



**NATIONAL
INSURANCE
CORPORATION**

For the benefit of us all!

2021 ANNUAL REPORT

JULY 2020-JUNE 2021



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CORPORATE INFORMATION

HEAD OFFICE

National Insurance Corporation

Francis Compton Building
Waterfront
Castries St. Lucia
Tel: 452-2808
Fax: 451-9882

BANKER

Bank of Saint Lucia Ltd.
Bridge Street
Castries
St. Lucia

AUDITOR

BDO Eastern Caribbean
Choc Estate
Castries
St. Lucia

ATTORNEY

Candace Polius
First Floor
Francis Compton Building
Waterfront
Castries
St. Lucia

CORPORATE SECRETARY

Ms. Kit Juelle Frank-Amoroso
First Floor
Francis Compton Building
Waterfront
Castries
St. Lucia

SUB OFFICES

National Insurance Corporation
Antoine L. Theodore Building
Cnr. of Theodore and Hospital Streets
Vieux Fort
St. Lucia
Tel: 454-6758
Fax: 454-5001

National Insurance Corporation
Sir Darnley Alexander Building
Bay Street
Soufriere
St. Lucia
Tel: 459-7241
Fax: 459-5434

National Insurance Corporation
Providence Commercial Centre
Rodney Bay
Gros Islet
St. Lucia
Tel: 457-4074/75 Fax: 452-0576

CORPORATE INFORMATION

NATIONAL INSURANCE BOARD (as at 30 June 2021)

Mr. Isaac Anthony	– Chairperson (representing Government)
Mr. Frank V. Myers	– Deputy Chairperson (representing Government)
Mr. Marcus Joseph	– Board member (representing employers)
Ms. Paula A. Calderon	– Board member (representing employers)
Mr. Nigel Fulgence	– Board member (representing employees)
Ms. Shani Willie	– Board member (representing employees)
Mr. Matthew L. Mathurin	– Board member (Director)

NIC BOARD COMMITTEES (as at 30 June 2021)

INVESTMENT COMMITTEE

Ms. Esther Rigobert	– Chairperson
Mr. Nicholas Barnard	– Deputy Chairperson
Ms. Karen Peter	– Committee member
Mr. Matthew L. Mathurin	– Committee member
Mrs. Paula Bleasdille	– Committee member

GROUP AUDIT COMMITTEE

Mr. Frank V. Myers	– Chairperson
Mr. Marcus Joseph	– Committee member
Ms. Paula A. Calderon	– Committee member
Mr. Bertram Clarke	– Committee member
Ms. Ketha Auguste	– Committee member

HUMAN RESOURCE COMMITTEE

Mr. Nigel Fulgence	– Chairperson
Mrs. Paula A. Calderon	– Committee member
Mrs. Nicole DuBoulay	– Committee member
Ms. Shani Willie	– Committee member
Mr. Matthew L. Mathurin	– Committee member

GOVERNANCE AND STRATEGIC PLANNING COMMITTEE

Mr. Isaac Anthony	– Chairperson
Mr. Frank V. Myers	– Deputy Chairperson
Mr. Nigel Fulgence	– Committee member
Mrs. Nathalie Dusauzay	– Committee member
Mr. Marcus Joseph	– Committee member
Mr. Matthew L. Mathurin	– Committee member

MANAGEMENT TEAM & SENIOR STAFF (as at 30 June 2021)

MANAGEMENT TEAM

Mr. Matthew L. Mathurin	– Director
Mr. Desmond Dujon-Henry	– Deputy Director
Ms. Kit-Juelle Frank-Amoroso	– Corporate Secretary
Mrs. Candace Polius	– Senior Legal Counsel
Mrs. Sue-Ann Charlery-Payne	– Group Financial Controller
Mrs. Paula Bleasdille	– Chief Accountant
Mr. Irwin Jean	– Investment Manager
Mr. Aloysius Burke	– Computer Systems Manager
Ms. Allison Delmede	– Human Resource Manager
Ms. Callixta Emmanuel	– Operations Manager
Mr. Bernard Jankie	– Manager, Branch Offices
Mrs. Gisele Mondesir-St Marthe	– Manager, Customer Service Department
Ms. Velina Joseph	– Manager, Compliance and Records Department

SENIOR OFFICERS

Mr. Paul Kallicharan	– Statistician
Ms. Hyacintha Lisa Leon	– Customer Service Supervisor
Mrs. Claudia Elias-Charles	– Benefits Supervisor
Mrs. Semanthia Wells-Joseph	– Executive Assistant to Director
Mrs. Elmona Leonce	– Records Supervisor
Mr. Timothy John	– Chief Security Officer
Mrs. Stephanie Jean	– Accountant
Ms. Mable Leopold	– Collections Supervisor
Mrs. Janel Joseph-Martial	– Chief Inspector
Mrs. Helen Hugobert-Richards	– Assistant Human Resource Manager
Mrs. Melissa St. Lucy-Fricot	– Rodney Bay Supervisor
Mrs. Joele Auguste Alexander	– Officer in Charge, Corporate Communications Department
Mr. Michael Octave	– Officer in Charge, Internal Audit Department

BOARD OF DIRECTORS



ISAAC ANTHONY
CHAIRPERSON



FRANK MYERS
DEPUTY CHAIRPERSON



MARCUS JOSEPH



PAULA A. CALDERON, SLPM, JP



MATTHEW MATHURIN



NIGEL FULGENCE



SHANI WILLIE

EXECUTIVE MANAGEMENT



MATTHEW L. MATHURIN
DIRECTOR



DESMOND DUJON-HENRY
DEPUTY DIRECTOR



SUE-ANN CHARLERY-PAYNE
GROUP FINANCIAL
CONTROLLER



CANDACE POLIUS
SENIOR LEGAL COUNSEL



CALLIXTA EMMANUEL
OPERATIONS MANAGER



ALISON DELMEDE
HUMAN RESOURCE MANAGER



PAULA BLEASDILLE
CHIEF ACCOUNTANT



VELINA JOSEPH
MANAGER, COMPLIANCE AND
RECORDS DEPARTMENT



BERNARD JANKIE
MANAGER, BRANCH
OFFICES



GISELE MONDESIR-ST MARTHE
MANAGER, CUSTOMER SERVICE
DEPARTMENT



IRWIN JEAN
INVESTMENT MANAGER



ALOYSIUS BURKE
SYSTEMS MANAGER



KIT-JUELLE FRANK-AMOROSO
CORPORATE SECRETARY



VISION

An effective, transparent and financially sound institution which is customer focused, provides social protection to the St. Lucian population and plays a leading role in national development.



MISSION

To ensure that every St. Lucian enjoys social and financial protection and to assist in the development of our nation through the efficient collection of contributions, payment of relevant benefits, prudent management of assets, use of cutting-edge technology, and a cadre of highly skilled staff.

CHAIRPERSON'S REPORT



ISAAC ANTHONY
Chairperson

The new financial year, July 2020 to June 2021, commenced with the continuation of the Economic Relief Programme (ERP) as the Corporation's most pressing area of focus. The ERP was the National Insurance Corporation's (NIC's) response to the effects of the COVID-19 pandemic and provided cash disbursements to contributors who had suffered a termination of employment income.

It is noted that EC\$20.43 million had been expended on the ERP for this financial year, and EC\$46.16 million had been spent for the previous financial year, thus resulting in a total ERP cost of EC\$66.59 million.

The ERP provided income support to approximately 17,000 contributors who had lost employment income during the 6-month period, April to September 2020. The hospitality and retail sectors were the hardest hit.

Despite the challenges, the financial year ended June 30th 2021 was marked by notable achievements for the NIC. We successfully navigated a sluggish economy, high unemployment and a downward trend in investment opportunities, while remaining committed to our mandate to provide adequate, timely and relevant social insurance protection to the workers of this country.

During the review period, we maintained a strong focus on the core business of the NIC, which is the collection of contributions and the payment of benefits. Much attention was also paid to building our investment portfolio, a critical pillar of the long-term viability of the fund. Customer Service was another priority objective, as we sought to deliver better service to our contributors.

We overcame obstacles not witnessed within recent history, such as the COVID-19 pandemic and other operational challenges.

I am pleased to report that the year ended June 2021 was characterized by reasonable financial performance and enhanced service delivery, reflecting our dedication to fulfilling our mission.

FINANCIAL HIGHLIGHTS

INCOME

Contribution income declined by 0.64% to \$117.62 million (2019/20 - \$118.38 million) primarily due to the impact of the COVID-19 Pandemic. Investment income increased by 146.40% to \$181.25 million (2019/20- \$73.56 million). The significant growth in investment income, and the change in fair value of investment properties by \$34.37 million resulted in other income increasing by 82.67% in the financial year to \$215.37 million (2019/20- \$117.90 million).

BENEFITS

Total traditional benefit expenditure in 2020/21 was \$119.70 million, an increase of 7.45% over the \$111.44 million paid in the previous financial year. Of this amount, long-term benefit payments increased by 8.79% to \$99.64 million, while short-term benefit payments, including the Medical Health Programme, increased by 1.04% to 20.06 million. Expenditure under the Economic Relief Programme (ERP) accounted for \$20.43 million in the financial year.

The ERP was specifically implemented to provide economic relief to active insured persons who were temporarily affected by the Covid-19 pandemic. 16,756 active insured persons benefited from the programme. The total cost of the ERP amounted to \$66.59 million. The increase in long-term benefits expenditure was the result of retirement pensions awarded in the financial year. Age pensions awarded during the financial year recorded an increase of 26.25% to 731 (2019/2020 - 579). In 2020/2021, the cost of the Medical Health Programme remained constant at \$5.0 million.

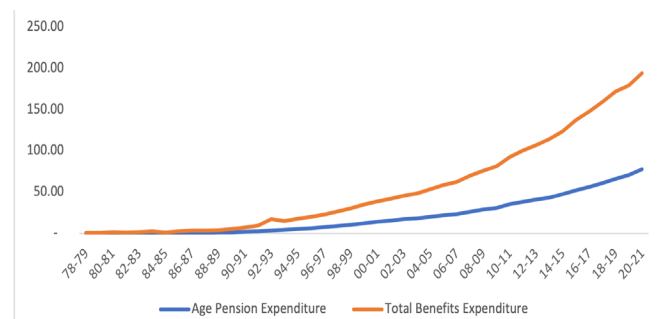
Retirement pensions continue to be the principal component of pension expenditure and accounted for 64.76% (2019/20 – 63.61%) of total traditional benefits expenditure. Retirement pensions also accounted for 77.80% (2019/20 – 77.39%) of long-term benefit expenditure.

The International Labour Organization (ILO) Pension Model predicts that this trend will continue, consistent with the projected steady increase in retirement of active contributors. The trend in payment of retirement pensions is juxtaposed against total benefits in Figure 1 below.

When expressed as a percentage of contribution income, total traditional benefits expenditure was 101.77%, an increase of 7.62% over the previous year (2019/20 – 94.14%). This increase was the outcome of the reduction in contribution income occasioned by the economic impact of the COVID-19 pandemic. Active insured in the financial year declined by 8.16% or 4,888 from 59,905 in the previous year to 55,017.

Figure 1

Trend of Age Pension and Total Benefits Expenditure: 1978 - 2021 (Million \$EC)



In 2020/21, with regards to benefits governed by reciprocal agreements, seven new pensions were awarded under the Agreement between Saint Lucia and Canada, and CARICOM Agreement. Since the implementation of the Agreement, 229 pensions have been awarded to date at an accumulated cost of \$4,483,677 (2019/20 - \$4,107,702).

EXPENSES

General and administrative expenses increased by 13.81% to \$21.61 million (2019/20 - \$18.99 million). General and administrative expenses, as a percentage of contribution income, was recorded at 18.37% (2019/20 - 16.04%) or 1.84% of insured earnings.

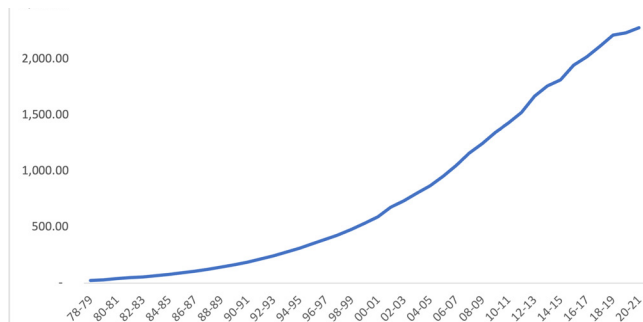
ASSETS

Total assets on 30 June 2021 stood at \$2,468,261,245 (2019/20 - \$2,323,619,378), a 6.22% increase over the previous financial year.

At the end of the financial year in review, the NIC's reserves increased by 7.55% or \$171,176,121 to \$2.44 billion (2019/20 - \$2.27 billion). The trend of reserves is illustrated in Figure 2 below.

Figure 2

Trend of NIC Reserves (Million \$EC) 1978-2021



INVESTMENT PORTFOLIO

The National Insurance Corporation continues to exercise prudence when undertaking investment decisions. Investment of surplus monies is critical to allow the Corporation to supplement contributions to meet future pension obligations and increase in the level of benefit payments to offset inflation. The Corporation is guided by the following objectives, in order of priority: Safety, Liquidity and Yield as outlined in its Investment Policy and Guidelines (IPS). The investment portfolios as at June 2020 and 2021 are compared in the tables below.

