

Our Journey

25 Years -

Of building a secure future for our people



NATIONAL INSURANCE CORPORATION
ANNUAL REPORT 2004



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 highly skilled staff.



**NATIONAL
INSURANCE
CORPORATION**

For the benefit of us all!

Our Journey



OUR JOURNEY – 25 YEARS OF BUILDING A SECURE FUTURE FOR OUR PEOPLE

The process of development demands that any organization committed to the attainment of its aims and objectives must advance to maturity. As this process takes place, the uncertainty presented by the experiences of life's journey throw up obstacles which will challenge our resolve. Though threatened by adversity, the true test lies in the ability of any organization to overcome these obstacles while focusing on meeting and even surpassing its objectives.

Twenty five years in the life of any organization is a note-worthy achievement. The NIC in this case has attained this milestone in its life cycle and is proud of its achievements thus far. A financially sound institution, strong and visionary management supported by a team of dedicated and committed staff, a diversified investment portfolio, a robust IT platform and a solid contribution base have been the hallmark of NIC's success, a success which permeates every sector of society.

Over the last twenty five years we have had a positive impact on the lives of our people by ensuring that their social and financial needs are effectively met. Our people will continue to receive all the relevant benefits of social security whilst we continue to review and realign the system in response to the vagaries of the times.

As we prepare for the next 25 years we are firm in our resolve that the NIC is an essential institution in our landscape and the product offered - pension protection, is as relevant and desirable today as it was **25 years** ago.

We therefore pledge prudence, innovation, transparency and accountability. We will continue to work with you to build on our strong foundation for another twenty five years as our journey continues *for the benefit of us all*.

Corporate Data

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PRIME MINISTER'S MESSAGE

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" We must have the fortitude and courage to make the sacrifices now, so that in the next twenty five years our people can look back as we looked back this year with pride and satisfaction, acknowledging that we who have been entrusted with the responsibility of leading, have made the right decisions *for the benefit of us all.*"



As Minister responsible for Social Security and Finance, I am reminded daily of the need for and importance of social and financial stability for our people and country.

Twenty five years after the establishment of the Social Security programme in Saint Lucia the NIC stands tall as a vital pillar in the economic and social fabric of our country.

A synopsis of the history of the NIC shows that an initial loan of \$30,000 in 1970 to start up the National Provident Fund, the forerunner to the NIC, has now grown to a positive balance of \$821 million at 30th June 2004.

Over its twenty five years of existence the NIC has:

- a) Paid 91,317 benefit claims.
- b) Paid 5,283 pensioners a total of \$137,000,000 in monthly pensions.
- c) Collected \$631,523,527 in contributed income from employers and employees.
- d) Invested the funds collected and earned investment income totaling \$438,496,948 over the period.
- e) At 30th June 2004, NIC deposits formed 15.7% of the money supply.

Surely the above data epitomizes the organization's theme for its 25th anniversary - ***“ 25 years of building a secure future for our people”***.

The above are excellent achievements. However the changes taking place in the international economy has challenged the role, function and viability of Social Security Institutions worldwide and the benefits they offer. Our own Institution, the NIC and sister Institutions in the region are not exempt from these challenges.

Being mindful of the challenges, we took some bold steps in 2000 and implemented some parametric reforms to the system, based on recommendations of the International Labour Organization (ILO). We are already seeing some effects of our decision in the decline in the rate of pension increases. However, the full effect of this reform will be felt in the next ten years. The pension reform was necessary and is continuing.

We are at a juncture in our history when, like our earlier visionaries, we must step back and revisit the entire social protection framework offered to our people. We must examine the need for unemployment insurance and access to quality healthcare and our ability to afford these added protections. We ought also to inform ourselves of the potential impact of the payment of such benefits on our businesses, our workers and the wider economy.

There is a saying that every journey begins with a single step. We have been bold and courageous enough to take that first step in the appointment of a Task Force to examine the feasibility of intro-



ducing National Health Insurance (NHI) and Unemployment Insurance in Saint Lucia. We have adopted the NHI Report and have charged the NIC with the responsibility to implement NHI under the caption “Universal Health Care (UHC)”. The Cabinet is at present considering the report on Unemployment Insurance.

Now the challenge is ours to undertake this journey together, questioning, critiquing but always supporting one another, united and focused in purpose and vision.

We must have the fortitude and cour-

age to make the sacrifices now, so that in the next twenty five years our people can look back as we looked back this year with pride and satisfaction, acknowledging that we who have been entrusted with the responsibility of leading, have made the right decisions *for the benefit of us all*.

On behalf of the government and the people of Saint Lucia, I congratulate the NIC on its 25th anniversary and its achievements to date.

I thank the Board, Investment Committee members, management and staff for their sterling and steadfast service to the people of Saint Lucia. May God continue to guide and bless us all.



Dr. Kenny Anthony
Prime Minister



CHAIRMAN'S STATEMENT

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The NIC has from its inception remained focused on its core function which is to look after the social security of its contributors and therefore has continued to ensure that funds are invested in the most prudent manner to ensure a stable and growing fund. ”

For many of us the financial year 2003/2004 will be remembered by the various high profile activities which were held to commemorate the NIC's 25th anniversary, many of which are chronicled in this report.

Notwithstanding the efforts which were placed to ensure the successful implementation of the 25th anniversary celebrations, the Board never lost its focus in carrying out the mandate entrusted to it. Therefore above all else the collection of contributions, the payment of benefits and the prudent management of excess funds continued to receive the organizations' full attention throughout the year.

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Investments

In an environment of high liquidity in the National and Regional Financial Institutions, interest rates are at an all time low. This has compounded our challenge in making the right investment decisions, maintaining an optimum portfolio mix, and at the same time keep to our investment principles of safety, yield and liquidity.

The above has resulted in a sharp drop in the percentage increase in Investment

Income from 35% last year to 9% this year.

The following investments, totaling EC \$52 million were undertaken during the period under review:

- a. In July 2003, the National Insurance Corporation refinanced at 8.5% the EC\$5 million loan payable by the Castries Car Park Facility Limited to the Bank of St. Lucia.
- b. US \$5 million at an interest rate of 8.5% representing 6.31% of a term loan arranged by the Republic Finance and Merchant Bank Limited for the Desalination Company of Trinidad and Tobago.
- c. US\$2.49 million with a coupon of 11% in the Jamaica Public Service Company Limited bond, a company engaged in the transmission, distribution and supply of electricity throughout Jamaica.
- d. US\$2 million in 10.25% Fixed Rate Bonds in TransJamaica Highway Limited, a company owned jointly by Bouygues Travaux Publics and Autoroutes de Sud de la France, both of France.
- e. The NIC increased its shareholding in the St. Lucia Electricity Services Ltd by 4.28% to 16.79% by purchasing an additional 478,864 ordinary shares for EC\$6,656,210
- f. EC\$4.9 million of 90-day Government of Saint Vincent Treasury Bills yielding 4.81%.



g. EC\$9.48 million of 365-day Government of St. Lucia Treasury Bills yielding 5.82%.

National Housing Corporation

The loan to the former St. Lucia Housing Authority now stands at \$38, 469, 750.04. This year the NHC honoured in part its promise to pay \$100, 000.00 monthly towards the interest by paying \$500, 000.00. However, the debt continues to grow as the the monthly payments do not cover the interest cost far less to reduce the principal.

The Board continues its dialogue with the government with the hope that the debt will be liquidated.

Blue Coral

During the year the Board of Directors of Blue Coral LTD held a number of meetings in an effort to commence the remodeling of the Building. A national competition was held from which a number of individuals submitted designs for the remodeling of the building. Mr. Sean Compton's proposal was accepted as the winning design.

The proposed concept will create a shopping experience and a place for spending leisure time. The remodeled building will include one or two anchor tenants on the ground floor, a mix of shopping units and offices on the first floor

and a mixture of entertainment space and a restaurant on the third floor.

At present the Architectural Team of Newel Lewis Broadbridge and Melon Designs and a Project Manager, Charles Heywood and Associates have been appointed to oversee the works to be undertaken. Architectural drawings are now being finalized. All efforts are being made to renovate the building into a modern edifice that will provide some character to the city centre.

St. Lucia Mortgage Finance Co. Ltd

During the year the SMFC continued to help St. Lucians realize the dream of obtaining their own home. Efforts were also made to rejuvenate the SMFC brand and product offering. In so doing and also to create more public awareness of the services provided by the institution, a Marketing Manager was employed and in April 2004, the company embarked on a Road Show and Sweepstake.

The company is also in the process of upgrading and modifying its office premises to make it more comfortable and pleasing to customers and staff.

During the year, two Low-Budget loan agreements were signed with SMFC establishing new lines of credit- \$3 million each at 4% and 5% respectively. SMFC also signed an agreement with the National Authorizing Officer for EU Operations which provided Grant funds of



\$1,120,000 to facilitate access to credit for eligible applicants. By the end of the year under review \$320,000 had been drawn.

Castries Car Park

This subsidiary continues to hold its own and has realized a small profit for the second year. This years profit was \$298,962 compared to last years \$399,420.

The issue of unauthorized access to the building remains a challenge. Nonetheless we are committed to working with the tenants to address the matter.

The occupancy of the Carpark continues to receive our attention and we are doing all in our power to improve occupancy.

NIPRO

This subsidiary realized its first profit of \$359 723 this year. The company continued its main function of providing Maintenance services to the NIC and construction and maintenance of police and fire stations for the Government of St. Lucia under the BOLT programme.

The company's most recent project is the development of lands in Grande Riviere for the NIC.

National Community Foundation

The NCF is now two years old and is of age. It now occupies its own office space on the 5th floor of the Francis Compton Building at the Waterfront. At present the Foundation has a staff compliment of two, an Executive Director and an assistant. During the year the NCF held its second telethon where it received pledges of approximately \$85,000.

I would like to take this opportunity to thank all those organizations and individuals who have continued to assist the NCF in its quest to create a better life for our less fortunate brothers and sisters.

Grande Riviere Lands

The NIC with the support of NIPRO, has embarked on developing the Grande Riviere lands and will be making available to the public over one hundred house lots ranging from 5000-13,000 square feet.

A sub-committee comprising Board and Investment Committee members and personnel from our two subsidiaries SMFC and NIPRO was formed to give guidance on the way forward for the development of lands.

The engineering firm of ARMANA Consult Inc is providing technical services on this project. The development plans are with the Development Control Authority. We expect land development work to commence mid 2005 and lot sales by late 2005.



Cul-de-Sac Lands

During the year the long outstanding issue of the non-productive loan to Cul-de-Sac Industrial Zone Ltd came to a close with the transfer of the Cul-de-Sac lands from the Cul-de-Sac Industrial Zone Ltd to the NIC. A committee was appointed with the responsibility to oversee preparation of a plan for the lands.

On March 30, 2004 the Committee hosted a one day consultation with the key stakeholders in an effort to arrive at ideas for a viable concept for the lands.

Universal Health Care

The Cabinet of Ministers adopted the report of the Task Force on National Health Insurance and directed that the NIC pursue implementation of the project. The NIC with the sanction of the Cabinet, appointed a steering committee from amongst its Directors with the addition of Dr. Stephen King to oversee the implementation.

The Steering Committee in turn appointed the following eight (8) UHC sub-committees to assist it with the task of Implementation:

- Health Information Management Committee
- Essential package of Health Services Committee

- Human Resource Training and Development Committee
- Risk Management and Quality Assurance Committee
- Legislative Committee
- Communications and Public Education Committee
- Registration Committee
- National Pharmacy and Therapeutic Committee

The names of the Committees connote their respective functions.

In March 2004, a meeting was convened with all UHC sub-committees at which each committee presented an update on their progress. In addition Dr. Ramon Figueroa, Director of Purchasing and Planning of the Social Security Board in Belize also made a presentation at that meeting. He gave participants an overview of the National Health Insurance Scheme in Belize.

A symposium was convened on the 5th July 2004 which sought to ascertain the progress made by the Committees in achieving the goals set out in their Terms of References. Stakeholders for this meeting were also drawn from the private and public sectors. Meetings have been held with a number of stakeholders for a second time. These include nurses, members of the NIC, St. Jude's Hospital, Ministries of Health, Public Service, Finance and Social Transformation. These meet-

ings were held in an effort to sensitize persons about UHC. Meetings with other stakeholders and the public are ongoing.

The symposium highlighted the need for assistance by some committees in order to meet their objectives. Consequently a decision was taken to engage the following consultants:-

1. Human Resource Consultancy to develop a Human Resource Strategic Plan and a Training Plan for the entire health sector.
2. A Health Information and Communication Consultant whose task would be to document and analyse the Health Information System and to advise on the acquisition of an appropriate system.
3. A consultant to conduct a Risk Management and Quality Assurance Audit to advise on the status of the three main health providers viz: Victoria, Tapion and St. Jude's hospitals as well as Turning Point and Golden Hope Hospital. The consultant would also advise on what will be required in order to qualify for international accreditation.
4. A consultant to perform a Socio-Economic Impact assessment to inform on the impact of the UHC on various cohorts of the population.
5. A consultant to prepare a draft UHC Bill and to review the various pieces of legislation relating to health care and

present a suite of legislation for a modernized health service.

At the time of writing, three of the consultancies have commenced. The Risk Management and Quality Assurance team had completed their evaluation and we expect their report early January 2005. The Human Resource and Legislative Drafting consultancy are in progress.

Conclusion

This financial year ended with a sense of great achievement for all of us at the National Insurance Corporation. Moreover the profile of the NIC was heightened during this anniversary year.

On behalf of the Board of Directors and members of the Investment Committee I would like to express our appreciation to the Minister responsible for National Insurance for the confidence placed in us in leading this prestigious organization. We wish to assure our commitment in carrying out the task given to us.

To the members of the Board and the Investment Committee, I express my sincere thanks for those long hours of dialogue and for your commitment in ensuring that the best decisions are always taken in the interest of our contributors. It would be remiss of me if I did not recognize in a special way the commitment and team spirit which emanated



throughout the year from the Management and Staff in this our 25th Anniversary year. Your support and dedication enabled the NIC to carry out its core functions as well as the planning and implementation of those activities

which were successfully executed to mark our 25th Anniversary celebrations.

Above all else I am thankful for all the blessings bestowed on us throughout this financial year and I look forward to continuing to serve *for the benefit of us all*.



John C. Joseph
Chairman

DIRECTOR'S ADDRESS

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The 25th Anniversary indeed had something for everyone. It provided the management and staff the opportunity to work together for extended periods. Management was able to observe staff using their initiative, creativity and zeal in serving and interacting with internal and external customers. "

This year much was achieved and much celebrated. While not losing sight of our core business we were involved in various activities. Some of these activities were social in nature like the Universal Health Care and unemployment programme, while others were more economic in nature like the purchase and refurbishment of buildings and the development of lands. Notwithstanding they were all developmental in nature and fitted into our mission of “ *Ensuring that every St.Lucian enjoys social and financial protection and to assist in the development of our nation through the efficient collection of contributions, payment of relevant benefits, prudent management of assets, use of cutting edge technology and a cadre of highly skilled staff* ”.

Details of these activities are included in the chairman’s report.

I will focus on our financial achievements for the year under review and our celebrations in attaining twenty five years.

The consolidated highlights for the corporation follow:-

Total Assets grew this year by 9% from \$754.5m to \$821.5m, an increase of \$67.0m. Last year’s increase was 9%.

Contribution income increased this year by 9% from \$51.5m to \$56.1m, an increase of \$4.6m. Last year’s increase was 2%.

Net Investment Income increased by \$4.0m or 9% from \$43.5m to \$47.5m. Last year’s increase was 35%.

Administrative expenditure grew by \$0.7m or 7% from \$9.6m to \$10.3m.

The main item contributing to the increase is the expenditure for the 25th anniversary activities.

Benefit expenditure grew by \$2.0m or 7% from \$28.4m to \$30.4m

Pension expenditure grew by \$1.6m from \$21.5m to \$23.1m, an increase of 7% compared to an increase of 10% in the previous year.

Of the \$56.1m of contributions, \$10.3m or 18% was spent on administration, \$30.4m or 54% represented benefit expenditure and \$15.4m or 27% was available for investment.

Total income increased from \$97.3m to \$110.0m an increase of \$12.7m or 13%.

Of the total income of \$110.0m, 9% was spent on administration, 63% or \$69.3m was available for investment while \$30.4m or 28% represent benefit expenditure.

The five companies included in the consolidation are the NIC, National Insurance Property Development and Management Company Ltd, Castries Car Park Facility Ltd, Blue Coral Ltd and St. Lucia Mortgage Finance Company Ltd (SMFC).

25th Anniversary Celebrations

April 2nd marked twenty five years since Social Security was introduced in Saint Lucia. Our 25th Anniversary coincided with the country’s 25th Anniversary of Independence. We had much to celebrate and we spared no effort at ensuring that a packed programme of activities was planned targeting our staff and our colleagues in the social security world as well as our esteemed contributors, pensioners, children and general public.

Our sister organizations viz: National Insurance Property Development and Management Company (NIPRO), and the St Lucia Mortgage Finance Company Limited (SMFC) joined us in celebrating this milestone.

A list of events starting from February 20th to April 11th, 2004 was drawn up. Although the observations covered this extensive period, the major activities were concentrated over the period 28th March to 11th April 2004.

Our theme for the 25th Anniversary was **“Twenty five years of building a secure future for our people”**.

The week started with a Church Service at the Cathedral of the Immaculate Conception on March 28th 2004. Several Dignitaries headed by Her Excellency the Governor General were present. Large numbers of our contributors, pensioners and well wishers, attended the service and joined us for breakfast.

Other notable highlights of the Anniversary were:

1. Gift to Victoria Hospital

As part of NIC’s 25th Anniversary activities and the country’s 25th Anniversary of Independence, the NIC donated EC\$2.1 million to the Government and people of Saint Lucia to equip and furnish the Surgi-Intensive Care Suite at Victoria Hospital (known as the L Block). The NIC will purchase equipment for two new operating rooms, a six bed Intensive/Cardiac Care Unit, a three bed recovery room and a new central sterilization services department and the provision of support diagnostic and treatment equipment for the laboratory, ra-

diology and imaging services as well as ventilatory support equipment for the Neonatal Intensive Care Unit. At the time of preparing this report most of the equipment had been received and one envisioned utilization by early 2005.

2. National Exhibition

We joined hands with our subsidiaries, NIPRO, Blue Coral Ltd and the St Lucia Mortgage Finance Co Ltd to take part in the National Exhibition at Point Seraphine from Friday, February 20th to 27th 2004.

