

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations
Staff Mutual Insurance Society against Sickness and Accident



UNITED NATIONS

2008

MANAGEMENT REPORT 2008

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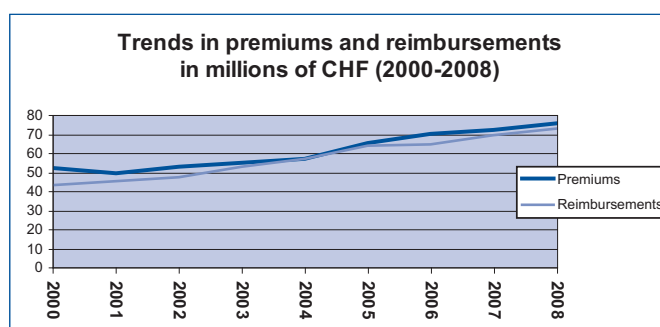
Executive Committee from 1 January 2008 to 31 December 2008

Chairperson:	Ridha Zargouni
Vice-Chairperson:	Oleg Kisselev
Members:	Robert Foort Patricia Geddes (WMO) as from 1 February 2008 Javier Campos Hélène Fabiani
Alternates:	Tarik Kurdi Ibrahim Hassan / Christophe Duverger (UNHCR) Jalil Housni (WMO)
Observer:	Pierre Vangeleyn (AAFI/AFICS)
Medical Advisers:	Dr. Farida Djelloul Dr. Michel Baduraux Dr. Pascal Achard
Executive Secretary:	Patrick Goergen

Introduction

1. During 2008, the United Nations Staff Mutual Insurance Society (the Society) recorded CHF 72.8 million in benefits paid, representing an increase of 4 per cent over 2007. This increase is partly due to an expansion in the number of members, by 3.5%, but also due to a rise in the average benefit payments per member, from CHF 3,474 in 2007 to CHF 3,487 in 2008. The capacity of the premium income to cover the benefit payments stayed stable: in 2008, the benefit payments/premium income stood at 96.2%, compared with 96.8% in 2007.
2. The graph 1 below shows the trends of these ratios over the past 8 years, in nominal terms.

Graph 1



3. The overall financial performance of the Society which can be measured by a combined ratio of total expenditure/total income showed an overall positive position, owing in particular to premium income. The table 1 below shows the trend of the combined ratio over the past five years.

Table 1

Combined ratio (Total expenditure/Total revenue) (%)

2008	2007	2006	2005	2004
92.5	85.5	91.3	94.3	98.8

4. In 2008, total income stood at CHF 81.5 million compared with a total expenditure of CHF 75.4 million. While the surplus of income over expenditure reached CHF 6.1 million, the position of the Society's reserve and fund balance after taking into account US dollar/Swiss francs conversion adjustments decreased from CHF 118.4 million in 2007 to CHF 116.1 million in 2008. Further details can be obtained in the statement of income and expenditure and statement of assets, liabilities, reserves and fund balances in the Annex I of the report.
5. To assist in preserving the financial health of the Society, members are encouraged to:
 - Maintain a thoughtful approach in using the medical services efficiently/less costly, especially avoiding to seek medical treatments in countries where health-care costs are significantly higher than Europe;
 - Give preference to those healthcare providers with which the Society has an agreement. Members are regularly informed of details of agreements with healthcare providers through circulars, broadcasts and the intranet site of the Society;

- Request generic drug whenever possible and when better priced than marked products;
- Adopt a lifestyle that includes a sensible diet and healthy habits; and
- Make use of the walk-in clinic of the medical services at the Palais des Nations.

