

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations
Staff Mutual Insurance Society against Sickness and Accident



UNITED NATIONS

2013

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE YEAR 2013

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Executive Committee from 1 January 2013 to 12 June 2013

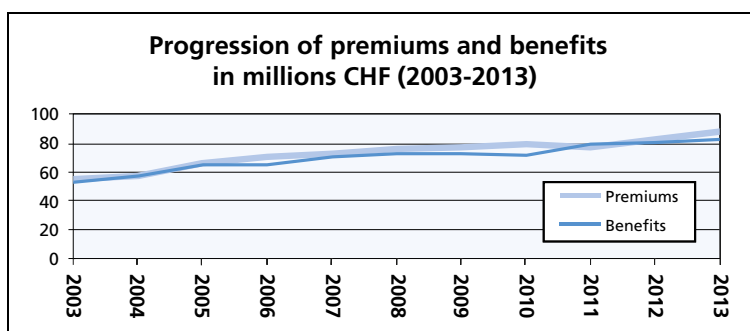
Chairperson:	Hélène Fabiani
Vice-Chairperson:	Christophe Duverger (UNHCR)
Members :	Patricia Geddes (WMO) Hervé Blanchet-Voyet Sandya Prasad Ian Richards Oleg Kisselev Pierre Vangeleyn
Alternates:	Jalil Housni (WMO)
Medical Advisers:	Dr. Pascal Achard Dr. Andrea Ferrari Dr. Sergio Arena
Executive Secretary:	Patrick Goergen

Executive Committee from 12 June 2013 to 31 December 2013

Chairperson:	Nataliya Myronenko
Vice-Chairperson:	Jalil Housni (WMO)
Members :	Pierrine Aylara (UNHCR) Mohamed Chiraz Baly Dominique Rames Shibao Liu (WMO) Sandya Prasad Pierre Vangeleyn
Alternates:	Christophe Duverger (UNHCR)
Medical Advisers:	Dr. Pascal Achard Dr. Andrea Ferrari Dr. Sergio Arena
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Introduction

1. During 2013, the United Nations Staff Mutual Insurance Society (the Society) recorded CHF 82.6 million in benefits paid, an increase of expenditures compared to 2012 (CHF 80.8 million). The number of members increased by 2.8%, and benefit payments per member reached CHF 3,407 in 2013 compared to CHF 3,427.- in 2012. The capacity of the premium income to cover the benefit payments stayed intact : in 2013, the benefit payments/premium income stood at 93.6%, compared with 98.0% in 2012.
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 improved impressively, owing in particular to an increase in premium income expressed in Swiss francs and to a very good performance of the investments of the Society. The table 1 below shows the trend of the combined ratio over the past five years.

Table 1:
Combined ratio (Total expenditure/Total revenue) (%)

2013	2012	2011	2010	2009
91.8	100.8	106.2	82.4	94.8

4. In 2013, total income stood at CHF 93.1 million compared with a total expenditure of CHF 85.5 million. The position of the Society's reserve after taking into account US dollar/Swiss francs conversion adjustments increased from CHF 115.7 million at the beginning of 2013 to CHF 125.3 million at 31 December 2013. 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 2013* set out in Swiss francs is shown in annex II.
7. *The income from premiums* amounted CHF 88.3 million in 2013, representing 94.8 % of the *total income* of CHF 93.1 million. Comparing this total income with the total expenditure of CHF 85.5 million, the Society shows an operating surplus of CHF 7.6 million compared to a shortfall of CHF 0.7 million in 2012.
8. *Total Reserves and Fund Balances as at 31 December 2013* were CHF 125.3 million. This amount is equivalent to approximately 18.1 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 2013, *the statutory minimum reserve fund* stood at CHF 39.9 million, which represents 25.0% of the total benefits paid during the previous two years which is just equivalent to the statutory required minimum of 25%. An adjustment of premium was initiated in 2012 with implementation occurring in 2013 in order to bring the reserve fund back to the level foreseen by the Statutes of the Society. It was decided that premiums will be raised on average by 5% in 2013, 2014 and 2015. It appears that these measures have brought the Society back to financial equilibrium and soundness.
10. As at 31 December 2013, *the reserve for claims incurred but not reported* (expenditure incurred but not yet submitted to the Society) stood at CHF 39.7 million.
11. *The reserve for catastrophic risks*, which stood at CHF 7.9 million as at 31 December 2013, 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 2013 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 2013* are shown in annex III. The Society's assets 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 2013, cash and term deposits stood at CHF 14.9 million, short-term investments of CHF 12.2 million and the long-term investments were valued at CHF 94.2. These are 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 2013, premium income was 6.8% higher than in 2012 (table 2). Benefit payments over the same period increased to CHF 82.6 million in 2013 compared to CHF 80.8 million in 2012 (table 3).

