

# 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 STATEMENT



*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 skilled staff.*



**NATIONAL  
INSURANCE  
CORPORATION**

*For the benefit of us all!*

**SAFETY**

The National Insurance Corporation could be epitomized as a safe haven for those persons who during employment have paid their contributions, and who might have found the need to draw on their entitlement to the various benefits during periods of incapacity during their working lives, while still having the privilege of the security of a Pension at Retirement.

# *Safety, Strength, Soundness, Sustainability.*

**STRENGTH**

The National Insurance Corporation's financial base enables it to hold a position of economic strength in the business environment. From that position the Corporation is able to deal strategically with our investment programmes endeavoring to obtain the best returns on investments while always being mindful of our social responsibility.

**SOUNDNESS**

Having regard to its mandate and its responsibilities to its contributors, the Corporation is ever mindful of the vital need to ensure that the reserves are invested in sound instruments bearing in mind that the Organisation is a young one, that the long-term demands will be yet higher. We must therefore take due care that the fund maintains its financial relevance in the face of inflation and other economic trends.

**SUSTAINABILITY**

Dealing with those economic trends, and against the backdrop of raising pension payments, globalization of economies, increasing competition, growing unemployment, rising cost of living, the National Insurance Corporation is under increased pressure to provide Benefits that are comparable with other larger economies. The NIC therefore must remain resolute in its intent to protect the Organisation by Safe, Sound Investments for the Sustainable development of our people and our Country as a whole.



## Corporate Data

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*Henry D. Anthony*

The original primary objective of our national insurance system was to provide a form of social security through the collection of contributions and the payment of various benefits to eligible persons.

Since its inception, however, we have come to recognize that while this remains an enduring *raison d'être* of the institution, it is nevertheless only its core function and not an end in itself. Fortunately, the National Insurance Corporation (NIC) has been visionary enough to recognise the broader role it can play in the spectrum of national development. Indeed, the National Insurance Corporation of today enjoys a significantly more critical position in the economy than that first conceived by its early architects.

By virtue of its core function, the NIC controls large reserves which represent valuable capital for investment. Consequently, the NIC provides and influences liquidity within the Commercial Banking system. It is thereby directly involved in the development thrust of our economy as well as the financial system in the wider region.


This 2000/01 report confirms the diversity and implicit stability of the Corporation's investment portfolio. It also underscores the high performance levels achieved during this last financial year. By virtue of the range of the Corporation's activities, it can be said unreservedly, that the NIC successfully touches the lives of all St. Lucians, directly or otherwise, playing its vital role in shaping the future of our country.

The Government of St. Lucia applauds the National Insurance Corporation, with particular regard to its

effort at sensitizing stakeholders to the importance of the institution to the well-being of our country. We remain mindful of the need to strike a balance between the core requirement of optimizing the return on investments while demonstrating a social consciousness of the needs of the everyday people who are the backbone of the NIC.

While the NIC continues to perform well, we have to take cognisance of the current economic climate and the negative effects this could have on the vitality of the organization. We must therefore be proactive in the protection of our resources to preserve the benefit entitlements of current and future generations.

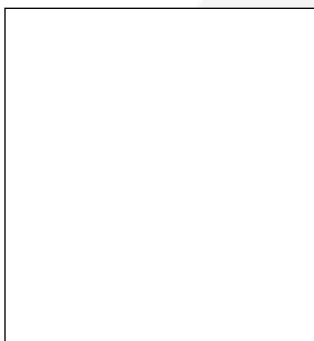
I wish to offer my own sincere appreciation and support to the members of the NIC Board and particularly its Investment Committee. Their guardianship of the important institution is an awesome responsibility. I also thank the NIC Management and Staff for executing their functions with dedication and diligence. I look forward to their continuing resolve in meeting the objectives enshrined in the NIC Legislation, achieving the goals set by the Organisation for itself and working within the policies established by the Government of St. Lucia.



Dr. the Hon. Kenny D. Anthony  
Prime Minister and Minister  
Responsible for National Insurance



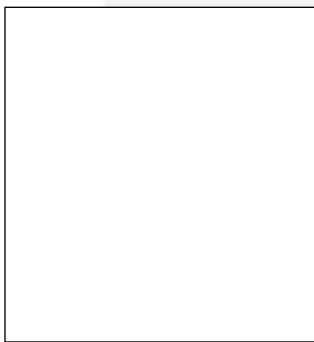
*John C Joseph*  
Chairman  
Representing Government



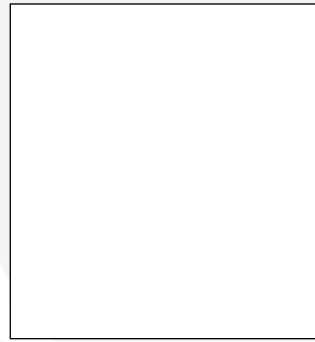
*Emma Hippolyte*  
Director



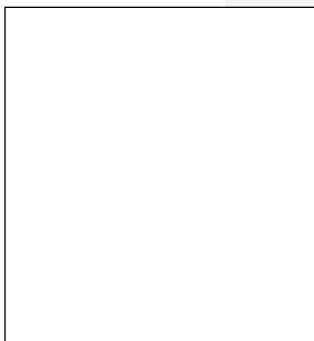
*Ingrid Skerrit*  
Deputy Chairperson  
Representing Employers



*Malcolm Charles*  
Representing Employers



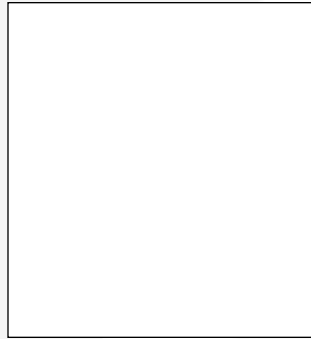
*Lawrence Poyotte*  
Representing Employees



*Crescentia Phillips*  
Representing Employees



*Veronica Barnard*  
Representing Government



*Zenith James  
Chairperson*



*Emma Hippolyte  
Director*



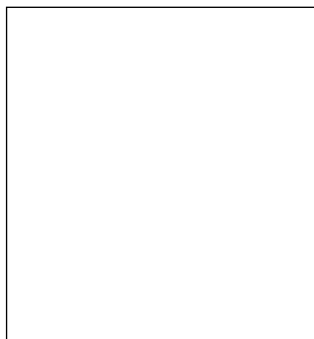
*Ingrid Skerrit*



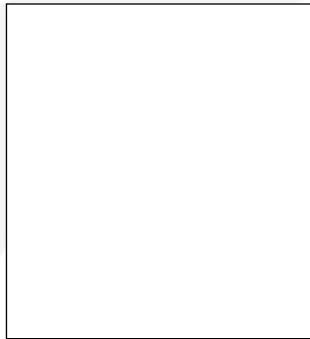
*Costello Michel*



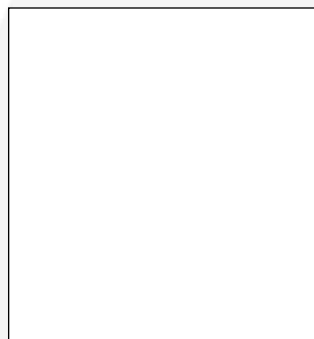
*John Louis*



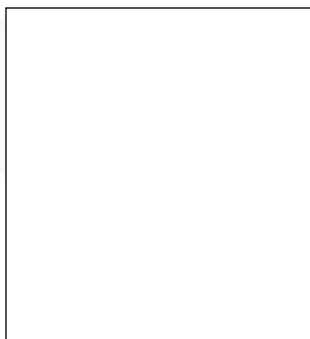
*Emma Hippolyte*  
Director



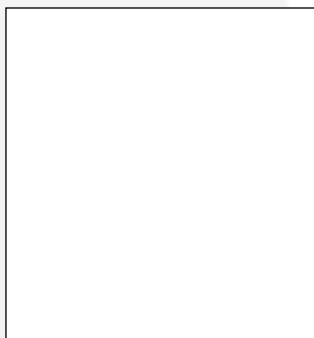
*Matthew Lincoln Mathurin*  
Deputy Director/Financial Controller



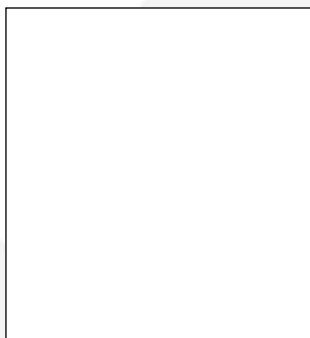
*Augustine Louis*  
Human Resource/Operations Manager



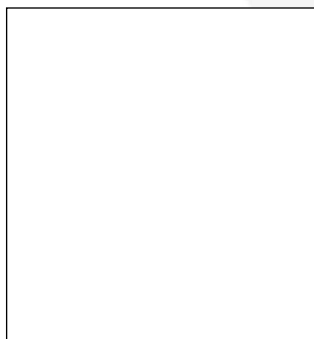
*Callixta John*  
Internal Auditor



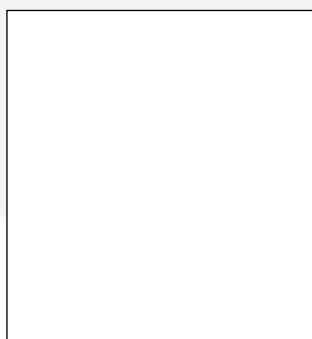
*Cadie St. Rose-Bruney*  
Legal Counsel



*Desmond Dujon-Henry*  
Systems/Public Relations Manager



*Albert Cenac*  
Statistics/Training Manager



*Paula Bleasdille*  
Accountant



*Yolande Trim*  
Assistant/Board Secretary





I am pleased and proud to present my Report for this Financial Year, which covers a period characterized by continuing growth and development.

The efforts of the Board have been employed in guiding and directing matters of policy in accordance with the mandate of the legislation; ensuring that the funds are used with prudence, yet striving to earn a satisfactory level of returns for the Fund.

The following members of the Board and Investment Committee collaborated in the pursuit of our efforts:

#### National Insurance Board

Mr John Joseph, Chairman - Representing Government  
 Mrs Ingrid Skeritt, Deputy Chairman - Representing Employers  
 Mrs Veronica Barnard - Representing Government  
 Mr Malcolm Charles - Representing Employers  
 Ms Crescentia Phillips - Representing Employees  
 Mr Lawrence Poyotte - Representing Employees  
 Ms Emma Hippolyte, Director

#### National Insurance Investment Committee

Ms Zenith James, Chairman - Ex Officio — April 2001  
 Mr Reginald Darius, Chairman - Ex Officio  
 - April 2001 — June 2001  
 Mrs Ingrid Skeritt  
 Mr Costello Michel  
 Mr John Louis

#### ADMINISTRATION

##### Appointments

The single new appointment to Staff was Miss Vanessa St Ange who is employed as Computer Programmer. Miss St Ange received a First Class Honours Degree in Computer Science from UWI.

The Director, Ms Emma Hippolyte was appointed External Auditor to the Organisation of American States (OAS), the other two appointees being from Peru, and USA.

In November 2000 the Board appointed a Medical Advisory Committee comprising Doctors Stephen

King, Leonard Surage, Kenneth Louisy and Martin Didier who sit to adjudicate on special cases that merit their expertise for payment of appropriate Invalidation benefits.

In April 2001 Ms Zenith James, after giving dedicated service to the Board from September 1992, resigned her position as Chairman of the National Insurance Investment Committee concomitant with her retirement as Director of Finance.

The Board was pleased to welcome Mr Reginald Darius who was appointed the new Director of Finance and assumed the position of Ex-Officio Chairman of the Investment Committee.

##### New Legislation

The new National Insurance Corporation Act No 18 of 2000 was finally put through the stages. It was passed in the House of Assembly on 25th July 2000 and in the Senate on 25th August 2000.

##### Training and Human Resource Management

The Board took a decision to continue to expose its staff to appropriate training for the realisation of its stated goal of taking the Organisation to higher levels of professionalism and effectiveness.



Training consumed 560 man-hours during this period.

#### Arrears of Contributions

Concerted efforts continued with respect to the outstanding arrears of contributions. We have improved the collections and legal procedures to facilitate the process and will continue efforts to refine them still further.

#### Public Relations and Education

We have also significantly improved our information processes to better enlighten and serve our stakeholders. We have endeavoured also to enhance our corporate image and are working towards becoming a well-accepted household name nationally.

#### Meetings and Conferences

The Director participated at a meeting of the American Commission on Organization and Administrative Systems (CAOSA) in Costa Rica from 23rd to 27th October 2000, where she made a presentation on Strategies in Targeting Eligible Beneficiaries—The St Lucia Experience.

The meeting was successful, but more importantly St Lucia was well placed to make a meaningful delivery on an issue that it is actively addressing.

In June 2000, the Director and the Human Resource/Operations Manager were participants at a Harvard School of Government Seminar on Pensions. They presented a paper detailing possible changes to our current Pension System recommending instead a holistic view to addressing the Pension issues of Saint Lucia. The paper is currently before the Minister responsible for his consideration.