I. FINANCIAL SITUATION

6. *The balance sheet and accounts for 2008* are set out in Swiss francs and are shown in annex I.
17. *The income from premiums* amounted CHF 75.6 million in 2008, representing 92.8 % of the *total income* of CHF 81.5 million. Comparing this total income with the total expenditure of CHF 75.4 million, the Society shows an operating surplus of CHF 6.1 million.
18. *Total Reserves and Fund Balances as at 31 December 2008* were CHF 116.1 million. This amount is equivalent to approximately 18.5 months worth of benefit payments. Total reserves and fund balances of the Society consist of (a) the statutory minimum reserve fund; (b) the reserve for claims to be paid; (c) the reserve for claims incurred but not reported; (d) the reserve for catastrophic claims; (e) the reserve for currency fluctuations; (f) the reserve for terminal indemnities; and (g) the actuarial reserve for long-term risks. The major reserves are highlighted below.
19. As at 31 December 2008, *the statutory minimum reserve fund* stood at CHF 38.8 million, which represents 28.9% of the total benefits paid during the previous two years – which is more than the statutory required minimum of 25%.
10. As at 31 December 2008, *the reserve for claims incurred but not reported* (expenditure incurred but not yet submitted to the Society) stood at CHF 33.6 million.
11. *The reserve for catastrophic risks*, which stood at CHF 6.7 million as at 31 December 2008, was established in 1993 to protect the Society against the risk of having to pay out exceptionally large amounts in respect of one or more members. While a reinsurance policy is often used instead of a reserve of this kind, the annual premiums for a small health insurance scheme like the Society would be very high. By decision of the Executive Committee, the amount of the reserve must not be less than 5% of the total benefits paid during the previous two calendar years. The level of the reserve as at 31 December 2008 complied with this requirement.
12. *The actuarial reserve for long-term risks* was established in 1995 in order to cover the continuous increase in health-care costs and the progressive increase in the average age of members. Investment income from this reserve for long-term risks should make it possible to limit the rise in premiums. This reserve was increased to CHF 25 million in 2004 and has been held at this level to cover dependency benefits.
13. *The Society's investments as at 31 December 2008* are shown in annex II. The Society's assets are deposited in recognized banking institutions in Switzerland, in accordance with the Statutes. They represent the cover for the Society's liabilities, and the criteria for investments are security, negotiability and spread of risk, rather than maximum return. As at 31 December 2008, the cash and term deposits of CHF 43.8 million and the long-term investments in bonds valued CHF 43.2 were managed by Financial Resources Management Service, UNOG. In addition, an externally managed investment portfolio, established with an initial value of CHF 25 million, had a principal value of CHF 30.6 million as at 31 December 2008 (CHF 30.1 million as at 31 December 2007).

II. TRENDS IN INCOME AND EXPENDITURE

14. *Income from premiums* rises steadily from year to year. In 2008, for instance, premium income was 4.5% higher than in 2007 (table 2). Benefit payments over the same period rose from CHF 70 million in 2007 to CHF 72.8 million in 2008 (table 3), an increase of 3.9%.

Table 2
Income from premiums (in CHF)

Premiums	2008	2007	2006
	75 648 784	72 379 321	70 227 472

Table 3
Benefits paid (in CHF)

Benefits	2008	2007	2006
	72 798 415	70 042 344	64 410 718

15. *The loss ratio* (benefits paid/premiums received: see table 4) is a measure of the Society's ability to meet its expenses. The surplus of income over expenditure enables the Society to cover operating costs and maintain its reserves at a constant level in relation to expenditure.

Table 4
Loss ratio (%)

2008	2007	2006	2005	2004	2003	2002
96.2	96.8	91.7	97.8	99.9	95.9	89.6

16. *In 2008, the Society's staffing costs* accounted for 2.48% of total benefits paid by the Society, and thus remained very low in comparison with commercial health insurers and at an historical low since beginning of the decade (table 5).