Table 2
Income from premiums (in CHF)

Premiums	2013	2012	2011	2010
	88 255 449	82 509 083	77 573 343	78 828 379

Table 3
Benefits paid (in CHF)

Benefits	2013	2012	2011	2010
	82 603 093	80 829 592	78 992 629	71 157 869

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. It is to be noted that a large surplus was recorded in 2013.

Table 4
Loss ratio (%)

2013	2012	2011	2010	2009	2008	2007
93.6	98.0	101.8	90.3	94.0	96.2	96.8

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

2013	2012	2011	2010	2009	2008	2007
3.6	3.5	3.4	3.4	2.31	2.48	2.64

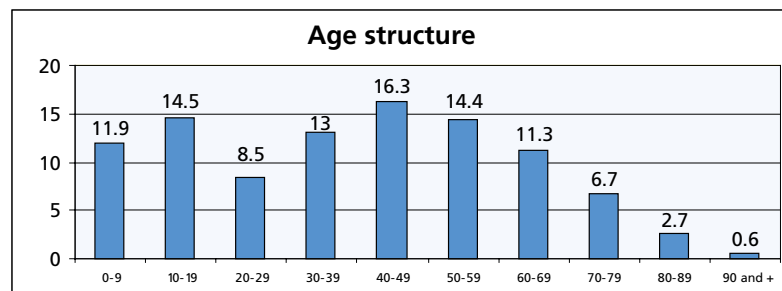
III. THE SOCIETY IN FIGURES

17. *The number of members and dependants at 31 December 2013 totalled 24,240, which represents an increase of 2.8% compared with 2012 figure. Similarly, the number of retired members has also risen slightly by 3.9%, as can be seen from table 6 below. The average age of members, including children, was 41 years and 2 months. Graph 2 shows the Society's age structure.*

Table 6
Number of individuals insured

	2013	2012	2011	2010
Serving members and their dependants	18 206	17 780	17 136	16 567
Retired members and their dependants	6 034	5 805	5 676	5 479
Total	24 240	23 585	22 812	22 046

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 34.77% of total benefits reimbursed in 2013. General medical fees and medical specialists' fees come second (19.92% in total), while the other two major items of expenditure: pharmaceutical products and dental and orthodontic treatment, accounted for 10.02% and 9.64% respectively, of total reimbursements.*

Table 7
Reimbursements (in %)

	2013	2012	2011	2010	2009
Hospital care	34.77	34.11	35.24	35.03	34.58
Convalescence	2.82	2.96	2.79	2.85	3.99
Residential (EMS) and dependency benefit	2.60	2.94	2.81	2.49	2.63
General medical fees	15.74	15.46	15.19	15.11	15.05
Medical specialists' fees	4.18	4.12	3.79	4.26	4.02
Medical Imagery	5.60	5.22	5.26	5.11	4.96
Laboratory fees	4.12	4.10	3.93	3.68	3.77
Functional rehabilitation	2.56	2.71	2.54	2.58	2.51
Pharmaceutical products	10.02	10.33	10.47	10.73	11.41
Psychotherapy	2.38	1.96	1.84	1.90	1.67
Dental	9.64	10.38	10.42	10.54	10.16
Optical	4.04	4.22	4.20	4.08	3.76
Transport	0.41	0.38	0.45	0.41	0.39
Other	1.13	1.12	1.09	1.23	1.10

19. *The breakdown of amounts reimbursed per member* shows that reimbursements in excess of CHF 50,000.- accounted for around 21.9% of the total and were paid to only 0.8% of members. This represents a slight decrease compared to 2012 during which year high value claims reached 23.0% of total reimbursements.
20. *In 2013, the Society made payments* in more than 150 countries, in response to 83,363 claims. The main currency of payment was the Swiss franc (82.7%), followed by the Euro (8.5%) and the United States dollar (8.0%).
21. *An average of 379 claims* were processed each working day in 2013, an increase of 1.6% compared with 373 in 2012.