Our exhibits under the theme ‘**Our Journey**’ were well presented and innovative. The educational and historical content as well as the information contained therein was enlightening.

The week also saw a panel discussion by Regional Social Security Directors on the topic: “The future of Social protection in the English speaking Caribbean.” The discussion was live on radio and television and was moderated by Professor Frank Alleyne, ISSA regional representative based in Barbados. The panelists were the Directors of National Insurance of Saint Lucia, St Vincent, The British Virgin Islands and Anguilla.

3. Awards Ceremony

The special awards ceremony was held on Thursday 8, April, 2004. A number of persons who were with the organization at the time of the introduction of National Insurance and before, and who are still on the staff, were recognized for long and dedicated service.

The persons recognized were:



- Emelda Elivique
- Mary Relle Hippolyte
- Joan Leon
- Lawrence Leon
- Lawrence Andrews
- Euphita Best
- Augustin Louis
- Theresa Cox
- Theodosia Joseph
- Maria Merle Regis
- Elmona Leonce
- Christine Morrison
- Elizabeth Daniel
- Claudette Gilbert

The former Director of National Insurance, Mr. Francis Compton was recognized by the International Social Security Association (ISSA) for his contribution to social security and received a special award. His award was presented by Mr Dalmer Hoskins, Secretary General of ISSA.

Former Prime Minister, Sir John Compton received an award from the NIC in recognition of his vision in the establishment of a social security system in Saint Lucia. His award was presented by Ms Emma Hippolyte, Director of the NIC.

NIC 1st Annual Lecture

The Anniversary week was an historic one, in many respects. Professor Karl Theodore of the University of the West Indies, St Augustine Campus, delivered the inaugural National Insurance Anniversary Lecture. This event, which is expected to become an annual affair, was well attended.

Dr Karl Theodore spoke on a topic which

now challenges the energy of Social Security Institutions in the region: *“The social and health behavior of our younger population in particular could have serious cost implications for our Social Security Scheme. Is that a reality?”*

Our Journey

This year, instead of the usual newspaper supplement we published a magazine – “Our Journey”.

The magazine traced the history of the NIC from its inception, through its years of significant achievements and projected the future which it hopes to achieve as one of the leading institutions in the economic, social and financial life of the country. The completion of the magazine required a considerable effort from the editorial team. However we are pleased with the final product as it represents a fine example of the very high standard which this institution sets and always aims to maintain.

“Our Journey” was launched at the Central Library during Library Week. At the same time two text books specifically targeting school children were launched.

Social Security in Saint Lucia

During this anniversary we achieved another significant milestone in the publication of two text books specially prepared for primary and secondary school students to enable them to better understand the concept of Social Security.

We intend to work with the Ministry of Education to utilize these books in the classroom. We believe that the subject of social security, how it impacts the lives

of citizens and the economy of our country must be presented to students in a manner that they can understand. If we are successful this could have the effect of improving compliance in future years.

Another feature of our anniversary was a documentary tracing the creation of the National Insurance from the Provident Fund to the present. This documentary has been aired a number of times over the local television stations and the comments from the public about its contents and its technical quality are very encouraging.

Open Day

On the 2nd of April the National Insurance invited contributors and members of the public to an “open day” at the three NIC offices.

Visitors were provided with refreshments and they were encouraged to view an exhibition. They were also treated with memorabilia in the form of umbrellas, pens, balloons and car shades.

The National Insurance Anniversary could truly be said to have had something for everyone, for on the 29th April 2004 the newest initiative from this institution was launched.

Gold Card

The golden citizens program is one which allows retired persons to receive discounts or preferential treatment from businesses that have consented to join the program.

At the launching the key note address was delivered by the Honorable Prime

Minister, while the first card was presented by Her Excellency the Governor General of Saint Lucia to a retired employee of the National Insurance, Mr Albert O’Shaughnessy.

We are very excited about the impact of this programme and thank the various businesses that made it possible.

The Easter Games

The National Insurance was the host for the Social Security Easter Games this year. This event blended quite well into the Anniversary activities.

Every year the Social Security organizations in the English speaking Caribbean gather at one location at Easter to have fun sports, social activities, network and discuss matters of mutual interest to Social Security practitioners.

This year, more than three hundred and fifty persons came for the games with some, arriving as early as the Tuesday before and leaving the Thursday after the games. This year we saw participation at a higher level as well. We had the Chairman of the National Insurance Board of Trinidad and Tobago, Board members from two institutions as well as the Executive Directors of six sister institutions attending the games. This augurs well for the future.

There were representatives from:

1. St Kitts Nevis
2. Trinidad and Tobago
3. Grenada
4. Guyana
5. Antigua & Barbuda
6. British Virgin Islands



7. Barbados
8. St Vincent
9. Anguilla
10. Dominica and
11. Saint Lucia as the host

Saint Lucia retained the championship won in Antigua last year; St Kitts came second with Trinidad & Tobago third.

Easter 2005 will see the National Insurance Board of Trinidad and Tobago hosting the games.

Administration/Human Resources

Employment remained stable during that period. Only two staff members left the organization during that time, and one of those did so in order to migrate overseas to start a family. During the period we saw the retirement of Mrs. Yolande Trim, Administrative Secretary to the National Insurance Board.

Mrs. Trim worked with the institution for more than twenty years and it was felt that retirement was well earned. However her wisdom and skills are sorely missed.

She is replaced by Mrs. Helen Hugobert-Richards who has now assumed the post of Personal Assistant to the Executive Director.

The long awaited Employee of the Quarter programme was launched and we were quite elated to salute our first recipient Mr. Methodius Plante of the Customer Service Department.

Ms Giselle Mondesir, Velina Joseph and Govia Larcher were promoted from the clerical stream to Collection Officers.

We also saw the return of Ms Allison Delmede who was on study leave in England completing a Masters of Arts in Human Resource Management. It is hoped that Ms Delmede will use her skills in an effort to upgrade and improve the functions as well as the services provided by the HR Department.

Ms Calixta Emmanuel, Supervisor of the Compliance Department was given study leave to complete her professional Accounting course in the U.K.

Ms Heather Charles, Ms Mignon St Clair and Mr. Anthony Cornibert, previously temporary clerks were appointed to the permanent staff of the Corporation.

Mr. Charles St Helen, previously Acting Supervisor of the Vieux Fort Office was confirmed in that position effective January 2003.

Training

The National Insurance continues its emphasis on the provision of training. During the period July 1, 2003 to June 30, 2004, a number of employees were exposed to training in various fields. This training effort represented approximately four hundred and forty-six man hours.

July 2003

In-house training was conducted by the National Insurance Legal Counsel in 'Aspects of National Insurance Legislation' for staff of the Customer Service Department.

August 2003

The Legal Counsel of the National Insurance attended a 3-day workshop in New



York on 'Finance for Lawyers.'

November 2003

Board Members, Investment Committee members and Senior Managers were in session at a one-day workshop on Investment Policy facilitated by Dr. Valda Henry of Dominica.

February 2004

Two Inspectors traveled to St. Vincent and the Grenadines to participate in a one-week training seminar on 'Occupational Health and Safety.'

April 2004

Four Supervisory staff attended a one day session on the topic 'Absenteeism' at the Cara Suites. The session was sponsored by the St Lucia Employers' Federation and facilitated by Mr. Henry Phillips.

May 2004

Four Supervisors attended a one-day workshop on 'Managing Performance to improve productivity' organized by the Employers' Federation. Mrs Lydia Anselm, Senior Training Officer, in the Ministry of the Public Service of St. Lucia was the facilitator.

June 2004

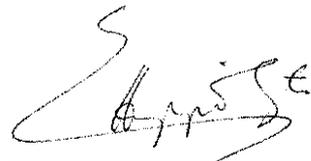
Legal Counsel attended a two-week workshop in 'Legal Drafting' in New Orleans, Louisiana.

Conclusion

The 25th Anniversary indeed had something for everyone. It provided the management and staff the opportunity to work together for extended periods. Management was able to observe staff using their initiative, creativity and zeal in serving and interacting with internal and external customers.

The activities left us as a more cohesive team – a key ingredient for the challenges that lie ahead.

I thank the public for their participation in our various activities and the support and encouragement offered throughout the year. Thanks also to the staff for their continued commitment to duty and the Board and Investment Committee for their active participation in the business of the NIC. My gratitude goes to the Minister for Social Security, the Prime Minister for his co-operation and support.



Emma Hippolyte
Director



This Year in Pictures



The NIC & Subsidiaries



Nipro
(100%)

SMFC
(75%)

Blue Coral
(66%)

CCFL
(85%)

Name of Company	Business	Date of Establishment	Capitalization 2004 EC\$M	Balance Sheet Assets 2004	Principal Officer
NIC	Provision of Social Security Services	April 1978	804.82m	809.26M	Emma Hippolyte
NIPRO	Provides Property development, management & maintenance services to NIC, Castries Car Park Facility Ltd and other public and Private Sector Companies	April 1999	5.69m	20.45m	Dr Frederick Isaac
SMFC	Mortgage Finance Co. Granting of loans for the purchase, construction, extension or completion of dwelling houses and the purchase of developed lots	January 1968	7.43m	34.5m	Orlando Martyr
Blue Coral	Rental of Office & Commercial Space	April 2003	14.40 m	14.87m	John Joseph
CCFL	Provision of Car Parking facilities & Rental of Office and Commercial Space	January 1998	9.72m	26.73m	Emma Hippolyte

