

# MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations  
Staff Mutual Insurance Society against Sickness and Accident



UNITED NATIONS

2012

# MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE YEAR 2012

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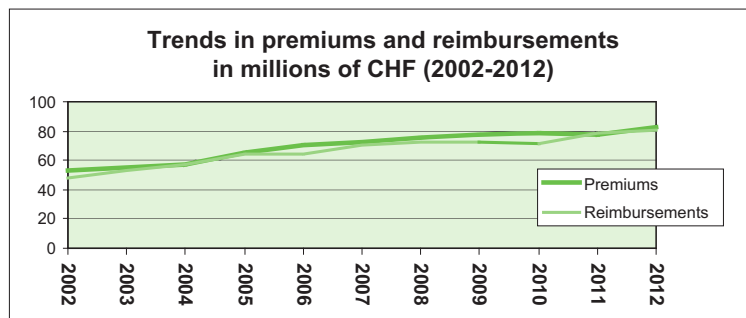
## **Executive Committee from 1 January 2012 to 31 January 2012**

Chairperson:	Hélène Fabiani
Vice-Chairperson:	Christophe Duverger (UNHCR)
Members :	Patricia Geddes (WMO) Sandya Prasad Ian Richards Oleg Kisselev Pierre Vangeleyn
Alternates:	Hervé Blanchet-Voyet Jalil Housni (WMO)
Medical Advisers:	Dr. Pascal Achard Dr. Michel Baduraux until 30 April 2012 Dr. Ferrari Dr. Arena as from 15 July 2012
Executive Secretary:	Patrick Goergen

## Introduction

1. During 2012, the United Nations Staff Mutual Insurance Society (the Society) recorded CHF 80.8 million in benefits paid, a slight increase of expenditures compared to 2011 (CHF 79.0 million). The number of members increased by 3.4%, and benefit payments per member reached CHF 3,427 in 2012 compared to CHF 3,463.- in 2011 : a decrease of 1.2%. The capacity of the premium income to cover the benefit payments stayed intact : in 2012, the benefit payments/premium income stood at 98.0%, compared with 101.8% in 2011.
2. The graph 1 below shows the trends of premiums and reimbursements over the past 10 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 negative position, owing in particular to an only small increase in premium income expressed in Swiss francs and to claims reimbursements increasing slightly. The table 1 below shows the trend of the combined ratio over the past five years.

Table 1

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

2012	2011	2010	2009	2008
100.8	106.2	82.4	94.8	92.5

4. In 2012, total income stood at CHF 83.2 million compared with a total expenditure of CHF 83.9 million. The shortfall of income over expenditure reached CHF 0.7 million. However the position of the Society's reserve after taking into account US dollar/Swiss francs conversion adjustments increased from CHF 116.1 million at the beginning of 2012 to CHF 118.9 million at 31 December 2012. Further details can be obtained from the statement of income and expenditure and statement of assets, liabilities, reserves and fund balances in the Annex II 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 health services efficiently and in giving due consideration to their cost, in particular 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 internet 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.

## I. FINANCIAL SITUATION

6. *The balance sheet and accounts for 2012* set out in Swiss francs is shown in annex II.
7. *The income from premiums* amounted CHF 82.5 million in 2012, representing 99.1 % of the total income of CHF 83.2 million. Comparing this total income with the total expenditure of CHF 83.9 million, the Society shows an operating shortfall of CHF 0.7 million.
8. *Total Reserves and Fund Balances as at 31 December 2012* were CHF 118.9 million. This amount is equivalent to approximately 17.8 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.
9. As at 31 December 2012, *the statutory minimum* reserve fund stood at CHF 36.2 million, which represents 24.1% of the total benefits paid during the previous two years – which is less than the statutory required minimum of 25%. An adjustment of premium was therefore initiated in 2012 with implementation occurring in 2013. It was decided that premiums will be raised on average by 5% in 2013, 2014 and 2015.
10. As at 31 December 2012, *the reserve for claims incurred but not reported* (expenditure incurred but not yet submitted to the Society) stood at CHF 37.5 million.
11. *The reserve for catastrophic risks*, which stood at CHF 7.5 million as at 31 December 2012, 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 2012 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 2012* are shown in annex III. 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 2012, cash and term deposits stood at CHF 49.8 million, short-term investments of

CHF 4.9 million and the long-term investments in bonds valued at CHF 61.3 were managed by the United Nations Treasury, UNHQ.

