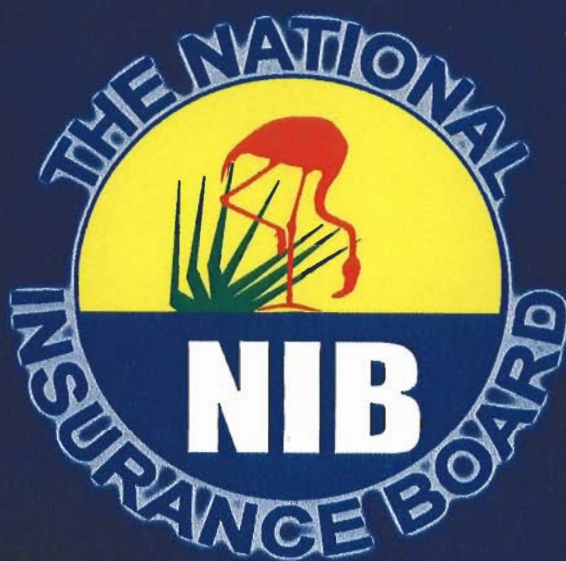
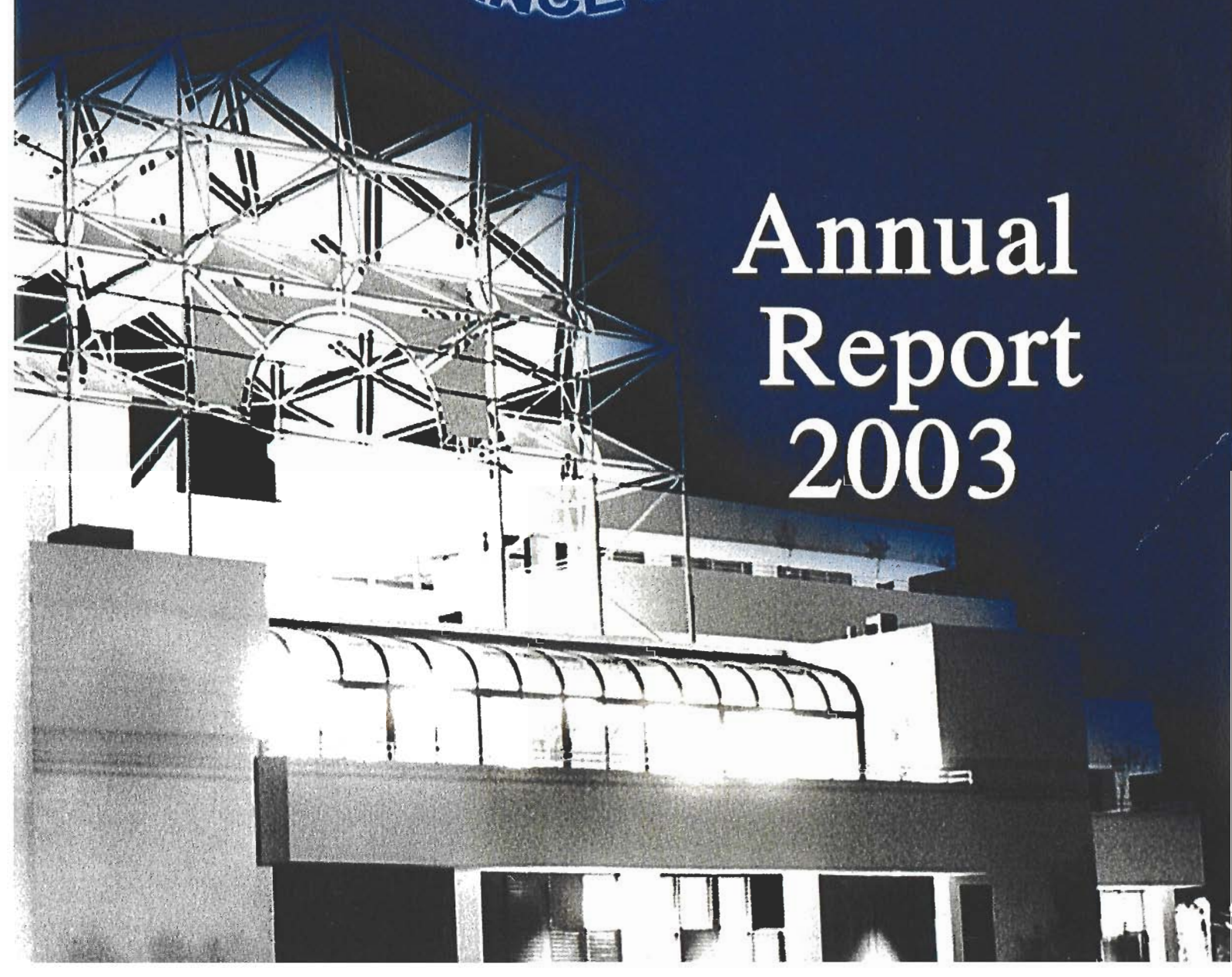


# The National Insurance Board of the Commonwealth of The Bahamas



## Annual Report 2003







## THE NATIONAL INSURANCE BOARD

P.O. Box N-7508, N.P., Bahamas • Tel: (242) 356-2070 • Fax: (242) 356-2094 • Email: [info@nib-bahamas.com](mailto:info@nib-bahamas.com)

July 1<sup>st</sup>, 2004

The Honourable D. Shane Gibson, M.P.  
**Minister of Housing & National Insurance**  
Claughton House  
Shirley & Charlotte Streets  
Nassau, Bahamas

Dear Minister Gibson:

**Re: The National Insurance Board's 2003 Annual Report**

In accordance with Section 47(1) of the National Insurance Act, 1972, I have the privilege of submitting to you, on behalf of the Board of Directors, the Annual Report of the Board for the year 2003.

Included with this report is the account of securities in which monies forming part of the National Insurance Fund are invested in accordance with the Third Schedule of the Act and the accounts certified by the Auditor pursuant to Section 47(1) of the National Insurance Act, 1972, together with the report of the Auditor.

Sincerely yours,

Philip Davis, M.P.  
Chairman



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4	Executive Management Team
5	Report on Operations
9	2003 Audited Financial Statements
47	Securities Forming Part of the National Insurance Fund
51	Statistical Appendix





# Minister And Board of Directors



Hon. D. Shane Gibson, M.P.  
*Minister of Housing*



Mr. Phillip B. Davis, M.P.  
*Chairman*



Mr. Michael Adderley  
*Deputy Chairman*



Mrs. Wendy Craig  
*Member*



Mr. Felix Stubbs  
*Member*



Mr. Frank Carter  
*Member*



Mr. Claude Hanna  
*Member*



Mr. Lemuel T. Sweeting  
*Member*



Mrs. Claudine Thompson  
*Member*



Dr. Doswell C. Coakley  
*Member*



Dr. Nicholas Hepburn  
*Member*



Pastor Delton Ellis  
*Member*





## EXECUTIVE MANAGEMENT TEAM



**Seated, from left:** V. Theresa Burrows, Deputy Director; Lennox McCartney, Director; Van Delaney, Deputy Director; and Jayson Moxey, Assistant Director.

**Standing, from left:** Anthony Curtis, Assistant Director; Sonia Gill, Financial Controller; Whitney Patton, Chief Internal Auditor; Heather Maynard, Legal Officer; Andre Bethel, Deputy IT Manager; and Derek Osborne, Actuary.

**Inset:** Lloyd Cunningham, Assistant Director



# Report on Operations

This report provides a review of the operations of the National Insurance Board for fiscal year 2003. It includes the audited Financial Statements for the year, with additional Statistical Appendixes that give details on our core activities Registration, Contributions and Benefits in all of our offices.

The mission of the National Insurance Board (NIB) is to provide partial income replacement by means of cash payments to eligible contributors and their dependents during certain specified conditions.

During the latter months of 2003, NIB developed and embarked on an ambitious customer-focused three-year strategic plan for the years 2004-2006. The plan, which encompasses eight key strategies, consumed much energies, as it hopes to impact positively the operations.

## PERFORMANCE HIGHLIGHTS

- Contributions increased slightly by \$538,000 to \$122m.
- Income from investments and property was \$67.6m compared to \$65.5m in 2002. The overall yield on the Fund was 5.8%.
- Benefit payments increased by \$2.4m to \$106.2m, or 2.2% over the year 2002. The Pension branch (long term payments) con-

tinues to account for most of the increase (\$2.9m).

- Administrative expenses increased by \$2.1m to \$23.5m. The increase is attributable mainly to contractual salary increases, increased staff pension and group health charges and consultancy fees for a salary review and manpower needs assessment.

### Administrative Expenses

Year	Admin. Exp.	Admin. Exp. As % of Confs + Ben
1999	22.0	11.8%
2000	21.0	10.5%
2001	23.0	10.7%
2002	21.4	9.5%
2003	23.5	10.3%

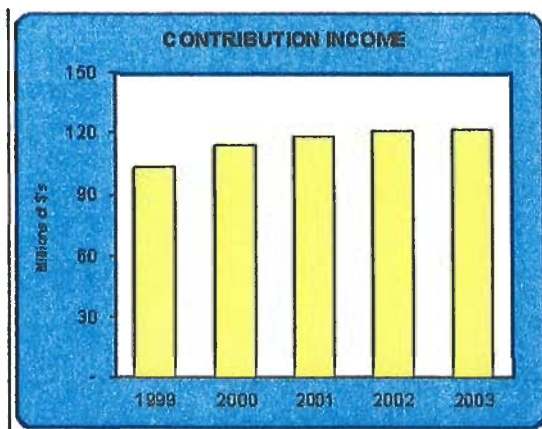
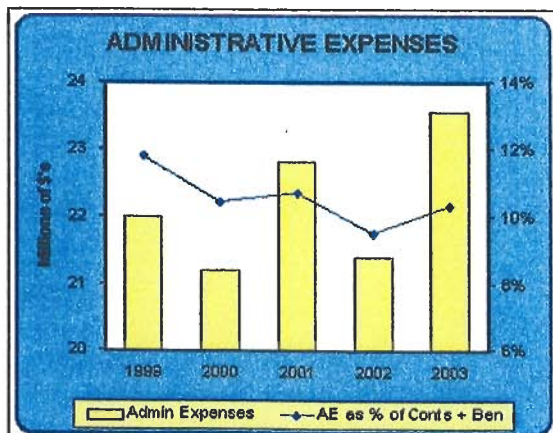
(expressed in millions of

## CONTRIBUTIONS

According to Central Bank estimates, the Bahamian economy grew marginally in 2003. Similarly, income from contributions increased only slightly. Despite the increase, though, contribu-

### Contribution Income

Year	Amount
1999	103.71
2000	114.02
2001	118.50
2002	121.50
2003	122.04





tions fell short of the \$130 million budget by 6%. changes at year-end are:

Compliance by employers in the construction and domestic industry, and for self-employed persons, continues to pose a challenge for the Board.

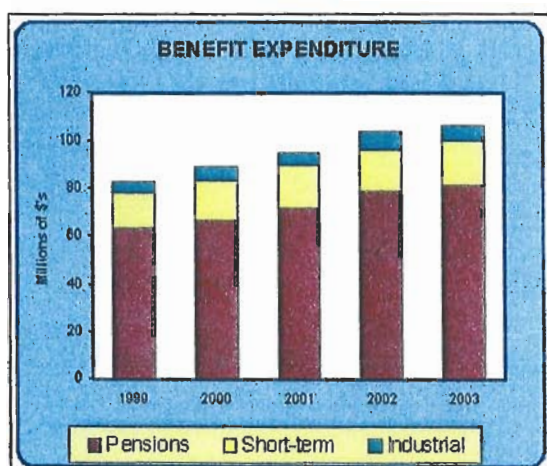
## REGISTRATION

There was a 21% increase in the registration of employers and 2% increase of self-employed persons as compared to 2002.

Registration of employed persons increased by 8% over 2002.

## BENEFITS

During the year, benefits expenditure totaled \$106.2, up from \$103.7 million in 2002. Of the 36,660 claims received during the year, 33,316 were awarded.



Benefit Expenditure			
Year	Pensions	Short-term	Industrial
1999	63.0	14.0	5.0
2000	66.0	17.0	6.0
2001	72.0	17.0	6.0
2002	78.3	17.4	8.1
2003	81.3	18.1	6.5

(expressed in millions of \$'s)

## INVESTMENT PERFORMANCE

In fiscal year 2003, total assets increased by \$66.9m over 2002, or by 6.0%. The major

Treasury bills: The NIB's holding of T-bills at year-end was \$131.3m against \$67.6m from the previous year. These are short-term investments, which the NIB made to place excess funds in an interest bearing instrument. Subsequent to year-end, the NIB continues to have a significant amount of funds in T-bills, earning about 1.4%.

NIB holdings in Bahamas Government Registered Stock (BGRS) fell from \$506.2m to \$494.4m, as BGRS maturities exceeded new placements. The Bahamas Government's borrowing in the international market has resulted in a reduction in local BGRS issues.

During the year, NIB invested \$5.0m in Latin American Investment Bank (a subsidiary of Citibank) Bonds, which are for 12 years and are secured by Government Guaranteed Student Loans.

NIB invested \$12.5m in the Education Loans Authority Bonds. These bonds are guaranteed by the Bahamas Government and have a stated interest rate of % above the Prime Rate. The bonds were purchased at a premium of 12.5%, resulting in an effective yield of 6.25%.

Reserves		
Year	Year-end Reserves	Yield on Reserves
1999	0.95	6.3%
2000	1.02	6.0%
2001	1.10	6.1%
2002	1.16	5.8%
2003	1.23	5.8%

(expressed in billions of \$'s)

Net investment in direct financing lease increased by \$38.8m. This represents the transfer of the Thompson Boulevard and Police Headquarters, Grand Bahama buildings to net investment in

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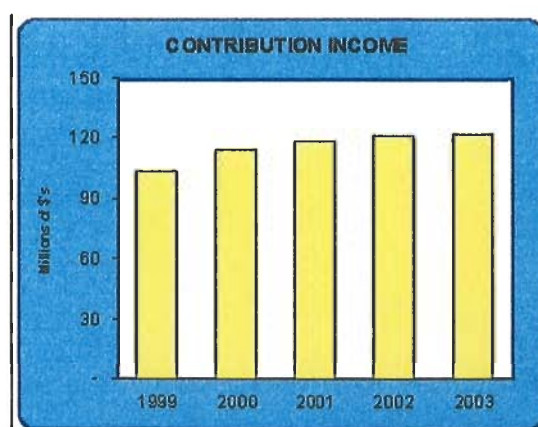
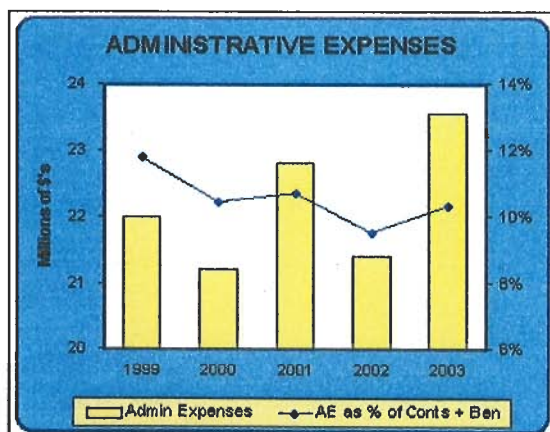
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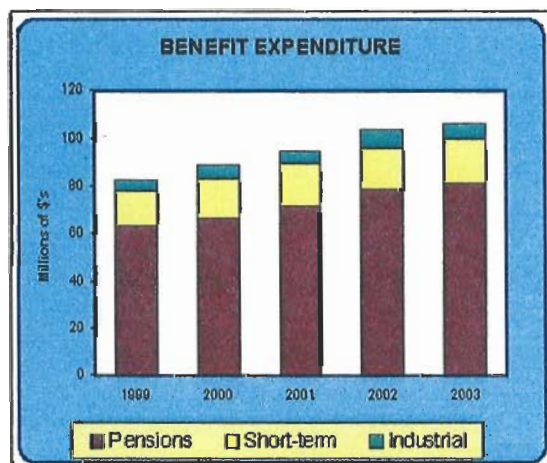
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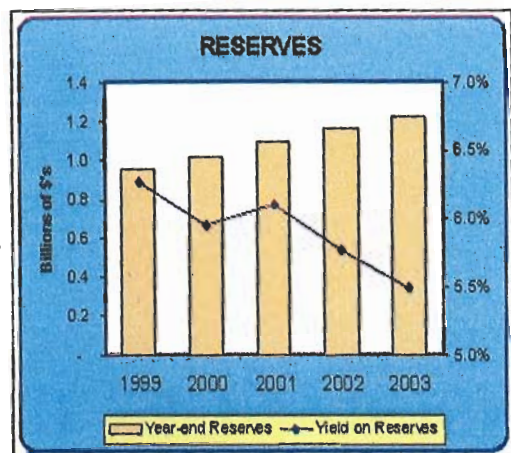
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direct financing lease from Construction in Progress financing leases. The buildings are occupied by the Ministry of Education and the Police, in October 2003 and August 2003 respectively.



