

# MANAGEMENT REPORT 2009

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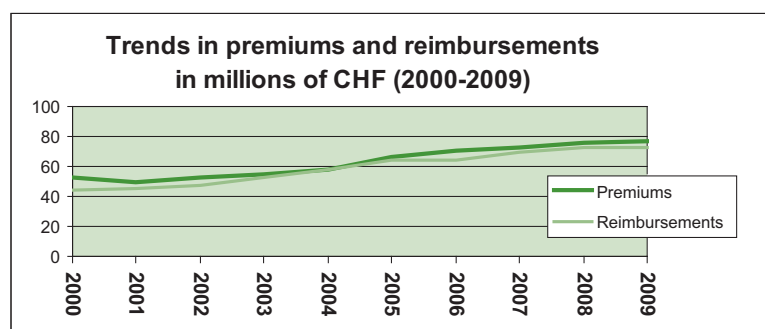
## **Executive Committee from 1 January 2009 to 31 December 2009**

Chairperson:	Oleg Kisselev
Vice-Chairperson:	Ridha Zargouni
Members:	Robert Foort Patricia Geddes (WMO) Javier Campos Hélène Fabiani Pierre Vangeleyn
Alternates:	Christophe Duverger (UNHCR) Hervé Blanchet-Voyet
Medical Advisers:	Dr. Farida Djelloul Dr. Michel Baduraux Dr. Pascal Achard
Executive Secretary:	Patrick Goergen

## Introduction

1. During 2009, the United Nations Staff Mutual Insurance Society (the Society) recorded CHF 72.4 million in benefits paid, a stabilisation of expenditures compared to 2008 (CHF 72.8 million). The number of members increased by 2.7%, and benefit payments per member reached CHF 3,376 in 2009 compared to CHF 3,487.- in 2008 : a decrease of 3.2%. The capacity of the premium income to cover the benefit payments improved: in 2009, the benefit payments/premium income stood at 93.9%, compared with 96.2% in 2008.
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 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) (%)

2009	2008	2007	2006	2005
94.8	92.5	85.5	91.3	94.3

4. In 2009, total income stood at CHF 78.9 million compared with a total expenditure of CHF 74.9 million. The surplus of income over expenditure reached CHF 4.0 million and the position of the Society's reserve after taking into account US dollar/Swiss francs conversion adjustments improved from CHF 116.1 million in 2008 to CHF 118.0 million in 2009. Further details can be obtained from 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 2009* are set out in Swiss francs and are shown in annex I.
7. *The income from premiums* amounted CHF 77.0 million in 2009, representing 97.6% of the *total income* of CHF 79.0 million. Comparing this total income with the total expenditure of CHF 74.9 million, the Society shows an operating surplus of CHF 4.1 million.
8. *Total Reserves and Fund Balances as at 31 December 2009* were CHF 118.0 million. This amount is equivalent to approximately 19.5 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.
9. As at 31 December 2009, *the statutory minimum reserve fund* stood at CHF 37.9 million, which represents 26.5% 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 2009, *the reserve for claims incurred but not reported* (expenditure incurred but not yet submitted to the Society) stood at CHF 35.7 million.
11. *The reserve for catastrophic risks*, which stood at CHF 7.1 million as at 31 December 2009, 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 2009 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 2009* 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 2009, the cash and term deposits of CHF 32.7 million and the long-term investments in bonds valued CHF 46.6 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 30.4 million as at 31 December 2009 (CHF 30.6 million at 31 December 2008).

## II. TRENDS IN INCOME AND EXPENDITURE

14. *Income from premiums* rises steadily from year to year. In 2009, for instance, premium income was 1.9% higher than in 2008 (table 2). Benefit payments over the same period stayed stable at CHF 72.4 million in 2009 compared to CHF 72.8 million in 2008 (table 3).

Table 2  
Income from premiums (in CHF)

Premiums	2009	2008	2007	2006
	77 068 793	75 648 784	72 379 321	70 227 472

Table 3  
Benefits paid (in CHF)

Benefits	2009	2008	2007	2006
	72 423 128	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 (%)

2009	2008	2007	2006	2005	2004	2003
94.0	96.2	96.8	91.7	97.8	99.9	95.9

16. *In 2009, the Society's staffing costs* accounted for 2.31% 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