IV. ACTIVITIES OF THE SOCIETY

22. The Executive Committee met four times in 2013. 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 2013.
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\$ 93,922 at the end of 2013.

Table 8
Fund for Additional Medical Aids (FAMA)

Number of cases dealt with per year from 2009 to 2013				
2013	2012	2011	2010	2009
0	2	1	0	0
Funds in USD available at the end of each year from 2009 to 2013				
2013	2012	2011	2010	2009
USD 93 922	USD 93 184	USD 92 419	USD 77.413	USD 53.783

- 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 2013, for example, some 727 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

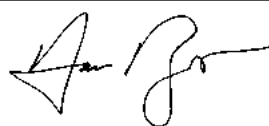
FINANCIAL STATEMENTS IN UNITED STATES DOLLARS

Statement of income and expenditure and changes in reserves and fund balances for year 2013
ending 31 December 2013 (in United States Dollars)

INCOME	2013	%
Premium income	95 136 586	94.7
Interest income	5 111 879	5.1
Transaction exchange Gain/Loss	240 939	0.2
Total income (1)	100 489 404	100.00
EXPENDITURE		
Claims reimbursements	89 287 555	96.6
Staff and other personnel costs	3 232 253	3.5
Operating and other expenses	(124 128)	(0.1)
Acquisitions	761	0
Total expenditure (2)	92 396 441	100.00
Exchange Gain/Loss due to revaluation (3)	2 665 599	
Excess / Shortfall of income over expenditure (1) – (2) + (3)	10 758 562	
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	10 758 562	
RESERVE AND FUND BALANCE : BEGINNING OF PERIOD	127 475 813	
RESERVE AND FUND BALANCE : 31 DECEMBER 2013	138 234 375	

Statement of assets, liabilities, reserves and fund balances as at
31 December 2013 (in United States Dollars)

Assets	
Cash and term deposits	16 792 336
Short-term investments	13 595 993
Long-term investments	106 165 503
Inter-fund balances receivable	2 128 364
Other accounts receivable	2 740 636
TOTAL ASSETS	141 422 832
Liabilities	
Other accounts payable	138 130
Unliquidated obligations – current period	434
TOTAL LIABILITIES	138 564
Reserves and fund balances	
Reserve for claims to be paid	7 440 812
Reserve for claims incurred but not reported	44 757 610
Reserve for catastrophic claims	8 906 426
Reserve for currency fluctuations	5 636 979
Reserve for terminal indemnities	1 352 875
Actuarial reserve for long-term risks	28 184 893
Reserve fund	45 004 673
TOTAL RESERVES	141 284 268
TOTAL LIABILITIES AND RESERVES	141 422 832



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

ANNEX II

FINANCIAL STATEMENTS IN SWISS FRANCS

Statement of income and expenditure and changes in reserves and fund balances for year 2013 ending 31 December 2013 (in Swiss francs)

INCOME	2013	%	2012	%
Premium income	88 255 449	94.8	82 509 083	99.13
Interest income	4 593 247	5.0	660 549	0.79
Gain/Loss on exchange (Transactions)*	221 287	0.2	64 566*	0.08
Total income (1)	93 069 983	100.00	83 234 198	100.00
EXPENDITURE				
Claims reimbursements	82 603 093	96.6	80 829 592	96.29
Staff and other personnel costs	2 999 572	3.5	2 834 086	3.38
Operating and other expenses	(119 521)	(0.1)	283 380	0.34
Acquisitions	714	0	1 200	0.00
Total expenditure (2)	85 483 858	100.00	83 948 258	100.00
Exchange Gain/Loss due to reevaluation** (3)	2 172 433		2 861 384**	
EXPENDITURE (1) – (2) + (3)	9 758 558		2 147 324	
Prior period adjustments			(15 404)	
Savings on liquidation			86 324	
RESERVE AND FUND BALANCE : 1 JANUARY 2013	115 776 300		116 130 466	
USD/CHF conversion adjustment	(215 713)		(560 208)	
RESERVE AND FUND BALANCE : 31 DECEMBER 2013	125 319 145		118 908 917	