#### INVESTMENTS

It is to be noted that in making investments the Board was mindful of the policy guidelines of its own Investment Policy as well as the guidelines set for Social Security Institutions by the Eastern Caribbean Central Bank. Accordingly all investment areas are well within the recommended levels with the exception of Social Investments, which was above the 10%

recommended level.

Fixed Deposits were also above the recommended level because of the limited investment opportunities available in the local and regional market.

In its continued effort to diversify the Investment Portfolio and, at the same time increase its returns, the Board made the following investments: -

#### National Cricket Ground

\$5 Million was invested in Bonds arranged by Republic Finance and Merchant Bank Limited (FINCOR) for the financing of St Lucia's national Cricket Ground.

#### Investment In Securities

In August 2000 the Board invested \$5 Million in CLICO's Flexible Premium Bonds at 9.5% for five years.

\$2 Million was invested with Royal Merchant Bank in Series A Bonds for 10 years at 9%.

The Board purchased \$125,000.00 of Class B shares in the ECCB Securities Exchange (ECSE), which was set up to generate new business opportunities in the Region.

In April 2001 the Board invested \$11.6 Million in maturing Treasury Bills at 8.5% for one year in the first instance with a proviso to review at the end of that time.

#### Investment in Housing

The Board has always pledged to assist in the provision of this basic need and is therefore committed to support the Housing industry. This is underscored by the fact of its purchase of 75% ownership of St Lucia Mortgage Finance Company Ltd and by its continued investment in the Eastern Caribbean Home Mortgage Bank (ECHMB). This Financial Year we reinvested a maturing deposit of \$2.5 Million thus retaining support of ECHMB at \$5 Million.

However, the Board's efforts at developing an area of 38 Acres for middle- income residential homes were frustrated by a Claim from a third party for ownership

of the lands. This matter is now before the Courts.

The Board continued to play its role in the development of the Country by its distribution of funds to Credit Unions for onward lending to their members for housing.

More specifically: -

- The St Lucia Civil Service Cooperative Credit Union was the beneficiary of another Loan of \$2.5 Million in August 2000, to be used finance housing loans for its members.
- The St Lucia Teachers Credit Cooperative also received Loan financing of \$750,000 to support housing loans to members of the Union.
- St Lucia Workers Cooperative Credit Union was granted a Loan of \$500,000.00, also to finance housing loans.

#### St Lucia Housing Authority

This large Social Investment of NIC is due primarily to the long outstanding loan of \$35 Million granted to St Lucia Housing Authority in 1996, and which loan remains outstanding despite considerable effort and prodding from the Board.

As long as the issue remains, the Board will continue to direct its efforts at finding some creative means by which to receive payment of this large amount. In fact the Board is actively considering alternative methods for recovery, and we believe, that with appropriate goodwill our current efforts may resolve the situation in the ensuing year.

#### SUBSIDIARIES:

National Insurance Property Development and Management Company (NIPRO)

NIPRO was established as a subsidiary of the Corporation during the preceding year but began operating from its own premises in September 2000. A Board, appointed in September 2000 was charged with the responsibility of guiding and directing the operations of NIPRO.

The Board comprised the following persons:

Mr Sean Matthews—Chairman  
Mr Rostan Taylor  
Mrs Veronica Barnard  
Mrs Patricia Prudent-Phillips  
Ms Emma Hippolyte  
Mr Matthew Sargusingh—CEO/Company Secretary

While NIPRO continues to grapple with its teething problems, the Company has been able to achieve the following: -

- Completion of the Marchand Police Station under the BOLT Agreement with Government.
- They are currently near completion of five Refurbishment projects at Marigot, Anse-la-Raye, Canaries, Laborie and Choiseul.
- The Tendering processes for the Dennery Fire Station is in progress.

We are convinced of the need for investment in NIPRO not purely from the Corporations' perspective, but also from a National standpoint. Consequently, we will remain focused on our objective of making NIPRO a leading Property Development and management Company in the Country.

#### Castries Car Park Facility Ltd

The Car Park was opened during a formal ceremony in October 2000. At the time of writing, the Office and Shop accommodations have all been taken up for lease. The Car Parking facility however, remains underutilised.



*Castries Car Park Facility*

This new subsidiary of the Corporation is governed by a Board of Directors comprising: -

Mr John Joseph—Chairman  
Mrs Veronica Barnard  
Mr Edward Mungroo  
Ms Emma Hippolyte  
Mrs Cadie St Rose-Bruney—Company Secretary/  
Legal Counsel

We believe that the psyche of the St Lucian consumer has not fully absorbed the idea of car parking away from the actual place of business, work activity or otherwise, and it is to be hoped that the new generation will more readily accept this.

While I say this, the parking problem in the City of Castries continues to be a serious one, and we are convinced that the solution to the problem is hinged on the successful management of On-Street Parking.

Thankfully the Board was guided in its decision to include office and shop accommodation as part of the building plan as those entities have proven to be sufficient to make the investment a viable undertaking.

It must be noted that some efforts have been made with respect to On-street Parking. The draft legislation has now been prepared but remains to be passed through its legislative stages to give effect to the plan for management of parking in the City.

St Lucia Mortgage Finance Co Ltd (SMFC)

SMFC continues to hold its place in the Mortgage market but the Board continues to believe that it requires a more aggressive business approach in order for it not just to retain its place, but with this added vigor to attract a larger share of the Mortgage Market.

This Year, as in previous years, the NIC received a dividend of 10% from this investment.

The following persons form the Board of the St Lucia Mortgage Finance Company Ltd:-

Mr Costello Michel—Chairman  
Mr John Louis  
Mr Reginald Darius

Mr R Orlando Martyr—Executive Director

Cul-de-Sac Industrial Zone Ltd

Government and the National Insurance Corporation now own Cul-de-Sac Industrial Zone Ltd in a 60:40 shareholding, the National Insurance Board having bought out Geest's share of the Company in June 2000.

This new subsidiary of the Corporation also engages considerable effort as the Board grapples with investigative processes to determine whether construction of a Port in the area is economically viable and indeed whether it is feasible, from the national perspective. The Board is determined to find a formula that will answer the best use to which this piece of prime real estate should be put.

A Board of Directors was appointed in September 2000 comprising Ms Emma Hippolyte as Chairperson, Mr Trevor Brathwaite as Company Secretary, the other directors being Mr Adrian Augier, Mr Mervyn Williams and Mr Cletus Springer .

The baton has been passed but the debate continues for development of the area and the questions remain with respect to land usage and the modus for industrialization by invitation to external partners who have the necessary financial backing and technical expertise.

In the meantime, some revenue is realised from time to time from leasing an area (which was paved by Government) for national cultural and social activities.

#### ACKNOWLEDGEMENTS

I thank the Honourable Minister responsible for the subject of National Insurance, the Prime Minister, for the guidance given to the Board and for the various exchanges on pertinent issues all of which we firmly believe will richly redound to the benefit of the Organisation, and ultimately to the development of St Lucia.

I thank the members of the Board and Investment Committee for their efforts, for insightful discussions, and for their individual inputs which give diversity of

thought and ideas and which cumulatively add to the richness of our discussions but ultimately resulting in harmony and confluence of decisions for the general well-being of the Organisation, and in the service of our Country.

My appreciation also to the Management and Staff of the Organisation, some of who have had to go the extra mile in the realisation of their personal goals, but also in achieving the goals set by the Board.

We recognise that the subject of Social Security is complex, that we are still a reasonably young Institution and that as the number of contributors grows the challenges will be greater and more intricate. My hope is that the Organisation will continue to improve and strengthen to deal with the diverse issues that will be presented to us.

The Board therefore pledges to continue to educate itself on relevant matters, to keep in touch with the social needs of our Country and to continue to engage in dialogue and exchange with Regional and International partners through the various channels available to us. We have found this to be a very useful means to broaden our knowledge and understanding of social security issues so that the policies that we introduce will serve the best interests of our contributors, our staff and the Country as a whole.



John C Joseph  
Chairman  
National Insurance Board



It gives me great pleasure to report yet another year of improved operations by the National Insurance Corporation.

The 2000-2001 results is reflective of the NIC's strategic aim of optimizing efficiencies and its relentless pursuit of fund growth, while controlling expenditure. As anticipated the performance indicators continued their upward and positive trends relative to prior years.

#### Financial Performance

- Total assets at cost grew by 11.0% from \$537 Million to \$597.7 Million an increase of \$60.7 Million.
- Total Income grew by 11% from \$82.3 Million to \$91.0 Million an increase of \$9 Million.
- Net Investment Income grew by 15.0% from \$32.4 Million to \$37.2 Million an increase of \$4.8 Million.
- Contribution Income grew by 7% from \$48.1 Million to \$51.5 Million an increase of \$3.4 Million.
- Benefit Expenditure grew by 11% from \$19.7 Million to \$21.8 Million an increase of \$2.1 Million.
- The Reserves of the NIC increased by 11% from \$535 Million to \$594.5 Million an increase of \$59.5 Million.
- Of the 91.0 Million of Gross Income, 7% was spent on Administration, 24% represented Benefit Expenditure and 69% was available for re-investment.

#### Efficiency

The period under review coincides with the end of our first Three-year Strategic Plan for improvement of efficiency and effectiveness. Our quest for greater efficiency continued.

While we have done much towards these objectives, and feel reasonably satisfied with the results to date, our performance this Year was less favourable than

last year. Consequently, we aim to continue to strive towards the acme' of performance standards.

This means in effect that work must continue and efforts must accelerate, more particularly as we face the economic challenges that are now before us and which, from all accounts will continue to increase at least within the immediate short to medium term.

#### Administrative Expenses

Administrative Expenses grew by 11% from \$6.1 Million to \$6.8 Million, an increase of \$644,066, which was contributed in the main to a 27% increase in salaries and wages of \$842,037.

Factors that influenced the increase in salaries and wages are: -

Backpay (2000-2001)	\$ 215,587
Severance, Notice and Leave Pay for employees transferred to NIPRO	\$ 81 575
Leave Pay	\$ 39 988
NIC Student Summer Training programme	\$ 53 643
Temporary Task Force for Reconciliation and verification of Accounts	\$ 95 581
	<u>\$ 486 374</u>

Administrative Cost as a percentage of Contribution Income was 13% compared with 12.7% in 2000.

Administrative Cost as a percentage of Contributions and Surcharge was also 13% compared with 12.30% in 2000.

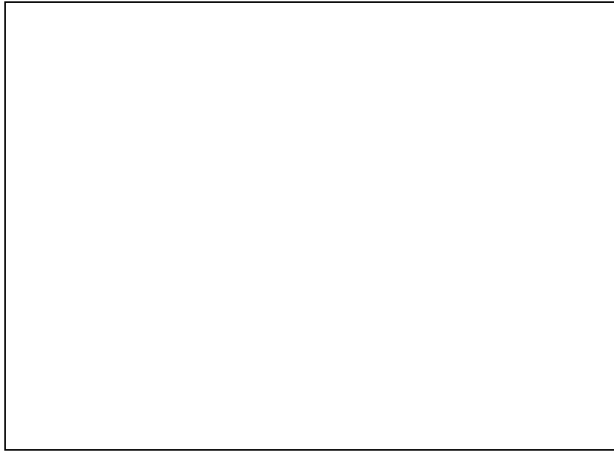
#### NIC Student Loan Facility

As at 30 June 2001 the NIC had disbursed \$12,110,125 to Eight (8) institutions with students benefiting for studies in Thirteen (13) Subject areas.

#### Public Education

The National Insurance serves all incomes, all ages and all abilities. Our primary concern is the well-being of our people. Therefore our energies and





resources are focused on the attainment of this objective. However, the role, function and benefits of the National Insurance continues to be misunderstood in some sectors of the Society. We fully recognise that the problem is significant and requires continuous public education to be remedied. We continue, therefore to explore innovative ways of putting the message to our public.

The National Insurance embarked on a public education drive from September 2001, the intent of which was to provide the general public with the relevant information to dispel all misconceptions. To date, presentations have been made to over 40 employers at their respective work places. The sessions were designed to allow greater interaction between employers/employees and the National Insurance. We were able to deal with queries and concerns more intimately than before.

In October 2000 we organised three public meetings for all stakeholders of the National Insurance Conference Room in Castries. A Public meeting was also held in the Soufriere Town Hall on October 24, 2000. These public meetings provided a forum for discussions, which gave us a better insight into the public's thinking and the opportunity to educate them.

We extended our public education to all levels of the School system. The popularity of the Anansi's Challenge Quiz Competition created a demand for information about the National Insurance. Some schools have incorporated presentations from the National Insurance as part of their Social Studies curriculum and require us to make presentations at

appropriate times.

We continue to ensure that our Benefit leaflets and Employer's and Employee's Guide are always accessible Island wide. These leaflets and brochures are placed in many public institutions all over the Island. Our Newsletter--the Contributor, which provide details of the operations of the National Insurance and issues related to Social Security is also widely circulated.

#### Community Relations

We all need a place to belong—a place where we generally care about one another, share in decisions, treat each with respect and pull together for a common cause. Our communities, although made up with people from different walks of life should be that place, an environment where all feel safe and comfortable.

Currently, the National Insurance through its Sports , Social and Cultural Club has created an incubator for ideas to help solve some community problems. We have been supportive to the Ciceron Children's Home, the Cornerstone Humanitarian House, the Blind Welfare Association and the Grande Riviere Junior Club.