Included in loans to Government Corporations are loans to the Water & Sewerage Corporation and Bahamasair, which are in default. The Water & Sewerage Corporation's loan balance is \$5.2m and accrued interest is \$10.7m. This loan is guaranteed by the Government of The Bahamas. The Bahamasair loan is not guaranteed and full provision for the loan and interest has been made.

Additionally, in August 2003 BEC received a short term loan of \$20m. This amount is not guaranteed by the Bahamas Government. The loan bears interest at 7.5% and is scheduled to be repaid by May 2005.

## ADMINISTRATION

NIB continued to provide social security services from 27 strategically located Regional Offices, with the Head Offices being located in the Jumbey Village Complex on Blue Hill Road in New Providence.

Philip Davis, served as Chairman of NIB's 11-member Board of Directors, which fell under the portfolio of the Honourable D. Shane Gibson, Minister of Housing & National Insurance.

Mr. Lennox McCartney served as Director and was responsible for the day-to-day operations of the institution, including coordinating monthly meetings of the Board of Directors, and regular meetings of various standing Committees.

Total staff strength at year end was 465, down from 469 in 2002. One person joined the Board in Executive Management position during 2003 Mr. Lloyd Cunningham, Assistant Director. In addition, four persons joined the Board in middle management, and six left either through retirement, resignation or termination. In the "Bargaining Unit", 9 persons joined the Board, and 3 left.

The compensation review and manpower needs assessment exercise, which the Board undertook in 2002, was completed in August 2003. The studies were conducted by the international organization known as the Hay Group.

As a result of the recommendations, the Board and the Unions began negotiations for staff salary adjustments and manpower initiatives that are expected to come on stream in the near future. Staffing issues, management training, management accountability, clear performance standards and employee empowerment, are just some of the keys areas that the reports recommends.

## 2003 & BEYOND

Several key objectives have been set for 2004. These focus on the areas of compliance and improved service. The special focus will be on self-employed persons, to improve their level of compliance, and on pensioners, to increase the numbers of them who have their payments deposited directly to their bank accounts. The objectives include the implementation of specific programmes to increase self-employed compliance to the 50% level; to increase direct bank deposits of Long-Term payments to 75%; and to provide contributors with contributions statements.

## Actuarial Review

As a result of the 7th Actuarial Review of the National Insurance Fund, which was completed in 2002, the Social Security Reform Commission was appointed in November 2003, to "review the entire spectrum of retirement income, inclusive of National Health Insurance and private pension arrangements."

The Commission expects to conduct public meetings by mid-2004 and to present its final report by year-end.



# THE NATIONAL INSURANCE FUND

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2003

**THE NATIONAL INSURANCE FUND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 – 2002**

**CONTENTS**

**Pannell Kerr Forster**

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<b>1</b>	<b>Auditors' Report</b>
<b>2 - 3</b>	<b>Consolidated Balance Sheets</b>
<b>4 - 5</b>	<b>Consolidated Statements of Income and Expenditure</b>
<b>6</b>	<b>Consolidated Statements of Cash Flows</b>
<b>7</b>	<b>Consolidated Income and Expenditure Account of the Benefits Branches</b>
<b>8 - 44</b>	<b>Notes to Financial Statements</b>



PKF

PANNELL  
KERR  
FORSTER

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

The Board of Directors  
**THE NATIONAL INSURANCE FUND**  
Nassau, Bahamas

Pannell House  
44 Elizabeth Avenue  
P. O. Box N-8335  
Nassau  
Bahamas  
Tel: (242)-322-8560/1  
(242)-323-8796  
Fax: (242)-326-7524  
E-mail: pkfbah@bnet.net.bs

We have audited the accompanying consolidated balance sheet of **The National Insurance Fund** (the Fund) as of December 31, 2003 and the related consolidated statement of income and expenditure, cash flows and consolidated income and expenditure account of the benefits branches for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of **The National Insurance Fund** as of December 31, 2003, and the results of its operations, and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with The National Insurance Act and The National Insurance (Financial and Accounting) Regulations, 1974.

The comparative consolidated financial statements were audited by another firm of auditors who expressed an unqualified opinion dated April 29, 2003.

*Pannell Kerr Forster*

May 5, 2004  
Nassau, Bahamas

## THE NATIONAL INSURANCE FUND

### CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, 2003 - 2002

(Expressed in Thousands of Bahamian Dollars)

#### ASSETS

	Notes	2003	2002
Cash in hand and at banks	2(l) & 3	25,229	8,202
Accounts receivable and advances	4	4,904	5,426
Accrued income receivable	5	26,729	25,639
Prepaid expenses and deposits		411	608
		<u>57,273</u>	<u>39,875</u>
<b>INVESTMENTS</b>			
<b>Available-for-sale investments</b>			
Equity securities	6	8,205	8,244
<b>Originated loans and receivables</b>			
Certificates of deposit	7(a)	224,250	295,200
Preference shares	7(b)	6,500	6,500
Bahamas Government treasury bills	7(c)	131,390	67,659
Bahamas Government registered stock	7(d)	494,410	506,163
Loans to Bahamas Government corporations	7(e)	31,056	11,902
Bahamas Mortgage Corporation bonds	7(f)	114,400	92,700
Bridge Authority bonds	7(g)	2,772	2,447
Bahamas Development Bank bonds	7(h)	21,000	17,000
Bank of the Bahamas bonds	7(i)	17,000	17,000
Latin American Investment Bank Bahamas Limited bonds	7(j)	5,000	-
Education Loan Authority bonds	7(k)	13,477	-
<b>Net investment in direct financing leases</b>	2(f), 8	64,231	25,406
<b>Investment property</b>	2(e), 9	19,077	19,077
<b>Total Investments</b>		<u>1,152,768</u>	<u>1,069,298</u>
Deferred charges	2(h)	408	532
Property, plant and equipment	2(d), 10	36,923	38,104
Construction in progress - financing leases	11	6,932	39,511
		<u>44,263</u>	<u>78,147</u>
<b>TOTAL ASSETS</b>		<u><u>\$1,254,304</u></u>	<u><u>\$1,187,320</u></u>

The notes on pages 8 to 44 form an integral part of these financial statements.



## 2003 ANNUAL REPORT NATIONAL INSURANCE

## THE NATIONAL INSURANCE FUND

## CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, 2003 - 2002

(Expressed in Thousands of Bahamian Dollars)

(Continued)

## LIABILITIES AND RESERVES

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	12	5,368	5,355
Staff pension fund	13	20,725	17,894
Accrued benefits payable		1,693	1,547
		<u>27,786</u>	<u>24,796</u>
<b>RESERVES</b>			
Short-term benefits reserve	30	6,327	7,880
Pensions reserve	30	995,139	937,519
Industrial benefits reserve	30	104,648	101,333
Medical benefits reserve	30	99,698	97,681
Disablement and death benefits reserve	30	20,119	17,524
Fidelity bond reserve	30	587	587
		<u>1,226,518</u>	<u>1,162,524</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<u><u>\$ 1,254,304</u></u>	<u><u>\$ 1,187,320</u></u>

Approved on behalf of the Board of Directors:


 Chairman


 Director


 Financial Controller

May 25, 2004 Date

The notes on pages 8 to 44 form an integral part of these financial statements.

PKF

## THE NATIONAL INSURANCE FUND

## CONSOLIDATED STATEMENTS OF INCOME AND EXPENDITURE

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2002

(Expressed in Thousands of Bahamian Dollars)

Pannell Kerr Forster

INCOME	Notes	2003	2002
<b>Contributions</b>	2(i)		
Employers		74,824	74,365
Insured persons		45,281	45,101
Self-employed persons		2,142	2,232
Voluntarily insured persons		4	5
		<u>122,251</u>	<u>121,703</u>
Refund of contributions		<u>(213)</u>	<u>(203)</u>
		<b><u>122,038</u></b>	<b><u>121,500</u></b>
Grant from Consolidated Fund	2(i), 15	4,900	4,900
Income from investments	16	63,872	63,402
Income from property	17	3,805	2,058
Change in fair value of investment property investment property	9	-	(2,253)
Other income		<u>135</u>	<u>85</u>
		<u>72,712</u>	<u>68,192</u>
<b>Total income carried forward</b>		<b><u>194,750</u></b>	<b><u>189,692</u></b>

The notes on pages 8 to 44 form an integral part of these financial statements.

PKF



## 2003 ANNUAL REPORT NATIONAL INSURANCE

## THE NATIONAL INSURANCE FUND

## CONSOLIDATED STATEMENTS OF INCOME AND EXPENDITURE

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2002

(Expressed in Thousands of Bahamian Dollars)

(Continued)

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
<b>Total income brought forward</b>		<b>194,750</b>	<b>189,692</b>
<b>EXPENDITURE</b>			
<b>Benefits expenditure:</b>			
Short-term		18,054	17,362
Pensions		81,263	78,323
Industrial		4,506	5,844
Disablement and death benefits periodically payable		2,367	2,217
		<u>106,190</u>	<u>103,746</u>
<b>Administrative expenditure:</b>			
Staff salaries and allowances		12,745	12,571
Accrued vacation pay		52	(113)
Allowances and expenses of the Board		87	123
Other expenses	20	8,305	7,402
Amortization		259	207
Depreciation	10	2,094	1,195
		<u>23,542</u>	<u>21,385</u>
<b>Expenditure of the Medical Benefits Branch:</b>			
Administrative expenditure		328	295
Depreciation	10	824	763
		<u>1,152</u>	<u>1,058</u>
<b>Other Expenditure:</b>			
Provision for doubtful accounts		43	84
Provision for loan loss		653	654
Provision for loss on certificates of deposit		-	(286)
		<u>696</u>	<u>452</u>
<b>Total expenditure</b>		<b>131,580</b>	<b>126,641</b>
<b>EXCESS OF INCOME OVER EXPENDITURE CREDITED TO RESERVES</b>		<b>\$ 63,170</b>	<b>\$ 63,051</b>

The notes on pages 8 to 44 form an integral part of these financial statements.

PKF

# 2003 ANNUAL REPORT NATIONAL INSURANCE

15

THE NATIONAL INSURANCE FUND  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2003 - 2002  
(Expressed in Thousands of Bahamian Dollars)

Pannell Kerr Forster

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of income over expenditure credited to reserves	63,170	63,051
Adjustments to reconcile excess of income over expenditure to net cash provided by operating activities:		
Provision for losses	696	452
Amortization	259	207
Depreciation	2,918	1,958
Change in unamortized discounts on Bahamas Government treasury bills	(139)	(137)
Premium amortized on Education Loan Authority bonds	23	-
Gain on disposal of property, plant and equipment	(9)	4
Grant from Consolidated Fund	(4,900)	(4,900)
Interest income	(61,457)	(63,371)
Dividend income	(864)	(864)
Finance income on lease property	(2,744)	(285)
Income from property	(3,805)	(2,058)
Unrealized losses on equity securities	39	56
Change in fair value of investment property	-	2,253
<b>Operating income before working capital changes</b>	<b>(6,813)</b>	<b>(3,634)</b>
Decrease in accounts receivable and advances	27	461
Decrease/(increase) in prepaid expenses and deposits	197	(45)
Decrease in accounts payable and accrued expenses	838	33
Increase in receivables re financing leases	(944)	-
Increase in staff pension fund	2,831	2,454
Increase/(decrease) in accrued benefits payable	146	(330)
Grant from the Consolidated Fund received	4,083	4,802
<b>Net Cash Provided by Operating Activities</b>	<b>365</b>	<b>3,741</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Income from property received	7,082	1,972
Receipts from direct financing leases	1,047	316
Interest received	59,661	63,879
Dividends received	918	864
Finance income received	2,070	606
Proceeds on maturity of certificates of deposit	328,600	546,927
Proceeds on maturity of Bahamas Government treasury bills	243,372	112,788
Proceeds on maturity of Bahamas Government registered stock	44,245	25,582
Proceeds on maturity of Bahamas Mortgage Corporation bonds	2,000	1,000
Proceeds from loans to Bahamas Government corporations	847	779
Proceeds from sale of property, plant and equipment	80	24
Placements of certificates of deposit	(295,650)	(522,650)
Purchase of Bahamas Government treasury bills	(256,170)	(132,467)
Purchase of Bahamas Government registered stock	(32,492)	(17,025)
Purchase of Bahamas Development Bank bonds	(4,000)	(3,000)
Purchase of Bank of The Bahamas bonds	-	(17,000)
Purchase of Bahamas Mortgage Corporation bonds	(23,700)	-
Purchase of Bridge bonds	(325)	-
Loans advanced to Bahamas Government corporations	(20,000)	-
Purchase of Latin American Investment Bank Bahamas Limited bonds	(5,000)	-
Purchase of Education Loan Authority bonds	(13,500)	-
Additions to deferred charges	(134)	(146)
Additions to finance leased assets	(6,369)	(16,165)
Additions to construction in progress	(1,316)	-
Purchase of property, plant and equipment	(1,808)	(1,422)
<b>Net Cash Provided By Investing Activities</b>	<b>29,458</b>	<b>44,862</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>29,823</b>	<b>48,603</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>103,045</b>	<b>54,442</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 132,868</b>	<b>\$ 103,045</b>

The notes on pages 8 to 44 form an integral part of these financial statements.

