



MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations
Staff Mutual Insurance Society against Sickness and Accident



UNITED NATIONS

2010

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE YEAR 2010

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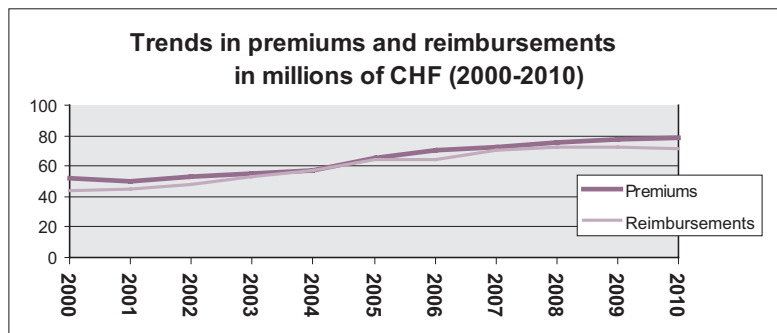
Executive Committee
from 1 January 2010 to 31 December 2010

Chairperson:	Ridha Zargouni
Vice-Chairperson:	Oleg Kisselev
Members:	Robert Foort Patricia Geddes (OMM) 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 2010, the United Nations Staff Mutual Insurance Society (the Society) recorded CHF 71.1 million in benefits paid, a slight decrease of expenditures compared to 2009 (CHF 72.4 million). The number of members increased by 2.8%, and benefit payments per member reached CHF 3,228 in 2010 compared to CHF 3,376.- in 2009 : a decrease of 4.4%. The capacity of the premium income to cover the benefit payments improved : in 2010, the benefit payments/premium income stood at 90.3%, compared with 93.9% in 2009.
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) (%)

2010	2009	2008	2007	2006
82.4	94.8	92.5	85.5	91.3

4. In 2010, total income stood at CHF 89.7 million compared with a total expenditure of CHF 73.9 million. The surplus of income over expenditure reached CHF 6.7 million and the position of the Society's reserve after taking into account US dollar/Swiss francs conversion adjustments improved from CHF 118.0 million in 2009 to CHF 124.7 million in 2010. 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 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 2010* set out in Swiss francs is shown in annex II.
7. *The income from premiums* amounted CHF 78.8 million in 2010, representing 87.8 % of the total income of CHF 89.7 million. Comparing this total income with the total expenditure of CHF 73.9 million, the Society shows an operating surplus of CHF 15.8 million.
8. *Total Reserves and Fund Balances as at 31 December 2010* were CHF 124.7 million. This amount is equivalent to approximately 21.0 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 2010, *the statutory minimum reserve fund* stood at CHF 43.3 million, which represents 29.8% 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 2010, *the reserve for claims incurred but not reported* (expenditure incurred but not yet submitted to the Society) stood at CHF 36.3 million.
11. *The reserve for catastrophic risks*, which stood at CHF 7.8 million as at 31 December 2010, 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 2010 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 2010* 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 2010, the cash and term deposits of CHF 46.6 million and the long-term investments in bonds valued CHF 43.4 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 31.8 million as at 31 December 2010 (CHF 30.4 million at 31 December 2009).

II. TRENDS IN INCOME AND EXPENDITURE

14. *Income from premiums* rises steadily from year to year. In 2010, for instance, premium income was 2.4% higher than in 2009 (table 2). Benefit payments over the same period decreased slightly at CHF 71.2 million in 2010 compared to CHF 72.4 million in 2009 (table 3).

Table 2
Income from premiums (in CHF)

Premiums	2010	2009	2008	2007
	78 828 379	77 068 793	75 648 784	72 379 321

Table 3
Benefits paid (in CHF)

Benefits	2010	2009	2008	2007
	71 157 869	72 423 128	72 798 415	70 042 344

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 (%)

2010	2009	2008	2007	2006	2005	2004
90.3	94.0	96.2	96.8	91.7	97.8	99.9

16. *In 2010, the Society's staffing costs* accounted for 3.4% of total benefits paid by the Society, and thus remained very low in comparison with commercial health insurers (table 5). The ratio has however slightly increased from 2.31 to 3.4 in particular due to overtime by staff of the Society when a new software application was put into production.