Our challenge is to organize the Club so that it develops the capacity to take on community projects that are of national significance. We believe that we can contribute through that medium to make our communities a more comfortable place to belong.

#### Customer Service

The Board took decisive action this Year to establish the Customer Service Unit in its quest to deliver quality service to contributors. The Unit is staffed with experienced employees who have displayed the right aptitude and disposition in dealing with the Public.

The Board has also redesigned the ground floor area at the Castries Office to make it more functional and comfortable for our contributors and employees. We have also relocated our Vieux Fort office to the Ground floor of our building, again for the benefit our contributors—making it more accessible particularly to our pensioners.



*Customer Service Staff servicing two customers*

In an effort to provide top quality service, front-line Customer Service staff attended Training Courses in Tortola, BVI in Customer Service procedures and practices. This Training is reinforced by continuous on-the-job training and System examination and redesigning.

We are happy to report that the feedback from our customers has been positive and encouraging.

#### Work Processes

The National Insurance Act No. 18 of 2000 makes mention of a Medical Officer as well as a Medical Board.

In November 2000, the National Insurance Board appointed a Medical Advisory Committee separate and distinct from the National Insurance Board.

Its Terms of Reference are as follows: -

- (i) To assess claims for medical disability/invalidity referred to it by the Director or the National Insurance Corporation.
- (ii) To request opinions from other medical specialists when necessary to form a decision on a medical issue.

- (iii) To advise the National Insurance Corporation on all medical issues, including preventative and educational issues to reduce accidents and risks of injuries.

The functions of the Committee were previously carried out by a Medical Board convened by the Ministry of Health from time to time, but this was not always satisfactory.

The Committee comprises: -  
Dr Leonard Surae—Chairman  
Dr Martin Didier—Member  
Dr Kenneth Louisy—Member  
Dr Stephen King—Member

The Director of National Insurance—Ms Emma Hippolyte attends Committee meetings, while the Operations Manager—Mr Augustin Louis serves as Secretary.

The Committee holds Office for two (2) years.

The Committee meets as often as its business requires and submits reports to the Director.

All claims for permanent invalidity or disablement are referred to the Committee and for advice whether to accept, disallow or refer for further expert opinion.

The Committee has proven to be useful in providing advice on the numerous claims submitted and we deem this to be another positive move for greater efficiency and effectiveness and for more objective decision making in the area of Invalidity.

#### Fund Management

Recognising the importance of effective Fund Management to the viability of the Fund, the Board facilitated the training of the Financial Controller/Deputy Director who is pursuing a fifteen-month programme leading to MBA in Finance at Heriott Watt University in Edinburgh, Scotland, UK. He is expected to return to Office in July 2002.

#### The Future

The events of September 11, 2001 have the entire World in a state of disarray. St Lucia is no exception.

The impact on our economy and our people is a deep wound. At the time of writing this report lay-offs and terminations in the Tourism sectors amounted to about 350. Further analysis indicates that approximately 1,000 persons from various sectors are now unemployed.

The immediate impact on the NIC is a projected drop in Contribution Income of approximately 17% for the next Year.

We are taking steps to cut expenditure to match the decline in revenue.

Our creativity as a people is being challenged more than ever but the task is not beyond us. We are confident that we will develop effective strategies to cushion the impact and to move ahead together, stronger.

#### ACKNOWLEDGEMENT

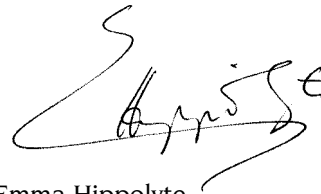
As we acknowledge yet another successful year, I applaud the dedication and commitment of Management and Staff in pursuit of the

Organization's goals. We could not have achieved it without their efforts.

To the Board, Management and Staff, I express my heartfelt thanks and appreciation.

We stand ready to face the future with all its challenges, wiser by our past experiences and inspired by our success and the enthusiasm of the National Insurance family.

With trust in God, single-mindedness, goodwill and the appropriate levels of resolve, discipline and dedication on the part of all, we can reach our acme.



Emma Hippolyte  
Director

## EXPLANATORY NOTES AND SYMBOLS

Contribution	Refers to the contribution of employers and employees.
Industrial Classification	Refers to the international standard industrial classification of all economic activities.
Insured Persons	Refers to all registered persons with at least one month's contribution.
Active Insured	Refers to all registered persons who have paid at least one month's contribution in the review period.
New Entrants	Refers to a person who was first registered with the National Insurance in the review period.
Benefits	Includes any benefit, grant, allowance or pension payable under the National Insurance Corporation Act.
C3 Form	Refers to a contribution form that is sent to employers by the National Insurance on a monthly basis, requesting total employee's deduction and employer contribution per employee.
Pension In-payment	Refers to pensions in-force at the end of the period in review.
Active Employers	Refers to employers registered with the National Insurance and in operation during the review period.
Closed Employers	Refers to employers registered with the National Insurance and were not in operation at the end of the review Period.
Current Contributions	Refers to contributions collected for a given month within the required time frame (before the 8th of the following month).
Past-Due Contributions	Refers to contributions collected for a given month after the required time frame.
Contributing Employers	Refers to employers who paid contributions to the National Insurance Corporation during the review period in question.

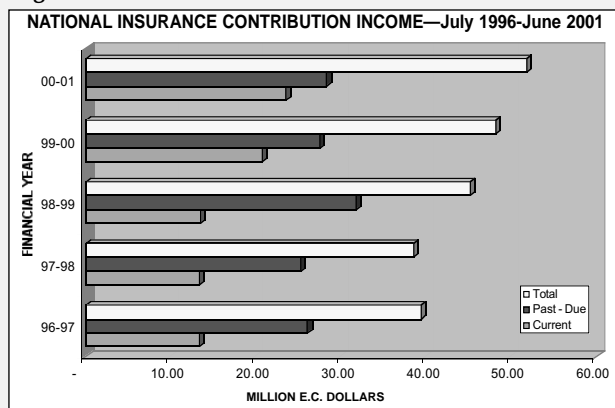
## 1. CONTRIBUTION INCOME

The financing of the National Insurance Corporation has always been based on a combined contribution rate of 10.0 percent (5.0 percent employees and 5.0 percent employers) of insurable earning. During the review period, the contribution ceiling was revised and, as at January 1st 2001, the monthly ceiling upon which contributions are made was increased from \$3000.00 to \$5000.00- an increase of approximately 66.67%.

The overall performance in contribution income was once again largely determined by modest increase in current contribution income and to a lesser extent the impact of the increase in contribution ceiling. In the review period, contributions collected rose by 7.59% to an all time high of \$51.54M; current contribution income accounted for 45.42% or \$23.51M and arrears collected accounted for 54.58% or \$28.03M.

Current contribution income continued its trend of moderate growth, recording its third consecutive fiscal year of expansion. When compared to 1999-2000, current contributions collected increased by 13.66%.

Figure: 1



In addition, current contribution income for 2000-2001 accounted for 46.34% of C3 liabilities, 1999-2000- 41.90% and 1998-1999- 28.84%. The above indicator showed a reasonable improvement in the level of compliance of current contributions. Also, it equally reflected the task at hand for the organization to increase its capacity to collect current contributions to an acceptable level- say 80.0%.

Following a negative growth of nearly 14% in 1999-2000, past-due contributions income rebounded by

approximately 3% to \$28.03M in the review period.

### 1.1 Economic Sector Analysis

Analysis of contribution income on the basis of industrial classification revealed mixed performances. Contribution income from most sectors realized moderate growth whilst others recorded significant contraction.

On average, contribution income from the service sectors (Financial, Business and Social) rose by approximately 10.0%. After recording a 13.38% contraction during the previous fiscal year, contributions received from the 'public administration' sector increased by 15% to \$7.75M; contribution income from the transport/storage/communication' sector also expanded by 15%.

Between July 1990-June 2000, contribution income from the 'wholesale/retail trade' grew steadily at an average annual rate of 6.5%. However, in the review period, the above trend did not continue, as contributions from this sector remained relatively leveled at \$7.26M. This performance possibly could be linked to the impact of a deceleration in growth of consumer spending.

The 'restaurant and hotel' sector registered the largest increase (in the last eight years) with a growth rate of 27.71%. This growth was due in part to improvement in the level of current contribution income on the one hand and the impact of new establishment such as the 'Hyatt Regency Hotel' on the other hand.

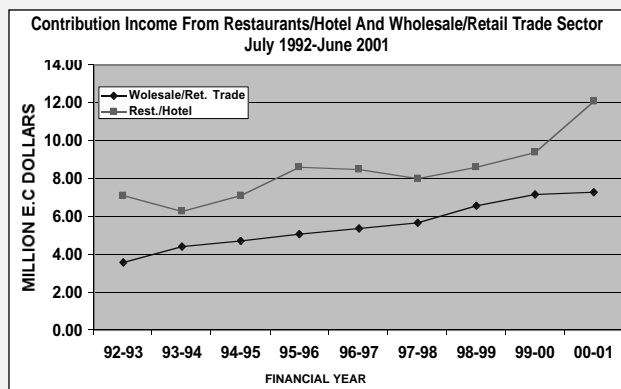
Considering the negative effects of recent closure of Rex St Lucia, Orange Grove Hotel, Palm Tree Hotel, Papillion Hotel and the 'terrorism attack on the USA', contribution income from the restaurant/hotel sector is very likely to decline during the financial year ending June 2002.

Following a huge increase of 73.81% in 1999-2000, contributions collected from the construction sector registered a 44.38% decline. The above decline was primarily due to a significant drop in persons employed in that sector as most capital projects were nearing completion.

Contraction in the construction sector also impacted

negatively on the 'mining and quarrying' sector causing a 22% decline in contribution income. Other industries that recorded declines were 'manufacturing'- 1.57% and 'agriculture'- 25.66%.

Figure: 2



## 2. INSURED POPULATION

### 2.1 New Entrants

In the review period, 4605 persons registered with the National Insurance Corporation- 49.71% or 2289 were male and 50.29% or 2316 were female. The age of new entrants are exponentially distributed with approximately 80% between ages of 16 and 24 years and the remainder decline asymptotically as age approaches 60.

An examination of new entrants on the basis of purpose of registration indicated, that after five years of consecutive growth, persons who registered for employment purposes contracted by 9.59% to 2517. Further examination revealed that the magnitude of decline was approximately uniform between the ages of 16 and 54.

### 2.2 Active Insured

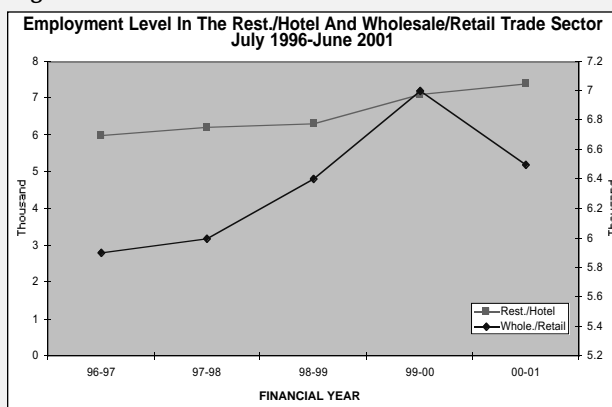
During the fiscal period in review, total active contributors (active insured) declined by 2.41% to 40,014. Of this number, 51.38% were females and 48.62% were males.

Analysis of employment level on the basis of industrial classification of economic activities revealed moderate growths in the service sectors and significant contractions in the sectors outlined below: agri-

culture, manufacturing, construction and wholesale/retail trade.

Collectively, employment in the service sectors (financial, business and social) grew by 7.42% following a 14.21% increase in the previous financial year. The transport/storage/communication' and public administration' sectors registered the highest employment growth of 21.0%.

Figure: 3



'Restaurants/hotel' continue to be the largest employment sector and accounted for 19.0% of total active insured persons. Employment in this sector rose by 4.73% to an all time high of 7440 active contributors- 3692 were females and 3748 were males. However, given the net impact of 'terrorism attack on the U.S.A' and recent closure of at least 4 hotels, employment in this sector contracted subsequent to the review period.

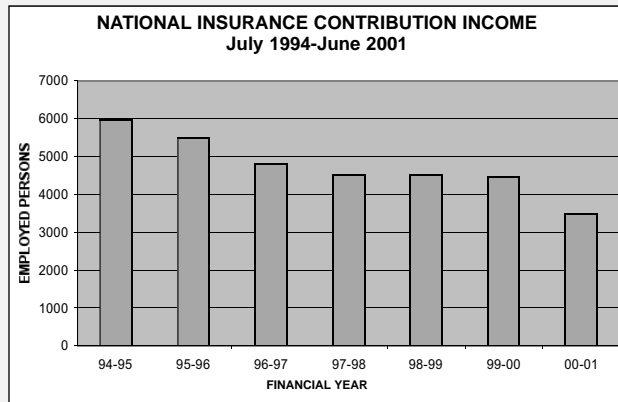
After recording continued growth between July 1996-June 2000, employment in the 'wholesale/retail trade' sector declined by 6.93% in the review period.