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## THE NATIONAL INSURANCE FUND LIMITED

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT OF THE BENEFITS BRANCHES

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2002

(Amounts Expressed in Thousands of Bahamian Dollars)

	Notes	Short-term		Pensions		Industrial		Medical		Death & Disablement		Fidelity Bond		TOTAL	
		2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>INCOME</b>															
Contributions (net)		20,136	20,047	90,186	89,789	10,373	10,327	1,343	1,337	-	-	-	-	122,038	121,500
Grant from Consolidated Fund		-	-	4,900	4,900	-	-	-	-	-	-	-	-	4,900	4,900
Income from investments		251	342	57,959	55,316	3,823	4,905	1,300	2,177	539	662	-	-	63,872	63,402
Income from property		-	-	3,301	1,555	-	-	504	503	-	-	-	-	5,805	2,058
Change in fair value of investment property		-	-	-	(2,253)	-	-	-	-	-	-	-	-	-	(2,253)
Periodically payable disablement and death benefits transferred from income and expenditure account of industrial benefits branch:															
Death	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disablement	18	-	-	-	-	-	-	-	-	4,423	2,745	-	-	4,423	2,745
Part of other income of the Fund ascribed to the branch		34	21	33	22	34	21	34	21	-	-	-	-	135	85
<b>Total income</b>		<b>20,421</b>	<b>20,410</b>	<b>156,379</b>	<b>149,329</b>	<b>14,230</b>	<b>15,253</b>	<b>3,181</b>	<b>4,038</b>	<b>4,962</b>	<b>3,407</b>	<b>-</b>	<b>-</b>	<b>199,173</b>	<b>192,437</b>
<b>EXPENDITURE</b>															
Benefits															
Sickness benefit		9,808	9,055	-	-	-	-	-	-	-	-	-	-	9,808	9,055
Maternity benefit		5,261	5,284	-	-	-	-	-	-	-	-	-	-	5,261	5,284
Maternity grant		1,227	1,261	-	-	-	-	-	-	-	-	-	-	1,227	1,261
Funeral benefit		1,736	1,737	-	-	-	-	-	-	-	-	-	-	1,736	1,737
Sickness assistance		22	25	-	-	-	-	-	-	-	-	-	-	22	25
Retirement benefit		-	-	47,175	44,544	-	-	-	-	-	-	-	-	47,175	44,544
Invalidity benefit		-	-	7,692	7,179	-	-	-	-	-	-	-	-	7,692	7,179
Survivor's benefit		-	-	9,533	9,095	-	-	-	-	-	-	-	-	9,533	9,095
Old age non-contributory pensions		-	-	8,212	8,670	-	-	-	-	-	-	-	-	8,212	8,670
Invalidity assistance		-	-	6,838	6,891	-	-	-	-	-	-	-	-	6,838	6,891
Survivor's assistance		-	-	1,813	1,944	-	-	-	-	-	-	-	-	1,813	1,944
Medical care		-	-	-	-	3,404	4,692	-	-	-	-	-	-	3,404	4,692
Injury benefit		-	-	-	-	989	1,037	-	-	-	-	-	-	989	1,037
Disablement grant		-	-	-	-	113	115	-	-	-	-	-	-	113	115
Payments of current periodically payable benefits affected during the year:															
Death	18	-	-	-	-	-	-	-	-	308	310	-	-	308	310
Disablement	18	-	-	-	-	-	-	-	-	2,059	1,907	-	-	2,059	1,907
		<b>18,054</b>	<b>17,362</b>	<b>81,263</b>	<b>78,323</b>	<b>4,506</b>	<b>5,844</b>	<b>-</b>	<b>-</b>	<b>2,367</b>	<b>2,217</b>	<b>-</b>	<b>-</b>	<b>106,190</b>	<b>103,746</b>
Disablement benefit - capital value		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Death benefit - capital value		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Part of administrative expenditure ascribed to the branch		3,927	3,564	17,630	16,017	1,985	1,803	1,152	1,059	-	-	-	-	24,694	22,443
Part of other expenditure ascribed to the branch		10	21	11	21	11	21	11	21	-	-	-	-	43	84
Provision for loan loss		-	-	653	654	-	-	-	-	-	-	-	-	653	654
Provision for loss on certificates of deposit		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<b>21,991</b>	<b>20,947</b>	<b>99,557</b>	<b>94,729</b>	<b>10,925</b>	<b>10,413</b>	<b>1,163</b>	<b>1,080</b>	<b>2,367</b>	<b>2,217</b>	<b>-</b>	<b>-</b>	<b>136,003</b>	<b>129,386</b>
<b>EXCESS/(DEFICIENCY) OF INCOME OVER EXPENDITURE CREDITED TO RESERVES</b>		<b>(1,570)</b>	<b>(537)</b>	<b>56,822</b>	<b>54,600</b>	<b>3,305</b>	<b>4,840</b>	<b>2,018</b>	<b>2,958</b>	<b>2,595</b>	<b>1,190</b>	<b>-</b>	<b>-</b>	<b>63,170</b>	<b>63,051</b>
<b>RESERVES, beginning of year</b>		<b>7,880</b>	<b>8,397</b>	<b>937,519</b>	<b>881,973</b>	<b>101,333</b>	<b>96,483</b>	<b>97,681</b>	<b>94,723</b>	<b>17,524</b>	<b>16,334</b>	<b>587</b>	<b>587</b>	<b>1,162,524</b>	<b>1,098,497</b>
Adjustment to opening reserves - cumulative		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to reserves		17	20	798	946	10	10	-	-	-	-	-	-	825	976
<b>RESERVES, end of year</b>	7(m)	<b>6,327</b>	<b>7,880</b>	<b>995,139</b>	<b>937,519</b>	<b>104,648</b>	<b>101,333</b>	<b>99,699</b>	<b>97,681</b>	<b>20,119</b>	<b>17,524</b>	<b>587</b>	<b>587</b>	<b>1,226,519</b>	<b>1,162,524</b>

The notes on pages 8 to 44 form an integral part of these financial statements.

## THE NATIONAL INSURANCE FUND

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

## 1. GENERAL

The National Insurance Fund ("the Fund") was established under The National Insurance Act, 1972 ("the Act"). The major objective of the Fund is to provide pecuniary payments in respect of:

- (a) Sickness, invalidity, maternity, retirement, death, industrial injury and disablement and death from industrial injury;
- (b) Medical care;
- (c) Social assistance for insured and other persons not qualifying for such payments as of right;
- (d) Purposes connected with and incidental to the above matters.

Income is derived from contributions and return on investments. The daily operations of the Fund are governed by the Act and Regulations pertaining thereto and are administered by the National Insurance Board ("NIB").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

## a. Basis of operation

The Fund's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), formerly International Accounting Standards ("IAS"), except as disclosed in Note 2(i), and in compliance with The National Insurance Act, (Financial and Accounting Regulations), 1974. These consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



THE NATIONAL INSURANCE FUND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Basis of operation (continued)

These consolidated financial statements summarize the transactions and net assets of the Fund. They do not take account of liabilities to pay benefits in the future. The latest actuarial valuation of the Fund was done as of December 31, 2001. The actuarial review indicates that the present rate of contributions will be insufficient for the Fund to pay benefits in the long-term (See Note 23).

b. Consolidation

The consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiary, Claughton House Limited, after the elimination of all significant inter-company balances and transactions.

c. Investments

On January 1, 2001, the Fund adopted IAS 39 and classified its investments into the following categories: available-for-sale investments and originated loans and receivables. The classification was dependent on the purpose for which the investments were required. Management determines the classification of its investments at the time of purchase and re-evaluates such a designation on a regular basis. Investments intended to be held for an indefinite period, which may be sold in response to liquidity needs and changes in market conditions are classified as available-for-sale. Financial assets created by the Fund by providing funds directly to a debtor, with no intention of liquidating in the short term, are classified as originated loans and receivables.

All purchases and sales of investments are recognized on the trade date, which is the date the Fund commits to purchase or sell the asset. Cost of purchase includes transaction cost. Available-for-sale investments are subsequently measured at fair value, which is determined by reference to quoted market prices. Originated loans and receivables are measured at amortized cost.

## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## c. Investments (continued)

Realized and unrealized gains and losses arising from changes in the fair value of available-for-sale investments are included in income from investments in the consolidated statement of income and expenditure in the financial period in which they arise.

## d. Property, plant and equipment

Land and buildings (except for investment property) comprise mainly buildings that are significantly occupied by the Fund for administrative purposes or occupied by the Bahamas Government in the form of medical clinics. Construction in progress comprise costs incurred for the construction of medical clinics and other buildings that are incomplete as of the year-end. Land and construction in progress are stated at cost. All other property, plant and equipment are stated at historical cost less depreciation.

Depreciation is calculated on the straight-line basis over their respective estimated useful lives as follows:

Buildings	40 years
Office furniture and equipment	10 years
Medical equipment	10 years
Motor vehicles	4 years
Computer hardware	3 - 5 years

At the time property, plant and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any profit or loss on the transaction is reflected in the consolidated statement of income and expenditure.

Repairs and maintenance are charged to the consolidated statement of income and expenditure during the financial period in which they incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Fund. Major renovations are depreciated over the remaining useful life of the asset.



**2003 ANNUAL REPORT NATIONAL INSURANCE****THE NATIONAL INSURANCE FUND****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2003 - 2002****(Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****d. Property, plant and equipment (continued)**

Costs for leasehold improvements are charged to the consolidated statement of income and expenditure in the financial period in which they are incurred.

**e. Investment property**

Investment property principally comprising office buildings are properties held for long-term rental income or capital appreciation, and is stated at fair value. Fair value is determined by management and approved by the Board of Directors using the present value of future cash flows or values provided by independent professionally qualified appraisers. Realized and unrealized gains and losses arising from changes in the fair value of investment property are recorded in the consolidated statement of income and expenditure in the financial period in which they arise.

**f. Leases**

Where the Fund is the lessee, leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as **operating leases**. Payments made under operating leases are charged to the consolidated statement of income and expenditure on a straight-line basis over the period of the lease.

Where the Fund is the lessor, and assets are leased out under finance leases, the present value of the lease payments is recognized as net **investment in direct financing leases** in the consolidated balance sheet. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the leases using the net investment method, which reflects a constant periodic rate of return.

**THE NATIONAL INSURANCE FUND****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2003 - 2002****(Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****f. Leases (Continued)**

Where the Fund is the lessor, and assets are leased out under operating leases, the assets are included in investment property or property, plant and equipment in the consolidated balance sheet. Rental income is recognized in the consolidated statement of income and expenditure on a straight-line basis over the period of the lease.

**g. Employee benefits**

All non-contractual, full time employees of NIB are members of the NIB Pension Plan ("the Plan"), which is a final salary defined benefit plan. The assets of the Plan are managed by NIB and are commingled with the Fund's assets. A defined benefit plan is a provision plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability in respect of defined pension plans is the present value of the defined benefit obligation as of the consolidated balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged and credited to the consolidated statement of income and expenditure over the average remaining service lives of the related employees.

**h. Deferred charges**

Deferred charges comprise expenditure for computer software packages and other costs associated with implementing the software and ensuring that the software is fully operational. These costs are amortized on the straight-line basis at 20% per annum.



## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (i) Revenue recognition

- i) Contributions are accounted for on the cash basis of accounting. This basis of recognition is a departure from IFRS, which requires that income be recognized on the accrual basis of accounting. Given the nature of the Fund's operations, The National Insurance Act, 1974 (Financial and Accounting Regulations) prescribes this basis of recognition.
- ii) The grant from the Consolidated Fund, investment and other income are accounted for on the accrual basis of accounting.

## (j) Expense recognition

Expenses are accounted for on the accrual basis of accounting.

## (k) Apportionment of income, and administrative and other expenditure

- i) Section 18(1) of the Financial and Accounting Regulations, as amended in 1985, provides that the income from contributions shall be distributed among the benefit branches in the following proportions:

Short-term benefits reserve	16.5%
Pensions reserve	73.9%
Industrial benefits reserve	8.5%
Medical benefits reserve	<u>1.1%</u>
	<b><u>100.0%</u></b>

- ii) Section 18(2) of the Financial and Accounting Regulations, as amended in 1985, provides that the income by way of grant from the Consolidated Fund under Section 45 of the Act shall be fully credited to the pensions branch.
- iii) Section 18(3) of the Financial and Accounting Regulations, as amended in 1985, provides that income from the investment of the reserves shall be allocated to the benefits branch to which they relate.

## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (l) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## (m) Unclaimed benefits cheques

Unclaimed benefits cheques, which are included in accounts payable and accrued expenses in the consolidated balance sheet, that are not claimed within two years from date of cheque issuance are reversed from the liability and credited to the reserves to which they relate.

## 3. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are comprised as follows:

	<u>2003</u>	<u>2002</u>
Cash in hand	256	241
Cash at banks – current account	7,461	5,789
Cash at Central Bank of The Bahamas	<u>17,512</u>	<u>2,172</u>
<b>Cash in hand and at banks</b>	<b>25,229</b>	<b>8,202</b>
<b>Short-term investments with original maturities of three months or less:</b>		
Certificates of deposit	9,000	47,000
Bahamas Government treasury bills	<u>98,639</u>	<u>47,843</u>
<b>Cash and cash equivalents</b>	<b>\$ <u>132,868</u></b>	<b>\$ <u>103,045</u></b>

The cash at the Central Bank of The Bahamas earns no interest. The effective interest rate earned on cash and cash equivalents was 3.64% (3.47% in 2002).

## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 4. ACCOUNTS RECEIVABLE AND ADVANCES

	<u>2003</u>	<u>2002</u>
Grant from Consolidated Fund receivable	915	98
Automobile loans – staff	247	304
Computer loans – staff	139	133
Education loans – staff	424	310
Returned cheques	-	850
Advances to staff	344	349
Staff uniforms	20	31
Rent receivable	336	3,613
Investment property maintenance charges	52	250
Direct financing lease receivables	2,392	232
Miscellaneous receivables	<u>91</u>	<u>119</u>
	4,960	6,289
Less: provision for doubtful accounts	<u>(56)</u>	<u>(863)</u>
	<u><b>\$4,904</b></u>	<u><b>\$5,426</b></u>

Included in the provision for doubtful accounts in 2002 was a full provision for the recovery of returned cheques .

## 5. ACCRUED INCOME RECEIVABLE

	<u>2003</u>	<u>2002</u>
Certificates of deposit	3,962	4,812
Bahamas Government registered stocks	9,262	9,450
Loans to Bahamas Government corporations	19,037	17,275
Bonds	<u>2,498</u>	<u>1,426</u>
	34,759	32,963
Less: Provision for accrued interest on loans	<u>(8,032)</u>	<u>(7,380)</u>
	26,727	25,583
Dividend receivable – equity investments	<u>2</u>	<u>56</u>
	<u><b>\$26,729</b></u>	<u><b>\$25,639</b></u>



## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 6. AVAILABLE-FOR-SALE INVESTMENTS

## Equity securities

In accordance with Section 44(6) of the Act, the following common shares are held by the Fund:

<u>Units</u>	<u>Common Shares</u>	<u>2003</u>		<u>2002</u>	
		<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
1,000	Bahamas Waste Management Ltd.	2	3	2	3
1,214,351	Bank of The Bahamas	7,589	5,622	7,589	5,622
25,000	Commonwealth Bank Ltd.	156	150	162	150
44,840	ICD Utilities Limited	<u>458</u>	<u>269</u>	<u>491</u>	<u>269</u>
		<u>\$8,205</u>	<u>\$6,044</u>	<u>\$8,244</u>	<u>\$6,044</u>

	<u>2003</u>	<u>2002</u>
Balance as of January 1, 2003	8,244	8,300
Losses from fair value changes (Note 16)	<u>(39)</u>	<u>(56)</u>
Balance as of December 31, 2003	<u>\$8,205</u>	<u>\$8,244</u>

## 7. ORIGINATED LOANS AND RECEIVABLES

## (a) Certificates of deposit

	<u>2003</u>	<u>2002</u>
Certificates of deposit	226,823	297,773
Less: provision for loss on certificate of deposit	<u>(2,573)</u>	<u>(2,573)</u>
	<u>\$224,250</u>	<u>\$295,200</u>

The certificates of deposit earned interest at rates of 4.00% to 5.50% (4.00% to 5.50% in 2002) per annum. The effective interest earned on certificates of deposit was 4.54%.

