



2021 Annual Report

NATIONAL INSURANCE BOARD

www.nisgrenada.org





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OUR MISSION

Provide for the efficient payment of relevant benefits to contributors in a customer-focused environment through effective collection of contributions and prudent management of funds with highly trained staff using innovative technology.



OUR VISION

The National Insurance Scheme will be an exemplary social security institution providing sustained coverage, responsive to national and global challenges.



OUR CORE VALUES

- ▶ Confidentiality
- ▶ Good Governance
- ▶ Customer Focused
- ▶ Prudent Management
- ▶ Teamwork
- ▶ Accountability
- ▶ Integrity
- ▶ Excellence



CORPORATE INFORMATION

REGISTERED OFFICE

Melville Street, St. George's

Sub-Offices

Cnr. Victoria & Jubilee Streets, Grenville, St. Andrew's
Main Street, Hillsborough, Carriacou

BANKERS

CIBC First Caribbean International Bank Ltd.

Cnr. Church & Halifax Streets, St. George's

Grenada Co-operative Bank Ltd.

Church Street, St. George's

Republic Bank Grenada Ltd.

Melville Street, St. George's

LEGAL COUNSEL

Keisha Lander

AUDITORS

BDO Eastern Caribbean

Kingstown Park, Kingstown

St. Vincent and the Grenadines



BOARD OF DIRECTORS



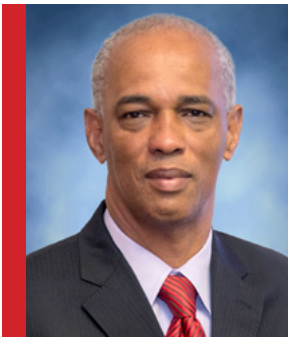
MR. CHRISTOPHER HUSBANDS
Chairman
Government Representative



DR. BERT BRATHWAITE
Deputy Chairman
Government Representative



MR. JAMES PITT
Employers' Representative



MR. BENEDICT BRATHWAITE
Employers' Representative
(Jan - Apr)



MRS. LYDIA COURTNEY-FRANCIS
Employers' Representative
(Jul - Dec)



MR. BERT PATERSON
Employees' Representative



MR. KENNY JAMES
Employees' Representative



MR. DORSETT CROMWELL
Director

INVESTMENT COMMITTEE



MRS. OPHELIA WELLS-CORNWALL
Chairman



DR. BERT BRATHWAITE
Member



DR. WAYNE SANDIFORD
Member



MR. FITZROY O'NEALE
Member



MR. DORSETT CROMWELL
Director

MANAGEMENT



MR. DORSETT CROMWELL
Director



MS. CINDIAN ST. BERNARD
Deputy Director



MR. MAX GORDON
Finance Manager



MRS. JANICE FRANCIS
Human Resource Manager



MR. DUANE NOEL
Information Technology Manager



MS. FRANCA BELL
Compliance Manager



MS. KEISHA LANDER
Legal Counsel



MS. MARCELLE CHARLES
Board Secretary/Executive
Assistant



MRS. PEARL MOSES-DENNIS
Internal Auditor
(reports to Audit Committee)

MINISTER'S MESSAGE



I am proud as Minister with responsibility for Social Security, to report on the performance of the National Insurance Board for the year 2021.

The year has not been without challenges, as we are all aware, having to combat the COVID-19 global pandemic. Notwithstanding, I believe that the National Insurance Board stood tall among its counterpart social security schemes throughout the region. The National Insurance Scheme (NIS) continues to be a beacon in our own local sphere as an institution that represents and exemplifies the very core of its Vision as “an exemplary social security institution providing sustainable coverage and being responsive to national and global challenges”

When the COVID-19 pandemic reached our shores in 2020, the National Insurance Board, provided workers of this country with enormous support through the temporary Unemployment Benefit. In 2021, the National Insurance Board again took up the challenge with the second wave of the pandemic and provided payment to workers who submitted their claims for persons in isolation and also those diagnosed as COVID-19 positive.

Coming out of these recent experiences, the National Insurance Board has made every effort to enhance its operations through technological leveraging and improved and upgraded legislations. These decisions were made to improve the services offered to workers and other stakeholders.

Two major initiatives that have been pursued are the establishment of a framework for the implementation of a permanent funded Unemployment Benefit and, the amendment of the Self-employed Regulations. The latter aims to create an easier and, a more flexible arrangement that would encourage greater compliance among self-employed persons.

The National Insurance Board has also developed a new Strategic Plan for the period 2022–2025. The Plan is aligned with the Board’s recognition of a constantly changing environment, the need for quality and a high-performing staff, improvement of services to customers and other stakeholders and the need for maximizing its revenue generation through contribution and investment opportunities.

More especially, in this challenging time, the Board continues to exercise fiscal discipline in the management of the financial assets of the Scheme. As of December 31, 2021, the reserves of the NIB stood at \$1,014,241,958 (2020 - \$988,332,002) which represents a 2.6% growth over the previous financial year.

General and administrative expenses stood at \$9,402,782, well below the established statutory requirement as has been the case over the past years.

The Chairman and his team of Directors, committees, management and staff, must be commended for their efficiency and prudence in the management of the Board’s resources.



Hon. Nickolas T.C. Steele
Minister Of Health, Social Security And
International Business

CHAIRMAN'S REPORT

The year 2021 began in the same manner that 2020 ended with the world still feeling the effects of the COVID-19 pandemic. Despite this, the National Insurance Board (NIB) worked diligently during the year to achieve its strategic objectives some of which included, maximizing revenue generation, transforming employee and employer interactions, and aligning and growing workplace capabilities.

The onset of the COVID-19 pandemic has forced many organizations to rethink the way they do business, particularly with the use of technology and the NIB is no exception. The Board took the decision in March 2021 as part of its organizational goals, to develop and implement a web portal as a means of expanding the range of its online services to customers. This portal was launched in November 2021 and customers are now able to conduct all NIS related matters without the use of paper or having to visit the office.

The NIS was able to meet its pension obligations on a monthly basis albeit at the expense of having to break unmatured term deposits. Nevertheless, the Board will continue in its quest to have the recommendation to increase the pensionable age implemented as this is paramount for the sustainability of the National Insurance Fund going forward.



In July, the Board approved its Strategic Plan for the period 2022 to 2025. This Plan is intended to drive the activities of the organization by establishing its priorities and identifying the key initiatives to be undertaken.

Much emphasis was placed on self-employed persons during the review year. In an effort to encourage participation by these persons who are also entitled to all the benefits offered by the NIS, the Board took the decision in October to amend the Self-Employed Regulations. The requisite technical assistance has been sought from the Actuarial Consulting Firm, LifeWorks and their lead actuary, Mr. Derek Osborne is working along with the NIB in this regard.

Approval has been received from the Cabinet for the implementation of a permanent funded unemployment benefit programme to protect workers from employment loss caused by shocks, including natural disasters. The Actuarial Consulting Firm, LifeWorks is also providing technical assistance for the rolling out of this benefit.

It is expected that the COVID-19 pandemic will continue to impact the collection of contributions well into 2022 as economies across the globe are at various stages of economic recovery with corresponding impacts on Grenada's own recovery.

Despite the continued cashflow challenges, the NIB remains committed to its fiduciary responsibility of providing benefits to its contributors in a timely manner.

In accordance with its Investment Policy Statement (IPS), the Board will continue to seek viable investment opportunities with emphasis placed on risk mitigation and optimum returns in all asset classes of the portfolio.

The financial performance of the NIB during 2021 is highlighted below:

1. The Reserves grew by \$25.9 million to \$1.01 billion as of December 31, 2021.
2. Benefit expenditure totaled \$116.5 million with pension expenditure of \$97.8 million.
3. Total expenditure amounted to \$ 127.1 million.
4. Payments were made to 12,099 pensioners monthly and to 11,843 other beneficiaries.
5. Contribution income increased from \$85.6 million in 2020 to \$96.1 million in 2021. As projected in the 12th Actuarial Review, total expenditure would continue to be higher than contribution income
6. The Board's Investment Income totaled \$56.4 million.
7. Administrative expenditure totaled \$9.4 million for the 2021 financial year. This expense as a percentage of contribution plus benefits decreased from 5.2% in 2020 to 4.4% in 2021 which is still well below the statutory limit of 12%.

I take this opportunity as Chairman, to thank my fellow Directors, Management, and staff of the NIS, for their steadfast commitment in fulfilling our obligations in these challenging times. To you our insured population, I give a commitment to fulfill our responsibility to provide social security protection to all.



Christopher Husbands
CHAIRMAN

DIRECTOR'S REPORT

The 2021 fiscal year was very challenging in various ways, due to the continued negative economic effects of the COVID-19 Pandemic. However, the National Insurance Scheme (NIS) remained dedicated to improving service delivery to stakeholders. Our continued focus on providing quality service to a diverse and an increasingly global customer base, necessitates that we remain current with the dynamic environment in order to identify the changing demands of our customers. In light of this, the NIS has been making deliberate efforts to implement new systems and enhance existing ones.

During the financial year the National Insurance Board embarked on the implementation of its four (4) year strategic plan which, was developed to assist in meeting the challenges of the local and global environment while maintaining the sustainability of the Fund.



The plan underscores ten (10) key strategic objectives. They are as follows:

1. To increase compliance in the informal sector.
2. To achieve the minimum on the actuarial hurdle rate on investment.
3. To ensure the adoption and practice of industry best practices (prudent man principle).
4. To increase customer and stakeholder engagement and education.
5. To grow our online presence.
6. To improve customer experience and service quality through digital transformation and innovation.
7. To reduce wastage across the organization.
8. To increase process efficiency and abilities to facilitate improved service delivery.
9. To enhance employee engagement.
10. To develop a culture of learning and growth.

Against this backdrop, the NIB is pleased to highlight some of its most noteworthy accomplishments in 2021.

- » A new Web Portal and Website were launched that enable customers to access and communicate with the NIS at the touch of a button. Most noteworthy is the paperless benefit-claim process that can be completed through the Portal, from application to payment. The Portal also supports electronic employee and employer registration and allows them access to their information regarding their contributions. Additionally, employers now have access to a direct e-remittance submission that is quicker and more secure.
- » Actuarial guidance and stakeholder engagement commenced with an aim to introduce a funded Unemployment Benefit.