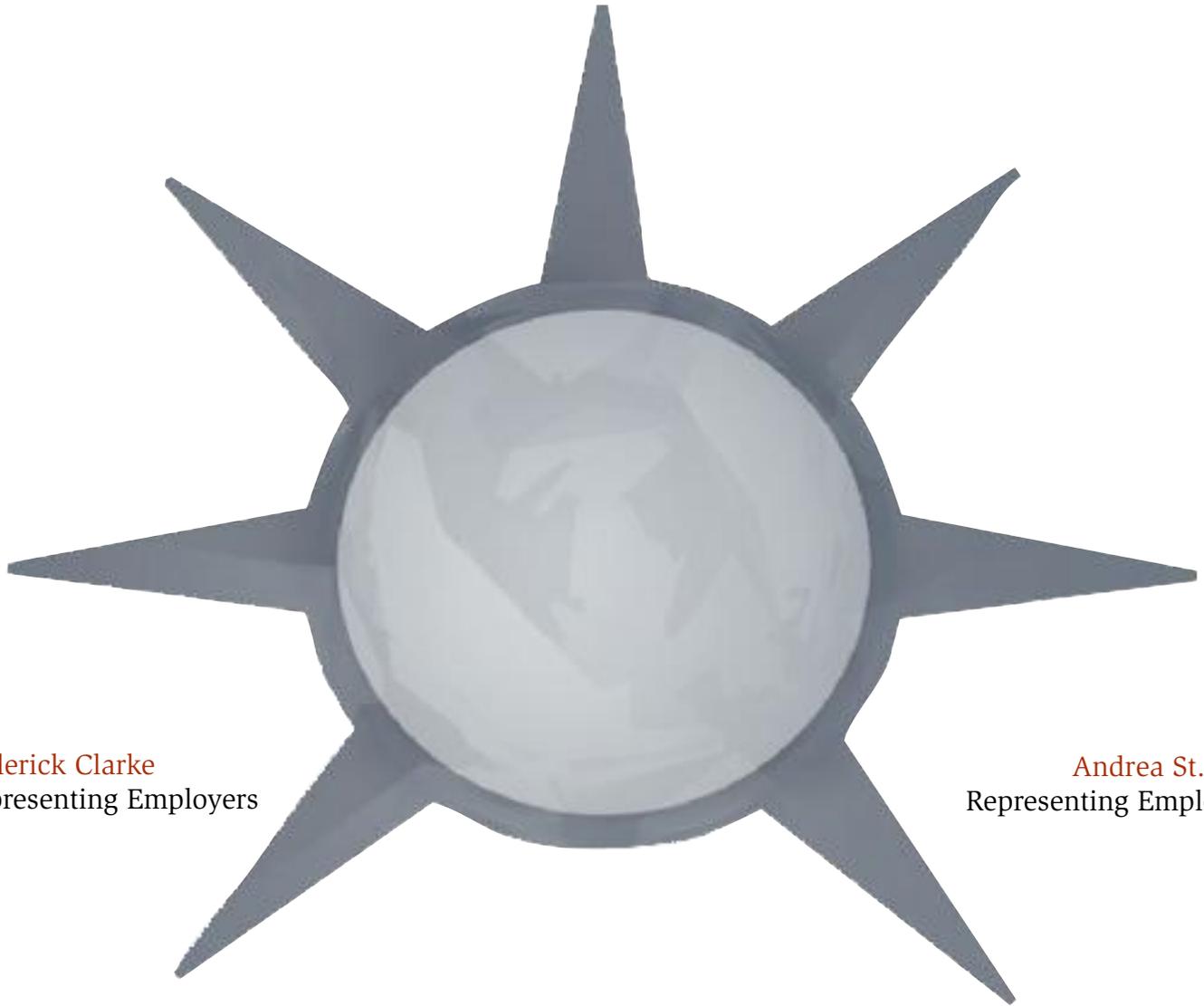


Board of Directors

John C. Joseph
Chairman – Representing Government

Emma Hippolyte
Director

Jean-Francois Solomon
Representing Government



Roderick Clarke
Representing Employers

Andrea St. Rose
Representing Employees

Verne Gill
Representing Employers

Lawrence Poyotte
Member



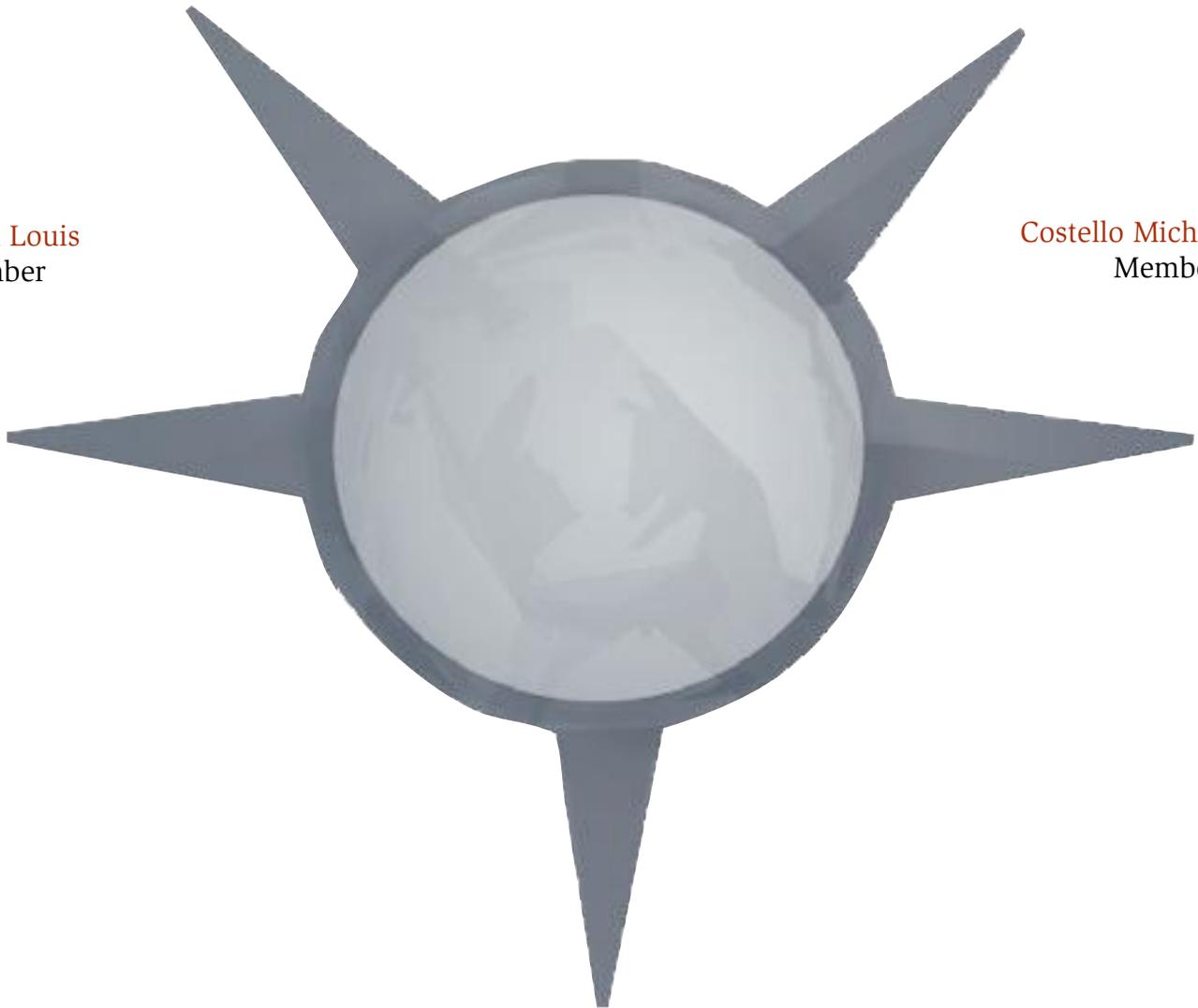
Investment Committee

Trevor Braithwaite
Chairman

Emma Hippolyte
Director

John Louis
Member

Costello Michel
Member



Lawrence Poyotte
Member



Principal Officers

Emma Hippolyte
Director

Matthew Lincoln Mathurin
Deputy Director/Financial
Controller

Augustine Louis
Human Resources/Public
Relations Manager

Albert Cenac
Statistics/Training Manager

Callixta Branford
Internal Auditor

Paula Bleasdille
Accountant

Cadie St. Rose-Albertini
Legal Counsel

Helen Hugobert-Richards
Board Secretary

Desmond Dujon-Henry
Systems Manager



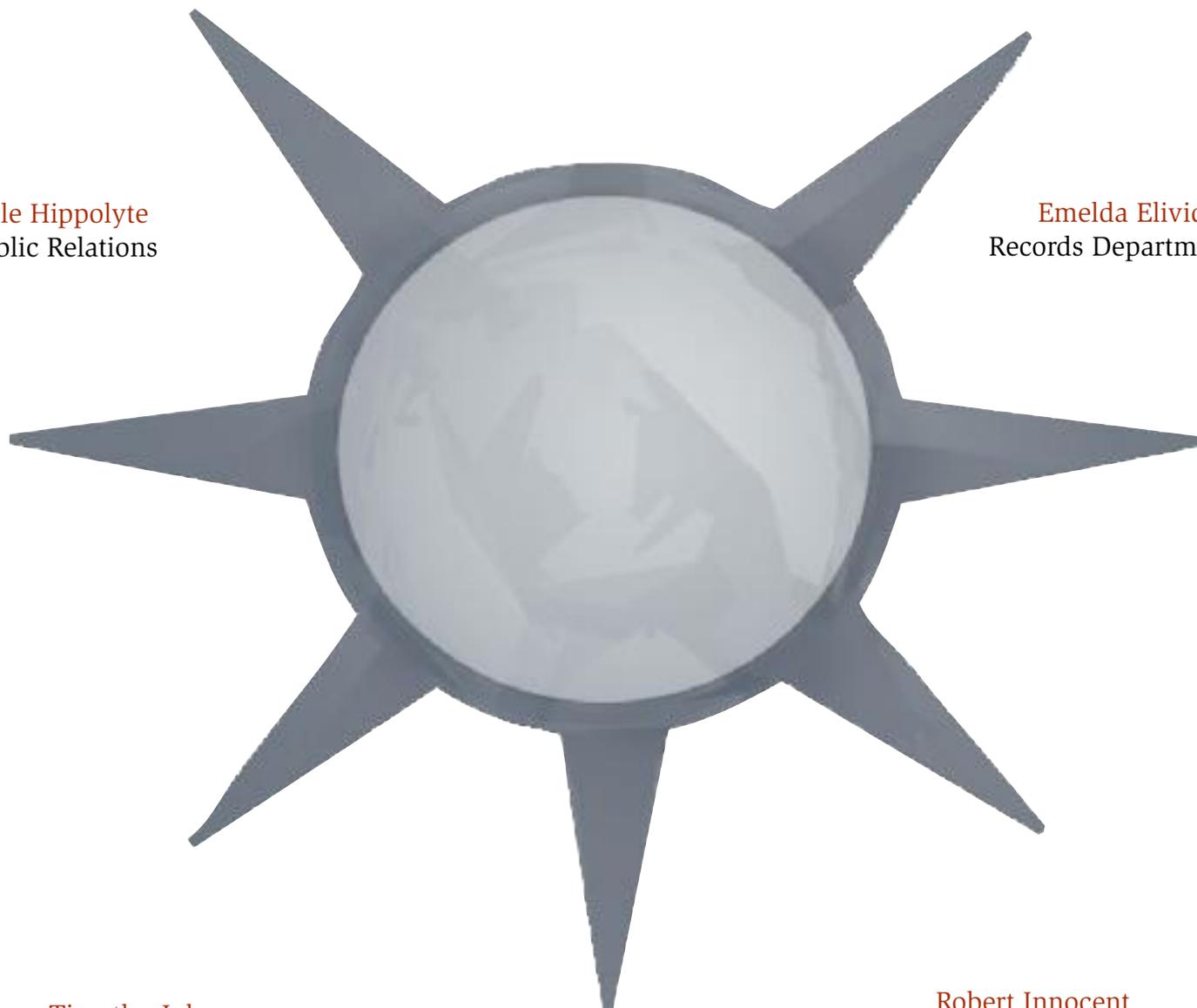
Supervisors

Callixta Emmanuel
Compliance Department

Joan Leon
Customer Service

Relle Hippolyte
Public Relations

Emelda Elivique
Records Department



Timothy John
Security

Robert Innocent
Soufriere Office

Charles St. Helen
Vieux-Fort Office



ANNUAL STATISTICS REVIEW



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ANNUAL STATISTICS REVIEW



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 Corporation 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 who 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.
Self-Employed	A person who carries on any trade or business enterprise, including Professional services or any other lawful activity which generates an income, is over 16 years and is ordinarily resident in St Lucia.
Voluntary Contributor	A person who is below pensionable age, resides in St Lucia, has 60 months contributions, and is not eligible for payment of contributions in respect of Insurable employment under the NIC Act.



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2. 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 earnings. During the review period, the ceiling upon which contributions are based was not revised and thus kept at \$5,000.00 per month.

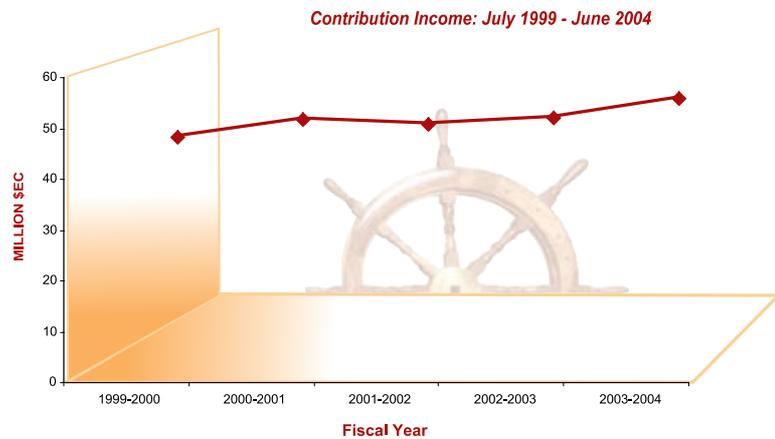
During the fiscal year ended June 2004, National Insurance Corporation's contribution income totaled \$56.26M; current contributions accounted for 48.35% or \$27.20M and arrears (past-due contributions) accounted for 51.65% or \$29.06M.

The above contribution income was collected from 2,613 employers on behalf of approximately 40,120 active contributors and recorded a 6.89% increase over the previous financial year. The increase in contribution income was in part the collective impact of the following performances:

- (1) 1.72% increase in the active insured population;
- (2) 8.90% growth in first-time contributors (new entrants);
- (3) Improvement in the collection of past-due contribution income;
- (4) 1.87% increase in contributing employers;
- (5) 4.48% increase in active contributors average insurable earnings and
- (6) Active contributors average number of months of employment increased by 1.33% to 9.14.

In July 2003 - June 2004, current contributions collected by the NIC

Graph 1



contracted by 2.39% to \$27.20M. This contraction was mainly the outcome of a six-percentage point drop in the proportion of expected contributions collected from 54% in 2002-2003 to 48% in 2003 - 2004, the expected contributions was approximately \$56.46M. From August 2003 to February 2004, the proportion of expected average monthly contributions collected, contracted by 12-percentage point to 42%. The result was, current contribution income during August 2003 to February 2004, contracted by 14% and average monthly current contribution income declined from \$2.33M to \$2.01M.

In contrast, during the four months period (March - June, 2004), the proportion of expected contributions collected had risen by 14% to 56%. In addition, average monthly current contribution income during the above period increased from \$2.01M to \$2.65M- 31.84% growth. Every effort must be made to sustain the above compliance rate to ensure an improvement in the next fiscal year.

Following a 3.87% drop in 2002-2003, past-due contribution income increased by 20.48% or \$4.94M to \$29.06M, in the period under review. Further analysis of past-due contribution income revealed that on average, approximately 38% of



expected monthly contributions were collected within three weeks of due-date (7th of each month) as compared to 34% in the previous financial year. Collectively, about 96% or \$54.14M of expected contributions was collected within the review period, which is the same for the previous year.

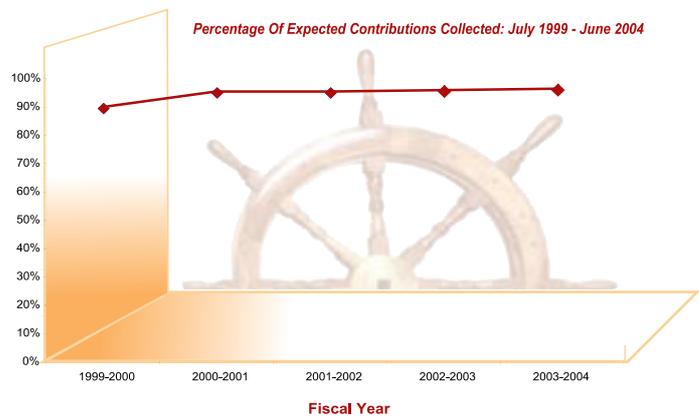
However, the difference is, total expected contributions for July 2003 – June 2004 is estimated at \$56.46 compared to \$52.28M for the previous financial year (see *graph 2*). Furthermore, whilst 48% of expected contributions were collected on time, another 48% (included in arrears composition) were collected within the financial year (2003-2004). See *graph 3*.

Distribution of contribution income on the basis of industrial classification showed increases in contributions from most sectors. Contribution income from the ‘public administration’ and construction sectors experienced growth of over 20%. Contributions from the restaurants/hotels and transport / storage and communications also had increases of 10% and 9%, respectively.

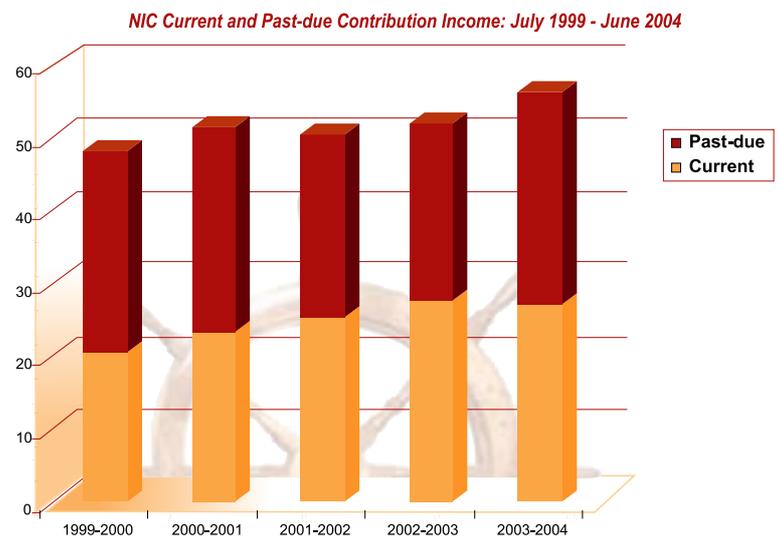
Other moderate growths in contribution income were recorded in the following sectors:

1. Community, social and personal services, households with employed persons and extra-territorial organizations and bodies
2. Manufacturing
3. Agriculture, Forestry and fishing
4. Financial Intermediation
5. Wholesale and Retail Trade

Graph 2



Graph 3



In contrast, contribution income from the ‘real-estate/renting/business services’ and mining/quarrying sectors contracted by 2%, whilst the ‘electricity, gas and water supply’ sector experienced a 7% decline.

2. INSURED POPULATION

In general, the future course of the National Insurance retirement pension program is determined to a large extent by the demographic and economic characteristics of its insured population. At any given point in time the insured population would include active contributors (paid employees, self-employed and voluntary contributors) and in-active contributors (in-active insured persons).

As at June 2004, the insured population was estimated at 102,663 (53.77% were males and 46.23% were females). During the period, July 1979 – June 2004, the insured population initially grew at the rate of 4% and gradually reduced to 2% at the end of the financial year in review. An age distribution of the insured population showed that 2% are under 20 years, 71% are approximately uniformly distributed between the ages of 20 - 45 years and 27% are over 45 years. In addition, the insured population is characterized by a mean age of 39.19 years.

2.10 Active Insured

During any specific period of time, the active insured population would comprise of the following categories of contributors:

- a. New entrants (first-time contributors);
- b. Insured persons who are active in review period.

The composition of active contributors implies that positive growth in the economy will stimulate employment that may result in corresponding expansion of the active insured population. Similarly, contraction in the economy is likely to impact negatively on the rate of employment and National Insurance active contributors.

After recording consecutive declines of approximately 1.54% during the fiscal periods July 2000 – June 2003, estimated active insured population in the review period increased by 1.72% to 40,120; of this number 19,502 or 48.61% are males and 20,618 or 51.39% are females. Included in the above estimate is a provision for non-submission of C3 forms by active employers of 7%.

Distribution of active insured persons on the basis of age, points toward a relatively young population: 9% are less than 21 years, 63% are between 21- 40 years, 18%

Graph 4

NIC ACTIVE INSURED POPULATION: July 1999 - June 2004

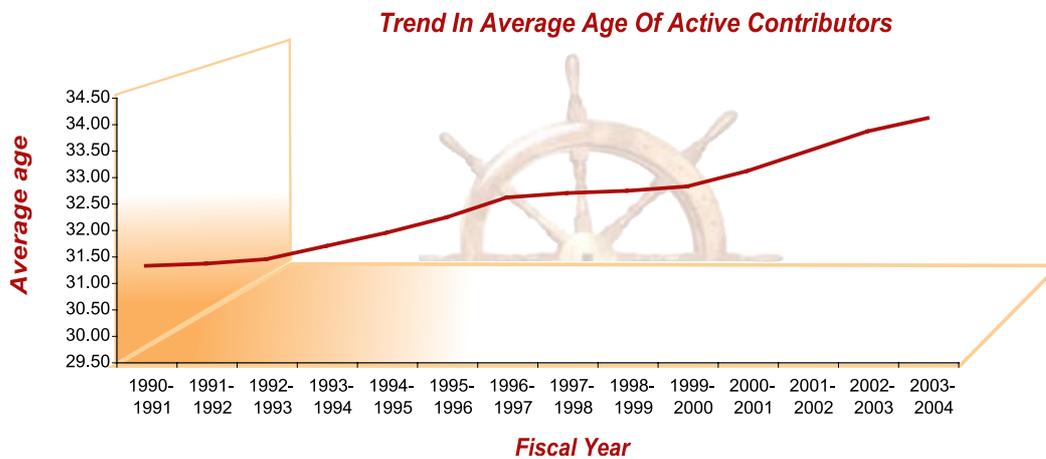


are between 41-50 years and 10% are over 50 years. During the past 14 years (July 1990 – June 2004), the mean age of active contributors grew at an average rate of .67% per fiscal year, from 31.29 years in 1990-1991 to 34.10 years at the end of June 2004 (see *graph 5*).

Analysis of active insured population on the basis of industrial classification indicated an overall improvement. During the fiscal year ended June 2004,

whilst continued declines were recorded in some sectors, moderate growth in the number of active contributors was certainly the dominating characteristic of most economic sectors. Employment in the agriculture sector declined further by 9.66% to an all time low of 945. *The trend of active insured in the agriculture sector from 1991 to present (June 2004) is typified by varying intensity of steady contraction with an overall decrease of 63.24%* (see *graph 6*).

Graph 5



Graph 6



During the last five years ended June 2004, Employment (number of active insured) in the manufacturing sector declined successively at an average annual rate of 4%. Notwithstanding an 80% rise in the number of new employers registering during the review period, the closure of manufacturing firms such as North American Assemblies and Majestic

Industries resulted in a 2% drop in active contributors from that sector.

Contractions in the number of active contributors were also recorded in the following sectors: construction - 10.99%, transport/storage/communication - 7.83% and real-estate/renting/business services - 8.69%.



On the other hand, following contractions in the previous financial year, active contributors in the wholesale/retail and public administration sectors increased by approximately 7% to 7,185 and 6,249 respectively. Similarly, after recording a marginal drop of 0.40% in 2002-2003, employment in the restaurant/hotel sector experienced a moderate growth of 3.64% in the review period. ***The restaurant and hotel industry continues to account for the largest number of active insured persons since 1998.***

In the review period, active contributors from the financial intermediation sector increased by 4.93%. During the fiscal periods July 2000 – June 2004, employment in this sector rose from 1,972 in 1999 – 2000 to 2,432 at the end of June 2004; this was an overall increase of 26.22% for the five-year period. Other economic sectors that recorded growth in active contributors during the financial year under review included: electricity/gas/water supply - 1.77% and mining/quarrying activities - 20.57%.

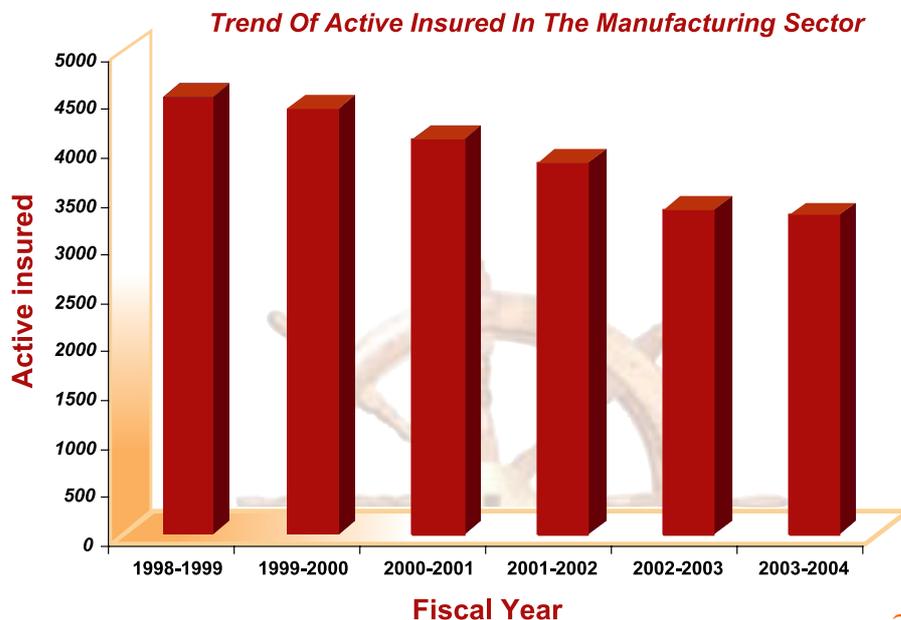
2.11 New entrants

During the financial year ended June 2004, approximately 3,180 new contributors (first-time contributors) were included in the active insured population; of this number, 1,629 were males and 1,551 were females. Whilst the number of new contributors was 8.90% higher than the previous financial year, average new (first-time contributors) during the last four years ended June 2004, was 3,138. This average was, in addition, characterized by minimum variation, which suggest some level of stability. It is also equally significant that the above number of first-time contributors is below what obtained in 1999-2000 by 22.68% (see *graph 8*).