Statement of assets, liabilities, reserves and fund balances as at 31 December 2013 (in Swiss francs)

Assets	
Cash and term deposits	14 894 802
Short-term investments	12 059 646
Long-term investments	94 168 801
Inter-fund balances receivable	1 887 859
Other accounts receivable	2 430 944
TOTAL ASSETS	125 442 052
Liabilities	
Other accounts payable	122 522
Unliquidated obligations	385
TOTAL LIABILITIES	122 907
Reserves and fund balances	
Reserve for claims to be paid	6 600 000
Reserve for claims incurred but not reported	39 700 000
Reserve for catastrophic claims	7 900 000
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	39 919 145
TOTAL RESERVES	125 319 145
TOTAL LIABILITIES AND RESERVES	125 442 052

**ANNEX III
INVESTMENTS**

CURR.	PRINCIPAL	EXCHANGE RATE	VALUE IN USD
EUR	4 602 671.09	0.725	6 348 511.85
USD	7 247 481.04	1.000	7 247 481.04

SHORT-TERM AND MEDIUM-TERM AS AT 31 DECEMBER 2013

CURR.	PRINCIPAL	EXCHANGE RATE	VALUE IN USD
CHF	14 894 802	0.887	16 792 336

EQUITY PORTFOLIO AS AT 31 DECEMBER 2013

EQUITY	TYPE	NUMBER	PRINCIPAL	MARKET VALUE	UNREALIZED GAINS
USD	ISHARES SMI CH	340 600	28 979 951.22	32 277 245.18	3 297 293.96
			27 006 404.96	28 705 768.00	1 699 363.04

BOND STATEMENT AS AT 31 DECEMBER 2013

	COUPON RATE	CURR.	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	ISSUE
BOND	2.250%	CHF	1 495 875.00	1 501 050.00	1 500 000.00	20/01/2014	AKADEMISKA HUS AB
BOND	3.500%	CHF	2 150 889.00	2 004 000.00	2 000 000.00	28/01/2014	EUROPEAN INVESTMENT BANK
BOND	1.875%	CHF	1 541 922.00	1501 800.00	1 500 000.00	07/02/2014	CONSEIL DE L'EUROPE
BOND	2.250%	CHF	1 502 100.00	1 511 700.00	1 500 000.00	13/05/2014	NEDER WATERSCHAPSBANK
BOND	2.625%	CHF	3 157 500.00	3 054 900.00	3 000 000.00	06/10/2014	TOTAL CAPITAL SA
BOND	3.125%	CHF	1 495 350.00	1 533 750.00	1 500 000.00	10/10/2014	CFF – Cie de Financement Foncier
BOND	2.250%	CHF	2 602 500.00	2 549 000.00	2 500 000.00	02/12/2014	NATIONAL AUSTRALIA BANK
BOND	3.375%	CHF	1 492 800.00	1 542 900.00	1 500 000.00	05/12/2014	GENERAL ELECTRIC CAPITAL CORP
BOND	2.000%	CHF	2 570 000.00	2 543 750.00	2 500 000.00	16/12/2014	ANZ NATL
BOND	2.750%	CHF	3 098 400.00	3 090 600.00	3 000 000.00	16/03/2015	RABOBANK
BOND	3.375%	CHF	1 994 000.00	2 100 800.00	2 000 000.00	03/08/2015	NORWEGIAN STATE RAILWAY AS
BOND	1.875%	CHF	2 068 200.00	2 053 400.00	2 000 000.00	25/08/2015	WESTPAC SEC NZ
BOND	2.625%	CHF	2 086 800.00	2 078 800.00	2 000 000.00	22/09/2015	NEDER FINANCE
BOND	3.125%	CHF	2 185 000.00	2 101 800.00	2 000 000.00	29/09/2015	TOTAL CAPITAL
BOND	3.375%	CHF	1 005 119.00	1 058 900.00	1 000 000.00	21/12/2015	SANOFI-AVENTIS
BOND	3.375%	CHF	1 056 000.00	1 045 100.00	1 000 000.00	20/01/2016	GEN ELEC CAP CO
BOND	2.125%	CHF	697 900.00	728 210.00	700 000.00	22/02/2016	INTER-AMERICAN DEVELOPMENT BANK
BOND	2.375%	CHF	1 993 000.00	2 065 800.00	2 000 000.00	22/02/2016	NEW YORK LIFE FUNDING
BOND	2.750%	CHF	1 065 500.00	1 058 100.00	1 000 000.00	11/05/2016	BK NED GEMEENTEN
BOND	1.500%	CHF	2 565 000.00	2 551 500.00	2 500 000.00	23/05/2016	KOREA DEV BANK