## II. TRENDS IN INCOME AND EXPENDITURE

14. *Income from premiums* normally rises steadily from year to year, i.e. in 2012, premium income was 6.4% higher than in 2011 (table 2). Benefit payments over the same period increased to CHF 80.8 million in 2012 compared to CHF 79.0 million in 2011 (table 3).

Table 2  
Income from premiums (in CHF)

Premiums	2012	2011	2010	2009
	82 509 083	77 573 343	78 828 379	77 068 793

Table 3  
Benefits paid (in CHF)

Benefits	2012	2011	2010	2009
	80 829 592	78 992 629	71 157 869	72 423 128

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. A slight surplus was recorded in 2012.

Table 4  
Loss ratio (%)

2012	2011	2010	2009	2008	2007	2006
98.0	101.8	90.3	94.0	96.2	96.8	91.7

16. *In 2012, the Society's staffing costs* accounted for 3.5% of total benefits paid by the Society, and thus remained very low in comparison with commercial health insurers (table 5).

Table 5  
Staff costs as a percentage of total benefits paid

2012	2011	2010	2009	2008	2007	2006
3.5	3.4	3.4	2.31	2.48	2.64	2.79

### III. THE SOCIETY IN FIGURES

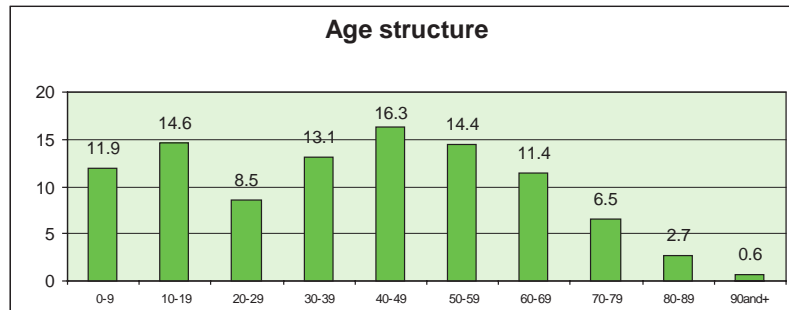
17. The number of members and dependants at 31 December 2012 totalled 23,585, which represents an increase of 3.4% compared with 2011 figure. Similarly, the number of retired members has also risen slightly by 2.3%, as can be seen from table 6 below. The average age of members, including children, was 41 years and 1 month. Graph 2 shows the Society's age structure.

Table 6

#### Number of individuals insured

	2012	2011	2010	2009
Serving members and their dependants	17 780	17 136	16 567	16 164
Retired members and their dependants	5 805	5 676	5 479	5 285
<b>Total</b>	<b>23 585</b>	<b>22 812</b>	<b>22 046</b>	<b>21 449</b>

Graph 2



18. The breakdown of the Society's expenditure by category of benefits (table 7) shows that hospital care and surgery predominate: they accounted for 34.11% of total benefits reimbursed in 2012. General medical fees and medical specialists' fees come second (19.58% in total), while the other two major items of expenditure: pharmaceutical products and dental and orthodontic treatment, accounted for 10.33% and 10.38% respectively, of total reimbursements.

**Table 7**  
**Reimbursements (in %)**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Hospital care	34.11	35.24	35.03	34.58	34.94
Convalescence	2.96	2.79	2.85	3.99	2.27
Residential (EMS) and dependency benefit	2.94	2.81	2.49	2.63	2.51
General medical fees	15.46	15.19	15.11	15.05	15.18
Medical specialists' fees	4.12	3.79	4.26	4.02	3.85
Medical Imagery	5.22	5.26	5.11	4.96	4.94
Laboratory fees	4.10	3.93	3.68	3.77	3.87
Functional rehabilitation	2.71	2.54	2.58	2.51	2.55
Pharmaceutical products	10.33	10.47	10.73	11.41	11.78
Psychotherapy	1.96	1.84	1.90	1.67	1.69
Dental	10.38	10.42	10.54	10.16	10.95
Optical	4.22	4.20	4.08	3.76	3.90
Transport	0.38	0.45	0.41	0.39	0.40
Other	1.12	1.09	1.23	1.10	1.17

19. *The breakdown of amounts reimbursed per member* shows that reimbursements in excess of CHF 50,000.- accounted for around 23.0% (a slight decrease compared to 2011 during which year the high cost claims accounted for 24.5% of total reimbursements) of the total and were paid to only 0.9% of members.
20. *In 2012, the Society made payments in more than 120 countries*, in response to 82,118 claims. The main currency of payment was the Swiss franc (83.7%), followed by the Euro (8.0%) and the United States dollar (7.4%).
21. *An average of 373 claims* were processed each working day in 2012, an increase of 5.7% compared with 353 in 2011.