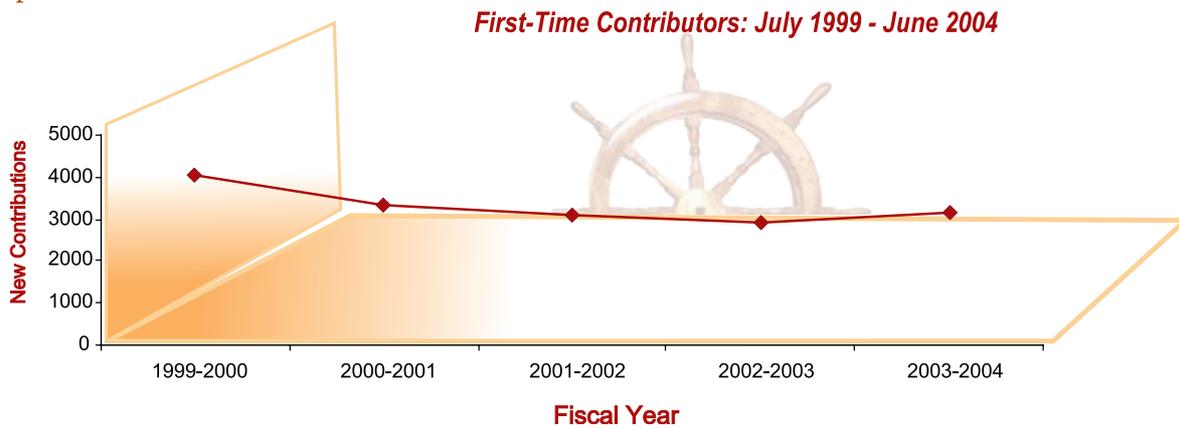
2.12 Self-Employed

In the review period, out of 2,832 registered self-employed persons, 978 or 34.54% were active or made contributions to the NIC. The number of active self-employed persons rose by approximately 9%. In fact, between July 1992 and June 2000 inclusive, on average, active self-employed grew at 37% per fiscal year. Thereafter, from July 2000 – June 2004, the rate of growth declined significantly to about 7% (see *graph 9*).

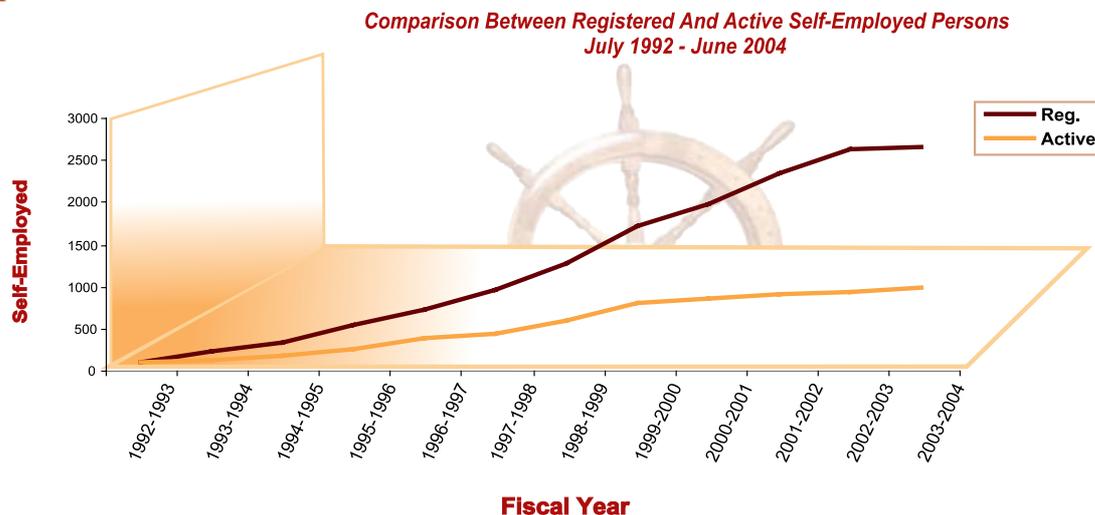
Graph 7



Graph 8



Graph 9



Between July 1992 and June 2004, the proportion of registered self-employed persons that is active (paid contributions) contracted from 87% in 1992-1993 to 35% in 2003-2004. Indeed, it is an area of significant concern to the National Insurance Corporation and an area that will receive attention in the coming year.

2.12 Voluntary Contributors

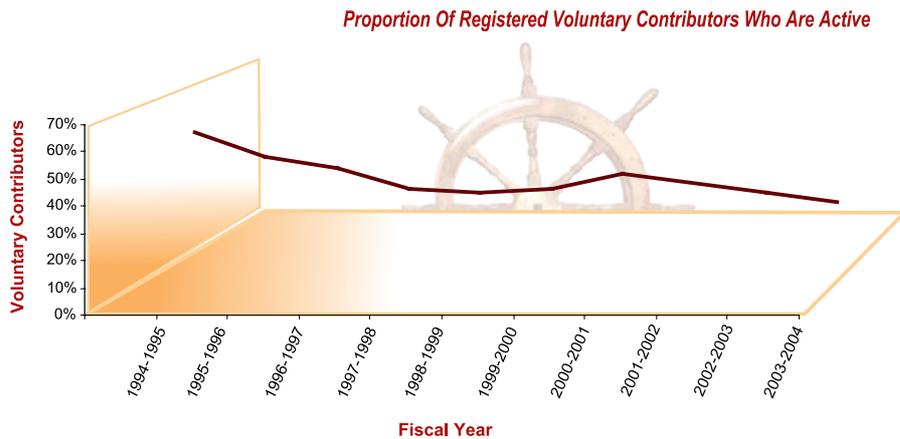
At the end of June 2004, 326 or 41% of total registered voluntary contributors paid contributions to the NIC. In absolute terms, the number of active voluntary

contributors increased by approximately 9% in the review period. A comparison between self-employed and voluntary contributors clearly indicates that the later has a higher level of compliance in the payment of contributions. This in no way negates the fact that both categories require a monitoring system with the objective of improving the level of compliance as it relates to the payment of contributions.

3. EMPLOYERS' ACTIVITIES

As at 30th June 2004, a total of 7,682 employers were registered with the National Insurance Corporation. The above

Graph 10



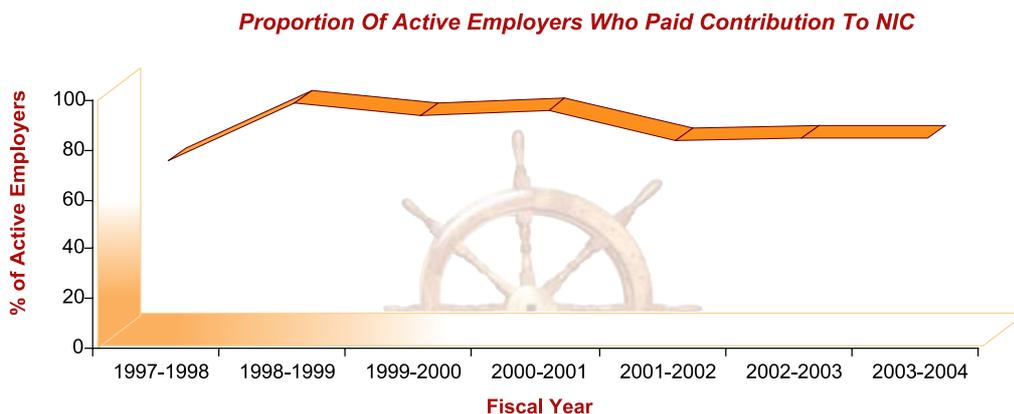
number comprised of 3,239 or 42.2% active employers, 4,314 or 56.2% were closed, 105 or 1.3% - dormant and 25 (0.3%) employers were classified as 'temporarily closed.' Active employers' population grew by 2% while 314 employers were recorded as closed during the review period. The closed employers in July 2003 - June 2004 were significantly skewed due to a C3 project undertaken by the organization. This project revealed that a large proportion of these employers ceased operation many years ago but had not informed the National Insurance Corporation; this number is expected to reduce considerably during the current financial year.

During the financial year in review, 2,613 employers paid contributions to the NIC on behalf of an estimated 40,120 active insured persons. After recording a marginal

0.39% rise in 2002-2003, the number of contributing employers increased by 1.87%. Further, contributing employers in the review period accounted for 81.0% of active employers population.

Based on past experience for the last five years (July 1999 – June 2004), the mean proportion of active employers who paid contributions to the NIC was 84% (see graph 11). This implied that, the fiscal periods 2002-2003 and 2003-2004 were three percentage points each below the mean. It is certainly not a new phenomenon to the organization. The NIC continues to assess its performance and develop new strategies to improve compliance in the payment of contributions by employers. Gradual improvement in the economy in addition to projected positive growth also provide basis for anticipated progress in employers' level of compliance.

Graph 11



Distribution of contributing employers on the basis of industrial classification showed the following:

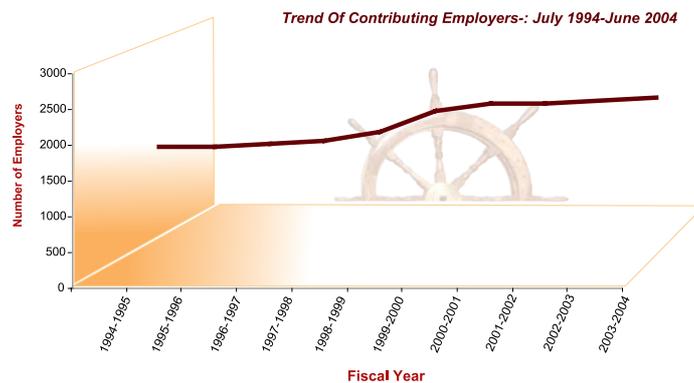
Table 1

Economic Sector	%
Agriculture, Hunting, Forestry and Fishing	5.01%
Mining and Quarrying	0.19%
Manufacturing	7.00%
Electricity, Gas and Water supply	0.57%
Construction	3.25%
Wholesale and Retail Trade	17.95%
Restaurants and Hotels	8.69%
Transport, Storage and Communication	4.48%
Financial Intermediations	3.71%
Real-Estates, Renting and Business Services	9.22%
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	8.00%
Community, Social/Personal Ser., Household with employed persons/Extra-territorial Bodies	26.02%
Activities not adequately defined	5.89%
Total	100.00%

The above distribution has been very consistent from year to year with variations of less than 2%. On the other hand, during the fiscal period in review, excluding 'electricity / gas / water supply',

'restaurants/hotels' and 'transport/storage/communication' there were increases of approximately 3% in the number of contributing employers from all other economic sectors.

Graph 12



During the period July 2003-June 2004, 325 new employers registered with the National Insurance Corporation. Although the number majority of employers:

registered is the same for the previous period, the industrial classification differed. The following sectors accounted for the

- Community/Social/Personal Services, Households with Employed Persons, Extra-territorial Organizations and Bodies
- Whole and Retail Trade
- Restaurants and Hotels
- Real-estate, Renting and Business Services
- Construction
- Manufacturing

28%
19%
11%
7%
6%
6%



NIC BENEFITS EXPENDITURE

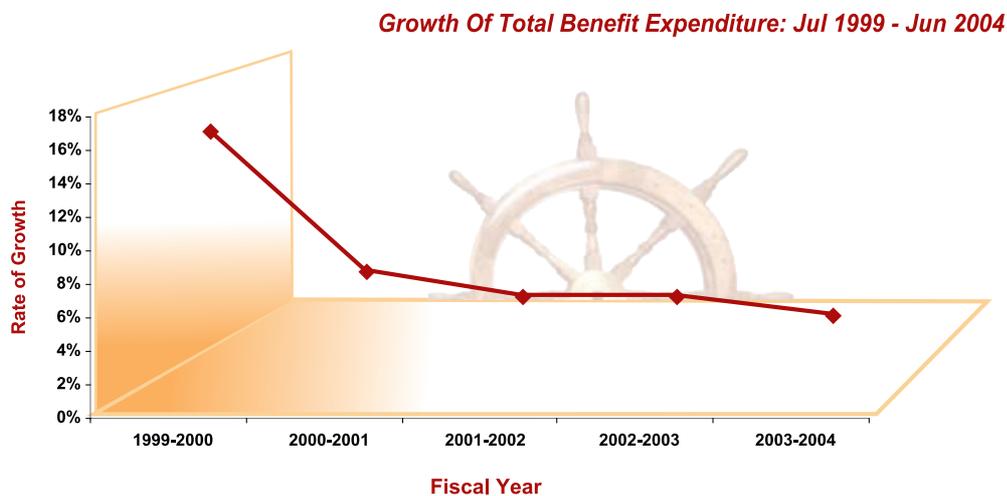
The benefits covered by the National Insurance Corporation are grouped into two main branches, namely short-term and long-term benefits.

The total benefits expenditure of the National Insurance Corporation to its insured population for the 2003 - 2004 fiscal year grew by approximately \$1.74M to \$30.35M. This represents growth of 6.08% during the year in review relative

to the year 2002 to 2003. For the past five years (July 1999-June 2004), there was a gradual contraction in the growth of total benefits expenditure as shown in *graph 13* below.

The steady decline in the rate of growth of benefits expenditure in the last four years was the result of continued revision of benefits provisions with the objective of providing equitable benefits to insured persons and ensuring the longevity of the Fund.

Graph 13



4.1 Short-Term Benefits

Short-term benefits offered by the National Insurance Corporation include employment injury, funeral grant, maternity allowance, maternity grant, medical expenses and sickness allowance.

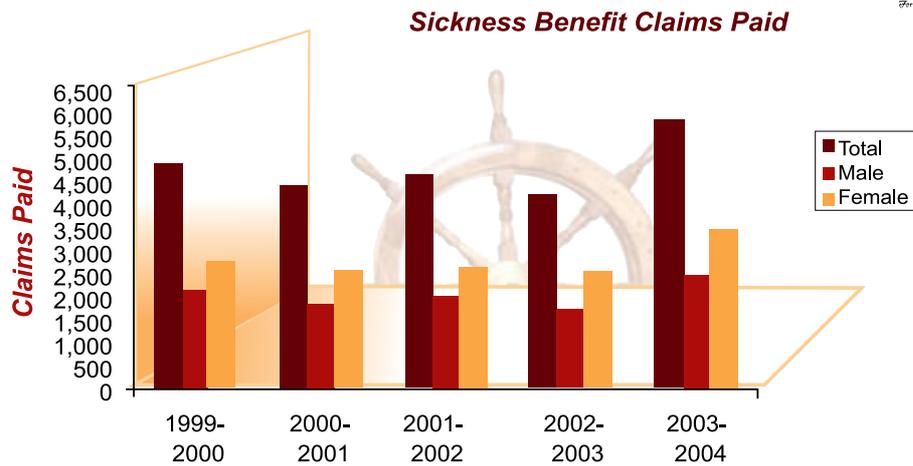
In July 2003-June 2004, 7,380 short-term claims were paid at a cost of \$7.20M. Cost of Short-term benefits was characterized by expected declines in maternity benefits and a sporadic rise in sickness allowance expenditure. The number of claims paid rose by 26.15% while total cost grew by 7.05%.

4.11 Sickness Allowance

In the review period, sickness benefits claims experienced a 39.91% increase or 1,710 more claims than last year. Consequently, expenditure rose by 23.45% to \$1.86M. Further examination showed a 14.20% drop in the average duration of a randomly selected sickness claim test. This decline in average duration projects the hypothesis that, the duration of most 'irregular fluctuated' claims was at most 7 days. Further analysis indicated that over 70% of the 'irregular' sickness claims were from the 'wholesale/retail' and 'restaurants and hotels' sectors. At present, the Statistics, Training and Research Department is in the process of investigating this abnormal increase in greater details (see *graph 14*).



Graph 14



4.12 Employment Injury

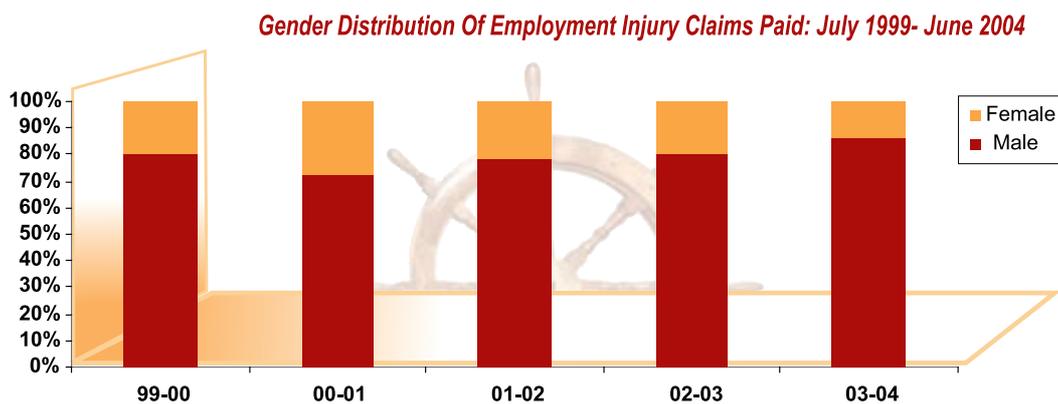
In the case of Employment Injury, despite the marginal decline in the number of claims paid (a decrease of 5 claims), there was still a rise in the expenditure figures by \$16,662.00; 81 claims were paid at a cost of \$70,188.

As is usually the case every year, as shown in graph 15 below, active insured males again dominated the number of claims paid, with 86.42% of all claimants being males and 13.58% being females.

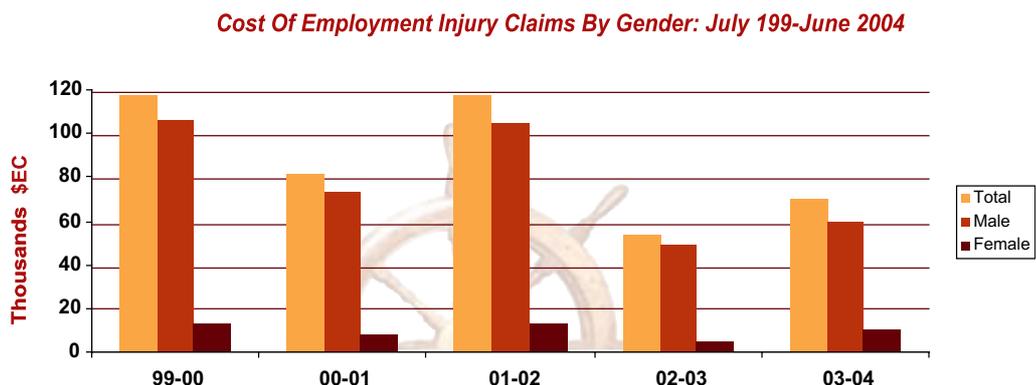
During the year in review, average duration of employment injury claims increased by approximately 26% to 23 days. Notwithstanding the above decline in claims paid, the growth of claims average duration resulted in a 39.22% increase in cost per claim. Employment injury expenditure rose by 31.13% to \$70,188.

In addition, sporadic variations caused by a few high cost employment injury claims were evident. In the case of female claimants, their average cost per claim climbed from \$245.62 to \$938.57, a 282.12% increase, while the males experienced an increase of only 19.57%.