Table 5
Staff costs as a percentage of total benefits paid

2008	2007	2006	2005	2004	2003	2002
2.48	2.64	2.79	2.75	2.65	2.81	3.21

III. THE SOCIETY IN FIGURES

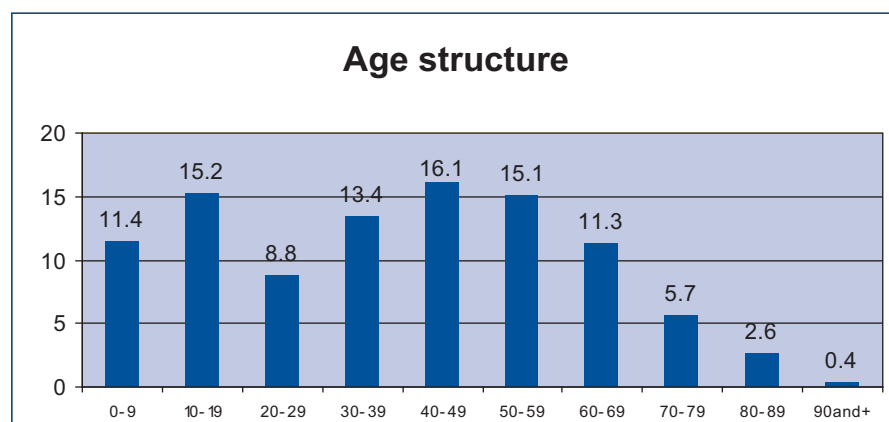
17. *The number of members and dependants at 31 December 2008 totalled 20,877, which represents an increase of 3.5% compared with 2007 figure. Similarly, the number of retired members has also risen slightly in relative terms, as can be seen from table 6 below. The average age of members, including children, was 40 years and 7 months. Graph 2 shows the Society's age structure.*

Table 6

Number of individuals insured

	2008	2007	2006	2005
Serving members and their dependants	15 834	15 357	14 989	14 884
Retired members and their dependants	5 043	4 803	4 622	4 384
Total	20 877	20 160	19 611	19 268

Graph 2



18. *The breakdown of the Society's expenditure by category of benefit (table 7) shows that hospital care and surgery predominate: they accounted for 34.94% of total benefits reimbursed in 2008. General medical fees and medical specialists' fees come second (19.03% in total), while the other two major items of expenditure: pharmaceutical products and dental and orthodontic treatment, accounted for 11.78% and 10.95% respectively, of total reimbursements.*

Table 7
Reimbursements (in %)

	2008	2007	2006	2005	2004
Hospital care	34.94	34.14	35.25	36.24	35.75
Convalescence	2.27	3.40	2.90	2.71	2.17
Residential (EMS) and dependency benefit	2.51	2.29	2.15	2.06	1.80
General medical fees	15.18	15.31	15.47	15.80	15.27
Medical specialists' fees	3.85	3.84	3.57	3.51	3.88
X-rays	4.94	4.71	4.03	4.10	4.29
Laboratory fees	3.87	3.74	3.63	3.84	4.20
Functional rehabilitation	2.55	2.59	2.64	2.47	2.66
Pharmaceutical products	11.78	11.99	11.52	11.82	12.04
Psychotherapy	1.69	1.57	1.39	1.45	1.47
Dental	10.95	11.01	11.10	11.04	11.41
Optical	3.90	4.01	4.04	3.78	3.91
Transport	0.40	0.36	0.37	0.35	0.30
Other	1.17	1.05	0.94	0.83	0.85

19. *The breakdown of amounts reimbursed per member shows that reimbursements in excess of CHF 50,000.- accounted for around 20% of the total and were paid to only 0.7% of members.*
20. *In 2008, the Society made payments in more than 120 countries, in response to 67,217 claims. The main currency of payment was the Swiss franc (82.5%), followed by the Euro (10.9%) and the United States dollar (6.6%).*
21. *An average of 306 claims were handled each working day in 2008, an increase of 4.4% compared with 293 in 2007. The daily processing rate has risen continuously over the past few years (306 in 2008, 293 in 2007, 248 in 2006, and 247 in 2005), reflecting a steady rise in productivity within the Medical Insurance.*

IV. ACTIVITIES OF THE SOCIETY

22. The Executive Committee met 8 times in 2008. It considered general policy on the management of the Society and reached decisions on 11 special cases submitted during the year. Two circulars and information bulletins were published in 2008.
23. The information for members on the Society's Intranet and Internet sites is updated regularly. This information can also be accessed, using the insurance card, at www.covercheck.com.
24. In accordance with the Society's Internal Rules, the Executive Committee also monitored the proper functioning of the Society and its long-term financial situation. Deliberations within the Committee resulted in the following measures being taken:

- The Fund for Additional Medical Aids (FAMA), which amounts to just over US\$ 68,480 at the end of 2008 continued to receive applications, which were dealt with on a case-by-case basis by the Society's Executive Committee.