#### **IV. ACTIVITIES OF THE SOCIETY**

22. The Executive Committee met 7 times in 2012. It considered general policy on the management of the Society and reached decisions on 11 special cases submitted during the year. Three circulars and information bulletins were published in 2012.
23. The information for members on the Society's Internet sites is updated regularly (<https://medical-insurance.unog.ch>).
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) amounted to US\$ 93,184 at the end of 2012.



Table 8

**Fund for Additional Medical Aids (FAMA)**

<b>Number of cases dealt with per year from 2008 to 2012</b>				
<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
2	1	0	0	2
<b>Funds in USD available at the end of each year from 2008 to 2012</b>				
<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
USD 93 184	USD 92 419	USD 77 413	USD 53 783	USD 68 480

- 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 and the United Nations Treasury, UNHQ.
- The preventive care initiatives taken by the Society since 2004 on the basis of recommendations by the Committee under the guidance of the Medical Advisors have fully proved their worth. In 2012, for example, some 735 retirees were vaccinated against influenza and 124 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 tests have been made fully refundable as from the second half of 2006 if undertaken with the mentioned Medical Services.
- 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.

**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 2012 ending  
31 December 2012  
(in United States Dollars)

<b>INCOME</b>	<b>2012</b>	<b>%</b>
Premium income	88 297 964	99.06
Interest income	778 010	0.87
Transaction exchange Gain/Loss	64 269	0.07
<b>Total income (1)</b>	<b>89 140 243</b>	<b>100.00</b>
<b>EXPENDITURE</b>		
Claims reimbursements	86 482 092	96.28
Staff and other personnel costs	3 029 938	3.37
Operating and other expenses	308 383	0.34
Acquisitions	1 226	0.00
<b>Total expenditure (2)</b>	<b>89 821 638</b>	<b>100.00</b>
Exchange Gain/Loss due to revaluation (3)	3 653 222	
Excess / Shortfall of income over expenditure (1) – (2) + (3)	2 971 827	
Prior period adjustments	(15 947)	
<b>NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>2 955 880</b>	
Saving on liquidation	94 013	
<b>RESERVE AND FUND BALANCE : BEGINNING OF PERIOD</b>	<b>127 475 813</b>	
<b>RESERVE AND FUND BALANCE: 31 DECEMBER 2012</b>	<b>130 525 706</b>	

Statement of assets, liabilities, reserves and fund balances as at 31 December 2012  
(in United States Dollars)

<i>Assets</i>	
Cash and term deposits	54 708 978
Short-term investments	5 457 393
Long-term investments	67 271 268
Inter-fund balances receivable	158 456
Other accounts receivable	3 098 090
<b>TOTAL ASSETS</b>	<b>130 694 185</b>
<i>Liabilities</i>	
Other accounts payable	18 883
Unliquidated obligatons – current periods	149 596
<b>TOTAL LIABILITIES</b>	<b>168 479</b>
Reserve for claims to be paid	7 135 016
Reserve for claims incurred but not reported	41 163 557
Reserve for catastrophic claims	8 232 711
Reserve for currency fluctuations	5 488 474
Reserve for terminal indemnities	1 317 234
Actuarial reserve for long-term risks	27 442 371
Reserve fund	39 746 343
<b>TOTAL RESERVES</b>	<b>130 525 706</b>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>130 694 185</b>



Certified by : Chief, Financial Resources  
Management Service  
Mr. Hans George Baritt

**ANNEX II**  
**UNITED NATIONS STAFF MUTUAL INSURANCE SOCIETY**  
**AGAINST SICKNESS AND ACCIDENT**

Statement of income and expenditure and changes in reserves and fund balances for year 2012  
 ending 31 December 2012  
 (in Swiss francs)

