

**Remarks by Mr. Algernon Cargill
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At Bahamas Business Outlook
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Topic: "Vision beyond Sight: The NIB Example"

My first order of business is to congratulate Joan Albury and *The Counsellors Limited* on organizing this very necessary forum year after year. This is an example of remarkable vision and hard work that yields a national benefit. I thank them for making room for a presentation from the National Insurance Board. It allows me, as director, to give an account of the Board's stewardship. I'm obligated to reveal how your investment in National Insurance is doing and the dividends shareholders are receiving in terms of benefits and services.

It is a pleasure to begin the new business year with all of you. It is encouraging that so many of us are concerned about our country's readiness to face the future. This year's Outlook theme—"Vision beyond Sight" may seem cryptic, but it holds the answer to the vital question—"How Ready is The Bahamas to do 21st Century Business?"

It is time that men and women of goodwill contribute some rational thought to this essential issue that has been so skewed by political rhetoric. It will take an equal amount of honesty, courage and sacrifice to arrive at strategies that will have traction and sustainability. We know from experience at NIB that vision beyond sight, along with astute planning and hard work will factor heavily in securing a good future. In especially hard times fervent prayer is not unwarranted either.

Providing for tomorrow lies at the core of NIB's business, and because the work of our agency factors in the quality of Bahamian lives, visioning, long term planning, building flexibility must always take top priority for us. As the Visionary's Handbook states: ***"No one is less ready for tomorrow than the person who holds the most rigid beliefs about what tomorrow will contain."***¹

¹ Watts Wacker, Jim Taylor and Howard Means

A priority element of our model of visioning beyond sight involves keeping close watch on the economy of The Bahamas, as well as the global financial climate. We do not live in a protective bubble, as some Bahamians seem to think, what happens out there inevitably shapes what happens here. Performance and organizational changes in individual enterprises, especially the major employers, also concern NIB. All of this has enormous implications for the demands on the National Insurance Fund, and can impact the development and the survivability of both the Fund and the Board.

The outlook for 2012 can best be summed up as 'uncertain' and 'volatile'.

A recent Wall Street Journal article featured the opinions of several U.S. financial consultants. What Claudia Shilo, had to say is sobering:

Volatility is going to persist because it really stems from uncertainty. And if you were to list all the things that we are uncertain about, it is mind-boggling. You could start with the European debt crisis, which is going to dominate the headlines and impact the market significantly....²

The consultants attributed much of this uncertainty to the current political situation in the United States, expecting things to be at a standstill until the presidential elections are over.

This cause for concern as our economy is heavily dependent upon that of the United States. Although the concept of National Insurance may be unpalatable to some, it will help in positioning The Bahamas and Bahamians to survive the next few decades of a world in transition. Fortunately, our brand of vision beyond sight led us to engage a millennium strategy well in advance of the recession.

Over the past three decades, NIB succeeded fairly well at creating and maintaining a wide-ranging system of social security. As the world and human needs change, however, service institutions must change or lose irretrievable ground.

With the advent of the new millennium, the National Insurance Board became acutely conscious of the need to evolve to continue to serve our mandate well. Our investigations revealed several areas of vulnerability.

The recommendations that emerged were:

- 1) Devise the means to keep the National Insurance Fund healthy and progressing by extending the contribution ceiling and the scope and type of our investments;
- 2) Increase benefits; and
- 3) Upgrade our efficiency and overall service to bring greater satisfaction to our internal and external customers. In short, we had to create a profile for NIB that would make it

² <http://online.wsj.com/article/SB10001424052970204012004577072590682647920.html>

viable and valid for the new century. My report will show that we achieved many of the goals set in this regard and have solid plans to achieve many more in this year and beyond.

One of our greatest challenges was to shed the age-old Civil Service mentality and mode of operation that has stunted the efficiency, growth and profitability of public corporations. We decided to adopt the model of sound private sector businesses. It was a tall and daunting order, but we responded boldly and can report much success.

NIB today is a Government agency gaining ground daily in our pursuit of the highest quality of standards and operations and our efforts have won international notice and awards. This year we intend to become even more focused and efficient in catering for the needs of our subscribers in particular and those of the Bahamian community at large.

As the great Winston Churchill once said, **“The empires of the future are the empires of the mind.”** The leadership team of NIB was convinced that we could only achieve fundamental change and progress through a top-to-bottom change of mindset.