Table 5
Staff costs as a percentage of total benefits paid

2010	2009	2008	2007	2006	2005	2004
3.4	2.31	2.48	2.64	2.79	2.75	2.65

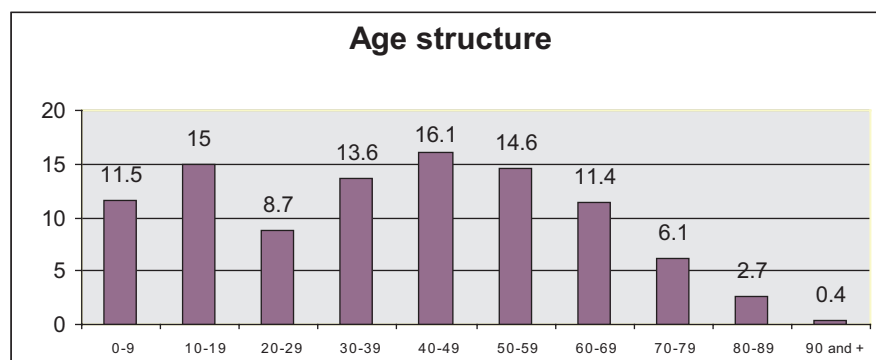
III. THE SOCIETY IN FIGURES

17. *The number of members and dependants at 31 December 2010 totalled 22,046, which represents an increase of 2.8% compared with 2009 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 10 months. Graph 2 shows the Society's age structure.*

Table 6
Number of individuals insured

	2010	2009	2008	2007
Serving members and their dependants	16 567	16 164	15 834	15 357
Retired members and their dependants	5 479	5 285	5 043	4 803
Total	22 046	21 449	20 877	20 160

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 35.03% of total benefits reimbursed in 2010. General medical fees and medical specialists' fees come second (19.37% in total), while the other two major items of expenditure: pharmaceutical products and dental and orthodontic treatment, accounted for 10.73% and 10.53% respectively, of total reimbursements.*

Table 7
Reimbursements (in %)

	2010	2009	2008	2007	2006
Hospital care	35.03	34.58	34.94	34.14	35.25
Convalescence	2.85	3.99	2.27	3.40	2.90
Residential (EMS) and dependency benefit	2.49	2.63	2.51	2.29	2.15
General medical fees	15.11	15.05	15.18	15.31	15.47
Medical specialists' fees	4.26	4.02	3.85	3.84	3.57
Medical Imagery	5.11	4.96	4.94	4.71	4.03
Laboratory fees	3.68	3.77	3.87	3.74	3.63
Functional rehabilitation	2.58	2.51	2.55	2.59	2.64
Pharmaceutical products	10.73	11.41	11.78	11.99	11.52
Psychotherapy	1.90	1.67	1.69	1.57	1.39
Dental	10.54	10.16	10.95	11.01	11.10
Optical	4.08	3.76	3.90	4.01	4.04
Transport	0.41	0.39	0.40	0.36	0.37
Other	1.23	1.10	1.17	1.05	0.94

19. *The breakdown of amounts reimbursed per member shows that reimbursements in excess of CHF 50,000.- accounted for around 22.0% of the total and were paid to only 0.8% of members.*
20. *In 2010, the Society made payments in more than 120 countries, in response to 68,368 claims. The main currency of payment was the Swiss franc (84.5%), followed by the Euro (8.6%) and the United States dollar (6.4%).*
21. *An average of 310 claims were processed each working day in 2010, a decrease of 3.4% compared with 321 in 2009 in part due to the implementation of a new application within UNSMIS.*

IV. ACTIVITIES OF THE SOCIETY

22. The Executive Committee met 7 times in 2010. It considered general policy on the management of the Society and reached decisions on 14 special cases submitted during the year. Three circulars and information bulletins were published in 2010.
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) amounted to US\$ 77,413 at the end of 2010. However, as most of the funds still available are earmarked for demands already received, no new applications were considered during 2010. FAMA receives only voluntary contributions.