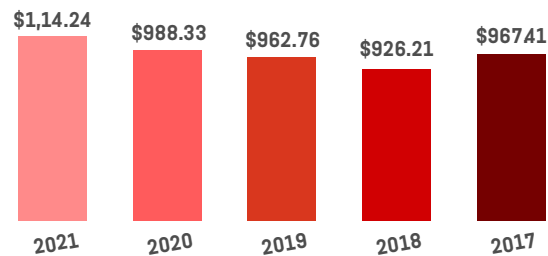
- » Following recommendations from lead Actuary of Life Works, Derek Osborne and several self-employed focus group meetings, significant progress was achieved, geared towards a new self-employed approach. Once implemented, the processes will be easier for this group to receive benefits and make contributions.

REVIEW OF OPERATIONS

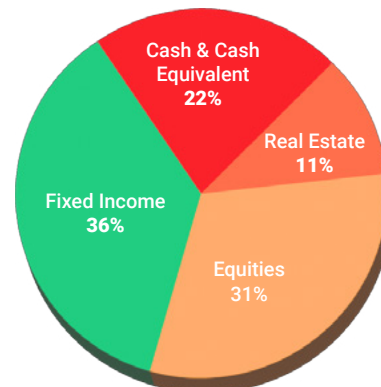
Reserve Growth

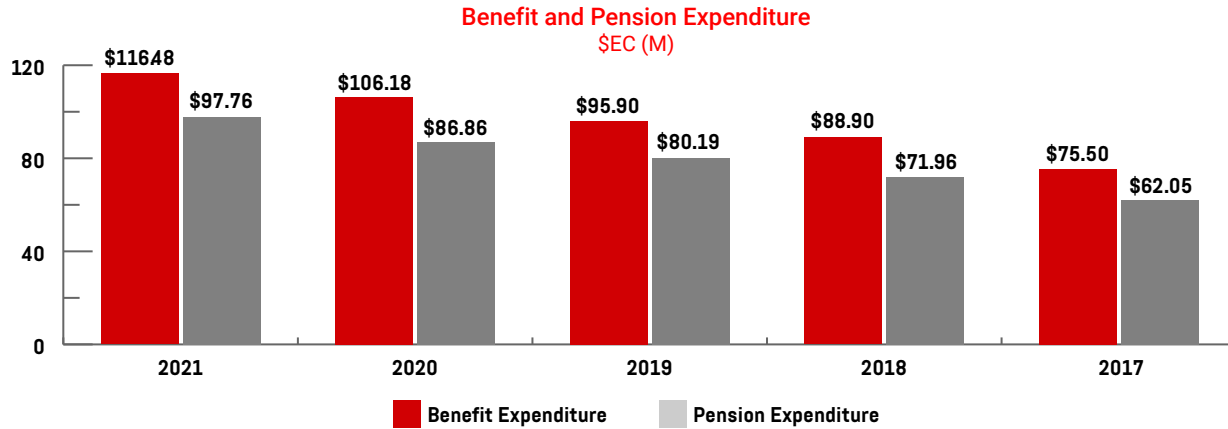
Similar to 2020, the difficult economic climate continued to be reflected globally in 2021. The NIB's Reserve grew by 2.6% in 2021 crossing the billion-dollar mark. The Reserve at the end of 2021 stood at \$1.01 billion compared to \$988.3 million in the previous year. Over the last five (5) years, the Reserves had an average annual growth of 2.1%, accumulating at a much slower rate than previous years. As projected in the 11th and 12th Actuarial Reviews this decline in reserve growth will persist if actuarial recommendations are not implemented.

Year End Reserves
\$EC (M)



Investment Ratios





Benefit Administration

In the 2021 financial year, the NIB continued to meet its obligations to its contributors. During this period, \$116.5 million was paid to beneficiaries, an increase of 9.7% relative to 2020 and exceeded contribution income by 21.2%. The 9.7% increase in benefit expenditure was influenced primarily by increases in age pension and sickness benefit. From the \$116.5 million paid in benefits, \$99.3 million were long-term, while \$15.1 and \$1 million were short-term and employment injury benefits respectively. A total of \$1.1 million was paid to 4,709 persons in temporary unemployment assistance benefit for January 2021. The benefit expenditure had an average increase of 12.2% over the last five years.

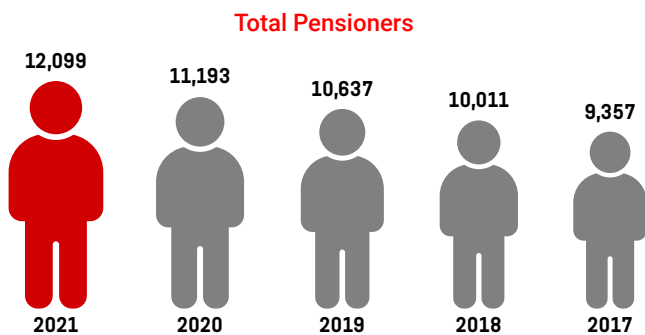
The NIB continues to fulfill its mandate as a pension fund, with pension expenditure for 2021 totaling \$97.8 million, an increase of 12.5% compared to 2020. The \$97.8 million paid in pensions accounted for 83.9% of total benefit expenditure. Pension expenditure over the last five years had an average increase of 12.5%. The number of pensioners increased from 11,193 in 2020 to 12,099 in 2021, an 8.1% rise.

During the year the NIB received a total of 27,739 benefit claims. In relation to 2020, this represents a 73.7% decline. This significant decrease is attributed to the reduction in the number of temporary unemployment assistance benefit claims received in 2021. The temporary unemployment assistance benefit programme was introduced in May 2020 and culminated in January 2021. From the total benefit claims received 20,866 were short-term, 2,164 long-term and 4,709 were temporary unemployment assistance. Short-term and long-term benefit claims received, increased by 38.4% and 12.6% respectively. The significant increase in the number of short-term benefit claims resulted from the number of claims submitted relating to the COVID-19 pandemic.

Contribution Income

Contribution income for the 2021 financial year totaled \$96.1 million, a 12.3% increase in relation to contribution income in 2020. Collections from private sector employers totaled \$66.8 million and Government, \$29.3 million. Annual growth in contribution income averaged 6.6% over the last five years.

There were 6,096 active employers in 2021; this, compared with 6,126 during 2020, is a marginal 0.5% decrease. From the 6,096 active employers, 1,184 were self-employed; this is 9.9% less than 2020. Total active contributors for 2021 stood at 48,700 representing a 1.8% decline relative to 2020.



During 2021, a total of 2,582 persons contributed to the NIS for the very first time. That number has increased by 8.8% relative to 2020. In comparison to 2020 all the industries realized expansion in the number of new entrants except for Agriculture, Household Services, Recreation Services, Roadside Cleaning and Maintenance, Social Services and Transport Storage and Communication.

Registration Activity

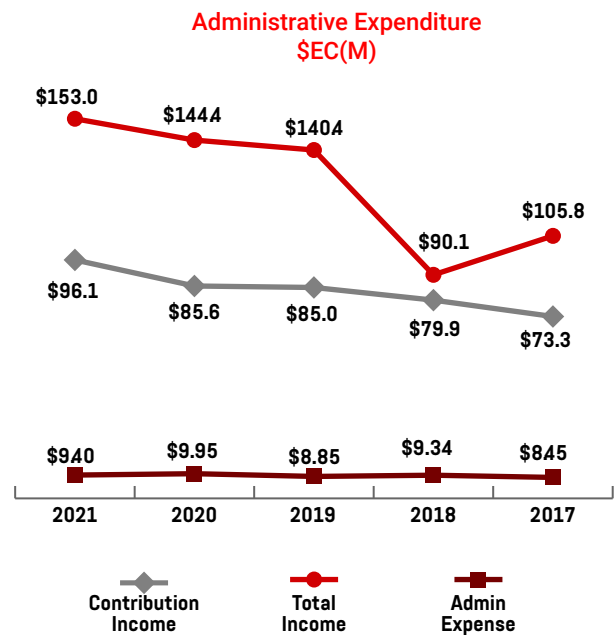
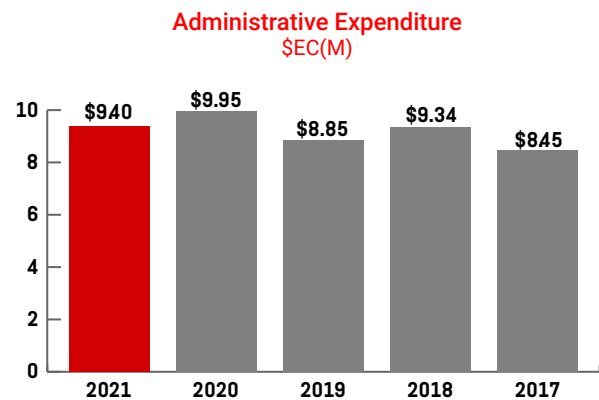
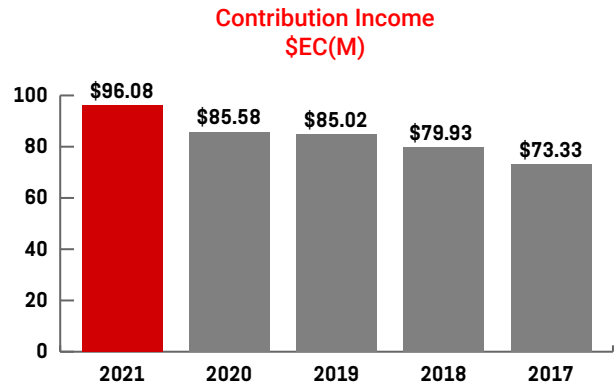
During fiscal 2021, 1,379 employers were registered with the NIS. Relative to the previous year, this represents a 3.8% decrease. From the 1,379 registered employers, 451 were self-employed indicating, a 40.5% decline in the number of self-employed registered relative to 2020. In 2020, the Government of Grenada provided payroll assistance to persons who were temporarily unemployed due to the COVID-19 pandemic; one qualifying condition for receipt was that persons had to be registered with the NIS. This led to a significant increase in self-employed registration in 2020.

Employee registration grew by 16.4% from 2,113 in 2020 to 2,460 in 2021. In 2020 the NIB introduced registration of persons who are not yet employed. In 2020, a total of 184 such persons were registered; this figure climbed to 1,408 in 2021.