Graph 15



Graph 16



4.13 Maternity Benefits

Maternity benefit has always had the country's demographic trends, particularly fertility and birth rates, as influential factors. As a result, over the past 10 years there has been a general decrease in the number of maternity allowance claims paid by the National Insurance Corporation, and this year was no exception. A 7.20% contraction was realized in the number of claims paid, which led to a 9.32% decrease in maternity benefit expenditure – from \$1.67M in 2002-2003 to \$1.51M in 2003-2004.

The rate of maternity allowances dropped to 35.60 claims per 1000 active insured female – a 10% decline and record low in the history of the benefit over a 15-year period. As at June 2004, average duration of maternity allowances stood at 75 days.

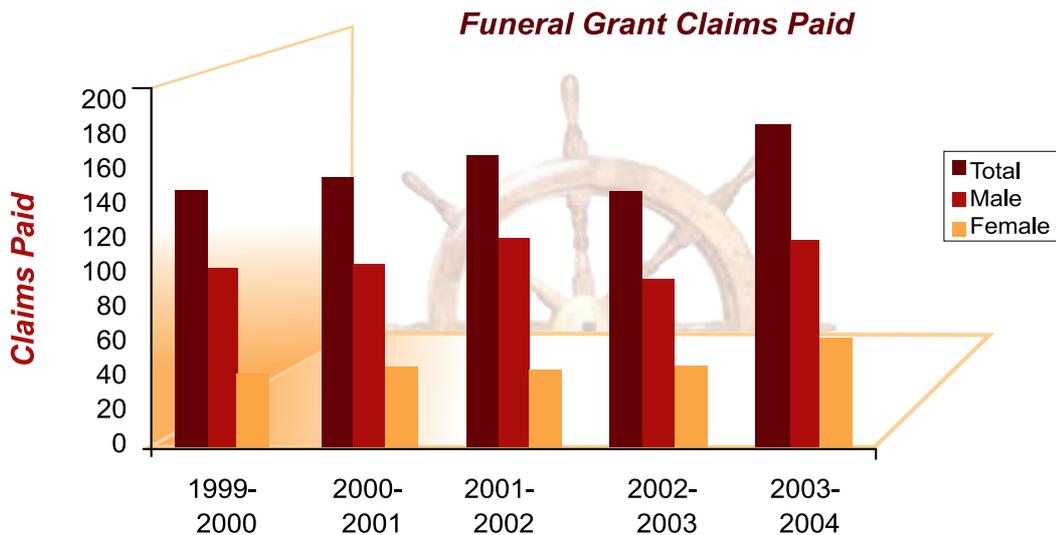
In the review period, maternity grants awarded by the NIC also decreased; there was a contraction of 8.58% (75 Claims) in

the number of claims paid. This contraction in claims awarded led to a corresponding decline of 8.79% in the cost of grant from \$534,000 to \$487,050. The declining trend of maternity allowance is also applicable to grants.

4.14 Funeral Grant

A total of 179 funeral grants were awarded at a cost of \$308,800. The number of funeral grants paid increased by 26.06% while the corresponding expenditure rose by approximately 27%. As expected in most instances, increase in funeral grants would impact on other benefits such as retirement pensions and survivors benefit/pensions. In this case, there was no unusual growth in retirement pensions terminated, which is one of two benefits likely to be affected. On the other hand, the number of survivors pensions awarded in the review period experienced a sharp increase. Graph 17 shows the ratio of deaths between male and female to be about 2:1.

Graph 17



4.15 Hospitalization and Medical Benefit

During the financial year in review the amount paid for this benefit remained basically the same, with only a very

insignificant drop in expenditure. Hence expenditure remains at approximately \$3.01M.



4.2 Long-Term Benefits:

The long-term benefits of the National Insurance Corporation comprise of the Disablement Pension, Invalidity Pension, Retirement Pension, Survivor's Pension, Disablement Grant, Invalidity Grant, Retirement Grant and Survivor's Grant. These together make up the majority of the benefits expenditure.

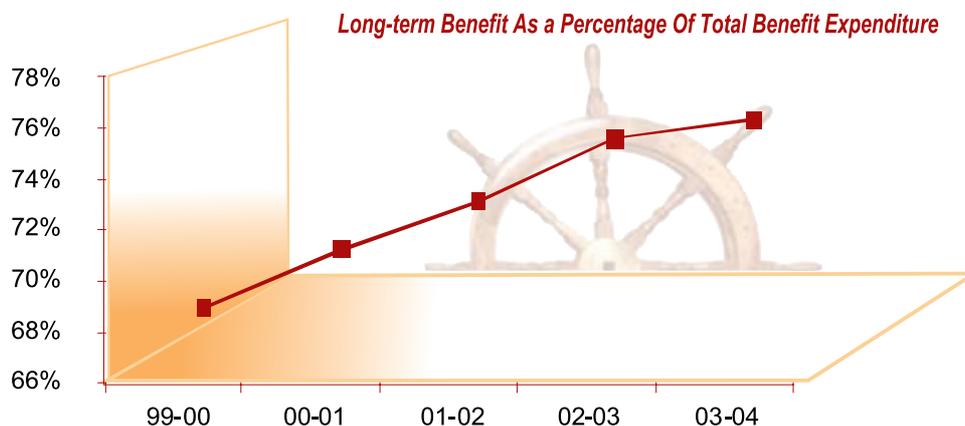
In the review period, a total of 4,178 long-term claims were paid at a cost of \$23.15M. The NIC has been monitoring the growth of expenditure in the Long-term benefits branch quite closely, since the rate of expansion, coupled with other factors such as, benefits entitlements/provisions, economic developments and demographic trends, influence the sustainability of the fund for generations to come.

During the five year period ended June 2000, cost of long-term benefits grew at

an average annual rate of 19%. The long-term implication of such rapid growth fostered partial revision of benefits provisions (in particular pensions) and other parameters including contribution ceiling and adjustment to the computation of insurable earnings that are above the contribution ceiling (\$5,000.00 per month). The impacts of these adjustments are evident in the rate of growth of long-term benefits expenditure for the period July 2000-June 2004. During the above period, growth rate declined steadily from 18% in 1999-2000 to 7% in 2003-2004.

Another characteristic of long-term benefits expenditure is the gradual shift from a grant/allowance and pension program to mainly a pension scheme. This can be seen from the proportion of long-term benefits expenditure to total benefits cost. During the five-year period ended June 2004, the proportion of long-term benefits expenditure to total benefits cost grew from 68.83 to 76.26%.

Graph 18



4.21 NIC Pensions

The pensions offered by the National Insurance Corporation include retirement, survivors, invalidity and disablement. Collectively, during the financial year ended June 2004, the number of pensions paid rose by 6.61% to 4,178; cost of pensions also increased by 7.40% or \$1.56M to \$22.69M.

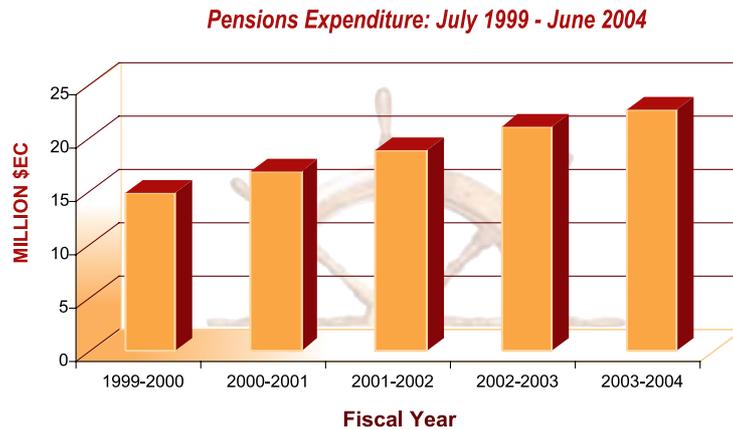
As highlighted in section 4.2, many of the fundamental amendments/revisions made by the NIC would impact mainly on the cost of pensions. Examination of pensions cost for the period July 1999 – June 2004, clearly showed a gradual contraction in the overall growth rate of pensions expenditure. During the above period, whilst the growth rate of number of



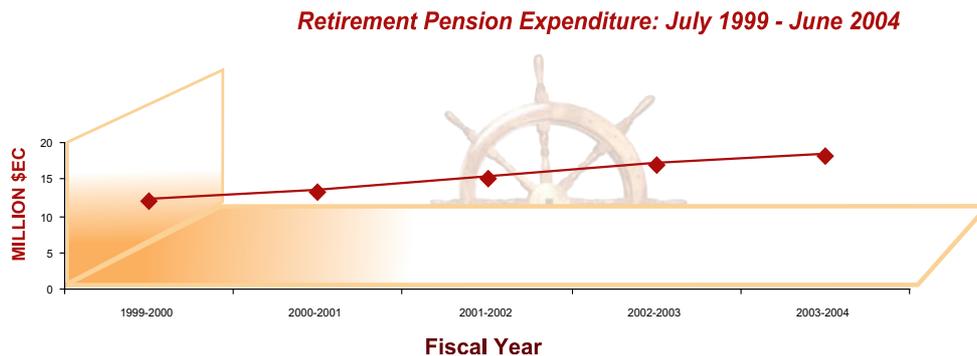
pensions paid were relatively stable at 8%, total cost of pensions declined from 13.37% in 1999–2000 to 7.40% in 2003 – 2004. Pensions’ expenditure accounted for approximately 98% of long-term benefits expenditure.

Collectively, 105 pensions were terminated and 378 were awarded in the review period. At the end of June 2004, 3,780 pensions were in-payment (active): retirement – 2,678, survivors – 814, invalidity – 284 and disablement – 4.

Graph 19



Graph 20



4.211 Retirement Pension

Graph 20 will indicate that over the past 5 years, there has been a continual upward trend in the cost of retirement pensions, leaving the '03 - '04 fiscal year as no exception, with a rise of 7.09%, equating to approximately \$1.2M. During the fiscal years July 1999 to June 2003 cost of retirement pensions increased at an average yearly rate of 12.50%. In the review period, cost of retirement pensions contracted by 5.41 percentage points to 7.09 – indeed a significant improvement by the NIC in trying to provide equitable pensions to its contributors and ensuring the longevity of the program. In July 2003 – June 2004,

52 and 229 retirement pensions were terminated and awarded respectively. As at 30th June 2004, 2,678 pensions were in-payment (active) at a monthly cost of \$1.58M.

4.212 Survivorship

In the case of the Survivor’s pension, the continual upward trend over the years is yet again present during the review period. Unlike the significantly low increase in 2002-2003, the fiscal year of '03-'04 experienced a much higher increase of 12.53%, from \$2.17M to \$2.44M. Accompanying the growth in expenditure was a 17.93% increase in the number of survivors pensions paid.



During the fiscal year under review, 129 survivor's pensions were awarded - an increase of 74.23% over the previous financial year. This is mainly the result of survivors pension arising from a 26.06% in the number of funeral grants awarded (179 grants) during the fiscal year. At the end of June 2004, 814 survivors pension were in-payment.

4.213 Invalidity Pension

The cost of invalidity pensions has gradually been increasing over the years, yet as with other pensions, the rate of increase is dependant on the number of pensions awarded. There was no exception for the year in review. Revision in qualifying conditions for invalidity pensions has resulted in an overall 50% contraction in the number awarded.

In July 2003 – June 2004, 299 invalidity pensions were paid at a cost of \$2.10M. The growth of pensions paid declined from 13% in the previous year to 3%. Cost of invalidity pensions increased by 5% compared to 10% in the previous fiscal year. At the end of June 2004, 284 invalidity pensions were in-payment with a monthly cost of \$179,465.

4.22 Long-Term Grants

The number of long-term grants awarded during the fiscal year of 2003 - 2004 declined by 12.71% to 261. During the last six years, there has been an overall declining trend in the cost of long-term grants awarded. For the period July 1999 – June 2004, average cost of long-term grants declined from \$2,865 in 1999-2000 to \$1,740 in 2003-2004.

Graph 21

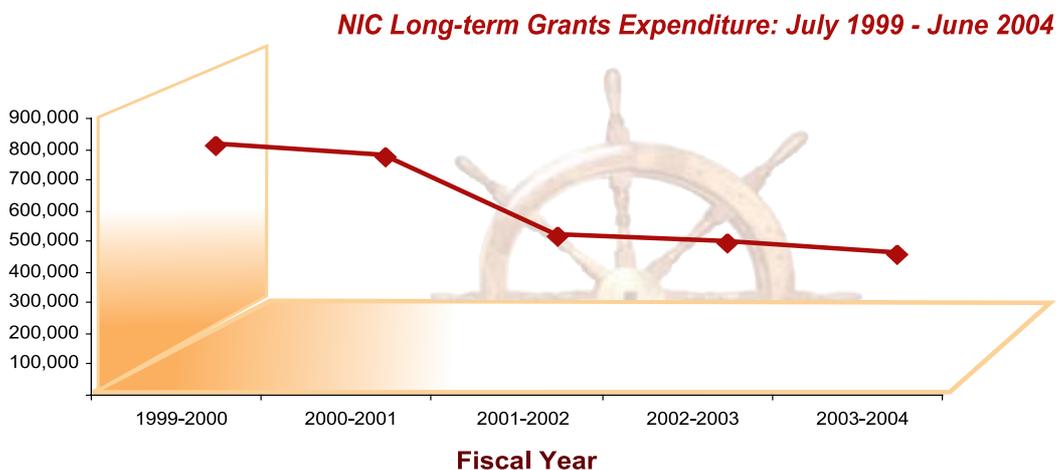


Table 2:
NATIONAL INSURANCE CONTRIBUTION INCOME
(July, 1999 - June, 2004)

Financial Year	Contribution Income(\$ million E.C)					
	Current	%	Past - Due	%	Total	%
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%
July 2001 - June 2002	25.47	50.38%	25.09	49.62%	50.56	100.00%
July 2002 - June 2003	27.84	53.58%	24.12	46.42%	51.96	100.00%
July 2003 - June 2004	27.20	48.35%	29.06	51.65%	56.26	100.00%

Source: NIC Statistics, Training And Research Department

Table 3:
CONTRIBUTION INCOME BY ECONOMIC SECTOR
(July, 1999 - June, 2004)

Economic Sector	Financial Year				
	03-04	02-03	01-02	00-01	99-00
Agriculture, Hunting, Forestry and Fishing	1,021,627	983,207	924,505	1,126,721	1,523,893
Mining and Quarrying	123,911	126,972	113,946	101,346	129,434
Manufacturing	3,943,022	3,673,109	3,723,001	3,769,917	3,831,764
Electricity, Gas and Water supply	2,367,818	2,542,097	2,075,997	1,810,423	1,650,080
Construction	2,293,577	1,917,071	1,966,922	2,030,326	3,645,561
Wholesale and Retail Trade	7,629,967	7,500,882	7,163,232	7,258,628	7,211,249
Restaurants and Hotels	12,182,250	11,063,479	10,608,647	12,061,960	9,444,719
Transport, Storage and Communication	4,165,622	3,806,476	3,823,338	3,874,625	3,374,205
Financial Intermediations	4,950,685	4,752,111	4,488,819	4,065,425	3,749,058
Real-estate/ Renting /Business Services	4,088,865	4,191,537	4,022,392	4,142,866	3,709,908
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	8,889,062	7,330,720	7,614,044	7,751,182	6,801,379
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	3,321,951	3,067,266	2,898,633	2,904,025	2,615,199
Activities not adequately defined	1,280,673	1,006,568	1,132,145	638,270	507,085
Total	56,259,031	51,961,494	50,555,622	51,535,714	48,193,534

Source: NIC Statistics, Training And Research Department



Table 4:
ACTIVE INSURED POPULATION BY INDUSTRIAL CLASSIFICATION
(July, 1999 - June, 2004)

Economic Sector	Financial Year				
	03-04	02-03	01-02	00-01	99-00
Agriculture, Hunting, Forestry and Fishing	945	1,046	1,212	1,372	1,486
Mining and Quarrying	94	78	83	102	90
Manufacturing	3,285	3,354	3,836	4,075	4,388
Electricity, Gas and Water supply	748	735	769	746	741
Construction	1,838	2,065	2,350	2,360	3,317
Wholesale and Retail Trade	7,185	6,699	6,724	6,853	6,949
Restaurants and Hotels	7,248	6,996	7,024	7,694	7,515
Transport, Storage and Communication	2,590	2,810	2,731	2,655	2,175
Financial Intermediations	2,489	2,372	2,097	1,977	1,972
Real-estate/ Renting /Business Services	2,607	2,855	2,725	2,969	3,068
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	6,249	5,820	5,912	6,054	5,991
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2,637	2,603	2,488	2,585	2,440
Self-employed	978	901	899	835	782
Voluntary Contributors	247	220	206	191	132
Activities not adequately defined	980	860	667	420	251
Total	40,120	39,414	39,723	40,888	41,297

* Revised

Source: NIC Statistics, Training And Research Department

Table 5:
NEW REGISTRANTS BY AGE GROUP
(July, 1999 - June, 2004)

Age group	Financial Year				
	03-04	02-03	01-02	00-01	99-00
16-19	3,031	2,858	3,212	3,168	3,062
20-24	584	533	709	695	827
25-29	132	165	188	193	194
30-34	85	117	128	148	156
35-39	109	104	139	110	163
40-44	86	103	103	72	76
45-49	54	62	58	59	55
50-54	39	57	61	51	67
55-59	52	56	52	51	53
60-64	46	42	42	20	40
GE 65	46	41	7	5	4
Unstated	3	23	51	42	43
Total	4,267	4,161	4,750	4,614	4,740

Note: This figure includes persons who registered to obtain drivers licences, employment, passport, tax Number and I.D cards.