Employment in the 'manufacturing' sector continued its downward trend. In addition to the marginal declines during the fiscal years between July 1997-June 2000, employment in this sector contracted further by 22.27% to 3491 in the review period. The above number of active insured persons was the lowest in the last decade.

During the fiscal year in review, with most capital projects nearing completion employment in the construction industry realized its largest decline of 37.89%.

The 'agriculture/hunting/forestry/fishing' sector also recorded a further decline of 17.14%.

Figure: 4



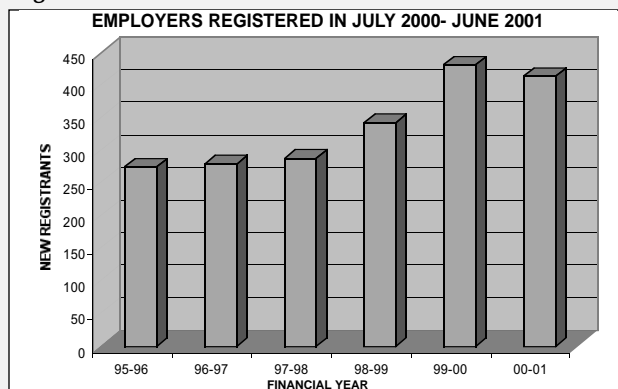
### 3. EMPLOYERS' ACTIVITIES

For the financial year ending June 2001, 6371 employers were registered with the National Insurance Corporation. Of this total, 2841 were active, 371- dormant and 3219 were closed.

Active employers grew by 4.10% while the number, which ceased operations, rose by 3.77%. The growth in active employers was mainly due to new registrations.

After two years of significant expansion, the number of new employers declined by 4.17% to 414 in the review period. An examination of new registrations on the basis of industrial classification of economic activities indicated that acute declines were recorded in the following sectors: manufacturing- 22.45%, social services- 19.71% and construction- 13.33%.

Figure: 5



In July 2000-June 2001, 2649 employers paid contributions totaled \$51.54M to the National Insurance Corporation on behalf of approximately 40,000 employees. When compared to the previous financial year, contributing employers rose by 7.77% and accounted for 93.24% of active employers. Also, there were improvements in the submission of C3 forms and the payment of both current and past-due contributions.

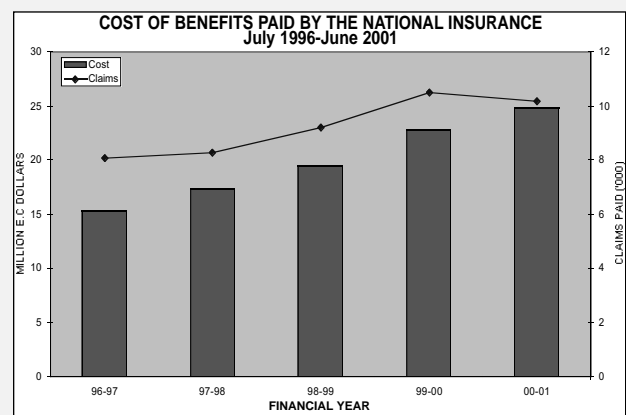
### 4. BENEFITS EXPENDITURE

The benefits covered by the National Insurance Corporation are grouped into two main branches namely, short-term and long-term benefits.

Collectively, a total of 10230 claims were paid at a cost of \$24.87M. When compared to 1999-2000, the number of claims paid declined by 2.25%; this decline was due to a corresponding decline in short-term benefit claims.

On the other hand, cost of claims paid continued its steady growth and recorded a 9.0% increase.

Figure: 6



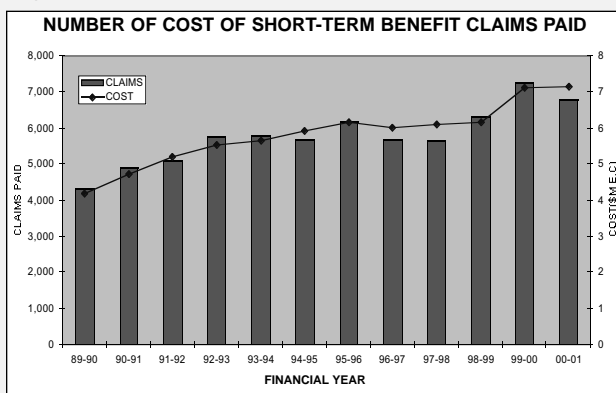
#### 4.1 Short-term Benefits

This branch of benefits includes sickness allowance, employment injury, maternity allowance maternity grant, funeral grant and medical expenses. In this review, medical expenses is in the form of a quarterly payment of \$0.75M to the Government for provision of medical services and supplies for active insured persons at local hospitals.

At the end of the review period, 6,797 short-term

benefit claims were paid at a cost of \$7,169,321. Of this amount, cost of hospitalization and medical expenses of active insured accounted for 41.92% or \$3.01M. When compared to the previous financial year, the number of claims paid recorded a 6.27% decline whilst, similar comparison for related expenditure revealed a decline of less than one percent. The above decline in claims paid was due to corresponding contraction in employment injury, sickness and maternity benefit claims.

Figure: 7



#### 4.1.1 Employment Injury

Following a 63.53% rise in male employment injury claims during the previous financial year (1999-2000), claims paid in the review period recorded a 30.94% drop. An examination of claims paid on the basis of industrial classification revealed that the decline (65.0%) was primarily from the construction sector.

Further examination showed that the rate of male employment injury claims per thousand active insured male declined by 36.73% to 0.0049 during the financial ending June 2001. Furthermore, trend of the above rate for the period July 1991- June 2001 showed an overall contraction from 0.0088 in 1990-1991 to 0.0049 in 2000-2001.

Other noted characteristics of employment injury claims were:

1. Average duration of claims

from males increased by 9% to 25.09 days and;

2. While the number of female employment injury claims paid rose by 6%, average duration of claims declined by 25.66% to 12.31 days. The net result was a corresponding decline of 35.10% in average cost per female claim.

#### 4.1.2 Sickness Allowance

During the financial year in review, 4488 sickness allowance claims were paid at a cost of \$1.43M. When compared to the previous financial year, claims paid recorded a 9.19% decline while the cost of claims experienced a 2.57% decline.

Analysis of sickness claims on the basis of gender indicated no significant variation in average duration/cost per day of claims and a 12.27% drop in male claimants. The overall effect was a 16.87% contraction in related expenditure.

On the other hand, whilst female claimants decreased by approximately 7.0%, average duration of claims and average insurable earnings rose by 12.64% and 5.77% respectively. Collectively, the impact was cost of female claims increased by 11.0%.

It can be further generalized that the average duration of female sickness claims is greater than that of male by approximately 1.14 days.

Figure: 8

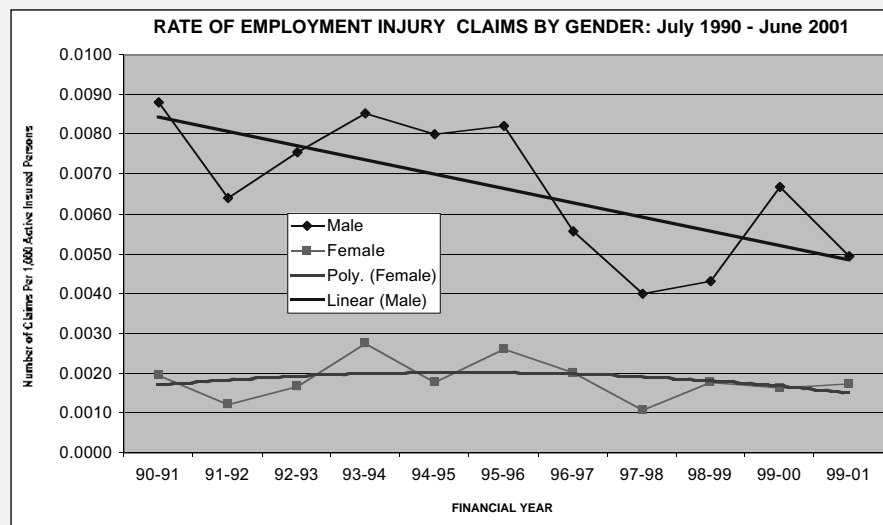
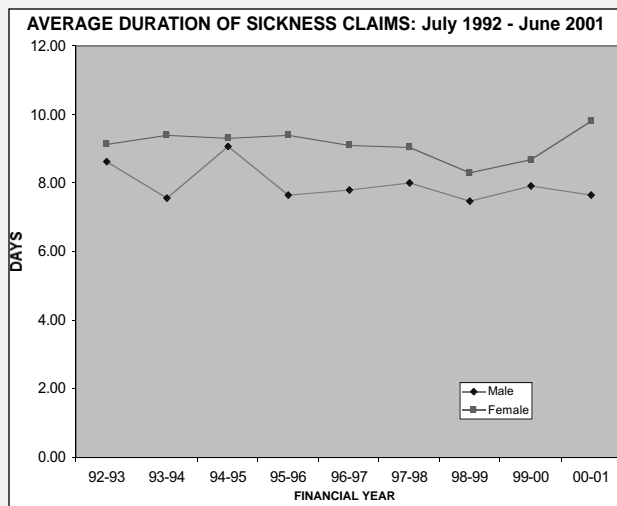




Figure: 9



#### 4.1.3 Maternity Benefit

During the financial year ending June 2001, whilst the number of maternity benefit claims paid declined by 4.82% to 909, a 6.35% increase in cost was recorded.

The growth in maternity allowance's expenditure were mainly due to the following:

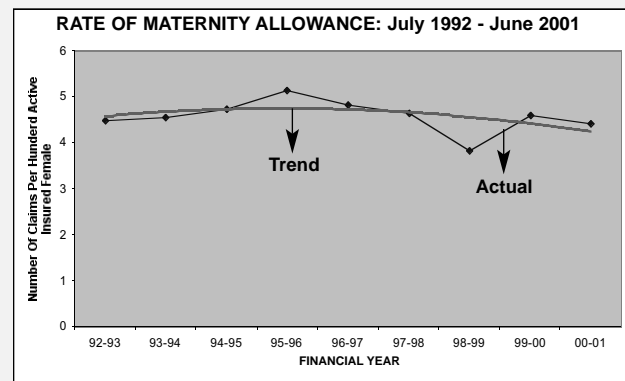
1. Average duration of claims rose by a further 3% (from 68.67 days in 1992-1993 to 70.65 days in 2000-2001).
2. Growth in average insurable earnings caused a corresponding 11.73% increase in average cost of maternity allowances.

Analysis of maternity benefit claims paid on the basis of age for the period July 1992 to June 2001, revealed a slowly increasing trend in claimants' average age; as the number of births to active insured female between the ages of 16 years and 24 years had contracted.

Further analysis of maternity benefits also indicated that the number of claims per hundred active insured female was slowly declining. This long-term trend is very likely to continue given the declining fertility levels in St Lucia.

A total of 1,059 maternity grants were paid at cost of \$640,800.00- male accounted for 18.89% of grants and female accounted for 81.11%.

Figure: 10



#### 4.1.4 Funeral Grant

In the review period (July 2000-June 2001), 150 funeral grants were paid at a cost of \$253,250. Once again the principal characteristic was the continued growth (10.40%) in the rate of male grants per thousand active insured male; this accounted for the 2.08% increase in overall funeral grant expenditure.

An examination of funeral grants paid on the basis of age for the period July 1996 to June 2001 indicated that on average, 43% of deceased were 60 years or above. As retirement pensioners' approaches life expectancy, this percentage is expected to increase gradually.

#### 4.1.5 Hospitalization and Medical Benefit

This benefit started in 1984 is in the form of a quarterly payment of \$750,000.00 (from 1995) to the Government for the provision of medical services and supplies for active insured persons at approved local hospitals.

Hospitalization and medical benefits apply only if an insured person have at least 6 months contribution since registration and have at least 2 months in the last 4 months.

The actual number and details of active insured persons who benefited on an annual basis is unknown due to unavailability of such information.

During the financial year in review, cost of hospitalization and medical services totaled \$3.01M and accounted for approximately 42.0% of total short-term benefits expenditure.

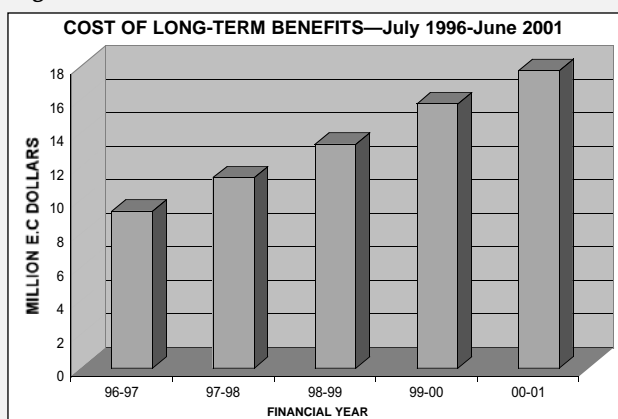
## 4.2 LONG-TERM BENEFITS

This branch of benefits includes retirement pension, survivors pension, invalidity pension, disablement pension, retirement grant, survivors grant, invalidity grant and disablement grant.

