309,903,639**

	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	40,176,610	-	40,176,610
Investments securities and deposits	274,445,752	43,916,033	230,529,719
Total	366,087,066	43,916,033	322,171,033

(in Eastern Caribbean dollars)

28. 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, 2022		
	CAD	**TTD**	**Other**
	$	**$**	**$**
Investment securities and deposits	**433,817**	**8,789,101**	**1,791,584**
Total Exposure	**433,817**	**8,789,101**	**1,791,584**

	December 31, 2021		
	CAD	TTD	Other
	$	$	$
Investment securities and deposits	549,760	9,170,172	2,111,081
Total Exposure	549,760	9,170,172	2,111,081

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

	2022	2021
	EC$	EC$
1 TTD	**0.3858**	0.3699
1 CAD	**1.9847**	2.1204

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.

	2022		2021	
	EC$		EC$	
	Strengthening	**Weakening**	Strengthening	Weakening
TTD (10% movement)	**878,910**	**(878,910)**	917,017	(917,017)
CAD (10% movement)	**43,382**	**(43,382)**	54,976	(54,976)

(in Eastern Caribbean dollars)

28. 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	
	2022	2021
	$	$
Interest-earning financial assets	**207,377,150**	209,078,902

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.

29. 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)

29. 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, 2022				
Debt securities	**-**	**3,731,322**	**-**	**3,731,322**
Equities	**50,514,818**	**34,880,215**	**2,388,420**	**87,783,453**
	50,514,818	**38,611,537**	**2,388,420**	**91,514,775**

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2021				
Debt securities	-	4,159,800	-	4,159,800
Equities	91,064,970	7,645,231	2,185,299	100,895,500
	91,064,970	11,805,031	2,185,299	105,055,300

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)

30. 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.

31. 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)

31. 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)

31. 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	
	2022	2021	**2022**	2021
	$	$	**$**	$
Loans and Advances				
National Lotteries Authority	**(703,874)**	(659,922)	**2,405,593**	3,109,467
Bank of St. Vincent and the Grenadines	**(3,724,115)**	(3,502,822)	**4,158,081**	7,882,196
Government of St. Vincent and the Grenadines	**(1,989,954)**	(1,428,803)	**7,509,127**	9,499,081
National Student Loan Company	**-**	-	**20,955,860**	20,955,860
National Properties Limited	**-**	-	**-**	-
Central Water and Sewerage Authority	**(128,586)**	1,377,240	**1,311,164**	1,439,750
Staff	**143,682**	(302,953)	**5,396,840**	5,253,158
Investments				
Government of St. Vincent and the Grenadines	**(7,110,665)**	(9,466,702)	**43,442,993**	50,553,658
Campden Park Container Port	**-**	-	**27,000**	27,000
Rent				
Government of St. Vincent and the Grenadines	**(12,027)**	10,677	**120,883**	132,910
Receivable				
COLS – Government of St. Vincent and the Grenadines	**167,740**	245,680	**4,238,578**	4,070,838
TUB – Government of St. Vincent and the Grenadines	**(8,005,410)**	4,867,200	**1,371,390**	9,376,800
NPL Loan Resolution due from Government of St. Vincent and the Grenadines	**(7,146,476)**	(25,864,142)	**2,005,455**	9,151,931
Contribution Income				
Government of St. Vincent and the Grenadines	**(3,363,891)**	3,090,437	**25,983,629**	29,347,520
Interest Receivable				
National Lotteries Authority	**(2,033)**	(1,906)	**7,742**	9,775
Bank of St. Vincent and the Grenadines	**(8,644)**	(6,499)	**-**	8,644
Government of St. Vincent and the Grenadines-Bonds	**(186,678)**	(137,096)	**540,941**	727,619
Government of St. Vincent and the Grenadines –Loans	**(19,875)**	116,708	**148,603**	168,478
National Student Loan Company	**991,540**	1,279,469	**6,280,739**	5,289,200
National Properties Limited	**-**	-	**-**	-
Staff	**(134)**	(28,898)	**291**	425
Investment in Associate				
Bank of St. Vincent and the Grenadines	**1,278,561**	180,917	**28,215,196**	26,936,635

(in Eastern Caribbean dollars)

31. Related Parties …..*Cont'd*

Key Management Personnel Compensation

Key management personnel compensation comprised the following:

	2022 $	2021 $
Short-term employee benefits	**366,057**	483,949
Post-employment benefits	**22,722**	30,061
Directors	**135,359**	99,699
	524,138	613,709

32. Commitments

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

	2022 $	2021 $
Capital expenditure	**3,182,806**	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.

	2022 $	2021 $
Total off balance sheet credit commitments	**256,251**	-

33. Comparative figures

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

NATIONAL INSURANCE SERVICES

ADDITIONAL INFORMATION

TO THE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

Contents

Additional Comments of Independent Auditors'

To
The Honourable Minister of Finance
Administrative Building
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, 2022, and hence is excluded from the opinion expressed in our report dated June 28, 2023 to the Honourable Minister of Finance on such financial statements.

Grant Thornton

June 28, 2023

National Insurance Services

Schedule of Branch Operations

For the Year Ended December 31, 2022

(in Eastern Caribbean dollars)

	Short-term Benefits		Long-term Benefits		Employment Injury Benefit		National Provident Fund		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Income										
Contributions	**6,059,170**	5,629,577	**62,758,315**	58,308,765	**4,627,003**	4,298,949	**-**	-	**73,444,488**	68,237,291
Net financing income	**244,413**	1,141,140	**2,520,117**	12,765,101	**683,924**	3,079,787	**-**	-	**3,448,454**	16,986,028
Interest on National Provident Fund	**(10,634)**	(13,169)	**(109,640)**	(147,315)	**(29,755)**	(35,542)	**150,029**	196,026	**-**	-
Other	**115,714**	112,658	**1,198,515**	1,166,865	**88,363**	86,030	**-**	-	**1,402,592**	1,365,553
Total Income	**6,408,663**	6,870,206	**66,367,307**	72,093,416	**5,369,535**	7,429,224	**150,029**	196,026	**78,295,534**	86,588,872
Expenditure										
Benefits	**4,269,482**	4,842,616	**79,315,279**	75,406,560	**258,407**	267,569	**1,697,538**	1,662,676	**85,540,706**	82,179,421
Bad debts expense	**164,716**	(192,608)	**1,706,053**	(1,994,954)	**125,783**	(147,083)	**-**	-	**1,996,552**	(2,334,645)
Administrative expenses	**739,392**	792,926	**10,170,546**	10,124,566	**349,729**	345,764	**-**	-	**11,259,667**	11,263,256
Total Expenditure	**5,173,590**	5,442,934	**91,191,878**	83,536,172	**733,919**	466,250	**1,697,538**	1,662,676	**98,796,925**	91,108,032
Net Surplus for the Year	**1,235,073**	1,427,272	**(24,824,571)**	(11,442,756)	**4,635,616**	6,962,974	**(1,547,509)**	(1,466,650)	**(20,501,391)**	(4,519,160)

ST. VINCENT & THE GRENADINES
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