Administrative Expenses

As trustees of the National Insurance Fund, we are always cognizant that it must be managed prudently and that the cost of administration should be kept within established standards. During the 2021 financial year, administrative expenses amounted to \$9.40 million, a decline of 5.5% when compared to 2020. This expenditure over the last five years had an average increase of 2.8%. Administrative expenses as a percentage of contribution plus benefit, declined from 5.2% in 2020 to 4.4% in 2021.

The pay-as-you-go rate is the rate that is necessary to pay all expenditure (benefits and administrative expenditures) in a given year. At the end of December 2020, that rate stood at 14.1%, and has grown to 14.4% at the end of December 2021. This is 3.4% above the stipulated 11% contribution rate.



HUMAN RESOURCE DEVELOPMENT

The COVID-19 pandemic continued to create challenges in providing face to face developmental activities. Notwithstanding, the opportunity was taken to engage in a series of online training activities. Members of staff engaged in online training in Advanced Microsoft Excel through Udemy. Over twenty (20) members of Management and staff capitalized on the series of e-learning programmes offered on an annual basis by the International Social Security Association (ISSA) on the following topics:

- » Good Governance
- » Actuarial Work for social Security
- » Administrative solutions for Coverage Extensions
- » Contributions, Collection and Compliance
- » Information and Communication Technology
- » Investment of Social Security Funds
- » Service Quality

In keeping with the Board's arrangement with the World Bank, three (3) members of staff commenced training under the Reserve Advisory and Management Partnership (RAMP) programme in the areas of ACCA, Corporate Finance and Valuation Methods - Professional Certificate and CFA Institute Investment Foundations course.

Members of staff also participated in training arranged with the University of the West Indies in the areas of procurement Management, Business Writing, Report Writing, Training Needs Assessment, Marketing and team building.

The Director, Dorsett Cromwell attained the Director's Accreditation in November 2021 from the Chartered Governance Institute of Canada.

Our staff has worked assiduously during the challenging months of the COVID-19 pandemic and many persons went out of their way to ensure that the National Insurance Scheme fulfilled its mandate to provide for persons in times of need. As a result, tokens of appreciation were handed out to those persons who were recognized as exceptional.

APPRECIATION

As we navigate this difficult period and adapt to a new normal, our team at the NIS remains steadfast in its dedication to building and maintaining Grenada's most important social safety net. I must place on record my sincere thanks to the Board of Directors, Management and Staff, who have effectively guided the organization through another successful year with great fortitude. This commitment to social development is admirable and must be acknowledged. I also express heartfelt thanks to employers and insured persons for their continued cooperation.



Dorsett Cromwell
DIRECTOR



THE STAFF

STATISTICAL TABLES

Newly Registered Self-Employed Persons By Economic Activity

Industrial classification	FINANCIAL YEAR				
	2017	2018	2019	2020	2021
Agriculture, Hunting, Forestry & Fishing	104	73	69	83	53
Manufacturing	16	22	17	25	23
Electricity, Gas & Water	1	-	2	-	-
Construction	47	27	24	45	40
Wholesale & Retail Trade	138	122	107	155	96
Restaurants & Hotels	11	8	15	23	10
Transport, Storage & Communication	55	47	43	221	43
Banking, Finance & Insurance	4	3	1	3	2
Real Estate & Business Services	44	40	41	49	39
Social & Related Community Services	60	48	87	99	105
Personal & Household Services	31	26	20	39	24
Recreation & Cultural Services	8	6	8	15	5
Public Administration & Defense	1	-	-	-	2
Sanitary & Similar Services	4	2	6	1	9
Total	524	424	440	758	451

Newly Registered Employers By Parish

PARISH	2017	2018	2019	2020	2021
Carriacou	51	31	46	39	34
St. Andrew	134	124	136	151	260
St. David	47	45	44	46	75
St. George	320	331	310	310	383
St. John	33	33	29	47	49
St. Mark	10	15	9	23	35
St. Patrick	63	52	36	60	92
TOTAL	658	631	610	676	928

STATISTICAL TABLES

Newly Registered Employers By Economic Activity

Industrial classification	FINANCIAL YEAR				
	2017	2018	2019	2020	2021
Agriculture, Hunting, Forestry & Fishing	45	36	33	41	83
Manufacturing	35	34	20	27	56
Electricity, Gas & Water	2	-	1	-	1
Construction	67	66	75	85	140
Wholesale & Retail Trade	78	84	102	98	88
Restaurants & Hotels	47	44	51	47	56
Transport, Storage & Communication	17	27	20	28	18
Banking, Finance & Insurance	6	5	3	3	9
Real Estate & Business Services	42	53	51	54	71
Social & Related Community Services	35	51	62	60	64
Personal & Household Services	63	72	66	38	53
Recreation & Cultural Services	9	11	13	20	19
Public Administration & Defense	1	3	-	-	-
Sanitary & Similar Services	1	1	2	3	3
Roadside Cleaning & Maintenance	210	144	111	172	267
Total	658	631	610	676	928

Newly Registered Employees By Parish

PARISH	2017	2018	2019	2020	2021
Carriacou	100	123	84	115	59
St. Andrew	565	535	459	570	662
St. David	279	281	244	225	311
St. George	1,065	1,063	947	836	994
St. John	147	132	122	129	159
St. Mark	84	76	68	77	82
St. Patrick	246	169	156	161	193
TOTAL	2,486	2,379	2,080	2,113	2,460

STATISTICAL TABLES

Newly Registered Employees By Age Group

AGE GROUP	FINANCIAL YEAR				
	2017	2018	2019	2020	2021
15-19	1,134	1,050	987	937	1,279
20-24	832	803	528	569	653
25-29	154	139	153	110	134
30-34	109	104	108	94	95
35-39	58	87	80	58	82
40-44	49	47	54	52	58
45-49	46	43	53	62	48
50-54	40	38	48	62	37
55-59	29	35	37	51	33
60-64	18	24	20	33	16
65+	17	9	12	85	25
TOTAL	2,486	2,379	2,080	2,113	2,460

Benefit Paid by Benefit Branch

Benefit Branch	2017	2018	2019	2020	2021
Long-Term					
Age Benefit	\$56,418,658	\$66,399,475	\$73,817,242	\$80,496,147	\$89,837,073
Survivors Benefit	\$4,270,577	\$4,404,654	\$4,721,602	\$4,869,363	\$5,789,677
Invalidity Benefit	\$2,960,353	\$3,100,531	\$3,426,274	\$3,446,980	\$3,709,385
Sub-total	\$63,649,588	\$73,904,660	\$81,965,118	\$88,812,490	\$99,336,135
Short-Term					
Sickness	\$7,671,630	\$10,122,098	\$8,853,787	\$7,710,402	\$10,653,990
Maternity	\$2,166,102	\$2,492,310	\$2,638,631	\$2,500,279	\$2,615,671
Funeral	\$1,191,534	\$1,303,571	\$1,234,003	\$1,396,331	\$1,795,097
Unemployment Asssitance Benefit	\$-	\$-	\$-	\$4,659,631	\$1,122,684
Sub-total	\$11,029,266	\$13,917,979	\$12,726,421	\$16,266,643	\$16,187,442
Employment Injury					
Injury	\$495,052	\$545,809	\$670,781	\$369,996	\$532,127
Medical Expense	\$161,037	\$174,106	\$234,508	\$478,771	\$117,043
Disablement Grant	\$31,442	\$186,016	\$99,261	\$69,049	\$125,445
Disablement Pension	\$104,113	\$115,483	\$109,448	\$112,538	\$109,279
Death Benefit	\$67,323	\$64,879	\$56,365	\$71,058	\$74,820
Sub-total	\$858,967	\$1,086,293	\$1,170,363	\$1,101,412	\$958,714
Grand Total	\$75,537,821	\$88,908,932	\$95,861,902	\$106,180,545	\$116,482,291

STATISTICAL TABLES

No. of Benefit Paid by Benefit Branch

Benefit Branch	FINANCIAL YEAR				2021
	2017	2018	2019	2020	
Long-Term					
Age Benefit	7,806	8,453	8,919	9,457	10,057
Survivors Benefit	1,411	1,458	1,494	1,554	1,785
Invalidity Benefit	605	606	679	697	701
Sub-total	9,822	10,517	11,092	11,708	12,543
Short-Term					
Sickness	15,641	18,522	16,444	12,972	17,502
Maternity	1,581	1,658	1,761	1,636	1,713
Funeral	547	582	560	631	805
Unemployment Asssitance Benefit	-	-	-	14,109	4,121
Sub-total	17,769	20,762	18,765	29,348	24,141
Employment Injury					
Injury	720	821	813	473	580
Medical Expense	379	457	418	257	247
Disablement Grant	2	6	11	9	7
Disablement Pension	19	18	18	18	18
Death Benefit	12	10	11	14	15
Sub-total	1,132	1,312	1,271	771	867
Grand Total	28,723	32,591	31,128	41,827	37,551

STATISTICAL TABLES

Contribution By Industrial Classification

INDUSTRIAL CLASSIFICATION	FINANCIAL YEAR				
	2017	2018	2019	2020	2021
Agriculture, Hunting, Forestry & Fishing	\$1,212,126	\$1,362,238	\$1,595,859	\$1,408,283	\$1,771,256
Manufacturing	\$3,053,635	\$3,497,291	\$3,809,036	\$3,431,427	\$4,322,707
Electricity, Gas & Water	\$2,091,834	\$2,236,317	\$2,546,352	\$2,437,312	\$3,047,968
Construction	\$5,199,905	\$5,769,847	\$5,839,250	\$4,938,634	\$6,296,048
Wholesale & Retail Trade	\$9,237,084	\$9,983,197	\$10,743,406	\$10,324,682	\$11,518,690
Restaurants & Hotels	\$5,927,530	\$6,942,943	\$8,044,264	\$5,600,514	\$5,361,053
Transport, Storage & Communication	\$4,361,096	\$4,603,384	\$5,070,599	\$4,448,411	\$4,808,004
Financial Intermediations	\$4,470,540	\$4,656,100	\$5,372,109	\$5,239,991	\$6,602,456
Real Estate & Business Services	\$6,209,299	\$7,075,524	\$7,467,989	\$7,236,368	\$9,099,674
Public Administration & Defense	\$21,130,815	\$22,363,623	\$22,483,453	\$28,232,674	\$28,938,808
Social & Related Community Services	\$7,574,061	\$8,686,906	\$9,057,699	\$9,483,185	\$11,047,137
Personal & Household Services	\$797,986	\$912,266	\$867,743	\$745,494	\$834,449
Recreation & Cultural Services	\$791,729	\$811,602	\$946,707	\$745,878	\$901,543
Sanitary & Similar Services	\$229,752	\$239,574	\$243,571	\$251,393	\$308,628
Roadside Cleaning & Maintenance	\$1,046,781	\$791,430	\$933,922	\$1,051,483	\$1,224,949
TOTAL	\$73,334,174	\$79,932,242	\$85,021,960	\$85,575,730	\$96,083,368



FINANCIAL STATEMENTS

For the year ended December 31, 2021

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**DIRECTOR OF AUDIT REPORT TO THE HOUSE OF REPRESENTATIVES
ON THE FINANCIAL STATEMENTS OF THE NATIONAL INSURANCE BOARD
FOR YEAR ENDED 31 DECEMBER 2021**

Section 9 of the Audit Act CAP. 22A of the Laws of Grenada permits me as Director of Audit, to delegate my responsibility or power under the Act, other than the responsibility to make a report to the Minister or an appropriate Minister that is to be laid before the House of Representatives, to a professional auditor entitled by law to practice accounting in Grenada.