Figure 3

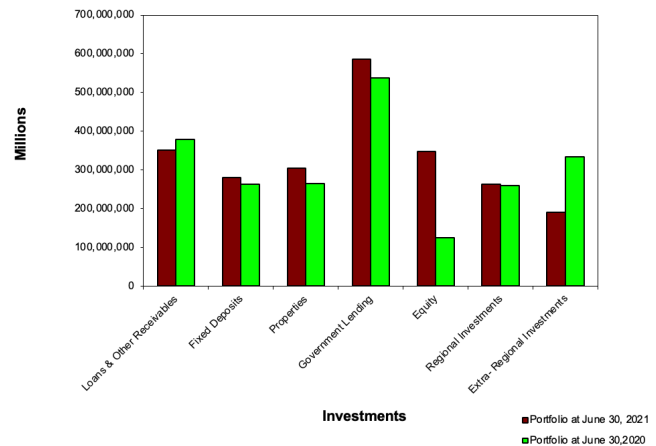
Comparison of Investment Portfolio Summary-June 30, 2020 & June 30, 2021

Investments	2020	2021
Loans & Other Receivables	378,436,318	351,755,031
Fixed Deposits	262,985,425	280,779,391
Properties	265,246,237	305,012,743
Government Lending*	537,808,255	586,538,213
Equity	125,351,301	347,862,402
Regional Investments	260,624,478	264,001,483
Extra- Regional Investments	333,793,601	190,431,642
Total	2,164,245,615	2,326,380,905

*Excludes loans and receivables captured within Loans and Other Receivables

Figure 4

Comparison of Investments as at June 30, 2020 & June 30, 2021



STRATEGIC PROGRAMS

1. Strategic Plan

The NIC commenced the implementation of its strategic plan after ensuring that there was alignment between its vision, mission, goals, strategic initiatives, and operational work plans. By using this approach, we expect to achieve our desired business outcomes.

During the review period, we:

- developed strategic goals for areas such as investments, coverage of workers, fund sustainability, efficiency, portfolio governance, and performance management.
- established success metrics, targets and a draft Corporate Scorecard.
- developed a draft performance management system framework.
- performed training in coaching and other areas using virtual methods.

The implementation process will be continued in the next financial year.

2. Actuarial Review

The 12th actuarial review, which was based on the results of the fund as at 30 June 2020, commenced during the financial year.

The International Labour Organization (ILO) conducted the review and is expected to present its report during the next financial year.

3. Unemployment Insurance Program

Upon request by the NIC, the International Labour Organization (ILO) performed a cost assessment exercise for an Unemployment Insurance Program. The program will be designed to provide support to workers who lose income due to loss of, or disruption to their employment.

In addition to this assessment, it will be necessary to establish the legal and governance frameworks before the initiative can be operationalized. This process will begin in the next financial year.

INFORMATION AND COMMUNICATIONS TECHNOLOGY SYSTEMS

The Computer Department's *raison d'être* is to provide an enabling environment for the provision of social security benefits and other data-driven operations. By acquiring leading edge technology, the NIC has been able to future proof the organization's networks.

This has also allowed us to leverage services including inter-governmental collaboration and web-based functionality. The areas highlighted below are some of the initiatives undertaken during the year.

1. Cloud Services Updates

Office collaboration has been significantly improved due to the addition of Microsoft 365 (M365) companywide. It ensures that the entire organization uses the most up-to date Office applications from Microsoft. With its introduction, we have benefited from services such as SharePoint for Intranet building, and TEAMS which offers video conferencing and chat in a standardized manner. With M365 Cloud services, our technology benefits from robust security features, such as data encryption and multi-factor authentication to help protect NIC from cyber threats.

2. Web Services

As our stlucianic.org website continues to evolve it has become more flexible, allowing for additional services to be incorporated. Hence, we have recently embedded Smartsheet forms to allow our contributors to submit information to the Corporation. Other services have also been upgraded such as the Smart Submit solution which allows employers to submit employee contribution data via the website. We envisage expanded use of the website to maximize services to the public.

3. Remote Access Workforce

Plans are afoot to increase the capability of the organization to work remotely in a virtual space in the event of a disaster. To that end we are moving to implement a virtual server infrastructure that will encompass all our subsidiaries and suboffices into one virtualized space. All services will be managed from a centralized location. This will ensure that the group will benefit from economies of scale as services will be shared across the enterprise.

4. Modernized Computers Companywide & Increased Bandwidth

The bandwidth on our network has been significantly increased to allow for greater use of the internet. A greater number of staff can use the network for Webinars, Online training, remote access and meetings. Additionally, all devices throughout the organization have been replaced. This creates efficiencies, with more secure and responsive computers, which has led to increased productivity.

5. Assessment of ICT & Upgrade Plans for Insurance Administration System

We have begun receiving proposals from several companies for a new Social Insurance Administration System.

The next step will be the evaluation of proposals by a committee comprised of internal and external resources for selection of the solution that best fits the requirements of the organization. The upgrade to our Insurance Administration System (IAS) is intended to revolutionize benefit claim processing and delivery of services for many years into the future. The new system will be designed to respond more adequately to the customers' needs, and is expected to provide a seamless self-service experience.

6. IT Audit

The IT Audit of the Department is currently being conducted for 2020-2021. The reviews address personnel, security, application quality, system development life cycle, project management and internal controls.

HUMAN RESOURCE MANAGEMENT

The year under review was a particularly challenging period for the Corporation as we continued to deal with the effects of COVID-19 and its impact on the Corporation's human resources and operations. The HR Department continued implementing strategies to prevent the spread of COVID-19, while at the same time meeting the needs of employees and external customers.

The Corporation implemented a combination of work-from-home and rotation arrangements, and also continued to provide transportation to and from work for employees in order to reduce the transmission of the virus. The introduction of the income support paid to employees affected by COVID-19 meant that resources had to be redirected to ensuring that the necessary manpower was available to accomplish this initiative. For this reason, staff were trained and redeployed to undertake other responsibilities. The staff worked tirelessly, overtime and on weekends, to ensure this was done in an expeditious manner.

The employees within the HR department played a critical role in the payment process which utilized a new electronic platform for benefit and pension payments.

TRAINING AND DEVELOPMENT

Despite the work demands and challenges, employees continued to engage in self-development programs which resulted in four (4) employees attaining master's and bachelor's degrees.

STRATEGIC HR PLAN

In 2019 the Corporation engaged the services of a consultant to develop its strategic plan for the next five years. The plan outlined the direction for the Corporation and set the strategic direction of the Human Resource Department thus allowing the HR initiatives to be aligned with the strategic objectives of the Corporation. Among the outcomes would be the development of the new performance Management system, development of core values and the development of a strategic HR Plan. Work on the development of the strategic plan continued, following a hiatus due to COVID-19.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation awarded a total of three (3) scholarships to employees whose children satisfied the criteria as set out in the staff scholarship policy.

Staff complement at the end of June 2021 was 141.

CORPORATE COMMUNICATIONS

The financial period July 2020 to June 2021 marked a significant phase as the Corporation began emerging from the challenges posed by the COVID-19 pandemic. Despite the hurdles, the Communications Department demonstrated resilience and adaptability in enhancing public engagement and maintaining a positive image for the NIC.

KEY ACHIEVEMENTS AND INITIATIVES COMMUNICATIONS STRATEGIC PLAN

A significant milestone for the year was the engagement of a local marketing agency to formulate a comprehensive Communications Strategic Plan. This initiative was driven by our goal to refine and enhance our public communication strategies. The primary objectives of the plan included:

- Advising the NIC on effective public communication strategies.
- Developing outreach initiatives tailored to specific target audiences.
- Implementing engagement tactics designed to mitigate negative perceptions and bolster goodwill.

The insights and recommendations from this strategic plan are expected to play a crucial role in strengthening the NIC's position as a trusted and respected social security provider.

LAUNCH OF LIVE CHAT PLATFORM

In response to the evolving needs of our customers, the Communications Department successfully launched a Live Chat platform on our website. This new tool was instrumental in fielding real-time queries, providing immediate assistance, and improving overall customer service experience. The implementation of Live Chat not only streamlined customer interactions but also offered a more efficient way to address and resolve issues promptly.

VIRTUAL PRESENTATIONS AND ENGAGEMENTS

Adapting to the restrictions imposed by COVID-19 protocols, we continued to engage with the public through virtual presentations. These online events allowed us to maintain our commitment to stakeholder engagement and continued education. The transition to virtual platforms ensured that our outreach efforts remained effective and inclusive during a period of social distancing.

ENHANCED SOCIAL MEDIA PRESENCE

Recognizing the vital role of social media in staying connected with our audiences, the Department amplified its presence across major platforms including Facebook, Instagram, and Twitter. Our social media strategy focused on frequent and relevant postings that aimed to educate, inform, and engage both contributors and the general public.

By leveraging these platforms, we were able to maintain a steady flow of communication and support, reinforcing our relationship with our stakeholders.

Throughout the financial period, the Communications Department remained steadfast in its commitment to enhancing the Corporation's public image and fostering meaningful engagement with stakeholders. Our proactive approach in adapting to new communication channels and refining our strategies underscored our dedication to transparency, responsiveness, and positive stakeholder relations.

NIC AND ITS SUBSIDIARIES

The following table provides information on the NIC (parent company) and its subsidiaries as at 30 June 2021. Further information is available within the Financial Highlights and consolidated financial statements which form part of this document.

Figure 5

Company	% Holding By NIC	Business	Results for Year ended June 2021	Total Assets	Net Assets
National Insurance Corporation - NIC	-	Provision of social security services.	171,176,121	2,468,261,245	2,428,830,533
National Insurance Property Development & Management Company Ltd.- NIPRO	100%	Provides property development, management, & maintenance services.	(176,723)	27,645,343	9,529,105
St. Lucia Mortgage Finance Company Ltd.- SMFC	75%	Providing loans for the purchase, construction, extension, or completion of dwelling houses and the purchase of developed plots.	(2,532,676)	41,891,062	7,529,360
Blue Coral Ltd.-BCL	100%	Rental of space for office & commercial use. Proprietor of Blue Coral Mall Building	(570,228)	11,810,661	(31,182,586)
Castries Car Park Facility Ltd. - CCFL	100%	Provision of car parking facilities & rental of space for office and commercial use.	(49,391)	9,299,289	9,299,289

APPRECIATION

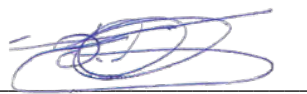
I take this opportunity to thank the Honorable Prime Minister and Minister responsible for Social Security for his support during the financial year.

I convey my heartfelt gratitude to my fellow Board members for their personal commitment and collective effort in providing strategic direction and stewardship throughout the year ended June 2021, both at our meetings, and as members of the various committees of the Board. The COVID-19 Pandemic gave rise to a situation which required an urgent response, and this was successfully implemented.

On behalf of the Board of Directors, I thank the Director and his Management team for their commitment to meeting our corporate goals.

The dedication of our staff must be acknowledged. Their commitment to meeting the needs of our customers and our corporate goals is laudable and is hereby recognized. The Economic Relief Program required a massive effort to implement, and for this, I am extremely grateful.

As we look towards a new financial year, I pledge the commitment of the Board of Directors, Management and staff of the NIC to ensure that the country's Social Security System remains accountable, relevant and viable. We are dedicated to serving the people of St Lucia with integrity and respect.



Isaac Anthony
Chairman

**Independent Auditor's
Report 2020/21**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of National Insurance Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Insurance Corporation (the Corporation), which comprise the consolidated statement of financial position as at June 30, 2021, and the consolidated statements of changes in reserves, comprehensive income and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, including Saint Lucia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of National Insurance Corporation for the year ended June 30, 2020 were audited by another auditor who expressed an unqualified opinion on these financial statements on December 9, 2021.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's 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 Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 International Standards on Auditing 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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Corporation's 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 Corporation's 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 consolidated 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and consider whether the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.



Chartered Accountants
Castries, St. Lucia

March 31, 2025

National Insurance Corporation

Consolidated Statement of Financial Position

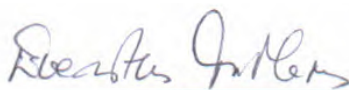
As at June 30, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes	2021 \$	2020 \$
Assets			
Cash and cash equivalents	6	121,521,422	141,261,280
Financial assets	7	1,879,782,863	1,779,249,957
Investment in associates	10	141,585,299	119,749,421
Investment properties	11	305,012,743	265,246,237
Property, plant and equipment	12	10,176,391	10,508,605
Right-of-use assets	24	47,686	256,758
Projects in progress		6,078,880	3,157,540
Inventory	13	3,750,013	3,965,709
Income tax recoverable		114,489	114,489
Deferred tax asset		191,459	109,383
TOTAL ASSETS		2,468,261,245	2,323,619,378
Liabilities			
Trade and other accounts payable	14	28,199,356	54,698,389
Lease liability	24	121,126	272,800
Deferred lease liability		4,024	16,042
Income tax liability		290,011	161,540
		28,614,517	55,148,771
Reserves			
Short-term benefits	17	9,351,495	30,287,400
Long-term benefits	17	2,360,385,894	2,177,099,182
Reserves	16	1,917,742	1,917,742
Retained earnings		66,065,498	56,607,013
		2,437,720,629	2,265,911,337
Minority interest in reserves		1,926,099	2,559,270
		2,439,646,728	2,268,470,607
TOTAL LIABILITIES AND RESERVES		2,468,261,245	2,323,619,378

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

APPROVED ON BEHALF OF THE BOARD: -



Chairman



Director

National Insurance Corporation

Consolidated Statement of Changes in Reserves

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

	Short-term Benefits \$	Long-term Benefits \$	Reserves \$	Retained Earnings \$	Minority Interest \$	Total \$
Balance at June 30, 2019	77,098,878	2,074,960,019	1,903,505	54,856,909	2,541,473	2,211,360,784
Prior year adjustments	170,632	4,095,156	-	-	-	4,265,788
Effect of change in accounting policy for IFRS 16	(6,239)	(30,461)	-	-	-	(36,700)
Effect of change in accounting policy for IPSAS 42	(1,125,553)	(5,495,347)	-	-	-	(6,620,900)
Excess of comprehensive income over expenditure for the year	(45,850,318)	103,569,815	-	1,764,341	17,797	59,501,635
Transfer to statutory reserve	-	-	14,237	(14,237)	-	-
Balance at June 30, 2020	30,287,400	2,177,099,182	1,917,742	56,607,013	2,559,270	2,268,470,607
Excess of comprehensive income over expenditure for the year	(20,935,905)	183,286,712	-	9,458,485	(633,171)	171,176,121
Transfer to statutory reserve	-	-	-	-	-	-
Balance at June 30, 2021	9,351,495	2,360,385,894	1,917,742	66,065,498	1,926,099	2,439,646,728