THE NATIONAL INSURANCE FUND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2003 - 2002

(Continued)

7. ORIGINATED LOANS AND RECEIVABLES

(a) Certificates of deposit (continued)

All certificates of deposit mature within 12 months of the consolidated balance sheet date. Certificates of deposit include deposits, with original maturities of three months or less, of \$9,000 (\$47,000 in 2002) and are included in cash and cash equivalents for the purposes of the consolidated statement of cash flows (See Note 3).

As of December 31, 2003, the Fund held \$2,573 (\$2,573 in 2002) in certificates of deposit with Gulf Union Bank (Bahamas) Ltd. ("the Bank"). On October 2, 1997, the Ministry of Finance and Planning suspended the Bank's licence. Subsequently, on December 12, 1997, the Supreme Court of The Commonwealth of The Bahamas ordered that the Bank be placed in provisional liquidation. On this same date, the calculation of interest ceased on these deposits. As a result of this court action, the Fund initially provided for the full recovery of the outstanding principal and accrued interest amounts.

During 2002, the Fund received a payment of \$286 from the liquidators of the Bank, of which \$59 was applied against accrued income, and \$227 against the outstanding principal. No further payments have been received in 2003.

(b) Preference shares

Preference shares comprise the following:

<u>Units</u>	<u>Preference shares</u>	<u>Interest rate</u>	<u>2003</u>	<u>2002</u>
1,500	Cable Bahamas Limited	7.50%	1,500	1,500
500,000	Caribbean Crossing Limited	8.00%	<u>5,000</u>	<u>5,000</u>
			<u>\$6,500</u>	<u>\$6,500</u>

(c) Bahamas Government treasury bills

The treasury bills are discounted at rates varying from 1.08% to 2.11% per annum (1.80% to 2.70% in 2002) and mature within 181 days (181 days in 2002).

**2003 ANNUAL REPORT NATIONAL INSURANCE**

## THE NATIONAL INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 7. ORIGINATED LOANS AND RECEIVABLES (Continued)

## (c) Bahamas Government treasury bills (continued)

<u>Value Date</u>	<u>Purchase Rate</u>	<u>Discount Rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Book Value</u>	<u>Face Value</u>
10/10/03	99.68 - 99.66	1.28% - 1.36%	9/1/04	42,860	42,989	43,000
13/11/03	99.70 - 99.73	1.08% - 1.20%	12/2/04	32,908	32,958	33,000
13/11/03	98.95 - 99.00	2.01% - 2.11%	13/5/04	32,663	32,751	33,000
9/12/03	99.75	1.00%	9/3/04	<u>22,676</u>	<u>22,692</u>	<u>22,733</u>
Total 2003				<u>\$131,107</u>	<u>\$131,390</u>	<u>\$131,733</u>
Total 2002				<u>\$67,514</u>	<u>\$67,659</u>	<u>\$68,000</u>

Treasury bills, with maturities of three months or less, of \$98,639 (\$47,843 in 2002) are included in cash and cash equivalents for the purposes of the consolidated statement of cash flows (See Note 3).

The effective interest rate earned on the treasury bills was 1.91% (2.22% in 2002).

## (d) Bahamas Government registered stocks

The investments in government registered stocks are at interest rates of 5.75% to 10.50% (5.75% to 10.50% in 2002) per annum, some of which are tied to The Bahamas Prime Rate with maturing dates from 2004 to 2023 (2003 to 2022 in 2002).



THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

7. ORIGINATED LOANS AND RECEIVABLES (Continued)

(d) Bahamas Government registered stocks

<u>Value Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Face Value</u>
28/12/90 - 23/09/96	6.500% - 7.375%	2004	37,902	37,902
06/02/90 - 26/10/95	6.875% - 9.500%	2005	29,146	29,146
17/03/86 - 11/05/99	6.156% - 10.50%	2006	32,864	32,864
09/05/91 - 26/02/99	5.750% - 7.000%	2007	36,639	36,639
18/03/93 - 21/12/98	5.875% - 7.187%	2008	30,041	30,041
05/10/93 - 21/10/98	6.000% - 6.813%	2009	27,043	27,043
24/08/93 - 26/02/99	6.312% - 6.875%	2010	28,352	28,352
24/08/93 - 07/05/96	6.688% - 7.000%	2011	19,237	19,237
08/10/87 - 05/10/95	6.750% - 8.750%	2012	16,456	16,456
15/03/88 - 25/10/00	6.281% - 9.000%	2013	41,232	41,232
20/09/94 - 08/04/98	6.500% - 7.125%	2014	22,997	22,997
23/09/96 - 15/10/97	6.563% - 7.188%	2015	23,794	23,794
23/09/96 - 21/07/99	6.375% - 7.250%	2016	37,003	37,003
25/05/97 - 21/7/03	6.1875% - 7.250%	2017	20,164	20,164
10/08/98 - 15/03/02	6.438% - 6.594%	2018	27,019	27,019
21/07/99 - 25/10/00	6.469%	2019	9,169	9,169
21/09/00 - 06/09/02	6.344% - 6.531%	2020	11,011	11,011
30/07/01 - 08/04/03	6.312% - 6.563%	2021	16,867	16,867
04/12/02 - 21/08/03	6.375% - 6.406%	2022	23,526	23,526
21/08/03 - 09/12/03	6.375%	2023	3,948	3,948
<b>Total 2003</b>			<b><u>\$494,410</u></b>	<b><u>\$494,410</u></b>
<b>Total 2002</b>			<b><u>\$506,163</u></b>	<b><u>\$506,163</u></b>

The effective interest rate earned on registered stocks was 7.00% (6.97% in 2002).

## THE NATIONAL INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

## 7. ORIGINATED LOANS AND RECEIVABLES (Continued)

## (e) Loans to Bahamas Government corporations

These loans have been made in accordance with Section 44(6) of the Act.

	<u>Bahamas Electricity Corporation</u>	<u>Water and Sewerage Corporation</u>	<u>Bahamas Development Bank</u>	<u>Bahamasair Holdings Limited</u>	<u>Total</u>
Principal balance, as of January 1, 2003	6,255	5,159	488	6,000	17,902
Principal repayment	(527)	-	(319)	-	(846)
Advance	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Principal balance, as of December 31, 2003	25,728	5,159	169	6,000	37,056
Provision for loan loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>
<b>2003 Net Realizable Balance</b>	<b><u>\$25,728</u></b>	<b><u>\$5,159</u></b>	<b><u>\$169</u></b>	<b><u>\$-</u></b>	<b><u>\$31,056</u></b>
<b>2002 Net Realizable Balance</b>	<b><u>\$6,255</u></b>	<b><u>\$5,159</u></b>	<b><u>\$488</u></b>	<b><u>\$-</u></b>	<b><u>\$11,902</u></b>

(i) Bahamas Electricity Corporation (BEC)

- (a) On December 1, 1989, a loan facility for BEC in the amount of \$10,000 was approved for the purpose of expanding their power generating system in New Providence and Paradise Island. This loan has been fully drawdown. The principal, which was subject to a one (1) year moratorium, is repayable over twenty (20) years in equal semi-annual installments of \$524, inclusive of interest. The loan bears interest at half-percent (.5%) below the Bahamas Prime Rate but is not to be less than 8.5% per annum. The effective interest rate applicable in the current year was 8.5% (8.5% in 2002). The current portion of the loan due within one year is \$573 (\$528 in 2002).

This loan is guaranteed by the Bahamas Government.

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

7. ORIGINATED LOANS AND RECEIVABLES (Continued)

(e) Loans to Bahamas Government corporations (Continued)

(i) Bahamas Electricity Corporation (BEC) (continued)

- (b) On July 30, 2003, a short-term loan facility in the amount of \$20,000 was approved for BEC for the purpose of consolidating its existing debt portfolio and to provide additional working capital. As at December 31, 2003, this loan has been fully drawdown. This loan bears interest at the Nassau Prime Rate plus 1½%, an effective rate of 7½%. The current portion of the loan due within one year is \$12,210.

The principal of this loan which was initially due to be repaid within 3 months from the date of the final drawdown has been extended to May 1, 2005, by Board Resolution dated October 21, 2003. Repayments in the amount of \$4,005, inclusive of interest, are due on a quarterly basis.

This loan is unsecured.

(ii) Water and Sewerage Corporation (WSC)

On January 10, 1984, a loan facility for WSC in the amount of \$4,296 was approved to refinance various commercial bank loans. This loan has been fully drawdown. The principal, which was subject to a four (4) year moratorium, is repayable over sixteen (16) years in equal semi-annual installments of \$290, inclusive of interest. The interest rate is fixed for five (5) year periods. For the first five years it was fixed at 11.0% per annum and for each subsequent five (5) year period it is fixed at the greater of 11.0% or The Bahamas Prime Rate. The interest rate applicable in the current year was 11% (11.0% in 2002).

On March 6, 1987, another loan facility for WSC in the amount of \$1,200 was approved to enable them to carry out a water supply and sewerage rehabilitation project in New Providence. This loan has been fully drawdown. The principal, which was subject to a three (3) year moratorium, is payable over fifteen (15) years in equal semi-annual installments of \$71 inclusive of interest. The interest rate is fixed at half-percent (½%) below The Bahamas Prime Rate, except that should The Bahamas Prime Rate fall below 9.0% the interest rate shall be adjusted to the yield on the Fund as determined by the actuary in the preceding year provided that the interest rate shall not exceed 8.5% per annum.



THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

7. ORIGINATED LOANS AND RECEIVABLES (Continued)

(c) Loans to Bahamas Government corporations (Continued)

(ii) Water and Sewerage Corporation (WSC) (continued)

As of July 1, 1991, WSC was in default of repayments of principal and interest on both loans. The outstanding principal and interest repayments as of December 31, 2003, including interest on delinquent payments, amount to \$15,824 (\$14,820 in 2002).

Both loans are guaranteed by The Bahamas Government.

(iii) Bahamas Development Bank (BDB)

On May 11, 1984, a loan facility for BDB in the amount of \$3,500 was approved to enable it to lend to deserving borrowers in the field of agriculture, small-scale industry and fisheries. This loan has been fully drawdown and is in two parts: (a) \$3,000 and (b) \$500.

- (a) This portion of the loan was drawdown, \$1,000 in 1984 and \$2,000 in 1988. The principal, which was subject to a five (5) year moratorium, is repayable over fifteen (15) years in equal quarterly installments of \$31 and \$56, respectively, inclusive of interest. The interest rate on the \$1,000 is fixed at 9.5% per annum and on the \$2,000 at 1.5% below The Bahamas Prime Rate at the time of disbursement in 1988, but not to exceed 9.5% per annum. The interest rate applicable on the latter amount in the current year was 7.5% (7.5% in 2002). The current portion of the loan due within one year is \$169 (\$319 in 2002).

This loan is guaranteed by the Bahamas Government.

- (b) This portion was repaid in full in May 1994.

## THE NATIONAL INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

## 7. ORIGINATED LOANS AND RECEIVABLES (Continued)

## (e) Loans to Bahamas Government corporations (Continued)

(iv) Bahamasair Holdings Limited (Bahamasair)

On October 4, 1989, a loan facility for Bahamasair in the amount of \$6,000 was approved to enable it to finance capital investments and to expand its operations. This loan has been fully drawdown. The principal, which was subject to a two (2) year moratorium, was repayable over five (5) years in equal quarterly installments of \$371 inclusive of interest. The interest rate is fixed at half-percent (.5%) below The Bahamas Prime Rate but not less than 8.5% per annum. The interest rate applicable in the current year was 8.5% (8.5% in 2002).

Since July 1, 1991, Bahamasair was in default of repayments of principal and interest. The outstanding principal and interest repayments as of December 31, 2003, including interest on delinquent payments, amount to \$14,033 (\$13,380 in 2002).

This loan is unsecured. Full provision has been made for the principal and accrued interest as of December 31, 2003 and 2002.

## (f) Bahamas Mortgage Corporation bonds

<u>Series</u>	<u>Redemption Period</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Cost 2003</u>	<u>Cost 2002</u>
A	25 years	2.000%	01/07/09 - 01/01/11	5,000	5,000
B	20 years	2.000%	01/10/04 - 01/01/06	2,500	2,500
C	25 years	3.500%	01/07/09 - 01/12/10	10,500	10,500
D	20 years	3.500%	01/07/04 - 01/06/06	7,000	7,000
G	20 years	4.500%	01/08/06 - 01/11/09	17,500	17,500
H	25 years	5.000%	01/10/11 - 01/03/14	10,000	10,000
I	15 years	5.000%	01/06/04 - 01/08/04	2,000	4,000
J	20 years	4.500%	01/02/10 - 01/05/12	10,000	10,000
K	15 years	4.000-5.000%	01/02/06 - 01/12/08	6,900	6,200
L	20 years	5.000%	01/03/11 - 01/05/12	15,000	15,000
M	25 years	5.000%	01/10/18 - 01/12/18	5,000	5,000
N	20 years	4.000%	01/04/23 - 01/01/24	6,000	-
O	20 years	5.000%	01/04/23 - 01/01/24	17,000	-
				<u>\$114,400</u>	<u>\$92,700</u>

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

7. ORIGINATED LOANS AND RECEIVABLES (Continued)

g. Bridge Authority bonds

In accordance with Section 44(6) of the Act, the Fund purchased bonds from the Bridge Authority for the financing of the Paradise Island Bridge. Interest is paid semi-annually and is fixed at varying percentages above The Bahamas Prime Rate.

<u>Value Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>2003</u>	<u>2002</u>
24/03/99	7.250%	24/03/19	955	955
24/03/99	7.500%	24/03/24	1,025	1,025
24/03/99	7.625%	24/03/29	467	467
08/12/03	7.625%	24/03/29	325	-
			<u>\$2,772</u>	<u>\$2,447</u>

(h) Bahamas Development Bank bonds

In accordance with Section 44(6) of the Act, the Fund purchased Bahamas Development Bank bonds. The bonds are guaranteed by The Bahamas Government and bears interest at The Bahamas Prime Rate (Series A) and 1% below The Bahamas Prime Rate (Series B). Bonds are issued as follows:

<u>Series</u>	<u>Value Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>2003</u>	<u>2002</u>
A	28/11/00	6.000%	01/12/20	10,000	10,000
A	30/12/03	6.000%	01/01/24	2,000	-
B	22/06/01	5.000%	01/07/16	4,000	4,000
B	14/06/02	5.000%	01/07/17	1,000	1,000
B	31/07/02	5.000%	01/07/17	2,000	2,000
B	15/08/03	5.000%	01/09/18	2,000	-
				<u>\$21,000</u>	<u>\$17,000</u>



THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

7. ORIGINATED LOANS AND RECEIVABLES (Continued)

(i) Bank of The Bahamas bonds

During 2002, in accordance with Section 44(6) of the Act, the Fund purchased Bank of The Bahamas bonds. The bonds are secured by Bank of The Bahamas' performing Government Guaranteed Advanced Education Loan Scheme portfolio. Interest is paid semi-annually, and is fixed at The Bahamas Prime Rate.