<b>INCOME</b>	<b>2012</b>	<b>%</b>	<b>2011</b>	<b>%</b>
Premium income	82 509 083	99.13	77 573 343	99.87
Interest income	660 549	0.79	705 439	0.91
Gain/Loss on exchange	64 566*	0.08	(605 907)	(0.78)
<b>Total income (1)</b>	<b>83 234 198</b>	<b>100.00</b>	<b>77 672 875</b>	<b>100.00</b>
<b>EXPENDITURE</b>				
Claims reimbursements	80 829 592	96.29	78 992 629	95.77
Staff and other personnel costs	2 834 086	3.38	2 691 440	3.26
Operating and other expenses	283 380	0.34	420 934	0.51
Acquisitions	1 200	0.00	373 648	0.45
<b>Total expenditure (2)</b>	<b>83 948 258</b>	<b>100.00</b>	<b>82 478 651</b>	<b>100.00</b>
Exchange Gain/Loss due to reevaluation** (3)	2 861 384**		0	
<b>NET EXCESS/SHORTFALL OF INCOME OVER EXPENDITURE (1) – (2) + (3)</b>	<b>2 147 324</b>		<b>(4 805 776)</b>	
Prior period adjustments	(15 404)			
Savings on liquidation	86 324			
RESERVE AND FUND BALANCE : 1 JANUARY 2012	116 130 466		124 681 621	
USD/CHF conversion adjustment	(560 209)		(588 798)	
<b>RESERVE AND FUND BALANCE : 31 DECEMBER</b>	<b>118 908 918</b>		<b>120 464 643</b>	

Statement of assets, liabilities, reserves and fund balances as at 31 December 2012  
 (in Swiss francs)

<i>Assets</i>	
Cash and term deposits	49 839 879
Short-term investments	4 971 685
Long-term investments	61 284 125
Inter-fund balances receivable	144 353
Other accounts receivable	2 822 360
<b>TOTAL ASSETS</b>	<b>119 062 403</b>
<i>Liabilities</i>	
Other accounts payable	17 203
Unliquidated obligations	136 282
<b>TOTAL LIABILITIES</b>	<b>153 484</b>
Reserve for claims to be paid	6 500 000
Reserve for claims incurred but not reported	37 500 000
Reserve for catastrophic claims	7 500 000
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	36 208 918
<b>TOTAL RESERVES</b>	<b>118 908 918</b>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>119 062 403</b>

**ANNEX III**

**CASH STATEMENT AS AT 31 DECEMBER 2012 (UN OAH INVESTMENT POOL)**

<b>CURR.</b>	<b>PRINCIPAL</b>	<b>EXCHANGE RATE</b>	<b>VALUE IN USD</b>
EUR	1 627 325.17	0.754	2 158 256.19
USD	3 299 136.76	1.000	3 299 136.76

**SHORT-TERM AND MEDIUM-TERM AS AT 31 DECEMBER 2012**

<b>CURR.</b>	<b>PRINCIPAL</b>	<b>EXCHANGE RATE</b>	<b>VALUE IN USD</b>
CHF	49 839 878.96	0.911	54 708 978.05

### BOND STATEMENT AS AT 31 DECEMBER 2012

	COUPON RATE	CURR.	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	YIELD	ISSUE
BOND	2.50000%	CHF	1 000 000.00	1 002 842.00	1 000 000.00	19/02/2013	2.4929	RABOBANK NEDERLAND
BOND	2.75000%	CHF	2 006 000.00	2 018 818.00	2 000 000.00	07/05/2013	2.7244	KOMMUNEKREDIT, DENMARK
BOND	2.50000%	CHF	1 987 800.00	2 026 674.00	2 000 000.00	08/07/2013	2.4671	PROVINCE OF ONTARIO
BOND	2.25000%	CHF	1 495 875.00	1 548 634.50	1 500 000.00	20/01/2014	2.1793	AKADEMISKA HUS AB
BOND	3.50000%	CHF	2 150 889.00	2 075 272.00	2 000 000.00	28/01/2014	3.3731	EUROPEAN INVESTMENT BANK
BOND	1.87500%	CHF	1 541 922.00	1 530 435.00	1 500 000.00	07/02/2014	1.8377	CONSEIL DE L'EUROPE
BOND	2.25000%	CHF	2 602 500.00	2 596 660.00	2 500 000.00	02/12/2014	2.1662	NATIONAL AUSTRALIA BANK
BOND	2.25000%	CHF	1 502 100.00	1 543 933.50	1 500 000.00	13/05/2014	2.1860	NEDER WATERSCHAPS BANK
BOND	2.62500%	CHF	3 157 500.00	3 133 698.00	3 000 000.00	06/10/2014	2.5130	TOTAL CAPITAL
BOND	3.12500%	CHF	1 495 350.00	1 577 025.00	1 500 000.00	10/10/2014	2.9724	CFF – Cie de Financement Foncier
BOND	3.37500%	CHF	1 492 800.00	1 592 154.00	1 500 000.00	05/12/2014	3.1797	GENERAL ELECTRIC CAPITAL CORP
BOND	2.00000%	CHF	2 570 000.00	2 581 372.50	2 500 000.00	16/12/2014	1.9370	ANZ NATL
BOND	2.62500%	CHF	1 489 950.00	1 581 750.00	1 500 000.00	25/03/2015	2.4893	STADT ZURICH
BOND	3.50000%	CHF	997 800.00	963 463.00	1 000 000.00	15/07/2015	3.6327	COMUNIDAD DE MADRID
BOND	3.37500%	CHF	1 994 000.00	2 165 572.00	2 000 000.00	03/08/2015	3.1170	NORWEGIAN STATE RAILWAY AS
BOND	3.12500%	CHF	2 185 000.00	2 162 844.00	2 000 000.00	29/09/2015	2.8897	TOTAL CAPITAL
BOND	3.37500%	CHF	1 005 119.00	1 088 677.00	1 000 000.00	21/12/2015	3.1001	SANOFI-AVENTIS
BOND	2.12500%	CHF	697 900.00	746 519.90	700 000.00	22/02/2016	1.9926	INTER-AMERICAN DEVELOPMENT BANK
BOND	2.37500%	CHF	1 993 000.00	2 096 974.00	2 000 000.00	22/02/2016	2.2652	NEW YORK LIFE FUNDING
BOND	3.00000%	CHF	1 516 500.00	1 568 436.00	1 500 000.00	16/06/2016	3.0285	HYP0 PFANDBRIEF
BOND	2.00000%	CHF	498 500.00	527 618.00	500 000.00	08/07/2016	1.8953	ANZ BANKING GROUP
BOND	2.87500%	CHF	1 791 000.00	1 958 203.80	1 800 000.00	19/07/2016	2.6427	FMO-NEDERLANDSE
BOND	2.87500%	CHF	2 144 600.00	2 171 858.00	2 000 000.00	20/09/2016	2.6475	TOYOTA MOTOR
BOND	1.87500%	CHF	995 910.00	1 060 074.00	1 000 000.00	08/03/2017	1.7687	SWEDISH EXPORT CREDIT CORP