The Minister shall, not later than seven days after the House of Representatives first meets, after he has received the report, lay it before the House of Representatives. This is in compliance with Section 82(4) of the Constitution of Grenada.

I had delegated my responsibility to Binder Dijker Otte (BDO) to conduct the audit of the financial statements of National Insurance Board in accordance with appropriate auditing standards; I have also delegated my powers to access records and obtain information under Section 19 of the Audit Act CAP. 22A of the Laws of Grenada. I have accepted the audit of the Board's financial statements for the period ended 31 December 2021.

Auditors Opinion

BDO have audited the financial statements of the National Insurance Board, which comprise the statement of financial position at 31 December, 2021, the statements of income and expenditure account, changes in funds and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

BDO conducted their audit in accordance with International Standards on Auditing (ISAs). Their responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of their report. They are independent of the Board in accordance with the ethical requirements that are relevant to their audit of the financial statements in Grenada and they have fulfilled their other responsibilities in accordance with these requirements. They believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their opinion.

Responsibilities of Management and those charged with governance for the Financial Statements

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

**DIRECTOR OF AUDIT REPORT TO THE HOUSE OF REPRESENTATIVES
ON THE FINANCIAL STATEMENTS OF THE NATIONAL INSURANCE BOARD
FOR YEAR ENDED 31 DECEMBER 2021
(Continued)**

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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


As part of an audit in accordance with ISAs, they exercise professional judgment and maintain professional scepticism throughout the audit. They also:

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

**DIRECTOR OF AUDIT REPORT TO THE HOUSE OF REPRESENTATIVES
ON THE FINANCIAL STATEMENTS OF THE NATIONAL INSURANCE BOARD
FOR YEAR ENDED 31 DECEMBER 2021
(Continued)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


Jeanelle Andrew
DIRECTOR OF AUDIT (AG)

**30 May 2022
AUDIT OFFICE
GRENADA**



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The Financial Services Centre
P.O. Box 561
Kingstown Park
St. Vincent and the Grenadines

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Insurance Board
Grenada

Opinion

We have audited the financial statements of National Insurance Board ("the NIB"), which comprise the statement of financial position as at December 31, 2021, the statements of income and expenditure account, changes in funds and cash flows for the year then ended, and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Board of Directors of
National Insurance Board
Grenada

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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



BDO Eastern Caribbean
Kingstown, St. Vincent and the Grenadines
March 31, 2022

STATEMENT OF FINANCIAL POSITION

As At December 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 \$	2020 \$
ASSETS			
Property, plant, and equipment	4	20,256,286	21,013,693
Investment properties	5	107,654,639	107,654,639
Investment securities - equity	6	313,415,817	276,283,255
Investment securities - debt	7	450,302,455	472,219,031
Mortgages and other loans	8	53,506,353	54,823,101
Contribution and other receivables	9	13,731,470	13,652,200
Interest receivable	10	7,472,320	6,373,423
Cash and cash equivalents	11	49,864,182	38,200,801
TOTAL ASSETS		1,016,203,522	990,220,143
FUNDS AND LIABILITIES			
Funds			
Long-term benefits	12	975,653,533	951,817,847
Short-term benefits	13	13,018,812	13,613,042
Employment injury benefits	14	25,569,613	22,901,113
Total funds		1,014,241,958	988,332,002
LIABILITIES			
Trade and other payables	15	1,961,564	1,888,141
Total liabilities		1,961,564	1,888,141
TOTAL FUNDS AND LIABILITIES		1,016,203,522	990,220,143

The notes on pages 31 to 60 are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD



 Chairman



 Director

STATEMENT OF INCOME AND EXPENDITURE ACCOUNT

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes	Long-term benefits	Short-term benefits	Employment injury benefits	2021 \$	2020 \$
Income						
Contributions	18 (a)	76,866,694	16,622,423	2,594,251	96,083,368	85,575,730
Surcharge and interest contribution	18 (a)	88,627	19,166	2,991	110,784	116,013
Investment income	16, 18	19,120,953	273,470	460,058	19,854,481	20,772,396
Valuation gain on investment securities	6(iii)	35,163,959	502,920	846,059	36,512,938	31,679,960
Gain on revaluation of investment properties	5	-	-	-	-	5,712,444
Other income	17, 18	396,013	5,664	9,528	411,205	577,959
Total income		131,636,246	17,423,643	3,912,887	152,972,776	144,434,502
Expenditure						
Benefits (Schedule I)		99,336,136	16,187,442	958,713	116,482,291	106,180,545
General and administrative expenses (Schedule II)	19	7,522,226	1,626,681	253,875	9,402,782	9,950,184
Credit loss expense, net		942,198	203,750	31,799	1,177,747	2,734,927
Total expenditure		107,800,560	18,017,873	1,244,387	127,062,820	118,865,656
Net surplus/(deficit) for the year		23,835,686	(594,230)	2,668,500	25,909,956	25,568,846

The notes on pages 31 to 60 are an integral part of these financial statements.

STATEMENT OF CHANGES IN FUNDS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Long-term benefits \$	Short-term benefits \$	Employment injury benefits \$	Total \$
Balance as at January 1, 2020	925,743,868	16,256,786	20,762,502	962,763,156
Net surplus (deficit) for the year	26,073,979	(2,643,744)	2,138,611	25,568,846
Balance as at December 31, 2020	951,817,847	13,613,042	22,901,113	988,332,002
Net surplus (deficit) for the year	23,835,686	(594,230)	2,668,500	25,909,956
Balance as at December 31, 2021	975,653,533	13,018,812	25,569,613	1,014,241,958

The notes on pages 31 to 60 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Net surplus for the year		25,909,956	25,568,846
Adjustments for:			
Gain on revaluation of investment properties	5	-	(5,712,444)
Unrealised gain on investment securities		(36,512,938)	(31,679,960)
Expected credit loss		1,177,747	2,734,927
Depreciation	4	954,891	1,094,390
Loss on disposal of property, plant, and equipment		1,771	2,496
Interest income		(16,213,765)	(17,232,942)
Dividend income	16	(5,521,229)	(4,812,117)
Operating deficit before working capital changes		(30,203,567)	(30,036,804)
Change in non-cash working capital items:			
Decrease/(increase) in contributions and other receivables		(79,270)	3,420,989
Increase in trade and other payables		73,423	132,048
Decrease in mortgages and other loans		1,316,748	971,897
Net cash used in operating activities		(28,892,666)	(25,511,870)
Cash flows from investing activities			
Purchase of property, plant, and equipment	4	(199,256)	(35,389)
Proceeds from sale of property, plant, and equipment		-	-
Proceeds from sale of investment property		-	112,400
Net movement in investments securities		21,296,952	(22,874,908)
Interest received		13,937,122	17,944,629
Dividend received		5,521,229	4,812,117
Net cash generated from (used in) investing activities		40,556,047	(41,151)
Net change in cash and cash equivalents		11,663,381	(25,553,021)
Cash and cash equivalents - beginning of year		38,200,801	63,753,822
Cash and cash equivalents - end of year		49,864,182	38,200,801

The notes on pages 31 to 60 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

1. Corporate information

The National Insurance Scheme (“the Scheme”) was established by Peoples Law No. 14 of 1983 and continued under Chapter 205 of the Continuous Revised Edition of the Laws of Grenada having come into effect on 4th April of 1983 by S.R.O. No. 10 of 1983, for the purpose of providing social security benefits for nationals of Grenada, Carriacou and Petite Martinique and other qualified persons. The principal place of business is located at Melville Street, St. George’s.

During the year, the NIB employed on average eighty-five (85) persons (2020 - 87 persons).

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for the issue by the Board of Directors on March 31, 2022.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the NIB’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 3.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments - fair value through profit or loss
- Investment property
- Revaluation of property, plant, and equipment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(c) *Changes in accounting policies and disclosures*

(i) **New accounting standards, amendments and interpretations**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the NIB's annual financial statements for the year ended December 31, 2021 except for the adoption of new standards and interpretations below.

a) *New standards, interpretations and amendments effective from 1 January 2021*

New standards impacting the NIB that will be adopted in the annual financial statements for the year ended 31 December 2021, and which have given rise to changes in the NIB's accounting policies are:

- *Definition of a Business (Amendments to IFRS 3)*. The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:
 - clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
 - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
 - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
 - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
 - add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendment has no significant impact in the NIB's financial statements.

- *Definition of Material (Amendments to IAS 1 and IAS 8)*. The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The amendment has no significant impact in the NIB's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(c) Changes in accounting policies and disclosures (cont'd)

(i) New accounting standards, amendments and interpretations (cont'd)

a) New standards, interpretations and amendments effective (cont'd)

- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*. The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

The amendment has no significant impact in the NIB's financial statements.

- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The NIB's liabilities are classified as current.

- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment has no significant impact in the NIB's financial statements.

- *Annual Improvements to IFRS Standards 2018-2021*. Makes amendments to the following standards:
 - IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
 - IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
 - IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(c) Changes in accounting policies and disclosures (cont'd)

(i) New accounting standards, amendments and interpretations (cont'd)

b) New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the NIB has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2021:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement)
- Definition of Accounting Estimates (Amendments to IAS 8)

NIB is currently assessing the impact of these new accounting standards and amendments.