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

National Insurance Corporation

Consolidated Statement of Comprehensive Income

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

	2021	2020
	\$	\$
Contribution income (Note 18)	117,621,805	118,375,609
Benefits paid		
Short-term benefits (Note 19)	(15,055,855)	(14,848,690)
Long-term benefits (Note 19)	(99,642,668)	(91,591,347)
Medical Health Programme (Note 19)	(5,000,000)	(5,000,000)
	(119,698,523)	(111,440,037)
Surplus of contribution over benefits	(2,076,718)	6,935,572
Economic Relief Programme (Note 19)	(20,429,566)	(46,158,219)
General and administrative expenses (Note 20)	(21,611,674)	(18,989,140)
	(44,117,958)	(58,211,787)
Other income/(expense)		
Investment income - net	181,248,166	73,559,791
Change in fair value of investment properties	34,365,078	43,707,276
Other income/(expense)	(242,783)	633,092
	215,370,461	117,900,159
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE BEFORE FINANCE COST	171,252,503	59,688,372
Finance Costs	(29,250)	(38,794)
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE BEFORE TAXATION (Note 25)	171,223,253	59,649,578
Taxation	(47,132)	(147,943)
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE FOR THE YEAR	171,176,121	59,501,635
Attributable to:		
Reserves	171,809,292	59,483,838
Minority interest	(633,171)	17,797
	171,176,121	59,501,635

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

National Insurance Corporation

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

	2021 \$	2020 \$
Cash flows from operating activities		
Excess of comprehensive income over expenditure before taxation	171,223,253	59,649,578
Adjustments for:		
Provision/ (Recoveries) for financial assets impairment (Note 7)	(3,235,890)	17,436,963
(Gain)/ Loss in fair value of financial assets at fair value through income (Note 22)	(63,573,978)	5,794,363
Depreciation and amortization of ROU (Note 12 and 24)	1,166,654	1,004,553
Interest expense	29,250	38,794
Dividend income	(4,775,867)	(5,508,170)
Share of associate profit (Note 22)	(25,823,078)	(12,083,650)
Change in fair value of investment properties (Note 11)	(34,547,190)	(43,707,276)
Interest income	(75,819,579)	(72,220,602)
Interest expense on lease liability	(163,693)	-
Operating loss before working capital changes	(35,520,118)	(49,595,447)
Increase in trade and other payables	(26,499,033)	41,348,680
Cash used in operations	(62,019,151)	(8,246,767)
Interest received	74,448,696	71,126,260
Dividends received	8,763,067	9,053,290
Interest paid	(29,250)	(38,794)
Net cash generated from operating activities	21,163,362	71,893,989
Cash flows from investing activities		
Purchase of investment securities	(30,196,943)	(74,628,220)
Increase in financial assets at fair value through income	(21,633,610)	(50,596,275)
Decrease/ (increase) in loans and receivables	19,216,800	(13,555,223)
Increase in investment in associate (Note 10)	-	(8,676,851)
Improvements to investment properties (Note 11)	(5,219,316)	(3,144,451)
Increase in projects in progress	(2,660,479)	(2,287,838)
Purchase of property and equipment (Note 12)	(644,465)	(1,248,237)
Proceeds from disposal of property and equipment	19,096	290,953
Proceeds from disposal of inventory	215,697	672,848
Net cash used in investing activities	(40,903,220)	(153,173,294)
Decrease in cash and cash equivalents	(19,739,858)	(81,279,305)
Cash and cash equivalents at beginning of year	141,261,280	222,540,585
Cash and cash equivalents at end of year (Note 6)	121,521,422	141,261,280

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

National Insurance Corporation

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National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

1. Introduction

The National Insurance Corporation (“the Group”) is governed by the National Insurance Corporation Act CAP. 16.01 of the Revised Laws of Saint Lucia 2013. The principal activity of the Group is to provide social security services in Saint Lucia. The consolidated financial statements include the statements of National Insurance Corporation and its subsidiaries (together “the Group”) whose activities are as follows: St. Lucia Mortgage Finance Company Limited. The principal activity of the Subsidiary is to operate a mortgage finance company. National Insurance Property Development and Management Company Ltd. The principal activity of the Subsidiary is engaged in the development and management of the Government of Saint Lucia Build-Own-Lease-Transfer (BOLT) and refurbishment projects; the provision of property development, management and maintenance services to NIC and its subsidiaries. Castries Car Park Facility Limited. The principal activity of the Subsidiary is to provide car parking facilities, all other matters incidental thereto and rental of office block and commercial space. Blue Coral Limited. The principal activity of the Subsidiary is to provide office and commercial space for rent. The Group provides office and commercial space for rent.

The registered office and principal place of business of the Group is Francis Compton Building, John Compton Highway, Castries, Saint Lucia.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on March 13th, 2025.

3. Significant Accounting Policies

The principal accounting policies adopted are stated in order to assist in a general understanding of the financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of Preparation

The consolidated financial statements of National Insurance Corporation have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and investment properties that are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(a) Basis of Preparation (Cont'd)

Application of new and amended international standards

(i) *New and amended standards adopted by the Group*

There were new standards and amendments which were applied during the current year, which are required for annual periods beginning on or after January 1, 2020. These standards and amendments did not materially impact the financial statements of the Group. The impact of the standards and amendments is explained below:

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective January 1, 2020)**

The definition of material was changed, the new definition is as follows: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The previous definition focused on omitting and misstating, however, the new definition focuses on obscuring. The view of the IASB is that obscuring material information with information that can be omitted has a similar effect as omitting and misstating. The term 'reasonably' was included to reduce the scope of information that is required to be disclosed and the term 'primary users' was also included to narrow the scope of information. This amendment did not have a significant impact on the consolidated financial statements.

(ii) *New standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted.*

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Group.

The Group anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements below.

- **COVID-19-Related Rent Concessions (Amendments to IFRS 16)**

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- i. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- ii. The reduction in lease payments affects only payments originally due on or before June 30, 2021;

There is no substantive change to other terms and conditions of the lease

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(a) Basis of Preparation (Cont'd)

Application of new and amended international standards (Cont'd)

New and amended standards adopted by the Group (Cont'd)

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The impact of this standard will be reported in the consolidated financial statements ending June 30, 2022.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

If the ownership in an associate is reduced but significant influence is retained, only a proportion share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(a) Basis of Preparation (Cont'd)

Associates (Cont'd)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred a legal or constructive obligation or made payments on behalf of the associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associate" in the Consolidated Statement of Comprehensive Income.

Profit and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in reserves. Gains or losses on disposals to non-controlling interests are also recorded in reserves.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the Consolidated Statement of Comprehensive Income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the Consolidated Statement of Comprehensive Income. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the Consolidated Statement of Comprehensive Income where appropriate.

National Insurance Corporation

Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2021
(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(b) Foreign currencies

The financial statements are presented in Eastern Caribbean dollars which is the currency of the primary economic environment in which the Group operates (its functional currency).

Assets and liabilities expressed in foreign currencies are translated into the functional currency at the rates of exchange ruling at the date of the financial statements. Transactions arising during the year involving foreign currencies are translated into the functional currency and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates as well as including differences between buying and selling rates, are included in the Consolidated Statement of Comprehensive Income.

(c) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and deposits held on call with financial institutions. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand and in financial institutions. Bank overdrafts are shown within borrowings on the Consolidated Statement of Financial Position.

(d) Financial assets

Classification and measurement

Debt instruments are those instruments that contain contractual obligations to pay the instrument holder certain cash flows, such as government and corporate bonds. Loans and advances, and other receivables are classified as debt instruments as well.

Classification and subsequent measurement of debt instruments depend on:

- the business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model reflects the objective of holding different assets. That is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are held for trading purposes and are measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured.
- **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 FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(d) Financial assets (Cont'd)

Classification and measurement (Cont'd)

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent and none occurred during the period.

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Group subsequently measures all equity investments at FVTPL. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment of assets

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their expected credit loss ('ECL') measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

For debt securities, the Group examines the issuer's capital adequacy, financial performance, liquidity position, and credit rating to assess whether the issuer has experience significant increase in credit risk since the origination of the assets. When no external credit rating is available, the Group assigns internal credit rating based on internal risk criteria.

For loans and receivables, delinquency status is utilized as the main indicator for changes in credit risk. Credit management actions are triggered by movement in days past due. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cash flow/liquidity problems.
- Known adverse change in financial conditions.
- Known adverse changes in business or economic conditions in which the borrower operates.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(d) Financial assets (Cont'd)

Impairment of assets (Cont'd)

For debt securities, default is defined as the miss of contractual payment of principal or interests. For loans and advances, default is defined as 90 days past due. The criteria above are consistent with the definition of default used for internal credit risk management purposes.

The Group assesses on a forward-looking basis the ECL associated with its debt instrument carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Group 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 time 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.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future period and for each individual exposure or collective segment. These three components are multiplied together and discounted. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

When incorporating forward looking information, such as macroeconomic forecasts, into determination of expected credit losses, the Group considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators utilized include but are not limited to GDP growth.

In addition to the base economic scenario, the Group also incorporated upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes each chosen scenario is representative of.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(d) Financial assets (Cont'd)

Impairment of assets (Cont'd)

Financial assets carried at amortised cost

The Group assesses at each date of the financial statements whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- i. Significant financial difficulty of the issuer or debtor;
- ii. A breach of contract, such as a default or delinquency in payments;
- iii. It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- iv. The disappearance of an active market for that financial asset because of financial difficulties; or
- v. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - Adverse changes in the payment status of borrowers in the group; or
 - National or local economic conditions that correlate with defaults on the assets in the group

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income. If the debt securities have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(d) Financial assets (Cont'd)

Impairment of assets (Cont'd)

Financial assets carried at amortised cost

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the asset being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Consolidated Statement of Comprehensive Income.

Financial assets carried at fair value

The Group assesses at each date of the financial statements whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the Consolidated Statement of Comprehensive Income - is removed from equity and recognised in the Consolidated Statement of Comprehensive Income. Impairment losses recognised in the Consolidated Statement of Comprehensive Income on equity instruments are not subsequently reversed. The impairment loss is reversed through the Consolidated Statement of Comprehensive Income, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Statement of Comprehensive Income.

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(e) Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property.

Investment property comprises freehold land and office buildings. It is measured initially at cost and all subsequent assessments are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the Consolidated Statement of Comprehensive Income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the Consolidated Statement of Comprehensive Income.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Except that land and building are stated at fair value. Historical cost includes expenditure directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, so as to write down the cost of property, plant and equipment over their estimated useful lives as follows:

Assets	Estimated Useful Lives
Buildings	50 years
Leasehold improvements	10 years
Motor vehicles	3 - 5 years
Furniture and equipment	4 - 10 years
Computer hardware	5 years
Computer software	5 years
Generators	5 years
Maintenance equipment	10 years

Gains or losses arising on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(g) Projects-in-progress

Build-Own-Lease-Transfer (BOLT) Projects

These include all costs associated with the construction and furnishing of the buildings. Direct costs of construction are recognised when an interim valuation is done. On completion, they are accounted for as finance leases.

(h) Inventory

Property acquired or being constructed for sale in the ordinary course of business, rather than to hold for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value (NRV). Principally, this is the residential property the Group develops and intends to sell before, or on completion of development. Costs incurred in bringing each property to its present location and condition include: freehold rights for land, amounts paid to contractors for development and borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, development overheads and other related costs. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated cost of completion and the estimated cost necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold, and an allocation of any other related costs based on the relative size of the property sold.

All other inventory is valued at the lower of cost and net realisable value. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the cost of realisation. Provision is made for slow moving and obsolete stocks.

(i) Borrowings and borrowings costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the financial statements. Interest costs on borrowings to finance the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(j) Financial liabilities

Financial liabilities comprise of trade and other accounts payable and borrowings and are measured at amortised cost.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made.

(l) Right of Use and Lease Obligations

The Corporation recognised Right of Use (ROU) assets and lease obligations for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

(m) Recognition of income and expenses

a) *Contribution Income and Benefits*

Contribution income is accounted for on an accrual basis to take account of all collections subsequent to the year-end that relate to the current year, and to recognise all known significant receivables.

Benefits expense is accounted for on an accrual basis to take account of all benefits paid subsequent to the year end that relate to the current year, and to recognise all known significant benefits payable.

b) *Dividend income*

Dividend income for investment in equity securities is recognised when the right to receive payment is established - this is the ex-dividend date for equity securities.

c) *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments, including financial instruments measured at fair value through income, are recognised within investment income in the Consolidated Statement of Comprehensive Income using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

d) *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease. The accretion of interest expense on the lease obligation were recognized to the Consolidated Statement of Comprehensive Income. Income from finance lease is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(m) Recognition of income and expenses (Cont'd)

e) *Other income and expenses*

All other income and expenses are accounted for on the accrual basis.

(n) Basis of allocation of income and expenses

(a) *Contributions*

Contribution income, as recommended by the eleventh actuarial review, is allocated as follows:

	2021 %	2020 %
Short-term benefit fund	17	17
Long-term benefit fund	83	83
	<u>100</u>	<u>100</u>

(b) *Investment income and expenses*

Investment income and expenses are allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

Investment expenses comprise all costs relating to the management of investment properties and financial assets and provision for impairment of financial assets.

(c) *Changes in fair value of investment properties*

Changes in fair value of investment properties are allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

(d) *Expenses*

General and administrative expenses and amortisation and impairment of intangible assets are allocated in proportion to the sum of contributions and benefits.

(e) *Other income*

Other income is allocated in the same proportion as contribution income.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(o) Income tax

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the financial statements. Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

The Group follows the liability method of accounting for deferred tax whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are provided for at the Group tax rates which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the assets may be utilised.

(p) Foreign currency transactions

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Eastern Caribbean dollars, which is the Corporation's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities held as available-for-sale are included in reserves in the consolidated statement of financial position.

4. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. In particular, the key financial risk is that the proceeds from its financial assets will not be sufficient to fund its obligations arising from claims. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Income earned from investments, together with the excess of contributions after benefits are paid are used to earn interest rate margins through investment in high quality, high yielding assets with acceptable level of risks.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

4. Financial Risk Management (Cont'd)

The Board of Directors has overall responsibility for the establishment of a risk management framework. The following are the systems and structures put in place to ensure that the Group's exposure to risk is minimised:

- The Investment Department, which conducts regular due diligence exercises based on published financial reports and other available data. Detailed monthly and quarterly reports are submitted to the Executive Director and to the Investment Committee.
- The Investment Committee, whose role is to review the results of the due diligence exercises conducted by the Investment Manager. Decisions/ recommendations are submitted to the Board of Directors for ratification.

Investment decisions are made in the context of Section 21 of the National Insurance Act CAP. 16:01 of the Revised Laws of St. Lucia 2013 and the Group's Investment Policy and Guidelines.

The Investment Policy and Guidelines establish asset categories with targeted asset allocations.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit risk exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments such as loan commitments. The credit risk management and control are centralised and report to the Board of Directors.

Credit risk measurement

(a) *Loans and Advances*

If customers are independently rated, their ratings are used. Otherwise, if there is no independent rating, the Investment Committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group uses the historical information about counterparty default rates to classify the customers in different groups. Clients of the Group are segmented into two rating classes, customers with no history of default and customers with history of default. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

(b) *Debt Securities and Other Bills*

For debt securities and other bills, external ratings such as Moody's Investment Service, Standard & Poor's rating, CariCRIS or their equivalents are used by the Board for managing of the credit risk exposures.

Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group limits its credit risk exposure with respect to its debt securities portfolio by investing only in financial instruments with a minimum rating of BAA (Moody's Investment Service) or BBB (Standard & Poor Corporation) and Regional Governments or institutions with high credit worthiness. The Board through the Investment Department and the Investment Committee consistently monitors the performance of these instruments.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Risk limit control and mitigation policies (Cont'd)

The Group constantly monitors its loans and advances portfolio and outstanding contributions. The necessary contact with debtors and employers is maintained to ensure that payments are received in a timely manner, where necessary re-scheduling of repayments is done, which considers the borrowers new financial position. In the event where recovery may seem doubtful, provisions are set aside to cover any potential losses.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments as established by the investment policy. Such risks are monitored regularly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

Collateral

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Government guarantee; and
- Charges over business assets such as premises, inventory, and accounts receivable.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

National Insurance Corporation

Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2021
(Expressed in Eastern Caribbean Dollars)

4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	2021	2020
	\$	\$
Cash at bank	121,510,126	140,817,360
Short term deposits	-	437,303
Fair value through income:		
-Debt securities	176,186,014	168,001,710
Loans and receivable:		
-Loans and leases to government of Saint Lucia and statutory bodies	144,269,069	142,241,504
-Other loans	119,690,012	162,117,336
-Other advances and receivables from Government of Saint Lucia	57,157,174	54,124,265
-Contributions receivable	23,867,233	10,438,174
-Other receivables	6,771,543	9,136,600
Projects in progress	6,078,880	3,157,540
Debt securities at amortised cost	1,145,564,715	1,103,558,110

Credit risk exposures relating to off- balance sheet items are as follows:

Financial Guarantees:

-Loan commitments and other credit related liabilities	3,430,372	3,070,587
	<u>1,804,525,138</u>	<u>1,797,100,489</u>

The table represents a worst-case scenario of credit risk exposure to the Group at June 30, 2021 and 2020 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the Consolidated Statement of Financial Position.

As shown above, 20% (2020 - 21%) of the total maximum exposure is derived from loans and receivables, 73% (2020 - 71%) represents investments in debt securities other than loans and receivables.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio based on the following:

- Loans to Government of Saint Lucia which represents the largest percentage of the portfolio, followed by loans to subsidiaries, are backed by collateral;
- 31-% (2020 - 38%) of the loans and advances portfolio are considered to be neither past due nor impaired; and the Group continues to grant loans and advances in accordance with its lending policies and guidelines.

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Maximum exposure to credit risk before collateral held or other credit enhancements (Cont'd)

The following table contains an analysis of the credit risk exposure of debt securities- amortised cost instruments for which an ECL allowance is recognized. The gross carrying amount of debt securities below also represents the Group's maximum exposure to credit risk on these assets.

Debt securities - amortised cost	2021			2020	
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total	Total
	\$	\$	\$	\$	\$
Credit grade:					
Investment grade	228,678,586	-	-	228,678,586	261,262,628
Non-investment grade	909,198,029	15,057,421	-	924,255,450	860,364,444
Gross carrying amount	1,137,876,615	15,057,421	-	1,152,934,036	1,121,627,072
Loss allowance	(7,054,176)	(315,145)	-	(7,369,321)	(18,068,962)
Carrying amount	1,130,822,439	14,742,276	-	1,145,564,715	1,103,558,110

The allowance for ECL is recognized in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movements in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized during the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12- month and lifetime ECL; and
- Impacts on the measurement of ECL due to changes made to models and model assumptions.

The following table explains the changes in the loss allowance between the beginning and end of the annual period due to these factors:

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Debt securities - amortized cost				
Gross carrying amount as at June 30, 2020	17,878,539	190,423	-	18,068,962
Transfers	149,189	(149,189)	-	-
New financial assets originated or purchased	1,082,711	-	-	1,082,711
Financial assets fully derecognized during the period	(1,101,828)	-	-	(1,101,828)
Changes in principal and interest	(10,954,435)	273,911	-	10,680,524
Gross carrying amount as at June 30, 2021	7,054,176	315,145	-	7,369,321

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the Year Ended June 30, 2021

(Expressed in Eastern Caribbean Dollars)

4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Maximum exposure to credit risk before collateral held or other credit enhancements (cont'd)

Loans and leases - amortised cost	2021			2020	
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total	Total
	\$	\$	\$	\$	\$
Performing balances	196,380,436	136,960,844	-	333,341,280	382,917,383
Non-performing balances	-	3,738,106	79,373,119	83,111,225	53,669,415
Gross carrying amount	196,380,436	140,698,950	79,373,119	416,452,505	436,586,798
Loss allowance	(1,819,853)	(8,158,046)	(54,719,575)	(64,697,474)	(58,150,480)
Carrying amount	194,560,583	132,540,904	24,653,544	351,755,031	378,436,318

The allowance for ECL is recognized in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and lifetime ECL; and
- Impacts on the measurement of ECL due to changes made to models and model assumptions.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Loans and leases - amortised cost				
Loss Allowance as at June 30, 2020	8,959,014	529,187	48,662,279	58,150,480
New financial assets originated or purchased	-	-	-	-
Financial assets fully derecognized during the period	(289,385)	840,116	(79,019,934)	(78,469,203)
Transfers between stages	(2,858,505)	2,858,505	-	-
Changes to inputs used in ECL calculation	(3,985,433)	4,908,379	84,093,251	85,016,197
Loss Allowance as at June 30, 2021	1,825,691	9,097,501	53,774,282	64,697,474

4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Maximum exposure to credit risk before collateral held or other credit enhancements (cont'd)

The most significant period-end assumptions used for the ECL estimate as at June 30, 2021 are set out below.

		2022	2023
US GDP growth rate	Base	2.20%	4.95%
	Upside	3.80%	6.87%
	Downside	0.50%	3.03%
US inflation rate	Base	2.00%	4.15%
	Upside	2.90%	6.40%
	Downside	1.00%	1.90%
World GDP growth rate	Base	1.80%	4.40%
	Upside	6.00%	6.22%
	Downside	-2.50%	2.58%

The most significant period-end assumptions used for the ECL estimate as at June 30, 2020 are set out below.

		2021	2022
US GDP growth rate	Base	-0.80%	2.20%
	Upside	0.80%	3.80%
	Downside	-2.40%	0.50%
US inflation rate	Base	1.30%	2.00%
	Upside	0.40%	2.90%
	Downside	2.20%	1.00%
World GDP growth rate	Base	1.40%	1.80%
	Upside	2.60%	6.00%
	Downside	0.20%	-2.50%

The scenario weightings assigned to each economic scenario were as follows.

	Base	Upside	Downside
June 30, 2021	85%	5%	10%
June 30, 2020	80%	10%	10%

4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Maximum exposure to credit risk before collateral held or other credit enhancements (cont'd)

Set out below are the changes to the ECL as at June 30, 2021 that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

ECL impact of

	Change in threshold	Increase in value	Decrease in value
Loss given default			
Investment - Corporate	(+/-5)%	339,896	(339,896)
Investment - Sovereign	(+/-5)%	335,879	(335,879)

ECL impact of

	Change in threshold	Increase in value	Decrease in value
Collateral haircut			
Loans and leases	(+/-5)%	160,771	160,771

Set out below are the changes to the ECL as at June 30, 2020 that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

ECL impact of

	Change in threshold	Increase in value	Decrease in value
Loss given default			
Investment - Corporate	(+/-5)%	812,692	(812,692)
Investment - Sovereign	(+/-5)%	806,906	(806,906)

ECL impact of

	Change in threshold	Increase in value	Decrease in value
Collateral haircut			
Loans and leases	(+/-5)%	644,415	(644,415)

4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Loans and receivables

Loans and receivables are summarized as follows:

	2021 \$	2020 \$
Neither past due nor impaired	130,569,030	134,358,275
Past due but not impaired	195,863,040	214,603,467
Impaired	89,310,486	87,625,056
Gross	415,742,556	436,586,798
Less: allowance for impairment (Note 7)	(64,697,474)	(58,150,480)
Net	351,045,082	378,436,318

The total impairment provision for loans and receivables recognised in the Consolidated Statement of Comprehensive Income is \$6,546,994 (2020 - \$6,651,871). Further information of the impairment allowance for loans and receivables is provided in Note 8.

(a) Neither past due nor impaired

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group:

Customers with no history of default							
Loans				Other advances and receivable			
	Statutory bodies \$	Subsidiaries \$	Associates \$	Other \$	Government of St. Lucia \$	Other \$	Total
June 30, 2021	2,349,738	-	46,165,306	58,272,120	-	23,781,866	130,569,030
June 30, 2020	-	-	54,510,497	51,823,894	18,914,544	9,109,340	134,358,275

National Insurance Corporation

Notes to the Consolidated Financial Statements
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4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Loans and receivables (Cont'd)

(b) Past due but not impaired

Gross amount of loans and receivables by class to customers net of unearned interest that were past due but not impaired were as follows:

	Loans		Other advances and receivable		
	Statutory Bodies \$	Other \$	Statutory Bodies \$	Other \$	Total \$
June 30, 2021					
With amounts past due up to 30 days	-	4,442,009	5,665,278	215,165	10,322,452
With amounts past due 31 to 60 days	-	3,738,106	1,114,812	175,744	5,028,662
With amounts past due 61 to 90 days	11,452,479	1,535,529	656,321	190,252	13,834,581
With amounts past due over 90 days	125,745,403	714,380	39,493,711	723,851	166,677,345
	<u>137,197,882</u>	<u>10,430,024</u>	<u>46,930,122</u>	<u>1,305,012</u>	<u>195,863,040</u>
June 30, 2020					
With amounts past due up to 30 days	-	5,477,756	1,187,270	343,062	7,008,088
With amounts past due 31 to 60 days	-	42,949,738	792,511	69,906	43,812,155
With amounts past due 61 to 90 days	12,754,493	902,713	515,900	97,180	14,270,286
With amounts past due over 90 days	117,618,833	522,660	30,198,320	1,173,125	149,512,938
	<u>130,373,326</u>	<u>49,852,867</u>	<u>32,694,001</u>	<u>1,683,273</u>	<u>214,603,467</u>

Upon initial recognition of loans and receivables, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets. Other advances and receivables are unsecured.

(c) Impaired

The table below shows the gross amount of individually impaired loans and receivables before taking into consideration the cash flows from collateral held.