Our first and highly successful efforts were directed towards empowering management and staff to increase their effectiveness. We knew that accurate and timely data are critical management tools in a customer-facing organization. Consequently, we devised a competency model based on multifaceted feedback metrics and data collection, a strategy which won the admiration of Talent Management magazine. Writer Marcie Levine’s article on our processes appears in the January 2012 issue.

As Ms. Levine notes, “the ability to gather feedback quickly from all stakeholders on an ongoing basis can help an organization adapt programs to ensure increasing profitability and satisfied customers.”

Over the past three years we have collected three kinds of real-time feedback: employee opinions and perception and feedback from customer and NIB leaders through various means of input. Because customer security is our product, the competency model focused heavily on the customer experience.

We also made a simple equation—employees who enjoy job satisfaction are more likely to provide good customer service. In 2011 NIB had 500 employees, giving us a staff/customer ratio of 3.5 for every one thousand active insured person. We had to demonstrate care for these staff members as people with needs for improved health and opportunities for training and advancement. We had to give them a voice in the organization and involve them intimately in planning, so that they would take ownership both of the challenges and emergent strategies.

Providing management and staff with enabling tools took the form of enhanced legislation, internal processes and equipment. A revitalized Inspectors Training Program was designed to empower Inspectors to take on challenges. The program included the following segments:

1. The National Insurance Act and Regulations including all of the amendments;
2. Effective Report Writing which was put on by COB;
3. Orientation in all of the key operations of the Board; and
4. Two months of practical field experience.

Good health is a vital factor in employee comfort and efficiency, so we funded "A Healthier Us"— a 12-week programme that encouraged our employees to make lifestyle changes and adopt healthy behaviors that accrued to measurable improvements in two specific risk areas, specifically obesity and physical inactivity. The programme consisted of two major modules –

1. The *Get Active* Challenge, which aimed to increase the proportion of staffers who engage in regular, preferably daily, moderate physical activity for at least 30 minutes per day; and
2. The *Weight off* Challenge, which aimed to increase the number of NIB staffers who are at a healthy weight.

I am happy to report that of the more than 150 persons who took part in the two Challenges, close to 75% continued on to register very impressive results – and the challenge continues.

NIB's plan for 21st century readiness targeted measurable improvement in the delivery of customer service. A vital step was the appointment of a manager to deal specifically with customer service issues. In addition, we put in place such enabling strategies as

- Online complaint logging and tracking
- Ongoing Customer Surveys that permit participants to record good service and compliment staff members who were particularly helpful and efficient.

We are proudest of having secured for our employees MDR's "Festival in the Workplace" program, which is designed to improve Service Quality Awareness. It helps employees to increase their sense of place and worth in the organization. It also aids in building comradeship, cooperation and enjoyment in the work environment.

I take pleasure in commending NIB employees who are adjusting well to a more demanding work environment where high standards are set for performance and conduct. Since 2008, we have recorded remarkable rises in employee satisfaction ratings over five categories—Communication, Customer Service, Management, Supervision and Training. We recorded a 26 percent rise in Customer Service, 24 percent in Communication and 20 percent in Management.

Our Customer Service instrument rated employees on prompt customer service and on courteous and professional interaction with customers. First, customers were asked to indicate what they thought constituted good service based on five types of customer/staff interactions.

On the second part, customer were asked to comment on service received on their last visit to an NIB office by answering such questions as:

- 1) How long they had to wait in line for service;
- 2) How many people did they have to deal with before they received service in person; and
- 3) How many rings before their telephone calls were answered, and so on.

For the three years surveyed, all areas attained a rating of four or slightly above. Overall customer service in 2011 was just on the four-point mark. There are still areas to be worked on and these are among our targets for this year.

We have improved our product as represented by benefits paid to the Bahamian people. With the urgency of the economic impacts of the recession, the Unemployment Benefit became a fixture within the National Insurance benefits package in 2009.

As at January 3, 2012, our records show 24,635 UEB awards. Total cheques issued amounted to \$34,734,330. The weekly payout rose gradually from an average of \$134 in April 2009 to \$175 in December 2011.

Unemployment Benefit figures to date provide a fascinating picture of the progress of the recession in our islands. From the time the benefit was instituted, there has been a steady and significant decrease in the number of new claims. In 2009 awards numbered 14,071 out of 15,690 claims with cheques issued totaling \$20,832,356. The 2011 awards totaled 4,460 out of 5,660 claims and cheques issued totaled \$5,974,999.

Although the report of the UN Economic Commission for Latin America and the Caribbean says that our unemployment rate is among the highest in the region, I believe that our UEB claims picture shows a definite easing of local economic conditions. We are not yet out of the woods, however, just moving towards light.