(ii) *Property, plant and equipment*

Land and Buildings comprise properties located at Melville Street, St. George's, and Victoria Street, Grenville. Land and buildings are stated at cost, less subsequent depreciation on buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserve in the fund. Decreases that offset previous increases of the same assets are charged against the surplus directly in the fund; all other decreases are charged to the income and expenditure.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The rates used are as follows:

	Per annum
Freehold buildings	2% - 10%
Furniture and equipment	10% - 16 $\frac{2}{3}$ %
Computer equipment	25%
Motor vehicles	20%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. It is initially measured at cost and subsequently at fair value with any charge therein recognised in statement of income and expenditure.

(f) Mortgages and other loans

Mortgages and other loans are financial assets with fixed or determinable payments. These are measured at amortised cost.

(g) Financial instruments

(i) Classification and measurement

Initial recognition

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The NIB recognises loans to borrowers on the date on which they are originated. All other financial instruments (including regular-way purchases and sale of financial assets) are recognised on the trade date, which is the date on which the NIB becomes a party to the contractual provisions of the instrument.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL) whereby transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The NIB classifies all of its assets at either:

- Amortised cost or
- FVPL

The NIB retained the existing requirements in IAS 39 for the classification of financial liabilities which is at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(g) *Financial instruments (cont'd)*

(i) Classification and measurement (cont'd)

Amortised cost

The NIB measures its cash and cash equivalents, debt securities, mortgage and other loans and contributions and other receivables at amortised cost. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets at fair value through profit or loss

Financial assets in this category are those that are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

(ii) Impairment

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the NIB to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Effective 1st January 2020 the NIB has been recording an allowance for expected credit losses for all loans and individual debt securities and accounts receivable.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the NIB expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(g) Financial instruments (cont'd)

(ii) Impairment (cont'd)

Impairment of financial assets (cont'd)

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures which are credit impaired or for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The NIB considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the NIB may also consider a financial asset to be in default when internal or external information indicates that the NIB is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the NIB.

Based on the above process, the NIB classifies its ECLs into Stage 1, Stage 2 and Stage 3.

Stage 1

When financial assets are first recognised, the NIB recognises an allowance based on 12 months ECLs. Stage 1 financial assets also include facilities where the credit risk has improved, and the financial assets have been reclassified from Stage 2.

Stage 2

When financial assets have shown a significant increase in credit risk since origination, the NIB records an allowance for the Lifetime ECLs. Stage 2 also include facilities, where the credit risk has improved, and financial assets have been reclassified from Stage 3.

Stage 3

Financial assets considered credit impaired. Here the NIB records an allowance for the Lifetime ECLs.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the asserted period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date including repayments of principal and interest, whether scheduled by contract or otherwise.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and the cash flows expected to be received. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(g) Financial instruments (cont'd)

(ii) Impairment (cont'd)

Calculation of ECLs

Stage 1

The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The NIB calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

Stage 2

When financial assets have shown a significant increase in credit risk since origination, the NIB records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the loan.

Stage 3

For financial assets considered credit-impaired, the NIB recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets.

(iii) Impairment of other financial assets

Cash and cash equivalents

The NIB's cash at bank and short-term debt securities (fixed deposits and treasury bills) are deposits placed with reputable institutions and countries where there has been no significant default. The NIB therefore considers the risk of default to be low. The ECLs on these instruments were therefore determined to be zero.

(iv) Write offs

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally when the NIB determines that the borrower does not have assets or resources of income that would generate sufficient cash flows to repay the amount subject to the write-off. However, the financial assets could still be subject to enforcement activities in order to comply with the NIB's procedures.

(v) Derecognition of financial assets

The NIB derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the NIB neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the NIB recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the NIB retains substantially all the risks and rewards of ownership of a transferred financial asset, the NIB continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(g) *Financial instruments (cont'd)*

(v) *Derecognition of financial assets (cont'd)*

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(vi) *Financial liabilities*

When financial liabilities are recognised, they are measured at fair value of the consideration given plus transactions costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost.

Financial liabilities are derecognized when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability extinguished and the consideration price is recognised in the statement of comprehensive income.

(h) *Contributions receivable*

Contributions receivable are amounts due from contributors in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(i) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and at bank and short-term demand deposits with original maturities of three (3) months or less.

(j) *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

(k) *Employee benefits*

Pension benefits

The NIB operates a defined contribution pension plan. The NIB pays fixed contributions into the fund and has no legal or constructive obligation to pay further contributions. The NIB's contribution is recorded as an expense in the statement of comprehensive income.

(l) *Provisions*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

2. Significant accounting policies (cont'd)

(m) Foreign currencies

Foreign currency transactions during the year have been effected at the rates of exchange ruling at the dates of the transactions. Assets and liabilities expressed in foreign currencies are translated to Eastern Caribbean Currency Dollars at the rates of exchange ruling at the end of the financial year. Differences arising from fluctuations in exchange rates are included in the statement of comprehensive income.

(n) Revenue recognition

Contributions and surcharges and interest on contributions are accounted for in current operations on the accrual basis.

i) *Interest income/ Investment income*
These are recognised on an accrual basis.

ii) *Sales of services*
Sales of services are recognised in the accounting period in which the services are rendered.

iii) *Dividend income*
Dividend income is recognized on the accrual basis.

iv) *Rental income*
Rental income is recognized on an accrual basis.

(o) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the Lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in investment property, in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant, and equipment. Rental income is recognized on a straight-line basis over the lease term. Payments made under operating leases are charged to the statement of comprehensive income in accordance with the terms of the lease.

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the NIB to the lessor. Finance leases are recognized as receivables and reported in loans and receivables financial assets. Finance lease income is recognized over the term of the lease.

(p) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered into with related parties in the normal course of business are carried out on commercial terms and conditions and market rates during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

3. Critical accounting estimates and judgments in applying accounting policies

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the NIB's reported assets, liabilities, revenues, and expenses. The items which may have the most effect on these financial statements are set out below.

Valuation of property

The NIB utilises professional valuers to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

Fair value of equity investments

The fair values of financial instruments that are not quoted in active markets are determined using the last traded value for the investment. Where no such value exists, cost is used as an appropriate estimate of fair value.

Property, plant, and equipment

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

Calculation of expected credit loss allowances

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to change in circumstances and of forecast economic conditions. The NIB's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

4. Property, plant, and equipment	Freehold land and buildings \$	Furniture and equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
Cost					
As of January 1, 2020	23,632,125	4,892,357	4,111,499	357,090	32,993,071
Additions	-	4,083	31,306	-	35,389
Disposal	-	(2,414)	(15,141)	-	(17,555)
As of December 31, 2020	23,632,125	4,894,026	4,127,664	357,090	33,010,905
As of January 1, 2021	23,632,125	4,894,026	4,127,664	357,090	33,010,905
Additions	-	11,538	187,718	-	199,256
Disposal	-	(546)	(46,218)	-	(46,764)
As of December 31, 2021	23,632,125	4,905,018	4,269,164	357,090	33,163,397
Accumulated depreciation					
As of January 1, 2020	3,421,911	3,423,016	3,895,445	177,509	10,917,881
Charge for the year	535,389	414,188	99,213	45,600	1,094,390
Disposal	-	(2,414)	(12,645)	-	(15,059)
As of December 31, 2020	3,957,300	3,834,790	3,982,013	223,109	11,997,212
As of January 1, 2021	3,957,300	3,834,790	3,982,013	223,109	11,997,212
Charge for the year	535,389	270,133	103,769	45,600	954,891
Disposal	-	(179)	(44,813)	-	(44,992)
As of December 31, 2021	4,492,689	4,104,744	4,040,969	268,709	12,907,111
Carrying amounts					
As of January 01, 2020	20,210,214	1,469,341	216,054	179,581	22,075,190
As of December 31, 2020	19,674,825	1,059,236	145,651	133,981	21,013,693
As of December 31, 2021	19,139,436	800,274	228,195	88,381	20,256,286

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

5. Investment properties

	Revaluation	Additions/ (Disposal)	Carrying Amount 2021	Carrying Amount 2020
	\$	\$	\$	\$
Development land				
River Antoine	-	-	10,000,000	10,000,000
Grand Anse	-	-	5,000,000	5,000,000
Calliste	-	-	8,564,000	8,564,000
Point Estate	-	-	11,000,000	11,000,000
Belle Isle	-	-	5,165,000	5,165,000
St. James Hotel	-	-	4,600,000	4,600,000
Woolwich Road	-	-	825,000	825,000
Scott Street	-	-	320,000	320,000
Maran	-	-	290,000	290,000
Thebaide	-	-	262,780	262,780
Drill Yard	-	-	3,385,581	3,385,581
Sandino Plant	-	-	9,836,000	9,836,000
Hotel California	-	-	14,700,000	14,700,000
La Digue	-	-	150,000	150,000
Craigston	-	-	7,905,808	7,905,808
Lauriston Carriacou				
- Undeveloped land	-	-	8,450,640	8,450,640
- Developed land	-	-	1,299,830	1,299,830
	-	-	91,754,639	91,754,639
Land and building				
Hillsborough Street	-	-	2,800,000	2,800,000
Melville Street	-	-	9,000,000	9,000,000
	-	-	11,800,000	11,800,000
Leasehold property				
Melville Street Annex	-	-	4,100,000	4,100,000
	-	-	107,654,639	107,654,639

(i) Lease arrangements

Included in total investment property are assets in which the NIB is a lessee for a portion of Land which was leased by the NIB from St. George's Newport Property Development Company Limited, for a period of 99 years with an option to renew for a further 66 years. Under the agreement a maintenance fee is charged annually. The lease confers the right to hold 3,056 'A' shares in Melville Street Property Management Company Limited, a service company registered in Grenada. The lease terms provide for substantially all lease payments to be made at the beginning of the lease.