	Loans			Other advances and receivable		
	Statutory body \$	Other \$	Government of St. Lucia \$	Statutory Body \$	Other \$	Total
June 30, 2021	55,855,905	14,729,946	-	17,267,900	1,456,735	89,310,486
June 30, 2020	54,495,537	14,906,978	-	15,872,672	2,349,869	87,625,056

National Insurance Corporation

Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2021
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4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2021, based on Standard & Poor's ratings, CariCRIS or their equivalent:

At June 30, 2021

	Treasury bills \$	Debt securities \$	Total \$
A- to AAA	-	52,101,359	52,101,359
Lower than A-	71,739,729	617,581,924	689,321,653
Unrated	-	582,530,036	582,530,036
Total	71,739,729	1,252,213,319	1,323,953,048

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2020, based on Standard & Poor's ratings, CariCRIS or their equivalent:

At June 30, 2020

	Treasury bills \$	Debt securities \$	Total \$
A- to AAA	-	60,977,698	60,977,698
Lower than A-	71,479,549	569,039,849	640,519,398
Unrated	-	570,062,724	570,062,724
	71,479,549	1,200,080,271	1,271,559,820

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4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the geographical sectors of our counterparties

	Local \$	Regional \$	Extra Regional \$	Total \$
As at June 30, 2021				
Cash and cash equivalents	121,521,422	-	-	121,521,422
Financial assets:				
Fair value through income	-	28,620,540	147,565,474	176,186,014
Loans and receivable	351,755,031	-	-	351,755,031
Debt securities	867,317,604	235,380,943	42,866,168	1,145,564,715
On balance sheet financial position	1,340,594,057	264,001,483	190,431,642	1,795,027,182
Credit commitments	3,430,372	-	-	3,430,372
	1,344,024,429	-	-	1,798,457,554
As at June 30, 2020				
Cash and cash equivalents	141,261,280	-	-	141,261,280
Financial assets:				
Fair value through income	-	13,100,193	154,901,517	168,001,710
Loans and receivable	378,436,318	-	-	378,436,318
Debt securities	800,793,680	247,524,285	55,240,145	1,103,558,110
On financial position	1,320,491,278	260,624,478	210,141,662	1,791,257,418
Credit commitments	3,070,587	-	-	3,070,587
	1,323,561,865	260,624,478	210,141,662	1,794,328,005

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4. Financial Risk Management (Cont'd)

Credit risk (Cont'd)

Concentration of risks of financial assets with credit risk exposure (Cont'd)

b) Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

Industry sectors

	Financial institutions \$	Utilities \$	Government and Statutory (Local) \$	Government (Regional) \$	Oil & Energy \$	Industrial \$	Government Extra Regional \$	Index Funds \$	Rental \$	Other Industries \$	Total \$
As at June 30, 2021											
Cash and cash equivalents	121,521,422	-	-	-	-	-	-	-	-	-	121,521,422
Financial assets:											
- Fair value through income	2,964,311	-	-	-	238,384	4,302,511	10,094,116	364,863,795	-	-	382,463,117
- Loans and receivables	72,682,500	45,440,438	190,552,922	-	-	-	-	-	8,991,590	34,087,581	351,755,031
- Debt securities	472,912,465	3,332,638	586,538,213	63,732,244	3,931,819	3,857,898	1,378,989	-	-	9,880,448	1,145,564,714
	670,080,698	48,773,076	777,091,135	63,732,244	4,170,203	8,160,409	11,473,105	364,863,795	8,991,590	43,968,029	2,001,304,284
Credit commitments	3,430,372	-	-	-	-	-	-	-	-	-	3,430,372
As at June 30, 2020											
Cash and cash equivalents	141,261,280	-	-	-	-	-	-	-	-	-	141,261,280
Financial assets:											
- Fair value through income	7,329,802	-	-	-	420,613	4,312,141	9,847,125	275,345,848	-	-	297,255,529
- Loans and receivables	78,008,693	52,078,778	189,222,014	-	-	-	-	-	12,982,776	46,144,057	378,436,318
- Debt securities	473,612,805	4,580,931	537,808,255	64,238,066	4,724,693	17,187,695	1,405,665	-	-	-	1,103,558,110
	700,212,580	56,659,709	727,030,269	64,238,066	5,145,306	21,499,836	11,252,790	275,345,848	12,982,776	46,144,057	1,920,511,237
Credit Commitments	3,070,587	-	-	-	-	-	-	-	-	-	3,070,587

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4. Financial Risk Management (Cont'd)

Market risk

(a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from recognised assets. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since July 1976.

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's strategy of managing this risk is to limit foreign exchange exposure to Eastern Caribbean dollars and United States dollars, avoid speculation with an aim to keep a balanced portfolio and match foreign currency denominated assets with foreign currency denominated liabilities. The table below summarises the Group's exposure to foreign currency exchange rate risk at June 30, 2021 and June 30, 2020.

Included in the table are the Group's financial assets and liabilities at carrying amounts, categorised by currency.

Concentration of currency risk - on- and off-balance sheet financial instruments

	EC \$	US \$	Total \$
As at June 30, 2021			
Cash and cash equivalents	109,720,878	11,800,544	121,521,422
Financial assets:			
- Fair value through income	5,601,871	376,861,246	382,463,117
- Loans and receivables	351,755,031	-	351,755,031
- Debt securities	995,864,814	149,699,900	1,145,564,714
Financial assets	1,462,942,594	538,361,690	2,001,304,284
Trade and other payables	28,199,356	-	28,199,356
Lease Obligation	121,126	-	121,126
Financial liabilities	28,320,482	-	28,320,482
Net on balance sheet financial position	1,434,622,112	538,361,690	1,972,983,802
Credit commitments	3,430,372	-	3,430,372

National Insurance Corporation

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4. Financial Risk Management (Cont'd)

Market risk (Cont'd)

(a) Currency risk (Cont'd)

	EC \$	US \$	Total \$
As at June 30, 2020			
Cash and cash equivalents	136,459,471	4,801,809	141,261,280
Financial assets:			
- Fair value through income	5,601,880	291,653,649	297,255,529
- Loans and receivables	378,436,318	-	378,436,318
- Debt securities	816,671,910	286,886,200	1,103,558,110
Financial assets	1,337,169,579	583,341,658	1,920,511,237
Trade and other payables	54,698,389	-	54,698,389
Lease Obligation	272,800	-	272,800
Financial liabilities	54,971,189	-	54,971,189
Net on balance sheet financial position	1,282,198,390	583,341,658	1,865,540,048
Credit commitments	3,070,587	-	3,070,587

(b) Price Risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board of Directors.

The Group's publicly traded equity securities are included on the New York Stock Exchange (NYSE) and National Association of Securities Dealers Automated Quotations (NASDAQ). At June 30, 2021 if equity securities prices had been 200 basis points higher/lower with all variables held constant reserves for the year would have been \$4,013,505 (2020 - \$2,473,039) higher/lower as a result of the increase/ decrease in fair value of fair value through income equity securities.

(c) Cash Flow and Fair Value Interest Rate Risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. As the Group does not hold financial instruments with variable rates, it is not exposed to cash flow interest rate risk.

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4. Financial Risk Management (Cont'd)

Market risk

(c) Cash flow and fair value interest rate risks (Cont'd)

	Up to 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Non-interest Bearing \$	Total \$
As at June 30, 2021							
Assets							
Cash and cash equivalents	121,521,422	-	-	-	-	-	121,521,422
Financial assets:							
- Fair value through income	-	-	176,186,014	-	-	206,277,103	382,463,117
- Loans and receivables	34,415,958	36,594,448	109,837,643	64,499,883	30,637,635	75,769,464	351,755,031
- Debt securities	15,836,819	49,644,511	510,916,155	251,261,960	317,905,269	-	1,145,564,714
Total Financial Assets	171,774,199	86,238,959	796,939,812	315,761,843	348,542,904	282,046,567	2,001,304,284
Liability							
Trade and other payables	-	-	-	-	-	28,187,465	28,187,465
Total interest repricing gap	171,774,199	86,238,959	796,939,812	315,761,843	348,542,904	-	-
As at June 30, 2020							
Assets							
Cash and cash equivalents	141,261,280	-	-	-	-	-	141,261,280
Financial assets:							
- Fair value through income	-	-	168,001,710	-	-	129,253,819	297,255,529
- Loans and receivables	33,598,173	53,530,432	230,904,880	-	-	60,402,833	378,436,318
- Debt securities	13,678,179	17,462,805	199,507,862	280,055,016	321,736,381	271,117,867	1,103,558,110
Total Financial Assets	188,537,632	70,993,237	598,414,452	280,055,016	321,736,381	460,774,519	1,920,511,237
Liability							
Trade and other payables	-	-	-	-	-	54,698,389	54,698,389
Total interest repricing gap	188,537,632	70,993,237	598,414,452	280,055,016	321,736,381	-	-

The Group's fair value interest rate risk arises from debt securities classified as fair value through income. At June 30, 2021 if market interest rates had been 100 basis points higher/lower with all variables held constant, reserves for the year would have been \$1,761,860 (2020 - \$1,680,017) lower/higher as a result of the decrease/increase in fair value of fair value through income debt securities.

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4. Financial Risk Management (Cont'd)

Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from payments of short-term benefits. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management ensures that a minimum level of cash and short-term resources are available to meet its current obligations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the financial statements to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity analysis of liabilities

	1 year \$	1-5 years \$	Over 5 years \$	Total \$
As at June 30, 2021				
Trade and other accounts payable	28,170,933	-	28,423	28,199,356
Lease obligation	121,126	-	-	121,126
As at June 30, 2020				
Trade and other accounts payable	54,667,617	-	30,772	54,698,389
Lease obligation	272,800	-	-	272,800

The liquidity position for both operational and the payment of benefits is monitored daily by the Investment Manager, who ensures that the bank accounts are adequately serviced. Transfers are done between bank accounts and the excess of contribution income over benefit payments is taken up by the Investment Manager who will seek to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

Fair value estimation of financial instruments

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value if one exists.

The carrying amounts and fair values of financial instruments other than financial assets through income and available-for-sale are as follows:

	Carrying Amount		Fair Value	
	2021 \$	2020 \$	2021 \$	2020 \$
Cash and cash equivalents	141,261,280	141,261,280	141,261,280	141,261,280
- Loans and receivables	351,755,031	378,436,318	367,584,007	382,822,451
Investment securities:				
- Debt securities	1,145,564,714	1,103,558,110	1,409,938,440	1,170,027,125
Trade and other payables	28,199,356	54,698,389	28,187,462	54,698,389

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4. Financial Risk Management (Cont'd)

Fair value estimation of financial instruments (Cont'd)

The carrying value of cash and cash equivalents, other advances and receivables, and trade and other payables approximate their fair values due to the short-term maturity of these items.

The fair value of loans and receivables financial assets for disclosure purposes are estimated by discounting the future contractual cash flows at the current market rate of 7.38% (2020 - 7.38%) that is available to the Group in respect of similar financial instruments.

The Group is not able to reliably estimate the fair value of level 3 equity investment securities financial assets since the shares are not traded in an active market and the future cash flows relating to the investment cannot be reliably estimated.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at June 30, 2021				
Financial assets at fair value through income:				
- Investment securities - debt	147,565,474	-	28,620,540	176,186,014
- Investment securities - equity	200,675,232	-	5,601,880	206,277,112
Total assets	348,240,706	-	34,222,420	382,463,126
As at June 30, 2020				
Financial assets at fair value through income:				
- Investment securities - debt	154,901,517	-	13,100,193	168,001,710
- Investment securities - equity	122,570,918	1,081,021	5,601,880	129,253,819
Total assets	277,472,435	1,081,021	18,702,073	297,255,529

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4. Financial Risk Management (Cont'd)

Fair value estimation of financial instruments (Cont'd)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily NYSE and NASDAQ equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter fixed income securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This category includes financial instruments such as mutual funds, preference shares and other equity instruments whose market value could not be readily obtained, and as such, the carrying value has been used to approximate fair value.

Assets measured at fair value

The following table presents the changes in level 3 instruments for the year ended June 30, 2021 and 2020.

	Financial assets at fair value through income
	Equity securities
	\$
June 30, 2021	
At beginning and end of year	5,601,000
June 30, 2020	
At beginning and end of year	5,601,000
Total loss for the period included in profit or loss for assets held at the end of the reporting period, under "Investment income"	-
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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4. Financial Risk Management (Cont'd)

Non-financial assets measured at fair value

The investment property measured at fair value on a recurring basis as at June 30, 2021 is \$305,012,742 (2020 - \$269,761,445) can all be considered as level 3 within the hierarchy of non-financial assets.

The fair value of the Group's main property assets (buildings) is estimated using the income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in place leases and expectations for rentals from future leases over the next ten (10) years. The buildings are revalued annually on June 30.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the vacancy levels decline or if terminal, growth and discount rates (market yield) decline. The overall valuations are sensitive to vacancy levels. Management considers the range of reasonable possible alternative assumptions is greatest for vacancy levels. The input used in the valuations at June 30, 2021 which was materially sensitive was:

Buildings included in Investment Properties

Vacancy level	0% to 15%
Rental value	\$2.41 to \$5.92 per square foot
Discount rate (market yield)	9.25% to 10.00%
Terminal rate	8.25% to 9.00%

The fair value of the Group's land is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board and audit committee at each reporting date.

The reconciliation of the carrying amounts of non-financial assets classified within level 3 is included in Note 11.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to meet its statutory obligation to pensioners and contributors.

As further discussed in Note 26, actuarial reviews are conducted periodically in order to ensure that the Group's management has all the information required to adjust the rate of contribution to ensure that the statutory requirements to pensioners and contributors are met.

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5. Critical Accounting Estimates Judgements and Assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of loans and advances

The Group reviews its loan portfolio to assess impairment annually. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Basis of allocation of income and expenditure

The Group allocates income and expenditure to short-term and long-term benefits in accordance with the approved recommendations of the actuarial review. This allocation involves the use of estimates concerning factors such as demographic, economic and financial assumptions. Assumptions to project benefits and expenses are based on the Group's experience and are updated in each actuarial review.

Fair value of investment properties

The fair value of buildings included in investment properties as at June 30, 2021 is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Fair value of buildings is estimated by discounting expected rentals at market yields. If net cash flows had been 5% higher/lower with all variables held constant, the fair value of investment properties determined using the valuation model would have been \$5,000,000 higher/lower (2020 - \$5,105,000). If the discount rate was 50 basis points higher or lower the fair value of investment properties would decrease by \$3,120,000 (2020 - \$2,950,000) or increase by \$2,860,000 (2020 - \$3,320,000) respectively.

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6. Cash and Cash Equivalents

	2021 \$	2020 \$
Cash at bank and in hand	121,521,422	140,823,977
Short-term deposits	-	437,303
	<u>121,521,422</u>	<u>141,261,280</u>

The Group's cash in hand as at June 30, 2021 was \$12,196 (2020 - \$6,617). The effective interest rate on short-term bank deposits ranges from 0% - 0.25% (2020: 0% - 0.25%).

7. Financial Assets

The Group's financial assets are summarised by measurement category in the table below:

	2021 \$	2020 \$
Fair value through income	382,463,117	297,255,529
Loans and receivables	351,755,031	378,436,318
Investment securities		
- Debt securities	1,145,564,715	1,103,558,110
	<u>1,879,782,863</u>	<u>1,779,249,957</u>

The assets comprised in each of the categories above are detailed in the tables below:

	2021 \$	2020 \$
Financial assets at fair value through income		
Equity securities		
- Listed	200,675,223	123,651,939
- Unlisted	5,601,880	5,601,880
Debt securities		
- Listed	147,565,474	168,001,710
- Unlisted	28,620,540	-
	<u>382,463,117</u>	<u>297,255,529</u>

Equity securities classified at fair value through income are designated in this category upon initial recognition. There are no non-derivative financial assets held for trading.