NIB in its millennial posture came to view making a contribution to national health as an imperative for strengthening the national economy and an essential strategy for sustaining the Fund over the long term.

Government empowered the NIB to introduce the National Prescription Drug Plan (NPDP) to deal with a serious problem. Many Bahamians afflicted with chronic diseases such as diabetes and hypertension had to decide between purchasing medication prescribed for their treatment and buying necessities.

Launched in 2010 with 6,500 beneficiaries in four benefit categories, the Plan now has a membership of more than 17,000 and is providing prescription drugs free-of-charge to 14,349 active beneficiaries in eleven benefit categories. Civil servants represent over seven (7) percent of the total. We enjoy the partnership of 42 private pharmacies and all public pharmacies for 100 distribution points.

To date, the Drug Plan has paid more than 170,000 claims and over \$3.3 million dollars to participating private pharmacies. While pharmacies are accustomed to receiving payments from private insurance companies more than 30 days after they have provided the medication, all Pharmacies participating in the Drug Plan can independently confirm that they have been paid on time, weekly, since the Plan was launched. In fact, all claims that were processed for the week ending last Sunday were paid yesterday; that is, Wednesday.

The payment for prescriptions they filled last week is now in their bank accounts and there are no payments outstanding since the program was launched

The second element of the National Prescription Drug Plan is NIB's signature "Healthy People" Program, which aims to develop a culture of wellness in our community. HP's "Get Well Bahamas" Health and Fitness Challenge provides financial grants to qualified organizations to Implement community wellness activities and raise awareness of health risks and personal responsibility for wellness. The first and second phases of the Challenge have met with great success. Participants have achieved significant weight loss and reductions in blood pressure, cholesterol and glucose levels, as well as reduced need for medication.

I am pleased to announce that we are seeking applications for Phase 3. Once again, we will select 40 persons who can best benefit from this rigorous program, which will start on January 31. The 12-week program is free-of-charge to the Challengers and encompasses personal fitness training, health education and behavior modification regarding nutrition. Jemi Health & Wellness and Body Zone Fitness will again conduct the practical and educational aspects of the Challenge.

The entire community will be able to participate through our "Journey to Wellness" TV Show, which will continue to air on ZNS and Cable.

Let's look briefly now at the prime financial performance indicators for the years 2010 and 2011 to assure you that NIB is faithful to its mandate.

Over the past four years the number of NIB's Active Insured persons has averaged about 140,000. In 2008 NIB's contribution income was \$155.2 million. In 2009, the toughest year of the recession so far, we effected growth to the tune of \$4.9 million for a total of \$159.9 million. In 2010 there was a \$7.9 million rise for a total of \$167.8 million. In 2011 NIB's contribution income rose to \$189.4 million. These advances can certainly be accounted remarkable given the recessionary times. They result from well-planned strategies to encourage and facilitate customer contribution and to enhance collection processes. This is yet another aspect of vision beyond sight.

The benefits payouts from 2008 to 2011 were \$152.1 million; \$178.7 million, \$176.0 million and \$182.0 million, respectively. Reserves at the beginning of the years under review were as follows: \$1.5 billion in 2008; \$1.55 billion in 2009; \$1.57 billion in 2010 and \$1.6 billion in 2011. You can see that we have steered a good course in enhancing contribution income and benefits, while protecting the integrity of the Fund.

Administrative expenses amounted to \$40.5 million in 2011. As a percentage of contribution income, administrative expenses have averaged about 21 percent over. We have done a fair job of containing expenses, but the goal is to reduce this figure appreciably.

Our investment income for 2011 totaled \$75 million—a remarkable accomplishment, particularly given that there was a 75 basis points reduction in the prime rate in 2011. These results compare favourably to \$87 million realized in 2010.

NIB makes a further significant contribution to community development through funding public infrastructural projects. Since 2008 we have completed:

1. Government Complex in Freeport at a cost of \$20 million
2. Government complex in Abaco at \$20.
3. Inagua Clinic \$2 million.
4. Ministry of Tourism Complex \$25 million
5. Sandilands Rehabilitation - essentially completed at \$12 million.

In addition, there are currently plans in varying stages of completion for the construction of health care facilities at Marsh Harbour, Abaco, Cat Island, Exuma, Great Harbour Cay, and Rock Sound, Eleuthera.