Long-term benefits expenditure continued its trend of steady growth during the financial year in review. Long-term benefits expenditure rose by 12.45% to \$17.70M. This increase was approximately 6.0% below that of '99-'00 and the annual average for the fiscal periods July 1994-June 2000.

Real growth in this benefit branch is principally characterized by the rapid increase in the cost of retirement pensions. While collectively pensions accounted for 96% of long-term benefits expenditure, retirement pensions accounted for 80% of total pensions expenditure.

Figure: 11



### 4.2.1 Pensions

In July 2000-June 2001, the National Insurance Corporation paid 3,134 pensions at a cost of \$16.92M. When compared to the previous financial year, cost of pensions recorded a 13.37% increase, which was 6% lower than expected. Based on past experiences (July 1991 to June, 2000), total cost of pensions grew at an average annual rate of approximately 19.0%. Two basic factors accounted for this contraction:

1. Analysis of pensions paid on the basis of type and gender revealed that the number of female

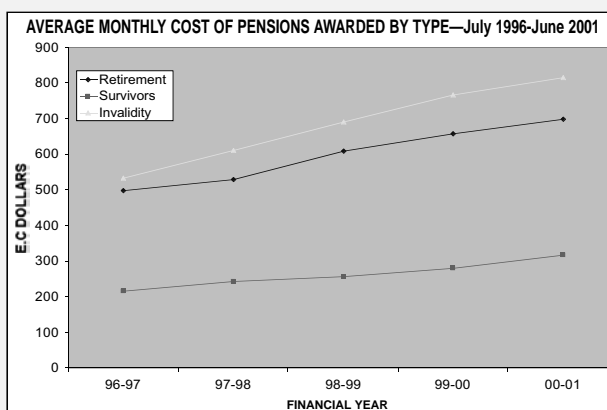
retirement pensions awarded in the review period declined by 31.75% to 86.

2. Increase in the minimum number of contributions required for an age/retirement pension from 120 to 132 months.
3. Further analysis of retirement pensions awarded indicated that, the average number of months in first retirement pension cheque declined by 15.42% to 1.70 months. In addition to the overall impact on cost, the above also imply the following:
  - Claimants retired and formally applied for retirement pension upon attainment of age 60.
  - There were higher levels of efficiency in the processing of long-term benefit claims by the National Insurance.

In the review period, 381 pensions (retirement-220, survivorship-110, invalidity-51 and disability-0) were awarded at a monthly cost of \$232,791. An examination of cost of pensions awarded for the period July 1996 - June 2001 showed a steady increasing trend for all pensions. Growth in pensions awarded were primarily due to increase in average insurable earnings.

Collectively, the number of pensions terminated recorded a 14.95% decline. Whilst the number of retirement and invalidity pensions terminated was relatively stable, survivors pension decreased by 38%.

Figure: 12



At the end of June 2001, the National Insurance Corporation recorded a total of 2980 pensions in-payment (active). Of this number, retirement pension accounted for 71.91% or 2143, invalidity-7.48% or 223, survivorship-20.47% or 610 and disability - the remaining 0.14%.

The number of retirement pensions in payment real-

ized its lowest level of growth in the last decade of 5.4%. As expected, growth of pensions in-payment depended upon the number of pensions awarded/terminated in the review period. Therefore, given a 10% decline in total pensions terminated, the small increase in active pensions was due to the impact of a 32% decline in female retirement pensions awarded in the review period.

Figure: 13

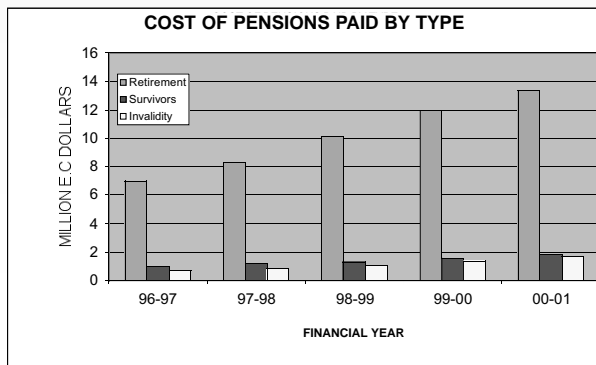
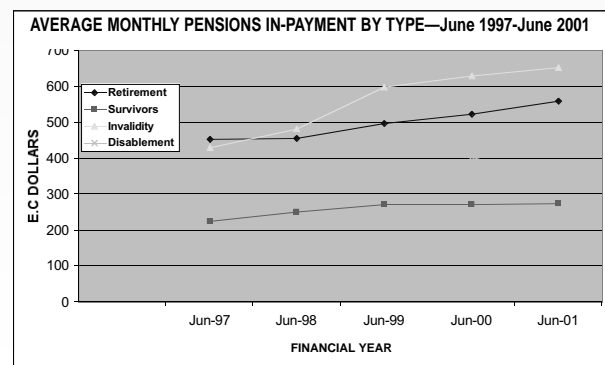


Figure: 14



**TABLE: 1**  
**NATIONAL INSURANCE CONTRIBUTION INCOME**  
(July, 1996 - June, 2001)

Financial Year	Contribution Income(\$ million E.C)					
	Current	%	Past - Due	%	Total	%
July 1996 - June 1997	13.37	33.91%	26.06	66.09%	39.43	100.00%
July 1997 - June 1998	13.33	34.61%	25.19	65.39%	38.52	100.00%
July 1998 - June 1999	13.41	29.71%	31.73	70.29%	45.14	100.00%
July 1999 - June 2000	20.72	43.00%	27.47	57.00%	48.19	100.00%
July 2000 - June 2001	23.51	45.62%	28.03	54.38%	51.54	100.00%

Source: N.I.S Statistics, Training and Research Department

**TABLE: 2**  
**CONTRIBUTION INCOME BY ECONOMIC SECTOR**  
(July 1996 - June 2001)

Economic Sector	Financial Year				
	00-01	99-00	98-99	97-98	96-97
Agriculture, Hunting, Forestry and Fishing	1,126,721	1,523,893	1,294,544	1,508,992	1,746,675
Mining and Quarrying	101,346	129,434	122,891	92,031	87,616
Manufacturing	3,769,917	3,831,764	4,021,337	3,561,741	3,540,399
Electricity, Gas and Water supply	1,810,423	1,650,080	1,823,074	1,605,883	1,244,877
Construction	2,030,326	3,645,561	2,101,417	1,350,019	2,063,108
Wholesale and Retail Trade	7,258,628	7,211,249	6,629,222	5,721,054	5,390,722
Restaurants and Hotels	12,061,960	9,444,719	8,566,617	7,959,204	8,462,154
Transport, Storage and Communication	3,874,625	3,374,205	3,124,405	3,030,519	3,012,945
Financial Intermediations	4,065,425	3,749,058	3,781,286	3,445,476	3,383,186
Real-estate/ Renting /Business Services	4,142,866	3,709,908	3,393,898	2,992,606	2,766,668
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	7,751,182	6,801,379	7,849,684	5,282,484	5,802,521
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2,904,025	2,615,199	2,103,145	1,776,395	1,754,414
Activities not adequately defined	638,270	507,085	331,672	196,947	171,825
<b>Total</b>	<b>51,535,714</b>	<b>48,193,534</b>	<b>45,143,192</b>	<b>38,523,351</b>	<b>39,427,110</b>

Source: N.I.S Statistics, Training and Research Department

Table: 3

**ACTIVE INSURED POPULATION BY INDUSTRIAL CLASSIFICATION**  
(July 1998 -June 2001)

ECONOMIC SECTOR	00-01		Financial Year		98-99	
		%	99-00	%		%
Agriculture, Hunting, Forestry and Fishing	1,300	3.83	1,569	3.83	2,166	5.49
Mining and Quarrying	109	0.24	97	0.24	65	0.16
Manufacturing	3,491	10.95	4,491	10.95	4,512	11.44
Electricity, Gas and Water supply	682	1.73	708	1.73	665	1.69
Construction	2,238	8.79	3,603	8.79	3,361	8.52
Wholesale and Retail Trade	6,528	17.12	7,019	17.12	6,436	16.31
Restaurants and Hotels	7,440	17.33	7,104	17.33	6,256	15.86
Transport, Storage and Communication	2,672	5.39	2,210	5.39	1,899	4.81
Financial Intermediations	2,138	4.69	1,925	4.69	1,882	4.77
Real-estate/ Renting /Business Services	3,210	7.29	2,988	7.29	2,477	6.28
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	7,150	14.36	5,888	14.36	7,120	18.05
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2,327	5.44	2,232	5.44	1,897	4.81
Activities not adequately defined	729	2.85	1,170	2.85	714	1.81
<b>Total</b>	<b>40,014</b>	<b>100.00</b>	<b>41,004</b>	<b>100.00</b>	<b>39,450</b>	<b>100.00</b>

Source: N.I.S Statistics, Training and Research Department

Table: 4

**NEW ENTRANTS BY AGE GROUP**  
(July 1996-June 2001)

Age group	00-01		Financial Year		96-97
		99-00	98-99	97-98	
16-19	3,187	3,071	2,939	2,502	2,913
20-24	694	826	766	622	1,129
25-29	193	194	176	200	289
30-34	148	156	153	141	205
35-39	110	163	124	111	119
40-44	72	76	74	59	86
45-49	59	55	64	57	87
50-54	51	67	52	64	94
55-59	51	53	70	61	88
60-64	20	40	44	45	46
GE 65	20	35	33	39	56
<b>Total</b>	<b>4,605</b>	<b>4,736</b>	<b>4,495</b>	<b>3,901</b>	<b>5,112</b>

Source: N.I.S Statistics, Training and Research Department

Table: 5  
**NEW ENTRANTS WHO REGISTERED FOR EMPLOYMENT**  
(July 1996-June 2001)

Age group	Financial Year				
	00-01	99-00	98-99	97-98	96-97
16-19	1846	1922	1751	1482	1197
20-24	340	473	434	337	357
25-29	105	118	95	101	98
30-34	87	91	89	67	84
35-39	59	74	59	53	44
40-44	32	37	30	21	30
45-49	20	26	24	20	16
50-54	13	20	14	13	15
55-59	9	12	10	11	12
60-64	3	6	3	3	2
GE 65	3	5	1	2	2
<b>Total</b>	<b>2,517</b>	<b>2,784</b>	<b>2,510</b>	<b>2,110</b>	<b>1,857</b>

Source: N.I.S Statistics, Training and Research Department

Table: 6  
**ACTIVE EMPLOYERS BY INDUSTRIAL CLASSIFICATION**

Economic Sector	June '01	June '00	June '99	June '98
Agriculture, Hunting, Forestry and Fishing	154	131	106	94
Mining and Quarrying	9	7	6	5
Manufacturing	241	239	192	170
Electricity, Gas and Water supply	16	18	14	13
Construction	149	165	132	115
Wholesale and Retail Trade	533	505	445	400
Restaurants and Hotels	301	291	226	192
Transport, Storage and Communication	149	128	102	83
Financial Intermediations	90	85	80	75
Real-Estates, Renting and Business Services	284	291	259	242
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	215	199	184	169
Community, Social and Personal Services, Household with employed persons and Extra- Territorial Organization and Bodies	694	648	508	429
Activities not adequately defined	6	22	18	8
<b>Total</b>	<b>2841</b>	<b>2729</b>	<b>2272</b>	<b>1995</b>

Source: N.I.S Statistics, Training and Research Department

Table: 7  
**CONTRIBUTING EMPLOYERS BY INDUSTRIAL CLASSIFICATION**  
(July 1996 - June 2001)

Economic Sector	Financial Year				
	00-01	99-00	98-99	97-98	96-97
Agriculture, Hunting, Forestry and Fishing	146	122	97	106	106
Mining and Quarrying	7	8	5	5	5
Manufacturing	195	187	170	160	167
Electricity, Gas and Water supply	17	18	15	15	12
Construction	92	98	91	85	89
Wholesale and Retail Trade	474	452	431	416	417
Restaurants and Hotels	260	236	219	195	183
Transport, Storage and Communication	128	104	86	72	74
Financial Intermediations	95	90	89	83	77
Real-Estates, Renting and Business Services	253	242	234	228	225
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	211	188	175	157	147
Community, Social and Personal Services, Household with employed persons and Extra- Territorial Organization and Bodies	654	622	536	495	480
Activities not adequately defined	117	91	20	22	26
<b>Total</b>	<b>2649</b>	<b>2458</b>	<b>2168</b>	<b>2039</b>	<b>2008</b>

Source: N.I.S Statistics, Training and Research Department

Table: 8  
**NEWLY REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION**  
(July 1996 - June 2001)

Economic Sector	Financial Year				
	00-01	99-00	98-99	97-98	96-97
Agriculture, Hunting, Forestry and Fishing	39	27	14	10	8
Mining and Quarrying	2	1	1	0	0
Manufacturing	29	40	26	18	27
Electricity, Gas and Water supply	0	4	1	0	1
Construction	26	30	25	24	24
Wholesale and Retail Trade	66	60	56	63	50
Restaurants and Hotels	49	53	41	40	32
Transport, Storage and Communication	32	26	20	9	8
Financial Intermediations	8	5	5	5	10
Real-Estates, Renting and Buisness Services	28	26	18	24	28
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	23	17	16	15	14
Community, Social and Personal Services, Household with employed persons and Extra- Territorial Organization and Bodies	110	137	107	77	75
Activities not adequately defined	2	6	13	4	3
<b>Total</b>	<b>414</b>	<b>432</b>	<b>343</b>	<b>289</b>	<b>280</b>