Table 8

Fund for Additional Medical Aids (FAMA)

Number of cases dealt with per year from 2004 to 2008				
2008	2007	2006	2005	2004
2	2	1	1	2
Funds in USD available at the end of each year from 2004 to 2008				
2008	2007	2006	2005	2004
USD 68 480	USD 85 354	USD 98 855	USD 79 462	USD 90 482

- The Committee, in accordance with the Statutes of the Society, was regularly updated on the status of the Society's investments by the Executive Secretary as well as the Financial Resources Management Service, UNOG. The funds of the Society are administered by Financial Resources Management Service, UNOG consisting both the short-term and long-term investments internally managed, and the portfolio managed by an external institution.
 - The preventive care initiatives taken by the Society since 2004 on the basis of recommendations by the Committee have fully proved their worth. In 2008, for example, some 750 retirees were vaccinated against influenza and 131 were given a standard blood test at the UNOG and UNHCR Medical Services. In view of the success to date in containing expenditure, HIV and hepatitis C tests have been made fully refundable as from the second half of 2006.
 - The Executive Committee was represented by the Executive Secretary at meetings of the mutual insurance societies of the Geneva-based international organizations, at which, among other things, joint strategies were worked out for negotiations with service providers, and much information was exchanged concerning trends in costs and ways of keeping expenditure down.
25. In 2008, a RFP was launched for the migration of the application used currently by the Medical Insurance Unit for registration of members and calculation of claims to a web-based platform using Oracle as a database. The project with an objective of ensuring business continuity of the Society's operations started in late 2008 with a planned completion during the last quarter of 2009. A first charge of CHF 458,713.- equivalent was earmarked against 2008 exercise for financing this project.
 26. At the end of 2008, the Executive Secretary conducted a client satisfaction survey among its members. In all, 1,040 active staff and retirees responded to the questionnaire. The result showed that 89% of respondent were very satisfied or satisfied with the services provided by UNSMIS. Nevertheless, the results showed that services could be somewhat improved in particular telephone help-lines and Intranet/Internet sites had rating of between 75 and 80% satisfaction.

Annex I
UNITED NATIONS STAFF MUTUAL INSURANCE SOCIETY AGAINST SICKNESS AND ACCIDENT
Statement of income and expenditure and changes in reserves and fund balances for year 2008
ending 31 December 2008
(in Swiss francs)

INCOME	2008	Percentage	2007 ^a	Percentage
Premium income	75 648 784	92,84	72 379 321	85,80
Interest income	3 128 233	3,84	5 133 342	6,08
Miscellaneous income	14 379 ^b	0,02	61 365 ^b	0,07
Gain on exchange	2 689 101	3,30	6 791 087	8,05
Total income (1)	81 480 497	100,00	84 365 115	100,00
EXPENDITURE				
Claims reimbursements	72 798 415	96,60	70 042 344	97,11
Staff and other personnel costs	1 802 185	2,39	1 851 206	2,57
Operating and other expenses	298 183	0,40	31 139	0,04
Acquisitions	459 798	0,61	203 375	0,28
Total expenditure (2)	75 358 581	100,00	72 128 064	100,00
Excess (shortfall) of income over expenditure (1)-(2)	6 121 916		12 237 051	
Prior period adjustments			(80 333)	
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	6 121 916		12 156 718	
RESERVE AND FUND BALANCE: 1 JANUARY	118 438 517		113 951 051	
USD/CHF conversion adjustment	(8 423 987)		(7 669 252)	
RESERVE AND FUND BALANCE: 31 DECEMBER	116 136 446		118 438 517	

^a Comparative figures have been reclassified to conform to current presentation.

^b Represents refund of prior period expenditures and savings on prior period obligations.