Table 8

Fund for Additional Medical Aids (FAMA)

Number of cases dealt with per year from 2006 to 2010				
2010	2009	2008	2007	2006
0	0	2	2	1
Funds in USD available at the end of each year from 2006 to 2010				
2010	2009	2008	2007	2006
USD 77 413	USD 53 783	USD 68 480	USD 85 354	USD 98 855

- 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 2010, for example, some 735 retirees were vaccinated against influenza and 152 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 and was completed in October 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 2010 ending 31 December 2010
(in United States dollars)

INCOME	2010	Percentage
Premium income	75 553 130	87.04
Interest income	2 812 688	3.24
Miscellaneous income	8 437 202	9.72
Total income (1)	86 803 020	100.00
EXPENDITURE		
Claims reimbursements	68 015 760	96.17
Staff and other personnel costs	2 381 755	3.37
Operating and other expenses	309 914	0.44
Acquisitions	19 092	0.03
Total expenditure (2)	70 726 521	100.00
Excess (shortfall) of income over expenditure (1)-(2)	16 076 499	
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	16 076 499	
RESERVE AND FUND BALANCE : 1 JANUARY	114 576 648	
Saving on liquidation	452 659	
RESERVE AND FUND BALANCE : 31 DECEMBER	131 105 806	

Statement of assets, liabilities, reserves and fund balances as at 31 December 2010
(in United States Dollars)

<i>Assets</i>	
Cash and term deposits	49 039 328
Long-term investments	79 040 831
Inter-fund balances receivable	753 687
Other accounts receivable	2 449 547
Other asset (deferred expenditure)	410 620
TOTAL ASSETS	131 694 013
<i>Liabilities</i>	
Inter-fund balances payable	-
Other accounts payable	97 921
Unliquidated obligations	490 286
Other liabilities	-
TOTAL LIABILITIES	588 207
Reserve for claims to be paid	6 414 301
Reserve for claims incurred but not reported	38 170 347
Reserve for catastrophic claims	8 201 893
Reserve for currency fluctuations	5 257 624
Reserve for terminal indemnities	1 261 830
Actuarial reserve for long-term risks	26 288 118
Reserve fund	45 511 693
TOTAL RESERVES	131 105 806
TOTAL LIABILITIES AND RESERVES	131 694 013



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

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 2010
ending 31 December 2010
(in Swiss francs)

INCOME	2010	Percentage	2009	Percentage
Premium income	78 828 379	87.87	77 068 793	97.56
Interest income	2 857 437	3,19	1 596 633	2.02
Miscellaneous income	1 119 850	1,25		
Gain on exchange	6 475 739	7,22	334 093	0.42
Saving on prior period	432 414	0,48		
Total income (1)	89 713 819	100,00	78 999 519	100,00
EXPENDITURE				
Claims reimbursements	71 157 869	96.27	72 423 128	96.66
Staff and other personnel costs	2 417 242	3.27	1 673 255	2,23
Operating and other expenses	320 105	0,43	314 606	0,42
Acquisitions	18 856	0,03	516 216	0,69
Total expenditure (2)	73 914 072	100,00	74 927 205	100,00
Excess (shortfall) of income over expenditure (1)-(2)	15 799 747		4 072 314	
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	15 799 747		4 072 314	
RESERVE AND FUND BALANCE : 1 JANUARY	118 013 947		116 136 446	
USD/CHF conversion adjustment	(9 132 073)		(2 194 813)	
RESERVE AND FUND BALANCE : 31 DECEMBER	124 681 621		118 013 947	