<u>Series</u>	<u>Value Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>2003</u>	<u>2002</u>
A	29/05/02	6.000%	31/12/12	3,500	3,500
B	29/05/02	6.000%	31/12/13	4,800	4,800
C	29/05/02	6.000%	31/12/14	2,600	2,600
D	29/05/02	6.000%	31/12/15	<u>6,100</u>	<u>6,100</u>
				<b><u>\$17,000</u></b>	<b><u>\$17,000</u></b>

(j) Latin American Investment Bank Bahamas Limited bonds

In accordance with Section 44(6) of the Act, the Fund purchased \$5,000 of the Bahamas Government Guaranteed Student Loans Portfolio held in trust by SG Hambros Bank and Trust (Bahamas) Limited. Interest is earned at .70% above the Nassau Prime Rate and is payable monthly.

<u>Value Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>2003</u>	<u>2002</u>
28/04/03	6.70%	31/12/15	<b><u>\$5,000</u></b>	<b><u>\$ -</u></b>

(k) Education Loan Authority bonds

During the year, in accordance with Section 44(6) of the Act, the Fund purchased Education Loan Authority Bonds in the amount of \$12,500 at a premium of 12.5% of the face value. These bonds are guaranteed by the Government of the Bahamas. Interest is earned at  $\frac{3}{4}\%$  above the Nassau Prime Rate and is paid semi-annually.

## THE NATIONAL INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

## 7. ORIGINATED LOANS AND RECEIVABLES (Continued)

## (k) Education Loan Authority bonds (continued)

<u>Series</u>	<u>Value Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Face Amount</u>	<u>Unamortized Premium</u>	<u>2003</u>
C	3/12/03	6.75%	15/8/28	6,500	800	7,300
C	15/12/03	6.75%	15/8/28	<u>5,500</u>	<u>677</u>	<u>6,177</u>
				<u>\$12,000</u>	<u>\$1,477</u>	<u>\$13,477</u>

## 8. NET INVESTMENT IN DIRECT FINANCING LEASES

Gross receivables from direct financing leases are as follows:

	<u>2003</u>	<u>2002</u>
Not later than one year	7,645	2,402
Later than one year and not later than five years	30,578	12,128
Later than five years	<u>68,315</u>	<u>27,634</u>
	106,538	42,164
Unearned finance income	<u>(42,307)</u>	<u>(16,758)</u>
Net investments in direct financing leases	<u>\$64,231</u>	<u>\$25,406</u>

The net investment in direct financing leases can be analyzed as follows:

	<u>2003</u>	<u>2002</u>
Not later than one year	2,720	883
Later than one year and not later than five years	13,233	5,248
Later than five years	<u>48,278</u>	<u>19,275</u>
Net investments in direct financing leases	<u>\$64,231</u>	<u>\$25,406</u>

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

8. NET INVESTMENT IN DIRECT FINANCING LEASES (Continued)

The Fund presently has four office buildings being leased to The Bahamas Government, under direct financing leases. The balances included in net investment in direct financing leases for these buildings are as follows:

	<u>2003</u>	<u>2002</u>
Claughton House	2,883	3,156
Poinciana Hill	21,428	22,250
Thompson Boulevard	28,876	-
Police Headquarters, Grand Bahama	<u>11,044</u>	<u>-</u>
	<u>\$64,231</u>	<u>\$25,406</u>

**Claughton House Limited**

On September 12, 1996, the Fund purchased all of the authorized and issued shares of Chemical Realty (Bahamas) Holdings Limited [the company] at a cost of \$4,473. The company's sole asset was an office building in downtown Nassau. Effective September 12, 1996, the company agreed to enter into a fifteen (15) year lease with The Bahamas Government for the rental of the office building. The payments due under the lease agreement were set, and are to be revised as necessary, to allow the Fund to recover its capital outlay and yield a return of 1¾% above The Bahamas Prime Rate. At the end of the lease term, ownership of the building will be transferred to The Bahamas Government, which is responsible for the maintenance, insurance and taxes on the office building.

**Bahamas Government Office Buildings**

Cabinet had authorized the Minister of Finance and Planning to negotiate an appropriate funding package with the Fund for the construction of the Thompson Boulevard, Poinciana Hill, and Police Headquarters' buildings.

Whilst there are presently no formally executed lease documents, The Fund has agreed to enter into finance leases with the Bahamas Government for the following buildings on the same terms as the lease for Claughton House Limited:

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

8. NET INVESTMENT IN DIRECT FINANCING LEASES (Continued)

<u>Location</u>	<u>Date Construction Commenced</u>	<u>Agreed Date of Lease</u>
Poinciana Hill	1998	31/12/02
Thompson Boulevard	2000	31/10/03
Police Headquarters, Grand Bahama	2000	31/07/03

It was proposed, and the Fund agreed to enter into fifteen (15) year leases with The Bahamas Government for the rental of the above buildings. The payments due under the lease agreements have been set as proposed, and are to be revised as necessary, to allow the Fund to recover its capital outlay and yield a return of 1¼% above The Bahamas Prime Rate, an effective rate of 7.75% per annum. At the end of the lease terms, ownership of the buildings will be transferred to The Bahamas Government, which is responsible for the maintenance, insurance and taxes on the buildings.

The Fund financed the construction and furnishing of these buildings.



## Pannell Kerr Forster

## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

## 9. INVESTMENT PROPERTY

Investment property comprises the following:

Valuation	Freeport Building	Farrington Road Building	Wulff Road Building	JFK Land	Total
At January 1, 2003	7,004	3,861	532	7,680	19,077
Transfers from property, plant & equipment					
Transfers from other investments					
Fair value adjustments					
At December 31, 2003	<u>\$7,004</u>	<u>\$3,861</u>	<u>\$532</u>	<u>\$7,680</u>	<u>\$19,077</u>

Effective January 1, 2001, The fund adopted IAS 40. Effectively, an adjustment was made to reserves and investment property to reflect the fair values of the investment properties. In 2001, the fair values of the properties were determined using the discounted cash flows method, except for the land, which was determined by an independent professionally qualified appraiser.

In 2002, the fair values of the properties were determined by an independent professionally qualified appraiser, resulting in a reduction in fair values of \$2.253, which is reflected in the consolidated statements of income and expenditure.

Except for the JFK land, operating lease agreements have been entered into or drafted for all the investment properties.

## Pannell Kerr Forster

## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 10. PROPERTY, PLANT &amp; EQUIPMENT

Property, plant and equipment comprise the following:

	Land & Buildings	Office Furniture & Equipment	Computer Hardware	Motor Vehicles	Land Improvements	Medical Equipment	Total
<b>COST</b>							
At January 1, 2003	40,716	7,452	6,089	1,595	317	3,449	59,618
Additions	1,719	84	667	592	38	232	3,332
Disposals	(1,494)	(4,194)	(2,211)	(377)	-	-	(8,276)
At December 31, 2003	40,941	3,342	4,545	1,810	355	3,681	54,674
<b>DEPRECIATION</b>							
At January 1, 2003	7,880	5,895	4,883	1,222	-	1,634	21,514
Charge for the year	1,226	318	778	283	-	313	2,918
Recoveries	-	(4,194)	(2,135)	(352)	-	-	(6,681)
At December 31, 2003	9,106	2,019	3,526	1,153	-	1,947	17,751
<b>NET BOOK VALUE</b>							
At December 31, 2003	\$ 31,835	\$ 1,323	\$ 1,019	\$ 657	\$ 355	\$ 1,734	\$ 36,923
<b>NET BOOK VALUE</b>							
At December 31, 2002	\$ 32,836	\$ 1,557	\$ 1,206	\$ 373	\$ 317	\$ 1,815	\$ 38,104

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Leased assets included in property, plant and equipment, where the Fund is the lessor, comprise land and buildings and medical equipment leased to the polyclinics operated by The Bahamas Government under operating leases.

	<u>Land &amp; Buildings</u>		<u>Medical Equipment</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cost	21,755	21,535	3,680	3,449
Accumulated depreciation	(3,650)	(3,138)	(1,946)	(1,634)
Net book amount	<u>\$18,105</u>	<u>\$18,397</u>	<u>\$1,734</u>	<u>\$1,815</u>

11. CONSTRUCTION IN PROGRESS – FINANCING LEASES

The Fund finances the construction and furnishing of buildings, with the intention of entering into direct financing leases with The Bahamas Government, and transferring ownership of the buildings to The Bahamas Government at the end of the leases. Costs incurred are recorded in construction in progress – financing leases and upon completion the total costs of the buildings are transferred to net investment in direct financing leases. The table below discloses the movements during the respective years.

	<u>2003</u>	<u>2002</u>
Balance as of January 1, 2003	39,511	45,596
Additions	1,316	16,165
Transfers	(33,895)	(22,250)
Balance as of December 31, 2003	<u>\$ 6,932</u>	<u>\$39,511</u>

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<u>2003</u>	<u>2002</u>
Unclaimed benefits	949	1,197
Creditors and accrued expenses	2,345	2,133
Accrued vacation pay	2,029	1,977
Unearned finance income	45	48
	<u>\$5,368</u>	<u>\$5,355</u>

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

13. STAFF PENSION FUND

The amounts recognized in the consolidated balance sheet are as follows:

	<u>2003</u>	<u>2002</u>
Present value of defined benefit obligations	26,198	24,946
Less: fair value of plan assets	<u>(20,459)</u>	<u>(17,657)</u>
	5,739	7,289
Unvested past service cost	(3,862)	(4,291)
Unrecognized actuarial losses	<u>(1,611)</u>	<u>(2,761)</u>
Liability under pension plan	266	237
Assets held by the Fund on behalf of the plan	<u>20,459</u>	<u>17,657</u>
<b>Liability in the consolidated balance sheet</b>	<b><u>\$20,725</u></b>	<b><u>\$17,894</u></b>

The amounts recognized in the consolidated statement of income and expenditure are as follows:

Current service cost	1,031	720
Interest cost	1,587	1,351
Expected return on plan assets	(1,247)	(1,079)
Past service costs recognized	<u>429</u>	<u>430</u>
<b>Total pension expense</b>	<b><u>\$1,800</u></b>	<b><u>\$1,422</u></b>

The actual return on plan assets was **\$1,154** (\$1,062 in 2002) (See Note 16).

Movement in net liability/(asset) recognized in the consolidated balance sheet is as follows:



## THE NATIONAL INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

## 13. STAFF PENSION FUND (Continued)

	<u>2003</u>	<u>2002</u>
Opening liability	237	72
Expense as above	1,800	1,422
Contributions paid	<u>(1,771)</u>	<u>(1,257)</u>
Liability under pension plan	266	237
Assets held by the Fund on behalf of the plan	<u>20,459</u>	<u>17,657</u>
Liability in the consolidated balance sheet	<u>\$20,725</u>	<u>\$17,894</u>
Movement in unvested past service cost:		
Opening balance	(4,291)	(4,721)
Past service cost recognized	<u>429</u>	<u>430</u>
Closing balance	<u>\$(3,862)</u>	<u>\$(4,291)</u>

The principal actuarial assumptions used for accounting purposes were:

	<u>2003</u>	<u>2002</u>
Discount rate	6.25%	6.25%
Expected return on plan assets	6.24%	6.75%
Future salary increase (vary by age)	3.03% - 7.125%	3.03% - 7.125%

## 14. FIDELITY BOND RESERVE

In accordance with Section 12 of the Financial and Accounting Regulations, NIB has arranged insurance by way of a fidelity bond reserve giving cover against the risk of defalcation by cashiers, storekeepers or other custodians of the property of NIB.

There was no income or expenditure in respect of this reserve for the years ended December 31, 2003 and 2002.

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

15. GRANT FROM CONSOLIDATED FUND

This grant represents an annual receipt from The Bahamas Government, which should be appropriated towards old-age non-contributory pension payments.

16. INCOME FROM INVESTMENTS

	<u>2003</u>	<u>2002</u>
<b>Trustee securities:</b>		
Bahamas Government treasury bills	1,901	806
Bahamas Government registered stocks	<u>35,693</u>	<u>35,573</u>
	<u>37,594</u>	<u>36,379</u>
<b>Other securities:</b>		
Certificates of deposit	11,796	15,435
Loans to Bahamas Government corporations	2,815	2,242
Bahamas Mortgage Corporation bonds	4,548	3,968
Dividends from common and preference shares	864	864
Bridge Authority bonds	183	182
Bahamas Development Bank bonds	989	869
Bank of The Bahamas bonds	1,020	607
Education Loan Authority Bonds	29	-
Latin American Investment Bank Bah. Ltd. Bonds	<u>228</u>	<u>-</u>
	<u>22,472</u>	<u>24,167</u>
Finance income on leased properties	2,744	285
Interest during construction	2,255	3,689
Unrealized losses on available-for-sale		
Investments (See Note 6)	(39)	(56)
Interest income allocated to staff pension fund	<u>(1,154)</u>	<u>(1,062)</u>
	<u>3,806</u>	<u>2,856</u>
	<u>\$63,872</u>	<u>\$63,402</u>

## THE NATIONAL INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

## 17. INCOME FROM PROPERTY

	<u>2003</u>	<u>2002</u>
Rental income		
- Freeport office complex	712	780
- New Providence buildings	2,589	775
- Polyclinics	<u>504</u>	<u>503</u>
Total income from property	<u>\$3,805</u>	<u>\$2,058</u>

18. CAPITAL VALUES OF AWARDS OF PERIODICALLY PAYABLE  
DISABLEMENT AND DEATH BENEFITS

Section 20(3) of the Financial and Accounting Regulations provides that the capital values of periodically payable disablement and death benefits awarded in a year is charged against the year's income in the income and expenditure account of the industrial benefits branch. It is also credited to a current account, which is further credited with the income from the investment of the said reserve and debited with the actual payments of current periodical disablement and death benefits affected during the year. The balance is then transferred at the end of the year to the reserve account. The expenditure of the industrial benefit branch and the income of the disablement and death benefits reserve are eliminated in the consolidated statement of income and expenditure.