Statement of assets, liabilities, reserves and fund balances as at 31 December 2008
(in Swiss francs)

<i>Assets</i>	
Cash and term deposits	43 839 006
Long-term investments	73 722 760
Other accounts receivable	2 226 115
Other asset (deferred expenditure)	51 100
TOTAL ASSETS	119 838 981
<i>Liabilities</i>	
Inter-fund balances payable	414 297
Other accounts payable	2 737 532
Unliquidated obligations	499 606
Other liabilities	51 100
TOTAL LIABILITIES	3 702 535
<i>Reserves and fund balances</i>	
Reserve for claims to be paid	5 800 000
Reserve for claims incurred but not reported	33 600 000
Reserve for catastrophic claims	6 700 000
Reserve for currency fluctuations	5 000 000
Reserve for terminal indemnities	1 200 000
Actuarial reserve for long-term risks	25 000 000
Reserve fund	38 836 446
TOTAL RESERVES AND FUND BALANCES	116 136 446
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	119 838 981



Certified by: Chief
Financial Resources Management Service
Ms. Kumiko Matsuura-Mueller



Approved by: Present Chairperson,
Executive Committee
Mr. Oleg Kisselev

ANNEX II
CALL ACCOUNT AS AT 31 DECEMBER 2008

CURR.	PRINCIPAL	BANK
USD	37 322 186.01	JP Morgan Chase, New York

SHORT-TERM INVESTMENT STATEMENT AS AT 31 DECEMBER 2008

CURR.	PRINCIPAL	RATE	PERIOD	INTEREST	MATURITY VALUE	BANK
CHF	4 800 000.00	0.35000%	30/12/2008 - 14/01/2009	700.00	4 800 700.00	UBS AG, Investment Banking
Total	CHF 4 800 000.00					
	USD 4 588 910.13	at exchange rate 1.046				
Grand Total	USD 4 588 910.13					

EXTERNALLY MANAGED FUNDS
BNP PARIBAS ASSET MANAGEMENT STATEMENT AS AT 31 DECEMBER 2008

	CURR.	PRINCIPAL	MARKET VALUE
Total Portfolio	CHF	30 560 288.00	28 441 058.00
	USD Equiv.	29 216 336.52	27 190 304.02
			at 1.046 exchange rate