2009	2008	2007	2006	2005	2004	2003
2.31	2.48	2.64	2.79	2.75	2.65	2.81

### III. THE SOCIETY IN FIGURES

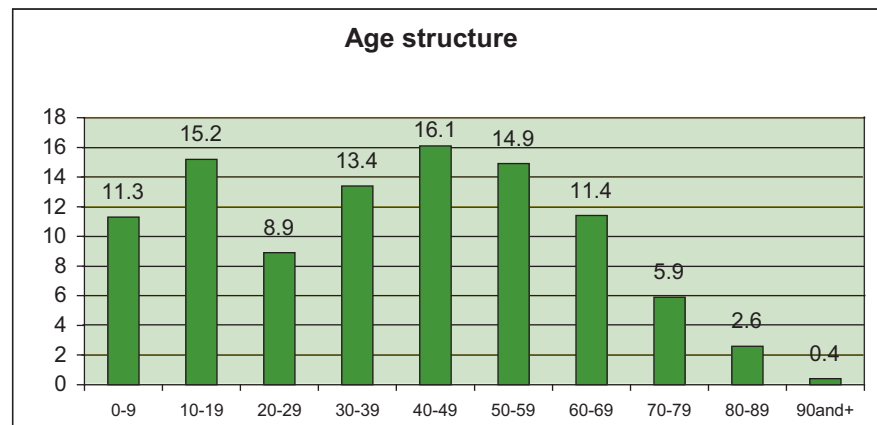
17. *The number of members and dependants at 31 December 2009 totalled 21,449, which represents an increase of 2.7% compared with 2008 figure. Similarly, the number of retired members has also risen slightly in relative terms, as can be seen from table 6 below. The average age of members, including children, was 40 years and 9 months. Graph 2 shows the Society's age structure.*

Table 6

Number of individuals insured

	2009	2008	2007	2006
Serving members and their dependants	16 164	15 834	15 357	14 989
Retired members and their dependants	5 285	5 043	4 803	4 622
<b>Total</b>	<b>21 449</b>	<b>20 877</b>	<b>20 160</b>	<b>19 611</b>

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 34.58% of total benefits reimbursed in 2009. General medical fees and medical specialists' fees come second (19.07% in total), while the other two major items of expenditure: pharmaceutical products and dental and orthodontic treatment, accounted for 11.41% and 10.16% respectively, of total reimbursements.*

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Hospital care	34.58	34.94	34.14	35.25	36.24
Convalescence	3.99	2.27	3.40	2.90	2.71
Residential (EMS) and dependency benefit	2.63	2.51	2.29	2.15	2.06
General medical fees	15.05	15.18	15.31	15.47	15.80
Medical specialists' fees	4.02	3.85	3.84	3.57	3.51
Medical Imagery	4.96	4.94	4.71	4.03	4.10
Laboratory fees	3.77	3.87	3.74	3.63	3.84
Functional rehabilitation	2.51	2.55	2.59	2.64	2.47
Pharmaceutical products	11.41	11.78	11.99	11.52	11.82
Psychotherapy	1.67	1.69	1.57	1.39	1.45
Dental	10.16	10.95	11.01	11.10	11.04
Optical	3.76	3.90	4.01	4.04	3.78
Transport	0.39	0.40	0.36	0.37	0.35
Other	1.10	1.17	1.05	0.94	0.83

19. *The breakdown of amounts reimbursed per member shows that reimbursements in excess of CHF 50,000.- accounted for around 22.7% of the total and were paid to only 0.9% of members.*
20. *In 2009, the Society made payments in more than 120 countries, in response to 70,819 claims. The main currency of payment was the Swiss franc (79.8%), followed by the Euro (12.0%) and the United States dollar (6.0%).*
21. *An average of 321 claims were processed each working day in 2009, an increase of 4.9% compared with 306 in 2008. The daily processing rate has risen continuously over the past few years (321 in 2009, 306 in 2008, 293 in 2007 and 248 in 2006), reflecting a steady rise in productivity within the Medical Insurance.*

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

22. The Executive Committee met 8 times in 2009. It considered general policy on the management of the Society and reached decisions on 13 special cases submitted during the year. Two circulars and information bulletins were published in 2009.
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](http://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 amounted to USD 53,783 at the end of 2009 continued to receive applications. However, as most of the funds still available are earmarked for demands already received, no new applications will be considered until new funds are received. FAMA receives only voluntary contributions.

Table 8

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

<b>Number of cases dealt with per year from 2004 to 2009</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
0	2	2	1	1
<b>Funds in USD available at the end of each year from 2004 to 2009</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
USD 53 783	USD 68 480	USD 85 354	USD 98 855	USD 79 462

- 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 under the guidance of the Medical Advisors have fully proved their worth. In 2009, for example, some 735 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 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.
25. In 2008, a Request For Proposal was launched for the migration of the application system 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 now planned completion during the second half of 2010.