Source: NIC Statistics, Training And Research Department



Table 6:
NEW REGISTRANTS WHO REGISTERED FOR EMPLOYMENT
(July, 1999 - June, 2004)

Age group	Financial Year				
	03-04	02-03	01-02	00-01	99-00
16-19	1,669	1,569	1,673	1,834	1,914
20-24	257	261	307	341	473
25-29	61	75	94	105	118
30-34	46	65	63	87	91
35-39	41	52	66	59	74
40-44	27	42	39	32	37
45-49	13	24	19	20	26
50-54	10	15	21	13	20
55-59	8	11	6	9	12
60-64	2	2	7	3	6
GE 65	3	4	1	0	0
Unstated	3	16	14	20	15
Total	2,140	2,136	2,310	2,523	2,786

Source: NIC Statistics, Training And Research Department

Table 7:
REGISTERED EMPLOYEES BY INDUSTRIAL CLASSIFICATION
AND STATUS AS AT 30TH JUNE 2004

Economic Sector	Status			Total
	Active	Closed	Dormant	
Agriculture, Hunting, Forestry and Fishing	177	237	4	418
Mining and Quarrying	8	11	0	19
Manufacturing	237	330	6	573
Electricity, Gas and Water supply	15	15	1	31
Construction	115	435	15	565
Wholesale and Retail Trade	571	708	17	1,296
Restaurants and Hotels	317	431	9	757
Transport, Storage and Communication	150	122	6	278
Financial Intermediations	101	73	2	176
Real-Estates, Renting and Buisness Services	296	430	12	738
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	220	179	10	409
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	760	1,313	19	2,092
Activities not adequately defined	272	54	4	330
Total	3,239	4,338	105	7,682

Source: NIC Statistics, Training And Research Department

**Table 8:
ACTIVE EMPLOYERS BY INDUSTRIAL CLASSIFICATION
(JUNE 2000-2004)**

Economic Sector					
	June '04	June '03	June '02	June '01	June '00
Agriculture, Hunting, Forestry and Fishing	177	170	170	153	131
Mining and Quarrying	8	8	7	8	7
Manufacturing	237	237	243	230	239
Electricity, Gas and Water supply	15	16	15	15	18
Construction	115	120	146	135	165
Wholesale and Retail Trade	571	550	551	514	505
Restaurants and Hotels	317	310	312	279	291
Transport, Storage and Communication	150	149	150	140	128
Financial Intermediations	101	100	97	89	85
Real-Estates, Renting and Buisness Services	296	291	306	279	291
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	220	220	216	206	199
Community, Social and Personal Services, Household with employed persons and Extra- Territorial Organization and Bodies	760	744	754	678	648
Activities not adequately defined	272	265	212	161	22
Total	3,239	3,180	3,179	2,887	2,729

Source: NIC Statistics, Training And Research Department

**Table 9:
 CONTRIBUTING EMPLOYERS BY INDUSTRIAL CLASSIFICATION
 (JULY 1999 -JUNE 2004)**

Economic Sector	Financial Year				
	03-04	02-03	01-02	00-01	99-00
Agriculture, Hunting, Forestry and Fishing	131	126	130	147	122
Mining and Quarrying	5	5	6	7	8
Manufacturing	183	176	192	197	187
Electricity, Gas and Water supply	15	16	14	17	18
Construction	85	78	91	93	98
Wholesale and Retail Trade	469	457	432	475	452
Restaurants and Hotels	227	235	244	260	236
Transport, Storage and Communication	117	118	123	128	104
Financial Intermediations	97	93	96	95	90
Real-Estates, Renting and Buisness Services	241	236	237	253	242
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	209	208	206	212	188
Community, Social and Personal Services, Household withemployed persons and Extra- Territorial Organization and Bodies	680	649	639	653	622
Activities not adequately defined	154	168	145	119	91
Total	2,613	2,565	2,555	2,656	2,458

Source: NIC Statistics, Training And Research Department



Table 10:
NEWLY REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION
(JULY 1999 - JUNE 2004)

Economic Sector	Financial Year				
	03-04	02-03	01-02	00-01	99-00
Agriculture, Hunting, Forestry and Fishing	14	8	16	39	27
Mining and Quarrying	2	0	0	2	1
Manufacturing	22	11	13	29	40
Electricity, Gas and Water supply	0	1	0	0	4
Construction	19	13	11	26	30
Wholesale and Retail Trade	63	59	39	67	60
Restaurants and Hotels	36	32	34	49	53
Transport, Storage and Communication	10	16	11	33	26
Financial Intermediations	7	9	8	8	5
Real-Estates, Renting and Buisness Services	23	21	28	28	26
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	12	18	11	23	17
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	91	70	81	110	137
Activities not adequately defined	26	67	53	69	6
Total	325	325	305	483	432

Source: NIC Statistics, Training And Research Department

Table 11:
SHORT-TERM BENEFITS PAID BY TYPE
(JULY 1999 - JUNE 2004)

Short-term benefits	99-00	00-01	01-02	02-03	03-04
Employment Injury	173	132	119	86	81
Sickness Allowance	4,938	4,488	4,715	4,285	5,995
Maternity Allowance	955	909	788	792	735
Maternity Grant	1,050	1,059	914	874	799
Funeral Grant	143	150	162	142	179
Medical Expenses*	63	59	55	28	41
Total	7,322	6,797	6,753	6,207	7,830

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

Source: NIC Statistics, Training And Research Department

**Table 12:
SHORT-TERM BENEFITS EXPENDITURE BY TYPE
(JULY 1999 - JUNE 2004)**

Short-term benefits	99-00	00-01	01-02	02-03	03-04
Employment Injury	118,232	82,089	117,384	53,526	70,188
Sickness Allowance	1,464,432	1,428,144	1,516,990	1,468,584	1,812,974
Maternity Allowance	1,654,436	1,759,710	1,693,020	1,666,551	1,511,264
Maternity Grant	637,400	640,800	552,600	534,000	487,050
Funeral Grant	248,100	253,250	279,962	243,200	308,800
Medical Expenses*	3,007,121	3,007,159	3,013,443	3,023,921	3,013,713
Total	7,129,721	7,171,152	7,173,399	6,989,782	7,203,989

* Include the annual amount of \$3.0M paid to the Ministry of Health for "medical health programme".

Source: NIC Statistics, Training And Research Department

**Table 13:
LONG-TERM BENEFITS PAID BY TYPE
(JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	2,084	2,252	2,388	2,589	2,761
Survivors Pension	568	636	727	765	853
Invalidity Pension	203	240	257	290	299
Disablement Pension	6	5	4	4	4
Retirement Grant	217	230	215	239	225
Survivors Grant	31	39	41	32	34
Invalidity Grant	34	26	26	26	2
Disablement Grant	2	4	4	2	-
Total	3,145	3,432	3,662	3,947	4,178

Source: NIC Statistics, Training And Research Department

**Table 14:
LONG-TERM BENEFITS EXPENDITURE BY TYPE
(JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	11,955,278	13,342,748	15,023,953	16,931,209	18,131,185
Survivors Pension	1,569,037	1,850,658	2,113,938	2,167,712	2,439,232
Invalidity Pension	1,380,837	1,703,433	1,832,939	2,007,196	2,098,643
Disablement Pension	21,598	25,060	22,547	22,547	22,547
Retirement Grant	526,657	571,833	346,996	359,598	364,322
Survivors Grant	102,514	103,863	70,794	78,914	85,498
Invalidity Grant	174,813	73,761	53,310	44,930	4,181
Disablement Grant	9,758	28,209	43,652	8,394	-
Total	15,740,492	17,699,565	19,508,129	21,620,500	23,145,608

Source: NIC Statistics, Training And Research Department



**Table 15:
PENSIONS IN-PAYMENT BY TYPE
(JULY 1999 - JUNE 2004)**

Long-term benefits	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Retirement Pension	2,033	2,141	2,330	2,541	2,678
Survivors Pension	526	610	691	724	814
Invalidity Pension	192	223	244	280	284
Disablement Pension	5	4	4	4	4
Total	2,756	2,978	3,269	3,549	3,780

Source: NIC Statistics, Training And Research Department

**Table 16:
MALE PENSIONS IN-PAYMENT BY TYPE
(JUNE 2000 - JUNE 2004)**

Long-term benefits	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Retirement Pension	1,223	1,296	1,396	1,527	1,592
Survivors Pension	124	139	146	140	161
Invalidity Pension	119	134	142	161	156
Disablement Pension	5	4	4	4	4
Total	1,471	1,573	1,688	1,832	1,913

Source: NIC Statistics, Training And Research Department

**Table 17:
FEMALE PENSIONS IN-PAYMENT BY TYPE
(JUNE 2000 - JUNE 2004)**

Long-term benefits	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Retirement Pension	810	845	934	1,014	1,086
Survivors Pension	402	471	545	584	653
Invalidity Pension	73	89	102	119	128
Disablement Pension	-	-	-	-	-
Total	1,285	1,405	1,581	1,717	1,867

Source: NIC Statistics, Training And Research Department

**Table 18:
AVERAGE MONTHLY COST OF PENSIONS IN-PAYMENT BY TYPE
JUNE 2000 - JUNE 2004**

Long-term benefits	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Retirement Pension	523.68	560.89	573.04	570.85	590.79
Survivors Pension	273.31	273.98	270.85	297.56	278.93
Invalidity Pension	630.44	652.35	689.48	618.71	631.92
Disablement Pension	397.25	469.73	469.73	469.73	469.73

Source: NIC Statistics, Training And Research Department



**Table 19:
 AVERAGE MONTHLY COST OF MALE PENSIONS IN-PAYMENT BY TYPE
 (JUNE 2000 - JUNE 2004)**

Long-term benefits	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Retirement Pension	599.37	640.88	666.81	662.92	675.75
Survivors Pension	177.93	191.72	202.13	232.14	217.14
Invalidity Pension	720.19	757.72	842.34	750.05	775.21
Disablement Pension	397.25	469.73	469.73	469.73	469.73

Source: NIC Statistics, Training And Research Department

**Table 20:
 AVERAGE MONTHLY COST OF FEMALE PENSIONS IN-PAYMENT BY TYPE
 (JUNE 2000 - JUNE 2004)**

Long-term benefits	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04
Retirement Pension	409.38	438.21	432.88	432.19	466.24
Survivors Pension	301.20	304.90	337.56	342.08	339.82
Invalidity Pension	484.13	493.70	476.69	442.12	457.29
Disablement Pension	-	-	-	-	-

Source: NIC Statistics, Training And Research Department

**Table 21:
 PENSIONS TERMINATED BY TYPE
 (JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	52	51	41	58	52
Survivors Pension	42	26	17	41	39
Invalidity Pension	12	13	15	10	14
Disablement Pension	-	1	-	-	-
Total	106	91	73	109	105

Source: NIC Statistics, Training And Research Department

**Table 22:
 MALE PENSIONS TERMINATED BY TYPE
 (JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	35	34	32	46	34
Survivors Pension	13	12	4	31	12
Invalidity Pension	8	9	9	5	10
Disablement Pension	-	1	-	-	-
Total	56	56	45	82	56

Source: NIC Statistics, Training And Research Department



Table 23:
FEMALE PENSIONS TERMINATED BY TYPE
(JULY 1999 - JUNE 2004)

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	17	17	9	12	18
Survivors Pension	29	14	13	10	27
Invalidity Pension	4	4	6	5	4
Disablement Pension	-	-	-	-	-
Total	50	35	28	27	49

Source: NIC Statistics, Training And Research Department

Table 24:
PENSIONS AWARDED BY TYPE
(JULY 1999 - JUNE 2004)

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	265	219	225	230	229
Survivors Pension	76	110	91	74	129
Invalidity Pension	31	51	35	50	20
Disablement Pension	-	-	-	-	-
Total	372	380	351	354	378

Source: NIC Statistics, Training And Research Department

Table 25:
MALE PENSIONS AWARDED BY TYPE
(JULY 1999 - JUNE 2004)

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	139	134	131	158	128
Survivors Pension	24	27	17	25	33
Invalidity Pension	17	29	16	26	8
Disablement Pension	-	-	-	-	-
Total	180	190	164	209	169

Source: NIC Statistics, Training And Research Department

Table 26:
FEMALE PENSIONS AWARDED BY TYPE
(JULY 1999 - JUNE 2004)

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	126	85	94	72	101
Survivors Pension	52	83	74	49	96
Invalidity Pension	14	22	19	24	12
Disablement Pension	-	-	-	-	-
Total	192	190	187	145	209

Source: NIC Statistics, Training And Research Department

**Table 27:
AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE
(JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	517.30	654.58	612.88	695.73	685.17
Survivors Pension	279.57	317.32	288.46	351.45	323.96
Invalidity Pension	645.95	835.22	631.59	573.94	696.91
Disablement Pension	-	-	-	-	-

Source: NIC Statistics, Training And Research Department

**Table 28:
AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (MALE)
(JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	605.82	789.74	743.46	762.29	772.03
Survivors Pension	226.80	240.46	313.30	300.40	306.85
Invalidity Pension	1,107.37	1,020.81	874.93	722.69	839.20
Disablement Pension	-	-	-	-	-

Source: NIC Statistics, Training And Research Department

**Table 29:
AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (FEMALE)
(JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	422.53	467.98	415.77	549.72	575.09
Survivors Pension	332.34	394.17	263.61	374.13	341.06
Invalidity Pension	584.38	512.44	350.81	412.85	602.05
Disablement Pension	-	-	-	-	-

Source: NIC Statistics, Training And Research Department

**Table 30:
PENSIONS PAID BY TYPE
(JULY 1999 - JUNE 2004)**

Long-term benefits	99-00	00-01	01-02	02-03	03-04
Retirement Pension	2,084	2,252	2,388	2,589	2,694
Survivors Pension	568	636	727	765	853
Invalidity Pension	203	240	257	290	299
Disablement Pension	6	5	4	4	4
Total	2,861	3,133	3,376	3,648	3,850

Source: NIC Statistics, Training And Research Department

**Table 31:
COST OF PENSIONS BY TYPE
(JULY 1999 - JUNE 2004)**

Pension	99-00	00-01	01-02	02-03	03-04
Retirement Pension	11,955,278	13,342,748	15,023,953	16,931,209	18,131,185
Survivors Pension	1,569,037	1,850,658	2,113,938	2,167,712	2,439,232
Invalidity Pension	1,380,837	1,703,433	1,832,939	2,007,196	2,098,643
Disablement Pension	21,598	25,060	22,547	22,547	22,547
Total	14,926,750	16,921,899	18,993,377	21,128,664	22,691,606

Source: NIC Statistics, Training And Research Department



**Table 32:
BENEFITS EXPENDITURE BY BRANCH
(JULY 1999 - JUNE 2004)**

Benefit Branch	Financial Year				
	99-00	00-01	01-02	02-03	03-04
Long-term					
Retirement	12,481,935	13,914,581	15,370,949	17,290,807	18,495,507
Survivorship	1,671,551	1,954,521	2,184,732	2,246,626	2,524,730
Incapacitation	1,587,006	1,830,463	1,952,448	2,083,067	2,125,371
Sub-total	15,740,492	17,699,565	19,508,129	21,620,500	23,145,608
Short-term					
Employment Injury	118,232	82,089	117,384	53,526	70,188
Sickness	1,464,432	1,428,144	1,516,990	1,468,584	1,812,974
Maternity	2,291,836	2,400,510	2,245,620	2,200,551	1,998,314
Funeral	248,100	253,250	279,962	243,200	308,800
Medical Expenses*	3,007,121	3,007,159	3,013,443	3,023,921	3,013,713
Sub-total	7,129,721	7,171,152	7,173,399	6,989,782	7,203,989
Grand-total	22,870,213	24,870,717	26,681,528	28,610,282	30,349,596

*Includes the annual amount of \$3.0M paid to the Ministry of Health for "medical health programme".

Source: NIC Statistics, Training And Research Department

**Table 33:
BENEFITS PAID BY BRANCH
(JULY 1999 - JUNE 2004)**

Benefit Branch	Financial Year				
	99-00	00-01	01-02	02-03	03-04
Long-term					
Retirement	2,301	2,482	2,603	2,828	2,986
Survivorship	599	675	768	797	887
Incapacitation	245	275	291	322	305
Sub-total	3,145	3,432	3,662	3,947	4,178
Short-term					
Employment Injury	173	132	119	86	81
Sickness	4,938	4,488	4,715	4,285	5,995
Maternity	2,005	1,968	1,702	1,666	1,534
Funeral	143	150	162	142	179
Medical Expenses*	63	59	55	28	41
Sub-total	7,322	6,797	6,753	6,207	7,830
Grand-total	10,467	10,229	10,415	10,154	12,008

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

Source: NIC Statistics, Training And Research Department





NATIONAL INSURANCE CORPORATION
Consolidated Financial Statements
For the Year Ended June 30, 2004



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As at June 30, 2004

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NATIONAL INSURANCE CORPORATION

Auditors' Report to the Board of Directors



To the Board of Directors of National Insurance Corporation

We have audited the consolidated balance sheet of National Insurance Corporation (the "Group") and its subsidiaries as at June 30, 2004 and the consolidated statements of changes in reserves, income and expenditure and cash flows for the year then ended.

We conducted our audit in accordance with international Standards in 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(c) and (e) these financial statements do not include:-

- (i) contributions due to National Insurance Corporation which had not been received as at June 30, 2004;
- (ii) surcharges on contributions in arrears which have been levied but which remained uncollected as at June 30, 2004;

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.

In our opinion, except for the policy to record contributions and surcharges on a cash basis and omit those due but not received as at June 30, 2004, these financial statements present fairly, in all material respects, the financial position of the Group as at June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Our audit work has been undertaken so that we might state to the corporation's directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Corporation and the Corporation's Directors as a body, for audit work, for this report, or for the opinions we have formed.

Chase, Skeete & Boland.