The NIB leases the building which is on the land to individual tenants, and the leases are classified as operating leases. On adoption of IFRS 16 the lease liabilities for the NIB's obligation under the head lease was recognized with the corresponding investment property recognized at fair value and recorded with total investment property. As at the adoption date, the lease liability was Nil, as all lease payments were made at the beginning of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

6. Investment securities - equity

	Number of shares	2021 \$	2020 \$
(i) Regional Equity Securities measured at fair value through profit or loss			
Quoted equity securities			
Grenada Electricity Services Limited	2,204,838	26,458,056	26,458,056
Republic Bank (Grenada) Limited	190,704	8,581,680	8,581,680
Grenreal Property Corporation Limited	1,500,000	3,416,184	3,422,894
Grenada Co-operative Bank Limited	811,637	7,207,337	7,207,337
		<u>45,663,257</u>	<u>45,669,967</u>
Unquoted equity securities			
ACB Grenada Bank Limited (formerly RBTT Bank Grenada Limited)	4,035,915	7,538,999	7,538,999
Jonas Browne & Hubbard (Grenada) Limited	10,000	200,000	200,000
Eastern Caribbean Stock Exchange (ECSE)	10,000	100,000	100,000
Eastern Caribbean Home Mortgage Bank	9,357	1,497,120	1,497,120
Melville Street Property Management Co. Ltd.	1,819	1	1
Cable and Wireless Grenada Limited	4,855,000	19,420,000	19,420,000
Grenada Breweries Limited	389,336	2,336,016	2,336,016
		<u>31,092,136</u>	<u>31,092,136</u>
		<u>76,755,393</u>	<u>76,762,103</u>
(ii) Portfolio Investments measured at fair value through profit or loss			
International Quoted Equity Securities			
Kovack Securities		87,432,493	72,818,902
Oppenheimer		73,525,064	63,189,760
UBS Financial Services		75,702,867	63,512,490
		<u>236,660,424</u>	<u>199,521,152</u>
		<u>313,415,817</u>	<u>276,283,255</u>
(iii) Valuation gain on investment securities			
		2021 \$	2020 \$
Kovack Securities		14,825,978	9,603,423
Oppenheimer		10,497,492	7,511,111
UBS Financial Services		11,189,468	9,441,509
Grenada Co-operative Bank Limited		-	714,241
Grenada Electricity Services Ltd.		-	4,409,676
		<u>36,512,938</u>	<u>31,679,960</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

7. Investment securities - debt

(a) Government securities measured at amortised cost

	2021 \$	2020 \$
Treasury bills:		
- Government of Grenada	47,994,609	48,104,100
- Government of St. Lucia	7,890,474	7,888,020
Repurchase agreement:		
- First Citizen Investment Services	14,018,875	14,019,056
Corporate note:		
- Eastern Caribbean Home Mortgage Bank	26,270,000	26,270,000
Bonds:		
- Government of Grenada	138,040,600	144,309,810
- Grenreal	12,164,303	12,152,351
- Government of the Commonwealth of Dominica	2,269,191	2,484,000
- Government of St. Vincent and the Grenadines	250,000	750,000
- Government of Barbados	8,317,890	8,356,910
- Government of Aruba	20,678,179	31,053,824
- Government of Bahamas	25,296,978	25,529,176
- Government of Bermuda	25,148,963	25,341,065
- Government of Trinidad and Tobago	32,437,942	32,736,120
- Government of Panama	3,970,522	3,976,104
- Government of Peru	3,973,463	3,978,496
	368,721,989	386,949,032
Less: Allowance for expected credit loss (ECLs)	(2,271,110)	(2,307,403)
	<u>366,450,879</u>	<u>384,641,629</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

7. Investment securities - debt (cont'd)

(b) Fixed and other deposits measured at amortised cost

	2021 \$	2020 \$
Fixed deposits - Commercial banks	83,851,573	87,577,403
British American Insurance Company Limited		
- Flexible premium annuity	8,090,558	8,090,554
Colonial Life Insurance Company (Trinidad) Limited		
- Flexible premium annuity	21,544,119	21,544,119
	113,486,250	132,635,630
Less: Allowance for expected credit loss (ECLs)	(29,634,674)	(29,634,674)
	83,851,576	103,000,956
Total investment securities - debt	450,302,455	472,219,031

Judicial Managers appointed to handle the operations of British American Insurance Company Limited (BAICO) issued a report which revealed that the Company is insolvent. Subsequent developments have resulted in considerable doubt as to the recovery of annuitants and policyholders' investments. The NIB therefore decided to provide for full impairment of the investments.

Given the cash flow problems being experienced by Clico International Life Insurance Limited, evidenced by non-payment of interest and matured investments, the NIB provided for a full impairment of the investments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

8. Mortgages and other loans

	2021 \$	2020 \$
Mortgages		
Housing loan: Other		
- Secured by legal mortgages. Repayable over varying periods by equal monthly installments.	18,992,405	22,328,411
Housing loan: Staff		
- Secured by legal mortgages. Repayable over varying periods by equal monthly installments.	2,189,598	2,389,529
Belvidere lands		
- Repayable over twenty-two (22) years from 1995	176,738	191,548
Staff loans		
- Secured by bills of sale and third-party guarantees. Repayable over varying periods.	426,980	421,251
	21,785,721	25,330,739
Less: Allowance for expected credit loss (ECLs)	(861,966)	(926,681)
	20,923,753	24,404,058
Loans receivable from statutory corporations	6,984,883	3,842,938
Loans receivable from other corporations	31,756,112	32,734,501
	38,740,995	36,577,439
Less: Allowance for expected credit loss (ECLs)	(6,158,397)	(6,158,396)
	32,582,598	30,419,043
	53,506,353	54,823,101

9. Contribution and other receivables

	2021 \$	2020 \$
Contribution receivable	13,330,927	11,909,661
Finance lease receivable	1,663,078	1,757,313
Other receivable	1,860,364	1,906,387
Prepayment	188,475	111,459
	17,042,844	15,684,820
Less: Allowance for expected credit loss (ECL)	(3,311,374)	(2,032,620)
	13,731,470	13,652,200

As at December 31, 2021 the analysis of contribution receivable that were past due but not impaired is as follows:

	Neither past due nor impaired	30-60 days	61-90 days	91-120 days	Over 120 days	Total
2021	10,019,553	-	-	-	-	10,019,553
2020	11,909,661	-	-	-	-	11,909,661
2019	10,455,936	-	-	-	-	10,455,936
2018	4,660,072	-	-	-	-	4,660,072
2017	2,424,223	-	-	-	-	2,424,223

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

10. Interest receivable

	2021 \$	2020 \$
Bonds and treasury bills:		
- Government of Grenada	925,375	1,065,742
- Eastern Caribbean Home Mortgage Bank	177,937	178,516
- Government of St. Lucia	107,037	102,673
- Government of the Commonwealth of Dominica	37,209	41,922
- Government of St. Vincent and the Grenadines	19,519	18,608
- Government of Barbados	135,161	143,441
- Government of Trinidad and Tobago	397,699	397,699
- Government of Aruba	374,141	419,899
- Government of Bermuda	500,381	500,381
- Government of Bahamas	177,892	177,892
- Government of Peru	56,461	56,461
- Government of Panama	42,923	42,923
- Grenreal	1,262,740	183,784
- Repurchase agreement - First Citizen Investment	97,987	97,551
- Royalton Hotel and Spa	256,492	-
	<u>4,568,954</u>	<u>3,427,492</u>
Less: Allowance for expected credit loss (ECLs)	(35,960)	(35,960)
	<u>4,532,994</u>	<u>3,391,532</u>
Other investments:		
Statutory bodies	36,940	6,017
Commercial banks - fixed deposits	38,182	254,358
Mortgages - housing loans	544,817	514,721
- other loans	3,693,168	3,571,541
Student and staff loans	2,389	1,321
	<u>4,315,496</u>	<u>4,347,958</u>
Less: Allowance for expected credit loss (ECLs)	(1,376,170)	(1,366,067)
	<u>2,939,326</u>	<u>2,981,891</u>
Total interest receivable	<u>7,472,320</u>	<u>6,373,423</u>
Interest earned ranged from 2% to 10.5% per annum.		

11. Cash and cash equivalents

	2021 \$	2020 \$
Cash on hand and at bank	18,568,457	4,403,750
91-day fixed deposits - Commercial banks	13,415,920	15,423,554
91-day treasury bill- Government of St. Lucia	3,922,624	3,934,552
91-day treasury bill- Government of St. Vincent	3,976,456	5,976,160
Short-term portfolio investments (cash placements)	8,763,143	8,438,932
Pershing USD cash account	1,217,582	23,853
	<u>49,864,182</u>	<u>38,200,801</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

12. Long-term benefits

This fund is held to cover retirement pensions, retirement grants, invalidity and survivors' benefits in respect of qualifying persons.

13. Short-term benefits

This fund is held to cover sickness, maternity benefits and funeral grants in respect of qualifying persons.

14. Employment injury benefits

This fund is held to cover employment injury benefits to eligible insured persons.

15. Trade and other payables

	2021 \$	2020 \$
Accruals	1,494,019	1,398,135
Other payables	467,545	490,006
	<u>1,961,564</u>	<u>1,888,141</u>

16. Investment income

	2021 \$	2020 \$
Government of Grenada - 3-7% debentures	4,373,994	4,420,702
ECHMB - corporate note	612,198	516,880
Sundry bonds	5,685,023	5,801,978
Treasury bills	2,267,344	2,283,259
Statutory bodies	302,182	100,701
Commercial banks - fixed deposits and savings	202,430	941,834
Mortgages - housing loans	1,279,276	1,450,047
Other loans	1,481,474	1,686,644
Dividends	5,521,229	4,812,117
Early closure fees	9,842	30,897
	<u>21,734,992</u>	<u>22,045,059</u>
Rental income - investment property	994,017	839,478
	<u>22,729,009</u>	<u>22,884,537</u>
Less: Investment expenses	(2,874,528)	(2,112,141)
	<u>19,854,481</u>	<u>20,772,396</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

17. Other income

	2021 \$	2020 \$
Rent	313,098	166,140
(Loss)/gain on disposal of property, plant, and equipment	(125)	(2,496)
Other income	98,232	414,315
	411,205	577,959

18. Allocations of income/expenditure

(a) Contributions, surcharge, and interest on contributions are allocated over the various classes of benefits at the following rates.

	2021 %	2020 %
Long-term benefits		
- Age, invalidity, and survivors' pension/grants	80.00	80.00
Short-term benefits		
- Sickness and maternity benefits and funeral grants	17.30	17.30
Employment injury benefits		
- Injury, disablement and death benefits, medical expenses, and funeral grants	2.70	2.70
	100.00	100.00

(b) General and administrative expenses are allocated using the rates specified in (a) above.