BOND STATEMENT AS AT 31 DECEMBER 2013

BOND	2.000%	CHF	498 500.00	519 850.00	500 000.00	08/07/2016	AUST NZ BANK
BOND	2.875%	CHF	1 791 000.00	1 919 520.00	1 800 000.00	19/07/2016	FMO-NEDERLANDSE
BOND	2.875%	CHF	2 144 600.00	2 132 400.00	2 000 000.00	20/09/2016	TOYOTA MOTOR CRED
BOND	1.875%	CHF	995 910.00	1 046 600.00	1 000 000.00	08/03/2017	SWEDISH EXPORT CREDIT CORP
BOND	1.750%	CHF	1 000 500.00	1 049 200.00	1 000 000.00	21/04/2017	EUROPAEISHE INVESTITIONSBANK EIB
BOND	3.250%	CHF	2 003 300.00	2 184 234.00	2 000 000.00	10/07/2017	ERSTE GROUP BANKAG
BOND	2.250%	CHF	499 680.00	530 917.00	500 000.00	14/07/2017	NATIONAL AUSTRALIA BANK
BOND	1.500%	CHF	1 998 060.00	2 068 400.00	2 000 000.00	29/09/2017	NORDEA BANK AB
BOND	1.625%	CHF	2 504 000.00	2 587 750.00	2 500 000.00	19/10/2017	GENERAL ELECTRIC CAPITAL CORP.
BOND	3.250%	CHF	1 995 800.00	2 198 200.00	2 000 000.00	13/11/2017	CDC (Caisse des Depots et Consignation)
BOND	1.500%	CHF	2 087 000.00	2 083 008.00	2 000 000.00	18/12/2017	DEUTSCHE BAHN FINANCE
BOND	1.500%	CHF	2 001 900.00	2 059 000.00	2 000 000.00	22/01/2018	BNZ INTL FUNDING
BOND	1.000%	CHF	1 997 920.00	2 045 400.00	2 000 000.00	01/02/2018	NEDER WATERSCHAPSBANK
BOND	2.125%	CHF	697 438.00	749 294.00	700 000.00	23/07/2019	OESTRAISCHICHE KONTROL BANK
BOND	2.125%	CHF	499 820.00	533 400.00	500 000.00	27/04/2020	ENERGIE BEHEER NEDERLAND
BOND	1.750%	CHF	1 494 660.00	1 566 600.00	1 500 000.00	03/06/2020	DEUTSCHE BAHN FINANCE
BOND	1.125%	CHF	1 984 600.00	1 995 000.00	2 000 000.00	02/10/2020	NORDEA BANK AB
BOND	2.250%	CHF	501 600.00	528 800.00	500 000.00	25/02/2021	SOCIETE NATIONALE DES CHEMINS DE FER (SNCF)
Total		CHF	64 530 543.00	65 463 033.00			
		USD	67 536 371.80	73 607 728.11			