**BOND STATEMENT AS AT 31 DECEMBER 2012 (CONTINUE)**

BOND	2.25000%	CHF	499 680.00	538 200.50	500 000.00	14/04/2017	2.0903	NATIONAL AUSTRALIA BANK
BOND	1.87500%	CHF	1 000 500.00	1 065 724.00	1 000 000.00	21/04/2017	1.7594	EUROPAEISCHE INVESTITIONSBANK EIB
BOND	3.25000%	CHF	2 003 300.00	2 221 758.00	2 000 000.00	10/07/2017	2.9256	ERSTE GROUP BANK AG
BOND	1.50000%	CHF	1 988 060.00	2 079 546.00	2 000 000.00	29/09/2017	1.4426	NORDEA BANK AB
BOND	1.62500%	CHF	2 504 000.00	2 619 802.50	2 500 000.00	19/10/2017	1.5507	GENERAL ELECTRIC CAPITAL CORP.
BOND	3.25000%	CHF	1 995 800.00	2 246 080.00	2 000 000.00	13/11/2017	2.8939	CDC (Caisse des Depots et Consignation)
BOND	1.50000%	CHF	2 087 000.00	2 109 566.00	2 000 000.00	18/12/2017	1.4221	DEUTSCHE BAHN FINANCE
BOND	1.50000%	CHF	2 001 900.00	2 093 064.00	2 000 000.00	22/01/2018	1.4333	BNZ INTL FUNDING
BOND	1.00000%	CHF	1 997 920.00	2 059 894.00	2 000 000.00	01/02/2018	0.9709	NEDER WATERSCHAPS BANK
BOND	2.12500%	CHF	697 438.00	767 928.00	700 000.00	23/07/2019	1.9370	OESTRAISCHISCHE KONTROL BANK
BOND	1.12500%	CHF	1 995 000.00	2 000 000.00	2 000 000.00	02/10/2020	1.1250	NORDEA BANK
BOND	2.12500%	CHF	499 820.00	556 269.00	500 000.00	27/04/2020	1.9100	ENERGIE BEHEER NEDERLAND
BOND	1.75000%	CHF	1 494 660.00	1 614 930.00	1 500 000.00	03/06/2020	1.6255	DEUTSCHE BAHN FINANCE
BOND	2.25000%	CHF	501 600.00	539 773.50	500 000.00	25/02/2021	2.0842	SOCIETE NATIONALE DES CHEMINS DE FER (SNCF)
Total		CHF	61 588 693.01	63 832 043.71	58 700 000.00			
		USD	63 332 741.39	69 735 121.76	64 434 687.00			
								at 0.911 exchange rate