**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 2009  
ending 31 December 2009  
(in Swiss francs)

INCOME	2009	Percentage	2008	Percentage
Premium income	77 068 793	97.56	75 648 784	92.84
Interest income	1 596 633	2.02	3 128 233	3.84
Miscellaneous income			14 379 <sup>a</sup>	0.02
Gain on exchange	334 093	0.42	2 689 101	3.30
<b>Total income (1)</b>	<b>78 999 519</b>	<b>100.00</b>	<b>81 480 497</b>	<b>100.00</b>
EXPENDITURE				
Claims reimbursements	72 423 128	96.66	72 798 415	96.60
Staff and other personnel costs	1 673 255	2.23	1 802 185	2.39
Operating and other expenses	314 606	0.42	298 183	0.40
Acquisitions	516 216	0.69	459 798	0.61
<b>Total expenditure (2)</b>	<b>74 927 205</b>	<b>100.00</b>	<b>75 358 581</b>	<b>100.00</b>
Excess (shortfall) of income over expenditure (1)-(2)	4 072 314		6 121 916	
<b>NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>4 072 314</b>		<b>6 121 916</b>	
<b>RESERVE AND FUND BALANCE: 1 JANUARY</b>	<b>116 136 446</b>		<b>118 438 517</b>	
USD/CHF conversion adjustment	(2 194 813)		(8 423 987)	
<b>RESERVE AND FUND BALANCE: 31 DECEMBER</b>	<b>118 013 947</b>		<b>116 136 446</b>	

<sup>a</sup> Represents refund of prior period expenditures and savings on prior period obligations.

Statement of assets, liabilities, reserves and fund balances as at 31 December 2009  
(in Swiss francs)

<i>Assets</i>	
Cash and term deposits	32 701 655
Long-term investments	76 641 673
Inter-fund balances receivable	6 478 414
Other accounts receivable	2 945 230
Other asset (deferred expenditure)	710 000
<b>TOTAL ASSETS</b>	<b>119 476 972</b>
<i>Liabilities</i>	
Inter-fund balances payable	0
Other accounts payable	19 975
Unliquidated obligations	733 050
Other liabilities	710 000
<b>TOTAL LIABILITIES</b>	<b>1 463 025</b>
<i>Reserves and fund balances</i>	
Reserve for claims to be paid	6 100 000
Reserve for claims incurred but not reported	35 700 000
Reserve for catastrophic claims	7 100 000
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	37 913 947
<b>TOTAL RESERVES AND FUND BALANCES</b>	<b>118 013 947</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>	<b>119 476 972</b>



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



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

## ANNEX II

## CASH STATEMENT AS AT 31 DECEMBER 2009 (UN OAH INVESTMENT POOL)

CURR.	PRINCIPAL	EXCHANGE RATE	VALUE IN USD
EUR	20 951 230.60	0.683	30 232 655.99
USD	1 516 524.14	1.000	1 516 524.14

**EXTERNALLY MANAGED FUNDS**  
**BNP PARIBAS ASSET MANAGEMENT STATEMENT AS AT 31 DECEMBER 2009**

	CURR.	PRINCIPAL	MARKET VALUE
Total Portfolio	CHF	30 450 315.52	29 930 583.00
	USD Equiv.	29 563 413.13	29 058 818.45 at 1.030 exchange rate