Chartered Accountants
Castries, St. Lucia
September 30, 2004



NATIONAL INSURANCE CORPORATION
Consolidated Balance Sheet
As at June 30, 2004

	Notes	2004 \$	2003 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	30,320,052	22,162,984
Accounts receivable	4	16,241,010	16,268,903
Prepaid expenses		126,432	533,253
Loans and advances	5	10,823,727	27,426,902
Investment securities			
- Held-to-maturity	6	258,747,832	221,760,234
- Available-for-sale	6	77,259,379	69,482,487
		<u>393,518,432</u>	<u>357,634,763</u>
Long-term Assets			
Accounts receivable	4	6,247,480	1,696,340
Loans and advances	5	121,353,281	132,092,569
Investment securities			
- Held-to-maturity	6	138,125,122	113,421,735
Investment properties	7	146,050,281	130,412,724
Property, plant and equipment	8	4,306,530	4,699,163
Projects in progress	9	11,195,692	14,405,873
Deferred asset	10	-	179,354
		<u>427,278,386</u>	<u>396,907,758</u>
TOTAL ASSETS		<u>820,796,818</u>	<u>754,542,521</u>
LIABILITIES AND RESERVES			
Current Liabilities			
Bank overdraft		1,811,750	-
Accounts payable and accrued liabilities		5,214,576	4,190,427
Current portion of long-term loan	11	-	234,141
		<u>7,026,326</u>	<u>4,424,568</u>
Long-term Liability			
Long-term loan	11	-	4,985,531
Reserves			
Short-term benefits		20,161,003	17,895,310
Long-term benefits		782,817,997	717,227,202
Retained earnings		2,666,612	2,058,186
		<u>805,645,612</u>	<u>737,180,698</u>
Minority interest	12	8,124,880	7,951,724
TOTAL LIABILITIES AND RESERVES		<u>820,796,818</u>	<u>754,542,521</u>

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

SIGNED ON BEHALF OF THE BOARD



 Chairman



 Director

NATIONAL INSURANCE CORPORATION
Consolidated Statement of Changes in Reserves
For the Year Ended June 30, 2004

	Short-term Benefits \$	Long-term Benefits \$	Retained Earnings \$	Total \$
Balance at June 30, 2002	16,131,202	660,502,508	1,455,718	678,089,428
Loan fees collected	-	-	12,020	12,020
Excess of income over expenditure for the year	1,764,108	56,724,694	590,448	59,079,250
Balance at June 30, 2003	17,895,310	717,227,202	2,058,186	737,180,698
Loan Fees Collected	-	-	13,283	13,283
Excess of income over expenditure for the year	2,265,693	65,590,795	595,143	68,451,631
Balance at June 30, 2004	20,161,003	782,817,997	2,666,612	805,645,612

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



NATIONAL INSURANCE CORPORATION

Consolidated Statement of Income & Expenditure

For the Year Ended June 30, 2004

	Short-term Benefits		Long-term Benefits		Subsidiaries		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
INCOME								
Contributions	9,542,827	8,771,595	46,591,450	42,826,021	-	-	56,134,277	51,597,616
Investments	1,179,767	965,389	46,789,627	39,071,896	3,629,404	3,447,696	51,598,798	43,484,981
Other	293,518	380,938	1,433,057	1,859,875	12,614	11,821	1,739,189	2,252,634
TOTAL INCOME	11,016,112	10,117,922	94,814,134	83,757,792	3,642,018	3,459,517	109,472,264	97,335,231
EXPENDITURE								
Short-term benefits	4,283,116	4,001,790	-	-	-	-	4,283,116	4,001,790
Long-term benefits	-	-	23,142,229	21,517,829	-	-	23,142,229	21,517,829
Medical Health Programme	3,000,000	3,000,000	-	-	-	-	3,000,000	3,000,000
Administrative expenses	1,467,303	1,352,024	6,081,110	5,515,269	2,809,147	2,685,264	10,357,560	9,552,557
TOTAL EXPENDITURE	8,750,419	8,353,814	29,223,339	27,033,098	2,809,147	2,685,264	40,782,905	38,072,176
	2,265,693	1,764,108	65,590,795	56,724,694	832,871	774,253	68,689,359	59,263,055
Minority interest	-	-	-	-	(237,728)	(183,805)	(237,728)	(183,805)
EXCESS OF INCOME OVER EXPENDITURE	2,265,693	1,764,108	65,590,795	56,724,694	595,143	590,448	68,451,631	59,079,250

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

NATIONAL INSURANCE CORPORATION
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2004

	2004	2003
	\$	\$
Cash Flows from Operating Activities		
Excess of income over expenditure for the year	68,689,359	59,263,055
Adjustments for:		
Depreciation	806,388	835,686
Amortisation of deferred infrastructure costs	179,354	179,352
Interest and dividend income	(41,016,106)	(39,998,887)
Foreign exchange loss	301,383	155,913
Provision for doubtful debts	1,382,288	-
Provision for loan losses and uncollected interest	410,313	1,997,743
Interest expense	49,947	551,748
Gain on disposal of property, plant and equipment	(8,500)	(3,094)
Gain on disposal of investment	(4,575,000)	-
Operating income before working capital changes	26,219,426	22,981,516
Increase in accounts receivable	(1,737,193)	(56,392)
Decrease/(increase) in prepaid expenses	406,821	(15,434)
Increase in accounts payable and accrued liabilities	1,024,149	88,575
Cash generated from operating activities	25,913,203	22,998,265
Interest paid	(49,947)	(551,748)
Net cash generated from operating activities	25,863,256	22,446,517
Cash Flows from Investing Activities		
Acquisition of subsidiary	-	(9,333,333)
Purchase of property, plant and equipment	(413,755)	(2,377,917)
Proceeds on disposal of property, plant and equipment	8,500	39,325
Increase in investment securities and loans and advances	(49,176,812)	(25,559,192)
Increase in investment properties	(15,637,557)	(6,143,550)
Increase in project expenditure	(1,431,776)	(3,436,724)
Finance lease repayments	205,256	24,899
Interest received	39,955,103	33,376,505
Dividends received	2,929,064	2,730,725
Proceeds on disposal of investment	9,315,000	-
Net cash used in investing activities	(14,246,977)	(10,679,262)
Cash Flows from Financing Activities		
Repayments on long-term loans	(5,219,672)	(213,300)
Loan fees collected	17,711	16,027
Dividends paid	(69,000)	(110,400)
Net cash used in financing activities	(5,270,961)	(307,673)
Increase in Net Cash	6,345,318	11,459,582
Net Cash - Beginning of Year	22,162,984	10,703,402
Net Cash - End of Year	28,508,302	22,162,984
Cash	30,320,052	22,162,984
Bank overdraft	(1,811,750)	-
Net Cash - End of Year	28,508,302	22,162,984

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



NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

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 consolidated statements include the statements of National Insurance Corporation and its subsidiaries, whose activities are as follows:

St. Lucia Mortgage Finance Company Ltd.

The principal activity of the company is to operate a mortgage finance company.

National Insurance Property Management and Development Company Ltd.

The company is currently engaged in the development and management of the Government of St. Lucia Build-Own-Lease-Transfer (BOLT) and refurbishment projects.

Castries Car Park Facility Ltd.

The company provides car parking facilities, all other matters incidental thereto and rental of office block and commercial space.

Blue Coral Ltd.

The company provides rental of office and retail space.

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.

These consolidated financial statements are prepared in accordance with International Accounting Standards and under the historical cost convention except for valuation of securities, bonds and investment properties.

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

There has been no change in accounting policy from the previous year.

(b) Basis of Consolidation

Investments in subsidiaries are accounted for using the purchase method of accounting. Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated.

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

2. Significant Accounting Policies (cont'd)

The associate company was not accounted for under the equity method as the investment was acquired and held exclusively with a view to its subsequent disposal in the near future. The investment was disposed of in the prior year, as disclosed in note 5.

Minority interest represents that part of the net results of subsidiaries attributable to interests which are not owned directly or indirectly by the parent entity, after making adjustments for unrealised profits and losses of subsidiaries and other adjustments necessary to comply with International Accounting Standards.

(c) Contributions

Contributions reflect only amounts received from members and do not include contributions due to National Insurance Corporation, which had not been received as at June 30, 2004.

(d) Benefits

Benefits include amounts paid, and claims reported but not paid. Benefits are classified into two funds; long-term benefits and short-term benefits.

(e) Surcharges

Surcharges include amounts received from members, but exclude surcharges levied but uncollected as at June 30, 2004.

(f) Basis of Allocation of Income

Contribution Income

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

	2004	2003
Short-term benefit fund	17%	17%
Long-term benefit fund	83%	83%
	<hr/> 100% <hr/>	<hr/> 100% <hr/>

Investment Income

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

Investment expenses comprise all costs relating to the management of investment properties and investment securities and provisions for diminution in the value of investments.



NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

2. Significant Accounting Policies (cont'd)

Other Income

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

(g) Interest Income and Expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using effective interest rates. Interest income on doubtful loans is provided for in accordance with International Accounting Standard 39.

(h) Development Fees

Development fees are included in the project cost and are recognized as income over the lives of the projects on a pro rata basis.

(i) Management Fees

Management fees are recognised as income over the lives of projects on a pro rata basis.

(j) Cash and Cash Equivalents

Cash and cash equivalents are carried on the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and bank overdrafts.

(k) Accounts Receivable

Accounts receivable 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.

(l) Finance Lease

The asset held as a finance lease is recognised as a receivable and finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

(m) Loans and Advances

All loans are recognized when cash is advanced to borrowers.

A credit risk provision for loan losses is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount of the asset and the recoverable amount, being the present value of the expected future cash flows.

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

2. Significant Accounting Policies (cont'd)

The provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. With regard to mortgage loans, a provision of 10% of the loan balances that are 90 days in arrears is made.

A general provision of 2% is made on the National Insurance Corporation loan portfolio, subsequent to specific provisions, based on the probable losses experienced historically.

Additions to the provision are charged to operations. As loans and advances become uncollectible, they are written off against the related provision. Subsequent recoveries are credited to the provision for loan losses in the Statement of Income and Expenditure.

(n) Investment Securities

The Group classified its investments into two categories; held-to-maturity and available-for-sale. Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest, exchange rate or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially measured at cost (which includes transaction costs). Held-to-maturity investments are carried at amortized cost using interest rates in effect less any provision for losses.

Available-for-sale financial assets are subsequently stated at fair value. Equity securities for which fair values cannot be measured reliably are recognised at cost less any provision for losses. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

(o) Investment Properties

Investment properties principally comprising office buildings are held for long-term rental yields. Investment properties are treated as long-term investments and are carried at fair values, representing open market values determined annually by external valuers. Changes in fair values are recorded in the Statement of Income and Expenditure in accordance with International Accounting Standard 40.

(p) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less 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: -



NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

2. Significant Accounting Policies (cont'd)

Buildings	50 years
Leasehold improvements	2 - 10 years
Motor vehicles	3 - 5 years
Furniture and equipment	4 - 10 years
Computer hardware	5 years
Computer software	5 years
Generators	5 years
Maintenance equipment	10 years

(q) Projects in Progress

Build-Own-Lease-Transfer (BOLT) Projects

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

(r) Deferred Infra-Structure Costs

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

(s) 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.

(t) Interest Receivable

This represents interest receivable on fixed deposits, notes and bonds.

(u) Income Tax

As per Cabinet conclusions, the following exemptions have been granted to the subsidiary companies: -

St. Lucia Mortgage Finance Company Limited is exempt from income tax on any income accruing to the company by way of interest on loans up to \$300,000.

National Insurance Property Development and Management Company Ltd. is exempt from income tax on the profits earned by the company, which are specific to the refurbishment and BOLT projects.

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

2. Significant Accounting Policies (cont'd)

Castries Car Park Facility Ltd. has been granted a tax holiday for the first ten years of operation.

Blue Coral Ltd. has been granted a tax holiday for the first ten years of operation.

Income taxes, where applicable, are accounted for using the balance sheet liability method whereby:

- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled.

(v) 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 as well as including differences between buying and selling rates, are included in the Consolidated Statement of Income and Expenditure.

(w) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	2004 \$	2003 \$
Cash on hand	1,400	1,300
Deposits held at call with banks	30,318,652	2,161,684
	<u>30,320,052</u>	<u>22,162,984</u>

Interest rates on the deposits range between 2% and 3% (2003 - 2% and 3%) per annum.

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

4. Accounts Receivable

	2004	2003
	\$	\$
Current		
Due from Government of St. Lucia		
- Universal Health Coverage	288,690	243,776
- Finance leases	199,776	53,906
- Refurbishments	21,597	110,351
- Management and development fees	168,145	-
- Utility charges receivable	1,969,223	1,873,637
- Rental charges receivable	1,782,188	642,384
- Other	58,516	43,691
Due from National Community Foundation	54,053	52,782
Utility charges receivable	144,732	120,994
Rental charges receivable	644,399	314,105
Staff loans and advances	623,740	612,060
Mobilization fees	11,573	127,736
Other receivables	93,460	127,477
	<u>6,060,092</u>	<u>4,322,899</u>
Dividends and interest receivable	11,563,206	11,946,004
	<u>17,623,298</u>	<u>16,268,903</u>
Provision for doubtful debts	(1,382,288)	-
	<u><u>16,241,010</u></u>	<u><u>16,268,903</u></u>
Amounts recoverable after twelve months		
Receivable in respect of finance leases	<u><u>6,247,480</u></u>	<u><u>1,696,340</u></u>

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

4. Accounts Receivable (cont'd)

Finance Leases

Finance leases relate to the Marchand Police Station, Anse La Raye Police Station, Gros-Islet Fire Station and Dennery Fire Station.

	2004 \$	2003 \$
Total gross investment	13,635,400	3,456,800
Unearned income	(7,188,144)	(1,706,554)
Present value of minimum lease payments	<u>6,447,256</u>	<u>1,750,246</u>
Current receivable	199,776	53,906
Non- current receivable	<u>6,247,480</u>	<u>1,696,340</u>
	<u>6,447,256</u>	<u>1,750,246</u>
Total gross investment receivable:-		
Not later than one year	996,000	238,400
Later than one year and not later than five years	3,984,000	953,600
Later than five years	<u>8,655,400</u>	<u>2,264,800</u>
	<u>13,635,400</u>	<u>3,456,800</u>
Present value of minimum lease payments receivable:-		
Not later than one year	199,776	53,906
Later than one year and not later than five years	1,094,050	282,434
Later than five years	<u>5,153,430</u>	<u>1,413,906</u>
	<u>6,447,256</u>	<u>1,750,246</u>

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

5. Loans and Advances

	2004 \$	2003 \$
Mortgage and other loans	137,492,852	169,143,288
Provision for loan losses and uncollected interest	(5,315,844)	(9,623,817)
	132,177,008	159,519,471
Less: Current portion	10,823,727	27,426,902
Long-term portion	121,353,281	132,092,569
The loans mature as follows:-		
Due within 1 year	10,823,727	27,426,902
Due after 1 year within 5 years	70,911,636	68,572,044
Due after 5 years within 10 years	33,010,835	38,083,732
Due after 10 years within 15 years	8,840,073	18,935,501
Due after 15 years	8,590,737	6,501,292
	132,177,008	159,519,471
Provision for Loan Losses		
(a) Uncollected Interest Provision		
Balance - beginning of year	6,688,089	3,878,531
Losses sustained during the year	(4,718,286)	(13,611)
Provision made during the year	549,956	2,823,169
Balance - end of Year	2,519,759	6,688,089
(b) General Loss Provision		
Balance - beginning of year	2,920,162	3,760,024
Written back during the year	(141,643)	(864,862)
Provision made during the year	2,000	25,000
Balance - end of Year	2,780,519	2,920,162
(c) Specific Loss Provision		
Balance - beginning of year	15,566	1,130
Provision made during the year	-	14,436
Balance - end of Year	15,566	15,566
	5,315,844	9,623,817

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004



5. Loans and Advances (cont'd)

On October 2, 2003, land valued at \$14,000,000 was transferred by Cul de Sac Industrial Zone Limited to the Corporation in exchange for the full settlement of their debt and to liquidate the said company, in accordance with Cabinet Conclusion number 1065 of 2002.

6. Investment Securities

Investment Securities – Held-to-maturity

	2004	2003
	\$	\$
FIXED DEPOSITS		
St. Lucia Co-operative Bank	18,307,890	17,998,760
Bank of St. Lucia	100,170,728	87,232,276
Bank of Nova Scotia	46,869,941	35,909,723
Royal Bank of Canada	48,000	48,000
RBTT Bank Caribbean Ltd.	53,407,123	40,407,124
FirstCaribbean International Bank	1,251,536	15,344,897
Financial Investment and Consultancy Services Ltd.	1,112,625	1,075,000
British American Insurance Co. Ltd.	2,726,844	2,539,088
Colonial Life Insurance Co. Ltd.	5,257,794	3,067,500
Total Fixed Deposits	<u>229,152,481</u>	<u>203,622,368</u>
NOTES AND BONDS		
Republic Finance and Merchant Bank Ltd.	21,482,050	8,829,239
Bank of St. Lucia	11,500,000	11,500,000
Government of St. Lucia	23,600,000	23,600,000
Eastern Caribbean Home Mortgage Bank	5,000,000	5,000,000
RBTT Merchant Bank Ltd.	44,396,907	30,338,846
CIBC Trust and Merchant Bank	3,423,401	3,423,401
Citicorp Merchant Bank Ltd.	7,162,959	7,162,959
Total Notes and Bonds	<u>116,565,317</u>	<u>89,854,445</u>
TREASURY BILLS	<u>51,155,156</u>	<u>41,705,156</u>
TOTAL INVESTMENT SECURITIES-HELD-TO-MATURITY	<u><u>396,872,954</u></u>	<u><u>335,181,969</u></u>
Less: Current portion	<u>258,747,832</u>	<u>221,760,234</u>
Long-term portion	<u><u>138,125,122</u></u>	<u><u>113,421,735</u></u>



NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

6. Investment Securities (cont'd)

Fixed Deposits

Interest rates range between 3.5% and 9% (2003 - 3.5% and 9%) per annum with maximum maturity of two years.

Notes and Bonds

Interest rates range between 6% and 11% (2003 - 6% and 11%) per annum with maturity ranging from one year to eight years.

Treasury Bills

Interest rates range between 5.85% and 8.5% (2003 - 5.85% and 8.5%) per annum with terms of six months to one year.

Investment Securities – Available-for-sale

	2004	2003
	\$	\$
INVESTMENTS IN SHARES		
St. Lucia Electricity Services Ltd. 1,880,360 ordinary shares (2003 - 1,401,496)	20,671,170	14,014,960
Eastern Caribbean Home Mortgage Bank 1,884 class B shares at \$100 each	188,400	188,400
Eastern Caribbean Securities Exchange 20,000 class B shares at \$10 each	200,000	200,000
Jalousie - (1996) Limited Shares held on trust by the St. Lucia Government	2,716,970	2,716,970
East Caribbean Financial Holdings 2,330,000 (2003 - 2,580,000) preference shares 1,516,813 (2003 - 1,308,480) ordinary shares	20,933,168	20,933,168
Barbados National Bank 2,000,000 ordinary shares	-	4,740,000
Equity Investment Fund	375,000	375,000
Total Investment in Shares	<u>45,084,708</u>	<u>43,168,498</u>
MANAGED ACCOUNTS - SOLOMON, SMITH BARNEY	<u>32,174,671</u>	<u>26,313,989</u>
INVESTMENT IN ASSOCIATE COMPANY		
Cul-de-Sac Industrial Zone Limited	-	881,000
Provision for loss on investment	-	(881,000)
TOTAL INVESTMENT SECURITIES - AVAILABLE-FOR-SALE	<u><u>77,259,379</u></u>	<u><u>69,482,487</u></u>

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004



7. Investment Properties

	2004 \$	2003 \$
Opening balance	130,412,724	110,269,174
Additions	15,637,557	20,143,550
Closing balance	<u>146,050,281</u>	<u>130,412,724</u>

The Corporation's investment properties were revalued by quantity surveyors Mr. Neville L. Trim, FRICS, ACI, ARB and Mr. Andrew N. King M.S.Q.V.S., in September 2003.