Source: N.I.S Statistics, Training and Research Department



Table: 9  
**SHORT-TERM BENEFITS PAID BY TYPE**  
July 1996 - June 2001

Short-term Benefits	Financial Year				
	00-01	99-00	98-99	97-98	96-97
Employment Injury	143	90	120	173	132
Sickness Allowance	3,539	3,640	4,442	4,942	4,488
Maternity Allowance	899	857	757	949	909
Maternity Grant	1,019	963	878	1,050	1,059
Funeral Grant	81	110	121	143	150
Medical Expenses*	68	58	48	63	59
<b>Total</b>	<b>5,749</b>	<b>5,718</b>	<b>6,366</b>	<b>7,320</b>	<b>6,797</b>

\*Exclude claims relating to the \$3.0M paid to the Ministry of Health for "medical health programme"

Source: N.I.S Statistics, Training and Research Department

Table: 10  
**SHORT-TERM BENEFITS EXPENDITURE BY TYPE**  
July 1996 - June 2001

Short-term Benefits	Financial Year				
	00-01	99-00	98-99	97-98	96-97
Employment Injury	76,921	34,871	62,181	118,232	82,089
Sickness Allowance	946,681	1,074,923	1,172,699	1,465,751	1,428,144
Maternity Allowance	1,411,019	1,389,148	1,287,147	1,654,696	1,759,710
Maternity Grant	459,900	438,750	458,850	637,400	640,800
Funeral Grant	119,658	164,798	192,250	248,100	253,250
Medical Expenses*	3,014,257	3,008,412	3,007,158	3,007,120	3,007,159
<b>Total</b>	<b>6,028,436</b>	<b>6,110,902</b>	<b>6,180,285</b>	<b>7,131,299</b>	<b>7,171,152</b>

\*Exclude claims relating to the \$3.0M paid to the Ministry of Health for "medical health programme"

Source: N.I.S Statistics, Training and Research Department

Table: 11  
**LONG-TERM BENEFITS PAID BY TYPE**  
July 1996 - June 2001

Long-term Benefits	Financial Year				
	00-01	99-00	98-99	97-98	96-97
Retirement Pension	1,489	1,682	1,852	2,084	2,252
Survivors Pension	398	459	518	568	636
Invalidity Pension	161	170	187	203	241
Disablement Pension	5	5	6	6	5
Retirement Grant	232	233	192	217	230
Survivors Grant	25	36	34	31	39
Invalidity Grant	20	23	28	34	26
Disablement Grant	5	4	6	2	4
<b>Total</b>	<b>2,335</b>	<b>2,612</b>	<b>2,823</b>	<b>3,145</b>	<b>3,433</b>

Source: N.I.S Statistics, Training and Research Department

Table: 12  
**LONG-TERM BENEFITS EXPENDITURE BY TYPE**  
July 1996 - June 2001

Long-term Benefits	Financial Year				
	00-01	99-00	98-99	97-98	96-97
Retirement Pension	6,975,192	8,347,110	10,107,984	11,955,278	13,342,748
Survivors Pension	1,001,275	1,157,634	1,328,206	1,569,037	1,850,658
Invalidity Pension	729,534	876,795	1,051,229	1,380,837	1,703,433
Disablement Pension	17,767	18,767	19,512	21,598	25,060
Retirement Grant	511,101	678,752	523,055	526,657	571,833
Survivors Grant	40,991	80,452	104,900	102,514	103,863
Invalidity Grant	41,999	123,474	132,128	174,813	73,761
Disablement Grant	36,844	21,303	81,835	9,758	28,209
<b>Total</b>	<b>9,354,703</b>	<b>11,304,287</b>	<b>13,348,849</b>	<b>15,740,492</b>	<b>17,699,565</b>

Source: N.I.S Statistics, Training and Research Department

Table: 13  
**PENSIONS IN-PAYMENT BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	1,432	1,644	1,818	2,033	2,143
Survivors Pension	381	432	495	526	610
Invalidity Pension	142	155	173	192	223
Disablement Pension	5	4	4	5	4
<b>Total</b>	<b>1,960</b>	<b>2,235</b>	<b>2,490</b>	<b>2,756</b>	<b>2,980</b>

Table: 14  
**MALE PENSIONS IN-PAYMENT BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	920	1,034	1,118	1,223	1,296
Survivors Pension	71	91	116	124	139
Invalidity Pension	91	101	110	119	134
Disablement Pension	5	4	4	5	4
<b>Total</b>	<b>1,087</b>	<b>1,230</b>	<b>1,348</b>	<b>1,471</b>	<b>1,573</b>

Table: 15  
**FEMALE PENSIONS IN-PAYMENT BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	512	610	700	810	847
Survivors Pension	310	341	379	402	471
Invalidity Pension	51	54	63	73	89
Disablement Pension	-	-	-	-	-
<b>Total</b>	<b>873</b>	<b>1,005</b>	<b>1,142</b>	<b>1,285</b>	<b>1,407</b>

Source: Statistics, Training And Research Department

Table: 16  
**AVERAGE MONTHLY COST OF PENSIONS IN-PAYMENT BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	453.82	457.48	498.29	523.68	561.11
Survivors Pension	224.96	251.31	272.77	273.31	273.98
Invalidity Pension	430.08	483.30	599.59	630.44	652.35
Disablement Pension	339.87	362.34	373.26	397.25	469.73

Table: 17  
**AVERAGE MONTHLY COST OF MALE PENSIONS IN-PAYMENT BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	531.93	527.08	572.82	599.37	640.88
Survivors Pension	158.07	170.89	176.44	177.93	191.72
Invalidity Pension	475.08	552.88	672.44	720.18	757.72
Disablement Pension	339.87	362.34	373.26	397.25	469.73

Table: 18  
**AVERAGE MONTHLY COST OF FEMALE PENSIONS IN-PAYMENT BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	313.46	339.52	379.26	409.38	439.05
Survivors Pension	235.72	279.84	295.93	301.20	304.90
Invalidity Pension	349.79	353.14	472.38	484.13	493.70
Disablement Pension	-	-	-	-	-

Source: Statistics, Training And Research Department

Table: 19  
**PENSIONS TERMINATED BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	22	43	37	52	51
Survivors Pension	18	27	23	42	26
Invalidity Pension	18	15	15	12	14
Disablement Pension	5	6	6	1	5
<b>Total</b>	<b>63</b>	<b>91</b>	<b>81</b>	<b>107</b>	<b>96</b>

Table: 20  
**MALE PENSIONS TERMINATED BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	14	28	26	35	34
Survivors Pension	5	6	6	13	12
Invalidity Pension	10	9	11	8	9
Disablement Pension	-	1	-	1	-
<b>Total</b>	<b>29</b>	<b>44</b>	<b>43</b>	<b>57</b>	<b>55</b>

Table: 21  
**FEMALE PENSIONS TERMINATED BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	Jun-97	Jun-98	Jun-99	Jun-00	Jun-01
Retirement Pension	8	15	11	17	17
Survivors Pension	13	21	17	29	14
Invalidity Pension	8	6	4	4	5
Disablement Pension	5	5	6	-	5
<b>Total</b>	<b>34</b>	<b>47</b>	<b>38</b>	<b>50</b>	<b>41</b>

Source: Statistics, Training And Research Department

Table: 22  
**PENSIONS AWARDED BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	215	228	206	265	220
Survivors Pension	66	78	86	76	110
Invalidity Pension	32	30	32	31	51
Disablement Pension	-	-	1	-	-
<b>Total</b>	<b>313</b>	<b>336</b>	<b>325</b>	<b>372</b>	<b>381</b>

Table: 23  
**MALE PENSIONS AWARDED BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	134	131	106	139	134
Survivors Pension	22	26	31	24	27
Invalidity Pension	19	20	18	17	29
Disablement Pension	-	-	1	-	-
<b>Total</b>	<b>175</b>	<b>177</b>	<b>156</b>	<b>180</b>	<b>190</b>

Table: 24  
**FEMALE PENSIONS AWARDED BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	81	97	100	126	86
Survivors Pension	44	52	55	52	83
Invalidity Pension	13	10	14	14	22
Disablement Pension	-	-	-	-	-
<b>Total</b>	<b>138</b>	<b>159</b>	<b>169</b>	<b>192</b>	<b>191</b>

Source: Statistics, Training And Research Department

Table: 25  
**AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	647.81	543.19	641.51	647.12	737.45
Survivors Pension	430.84	486.31	514.76	228.05	345.92
Invalidity Pension	534.55	612.57	691.45	767.20	815.45
Disablement Pension	-	-	385.23	-	-
<b>Total</b>	<b>1,613</b>	<b>1,642</b>	<b>2,233</b>	<b>1,642</b>	<b>1,899</b>

Table: 26  
**AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (MALE)**  
June 1997 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	597.21	618.76	739.21	793.29	870.74
Survivors Pension	190.37	194.72	208.44	226.80	240.46
Invalidity Pension	599.48	735.89	863.75	945.28	1,021.83
Disablement Pension	-	-	385.23	-	-
<b>Total</b>	<b>1,387</b>	<b>1,549</b>	<b>2,197</b>	<b>1,965</b>	<b>2,133</b>

Table: 27  
**AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (FEMALE)**  
July 1996 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	400.63	441.13	480.89	524.39	529.76
Survivors Pension	240.47	291.59	306.32	332.34	394.17
Invalidity Pension	469.62	489.25	519.14	589.12	609.07
Disablement Pension	-	-	-	-	-
<b>Total</b>	<b>1,111</b>	<b>1,222</b>	<b>1,306</b>	<b>1,446</b>	<b>1,533</b>

Source: Statistics, Training And Research Department

Table: 28  
**PENSIONS PAID BY TYPE**  
July 1996 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	1,489	1,682	1,852	2,084	2,252
Survivors Pension	398	459	518	568	636
Invalidity Pension	161	170	187	203	241
Disablement Pension	5	5	6	6	5
<b>Total</b>	<b>2,053</b>	<b>2,316</b>	<b>2,563</b>	<b>2,861</b>	<b>3,134</b>

Table: 29  
**COST OF PENSIONS BY TYPE**  
July 1996 - June 2001

Long-term Benefits	Financial Year				
	96-97	97-98	98-99	99-00	00-01
Retirement Pension	6,975,192	8,347,110	10,107,984	11,955,278	13,342,748
Survivors Pension	1,001,275	1,157,634	1,328,206	1,569,037	1,850,658
Invalidity Pension	729,534	876,795	1,051,229	1,380,837	1,703,433
Disablement Pension	17,767	18,767	19,512	21,598	25,060
<b>Total</b>	<b>8,723,768</b>	<b>10,400,306</b>	<b>12,506,931</b>	<b>14,926,750</b>	<b>16,921,899</b>

Source: Statistics, Training And Research Department



Table: 30

**BENEFITS EXPENDITURE BY BRANCH- (JULY 1996 - JUNE 2001)**

Benefit Branch	Financial Year				
	96-97	97-98	98-99	99-00	00-01
<b>Long-term</b>					
Retirement	7,486,293	9,025,862	10,631,039	12,481,935	13,914,581
Survivorship	1,042,266	1,238,086	1,433,106	1,671,551	1,954,521
Incapacitation	826,144	1,040,339	1,284,704	1,587,006	1,830,463
<b>Sub-total</b>	<b>9,354,703</b>	<b>11,304,287</b>	<b>13,348,849</b>	<b>15,740,492</b>	<b>17,699,565</b>
<b>Short-term</b>					
Employment Injury	76,921	34,871	62,181	118,232	82,089
Sickness	946,681	1,074,923	1,172,699	1,465,751	1,428,144
Maternity	1,870,919	1,827,898	1,745,997	2,292,096	2,400,510
Funeral	119,658	164,798	192,250	248,100	253,250
Medical Expenses*	3,014,257	3,008,412	3,007,158	3,007,120	3,007,159
<b>Sub-total</b>	<b>6,028,436</b>	<b>6,110,902</b>	<b>6,180,285</b>	<b>7,131,299</b>	<b>7,171,152</b>
<b>Grand-total</b>	<b>15,383,139</b>	<b>17,415,189</b>	<b>19,529,134</b>	<b>22,871,791</b>	<b>24,870,717</b>

\*Exclude claims relating to the \$3.0M paid to the Ministry of Health for "medical health programme"