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7. Financial Assets (Cont'd)

The assets comprised in each of the categories above are detailed in the table below:

	2021 \$	2020 \$
Investment securities		
Debt securities at fixed interest rate	1,145,564,715	1,103,558,110

The breakdown of debt securities at fixed interest rates into current and non-current portion are shown below:

	2021 \$	2020 \$
Current portion	334,181,571	343,819,966
Non-current portion	811,383,144	759,738,144
	1,145,564,715	1,103,558,110

Debt securities bear interest rates ranging from 1.5% - 7.5% (2020 - 1.5% - 9.75%). There were no debt securities that were considered past due or impaired at the reporting date.

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7. Financial Assets (Cont'd)

	Investment - Amortised cost Debt securities \$	Fair value through income \$	Amortised cost loans and receivables \$	Total \$
At June 30, 2019	1,041,688,137	271,531,607	372,619,260	1,685,839,004
IFRS 9 transition adjustment	-	-	-	-
Adjusted balance at June 30, 2019	1,041,688,137	271,531,607	372,619,260	1,685,839,004
Net additions	112,145,694	87,807,275	27,946,185	227,899,154
Disposals (sales and redemptions)	(39,117,454)	(37,211,000)	(15,477,256)	(91,805,710)
Net increase in provision for impairments	(11,158,267)	-	(6,651,871)	(17,810,138)
Fair value losses on equity/debt securities	-	(5,794,363)	-	(5,794,363)
Transfer to investment in associate	-	(19,077,990)	-	(19,077,990)
At June 30, 2020	1,103,558,110	297,255,529	378,436,318	1,779,249,957
	Investment - Amortised cost Debt securities \$	Fair value through income \$	Amortised cost loans and receivables \$	Total \$
At June 30, 2020	1,103,558,110	297,255,529	378,436,318	1,779,249,957
Net additions	51,610,748	61,201,962	18,798,010	131,610,720
Disposals (sales and redemptions)	(20,303,782)	(39,568,352)	(38,932,303)	(98,804,437)
Net increase in provision for impairments	10,699,639	-	(6,546,994)	4,152,645
Fair value losses on equity/debt securities	-	63,573,978	-	63,573,978
Transfer to investment in associate	-	-	-	-
At June 30, 2021	1,145,564,715	382,463,117	351,755,031	1,879,782,863

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8. Loans and Receivables

	2021 \$	2020 \$
Loans and receivables		
Loans to Government of Saint Lucia and statutory bodies	116,879,264	115,425,243
Provision for impairment on GOSL loans	(43,720,170)	(40,780,514)
	73,159,094	74,644,729
Finance lease - Financial Administrative Complex	76,174,523	69,443,620
Provision for impairment	(5,064,548)	(1,846,845)
	144,269,069	142,241,504
Loans receivables from others		
Other loans	129,890,753	171,094,236
Provision for impairment	(10,200,741)	(9,766,458)
	119,690,012	161,327,778
	263,959,081	303,569,282
Other advances and receivables		
Due from Government of Saint Lucia		
Other receivables	46,399,140	49,199,819
Finance lease receivables	16,098,244	15,431,367
Contributions receivable	2,348,738	2,850,031
Provision for impairment, leases	(909,915)	(363,763)
Provision for impairment	(4,430,295)	(4,915,591)
	59,505,912	62,201,863
Other receivables		
Contributions receivable	21,518,495	7,588,143
Other receivables	6,703,803	4,584,797
Prepayments	439,546	969,542
Provision for impairment (other)	(371,806)	(477,309)
	28,290,038	12,665,173
Total loans and receivables	351,755,031	378,436,318

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8. Loans and Receivables (Cont'd)

	2021 \$	2020 \$
Current portion	180,848,049	83,194,025
Non-current portion	170,906,982	295,242,293
	351,755,031	378,436,318

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Interest rates range from 2% - 8.75% (2020 - 2% - 8.75%).

Allowance for impairment

Reconciliation of allowance account for losses on loans and receivables by class is as follows:

	Loans			Other advances	
	Statutory bodies \$	Associate \$	Other \$	Statutory bodies and other \$	Total \$
At June 30, 2019	39,437,633	1,349,789	4,543,166	6,168,021	51,498,609
Accounting adjustment for IFRS 9	-	-	-	-	-
Adjusted at June 30, 2019	39,437,633	1,349,789	4,543,166	6,168,021	51,498,609
Provision for loan impairment	3,189,726	1,081,930	2,791,573	-	7,063,229
Write offs	-	-	-	-	-
Loan recoveries	-	-	-	(411,358)	(411,358)
At June 30, 2020	42,627,359	2,431,719	7,334,739	5,756,663	58,150,480
At June 30, 2020	42,627,359	2,431,719	7,334,739	5,756,663	58,150,480
Provision for loan impairment	6,157,358	-	2,141,134	546,152	8,844,644
Write offs	-	-	-	(226,262)	(226,262)
Loan recoveries	-	(1,706,851)	-	(364,537)	(2,071,388)
At June 30, 2021	48,784,717	724,868	9,475,873	5,712,016	64,697,474

The provision for loan impairment has been included under expenses attributable to investment income, which is netted against investment income in the Consolidated Statement of Comprehensive Income. The Group has recognised a loss of \$6,546,994 (2020 - \$7,063,229) for the impairment of its loans and receivables during the year end.

National Insurance Corporation

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9. Finance Lease Receivables

	2021 \$	2020 \$
Current		
Finance leases	5,126,236	5,026,715
Unpaid charges	19,100,982	7,622,674
Less: impairment allowance	(5,974,464)	(2,210,608)
	18,252,754	10,438,781
Amounts recoverable after twelve months		
Receivable in respect of finance leases	68,045,549	72,225,598
Finance leases receivable	86,298,303	82,664,379

Finance leases relate to the Marchand Police Station, Anse La Raye Police Station, Gros Islet Fire Station, Dennery Police Station and Dennery Fire Station, Vieux Fort Police Station and Vieux Fort Fire Station, Micoud Police Station and Micoud Fire Station, Richfond Police Station, Babonneau Police Station and Babonneau Fire Station, and the Financial Administrative Complex located at Pointe Seraphine.

	2021 \$	2020 \$
Total gross investment	128,424,815	126,263,103
Unearned income	(36,152,048)	(41,388,116)
Less: impairment allowance	(5,974,464)	(2,210,608)
Present value of minimum lease payments	86,298,303	82,664,379
Current receivable	23,317,302	12,285,626
Non-current receivable	62,981,001	70,378,753
	86,298,303	82,664,379
Total Gross investment receivable from finance leases		
No later than 1 year	29,693,367	18,541,113
Later than 1 year and not later than 5 years	39,611,355	40,078,665
Later than 5 years	59,120,093	67,643,325
	128,424,815	126,263,103
Present value of minimum lease payments receivable:		
No later than 1 year	23,243,204	12,285,626
Later than 1 year and not later than 5 years	21,609,419	20,728,779
Later than 5 years	41,445,680	49,649,974
	86,298,303	82,664,379

National Insurance Corporation

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10. Investment in Associates

	2021 \$	2020 \$
Beginning of the year	119,749,422	83,456,050
Transfer of shares from fair value through income	-	19,077,990
Value of shares purchased	-	8,676,851
Share of profit after tax	17,079,677	12,165,410
Share of fair value loss	8,743,400	(81,760)
Dividends received	(3,987,200)	(3,545,120)
At year end	141,585,299	119,749,421

St. Lucia Electricity Services Limited (LUCLEEC) and East Caribbean Financial Holding Company Limited (ECFH) are listed on the Eastern Caribbean Securities Exchange. The fair value of the investment in LUCLEEC at June 30, 2021 is \$89,600,000 (2020 - \$89,600,000) and fair value of the investment in ECFH at June 30, 2021 is \$24,465,912 (2020 - \$27,462,986).

The reporting period for both LUCLEEC and ECFH is year ended December 31. The information below reflects the Corporation's share of the unaudited results of the associates and its share of the unaudited assets and liabilities as at June 30, 2021. As at June 30, 2021, interest held in LUCLEEC and ECFH is 20% and 25% respectively.

	Assets \$	Liabilities \$	Revenue \$	Profits \$
St. Lucia Electricity Services Limited				
As at June 30, 2021	114,074,000	36,561,000	77,513,000	16,599,000
As at June 30, 2020	106,033,000	41,039,000	64,994,000	7,483,308
	Assets \$	Liabilities \$	Revenue \$	Profits \$
East Caribbean Financial Holdings				
As at June 30, 2021	599,503,000	530,658,000	68,545,000	9,224,077
As at June 30, 2020	578,374,000	515,620,000	62,754,000	4,600,343

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11. Investment Properties

	2021 \$	2020 \$
Beginning of the year	265,246,237	221,823,424
Prior year adjustment	570,000	4,612,888
Additions	5,219,316	3,144,451
Decrease in fair value	33,977,190	43,707,276
Transfer out to loans and receivables or fixed assets	-	(3,526,594)
Transfer to PPE	-	(4,515,209)
At year end	305,012,743	265,246,237

The Group's investment properties are carried at fair value. Fair values of land included in investment properties are based on valuations performed by independent, professionally qualified valuers as at June 30, 2021 and 2020. Fair values of buildings included in investment properties were valued by Property Consultancy Services Inc. (PCS), an independent party in June 2020 using the Income Approach. The two methods under the Income Approach (the discount and capitalisation method) were considered to determine the fair value. Land valuations were performed by Neville L Trim & Associates, an independent party, in June 2020 using Comparable Sales Approach.

The change in Investment Properties as at June 30, 2020 of \$4,515,209 relates to the Corporation's owner-occupied buildings reclassified to Property, Plant and Equipment in accordance with IAS 40 Investment Properties.

The following amounts have been recognised in the consolidated statement of comprehensive income:

	2021 \$	2020 \$
Rental income	10,771,169	12,502,797
Direct operating expenses arising from investment properties that generate rental income	7,428,333	6,997,426

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Notes to the Consolidated Financial Statements

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(Expressed in Eastern Caribbean Dollars)

12. Property, Plant, and Equipment

	Land and Buildings \$	Improvements \$	Vehicles \$	Equipment \$	Hardware \$	Software \$	Generators \$	Equipment \$	Total \$
At June 30, 2019									
Cost	15,517,878	441,608	928,196	6,147,381	2,972,425	871,904	498,511	179,461	27,557,364
Fair value adjustment	(7,562,531)	-	-	-	-	-	-	-	(7,562,531)
Accumulated depreciation	(575,186)	(327,538)	(641,916)	(5,190,869)	(2,376,960)	(837,831)	(498,511)	(161,138)	(10,609,949)
Net book value	7,380,161	114,070	286,280	956,512	595,465	34,073	-	18,323	9,384,884
Year ended June 30, 2020									
Opening net book value	7,380,161	114,070	286,280	956,512	595,465	34,073	-	18,323	9,384,884
Additions	1,351	-	166,700	796,397	284,190	-	-	-	1,248,638
Fair value adjustment	588,683	-	-	-	-	-	-	-	588,683
Disposals	-	-	(99,245)	(27,340)	-	-	-	-	(126,585)
Accumulated depreciation write back	-	85,692	99,245	(5,222)	-	-	-	-	179,715
Depreciation charge	(35,065)	(104,069)	(85,906)	(235,659)	(270,248)	(24,995)	-	(10,788)	(766,730)
Closing net book value	7,935,130	95,693	367,074	1,484,688	609,407	9,078	-	7,535	10,508,605
At June 30, 2020									
Cost	4,030,172	441,608	995,651	6,916,438	3,256,615	871,904	498,511	179,461	17,190,360
Fair value adjustment	(6,973,848)	-	-	-	-	-	-	-	(6,973,848)
Accumulated depreciation	(610,251)	(345,915)	(628,577)	(5,431,750)	(2,647,208)	(862,826)	(498,511)	(171,926)	(11,196,964)
Net book value	3,419,921	95,693	367,074	1,484,688	609,407	9,078	-	7,535	5,993,396
Year ended June 30, 2021									
Opening net book value	7,935,130	95,693	367,074	1,484,688	609,407	9,078	-	7,535	10,508,605
Additions	8,952	-	94,667	224,680	258,743	57,423	-	-	644,465
Disposals	-	-	(31,007)	(84,701)	-	-	-	-	(115,708)
Accumulated depreciation write back	-	85,692	-	(29,408)	-	-	-	-	56,284
Fair value adjustment	(182,111)	-	-	-	-	-	-	-	(182,111)
Depreciation charge	(34,940)	(104,069)	(103,562)	(236,825)	(245,028)	(7,887)	-	(2,833)	(735,144)
Closing net book value	7,727,031	77,316	327,172	1,358,434	623,122	58,614	-	4,702	10,176,391
At June 30, 2021									
Cost	8,554,333	441,608	1,059,311	7,056,417	3,515,358	929,327	498,511	179,461	22,234,326
Accumulated depreciation	(827,302)	(364,292)	(732,139)	(5,697,983)	(2,892,236)	(870,713)	(498,511)	(174,759)	(12,057,935)
Net book value	7,727,031	77,316	327,172	1,358,434	623,122	58,614	-	4,702	10,176,391

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13. Inventory

	2021	2020
	\$	\$
Land for sale	3,689,568	3,912,246
Other inventory	60,445	53,463
	<u>3,750,013</u>	<u>3,965,709</u>

Inventories consist of land known as the Emerald Development, sold as residential lots, and other inventory. In 2020, a total of \$222,678 (2020 - \$689,346) of inventories were included in consolidated statement of comprehensive income as an expense. Write downs for the period were \$ Nil.

14. Trade and Other Accounts Payable

	2021	2020
	\$	\$
Trade payables	5,204,147	5,226,139
Benefits payable	16,815,717	43,305,592
Other payables	6,179,492	6,166,658
	<u>28,199,356</u>	<u>54,698,389</u>

	2021	2020
	\$	\$
Current	28,170,933	54,667,617
Non-current	28,423	30,772
	<u>28,199,356</u>	<u>54,698,389</u>

Trade payables are amounts due to vendors or suppliers of goods and services.

Other payables are refunds, gratuity accruals and other payables.