## 19. AMOUNT INVESTED IN OTHER ASSETS (See Note 30)

	<u>2003</u>	<u>2002</u>
Cash on hand	256	241
Cash at banks – current accounts	7,461	5,789
Accounts receivable and advances	4,904	5,426
Accrued income receivable	26,728	25,639
Prepaid expenses and deposits	411	608
Deferred charges	408	532
Property, plant and equipment	17,084	17,892
Construction in progress – financing leases	6,933	39,511
Accounts payable and accrued expenses	(5,368)	(5,355)
Accrued benefits payable	<u>(1,693)</u>	<u>(1,547)</u>
	<u>\$57,124</u>	<u>\$88,736</u>

## THE NATIONAL INSURANCE FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

## 20. OTHER EXPENSES

	<u>2003</u>	<u>2002</u>
Motor vehicles	287	283
Advertising and publicity	150	110
Staff benefits (See Note 21)	3,227	2,775
Transportation and travel	454	412
Rent	395	384
Printing and stationery	342	274
Utilities	1,057	1,014
Real property tax	94	96
Postage and box rental	14	6
Repairs and maintenance	765	704
Insurance	329	307
Audit fees	125	142
Janitorial	229	210
Training and scholarships	136	88
Bank charges	26	13
External security	303	238
Consultancy fees	236	138
Computer supplies	55	70
Other miscellaneous expenses	<u>81</u>	<u>138</u>
	<u>\$8,305</u>	<u>\$7,402</u>

## 21. STAFF BENEFITS

	<u>2003</u>	<u>2002</u>
Group health plan	710	672
National insurance contributions	469	459
Staff pension plan	1,800	1,422
Other benefits	<u>248</u>	<u>222</u>
	<u>\$3,227</u>	<u>\$2,775</u>



THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

22. ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY

During 2001, the Fund reviewed its accounting policy with respect to the buildings and equipment of the Medical Benefits Branch (polyclinics). Prior to 2001, these were carried at original cost and no depreciation was charged thereon. As of January 1, 2001, these assets were transferred to property, plant and equipment, and accumulated depreciation determined retrospectively. An amount of \$3,324 was included in depreciation expense of the Medical Benefits Branch in the consolidated statement of income and expenditure representing the depreciation charge for periods prior to 2001.

23. CONTINGENT LIABILITIES

- (a) NIB is involved in litigation pertaining to its authority to invest in land and buildings prior to The National Insurance (Amendment) Act, 1981, which came into force on November 9, 1981. NIB is claiming that the deed of conveyance made on May 5, 1976 for the purchase of the McAlpine building situated on Farrington Road, Nassau, between Sir Robert McAlpine & Sons (Bahamas) Limited and NIB should be rescinded and that the purported purchase price of \$1,160 be returned to NIB. The outcome of this litigation is not presently determinable.

If the claim is upheld, NIB will be contingently liable in the sum of \$1,976 (\$1,905 in 2002), representing rent of premises for the period April 1, 1976 to December 31, 2003.

If the claim is denied, NIB will be contingently liable in the sum of \$572 (\$542 in 2002), representing real property tax charges on the property for the period January 1, 1978 to December 31, 2003.

- (b) NIB has provided commitment letters to various medical institutions and other providers of medical care to its industrial benefit claimants. Due to the nature of these commitments, it is not practical to determine the possible financial effect.
- (c) The 7<sup>th</sup> Actuarial review of the Fund was conducted as of December 31, 2001. The projections, which were extended for a sixty year period, indicate that the present value of future expenditure will exceed the opening Reserves and the present value of future contributions by \$3.4 billion. The report indicates that the current contribution rate would be insufficient to pay benefits in the long-term.

An independent committee has been named to review this matter and is expected to issue its report in due course.

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

24. COMMITMENTS

Capital commitments

Capital expenditure contracted for, which consists principally of amounts relating to construction in progress – financing leases, as of the consolidated balance sheet date but not recognized on the financial statements is as follows:

<u>2003</u>	<u>2002</u>
<u>\$2,101</u>	<u>\$2,226</u>

Operating lease commitments

The future aggregate minimum lease payments under non-cancelable operating leases, where the Fund is the lessee, are \$118 (\$36 in 2002).

25. STAFF

The average number of persons employed by NIB during the year was 465 (470 in 2002).

26. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

As of December 31, 2003, the Fund's total exposure to credit risk was \$1,190,966 (\$1,090,096 in 2002). This exposure was principally concentrated with The Bahamas Government. As of that date, the Fund had investments, loans and accruals with The Bahamas Government and its corporations totaling \$947,822 (\$807,674 in 2002).

27. FAIR VALUES

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Fund's consolidated balance sheet at their fair value.

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

27. FAIR VALUES (Continued)

Financial asset	Carrying value		Fair value	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	\$	\$	\$	\$
Certificates of deposit	226,823	295,200	228,378	299,399
Bahamas Government registered stock	494,410	506,163	527,997	541,242
Loans to Bahamas Government corporations	31,056	11,902	31,340	11,790
Bahamas Mortgage Corporation bonds	114,400	92,700	104,961	85,881
Bridge Authority bonds	2,772	2,447	3,145	2,776
Bahamas Development Bank bonds	21,000	17,000	20,037	16,138
Bank of The Bahamas bonds	17,000	17,000	16,999	16,824
Education Loan Bonds	13,477	-	12,668	-
Latin American Investment Bank Bah. Ltd. Bonds	5,000	-	5,296	-

The carrying amounts of current financial assets, Bahamas Government treasury bills and financial liabilities represent their estimated fair values.

Fair values for all financial assets listed above are determined using the discounted cash flows method. The cash flows are discounted at a rate representing the market rates of similar instruments.

28. RECLASSIFICATIONS

Certain figures in the prior year's financial statements have been reclassified to conform to the current year's presentation.

29. SUBSEQUENT EVENTS

- (a) On March 26, 2004, the Fund purchased 1,250,000 shares of the Bank of the Bahamas Limited for \$7,500 from the Bahamas Government. This investment brings the Fund's total ownership in the Bank of the Bahamas to 20.5%.
- (b) On March 26, 2004, the Fund purchased 1,034,483 ordinary shares of Cable Bahamas Ltd for \$7,500 from the Bahamas Government. This investment represents a 5.17% shareholding in Cable Bahamas.

THE NATIONAL INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003- 2002

(Continued)

29. SUBSEQUENT EVENTS (Continued)

- (c) On March 30, 2004, the Board approved an 11% wage increase for its staff, retroactive to August 1, 2003. The payment for the period August 1, 2003 to March 31, 2004 amounted to **\$799**. No provision has been made in these financial statements for this amount.
- (d) On March 30, 2004, the Fund was authorized by the Board to purchase a building located on Blake Road, New Providence, at a price of **\$9,000**. The building will be leased to the Bahamas Government after it is fully refurbished.



## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 30. INVESTMENTS OF THE FUND ALLOCATED TO THE RESERVES

	Interest Rate	Maturity Date	Short Term	Pensions	Industrial	Medical	Death and Disablement	Fidelity	Total
Central Bank of The Bahamas	Demand	N/A	1,150	10,000	4,450	1,550	62	300	17,512
<b>Certificates of deposit</b>									
Bank of the Bahamas	4.25% - 5.50%	06/01/04 - 15/12/04	-	28,500	-	-	-	-	28,500
Barclays Bank	5.25% - 5.25%	17/03/04 - 29/12/04	-	26,500	-	-	-	-	26,500
CIBC Bahamas Limited	5.25% - 5.25%	10/03/04 - 25/11/04	-	31,500	-	-	-	-	31,500
Citibank, N.A.	4.50% - 5.00%	30/01/04 - 19/12/04	-	7,000	11,000	-	-	-	18,000
Commonwealth Bank	4.75% - 6.00%	02/02/04 - 18/11/04	-	-	20,750	-	-	-	20,750
Finance Corporation of The Bahamas	4.00% - 4.75%	07/01/04 - 12/31/04	-	33,000	-	-	-	-	33,000
Gulf Union Bank (Bahamas) Ltd.	5.75%	30/09/97	-	2,573	-	-	-	-	2,573
Royal Bank of Canada	4.00% - 4.00%	05/03/04 - 12/05/04	-	-	17,000	-	-	-	17,000
Scotiabank (Bahamas) Ltd.	4.00% - 5.00%	09/02/04 - 30/12/04	4,000	40,000	-	-	5,000	-	49,000
Provision for Gulf Union Bank (Bahamas) Ltd. Deposits (See Note 7(a)).			-	(2,573)	-	-	-	-	(2,573)
<b>Sub-total Certificates of Deposit</b>			<b>4,000</b>	<b>166,500</b>	<b>48,750</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>224,250</b>
<b>Bahamas Government treasury bills</b>	1.08% - 2.11%	09/01/04 - 13/05/04	-	4,994	43,580	69,820	12,996	-	131,390
<b>Bahamas Government registered stock</b>	5.75% - 10.50%	05/03/04 - 21/07/23	-	494,410	-	-	-	-	494,410

## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 30. INVESTMENTS OF THE FUND ALLOCATED TO THE RESERVES (Continued)

	Interest Rate	Maturity Date	Short Term	Pensions	Industrial	Medical	Death and Disablement	Fidelity	Total
<b>Loans to Bahamas Government Corporations</b>									
Water & Sewerage Corporation	7.22% - 11.00%	01/01/04 - 01/01/06	-	5,159	-	-	-	-	5,159
Bahamas Electricity Corporation	7.50% - 8.50%	01/05/05 - 26/01/11	-	25,728	-	-	-	-	25,728
Bahamas Development Bank	7.50% - 9.50%	23/05/04	-	169	-	-	-	-	169
Bahamasair Holdings Limited	8.50%	10-01-96	-	6,000	-	-	-	-	6,000
Provision for Bahamasair Holdings Limited			-	(6,000)	-	-	-	-	(6,000)
<b>Sub-total Loans</b>			-	31,056	-	-	-	-	31,056
<b>Bahamas Mortgage Corporation bonds</b>									
	2.00% - 5.00%	01/06/04 - 01/12/18	-	109,400	5,000	-	-	-	114,400
<b>Common Shares</b>									
Bank of The Bahamas			-	7,589	-	-	-	-	7,589
ICD Utilities			-	458	-	-	-	-	458
Commonwealth Bank Ltd.			-	156	-	-	-	-	156
Bahamas Waste			-	2	-	-	-	-	2
<b>Sub-total Common Shares</b>			-	8,205	-	-	-	-	8,205
<b>Preference Shares</b>									
Cable Bahamas Limited	7.50%		-	1,500	-	-	-	-	1,500
Caribbean Crossing Limited	8.00%		-	5,000	-	-	-	-	5,000
<b>Sub-total Preference Shares</b>			-	6,500	-	-	-	-	6,500

## THE NATIONAL INSURANCE FUND

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 - 2002

(Continued)

## 30. INVESTMENTS OF THE FUND ALLOCATED TO THE RESERVES (Continued)

	Interest Rate	Maturity Date	Short Term	Pensions	Industrial	Medical	Death and Disablement	Fidelity	Total
Net investment in direct financing leases	7.75%		-	64,231	-	-	-	-	64,231
Education Loan Authority Bonds	6.75%	15-08-28	-	13,477	-	-	-	-	13,477
Bridge Authority bonds	7.25% - 7.625%	24/03/19 - 24/03/29	-	2,772	-	-	-	-	2,772
Latin American Investment Bank Bahamas Bonds	6.70%	31-12-15	-	5,000	-	-	-	-	5,000
Bahamas Development Bank bonds	5.00% - 6.000%	01/07/16 - 01/12/20	-	21,000	-	-	-	-	21,000
Bank of the Bahamas bonds	6.000%	31/12/12 - 31/12/15	-	17,000	-	-	-	-	17,000
Investment Property									
Buildings			-	11,382	-	-	-	-	11,382
Land			-	15	-	7,680	-	-	7,695
Sub-total Investment Property			-	11,397	-	7,680	-	-	19,077
Property, plant and equipment (polyclinics)			-	-	-	19,839	-	-	19,839
Amounts invested in other assets (Note 19)			1,177	49,922	2,868	809	2,061	287	57,124
Less: assets allocated to the staff pension fund and included in the pensions reserve			-	(4,000)	-	-	-	-	(4,000)
Certificates of deposit			-	(16,196)	-	-	-	-	(16,196)
Bahamas Government registered stocks			-	(529)	-	-	-	-	(529)
Other assets			-	(20,725)	-	-	-	-	(20,725)
Sub-total Staff Pension Funds			-	995,139	104,648	99,698	20,119	587	1,226,518
Grand Total			\$ 6,327	\$ 995,139	\$ 104,648	\$ 99,698	\$ 20,119	\$ 587	\$ 1,226,518

Certificate Number	Date Invested	Interest Rate	Cost	Face Value	Date of Maturity
43-006	20/09/94	5.88%	10,281,000	10,281,000	20-Sep-08
43-057	2/9/1998	5.88%	2,000,000	2,000,000	20-Sep-08
43-058	21/12/98	5.88%	1,120,000	1,120,000	20-Sep-08
47-037*	7/5/1996	6.75%	5,923,900	5,923,900	7-May-08
55-030*	21/10/98	6.28%	4,123,900	4,123,900	21-Oct-08
47-038*	7/5/1996	6.81%	6,964,300	6,964,300	7-May-09
43-007	20/09/94	6.00%	6,434,400	6,434,400	20-Sep-09
42-024	25/04/94	6.63%	2,500,000	2,500,000	25-Apr-09
42-048	23/05/95	6.63%	1,000,000	1,000,000	25-Apr-09
38-023*	5/10/1993	6.56%	6,467,700	6,467,700	5-Oct-09
55-031*	21/10/98	6.31%	3,676,700	3,676,700	21-Oct-2009
46-021*	26/02/96	6.88%	2,895,300	2,895,300	26-Feb-10
56-034*	26/02/99	6.31%	2,260,300	2,260,300	26-Feb-10
38-024*	5/10/1993	6.63%	3,416,200	3,416,200	5-Oct-10
42-025	25/04/94	6.75%	2,500,000	2,500,000	25-Apr-10
42-049	23/05/95	6.75%	1,000,000	1,000,000	25-Apr-10
42-053	1/3/1996	6.75%	3,685,000	3,685,000	25-Apr-10
45-027*	14/06/95	6.81%	5,200,000	5,200,000	14-Jun-10
45-042*	11/2/1997	6.81%	2,000,000	2,000,000	14-Jun-10
37-025*	24/08/93	6.63%	1,000,000	1,000,000	24-Aug-10
48-046*	23/09/96	6.88%	2,395,400	2,395,400	23-Sep-10
38-032*	24/11/94	6.63%	1,500,000	1,500,000	5-Oct-10
38-040*	27/12/95	6.63%	500,000	500,000	5-Oct-10
42-054	1/3/1996	7.00%	504,500	504,500	25-Apr-11
47-039*	7/5/1996	6.94%	4,485,800	4,485,800	7-May-11
45-028*	14/06/95	6.88%	5,200,000	5,200,000	14-Jun-11
45-035*	26/10/95	6.88%	3,200,000	3,200,000	14-Jun-11
37-026*	24/08/93	6.69%	5,846,600	5,846,600	24-Aug-11
37-107*	8/9/1995	6.75%	1,000,000	1,000,000	24-Aug-12
37-108*	12/9/1995	6.75%	1,000,000	1,000,000	24-Aug-12
37-110*	5/10/1995	6.75%	527,800	527,800	24-Aug-12
37-083*	24/02/95	6.75%	7,000,000	7,000,000	24-Aug-12
15-022	8/10/1987	8.75%	2,822,500	2,822,500	8-Oct-12
15-027	29/02/88	8.75%	1,006,000	1,006,000	8-Oct-12
15-036	6/3/1991	8.75%	500,000	500,000	8-Oct-12
15-037	16/04/91	8.75%	2,600,000	2,600,000	8-Oct-12
46-022*	26/02/96	7.06%	5,671,000	5,671,000	26-Feb-13
16-038	5/7/1991	9.00%	236,000	236,000	15-Mar-13
16-029	15/03/88	9.00%	14,624,800	14,624,800	15-Mar-13
44-027*	18/05/95	7.00%	6,031,400	6,031,400	18-May-13
58-033*	21/07/99	6.28%	3,884,800	3,884,800	21-Jul-13
61-027*	25/10/00	6.28%	2,505,500	2,505,500	25-Oct-2013