Statement of assets, liabilities, reserves and fund balances as at 31 December 2010
(in Swiss francs)

<i>Assets</i>	
Cash and term deposits	46 636 401
Long-term investments	75 167 830
Inter-fund balances receivable	716 756
Other accounts receivable	2 329 519
Other asset (deferred expenditure)	390 500
TOTAL ASSETS	125 241 006
<i>Liabilities</i>	
Inter-fund balances payable	0
Other accounts payable	93 123
Unliquidated obligations	466 262
Other liabilities	0
TOTAL LIABILITIES	559 385
Reserves and fund balances	
Reserve for claims to be paid	6 100 000
Reserve for claims incurred but not reported	36 300 000
Reserve for catastrophic claims	7 800 000
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	43 281 621
TOTAL RESERVES	124 681 621
TOTAL LIABILITIES AND RESERVES	125 241 006

ANNEX III

CASH STATEMENT AS AT 31 DECEMBER 2010 (UN OAH INVESTMENT POOL)

CURR.	PRINCIPAL	EXCHANGE RATE	VALUE IN USD
EUR	3 196 129.89	0.761	4 199 907.87
USD	7 617 518.48	1.000	7 617 518.48

SHORT-TERM INVESTMENT STATEMENT AS AT 31 DECEMBER 2010

CURR.	PRINCIPAL	EXCHANGE RATE	VALUE IN USD
EUR	27 900 000	0.951	29 337 539.43
USD	6 000 000	0.761	7 884 362.68

**EXTERNALLY MANAGED FUNDS BNP PARIBAS ASSET MANAGEMENT STATEMENT
AS AT 31 DECEMBER 2010**

CURR.	PRINCIPAL	MARKET VALUE
CHF	31 757 350.73	30 470 928.00
USD Equiv.	33 393 639.04	32 040 933.75 at 0.951 exchange rate