National Insurance Corporation

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15. Principal Subsidiary Undertakings

	2021 %	2020 %
St. Lucia Mortgage Finance Company Limited	75	75
Castries Car Park Facility Limited	100	100
National Insurance Property Development and Management Company Ltd. (NIPRO)	100	100
Blue Coral Limited	100	100

All holdings are in the ordinary share capital of the undertaking concerned. The companies noted above are all incorporated and domiciled in Saint Lucia (Note 1).

16. Reserves

	Reserve \$	Risk Reserve \$	Total \$
Balance at June 30, 2019	1,608,174	295,331	1,903,505
Transfer to statutory reserve	-	14,237	14,237
Balance as at June 30, 2020	1,608,174	309,568	1,917,742
Transfer to statutory reserve	-	-	-
Balances as at June 30, 2021	1,608,174	309,568	1,917,742

Statutory reserve

This reserve is maintained in accordance with Section 14(1) of the Banking Act, 1991 which requires that every licensed financial institution maintain a reserve fund and shall, out of its net profit of each year transfer to that fund a sum equal to not less than 20% of such profits whenever the amount of the fund is less than one hundred percent of the paid-up capital of the financial institution.

16. Reserves (Cont'd)

Portfolio risk reserve

This reserve represents amounts set aside for impairment losses on loans and advances to comply with the Prudential Credit Guidelines issued by the Eastern Caribbean Central Bank (ECCB) in addition to those losses that have been recognised under IFRS 9. The Prudential Credit Guidelines require a provision to be made in respect of the portion of the portfolio where loans are three payments or more in arrears.

Excess loan fees

It is the policy of St. Lucia Mortgage Finance Company Limited to provide finance not exceeding 80% of the value of the asset. If finance is in excess of 80%, an additional charge of 2.5% of the loan amount is requested and kept as a reserve. In prior years, these fees were recognised as income when the loans were repaid. In the current year the deferred excess loan fees were transferred to the loan balances and it will be accounted for as an adjustment to the effective interest rate of the corresponding loan.

By letter dated July 23, 2009, the ECCB clarified that only when the regulatory requirement for loan loss provisions exceeds provisions determined for accounting purposes are licensees required to establish a special reserve for the amount by which the regulatory requirement exceeds that computed under the applicable accounting standard.

No further regulatory provision was required as at June 30, 2021.

17. Short-term and Long-term Benefits Fund

Short-term benefits fund is held to cover sickness benefit, maternity allowance and grant, funeral grant, employment injury benefit, hospitalization, and medical benefits in respect of qualifying persons.

Long-term benefits fund is held to cover retirement pensions, retirement grants, death and disablement, invalidity and survivors' benefits in respect of qualifying persons.

National Insurance Corporation

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18. Detailed Statements of Income and Expenditure

	Short-term		Long-term		Retained Earnings		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Contribution income	19,995,707	20,123,854	97,626,098	98,251,755	-	-	117,621,805	118,375,609
Benefits expenses								
Short-term benefits	(15,055,855)	(14,848,690)	-	-	-	-	(15,055,855)	(14,848,690)
Long-term benefits	-	-	(99,642,668)	(91,591,347)	-	-	(99,642,668)	(91,591,347)
Medical health programme	(5,000,000)	(5,000,000)	-	-	-	-	(5,000,000)	(5,000,000)
	(20,055,855)	(19,848,690)	(99,642,668)	(91,591,347)	-	-	(119,698,523)	(111,440,037)
Surplus of contributions over benefits	(60,148)	275,164	(2,016,570)	6,660,408	-	-	(2,076,718)	6,935,572
Economic Relief Programme	(20,429,566)	(46,158,219)	-	-	-	-	(20,429,566)	(46,158,219)
General and administrative expenses	(3,334,092)	(4,474,508)	(20,522,097)	(9,959,388)	2,244,515	(4,555,244)	(21,611,674)	(18,989,140)
Loss from operations	(23,823,806)	(50,357,563)	(22,538,667)	(3,298,980)	2,244,515	(4,555,244)	(44,117,958)	(58,211,787)
Other income								
Investment income - net	2,352,781	2,632,088	171,404,466	63,170,109	7,490,919	7,757,594	181,248,166	73,559,791
Change in fair value of investment properties	467,979	1,806,891	34,093,105	43,365,385	(196,006)	(1,465,000)	34,365,078	43,707,276
Other income	67,141	68,266	327,808	333,301	(637,732)	231,525	(242,783)	633,092
	2,887,901	4,507,245	205,825,379	106,868,795	6,657,181	6,524,119	215,370,461	117,900,159
Excess of income over expenditure before finance costs and taxation and income tax expense	(20,935,905)	(45,850,318)	183,286,712	103,569,815	8,901,696	1,968,875	171,252,503	59,688,372

National Insurance Corporation

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18. Detailed Statement of Income and Expenditure (Cont'd)

	Short-term		Long-term		Retained Earnings		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Excess of income over expenditure before finance costs and taxation brought forward	(20,935,905)	(45,850,318)	183,286,712	103,569,815	8,901,696	1,968,875	171,252,503	59,688,372
Finance costs	-	-	-	-	(29,250)	(38,794)	(29,250)	(38,794)
Excess of income over expenditure before taxation	(20,935,905)	(45,850,318)	183,286,712	103,569,815	8,872,446	1,930,081	171,223,253	59,649,578
Taxation	-	-	-	-	(47,132)	(147,943)	(47,132)	(147,943)
Excess of income over expenditure	(20,935,905)	(45,850,318)	183,286,712	103,569,815	8,825,314	1,782,138	171,176,121	59,501,635
Attributable to:								
Reserves	(20,935,905)	(45,850,318)	183,286,712	103,569,815	9,458,485	1,764,341	171,809,292	59,483,838
Minority interest	-	-	-	-	(633,171)	17,797	(633,171)	17,797
Excess of income over expenditure	(20,935,905)	(45,850,318)	183,286,712	103,569,815	8,825,314	1,782,138	171,176,121	59,501,635

National Insurance Corporation

Notes to the Consolidated Financial Statements

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19. Short-term and Long-term Benefits

	Short-term		Long-term		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Retirement	-	-	81,563,942	75,027,378	81,563,942	75,027,378
Sickness	9,906,696	9,371,907	-	-	9,906,696	9,371,907
Survivorship	-	-	10,090,701	9,353,325	10,090,701	9,353,325
Invalidity	-	-	7,695,218	6,940,901	7,695,218	6,940,901
Medical expenses	81,319	79,818	-	-	81,319	79,818
Maternity	3,689,905	4,279,917	-	-	3,689,905	4,279,917
Funeral	1,143,100	826,418	-	-	1,143,100	826,418
Disablement	-	290,630	137,770	115,638	137,770	406,268
Death	-	-	155,038	154,105	155,038	154,105
Employment injury	234,835	-	-	-	234,835	-
	15,055,855	14,848,690	99,642,669	91,591,347	114,698,524	106,440,037
Medical health Programme	5,000,000	5,000,000	-	-	5,000,000	5,000,000
Economic Relief Programme	20,429,566	46,158,219	-	-	20,429,566	46,158,219

National Insurance Corporation

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20. Expenses by nature

	2021 \$	2020 \$
Administrative and general expenses		
Employee benefits	10,607,943	11,222,683
Rent	28,574	1,074,302
Repairs and maintenance	2,619,800	1,028,361
Depreciation (Note 12 and 2)	925,937	975,803
Electricity, water and sewage	802,165	881,621
Professional and legal fees	584,563	572,802
Security services	464,473	505,126
Contribution to National Community Foundation	400,000	400,000
Stationery and printing	317,115	395,228
Public relations	145,258	294,786
Postage and telephone	313,512	273,123
Property tax	261,595	253,949
Insurance	229,123	227,021
Subscriptions	103,054	137,313
Bank charges	117,115	134,661
Motor vehicle expenses	133,188	131,483
Board expenses	86,344	124,727
Provision for impairment	3,422,471	7,062
Other expenses	49,444	349,089
	<u>21,611,674</u>	<u>18,989,140</u>

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20. Expenses by nature (Cont'd)

	2021 \$	2020 \$
Expenses attributable to investment income		
Provision for loan and investment impairment	(6,658,361)	17,429,901
Repairs and maintenance	3,139,682	3,714,536
Professional and legal fees	1,882,283	2,192,720
Employee benefits	1,023,811	1,159,021
Insurance	733,694	618,849
Electricity, water and sewage	492,538	563,697
Bond premium	213,544	480,689
Board expenses	119,854	153,791
Depreciation	31,645	28,750
Motor vehicle expenses	33,073	26,391
Foreign exchange loss	445	476
Subcontractor fees	-	-
Other expenses	574,532	556,420
	<u>1,586,740</u>	<u>26,925,241</u>
Total administrative and general expenses and expenses attributable to investment income	<u>23,198,413</u>	<u>45,914,381</u>

National Insurance Corporation

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21. Employee benefit costs

	2021 \$	2020 \$
Salaries	10,167,842	11,404,634
Gratuities and other staff cost	1,463,912	977,070
	<u>11,631,754</u>	<u>12,381,704</u>

22. Investment income - Net

	2021 \$	2020 \$
Cash and cash equivalents interest income	4,342,132	481,447
Fair value through income:		
- Dividend income	4,775,867	5,508,170
- Fair value gain/(losses) on equity/debt securities	63,573,978	(5,794,363)
- Interest income on debt securities	1,478,606	1,844,491
Loans and receivables interest income	13,395,654	16,110,902
Investment securities interest income		
- Amortised cost	38,965,143	34,524,351
- Loans and receivables	11,311,945	14,640,096
Finance lease interest income	6,641,082	6,756,616
Rental income	10,996,962	12,502,795
Development income	-	-
Maintenance and management fees	1,349,999	1,293,202
Parking fees	180,460	533,675
Share of associate income	25,823,078	12,083,650
	<u>182,834,906</u>	<u>100,485,032</u>
Expenses attributable to investment income (Note 19)	<u>(1,586,740)</u>	<u>(26,925,241)</u>
	<u>181,248,166</u>	<u>73,559,791</u>

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23. Related party transactions

The following transactions were carried out with related parties:

	2021 \$	2020 \$
Interest income	4,014,642	4,666,833
Dividend income	371,633	324,858
Dividend income in Associates	3,545,119	3,545,120
Rental income	1,089,092	1,089,092
Board expenses	206,199	278,518
Key management compensation is as follows:		
Key Management Compensation	3,466,271	4,074,024
Salaries and wages	769,729	783,889
	4,236,000	4,857,913
Loans to Government of St. Lucia & Statutory Bodies		
Government of St. Lucia & Statutory Bodies	116,879,264	115,425,243
Provision for impairment	(43,720,170)	(40,780,513)
	73,159,094	74,644,730
Finance Lease - Pt. Seraphine Financial Complex	76,174,523	69,443,620
Provision for impairment	(5,064,548)	(1,846,845)
	71,109,975	67,596,775
	144,269,069	142,241,505
	-	-
Loans to associate - LUCELEC		
	45,440,438	52,078,778
Receivables from Government of St. Lucia - Net		
	46,283,853	56,741,841
Due from Government of St. Lucia		
	589,368,634	547,837,017

National Insurance Corporation

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24. Right of use lease assets and Lease obligation

Lease terms are generally between 2 - 4 years. Most lease are renewable at certain agreed terms and conditions. The monthly fees are based on fixed rate subject to 4.5% escalation rate or percentage of sales, whichever is higher.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year ended June 30, 2021:

	2021 \$	2020 \$
Beginning balance	256,758	465,831
Amortization of ROU assets	(209,072)	(209,073)
Ending balance	47,686	256,758

Set out below are the carrying amounts of lease liabilities and the movements during the year ended June 30, 2021:

	2021 \$	2020 \$
Beginning balance	272,800	484,181
New leases during the year	69,417	-
Accretion of interest expense	6,898	16,608
Payments	(227,989)	(227,989)
Ending balance	121,126	272,800
Less. Current portion of lease liabilities	121,126	272,800
Noncurrent portion of lease liabilities	-	-

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24. Right of use lease assets and Lease obligation (Cont'd)

The following are the amounts recognized in profit or loss for the year ended June 30, 2021:

	2021 \$	2020 \$
Amortization of ROU assets	209,072	209,073
Deferred leases	(5,120)	(2,308)
Accretion of interest expense	6,898	16,608

Shown below is the maturity analysis of the discounted lease payments as of June 30, 2021:

	2021 \$	2020 \$
Within one (1) year	121,126	221,090
After one (1) year but not more than five (5) years	-	51,710
More than five (5) years	-	-
	<u>121,126</u>	<u>272,800</u>

The Group's additions to ROU assets and lease liabilities as of June 30, 2021 are considered non-cash activities.

Shown below is the undiscounted lease payments as at June 30, 2021.

	2021 \$	2020 \$
Within one (1) year	52,000	227,989
After one (1) year but not more than five (5) years	-	52,000
More than five (5) years	-	-
	<u>52,000</u>	<u>279,989</u>

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25. Taxation

National Insurance Corporation is exempt from the payment of income tax under the Income Tax Act.

St. Lucia Mortgage Finance Company Limited was granted exemption by Cabinet Conclusion No. 625 of 2005 from corporate income tax on any profits accruing to the Subsidiary arising out of loans made.

National Insurance Property Development and Management Company Ltd. is exempt from income tax on the profits earned by the Subsidiary, which are specific to refurbishment and BOLT projects. All other income is subject to income taxes at a rate of 30% per annum.

Castries Car Park Facility Limited has been granted a tax holiday for the first ten years of operation, which expired October 2008. A further ten years' tax holiday was granted to the Group as per Cabinet Conclusion No.1031 with effect from November 2009.

Blue Coral Limited is subject to income taxes at a rate of 30% per annum.