Certificate Number	Date Invested	Interest Rate	Cost	Face Value	Date of Maturity
48-048*	23/09/96	7.19%	7,146,000	7,146,000	23-Sep-15
48-047*	23/09/96	7.06%	8,278,000	8,278,000	23-Sep-13
46-023*	26/02/96	7.13%	5,594,500	5,594,500	26-Feb-14
53-026*	8/4/1998	6.50%	1,738,900	1,738,900	08-Apr-2014
50-001*	22/05/97	7.06%	3,604,200	3,604,200	22-May-14
51-023*	15/07/97	6.53%	5,500,000	5,500,000	15-Jul-14
43-048	27/12/95	6.63%	500,000	500,000	20-Sep-14
43-049	1/8/1996	6.63%	404,700	404,700	20-Sep-14
43-043	1/2/1995	6.63%	1,500,000	1,500,000	20-Sep-14
43-042	13/01/95	6.63%	1,585,000	1,585,000	20-Sep-14
43-041	30/12/94	6.63%	750,000	750,000	20-Sep-14
43-040	20/12/94	6.63%	500,000	500,000	20-Sep-14
43-008	20/09/94	6.63%	1,320,000	1,320,000	20-Sep-14
49-005*	14/03/97	7.13%	3,000,000	3,000,000	26-Feb-15
50-002*	22/05/97	7.13%	6,133,400	6,133,400	22-May-15
51-024*	15/07/97	6.56%	2,999,500	2,999,500	15-Jul-15
52-035*	15/10/97	7.13%	4,515,300	4,515,300	15-Oct-15
49-025*	4/7/1997	7.19%	2,000,000	2,000,000	26-Feb-16
49-001*	27/02/97	7.19%	4,000,000	4,000,000	26-Feb-16
49-004*	6/3/1997	7.19%	3,000,000	3,000,000	26-Feb-16
49-008*	25/03/97	7.19%	1,500,000	1,500,000	26-Feb-16
50-003*	22/05/97	7.19%	4,973,500	4,973,500	22-May-16
51-025*	15/07/97	6.59%	3,571,200	3,571,200	15-Jul-16
58-034*	21/07/99	6.38%	4,767,700	4,767,700	21-Jul-2016
48-049*	23/09/96	7.25%	4,711,700	4,711,700	23-Sep-16
52-036*	15/10/97	7.19%	8,478,400	8,478,400	15-Oct-16
50-004*	22/05/97	7.25%	2,240,000	2,240,000	22-May-17
51-026*	15/07/97	6.63%	8,453,400	8,453,400	15-Jul-17
52-037*	15/10/97	7.25%	3,185,800	3,185,800	15-Oct-17
54-025*	10/8/1998	6.56%	6,060,600	6,060,600	10-Aug-17
68-004*	21/07/03	6.19%	224,400	224,400	21-Jul-2017
54-026*	10/8/1998	6.59%	8,878,200	8,878,200	10-Aug-18
55-032*	21/10/98	6.59%	3,722,500	3,722,500	21-Oct-2018
55-036*	21/12/98	6.59%	380,000	380,000	21-Oct-2018
56-035*	26/02/99	6.56%	1,220,000	1,220,000	26-Feb-2018
58-035*	21/07/99	6.44%	5,021,300	5,021,300	21-Jul-2018
59-065*	23/11/99	6.44%	1,717,100	1,717,100	23-Nov-2018
60-041*	21/09/00	6.44%	2,925,000	2,925,000	21-Sep-2018
63-004*	20/12/01	6.47%	3,000,000	3,000,000	12-Dec-18
63-023*	15/03/02	6.47%	155,000	155,000	12-Dec-18
58-036*	21/07/99	6.47%	1,366,900	1,366,900	21-Jul-2019
59-066*	23/11/99	6.47%	717,100	717,100	23-Nov-2019



Certificate Number	Date Invested	Interest Rate	Cost	Face Value	Date of Maturity
60-042*	21/09/00	6.47%	2,736,200	2,736,200	21-Sep-2019
61-028*	25/10/00	6.47%	4,348,800	4,348,800	25-Oct-2019
60-043*	21/09/00	6.50%	16,300	16,300	21-Sep-2020
61-029*	25/10/00	6.50%	1,595,600	1,595,600	25-Oct-2020
62-062*	30/07/01	6.53%	1,892,600	1,892,600	30-Jul-2020
64-012*	11/7/2002	6.53%	492,300	492,300	26-Apr-2020
65-178*	6/9/2002	6.34%	6,724,900	6,724,900	06-Sep-2020
63-066*	6/8/2002	6.53%	289,400	289,400	12-Dec-2020
62-063*	30/07/01	6.56%	2,709,600	2,709,600	30-Jul-2021
65-179*	6/9/2002	6.38%	2,850,000	2,850,000	6-Sep-21
66-125*	4/12/2002	6.38%	5,648,800	5,648,800	04-Dec-2021
67-151*	8/4/2003	6.31%	5,658,500	5,658,500	08-Apr-2021
66-126*	4/12/2002	6.41%	864,100	864,100	04-Dec-2022
67-152*	8/4/2003	6.34%	7,886,300	7,886,300	08-Apr-2022
68-005*	21/08/03	6.34%	14,775,600	14,775,600	21-July-2022
68-006*	21/08/03	6.38%	3,852,900	3,852,900	21-July-2023
68-222*	9/12/2003	6.38%	94,700	94,700	21-July-2023

## 2. Equity Securities

See Note 6 of the Notes to Consolidated Financial Statements

## 3. Certificates of Deposit

See Note 7 (a) of the Notes to Consolidated Financial Statements

## 4. Preference Shares

See Note 7 (b) of the Notes to Consolidated Financial Statements

## 5. Bahamas Government Treasury Bills

See Note 7 (c) of the Notes to Consolidated Financial Statements

## 6. Loans to Bahamas Government Corporations

See Note 7 (e) of the Notes to Consolidated Financial Statements

## 7. Bahamas Mortgage Corporation Bonds

See Note 7 (f) of the Notes to Consolidated Financial Statements

**8. Bridge Authority Bonds**

See Note 7 (g) of the Notes to Consolidated Financial Statements

**9. Bahamas Development Bank Bonds**

See Note 7 (h) of the Notes to Consolidated Financial Statements

**10. Bank of The Bahamas Bonds**

See Note 7 (i) of the Notes to Consolidated Financial Statements

**11. Latin American Investment Bank Bahamas Limited Bonds**

See Note 7 (j) of the Notes to Consolidated Financial Statements

**12. Education Local Authority Bonds**

See Note 7 (k) of the Notes to Consolidated Financial Statements

**13. Net Investment in Direct Financing Lease**

See Note 8 of the Notes to Consolidated Financial Statements

**14. Investment Property**

See Note 9 of the Notes to Consolidated Financial Statements

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Table 1. Registration - Employers &amp; Self-Employed Persons

Island/Local Office	2003			2002		
	Employers	Self-Employed	Total	Employers	Self-Employed	Total
<b>Abaco</b>						
Marsh Harbour	45	44	89	94	67	161
Coopers Town	23	9	32	23	22	45
<b>Andros</b>						
Fresh Creek	4	2	6	6	4	10
Kemps Bay	10	16	26	17	45	62
Nicholls Town	14	27	41	18	17	35
<b>Bimini &amp; Berry Islands</b>	10	26	36	4	17	21
Cat Island	18	3	21	3	3	6
Crooked Island & Acklins	2	21	23	3	5	8
<b>Eleuthera</b>						
Governors Harbour	24	4	28	22	4	26
Harbour Island	45	17	62	32	6	38
North Eleuthera	3	3	6	3	-	3
Rock Sound	31	3	34	7	2	9
Spanish Wells	14	20	34	3	10	13
<b>Exuma &amp; Ragged Island</b>	62	26	88	39	13	52
<b>Grand Bahama</b>	202	93	295	193	116	309
<b>Inagua &amp; Mayaguana</b>	4	9	13	3	21	24
<b>Long Island</b>						
Deadmans Cay	10	14	24	6	21	27
Simms	9	9	18	9	13	22
<b>New Providence</b>	1,449	522	1,971	1,143	463	1,606
<b>San Salvador</b>	1	-	1	4	1	5
<b>Total</b>	<b>1,980</b>	<b>868</b>	<b>2,848</b>	<b>1,632</b>	<b>850</b>	<b>2,482</b>

Table 2. Registration - Insured Persons

Island/Local Office	2003			2002		
	Active	Inactive	Total	Active	Inactive	Total
<b>Abaco</b>						
Marsh Harbour	85	537	622	156	401	557
Coopers Town	41	37	78	74	126	200
<b>Andros</b>						
Fresh Creek	16	45	61	24	46	70
Kemps Bay	11	86	97	31	118	149
Nicholls Town	43	138	181	115	77	192
<b>Bimini &amp; Berry Islands</b>	37	52	89	38	63	101
<b>Cat Island</b>	8	30	38	16	39	55
<b>Crooked Island &amp; Acklins</b>	9	1	10	20	2	22
<b>Eleuthera</b>						
Governors Harbour	32	33	65	61	63	124
Harbour Island	65	29	94	54	26	80
North Eleuthera	-	-	-	-	-	-
Rock Sound	22	32	54	31	73	104
Spanish Wells	23	2	25	21	8	29
<b>Exuma &amp; Ragged Island</b>	373	101	474	218	121	339
<b>Grand Bahama</b>	608	1,988	2,596	849	1,951	2,800
<b>Inagua &amp; Mayaguana</b>	4	35	39	4	40	44
<b>Long Island</b>						
Deadmans Cay	10	44	54	13	51	64
Simms	14	46	60	16	41	57
<b>New Providence</b>	3,905	5,734	9,639	3,150	5,656	8,806
<b>San Salvador</b>	10	8	18	15	8	23
<b>Total</b>	<b>5,316</b>	<b>8,978</b>	<b>14,294</b>	<b>4,906</b>	<b>8,910</b>	<b>13,816</b>



Table 3. Contribution Income, 2003

Island/Local Office	Employers	Employees	Self-Employed	Voluntary Insured	Installment Agreements	Total 2003	Total 2002
<b>Abaco</b>							
Marsh Harbour	1,551,938	937,278	275,096	-	31,399	2,795,711	2,819,329
Coopers Town	440,120	257,275	59,941	-	3,298	760,634	780,582
<b>Andros</b>							
Fresh Creek	192,260	115,370	12,424	-	2,098	322,152	390,468
Kemps Bay	87,618	42,121	47,576	30	200	177,545	163,879
Nicholls Town	104,451	51,069	29,100	-	5,730	190,350	182,913
<b>Bimini &amp; Berry Islands</b>							
Cat Island	330,625	203,225	30,451	-	-	564,301	582,908
Crooked Island & Acklins	62,797	35,092	6,504	-	629	105,022	144,240
	23,382	12,221	11,958	-	-	47,560	52,468
<b>Eleuthera</b>							
Governors Harbour	210,136	119,184	30,223	-	3,229	362,772	388,371
Harbour Island	310,613	180,448	28,206	-	9,172	528,438	440,330
North Eleuthera	76,718	42,975	12,913	-	-	132,606	127,717
Rock Sound	194,192	111,534	23,957	-	-	329,682	383,838
Spanish Wells	455,961	277,509	76,850	-	-	810,320	791,010
<b>Exuma &amp; Ragged Island</b>							
	1,148,871	705,765	79,689	-	6,445	1,940,769	1,508,276
<b>Grand Bahama</b>							
	8,590,855	5,576,948	274,407	-	388,430	14,830,639	14,822,009
<b>Inagua &amp; Mayaguana</b>							
	181,885	113,942	16,461	-	1,533	313,821	320,576
<b>Long Island</b>							
Deadmans Cay	133,476	80,015	103,912	-	-	317,403	267,989
Simms	99,707	60,264	38,210	-	350	198,530	160,789
<b>New Providence</b>							
	58,338,488	36,323,752	981,418	4,182	1,776,519	97,424,360	97,290,825
<b>San Salvador</b>							
	60,190	35,200	3,074	-	1,102	99,567	84,737
<b>Total</b>	<b>72,594,282</b>	<b>45,281,184</b>	<b>2,142,369</b>	<b>4,213</b>	<b>2,230,134</b>	<b>122,252,182</b>	<b>121,703,255</b>

Note: Totals may not balance due to rounding.

Table 4. Benefit &amp; Assistance Claims Received and Awarded

Benefit Type	Received		Awarded	
	2003	2002	2003	2002
Long-term Benefits/ Assistance	Retirement Benefit	1,263	1,345	1,014
	Invalidity Benefit	297	361	211
	Survivors' Benefit	481	505	389
	Old Age Non-Contributory Pension	221	318	122
	Invalidity Assistance	154	263	131
	Survivors' Assistance	117	167	51
Total Long-term	2,533	2,959	1,918	2,163
Short-term Benefits	Sickness Benefit	23,039	17,999	21,945
	Maternity Benefit	3,345	3,338	2,733
	Maternity Grant	3,345	3,338	3,070
	Funeral Benefit	1,247	1,169	1,170
	Sickness Assistance	90	88	64
	Total Short-term	31,066	25,932	28,982
Industrial Benefits	Medical Care	1,653	N/A	N/A
	Injury Benefit	1,269	1,251	1,228
	Disablement Benefit & Grant	138	123	65
	Industrial Death	1	2	1
	Industrial Funeral	-	1	-
	Total Industrial	3,061	1,377	2,416
				1,308

Table 5. Short-Term Benefit &amp; Assistance Claims Awarded, 2003

Island/Local Office	Sickness Benefit	Maternity Benefit	Maternity Grant	Funeral Benefit	Sickness Assistance	Total
<b>Abaco</b>						
Marsh Harbour	430	74	71	22	-	597
Coopers Town	256	19	18	15	2	310
<b>Andros</b>						
Fresh Creek	154	8	10	1	-	173
Kemps Bay	147	10	9	2	2	170
Nicholls Town	98	9	9	5	-	121
<b>Bimini &amp; Berry Islands</b>						
	66	12	14	10	-	102
<b>Cat Island</b>						
	65	2	1	-	-	68
<b>Crooked Island &amp; Acklins</b>						
	24	4	-	1	-	29
<b>Eleuthera</b>						
Governors Harbour	278	5	6	11	-	300
Harbour Island	211	22	24	3	-	260
North Eleuthera	-	-	-	-	-	-
Rock Sound	283	13	10	6	13	325
Spanish Wells	145	7	6	10	-	168
<b>Exuma &amp; Ragged Island</b>						
	251	39	42	6	-	338
<b>Grand Bahama</b>						
	2,289	476	558	161	4	3,488
<b>Inagua &amp; Mayaguana</b>						
	59	6	5	5	-	75
<b>Long Island</b>						
Deadmans Cay	89	10	10	11	-	120
Simms	46	7	7	3	-	63
<b>New Providence</b>						
	16,982	2,006	2,267	896	43	22,194
<b>San Salvador</b>						
	72	4	3	2	-	81
<b>Total</b>	<b>21,945</b>	<b>2,733</b>	<b>3,070</b>	<b>1,170</b>	<b>64</b>	<b>28,982</b>

Table 6. Short-Term Benefit &amp; Assistance Payments, 2003

Island/Local Office	Sickness Benefit	Maternity Benefit	Maternity Grant	Funeral Benefit	Sickness Assistance	Total
<b>Abaco</b>						
Marsh Harbour	192,209	141,633	27,200	33,000	-	394,042
Coopers Town	88,390	24,596	6,800	19,500	154	139,440
<b>Andros</b>						
Fresh Creek	77,958	21,462	5,200	6,000	-	110,620
Kemps Bay	39,885	12,893	4,400	1,500	408	59,086
Nicholls Town	47,233	8,594	3,600	9,000	-	68,427
<b>Bimini &amp; Berry Islands</b>						
Cat Island	32,318	13,857	5,600	16,500	-	68,274
Crooked Island & Acklins	21,386	1,091	-	-	-	22,478
	4,347	-	-	1,500	-	5,847
<b>Eleuthera</b>						
Governors Harbour	80,996	6,487	2,400	18,000	-	107,883
Harbour Island	60,270	32,360	9,600	10,500	-	112,729
North Eleuthera	-	-	-	-	-	-
Rock Sound	88,469	20,734	3,600	9,331	1,908	124,042
Spanish Wells	141,537	13,088	2,000	15,000	-	171,625
<b>Exuma &amp; Ragged Island</b>						
Grand Bahama	97,004	75,910	15,200	12,000	-	200,115
Inagua & Mayaguana	1,429,249	865,941	225,400	238,500	1,300	2,760,390
	23,443	7,855	2,400	7,900	302	41,901
<b>Long Island</b>						
Deadmans Cay	28,411	21,955	4,800	19,500	-	74,666
Simms	15,553	8,358	2,800	4,500	-	31,211
<b>New Providence</b>						
San Salvador	7,317,420	3,980,626	903,699	1,311,000	18,294	13,531,038
	21,675	3,045	2,400	3,000	-	30,120
<b>Total</b>	<b>9,807,753</b>	<b>5,260,487</b>	<b>1,227,099</b>	<b>1,736,231</b>	<b>22,366</b>	<b>18,053,935</b>

Note: Totals may not balance due to rounding.