Source: N.I.S Statistics, Training and Research Department

Table: 31

**BENEFITS PAID BY BRANCH- (JULY 1996 - JUNE 2001)**

Benefit Branch	Financial Year				
	96-97	97-98	98-99	99-00	00-01
<b>Long-term</b>					
Retirement	1,721	1,915	2,044	2,301	2,482
Survivorship	423	495	552	599	675
Incapacitation	191	202	227	245	276
<b>Sub-total</b>	<b>2,335</b>	<b>2,612</b>	<b>2,823</b>	<b>3,145</b>	<b>3,433</b>
<b>Short-term</b>					
Employment Injury	143	90	120	173	132
Sickness	3,539	3,640	4,442	4,942	4,488
Maternity	1,918	1,820	1,635	1,999	1,968
Funeral	81	110	121	143	150
Medical Expenses*	68	58	48	63	59
<b>Sub-total</b>	<b>5,749</b>	<b>5,718</b>	<b>6,366</b>	<b>7,320</b>	<b>6,797</b>
<b>Grand-total</b>	<b>8,084</b>	<b>8,330</b>	<b>9,189</b>	<b>10,465</b>	<b>10,230</b>

\*Exclude claims relating to the \$3.0M paid to the Ministry of Health for "medical health programme"

Source: N.I.S Statistics, Training and Research Department

To the Board of Directors of National Insurance Corporation

We have audited the non-consolidated balance sheet of National Insurance Corporation as at June 30, 2001 and the non-consolidated statements of changes in reserves, income and expenditure and cash flows for the year then ended. These financial statements are the responsibility of the management of National Insurance Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As disclosed in Notes 2(b) and (d) these financial statements do not include:-

- (i) contributions due to National Insurance Corporation which had not been received as at June 30, 2001;
- (ii) surcharges on contributions in arrears which have been levied but which remained uncollected as at June 30, 2001;

In our opinion, except for the failure to record contributions and surcharges due but not received as at June 30, 2001, and the non-consolidation of the investment in the subsidiary companies as disclosed in note 2(f), these financial statements present fairly, in all material respects, the financial position of National Insurance Corporation as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

*Chase, Skeete & Boland.*


Chartered Accountants  
Castries, St. Lucia  
October 12, 2001

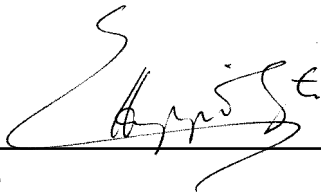
**Non-Consolidated Balance Sheet  
As at June 30, 2001**

	Notes	2001 \$	2000 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		9,441,446	5,861,169
Accounts receivable	3	24,135,549	20,165,622
Prepaid insurance		5,469	255,688
		<b>33,582,464</b>	<b>26,282,479</b>
<b>Property, Plant and Equipment</b>	4	2,289,878	2,656,691
<b>Investments</b>	5	560,877,758	507,389,343
<b>Deferred Asset</b>	6	538,058	717,410
		<b>563,705,694</b>	<b>510,763,444</b>
<b>TOTAL ASSETS</b>		<b>597,288,158</b>	<b>537,045,923</b>
<b>LIABILITIES AND RESERVES</b>			
<b>Current Liabilities</b>			
Bank overdraft		292,176	77,417
Accounts payable and accrued liabilities		2,905,338	1,878,790
		<b>3,197,514</b>	<b>1,956,207</b>
<b>Reserves</b>	7		
Short-term benefits		8,449,000	8,074,000
Long-term benefits		576,537,644	518,686,716
Administrative		9,104,000	8,329,000
		<b>594,090,644</b>	<b>535,089,716</b>
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>597,288,158</b>	<b>537,045,923</b>

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

SIGNED ON BEHALF OF THE BOARD

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

### Non-Consolidated Statement of Changes in Reserves For the Year ended June 30, 2001

	Short-term Benefits \$	Long-term Benefits \$	Administrative \$	Total \$
<b>Balance at June 30, 1999</b>	7,719,000	466,287,722	7,614,000	481,620,722
Net income for the year	1,169,840	49,377,490	2,921,664	53,468,994
Transfers to/(from) reserves	(814,840)	3,021,504	(2,206,664)	0
<b>Balance at June 30, 2000</b>	8,074,000	518,686,716	8,329,000	535,089,716
Net income for the year	1,905,547	53,920,064	3,175,317	59,000,928
Transfers to/(from) reserves	(1,530,547)	3,930,864	(2,400,317)	0
<b>Balance at June 30, 2001</b>	<b>8,449,000</b>	<b>576,537,644</b>	<b>9,104,000</b>	<b>594,090,644</b>

### Non-Consolidated Statement of Income and Expenditure For the Year ended June 30, 2001

	Short-term Benefits		Long-term Benefits		Administrative		Total	
	2001 \$	2000 \$	2001 \$	2000 \$	2001 \$	2000 \$	2001 \$	2000 \$
<b>INCOME</b>								
Contributions	5,154,140	4,813,014	40,717,704	38,022,809	5,669,554	5,294,315	51,541,398	48,130,138
Investments	3,677,182	3,239,759	29,049,743	25,594,095	4,044,901	3,563,735	36,771,826	32,397,589
Other	232,905	177,706	1,839,947	1,403,877	256,195	195,477	2,329,047	1,777,060
<b>TOTAL INCOME</b>	<b>9,064,227</b>	<b>8,230,479</b>	<b>71,607,394</b>	<b>65,020,781</b>	<b>9,970,650</b>	<b>9,053,527</b>	<b>90,642,271</b>	<b>82,304,787</b>
<b>EXPENDITURE</b>								
Benefits	4,158,680	4,060,639	17,687,330	15,643,291	0	0	21,846,010	19,703,930
Medical Health Programme	3,000,000	3,000,000	0	0	0	0	3,000,000	3,000,000
Administrative expenses	0	0	0	0	6,795,333	6,131,863	6,795,333	6,131,863
<b>TOTAL EXPENDITURE</b>	<b>7,158,680</b>	<b>7,060,639</b>	<b>17,687,330</b>	<b>15,643,291</b>	<b>6,795,333</b>	<b>6,131,863</b>	<b>31,641,343</b>	<b>28,835,793</b>
<b>NET INCOME FOR THE YEAR</b>	<b>1,905,547</b>	<b>1,169,840</b>	<b>53,920,064</b>	<b>49,377,490</b>	<b>3,175,317</b>	<b>2,921,664</b>	<b>59,000,928</b>	<b>53,468,994</b>

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

**Non-Consolidated Statement of Cash Flow  
For the Year ended June 30, 2001**

	<b>2001</b> \$	<b>2000</b> \$
<b>Cash Flows from Operating Activities</b>		
Net income for the year	59,000,928	53,468,994
<b>Adjustments for:</b>		
Depreciation	503,952	478,918
Gain on disposal of property, plant and equipment	0	(19,274)
Amortisation of deferred infrastructure costs	179,352	179,352
Interest income	(31,043,882)	(26,676,002)
<b>Operating income before working capital changes</b>	<b>28,640,350</b>	<b>27,431,988</b>
(Increase)/decrease in accounts receivable	(976,575)	198,859
Decrease in prepaid insurance	250,219	3,003,032
Increase/(decrease) in accounts payable and accrued liabilities	1,026,548	(2,834,509)
<b>Net cash generated from operating activities</b>	<b>28,940,542</b>	<b>27,799,370</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(178,421)	(567,710)
Proceeds on sale of property, plant and equipment	41,282	20,395
Increase in investments	(53,488,415)	(49,951,615)
Interest received	28,050,530	26,107,010
<b>Net cash used in investing activities</b>	<b>(25,575,024)</b>	<b>(24,391,920)</b>
<b>Increase in Net Cash</b>	<b>3,365,518</b>	<b>3,407,450</b>
<b>Net Cash - Beginning of Year</b>	<b>5,783,752</b>	<b>2,376,302</b>
<b>Net Cash - End of Year</b>	<b>9,149,270</b>	<b>5,783,752</b>
Cash	9,441,446	5,861,169
Bank overdraft	(292,176)	(77,417)
<b>Net Cash - End of Year</b>	<b>9,149,270</b>	<b>5,783,752</b>

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

## Notes to the Non-Consolidated Financial Statements For the Year ended June 30, 2001

### 1. Introduction

National Insurance Corporation is engaged in the provision of social security services. The Corporation is governed by the National Insurance Corporation Act 2000 (No. 18 of 2000).

The financial statements are prepared in Eastern Caribbean Dollars and rounded to the nearest dollar.

### 2. Significant Accounting Policies

#### (a) Overall Policy

The principal accounting policies adopted are stated in order to assist in a general understanding of the financial statements.

The financial statements have been drawn up in accordance with International Accounting Standards.

There have been no changes in accounting policy from the previous year.

The financial statements have been prepared in accordance with the historical cost convention.

#### (b) Contributions

Contributions reflect only amounts received from members and do not include contributions due to the National Insurance Corporation which had not been received as at June 30, 2001.

#### (c) Benefits

Benefits include amounts paid, and claims reported but not paid.

#### (d) Surcharges

Surcharges include amounts received from members, but exclude surcharges levied but uncollected as at June 30, 2001.

#### (e) Depreciation

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

Motor vehicles	5 years
Furniture and equipment	10 years
Computer hardware	5 years
Computer software	5 years
Generators	5 years

## Notes to the Non-Consolidated Financial Statements For the Year ended June 30, 2001

### 2. Significant Accounting Policies (cont'd)

#### (f) Investments

Investments in bonds, treasury bills, loans, shares and investment properties are stated at cost, less any diminution in value.

The accounts of the subsidiary companies have not been consolidated in these financial statements as the impact on income and net assets of their inclusion is not material.

Details of the shareholdings in subsidiaries is disclosed in note 5.

Cul de Sac Industrial Zone Ltd. is a 40% owned associated company.

#### (g) Interest Accrual

Accrued interest represents interest receivable on all loans, fixed deposits, notes and bonds.

It is the policy of National Insurance Corporation to accrue interest on all loans unless specifically determined to be uncollectable.

#### (h) Deferred Infra-Structure Costs

Deferred infrastructure costs are being written off on the straight-line basis over fifteen years.

#### (i) Foreign Exchange

Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions arising during the year involving foreign currencies are translated and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates are included in the Non-Consolidated Statement of Income and Expenditure.

#### (j) Accounts Receivable

Accounts receivable and amounts due from related parties and other receivables represent the principal amounts due at the balance sheet date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

#### (k) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent the principal amounts outstanding at the balance sheet date plus, where applicable, any accrued interest.

## Notes to the Non-Consolidated Financial Statements For the Year ended June 30, 2001

### 3. Accounts Receivable

	2001 \$	2000 \$
Utilities receivable	1,918,957	1,489,597
Rental charges receivable	481,660	103,432
Staff loans and advances	916,010	749,622
Other receivables	9,688	7,089
	<b>3,326,315</b>	<b>2,349,740</b>
Interest receivable	20,809,234	17,815,882
	<b>24,135,549</b>	<b>20,165,622</b>

### 4. Property, Plant and Equipment

	Motor Vehicles \$	Furniture and Equipment \$	Computer Hardware \$	Computer Software \$	Generators \$	Total \$
<b>Cost</b>						
Balance - beginning of year	335,400	2,993,778	871,823	465,512	325,430	4,991,943
Additions	0	56,762	91,075	30,584	0	178,421
Disposals	(19,393)	(56,594)	0	0	0	(75,987)
Balance - end of year	<b>316,007</b>	<b>2,993,946</b>	<b>962,898</b>	<b>496,096</b>	<b>325,430</b>	<b>5,094,377</b>
<b>Accumulated Depreciation</b>						
Balance - beginning of year	203,991	829,394	616,434	375,203	310,230	2,335,252
Depreciation charge for the year	51,140	297,373	115,766	35,873	3,800	503,952
Eliminated on disposal	(19,393)	(15,312)	0	0	0	(34,705)
Balance - end of year	<b>235,738</b>	<b>1,111,455</b>	<b>732,200</b>	<b>411,076</b>	<b>314,030</b>	<b>2,804,499</b>
<b>Net Book Value - End of Year</b>	<b>80,269</b>	<b>1,882,491</b>	<b>230,698</b>	<b>85,020</b>	<b>11,400</b>	<b>2,289,878</b>
<b>Net Book Value - Beginning of Year</b>	<b>131,409</b>	<b>2,164,384</b>	<b>255,389</b>	<b>90,309</b>	<b>15,200</b>	<b>2,656,691</b>



**Notes to the Non-Consolidated Financial Statements  
For the Year ended June 30, 2001**

**5. Investments**

	<b>2001</b> \$	<b>2000</b> \$
<b>FIXED DEPOSITS</b>		
Barclays Finance Corporation	18,638,265	23,140,000
St. Lucia Co-operative Bank (Castries)	12,632,795	12,446,118
St. Lucia Co-operative Bank (Vieux Fort)	4,763,870	4,763,870
National Commercial Bank (Castries)	60,906,805	50,049,959
National Commercial Bank (Vieux Fort)	3,368,350	3,368,350
National Commercial Bank (Soufriere)	5,068,694	5,068,694
Bank of Nova Scotia	47,977,502	44,002,892
Royal Bank of Canada	48,000	3,256,217
C.I.B.C. Caribbean Ltd.	26,449,949	20,217,350
Caribbean Banking Corporation Ltd.	25,883,698	18,436,766
St. Lucia Venture Capital Fund	0	250,000
St. Lucia Development Bank	7,819,199	5,797,113
Barclays Bank Plc	12,335,163	3,989,594
British American Insurance Co. Ltd.	542,500	500,000
Colonial Life Insurance Co. Ltd.	500,000	0
<b>Total Fixed Deposits</b>	<b>226,934,790</b>	<b>195,286,923</b>
<b>NOTES AND BONDS</b>		
Government of St. Lucia	18,600,000	18,600,000
Eastern Caribbean Home Mortgage Bank	5,000,000	5,000,000
Royal Merchant Bank	7,045,807	7,719,578
	<b>30,645,807</b>	<b>31,319,578</b>
<b>TREASURY BILLS</b>	<b>26,705,156</b>	<b>14,873,820</b>