BOND STATEMENT AS AT 31 DECEMBER 2010

	COUPON RATE	CURR	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	YIELD	ISSUE
BOND	3.625000%	CHF	1 499 925.00	1 503 900.00	1 500 000.00	22/02/2011	3.61560%	STADT BERN
BOND	2.375000%	CHF	1 149 314.29	1 127 230.00	1 150 000.00	18/03/2011	2.42297%	GREECE (HELENIC REPUBLIC)
BOND	3.250000%	CHF	1 048 118.75	1 063 230.00	1 050 000.00	01/06/2011	3.20956%	RESEAU FERRE DE FRANCE SA
BOND	0.875000%	CHF	1 549 922.50	1 554 185.00	1 550 000.00	28/10/2011	0.87264%	LANDSHYPOTEK AB
BOND	1.125000%	CHF	749 936.25	755 025.00	750 000.00	22/11/2011	1.11751%	KOMMUNALBANKEN
BOND	3.375000%	CHF	1 498 350.00	1 546 200.00	1 500 000.00	25/01/2012	3.27416%	REPUBLIC OF AUSTRIA
BOND	2.750000%	CHF	1 969 753.85	2 069 600.00	2 000 000.00	10/06/2012	2.65752%	SWISS CONFEDERATION
BOND	3.375000%	CHF	2 000 000.00	2 093 000.00	2 000 000.00	27/08/2012	3.22504%	NEDERLANDSE WATERSCHAPS BANK NV
BOND	2.375000%	CHF	499 816.67	516 250.00	500 000.00	19/12/2012	2.30024%	SWEDISH COVERED BOND CORP
BOND	2.500000%	CHF	1 000 000.00	1 033 500.00	1 000 000.00	19/02/2013	2.41896%	RABOBANK NEDERLAND
BOND	2.750000%	CHF	1 998 800.00	2 097 000.00	2 000 000.00	07/05/2013	2.62279%	KOMMUNEKREDIT, DENMARK
BOND	2.500000%	CHF	1 995 933.33	2 087 000.00	2 000 000.00	08/07/2013	2.39578%	PROVINCE OF ONTARIO
BOND	2.250000%	CHF	1 497 937.50	1 556 250.00	1 500 000.00	20/01/2014	2.16867%	AKADEMISKA HUS AB
BOND	2.250000%	CHF	1 501 680.00	1 563 000.00	1 500 000.00	13/05/2014	2.15931%	NEDER WATERSCHAPS BANK
BOND	3.125000%	CHF	1 497 342.86	1 593 000.00	1 500 000.00	10/10/2014	2.94256%	CFF – Cie de Financement Foncier
BOND	3.375000%	CHF	1 495 885.71	1 587 000.00	1 500 000.00	05/12/2014	3.18998%	GENERAL ELECTRIC CAPITAL CORP
BOND	2.625000%	CHF	1 496 437.50	1 592 250.00	1 500 000.00	25/03/2015	2.47292%	STADT ZUERICH
BOND	3.500000%	CHF	998 428.57	910 000.00	1 000 000.00	15/07/2015	3.84615%	COMUNIDAD DE MADRID
BOND	3.375000%	CHF	1 995 714.28	2 185 000.00	2 000 000.00	03/08/2015	3.08924%	NORWEGIAN STATE RAILWAY AS
BOND	3.375000%	CHF	1 000 107.14	1 065 000.00	1 000 000.00	21/12/2015	3.16901%	SANOFI-AVENTIS
BOND	3.375000%	CHF	1 000 107.14	1 065 000.00	1 000 000.00	21/12/2015	3.16901%	SANOFI-AVENTIS
BOND	2.125000%	CHF	698 200.00	724 850.00	700 000.00	22/02/2016	2.05215%	INTER-AMERICAN DEVELOPMENT BANK
BOND	2.375000%	CHF	1 995 800.00	2 018 000.00	2 000 000.00	22/02/2016	2.35382%	NEW YORK LIFE FUNDING
BOND	3.000000%	CHF	1 492 350.00	1 491 000.00	1 500 000.00	16/06/2016	3.01811%	HYPO PFANDBRIEF

BOND STATEMENT AS AT 31 DECEMBER 2010 (CONTINUED)

BOND	2.00000%	CHF	498 500.00	500 750.00	500 000.00	08/07/2016	1.99700%	ANZ BANKING GROUP
BOND	2.87500%	CHF	1 792 285.71	1 931 400.00	1 800 000.00	19/07/2016	2.67940%	FMO-NEDERLANDSE
BOND	1.87500%	CHF	995 910.00	1 003 000.00	1 000 000.00	08/03/2017	1.86939%	SWEDISH EXPORT CREDIT CORP
BOND	2.25000%	CHF	499 680.00	500 750.00	500 000.00	14/04/2017	2.24663%	NATIONAL AUSTRALIA BANK
BOND	1.87500%	CHF	1 000 500.00	1 009 000.00	1 000 000.00	21/04/2017	1.85828%	EUROPAEISCHE INVESTITIONSBANK EIB
BOND	3.25000%	CHF	2 002 310.00	2 150 000.00	2 000 000.00	10/07/2017	3.02326%	ERSTE GROUP BANK AG
BOND	3.25000%	CHF	1 997 060.00	2 177 000.00	2 000 000.00	13/11/2017	2.98576%	CDC (Caisse des Depots et Consignation)
BOND	2.12500%	CHF	499 820.00	503 000.00	500 000.00	27/04/2020	2.11233%	ENERGIE BEHEER NEDERLAND 27.4.20
BOND	1.75000%	CHF	1 494 660.00	1 462 500.00	1 500 000.00	03/06/2020	1.79487%	DEUTSCHE BAHN FINANCE 2010-3.6.2020
Total		CHF	43 410 479.91	44 968 870.00	43 500 000.00			
		USD	45 647 192.33	47 285 878.02	45 741 324.92			

45 741 324.92 at 0.95100 exchange rate