Table 7. Long-Term Benefit &amp; Assistance Claims Awarded, 2003

Island/Local Office	Retirement Benefit	Invalidity Benefit	Survivors' Benefit	OANCP	Invalidity Assistance	Survivors' Assistance	Total
<b>Abaco</b>							
Marsh Harbour	25	5	13	4	2	1	50
Coopers Town	12	-	3	2	1	-	18
<b>Andros</b>							
Fresh Creek	6	1	4	4	1	-	16
Kemps Bay	9	1	2	4	-	-	16
Nicholls Town	19	5	6	7	9	5	51
<b>Bimini &amp; Berry Islands</b>	15	3	2	1	-	-	21
<b>Cat Island</b>	2	-	2	3	2	-	9
<b>Crooked Island &amp; Acklins</b>	1	-	-	1	-	1	3
<b>Eleuthera</b>							
Governors Harbour	24	2	4	-	-	-	30
Harbour Island	12	2	3	-	-	1	18
North Eleuthera	-	-	-	-	-	-	-
Rock Sound	9	4	3	-	2	1	19
Spanish Wells	10	-	4	1	-	-	15
<b>Exuma &amp; Ragged Island</b>	19	2	4	1	1	-	27
<b>Grand Bahama</b>	183	40	62	11	30	3	329
<b>Inagua &amp; Mayaguana</b>	2	-	4	1	-	-	7
<b>Long Island</b>							
Deadmans Cay	11	2	-	1	1	-	15
Simms	7	1	-	-	2	-	10
<b>New Providence</b>	645	143	272	81	80	39	1,260
<b>San Salvador</b>	3	-	1	-	-	-	4
<b>Total</b>	<b>1,014</b>	<b>211</b>	<b>389</b>	<b>122</b>	<b>131</b>	<b>51</b>	<b>1,918</b>



Table 8. Long-Term Benefit &amp; Assistance Payments, 2003

Island/Local Office	Retirement Benefit	Invalidity Benefit	Survivors' Benefit	OANCP	Invalidity Assistance	Survivors' Assistance	Total
<b>Abaco</b>							
Marsh Harbour	999,201	183,371	197,217	276,903	191,000	81,326	1,929,018
Coopers Town	630,406	61,516	85,690	107,000	64,800	29,160	978,572
<b>Andros</b>							
Fresh Creek	126,952	16,995	46,887	92,400	48,000	13,164	344,398
Kemps Bay	548,091	48,128	107,095	279,200	170,000	25,573	1,178,087
Nicholls Town	334,912	39,434	91,704	219,400	169,200	47,296	901,946
<b>Bimini &amp; Berry Islands</b>	257,085	12,870	93,341	121,793	46,400	10,080	541,570
<b>Cat Island</b>	236,096	26,783	30,855	274,525	78,600	22,157	669,015
<b>Crooked Island &amp; Acklins</b>	205,502	2,760	17,310	95,377	21,600	16,716	359,265
<b>Eleuthera</b>							
Governors Harbour	651,649	96,636	83,910	104,600	65,200	11,956	1,013,951
Harbour Island	273,972	30,360	39,315	21,800	18,400	9,404	393,251
North Eleuthera	258,170	26,266	45,792	98,800	45,600	15,520	490,149
Rock Sound	548,770	116,650	79,368	150,800	174,600	50,736	1,120,923
Spanish Wells	536,191	22,535	56,772	72,400	38,000	2,400	728,298
<b>Exuma &amp; Ragged Island</b>	364,348	33,668	38,746	139,660	65,259	39,055	680,738
<b>Grand Bahama</b>	3,299,159	1,030,762	844,108	729,200	781,719	142,899	6,827,846
<b>Inagua &amp; Mayaguana</b>	713,370	39,257	69,628	66,200	40,200	-	928,656
<b>Long Island</b>							
Deadmans Cay	176,763	31,943	62,350	209,200	93,200	36,115	609,572
Simms	219,963	17,729	20,490	92,560	50,800	14,666	416,207
<b>New Providence</b>	36,571,760	5,838,418	7,517,848	4,997,402	4,652,076	1,239,115	60,816,619
<b>San Salvador</b>	222,745	15,586	4,575	63,400	23,000	5,237	334,542
<b>Total</b>	<b>47,175,106</b>	<b>7,691,667</b>	<b>9,533,002</b>	<b>8,212,621</b>	<b>6,837,654</b>	<b>1,812,575</b>	<b>81,262,625</b>

Note: Totals may not balance due to rounding.

Table 9. Industrial Benefit Claims Awarded, 2003

Island/Local Office	Medical Care	Injury Benefit	Disablement Benefit & Grant	Industrial Death	Industrial Funeral	Total
<b>Abaco</b>						
Marsh Harbour	23	41	-	1	-	65
Coopers Town	-	9	-	-	-	9
<b>Andros</b>						
Fresh Creek	3	1	1	-	-	5
Kemps Bay	2	9	-	-	-	11
Nicholls Town	2	4	-	-	-	6
<b>Bimini &amp; Berry Islands</b>						
Cat Island	1	1	-	-	-	2
Crooked Island & Acklins	-	3	-	-	-	3
<b>Eleuthera</b>						
Governors Harbour	3	12	-	-	-	15
Harbour Island	1	8	-	-	-	9
North Eleuthera	-	-	-	-	-	-
Rock Sound	3	10	-	-	-	13
Spanish Wells	6	14	-	-	-	20
<b>Exuma &amp; Ragged Island</b>						
Grand Bahama	5	17	-	-	-	22
Inagua & Mayaguana	76	169	12	-	-	257
<b>Long Island</b>						
Deadmans Cay	1	1	-	-	-	2
Simms	2	3	-	-	-	5
<b>New Providence</b>						
San Salvador	6	9	-	-	-	15
<b>Total</b>	985	909	52	-	-	1,946
	3	8	-	-	-	11
	1,122	1,228	65	1	0	2,416

Table 10. Industrial Benefit Payments, 2003

Island/Local Office	Medical Care	Injury Benefit	Disablement Benefit & Grant	Industrial Death	Industrial Funeral	Total
<b>Abaco</b>						
Marsh Harbour	-	29,387	17,865	3,238	-	50,490
Coopers Town	-	4,240	12,600	1,582	-	18,422
<b>Andros</b>						
Fresh Creek	-	1,516	13,756	-	-	15,272
Kemps Bay	-	2,758	8,416	2,760	-	13,934
Nicholls Town	-	795	11,711	-	-	12,506
<b>Bimini &amp; Berry Islands</b>						
Cat Island	-	890	14,610	4,990	-	20,490
Crooked Island & Acklins	-	428	8,304	6,572	-	15,304
<b>Eleuthera</b>						
Governors Harbour	-	6,294	5,885	-	-	12,179
Harbour Island	-	4,832	1,000	-	-	5,832
North Eleuthera	-	-	416	-	-	416
Rock Sound	-	2,434	9,532	6,060	-	18,027
Spanish Wells	-	9,375	11,532	-	-	20,908
<b>Exuma &amp; Ragged Island</b>						
Grand Bahama	4,028	160,365	98,259	18,023	-	280,675
<b>Inagua &amp; Mayaguana</b>						
Long Island	-	5,230	-	-	-	5,230
Deadmans Cay	-	647	-	2,760	-	3,407
Simms	-	2,292	2,400	-	-	4,692
<b>New Providence</b>	3,400,607	745,849	1,948,864	260,267	-	6,355,587
<b>San Salvador</b>	-	4,120	4,450	1,140	-	9,710
<b>Total</b>	<b>3,404,635</b>	<b>989,428</b>	<b>2,172,001</b>	<b>307,391</b>	<b>-</b>	<b>6,873,455</b>

Note: Totals may not balance due to rounding.

Table 11. Pensions In Payment, December 2003

Island	Retirement Benefit	Invalidity Benefit	Survivors' Benefit	OANCP	Invalidity Assistance	Survivors' Assistance	Disablement Benefit	Industrial Death	Total
Abaco	490	64	107	153	106	51	9	4	984
Andros	314	35	93	233	156	45	6	1	883
Bimini & Berry Islands	86	5	33	47	20	3	3	1	198
Cat Island	79	8	13	113	34	12	3	2	264
Crooked Island & Acklins	74	1	6	38	9	8	1	-	137
Eleuthera	683	95	115	176	136	47	3	2	1,257
Exuma & Ragged Island	173	13	24	65	32	21	-	-	328
Grand Bahama	1,032	292	370	293	336	77	32	5	2,437
Inagua & Mayaguana	106	11	25	28	16	-	-	-	186
Long Island	239	20	22	115	69	23	1	1	490
New Providence	8,617	1,360	2,478	2,030	1,865	627	345	61	17,383
San Salvador & Rum Cay	66	5	2	25	11	5	1	1	116
Total	11,959	1,909	3,288	3,316	2,790	919	404	78	24,663

Table 12. Pensions in Payment at Year-end, 1999 - 2003

Long-term Benefits		2003	2002	2001	2000	1999
Retirement Benefit		11,959	11,460	10,698	9,778	9,105
Invalidity Benefit		1,909	1,852	1,720	1,607	1,517
Survivor's Benefit		3,288	3,152	2,953	2,783	2,608
Old-Age Non-Cont. Pension		3,316	3,513	3,720	3,858	4,083
Invalidity Assistance		2,790	2,816	2,782	2,744	2,750
Survivor's Assistance		919	965	1,018	1,051	1,107
Total		24,181	23,758	22,891	21,821	21,170
Industrial Benefits		2003	2002	2001	2000	1999
Disablement		404	346	313	288	262
Industrial Death		78	84	86	86	83
Total		482	430	399	374	345

Table 13. Short-Term Benefits &amp; Assistance, 1999 to 2003

Amount Paid ('000s)	Amount Paid ('000s)			
	2003	2002	2001	2000
Sickness Benefit	\$9,808	\$9,055	\$9,345	\$9,009
Maternity Benefit	\$5,260	\$5,284	\$5,145	\$4,733
Maternity Grant	\$1,227	\$1,261	\$1,283	\$1,262
Funeral Benefit	\$1,736	\$1,737	\$1,696	\$1,699
Sickness Assistance	\$22	\$25	\$21	\$19
<b>Total</b>	<b>\$18,054</b>	<b>\$17,362</b>	<b>\$17,490</b>	<b>\$16,722</b>
<b>Number of Claims Awarded</b>				
	2003	2002	2001	2000
Sickness Benefit	21,945	18,167	19,852	20,947
Maternity Benefit	2,733	3,016	2,954	2,841
Maternity Grant	3,070	3,242	3,193	3,046
Funeral Benefit	1,170	1,170	1,121	1,118
Sickness Assistance	64	87	81	65
<b>Total</b>	<b>28,982</b>	<b>25,682</b>	<b>27,201</b>	<b>28,017</b>
				1999
Sickness Benefit				18,321
Maternity Benefit				2,600
Maternity Grant				2,803
Funeral Benefit				1,007
Sickness Assistance				56
<b>Total</b>				<b>24,787</b>



Table 14. Long-Term Benefits &amp; Assistance, 1999 to 2003

Amount Paid ('000s)		2003	2002	2001	2000	1999
Retirement Benefit		\$47,175	\$44,544	\$39,883	\$36,480	\$33,639
Invalidity Benefit		\$7,692	\$7,179	\$6,560	\$5,907	\$5,532
Survivor's Benefit		\$9,533	\$9,095	\$8,154	\$7,451	\$6,855
Old-Age Non-Cont. Pension		\$8,213	\$8,669	\$8,692	\$8,508	\$9,176
Invalidity Assistance		\$6,838	\$6,891	\$6,533	\$6,035	\$6,170
Survivor's Assistance		\$1,813	\$1,944	\$1,862	\$1,870	\$1,956
Total		\$81,263	\$78,322	\$71,684	\$66,251	\$63,328
Number of Claims Awarded		2003	2002	2001	2000	1999
Retirement Benefit		1,014	1,135	1,171	1,072	1,204
Invalidity Benefit		211	261	217	214	273
Survivor's Benefit		389	396	389	364	470
Old-Age Non-Cont. Pension		122	135	216	168	186
Invalidity Assistance		131	172	179	178	238
Survivor's Assistance		51	64	75	63	119
Total		1,918	2,163	2,247	2,059	2,490

Table 15. Industrial Benefits, 1999 to 2003

Amount Paid ('000s)	2003	2002	2001	2000	1999
Medical Care	\$3,405	\$4,692	\$2,759	\$2,775	\$2,562
Injury Benefit	\$989	\$1,037	\$956	\$1,054	\$879
Disablement Benefit & Grant	\$2,172	\$2,023	\$1,652	\$1,587	\$1,315
Industrial Death	\$307	\$310	\$308	\$290	\$318
Industrial Funeral*	\$0	\$0	\$0	\$6	\$0
Total	\$6,873	\$8,062	\$5,675	\$5,712	\$5,074
Number of Claims Awarded	2003	2002	2001	2000	1999
Medical Care	1,122	N/A	667	749	836
Injury Benefit	1,228	1,265	1,216	1,509	1,372
Disablement Benefit & Grant	65	39	26	19	69
Industrial Death	1	3	2	10	9
Industrial Funeral*	0	1	0	4	0
Total	2,416	1,308	1,911	2,291	2,286

\* Prior to 2000, Industrial Funeral Benefits were paid as a Funeral Benefit from the Short-term Benefit Branch