(c) Investment and other income are allocated on a ratio of the reserves at the beginning of the year.

	2021 %	2020 %
Long-term benefits		
- Age, invalidity, and survivors' pension/grants	96.30	96.15
Short-term benefits		
- Sickness and maternity benefits and funeral grants	1.38	1.69
Employment injury benefits		
- Injury, disablement and death benefits, medical expenses, and funeral grants	2.32	2.16
	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

19. General and administrative expenses

- a) Under the provisions of Sec. 20 (A) of the National Insurance Act (as amended), these expenses are limited to 12% of total contributions collected, plus total benefits paid in that year.

Actual expenses are 5.2% (2020: 4.9%).

- b) The following items are included in the above expenses:

	2021 \$	2020 \$
Staff cost:		
- Salaries, wages, overtime, and allowances	5,241,232	5,697,619
- Contribution - National Insurance Board	176,663	167,236
- Employee injury benefits	35,333	35,678
- Staff uniforms	72,617	86,522
- Staff training and scholarships	58,439	99,817
- Pension plan	254,372	262,712
- Staff health insurance and group life plan	119,690	119,174
- Other staff costs	73,932	74,656
Total staff costs	6,032,278	6,543,414
Depreciation	954,891	1,094,390
Other general and administration expenses	2,415,612	2,312,380
Total expenses	9,402,781	9,950,184

20. Commitments

The National Insurance Board was committed to lend funds totaling \$4,451,159 as at 31st December, 2021 as follows on mortgage loans \$802,706 (2020: \$802,706), and on commercial loans \$3,648,453 (2020: \$3,648,453) which were disbursed at the end of the financial year.

21. Taxation

The National Insurance Board is exempted from income tax under Section 62 of the National Insurance Law, 1983.

22. Staff pension plan

The National Insurance Board maintains a defined contribution pension plan previously administered by Clico International Life Insurance Limited. The employer pays 5 - 7½% and employees pay 5% of gross salary into the plan on a monthly basis. The plan is being administered by Demerara Mutual Life Assurance Society Limited, Sagicor Life Inc. and Ariza Credit Union Limited.

The National Insurance Board's pension contribution was \$254,372 (2020: \$262,712).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

23. Related party transactions

The following transactions were carried out with related parties:

	2021	2020
	\$	\$
Directors and other key management compensation	1,766,348	1,324,974
Directors and other key management loans	451,436	510,618
Government of Grenada investments and loans	186,035,209	192,413,910
Government of Grenada contributions	29,322,869	25,900,466

24. Financial risk management

The NIB's activities expose it to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Foreign exchange risk

Risk management structure

The NIB's risk management policies are established to identify and analyse the risk faced by the NIB, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the NIB through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors is responsible for the overall risk management of the National Insurance Board. The Directors approve the implementation of risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by Management in compliance with the policies approved by the Board of Directors.

The Board of Directors has established an Audit Committee which has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

Credit risk

Credit risk is the risk of financial loss to the NIB if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the NIB's receivables from customers and its investments.

The NIB limits its exposure with respect to its bond portfolio by investing only in bonds issued by the Regional and Extra-Regional Governments or institutions with high creditworthiness. The NIB, through the Investments Unit and the Investment Committee, consistently monitors the performance of these instruments.

In respect to the mortgage portfolio, constant monitoring is also employed. The necessary contact with mortgagees is maintained to ensure that payments are received in a timely manner. Where necessary, mortgage re-scheduling is done which considers the borrower's new financial position. When recovery seems doubtful, provisions are set aside to cover any potential losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

24. Financial risk management (cont'd)

Exposure to credit risk

The following table shows the maximum exposure to credit risk from the components of the statement of financial position:

	2021	2020
	\$	\$
Investment securities - equity	313,415,817	276,283,255
Investment securities - debt	450,302,455	472,219,031
Mortgages and other loans	53,506,353	54,823,101
Contribution and other receivables	13,731,470	13,652,200
Interest receivable	7,472,320	6,373,423
Cash and cash equivalents	49,864,182	38,200,801
	<u>888,292,597</u>	<u>861,551,811</u>

Illustration of concentration of credit risk by customer sector:

The following table summarizes the credit exposure for contributions and other receivables at their carrying amounts by customer sectors:

	2021	2020
	\$	\$
Government	2,705,241	2,427,853
Other	9,174,675	9,481,808
	<u>11,879,916</u>	<u>11,909,661</u>

The NIB holds no collateral for its contributions receivable. Contributions receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the NIB, and a failure to make contractual payments.

Impairment losses on contributions receivable are presented as net impairment losses within operating surplus. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets

With respect to credit risk arising from the other financial assets of the NIB, which comprise cash on hand and at bank, term deposits, interest receivable and other receivables, the NIB's exposure to credit risk arises from default of the counter-party. The NIB seeks to hold its funds with financial institutions which management regards as strong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

24. Financial risk management (cont'd)

Exposure to credit risk (cont'd)

Analysis of gross carrying amount and corresponding ECL are as follows:

Mortgages and other loans

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Balance at December 31, 2021				
Gross loans	27,562,712	8,750,180	24,213,823	60,526,715
ECL	(44,542)	(25,554)	(6,950,266)	(7,020,362)
Net balance	27,518,170	8,724,626	17,263,557	53,506,353

ECL as a percentage of gross loan	0.16%	0.29%	28.70%	11.60%
-----------------------------------	-------	-------	--------	--------

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Balance at December 31, 2020				
Gross loans	36,812,996	341,969	24,753,213	61,908,178
ECL	(175,640)	-	(6,909,437)	(7,085,077)
Net balance	36,637,356	341,969	17,843,776	54,823,101

ECL as a percentage of gross loan	0.48%	0.00%	27.91%	11.44%
-----------------------------------	-------	-------	--------	--------

	2021 %	2020 %
Stage 1	39.88	59.23
Stage 2	15.77	0.56
Stage 3	44.35	40.21
	100.00	100.00

Analysis of gross carrying amount and corresponding ECL are as follows:

Investment securities - debt

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Balance at December 31, 2021				
Gross investments	444,255,676	8,317,890	29,634,673	482,208,239
ECL	(853,621)	(1,417,490)	(29,634,673)	(31,905,784)
Net balance	443,402,055	6,900,400	-	450,302,455

ECL as a percentage of gross loan	0.19%	17.04%	100%	6.62%
-----------------------------------	-------	--------	------	-------

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Balance at December 31, 2020				
Gross investments	466,169,525	8,356,910	29,634,673	504,161,108
ECL	(2,323,637)	(79,157)	(29,539,283)	(31,942,077)
Net balance	463,845,888	8,277,753	95,390	472,219,031

ECL as a percentage of gross loan	0.50%	0.95%	99.68%	6.34%
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

24. Financial risk management (cont'd)

Exposure to credit risk (cont'd)

	2021	2020
	%	%
Stage 1	92.13	92.59
Stage 2	1.72	1.63
Stage 3	6.15	5.78
	<u>100.00</u>	<u>100.00</u>

Movements in ECL provision

	2021	2020
	\$	\$
Balance as at 1 January	40,429,181	40,865,412
Adjusted ECL	2,042,724	-
Provisions made during the year	1,546,810	2,734,927
Provisions reversed during the year	(369,063)	(3,171,158)
Recovery during the year	-	-
Balance as at December 31	<u>43,649,652</u>	<u>40,429,181</u>

Liquidity risk

Liquidity risk is the risk that the NIB will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or financial assets.

The NIB's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the NIB's reputation. The NIB's liquidity position is monitored on a daily basis and generally the NIB monitors its risk to a shortage of funds by considering planned and probable expenditures against projected cash inflows from operations.

The NIB's financial liabilities contractual maturity dates are within one (1) year of the statement of financial position date.

Market risk

The NIB takes on exposure to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises from changes in foreign currency exchange rates and interest rates. There have been no changes to the NIB's exposure to market risks or the manner in which it manages and measures the risk from the previous years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

24. Financial risk management (cont'd)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such exposure arises from investment in cash and cash equivalents in currencies other than the NIB's functional currency.

Management monitors its exposure to foreign currency fluctuation and employs appropriate strategies to mitigate any potential losses. The NIB operates primarily in Eastern Caribbean Currency Dollars; although some transactions are in United States Dollars, the currency risk exposures are minimal due to the fact that the Eastern Caribbean Currency Dollar is pegged to the United States Dollar. The NIB is also exposed to a minimal amount of currency risks from transactions conducted in Trinidad and Tobago Dollars and Barbados Dollars. The exchange rates of these currencies at year-end were as follows:

	2021 \$	2020 \$
United States (\$USD)	2.7169	2.7169
Trinidad and Tobago (\$TTD)	0.3920	0.3920
Barbados (\$BBD)	1.3500	1.3500

The aggregate value of financial assets and liabilities by report currency are as follows:

	US\$	TT\$	EC\$	Total \$
Assets				
Investment securities - equity	236,660,424	-	76,755,393	313,415,817
Investment securities - debt	117,383,177	2,440,760	330,478,514	450,302,451
Mortgages and other loans	-	-	53,506,353	53,506,353
Contribution and other receivables	-	-	13,371,470	13,371,470
Interest receivable	-	-	7,472,320	7,472,320
Cash and cash equivalents	9,980,725	-	39,883,457	49,864,182
Balance at 31 December 2021	364,024,326	2,440,760	521,467,507	887,932,593
Liabilities				
Trade and other payables	-	-	1,961,564	1,961,564
Balance at 31 December 2021	-	-	1,961,564	1,961,564

	US\$	TT\$	EC\$	Total \$
Assets				
Investment securities - equity	199,521,152	-	76,762,103	276,283,255
Investment securities - debt	130,971,695	2,440,760	338,806,576	472,219,031
Mortgages and other loans	-	-	54,823,101	54,823,101
Contribution and other receivables	-	-	13,652,200	13,652,200
Interest receivable	-	-	6,373,423	6,373,423
Cash and cash equivalents	8,462,785	-	29,738,016	38,200,801
Balance at 31 December 2020	338,955,632	2,440,760	520,155,419	861,551,811
Liabilities				
Trade and other payables	-	-	1,888,141	1,888,141
Balance at 31 December 2020	-	-	1,888,141	1,888,141

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

24. Financial risk management (cont'd)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Exposure to interest rate risk

The NIB is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds.