## BOND STATEMENT AS AT 31 DECEMBER 2009

	COUPON RATE	CURR	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	YIELD	ISSUE
BOND	2.00000%	CHF	1 098 460.00	1 101 980.00	1 100 000.00	10/02/2010	1.99940%	BAYERISCHE LANDESBANK
BOND	0.87500%	CHF	1 199 844.00	1 200 600.00	1 200 000.00	25/02/2010	0.87500%	KOMMUNALKREDIT AUSTRIA
BOND	3.12500%	CHF	1 999 818.18	2 031 000.00	2 000 000.00	15/07/2010	3.08551%	ITALIAN REPUBLIC
BOND	6.00000%	CHF	399 912.50	419 400.00	400 000.00	20/11/2010	5.74328%	ASIAN DEVELOPMENT BANK
BOND	3.50000%	CHF	599 833.33	616 800.00	600 000.00	10/12/2010	3.41097%	PFANDBRIEFZENTRALE DER SCHWEIZ, KantonalBanken
BOND	3.62500%	CHF	1 499 850.00	1 550 700.00	1 500 000.00	22/02/2011	3.51090%	STADT BERN
BOND	2.37500%	CHF	1 148 628.57	1 137 350.00	1 150 000.00	18/03/2011	2.40750%	GREECE (HELENIC REPUBLIC)
BOND	3.25000%	CHF	1 046 237.50	1 087 800.00	1 050 000.00	01/06/2011	3.13707%	RESEAU FERRE DE FRANCE SA (RFF)
BOND	2.87500%	CHF	999 960.00	938 000.00	1 000 000.00	20/06/2011	3.02313%	AMERICAN INTERNATIONAL GROUP
BOND	0.87500%	CHF	1 549 845.00	1 545 350.00	1 550 000.00	28/10/2011	0.87588%	LANDSHYPOTEK AB 28.10.2009-11
BOND	1.12500%	CHF	749 872.50	755 250.00	750 000.00	22/11/2011	1.11552%	KOMMUNALBANKEN
BOND	3.37500%	CHF	1 497 525.00	1 569 750.00	1 500 000.00	25/01/2012	3.21276%	REPUBLIC OF AUSTRIA
BOND	2.75000%	CHF	1 954 630.77	2 106 000.00	2 000 000.00	10/06/2012	2.61307%	SWISS CONFEDERATION
BOND	3.37500%	CHF	2 000 000.00	2 120 000.00	2 000 000.00	27/08/2012	3.17647%	NEDERLANDSE WATERSCHAPSBANK NV
BOND	2.37500%	CHF	499 725.00	515 500.00	500 000.00	19/12/2012	2.29580%	SWEDISH COVERED BOND CORP
BOND	2.50000%	CHF	1 000 000.00	1 035 000.00	1 000 000.00	19/02/2013	2.40964%	RABOBANK NEDERLAND
BOND	2.75000%	CHF	1 998 400.00	2 099 000.00	2 000 000.00	07/05/2013	2.61159%	KOMMUNEKREDIT, DENMARK
BOND	2.50000%	CHF	1 994 577.77	2 085 000.00	2 000 000.00	08/07/2013	2.38663%	PROVINCE OF ONTARIO
BOND	2.25000%	CHF	1 497 421.87	1 530 750.00	1 500 000.00	20/01/2014	2.18765%	AKADEMISKA HUS AB
BOND	2.25000%	CHF	1 502 100.00	1 546 500.00	1 500 000.00	13/05/2014	2.16554%	NEDER WATERSCHAPSBANK
BOND	3.12500%	CHF	1 496 678.57	1 593 000.00	1 500 000.00	10/10/2014	2.91647%	CFF – Cie de Financement Foncier
BOND	3.37500%	CHF	1 494 857.14	1 560 000.00	1 500 000.00	05/12/2014	3.21123%	GENERAL ELECTRIC CAPITAL CORP
BOND	2.62500%	CHF	1 495 725.00	1 572 750.00	1 500 000.00	25/03/2015	2.49525%	STADT ZUERICH
BOND	3.50000%	CHF	998 114.29	1 045 500.00	1 000 000.00	15/07/2015	3.30500%	COMUNIDAD DE MADRID
BOND	3.37500%	CHF	1 994 857.14	2 121 000.00	2 000 000.00	03/08/2015	3.14832%	NORWEGIAN STATE RAILWAY AS
BOND	3.37500%	CHF	1 000 128.57	1 075 500.00	1 000 000.00	21/12/2015	3.14685%	SANOFI-AVENTIS
BOND	3.00000%	CHF	1 500 000.00	1 169 250.00	1 500 000.00	29/12/2015	3.81679%	ASIF III (AIG)

### BOND STATEMENT AS AT 31 DECEMBER 2009

	COUPON RATE	CURR	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	YIELD	ISSUE
BOND	2.12500%	CHF	697 900.00	712 250.00	700 000.00	22/02/2016	2.07621%	INTER-AMERICAN DEVELOPMENT BANK
BOND	2.37500%	CHF	1 995 100.00	1 958 000.00	2 000 000.00	22/02/2016	2.41117%	NEW YORK LIFE FUNDING
BOND	3.00000%	CHF	1 491 075.00	1 454 250.00	1 500 000.00	16/06/2016	3.04414%	HYPO PFANDBRIEF
BOND	2.87500%	CHF	1 791 000.00	1 877 400.00	1 800 000.00	19/07/2016	2.71739%	FMO-NEDERLANDSE
BOND	3.25000%	CHF	2 002 640.00	2 028 000.00	2 000 000.00	10/07/2017	3.14770%	ERSTE GROUP BANK AG
BOND	3.25000%	CHF	1 996 640.00	2 141 000.00	2 000 000.00	13/11/2017	2.99954%	CDC (Caisse des Depots et Consignation)
<b>Total</b>		CHF	46 191 357.70	47 299 630.00	46 300 000.00			
		USD	44 845 978.35	45 921 970.87	44 951 456.31			at 1.03000 exchange rate