	2021 \$	2020 \$
Current tax	46,396	147,943
Prior year deferred tax adjustment	736	
Deferred tax	-	-
	<u>47,132</u>	<u>147,943</u>

The tax on the Group's income before taxation for the year differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2021 \$	2020 \$
Excess of income over expenditure before taxation	<u>183,823,668</u>	<u>59,649,578</u>
Tax calculated at domestic tax rates applicable to income of the respective companies	55,146,875	17,894,873
Expenses not deductible for tax	(277,781)	(292,741)
Tax effect of exempt income	(56,457,492)	(31,271,728)
Timing differences	5,415,429	13,817,539
	<u>47,132</u>	<u>147,943</u>

The weighted average applicable tax rate was 0.018% (2020 - 0.018%).

National Insurance Corporation

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26. Actuarial Review

Section 24 of the National Insurance Act requires an actuarial review of the National Insurance Fund to be conducted at least every five years. The eleventh actuarial review of the National Insurance Fund as at June 30, 2015 was conducted by an actuary of the International Labour Organization.

The key results of the financial and demographic projections based on the contribution and benefit provisions in place as of the valuation date are:

- The total population of St. Lucia is projected to increase from 172,624 in 2014 to 180,634 in 2034 and decrease thereafter to 160,540 in 2065.
- The employed population is projected to increase from 75,014 in 2015 to 97,146 in 2040 and decrease thereafter to 82,899 in 2065.
- The aging of the general population will have a significant impact on the ratio of workers to retirees. Those aged 65 and over represent an increasing percentage of the total population, up from 8.9 per cent in 2014 to projected 20.5 per cent in 2045 and projected 30.3 per cent in 2065.
- Contribution income is expected to be sufficient to meet total expenditure through 2066.
- The NIC is relatively young, so the long-term benefits branch has not yet reached a state of maturity and the cost of pensions expressed as a percentage of insurable earnings is still increasing. In 2016, the annual expenditure of the branch represented 8.2% of total insurable earnings and will gradually increase to 35.8% in 2068.
- Reserves are expected to slowly increase in 2065 when total income will begin to exceed total expenditure. In 2051 projected reserves will be exhausted unless relevant measures are taken to reverse the projected trend.
- The results presented above suggest that the NIC should give consideration to a potential increase in the contribution rate.
- The pay-as-you-go rate or the contribution rate that would be required to produce just enough income to meet expenditure if there is no fund will increase gradually from 8.2% in 2016 to over 35% in the long term. This indicates that there will be a need to eventually increase the contribution rate of the branch to face its long-term cost.

27. Commitments

As at end of year, loans and receivables approved by the Group but not yet disbursed amounted to approximately \$3,430,372 (2020 - \$3,070,587).

28. Vieux Fort Administrative Complex

On March 4, 2016, National Insurance Corporation entered a Build-Own, Lease Transfer (BOLT) Agreement with the Government of Saint Lucia for the construction of a general administrative complex in Vieux Fort ("the Project"). As at June 30, 2016, the cost incurred on the Project and shown as part of investment property was \$10,696,897, and an undrawn commitment of \$47,810,252 was included as part of the off-balance sheet credit commitments disclosure. By letter dated September 8, 2016, the Government communicated its decision to terminate the BOLT Agreement.

At the time of signing these consolidated financial statements, the determination of the total exit cost was still ongoing, and management was therefore unable to disclose the full financial effect associated with the termination of the Project and its related contracts. However, at the year end, the total cost incurred of \$16,006,605 (2020 - \$15,150,823) has been included in financial assets.

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29. Subsequent Events

A fire occurred at the Castries Carpark on October 24, 2020, causing the leased offices and the supermarket to remain closed for the month of October 2020 to December 2020. The fire also compromised the parking area which has remained closed from October 2020 to June 2021. The estimated cost of remedial work is \$902,400.00. \$807,525.49 was settled through the insurers, Agostini Insurance Brokers under the Castries Carpark's "Commercial All Risk" policy (\$275,000.00 was paid on December 16, 2020, and \$532,525.49 was paid on February 21, 2022).

On March 3, 2023, the Corporation (Lessor) entered into a 25-year lease agreement for lands at Troumassee Estate with the Government of St. Lucia (Lessee). The lease term which expires on March 31, 2044, requires quarterly lease payments of \$195,074.49 (excluding VAT). Although the lease was signed in 2023, it covers the period starting from April 2019. The total accrued amount, including VAT, for the years 2019 to 2020 is \$1,097,293.95 and for 2021 it is \$877,835.16.

Group Rationalisation Exercise

As part of the Corporation's Group rationalisation exercise, in preparation for the voluntary winding down of the Blue Coral Limited (BCL), some of BCL's assets and liabilities were transferred to either National Insurance Corporation or National Insurance Property Development and Management Company Ltd (NIPRO) with an effective date of June 30 2024. Effective July 1, 2024, a lease agreement was entered into between BCL and NIPRO for the BCL building, to manage the operations of the Blue Coral Mall.

30. Castries Carpark Winding Up

As part of the winding up process on June 1, 2021, the property of Castries Car Park Facility Limited (CCFL) was transferred to the Corporation via a Deed of Transfer and corresponding radiation of the CCFL debt to the Corporation. Effective June 1, 2021 a lease agreement has been entered into between NIPRO and the Corporation for rental of the related property. Remaining net assets of CCFL were transferred to the Corporation by June 30, 2021.

The winding up of CCFL is on hold pending the conclusion of an on-going legal matter.

Statistical Appendix 2020/21

The following statistics have been prepared on a cash basis

Table 1**Contribution Received (\$EC) by Economic Sector: 2016-2021**

Economic Sector	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Agriculture, Hunting, Forestry and Fishing	1,363,140	1,384,067	1,404,026	1,404,026	1,060,582
Mining and Quarrying	345,685	380,549	357,202	345,938	426,794
Manufacturing	6,439,815	6,770,813	6,839,272	6,519,312	6,043,795
Electricity, Gas and Water Supply	3,658,939	3,808,775	3,983,688	4,082,562	3,991,019
Construction	2,689,066	1,974,771	3,411,390	2,722,418	4,332,548
Wholesale and Retail	14,049,863	14,619,043	15,073,814	14,499,305	13,418,299
Hotels and Restaurants	22,987,820	26,042,711	26,479,851	23,323,776	12,755,431
Transport, Storage and Communication	7,947,024	8,231,904	9,548,686	10,139,662	9,730,435
Financial Intermediations	7,720,729	7,683,925	8,164,109	8,307,965	8,534,311
Real Estate, Renting and Business Services	10,674,998	10,271,245	10,589,786	10,307,741	9,582,488
Public Administration, Defence, Compulsory Social Security, Education, Health, Social Work	28,525,790	30,196,413	31,706,863	27,974,401	27,186,969
Community, Social, Personal Services, Households with Employed Persons, Extra-Territorial Org. & Bodies	6,437,830	6,679,072	7,372,905	6,867,719	5,989,387
Self-Employed	1,060,021	1,144,435	1,203,281	1,103,428	963,267
Voluntary Persons	82,966	92,636	17,595	13,165	72,871
Activities Inadequately Defined	419,109	499,426	654,697	951,241	778,439
Grand Total	\$114,402,795	\$119,779,784	\$126,807,165	\$118,436,188	\$104,866,635

Table 2
Number of Active Insured Persons by Economic Sector: 2016-2021

Economic Sector	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Agriculture, Hunting, Forestry and Fishing	932	947	905	886	767
Mining and Quarrying	149	151	123	119	120
Manufacturing	3,387	3,535	3,519	3,423	3,146
Electricity, Gas and Water supply	1,008	1,114	1,114	1,124	1,108
Construction	2,458	2,275	2,468	2,812	3,305
Wholesale and Retail Trade	11,146	11,654	11,712	11,473	8,786
Restaurants and Hotels	8,312	8,548	8,457	8,323	7,532
Transport, Storage and Communication	3,557	3,816	4,400	4,620	5,097
Financial Intermediations	2,770	2,786	2,831	2,850	2,761
Real Estate, Renting and Business Services	5,869	5,330	5,106	5,148	4,736
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	11,083	11,443	11,856	12,218	12,325
Community, Social and Personal Services, Households with Employed Persons and Extra-Territorial Organizations and Bodies	3,689	3,817	3,874	3,649	3,298
Self-Employed	1,284	1,374	1,458	1,442	3,298
Voluntary Contributors	41	35	29	25	1,253
Activities not Adequately Defined	515	617	642	793	768
Grand Total	56,200	57,442	58,494	58,905	55,017

Table 3**Number of Active Employers by Economic Sector for Financial years ended 2017-2021**

Economic Sector	Financial Year				
	Jun-2017	Jun-2018	Jun-2019	Jun-2020	Jun-2021
Agriculture, Hunting, Forestry and Fishing	99	96	95	93	89
Mining and Quarrying	10	9	10	10	9
Manufacturing	258	259	252	257	257
Electricity, Gas and Water supply	20	20	19	19	19
Construction	167	175	158	172	184
Wholesale and Retail Trade	627	619	617	611	580
Restaurants and Hotels	404	393	412	430	396
Transport, Storage and Communication	192	196	207	209	189
Financial Intermediations	135	132	133	130	136
Real Estate, Renting and Business Services	420	421	414	429	421
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	291	303	311	297	283
Community, Social and Personal Services, Households with Employed Persons and Extra-Territorial Organizations and Bodies	927	942	961	895	861
Activities not Adequately Defined	231	224	226	165	206
Grand Total	3,781	3,789	3,815	3,717	3,630

Table 4**Number of Employers Who Paid Contributions by Economic Sector: 2016-2021**

Economic Sector	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Agriculture, Hunting, Forestry and Fishing	95	91	91	91	87
Mining and Quarrying	10	10	10	11	11
Manufacturing	222	237	236	235	231
Electricity, Gas and Water supply	20	19	19	19	18
Construction	124	106	117	119	126
Wholesale and Retail Trade	578	572	577	576	532
Restaurants and Hotels	318	329	361	365	296
Transport, Storage and Communication	174	185	191	193	160
Financial Intermediations	120	124	122	120	124
Real Estate, Renting and Business Services	364	365	389	393	368
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	287	297	298	293	272
Community, Social and Personal Services, Households with Employed Persons and Extra-Territorial Organizations and Bodies	862	875	923	881	801
Activities not Adequately Defined	64	75	90	95	114
Grand Total	3,238	3,285	3,426	3,391	3,140

Table 5**Number Short-Term Benefits Paid by Type: 2016-2021**

Short-Term Benefits	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Employment Injury	196	236	227	136	139
Sickness Allowance	17,124	19,607	19,827	16,147	15,502
Maternity Allowance	870	877	968	833	922
Maternity Grant	852	846	960	806	860
Funeral Grant	367	343	397	347	464
Medical Expenses	96	98	78	57	23
Total	19,505	22,007	22,457	18,326	17,910

Table 6**Short-Term Benefits Expenditure (\$EC) by Type: 2016-2021**

Short-Term Benefits	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Employment Injury	309,503	281,690	233,388	230,438	250,249
Sickness Allowance	7,424,613	8,558,729	9,663,542	8,169,439	9,066,225
Maternity Allowance	3,121,380	3,278,086	3,644,977	3,164,934	3,360,493
Maternity Grant	517,800	514,800	584,400	478,800	522,000
Funeral Grant	895,000	857,533	977,450	826,200	1,150,600
Medical Expenses	5,032,665	5,039,632	5,058,819	5,022,181	5,025,730
Total	17,300,961	18,530,470	20,162,576	17,891,992	19,375,297

Table 7**Number Long-Term Benefits Paid by Type: 2016-2021**

Long-Term Benefits	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Retirement Pension	5,953	6,333	6,744	7,130	7,644
Survivors Pension	1,274	1,319	1,364	1,485	1,426
Invalidity Pension	617	654	681	687	721
Disablement Pension	12	13	11	12	14
Retirement Grant	608	693	659	613	476
Survivors Grant	61	67	76	58	61
Invalidity Grant	43	49	44	43	47
Disablement Grant	1	-	-	2	-
Grand Total	8,569	9,128	9,579	10,030	10,389

Table 8**Long-Term Benefits Expenditure (\$EC) by Type: 2016-2021**

Long-Term Benefits	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Retirement Pension	52,187,552	56,370,229	61,068,273	70,884,102	77,518,851
Survivors Pension	6,832,029	7,626,268	7,946,361	9,054,248	9,313,566
Invalidity Pension	5,582,285	5,744,971	6,052,249	6,575,984	7,066,683
Disablement Pension	98,377	95,152	99,432	96,536	105,604
Retirement Grant	3,161,977	3,531,966	4,064,551	3,309,853	2,743,923
Survivors Grant	247,372	260,975	283,573	327,116	301,015
Invalidity Grant	267,251	232,337	276,128	194,059	220,264
Disablement Grant	35,998	-	-	20,391	-
Grand Total	\$68,412,841	\$73,861,898	\$79,790,567	\$90,462,289	\$97,269,906

Table 9**Benefits Expenditure (\$EC) by Type and Branch: 2016-2021**

Benefit Branch	Financial Year				
	2016/17	2017/18	2018/19	2019/20	2020/21
Long-Term					
Retirement	55,349,529	59,902,195	65,132,824	74,193,955	80,262,774
Survivorship	7,079,401	7,887,243	8,229,934	9,381,364	9,614,581
Incapacitation	5,983,911	6,072,460	6,427,809	6,886,970	7,392,551
Sub-Total	68,412,841	73,861,898	79,790,567	90,462,289	97,269,906
Short-Term					
Employment Injury	309,503	281,690	233,388	230,438	250,249
Sickness Allowance	7,424,613	8,558,729	9,663,542	8,169,439	9,066,225
Maternity Allowance	3,121,380	3,278,086	3,644,977	3,164,934	3,360,493
Maternity Grant	517,800	514,800	584,400	478,800	522,000
Funeral Grant	895,000	857,533	977,450	826,200	1,150,600
Medical Expenses	5,032,665	5,039,632	5,058,819	5,022,181	5,025,730
Sub-Total	17,300,961	18,530,470	20,162,576	17,891,992	19,375,297
Total	\$85,713,80	\$92,392,36	\$99,953,14	\$108,354,2	\$116,645,20

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