I think the foregoing accomplishments show a quality of planning and asset management any organization would be proud of. NIB's successes are yours. Your investment in National Insurance comes back to you through direct payments of benefits and NIB's contributions to community development.

Visioning for the Future

In visioning for the immediate future, NIB will be introducing several enhancements to the National Prescription Drug Plan. A great piece of news is that we will be covering more diseases:

- Benign Prostate Hypertrophy (or BPH)
- Epilepsy;
- Sickle Cell Anemia; and
- Thyroid Diseases

Furthermore, we will be expanding the scope of a few disease categories already covered under the Drug Plan. Ischaemic Heart Disease will be expanded to Ischaemic Disease to include stroke. Also, any eligible patient suffering from a psychiatric disorder will be able to access medications covered under the Drug Plan Formulary.

We envision expanding the Drug Plan to cover all employed and self-employed persons and voluntarily insured individuals. We have recommended to Government that the extended program be funded from new NIB contributions at an additional 1%; that is by increasing your National Insurance Contributions from 9.8% to 10.8% of the insurable wage, and a small co-payment. This phase requires major collaboration with private insurance companies. We are lobbying for reduced premiums or additional benefits from your private insurance.

NIB will focus on coordinating benefits and claim reimbursements with the private insurance companies. The Drug Plan will assume the role of first payer for members with private coverage. We aim for the day when no Bahamian will have to choose between paying for food and rent and acquiring needed medication.

There are still more advancements. This year, for the first time, NIB will automatically adjust pensions by CPI change for 2010 and 2011 and the wage ceiling will change from \$500 to \$600 in July. Again with the view to keeping the National Insurance Fund viable, automatic adjustments to the wage ceiling will occur every second year starting in 2014.

I am pleased to reveal that we are changing the age at which persons will be able to receive their Retirement Benefit without an income test, from age 70 to age 65 years. Currently, persons over 60 but less than 70 who earn an income of more than half of the contribution ceiling (now \$500 weekly and half is \$250 weekly) are ineligible to receive retirement benefit.

There is still more good news. If retirees choose to delay applying for their pension award until after age 65, we are proposing to increase their award by 7% for each year delayed. This counterbalances the current regulation whereby we decrease by 7% for every year person claim early. If someone currently claims at age 60, for example, they lose 35% of their pension.

Pension payments will again increase in July of this year also, by the relative change in the CPI over the past two years. This speaks to an increase in overall responsiveness to changing economic conditions that is now built in by legislation.

Our goals and initiatives strike the necessary balance—enhancing benefits and service, while instituting strategies to protect and grow the National Insurance Fund. I must impress upon the Bahamian public that there is no inexhaustible pot of gold at the end of the rainbow. We cannot continue to draw from the pot, if we don't keep it filled in proportion to our dipping. Benefit payments have a direct positive correlation with the wage ceiling on which contributions are based.

Vision beyond sight demands an increase in inter-organizational and inter-sectoral partnerships for a stronger and more resilient economy. Just as you invest in the National Insurance Fund, NIB contributes to the viability of the workforce your businesses depend upon. It is to your advantage to promote the goals of NIB and protect the National Insurance Fund. It is urgent that we raise the contribution compliance rate of businesses beyond the current 30%.

An economy is organic. What happens or doesn't happen in one sector, will eventually impact all the others. No matter how efficient NIB becomes, no matter how astute we are in our investments, there is no unbreachable firewall that can insulate the Fund from the lack of responsibility and contribution on the part of the populace at large.

Just when we need Bahamians to take up the banner for community and nation, we see more and more people displacing responsibility. Our past as a subject people has led to the belief that someone else is responsible for taking on the challenges, securing our future.

We have to be honest about the role each of us plays in creating the problems and the part each must play in solving them. We have to do something about the lack of willingness to compromise and delay personal rewards for the greater good. We must certainly improve national saving and bill-paying habits.

No Government or private enterprise has a magic wand to correct our lack of vision and preparation – as someone once said, dissatisfaction and discouragement are not caused by the absence of things, but the absence of vision.

The development matrix will be no stronger than the planning, creativity and energy we are willing to commit individually and corporately. I assure you that NIB will continue its commitment to visioning beyond sight. We will uphold the national banner by stepping up whenever we are called to advance equality of opportunity for Bahamians.

I close with a quote from the late Vaclav Havel, a writer who became the first president of the Czech Republic following its formation in 1993: *"Vision is not enough. It must be combined with venture. It is not enough to stare up the steps, we must step up the stairs."* This is vision beyond sight and we Bahamians need to get stepping.