## Notes to the Non-Consolidated Financial Statements For the Year ended June 30, 2001

### 5. Investments (cont'd)

	2001 \$	2000 \$
<b>LOANS</b>		
<b>a. Statutory Bodies</b>		
National Development Corporation	1,151,617	1,151,617
Housing and Urban Development Corporation	600,000	600,000
St. Lucia Housing Authority	34,009,187	34,009,187
St. Lucia Development Bank	49,633,401	45,918,792
St. Lucia Air and Sea Ports Authority	8,978,471	10,921,528
	94,372,676	92,601,124
<b>b. Private Sector</b>		
St. Lucia Electricity Services Ltd.	12,520,706	14,619,127
St. Lucia Mortgage Finance Co. Ltd.	23,275,000	22,125,000
Cul-de-Sac Industrial Zone Ltd.	9,102,850	9,100,000
Laborie Co-operative Credit Union	0	112,818
National Research and Development Foundation	1,413,261	1,066,293
St. Lucia Civil Service Co-operative Credit Union Ltd.	8,063,739	8,985,000
St. Lucia Workers Credit Co-operative Society Ltd.	753,077	314,879
St. Lucia Development and National Commercial Holdings Ltd.	8,199,681	8,645,229
St. Jude Hospital	47,200	47,200
Financial Investment and Consultancy Services Ltd.	509,955	647,475
Castries Car Park Facility Ltd.	11,518,231	10,405,464
National Insurance Property Development and Management Company Ltd.	3,406,267	1,690,477
	78,809,967	77,758,962
<b>Total Loans</b>	173,182,643	170,360,086

**Notes to the Non-Consolidated Financial Statements  
For the Year ended June 30, 2001**

**5. Investments (cont'd)**

	<b>2001 \$</b>	<b>2000 \$</b>
<b>INVESTMENTS IN SHARES</b>		
St. Lucia Electricity Services Ltd. 1,401,496 ordinary shares	14,014,960	14,014,960
Eastern Caribbean Home Mortgage Bank 1,884 class B shares at \$100 each	188,400	188,400
Jalousie - Hilton St. Lucia Shares held on trust by the St. Lucia Government	2,716,970	2,716,970
Cul-de-Sac Industrial Zone Ltd.	881,000	0
<b>Total Investment in Shares</b>	<b>17,801,330</b>	<b>16,920,330</b>
<b>INVESTMENT PROPERTIES</b>	<b>49,147,222</b>	<b>53,393,222</b>
<b>MANAGED ACCOUNTS - SALOMON, SMITH BARNEY</b>	<b>22,467,539</b>	<b>19,534,290</b>
<b>INVESTMENT IN SUBSIDIARY COMPANIES</b>		
St. Lucia Mortgage Finance Co. Ltd. 828,000 ordinary shares	4,421,520	4,421,520
National Insurance Property Development and Management Company Ltd. - deposit on the purchase of shares	1,667,356	0
Castries Car Park Facility Ltd. 7,904,395 ordinary shares (2000 - deposit on the purchase of shares)	7,904,395	1,279,574
<b>Total Investment in Subsidiary Companies</b>	<b>13,993,271</b>	<b>5,701,094</b>
<b>TOTAL INVESTMENTS</b>	<b>560,877,758</b>	<b>507,389,343</b>

**Fixed Deposits**

Interest rates range between 5% and 9%.

**Notes and Bonds**

Interest rates range between 6% and 10.5%.

## Notes to the Non-Consolidated Financial Statements For the Year ended June 30, 2001

### 5. Investments (cont'd)

#### Treasury Bills

Interest rate range between 6.48% and 7.85%.

#### Loans

Interest rates range between 3% and 10%.

#### Investments in Subsidiaries

(a)	St. Lucia Mortgage Finance Company Ltd.	75%
(b)	Castries Car Park Facility Ltd.	85%
(c)	National Insurance Property Development and Management Company Ltd.	100%

#### St. Lucia Mortgage Finance Company Ltd.

Had the accounts of the subsidiary been consolidated then net income would have increased by \$459,246 (2000 - \$427,079) and net assets by \$3,605,992 (2000 - \$2,792,279).

The above figures are based on audited financial statements of St. Lucia Mortgage Finance Company Limited for the year ended December 31, 2000, and unaudited financial statements for the six months ended June 30, 2001.

#### Castries Car Park Facility Ltd.

The effect of audited financial statements for the period ended June 30, 2001 is not known as these were not available. However, based on the management accounts for the period, a diminution in the value of the investment is not expected.

#### National Insurance Property Development and Management Company Ltd.

The effect of audited financial statements for the period ended June 30, 2001 is not known as these were not available. The operations of the company is that of construction and refurbishment of police and fire stations. The refurbishments are paid immediately on completion by the St. Lucia Government, inclusive of interest accrued over the period of construction.

Construction of new police and fire stations are repaid over a fifteen-year lease term, after which the station is vested back to the government of St. Lucia. The finance cost is included in the lease agreements for the stations.

Given the nature of the financing arrangement for the company, management does not expect any diminution of the value of the investment.

## Notes to the Non-Consolidated Financial Statements For the Year ended June 30, 2001

### 6. Deferred Asset

	2001	2000
	\$	\$
Deferred infrastructure costs	538,058	717,410

Deferred infrastructure costs relate to expenditure incurred for the development of the infrastructure immediately surrounding the National Insurance Corporation properties at Sans Soucis.

### 7. Income and Reserves

Income for the year is allocated between short-term benefits, long-term benefits and administration based upon the recommendations of the fourth actuarial review. Reserves at the end of the year are allocated between short-term and administrative reserves based upon expected expenditure in the twelve months succeeding the balance sheet date as estimated by the actuarial review. All other amounts are classified as long-term reserves. These amounts are disclosed in the statement of changes in reserves on page 3.

### 8. Financial Instruments

In accordance with the provisions of International Accounting Standard No. 32, disclosure is required regarding credit risks, interest rates and fair values of financial assets and liabilities.

#### (a) Credit Risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Corporation. The amount of the Corporation's maximum exposure to credit risk is indicated by the carrying value of its financial assets.

The Corporation is engaged in the provision of social security services, and financial assets which potentially expose the Corporation to concentrations of credit risk consist primarily of receivables and investments. Receivables are presented net of the allowance for doubtful receivables. Management does not believe significant credit risk exists at June 30, 2001.

## Notes to the Non-Consolidated Financial Statements For the Year ended June 30, 2001

### 8. Financial Instruments (Cont'd)

#### (b) Interest Rate Risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Corporation to interest rate risk. The Corporation's exposure and interest rates on its financial assets are disclosed in Note 5.

#### (c) Fair Value

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. None of the Corporation's financial assets are traded in a formal market. Estimated fair values are assumed to approximate their carrying value.

### 9. Comparative Figures

Where changes have been made in the presentation of the current year's figures, comparative amounts have been reclassified.

### 10. Subsequent Events

On July 1, 2001, there was a merger between the two financial institutions, National Commercial Bank of Saint Lucia Ltd. and St. Lucia Development Bank, resulting in a new entity trading as Bank of Saint Lucia Ltd. All assets and liabilities of the merged financial institutions have been transferred to the holding company, East Caribbean Financial Holding Co. Ltd.

**ADDITIONAL COMMENTS OF AUDITORS**

To the Board of Directors of National Insurance Corporation

The accompanying pages two to five are presented as supplementary information only. In this respect, they do not form part of the financial statements of National Insurance Corporation for the year ended June 30, 2001, and hence are excluded from the opinion expressed in our report dated October 12, 2001 to the Board on such financial statements. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of National Insurance Corporation, and, in our opinion, is fairly presented in all respects material to those financial statements.

*Chase, Skeete & Boland.*

Chartered Accountants  
Castries, St. Lucia  
October 12, 2001

**Non-Consolidated Schedule of Investment Income  
For the Year ended June 30, 2001**

	2001 \$	2000 \$
Rental Income	5,098,937	5,045,839
Interest Income	31,043,882	26,676,002
Dividend Income	2,180,000	2,446,169
Income from managed accounts	216,279	515,920
<b>Total Investment Income</b>	<b>38,539,098</b>	<b>34,683,930</b>
Amortisation of deferred infrastructure costs	179,352	179,352
Audit fees	18,375	18,535
Board expenses	48,197	44,058
Electricity, water and sewage	100,747	159,042
Generators	3,800	3,800
Insurance	263,625	272,172
Loss on exchange	0	28,700
Motor vehicles depreciation	25,570	29,581
Motor vehicles expenses	21,178	10,985
Overseas meetings and conferences	19,290	83,305
Repairs and maintenance	775,886	997,264
Salaries and wages	304,517	583,977
Security services	3,840	(128,207)
Travel and subsistence	2,895	3,777
	1,767,272	2,286,341
<b>Net Investment Income</b>	<b>36,771,826</b>	<b>32,397,589</b>



**Non-Consolidated Schedule of Benefits  
For the Year ended June 30, 2001**

	Short-term Benefits		Benefits		Total	
	2001 \$	2000 \$	2001 \$	2000 \$	2001 \$	2000 \$
Maternity	2,395,780	2,262,795	0	0	2,395,780	2,262,795
Sickness	1,399,604	1,414,039	0	0	1,399,604	1,414,039
Invalidity	0	0	1,775,237	1,533,120	1,775,237	1,533,120
Retirement	0	0	13,895,504	12,424,910	13,895,504	12,424,910
Survivorship	0	0	1,925,462	1,664,984	1,925,462	1,664,984
Funeral	248,000	249,850	0	0	248,000	249,850
Employment injury	80,423	117,372	0	0	80,423	117,372
Confinement fees and medical expense	34,873	16,583	0	0	34,873	16,583
Death Benefit	0	0	37,857	36,897	37,857	36,897
Disablement	0	0	53,270	(16,620)	53,270	(16,620)
	<b>4,158,680</b>	<b>4,060,639</b>	<b>17,687,330</b>	<b>15,643,291</b>	<b>21,846,010</b>	<b>19,703,930</b>

**Non-Consolidated Schedule of Administrative Expenses  
For the Year ended June 30, 2001**

	2001 \$	2000 \$
Advertising and notices	328,472	580,229
Audit fees	18,375	18,535
Bank charges	8,237	9,458
Board expenses	29,980	27,280
Books and periodicals	1,876	3,027
Depreciation		
-Motor vehicles	25,570	25,570
-Furniture and equipment	297,373	299,266
-Computer hardware	115,766	102,156
-Computer software	35,873	22,553
Donations	10,500	150
Electricity, water and sewage	186,900	193,266
Insurance	22,552	17,124
Miscellaneous expenses	0	10,642
Motor vehicle expenses	21,175	14,995
Office expenses	20,742	18,101
Overseas meetings and conferences	19,290	83,305
Postage and telephone	171,992	160,304
Printing and stationery	256,742	213,191
Professional services	9,000	7,388
Rent	497,424	497,424
Repairs and maintenance	88,150	69,060
Salaries and wages	3,936,235	3,094,198
Scholarships and quiz sponsorship	208,062	211,150
Staff training	77,450	84,362
Staff welfare	256,601	145,662
Subscriptions	83,328	4,564
Travel and subsistence	53,468	218,903
Medical board fees	14,200	0
	<b>6,795,333</b>	<b>6,131,863</b>

**Non-Consolidated Schedule of Arrears by Nature of Business  
For the Year ended June 30, 2001**

	<b>Contributions Receivable \$</b>
Agriculture, hunting and forestry	1,296,821
Construction	8,349,402
Electricity, gas and water supply	2,814,843
Extra-territorial organization	26,785
Financial intermediation	194,496
Hotel and restaurant	4,544,221
Manufacturing	3,034,834
Mining and quarrying	152,388
Other community, social and personal service activities	3,238,206
Private households with employed persons	121,786
Public administration and defense, compulsory social security	9,706,740
Real estate, renting and business activities	2,423,728
Transport, storage and communications	1,883,519
Wholesale and retail trade	1,180,818
	<b><u>38,968,587</u></b>

Total surcharges outstanding as at June 30, 2001 amount to \$368,202,461. The National Insurance Corporation Board of Directors has agreed to waive 90% of the surcharges outstanding as at September 30, 2000, should the arrears be settled immediately. From October 1, 2000, surcharge is being accrued at 1.25% per month under the new legislation compared to the previous charge of 10% per month. Any new surcharges accrued subsequent to September 30, 2000 will be enforced by the Corporation.

The above contributions are shown for information purposes only. These figures have not been audited, but will be audited for the year ended June 30, 2002 and included within the financial statements of the Corporation.





**NATIONAL  
INSURANCE  
CORPORATION**

*For the benefit of us all!*

ANNUAL REPORT 2001