Management of interest rate risk

These are regularly monitored by the Investment Unit and communicated to the Board of Directors by the Investment Committee.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the NIB's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of good corporate behavior. Operational risks arise from all of the NIB's operations. The NIB's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the NIB's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall NIB standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Risk mitigation, including insurance where this is effective

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

24. Financial risk management (cont'd)

Financial instruments measured at fair value - Fair value hierarchy

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets measured at fair value through profit or loss:				
- debt securities	-	-	450,302,455	450,302,455
- equity securities	236,660,424	45,663,257	31,092,136	313,415,817
Balance at 31 December 2021	236,660,424	45,663,257	481,394,591	763,718,272
Assets measured at fair value through profit or loss:				
- debt securities	-	-	472,219,031	472,219,031
- equity securities	213,520,010	31,671,109	31,092,136	276,283,255
Balance at 31 December 2020	213,520,010	31,671,109	503,311,167	748,502,286

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

25. Actuarial review

Section 22 of the National Insurance Act requires an actuarial review of the National Insurance Scheme to be conducted at least every three years.

The Twelfth actuarial review of the National Insurance Scheme as at December 31, 2020 was conducted by an actuary of the BBL World Actuaries.

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

- The financial pressure on the scheme in the coming years will be so high that immediate actions are needed to make it sustainable and equitable for the next generations. Contributions are no longer sufficient to pay for expenditures on an annual basis. According to the base scenario and if no adjustment to the contribution rate or the benefits is made:
 - i) Starting in 2016, total expenses are higher than contributions, meaning that investment income will be necessary to pay for benefits.
 - ii) The reserve will be exhausted in 2035 and the required contribution rate will then be 22.5%.
 - iii) The required contribution rate to pay for all the expenses during the next 60 years is 25.3%.
 - iv) If the reserve is used during the next 60 years to pay for expenses along with contributions and investment incomes (with this strategy the reserve will be 0 in 2075), the contribution rate that is required is 22.2%. With this strategy, the contribution rate would have to be increased to 42% in 2075.
- This actuarial valuation clearly demonstrates that modifications to the scheme are necessary and that delaying the normal retirement age from 60 to 65 is one of the first steps to achieve long-term sustainability.
- In the short term, the contribution rate should be increased to reduce pressure on the scheme and to continue to grow the reserve in the future.
- Adopt a funding policy that will set the financing parameters surrounding the actuarial valuation and give tools to maintain the financial sustainability of the scheme (period of projection, targeted level of reserve, automatic adjustment mechanisms to equilibrate the scheme, equity between generations, etc.). Future increases in the contribution rate should be based on this funding policy.
- This actuarial valuation contains other suggestions related to the adjustment to pensions in payment, the automatic adjustment to the parameters of the scheme (ceiling used for determining the insured salary, minimum pension and funeral benefit) and the investment policy.
- Mainly, it is suggested to provide an automatic partial indexation of the pensions, clearly stated in the regulation. More indexation (up to the inflation rate) would only be provided when the financial situation of the scheme allows for it based on a predetermined trigger. The funding policy would specify the detailed mechanism. By processing this way, the balance in the scheme between pensioners and contributors would be improved and the capacity of the economy (contributors) to pay for the benefits offered would be taken into account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

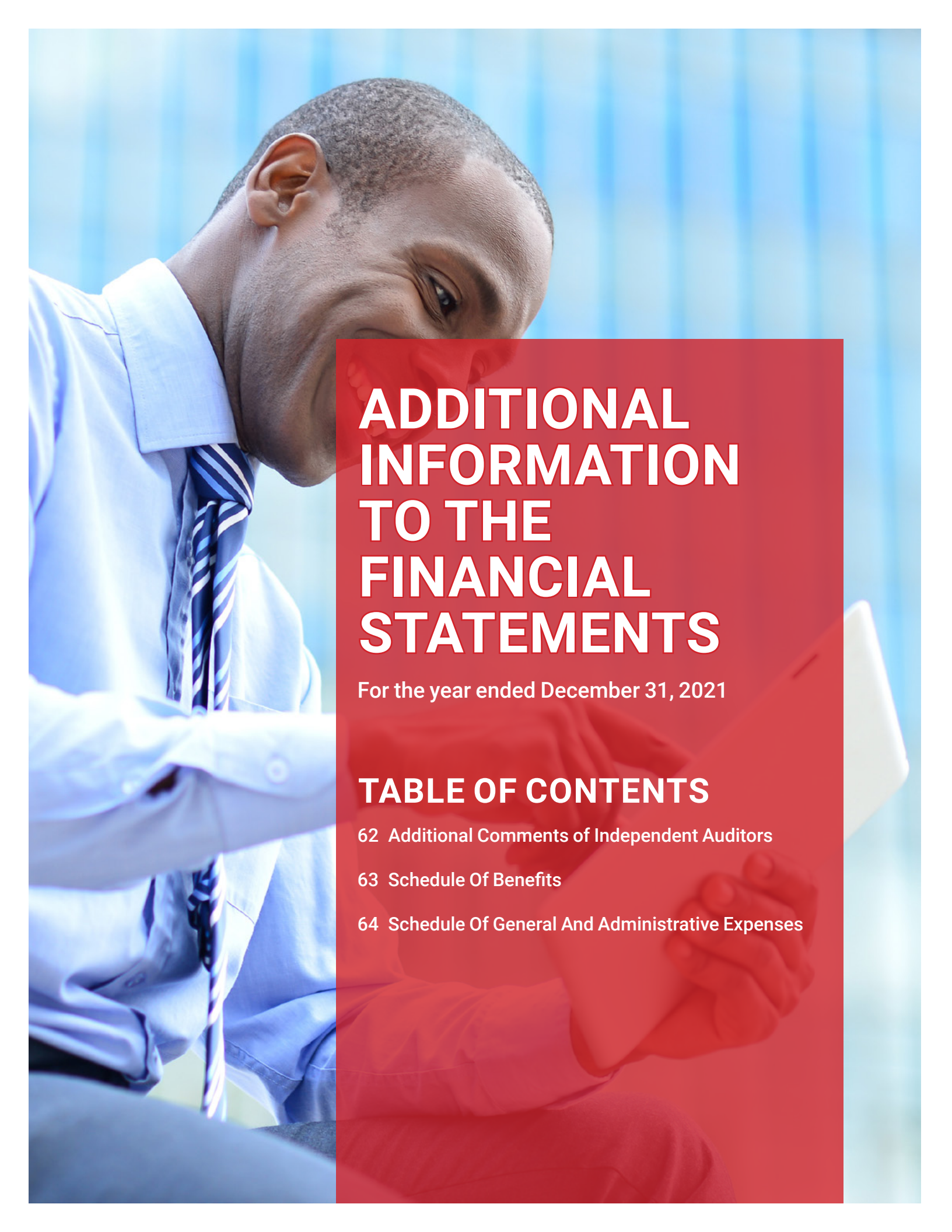
26. Comparative figures

Certain comparative amounts have been reclassified to conform with the current year's presentation.

27. Contingency liability

As at the reporting date, there was a legal proceeding against the National Insurance Board. The outcome of this matter and the extent of any resultant liability cannot be reasonably determined. As a result, there is no provision in the financial statements for liabilities or costs that are likely to be incurred on the matter.

If the court rules against the National Insurance Board on the matter, all liabilities and costs resulting from the judgement will be recorded in the period in which the final ruling is made.

A man in a light blue shirt and striped tie is looking at a tablet. The background is a blurred blue wall. A red semi-transparent box is overlaid on the right side of the image, containing the title and table of contents.

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

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ADDITIONAL COMMENTS OF INDEPENDENT AUDITORS

To the Board of Directors of
National Insurance Board
Grenada

The accompanying schedules I and II are presented as additional information only. In this respect, they do not form part of the financial statements of National Insurance Board for the year ended December 31, 2021 and hence are excluded from the opinion expressed in our report dated March 31, 2022 to the directors on such financial statements.

A handwritten signature in blue ink that reads 'BDO'.

BDO Eastern Caribbean
Kingstown, St. Vincent and the Grenadines
March 31, 2022

SCHEDULE OF BENEFITS

For the year ended December 31, 2021
(Expressed in Eastern Caribbean Dollars)

	2021 \$	2020 \$
Benefits		
Long-term benefits:		
Pension:		
Age	86,544,554	76,764,477
Provident fund	820,680	859,538
Invalidity	3,702,606	3,432,383
Survivors	5,774,424	4,844,677
Reduced age	734,081	775,638
Grants:		
Age	1,737,758	2,096,494
Invalidity	6,779	14,597
Survivors	15,253	24,686
	99,336,135	88,812,490
Short-term benefits:		
Sickness	10,653,990	7,710,402
Maternity	2,132,299	2,034,133
Funeral	1,795,097	1,396,331
Maternity grant	483,372	466,146
Unemployment	1,122,684	4,659,631
	16,187,442	16,266,643
Employment injury:		
Benefit	532,127	369,996
Medical	117,043	478,771
Disablement pension	109,279	112,538
Disablement grant	125,445	69,049
Death benefit	74,820	71,058
	958,714	1,101,412
Total benefits	116,482,291	106,180,545

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	2021 \$	2020 \$
Actuarial review	-	50,434
Advertising	7,653	13,973
Appeal tribunal fees	-	25,250
Audit fees	69,000	60,000
Bank charges	31,974	37,255
Cleaning	134,258	122,120
COVID-19 expenses	40,804	59,396
Depreciation	954,891	1,094,390
Directors and subcommittee fees	88,600	108,100
Entertainment	35,039	10,878
Insurance	257,031	273,706
Investment expense	181,154	137,562
Legal and professional fees	441,728	242,690
Licenses	980	992
Medical expenses	16,382	25,565
Miscellaneous	1,897	1,797
Office supplies and stationery	289,241	304,412
Printing	6,607	13,387
Public relations	45,439	45,431
Publications and journals	23,462	26,466
Rent	23,861	24,195
Repairs and maintenance	134,230	164,744
Security	135,712	134,212
Staff costs	6,032,278	6,543,414
Subscription	79,364	67,998
Utilities	371,197	361,817
Total expenses	9,402,782	9,950,184

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