BOND STATEMENT AS AT 31 DECEMBER 2008

	COUPON RATE	CURR.	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	YIELD	ISSUE
BOND	3.12500%	CHF	597 900.00	600 240.00	600 000.00	10/02/2009	3.12375%	BAYERISCHE LANDESBANK GIROZENTRALE
BOND	3.25000%	CHF	498 636.36	500 150.00	500 000.00	11/02/2009	3.24903%	SWISS CONFEDERATION (split)
BOND	3.25000%	CHF	1 494 750.00	1 500 450.00	1 500 000.00	11/02/2009	3.24903%	SWISS CONFEDERATION (split)
BOND	2.12500%	CHF	1 499 715.00	1 501 350.00	1 500 000.00	25/03/2009	2.12309%	REPUBLIC OF POLAND
BOND	4.00000%	CHF	699 440.00	715 050.00	700 000.00	20/10/2009	3.91581%	STATOILHYDRO ASA (FMR STATOIL DEN NORSKE)
BOND	1.87500%	CHF	699 804.00	694 890.00	700 000.00	29/12/2009	1.88879%	NATIONAL AUSTRALIA BANK
BOND	2.00000%	CHF	1 096 920.00	1 105 720.00	1 100 000.00	10/02/2010	1.98965%	BAYERISCHE LANDESBANK
BOND	3.12500%	CHF	1 999 636.36	2 047 000.00	2 000 000.00	15/07/2010	3.06325%	ITALIAN REPUBLIC
BOND	6.00000%	CHF	399 825.00	441 200.00	400 000.00	20/11/2010	5.43971%	ASIAN DEVELOPMENT BANK
BOND	3.50000%	CHF	599 666.67	626 700.00	600 000.00	10/12/2010	3.35089%	PFANDBRIEFZENTRALE DER SCHWEIZ: KantonalBanken
BOND	3.62500%	CHF	1 499 775.00	1 575 000.00	1 500 000.00	22/02/2011	3.45238%	STADT BERN
BOND	2.37500%	CHF	1 147 942.86	1 132 750.00	1 150 000.00	18/03/2011	2.41117%	GREECE (HELENIC REPUBLIC)
BOND	3.25000%	CHF	1 044 356.25	1 098 300.00	1 050 000.00	01/06/2011	3.10707%	RESEAU FERRE DE FRANCE SA (RFF)
BOND	2.87500%	CHF	999 940.00	820 000.00	1 000 000.00	20/06/2011	3.50610%	AMERICAN INTERNATIONAL GROUP
BOND	3.37500%	CHF	1 496 700.00	1 610 250.00	1 500 000.00	25/01/2012	3.14392%	REPUBLIC OF AUSTRIA
BOND	2.75000%	CHF	1 939 507.69	2 120 000.00	2 000 000.00	10/06/2012	2.59434%	SWISS CONFEDERATION
BOND	3.37500%	CHF	2 000 000.00	2 112 000.00	2 000 000.00	27/08/2012	3.19602%	NEDERLANDSE WATERSCHAPS BANK NV
BOND	2.37500%	CHF	499 633.34	504 500.00	500 000.00	19/12/2012	2.35382%	SWEDISH COVERED BOND CORP
BOND	2.75000%	CHF	1 998 000.00	2 065 000.00	2 000 000.00	07/05/2013	2.66344%	KOMMUNEKREDIT, DENMARK
BOND	2.50000%	CHF	1 993 222.22	2 043 000.00	2 000 000.00	08/07/2013	2.44738%	PROVINCE OF ONTARIO
BOND	2.25000%	CHF	1 496 906.25	1 470 000.00	1 500 000.00	20/01/2014	2.29592%	AKADEMISKA HUS AB
BOND	3.12500%	CHF	1 495 014.29	1 525 500.00	1 500 000.00	10/10/2014	3.07276%	CFP - Cie de Financement Foncier

BOND STATEMENT AS AT 31 DECEMBER 2008 (CONTINUE)

COUPON RATE	CURR.	PRINCIPAL VALUE	MARKET VALUE	FACE VALUE	MATURITY	YIELD	ISSUE
BOND 3.37500%	CHF	1 493 828.57	1 413 000.00	1 500 000.00	05/12/2014	3.58280%	GENERAL ELECTRIC CAPITAL CORP
BOND 2.62500%	CHF	1 495 012.50	1 542 000.00	1 500 000.00	25/03/2015	2.55350%	STADT ZUERICH
BOND 3.50000%	CHF	997 800.00	1 045 500.00	1 000 000.00	15/07/2015	3.34768%	COMUNIDAD DE MADRID
BOND 3.37500%	CHF	1 994 000.00	2 062 000.00	2 000 000.00	03/08/2015	3.27352%	NORWEGIAN STATE RAILWAYS AS
BOND 3.37500%	CHF	1 000 150.00	1 026 000.00	1 000 000.00	21/12/2015	3.28947%	SANOFI-AVENTIS
BOND 3.00000%	CHF	1 500 000.00	861 750.00	1 500 000.00	29/12/2015	5.22193%	ASIF III (AIG)
BOND 2.37500%	CHF	1 994 400.00	1 810 000.00	2 000 000.00	22/02/2016	2.62431%	NEW YORK LIFE FUNDING
BOND 3.00000%	CHF	1 489 800.00	1 230 000.00	1 500 000.00	16/06/2016	3.65854%	HYPO PFANDBRIEF
BOND 3.25000%	CHF	2 002 970.00	1 983 000.00	2 000 000.00	10/07/2017	3.27786%	ERSTE GROUP BANK AG (name changed on 15.08.08) LTD
BOND 3.25000%	CHF	1 996 220.00	2 089 000.00	2 000 000.00	13/11/2017	3.11154%	CDC (Caisse des Depots et Consignation)
Total	CHF	43 162 472.36	42 871 300.00	43 300 000.00			
	USD	41 264 313.92	40 985 946.46	41 395 793.50			
							at 1.04600 exchange rate