Included in the statement of income and expenditure are the following:

	2004 \$	2003 \$
Rental income from investments properties	10,612,997	8,172,186
Direct operating expenses arising from income generating investment properties	<u>2,442,767</u>	<u>2,038,873</u>
Direct operating expenses arising from non-income generating investment properties	<u>-</u>	<u>-</u>

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

8. Property, Plant and Equipment

	Land and Building \$	Leasehold Improvements \$	Motor Vehicles \$	Furniture and Equipment \$	Computer Hardware \$	Computer Software \$	Generators \$	Maintenance Equipment \$	Total \$
Cost									
Balance - beginning of year	1,887,450	242,395	543,787	4,301,120	1,388,126	785,244	325,430	56,282	9,529,834
Additions	-	1,500	103,390	96,892	156,812	54,225	-	936	413,755
Disposals	-	-	(60,305)	(2,009)	-	-	-	-	(62,314)
Balance - end of year	1,887,450	243,895	586,872	4,396,003	1,544,938	839,469	325,430	57,218	9,881,275
Accumulated Depreciation									
Balance - beginning of year	14,520	83,168	458,224	2,244,667	1,060,678	632,400	321,630	15,384	4,830,671
Depreciation charge for year	15,840	24,140	54,556	464,480	150,730	87,120	3,800	5,722	806,388
Eliminated on disposal	-	-	(60,305)	(2,009)	-	-	-	-	(62,314)
Balance - end of year	30,360	107,308	452,475	2,707,138	1,211,408	719,520	325,430	21,106	5,574,745
Net Book Value - End of Year	1,857,090	136,587	134,397	1,688,865	333,530	119,949	-	36,112	4,306,530
Net Book Value - Beginning of Year	1,872,930	159,227	85,563	2,056,453	327,448	152,844	3,800	40,898	4,699,163

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004



9. Projects in Progress

	2004 \$	2003 \$
Direct expenditure	9,118,813	12,163,333
Management fees	346,886	486,936
Development fees	346,886	486,936
	<hr/>	<hr/>
	9,812,585	13,137,205
Interest receivable	1,383,107	1,268,668
	<hr/>	<hr/>
	11,195,692	14,405,873
	<hr/> <hr/>	<hr/> <hr/>

10. Deferred Asset

	2004 \$	2003 \$
Deferred infrastructure costs	-	179,354
	<hr/> <hr/>	<hr/> <hr/>

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

11. Long-term Loan

	2004 \$	2003 \$
Bank of Saint Lucia		
9.5% bank loan repayable in monthly instalments of \$60,146.25 until October 2015	-	5,219,672
Less: Amount due within twelve months and shown under current liabilities	-	234,141
	<hr/>	<hr/>
Long-term portion	-	4,985,531
	<hr/> <hr/>	<hr/> <hr/>

The loan was taken to partly fund the construction of Castries Car Park Facility Building. The security offered is a guarantee by the Corporation.



NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

12. Minority Interest

	2004	2003
	\$	\$
Opening balance	7,951,724	3,207,645
Interest in share capital acquired	-	4,666,667
Share of net profit of subsidiaries	237,728	183,805
Share of loan fees collected	4,428	4,007
Dividends paid	(69,000)	(110,400)
	<hr/>	<hr/>
Closing balance	8,124,880	7,951,724

13. Subsidiary Companies

<u>Subsidiary</u>	<u>Interest Owned</u>
(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 %
(d) Blue Coral Ltd.	66 2/3 %

All holdings are in the ordinary share capital of the undertaking concerned. The companies noted above are all incorporated and domiciled in St. Lucia.

14. Actuarial Review

Section 24 (1) of the Act requires an actuarial review of the National Insurance Fund at five-year intervals.

The Seventh Actuarial Review of the National Insurance Fund, conducted by an actuary of the International Labour Organisation, concluded that the Fund was financially sound.

Contribution payments and benefit calculations are based on insurable earning levels. The contribution amount is paid by the employer and the employee in equal proportions.

Benefits are classified into two Funds; long-term benefits and short-term benefits. Each Fund is credited with contribution and investment income from which benefit expenditure and administrative expenses are met.

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

14. Actuarial Review (cont'd)

Following are some recommendations made by the Actuary in the Seventh Actuarial Review:-

- Change the present system of basing contribution and benefit provisions on calendar months to weeks.
- Consider the use of average earnings over one's entire career as the basis for calculating age pensions.

Some of the Actuary's recommendations were addressed in the Revised National Insurance Regulations passed in February 2003 but effected January 1, 2001.

The next actuarial review is due in June 2005.

15. Financial Instruments

In accordance with the provisions of International Accounting Standard No. 32, disclosure is required regarding credit risk, interest rate risk and fair value amounts of financial assets and liabilities.

(a) Credit Risk

Credit assets which potentially subject the Group to concentrations of credit risk consist primarily of cash equivalents, mortgage and other loans, accounts receivable and investments.

Cash equivalents and fixed deposits are placed with high quality financial institutions. Mortgage and other loans are presented net of the allowance for loan losses. Credit risk with respect to mortgage loans to customers is limited due to the large number of customers comprising the customer base. Accounts receivable and investments are presented net of the allowance for doubtful receivables and the expected loss on investments respectively.

Accordingly, the Group has no significant concentrations of credit risk.

(b) Interest Rate Risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Group to interest rate risk. The Group's exposure and interest rates on its financial assets are disclosed in Note 6.

(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. Estimated fair values are assumed to approximate their carrying value.



NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004

16. Tax Losses

Tax losses which are available for set off in the future against otherwise taxable income for income tax purposes are as follows:-

Income Year	Losses \$	Expiry Date
2001	527,448	June 30, 2007
2002	40,491	June 30, 2008
2003	15,077	June 30, 2009
2004	115,903	June 30, 2010
	698,919	

The above tax losses relate to the subsidiary company, National Insurance Property Development and Management Company Ltd.

These losses are as computed by the company in its tax returns and have neither been confirmed nor disputed by the Comptroller of Inland Revenue.

17. Commitments

Loans and Advances

As at the year end, loans and advances approved by the Group but not yet disbursed amount to approximately \$3,000,000 (2003 - \$4,023,174).

18. Deferred Taxes

The provision for deferred tax and the full potential asset are set out below:-

	2004		2003	
	Full Potential Asset/(Liability) \$	Provision Made \$	Full Potential Asset/(Liability) \$	Provision Made \$
Losses available for carry forward	223,654	-	186,562	-
Accelerated capital allowance	(44,851)	-	(58,166)	-
	178,803	-	128,396	-

The above deferred tax asset relates to the subsidiary company, National Insurance Property Development and Management Company Ltd.

NATIONAL INSURANCE CORPORATION
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2004



18. Deferred Taxes (cont'd)

The potential asset has not been recognised through the deferred tax account due to the uncertainty of realisation.

19. Income Tax

	2004 \$	2003 \$
Accounting loss	<u>(116,664)</u>	<u>(105,600)</u>
Tax at 32% (2003 - 33%)	(37,332)	(34,848)
Timing difference between capital allowance and depreciation	19,278	19,294
Non taxable (profits)/losses	(19,035)	10,578
Losses carried forward	37,089	4,976
	<u>-</u>	<u>-</u>

20. Staff Costs

	2004 \$	2003 \$
Salaries	5,542,018	5,252,547
Gratuities	229,503	200,730
Other staff costs	285,727	377,360
	<u>6,057,248</u>	<u>5,830,637</u>

The average number of employees in 2004 was 127 persons (2003 - 129 persons).





Additional Information
To the Consolidated Financial Statements
For the Year Ended June 30, 2004



NATIONAL INSURANCE CORPORATION
Index to the Consolidated Additional Information
For The Year Ended June 30, 2004



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NATIONAL INSURANCE CORPORATION
Consolidated Schedule of Investment Income
For the Year Ended June 30, 2004



	2004 \$	2003 \$
Interest income	34,630,585	35,984,175
Rental income	10,458,212	8,014,290
Dividend income	3,213,040	3,343,706
Income from managed accounts	3,172,481	671,006
Management fees	77,735	230,224
Parking fees	154,785	157,896
Development fees	69,655	230,224
Maintenance fees	251,020	-
Gain on disposal of investment	4,575,000	-
Total Investment Income	56,602,513	48,631,521
Amortisation of deferred infrastructure costs	179,354	179,352
Audit fees	25,250	36,098
Board expenses	41,319	50,808
Depreciation		
- Computer software	38,944	33,371
- Motor vehicles	10,861	13,379
- Maintenance equipment	5,722	5,628
- Generators	3,800	3,800
Electricity, water and sewage	282,499	314,699
Foreign exchange loss	301,383	155,913
Insurance	263,625	263,625
Motor vehicles expenses	30,877	29,405
Overseas meetings and conferences	39,926	34,928
Professional fees	54,006	271,333
Provision for doubtful debts	1,233,746	-
Provision for loan losses and uncollected interest	363,618	1,922,706
Repairs and maintenance	937,651	722,634
Salaries and wages	1,170,313	1,104,096
Security services	18,930	2,000
Travel and subsistence	1,891	2,765
	5,003,715	5,146,540
Net Investment Income	51,598,798	43,484,981



NATIONAL INSURANCE CORPORATION
Consolidated Schedule of Benefits
For the Year Ended June 30, 2004

	Short-term Benefits		Long-term Benefits		Total	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Maternity	2,022,224	2,189,542	-	-	2,022,224	2,189,542
Sickness	1,841,370	1,490,846	-	-	1,841,370	1,490,846
Invalidity	-	-	2,091,082	2,026,890	2,091,082	2,026,890
Retirement	-	-	18,479,788	17,207,879	18,479,788	17,207,879
Survivorship	-	-	2,512,592	2,216,612	2,512,592	2,216,612
Funeral	342,200	244,950	-	-	342,200	244,950
Employment injury	69,251	51,202	-	-	69,251	51,202
Confinement fees and medical expense	8,071	25,250	-	-	8,071	25,250
Death Benefit	-	-	36,220	35,507	36,220	35,507
Disablement	-	-	22,547	30,941	22,547	30,941
	4,283,116	4,001,790	23,142,229	21,517,829	27,425,345	25,519,619

NATIONAL INSURANCE CORPORATION
Consolidated Schedule of Administrative Expenses
For the Year Ended June 30, 2004



	2004	2003
	\$	\$
Audit fees	63,790	72,258
Bad debts	148,858	316
Bank charges	18,913	17,617
Board expenses	91,553	76,477
Books and periodicals	11,383	1,948
Cleaning expenses	8,474	9,490
Depreciation		
- Building	15,840	14,520
- Leasehold improvements	24,140	23,990
- Motor vehicles	43,695	73,607
- Furniture and equipment	464,480	450,875
- Computer hardware	150,730	169,573
- Computer software	48,176	46,943
Donations	17,035	10,433
Electricity, water and sewage	338,017	343,534
Entertainment	-	1,336
Insurance	387,534	235,470
Legal and professional	41,057	55,752
Loan interest	49,947	551,748
Medical board fees	4,300	10,650
Motor vehicle expenses	74,712	64,103
National Community Foundation	502,400	500,000
Office expenses	41,735	46,437
Overseas meetings and conferences	39,926	34,928
Postage and telephone	349,403	269,079
Printing and stationery	238,192	214,879
Professional services	-	47,770
Property taxes	5,611	-
Public relations expense	1,055,171	227,592
Rent	761,583	768,524
Repairs and maintenance	225,379	251,894
Retooling project	-	16,064
Salaries and wages	4,408,008	4,155,981
Scholarships and quiz sponsorship	8,389	30,049
Security expenses	75,777	47,152
Staff training	105,416	89,107
Staff welfare	177,881	276,791
Subscriptions	62,270	34,425
Travel and subsistence	295,355	299,384
Uniforms	2,430	11,462
Miscellaneous expense	-	399
	10,357,560	9,552,557

NATIONAL INSURANCE CORPORATION
Consolidated Schedule of Arrears by Nature of Business
For the Year Ended June 30, 2004

	2004	2003
	Contributions	Contributions
	Receivable	Receivable
	\$	\$
Agriculture, hunting and forestry	2,821,925	3,757,292
Construction	4,193,663	4,453,605
Electricity, gas and water supply	2,289,299	2,942,660
Extra-territorial organization	26,946	22,946
Financial intermediation	1,154,964	2,137,014
Hotel and restaurant	3,142,098	2,735,148
Manufacturing	2,076,670	2,030,525
Mining and quarrying	150,162	129,387
Other community, social and personal service activities	3,349,336	3,350,975
Private households with employed persons	237,468	223,701
Public administration and defense, compulsory social security	5,469,851	6,698,491
Real estate, renting and business activities	2,417,822	2,013,250
Transport, storage and communications	1,917,267	2,013,347
Wholesale and retail trade	2,678,479	2,417,485
	31,925,950	34,925,826

Total surcharges outstanding as at June 30, 2004 amount to \$248,062,742 (2003 - \$252,187,451). 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.



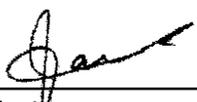
NATIONAL INSURANCE CORPORATION
Non-Consolidated Financial Statements

NATIONAL INSURANCE CORPORATION
Non-Consolidated Balance Sheet
For the Year Ended June 30, 2004

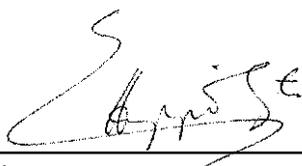
	Notes	2004 \$	2003 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	28,831,932	21,134,823
Accounts receivable	4	14,166,240	14,837,471
Prepaid expenses		6,754	449,382
Due from subsidiary companies	5	53,546	486,981
Loans and advances	6	15,059,972	29,159,960
Investment securities			
- Held-to-maturity	7	258,747,832	221,760,234
- Available -for-sale	7	77,259,379	69,482,487
		394,125,655	357,311,338
Long-term Assets			
Loans and advances	6	141,201,162	147,611,496
Investment securities			
- Held-to-maturity	7	138,125,122	113,421,735
Investments in subsidiary companies	8	28,281,949	28,281,949
Investment properties	9	105,992,088	90,354,531
Property, plant and equipment	10	1,530,382	1,759,723
Deferred asset	11	-	179,354
		415,130,703	381,608,788
TOTAL ASSETS		809,256,358	738,920,126
LIABILITIES AND RESERVES			
Current Liabilities			
Bank overdraft		1,811,750	-
Accounts payable and accrued liabilities		2,608,401	1,914,701
Due to subsidiary companies	12	19,287	284,993
		4,439,438	2,199,694
Reserves			
Short-term benefits		20,391,232	18,117,142
Long-term benefits		784,425,688	718,603,290
		804,816,920	736,720,432
TOTAL LIABILITIES AND RESERVES		809,256,358	738,920,126

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

SIGNED ON BEHALF OF THE BOARD



 Chairman



 Director

NATIONAL INSURANCE CORPORATION
Non-Consolidated Statement of Changes in Reserves
For the Year Ended June 30, 2004

	Short-term Benefits \$	Long-term Benefits \$	Total \$
Balance at June 30, 2002	16,344,844	661,545,586	677,890,430
Excess of income over expenditure for the year	1,772,298	57,057,704	58,830,002
Balance at June 30, 2003	18,117,142	718,603,290	736,720,432
Excess of income over expenditure for the year	2,274,090	65,822,398	68,096,488
Balance at June 30, 2004	20,391,232	784,425,688	804,816,920

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

NATIONAL INSURANCE CORPORATION
Non-Consolidated Statement of Income & Expenditure
For the Year Ended June 30, 2004

	Short-term Benefits		Long-term Benefits		Total	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
INCOME						
Contributions	9,542,827	8,771,595	46,591,450	42,826,021	56,134,277	51,597,616
Investments	1,185,104	973,579	47,006,290	39,404,906	48,191,394	40,378,485
Other	296,578	380,938	1,447,997	1,859,875	1,744,575	2,240,813
TOTAL INCOME	11,024,509	10,126,112	95,045,737	84,090,802	106,070,246	94,216,914
EXPENDITURE						
Short-term benefits	4,283,116	4,001,790	-	-	4,283,116	4,001,790
Long-term benefits	-	-	23,142,229	21,517,829	23,142,229	21,517,829
Medical Health Programme	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Administrative expenses	1,467,303	1,352,024	6,081,110	5,515,269	7,548,413	6,867,293
TOTAL EXPENDITURE	8,750,419	8,353,814	29,223,339	27,033,098	37,973,758	35,386,912
EXCESS OF INCOME OVER EXPENDITURE	2,274,090	1,772,298	65,822,398	57,057,704	68,096,488	58,830,002

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

NATIONAL INSURANCE CORPORATION
Non-Consolidated Statement of Cash Flows
For the Year Ended June 30, 2004

	2004	2003
	\$	\$
Cash Flows from Operating Activities		
Excess of income over expenditure for the year	68,096,488	58,830,002
Adjustments for:		
Depreciation	470,566	503,134
Amortisation of deferred infrastructure costs	179,354	179,352
Interest and dividend income	(40,360,556)	(39,440,480)
Foreign exchange loss	301,383	155,913
Provision for loan losses and uncollected interest	363,618	1,922,706
Provision for doubtful debts	1,233,746	-
(Gain)/loss on disposal of property, plant and equipment	(8,500)	4,566
Gain on disposal of investment	(4,575,000)	-
Operating income before working capital changes	25,701,099	22,155,193
(Increase)/decrease in accounts receivable	(1,204,055)	144,914
Decrease/(increase) in prepaid expenses	442,628	(249)
Decrease in due from subsidiary companies	433,435	55,304
Increase/(decrease) in accounts payable and accrued liabilities	693,700	(100,460)
Decrease in due to subsidiary companies	(265,706)	(44,889)
Net cash generated from operating activities	25,801,101	22,209,813
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(241,225)	(307,694)
Proceeds on sale of property, plant and equipment	8,500	4,575
Increase in investment securities and loans and advances	(54,956,427)	(27,142,413)
Deposit on shares in subsidiary companies	-	(11,543,619)
Improvements to investment properties	(15,637,557)	(5,797,406)
Interest received	38,459,903	32,644,547
Dividends received	3,136,064	3,061,925
Proceeds on disposal of investment	9,315,000	-
Net cash used in investing activities	(19,915,742)	(9,080,085)
Increase in Net Cash	5,885,359	13,129,728
Net Cash - Beginning of Year	21,134,823	8,005,095
Net Cash - End of Year	27,020,182	21,134,823
Cash	28,831,932	21,134,823
Bank overdraft	(1,811,750)	-
Net Cash - End of Year	27,020,182	21,134,823

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