

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations
Staff Mutual Insurance Society against Sickness and Accident



UNITED NATIONS

2014

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE, YEAR 2014

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Executive Committee from 1 January 2014 to 31 December 2014

Chairperson: Nataliya Myronenko

Vice-Chairperson: Jalil Housni (WMO)

Members: Pierrine Aylara (UNHCR)
Mohamed Chiraz Baly
Dominique Rames (until 30 September 2014)
Shibao Liu (WMO)
Sandya Prasad
Pierre Vangeleyn

Alternates: Christophe Duverger (UNHCR)
Jalil Housni (WMO)

Medical Advisers: Dr. Pascal Achard
Dr. Andrea Ferrari
Dr. Sergio Arena

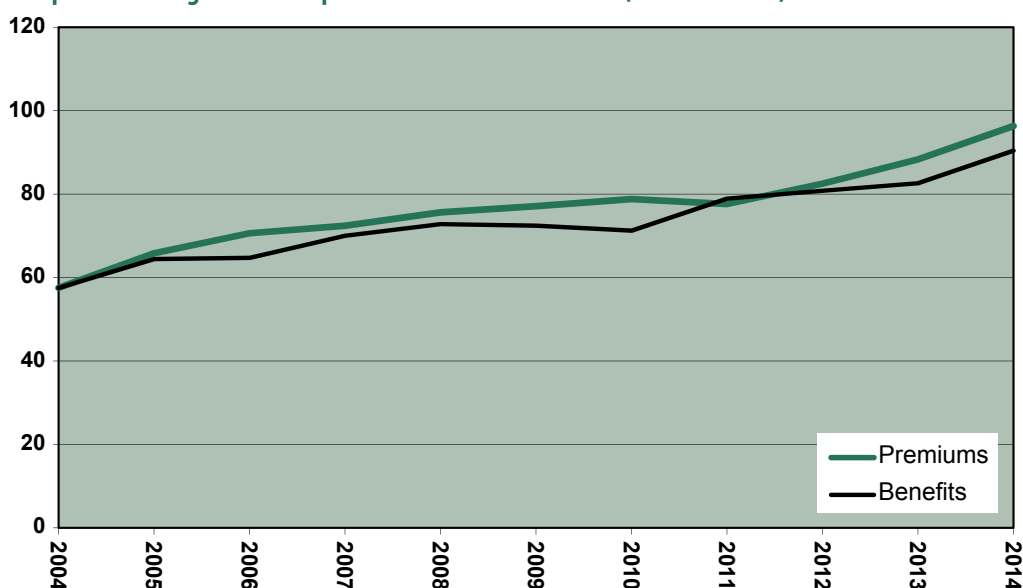
Executive Secretary: Patrick Goergen

Introduction

The present report of the Executive Committee of the United Nations Staff Mutual Insurance Society (the Society) was prepared to provide members details on the financial situation and other relevant information on the Society. It is not a fully detailed financial report and is not meant to provide IPSAS compliant reporting, as the financial figures of the Society are represented under volume 1 of the United Nations financial report.

1. During 2014, the Society recorded CHF 90.4 million in benefits paid, an increase of 9.4% compared to 2013 (CHF 82.6 million). The number of members increased by 3.7%, and benefit payments per member reached CHF 3,598.- in 2014 compared to CHF 3,407.- in 2013. The capacity of the premium income to cover the benefit payments stayed intact : in 2014, the benefit payments/premium income stood at 93.9%, compared with 93.6% in 2013.
2. The graph 1 below shows the trends of premiums and reimbursements over the past 10 years, in nominal terms.

Graph 1: Progression of premiums in millions CHF (2004 – 2014)



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 shows the trend of the combined ratio over the past five years.

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

2014	2013	2012	2011	2010
94.8	91.8	100.8	106.2	82.4

4. In 2014, total income stood at CHF 98.8 million compared with a total expenditure of CHF 93.6 million. The position of the Society's reserve after taking into account US dollar/Swiss francs conversion adjustments increased from CHF 125.3 million at the beginning of 2014 to CHF 127.3 million at 31 December 2014. 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 2014* set out in Swiss francs is shown in annex II.
7. *The income from premiums* amounted CHF 96.3 million in 2014, representing 97.5 % of the *total income* of CHF 98.8 million. Comparing this total income with the total expenditure of CHF 93.6 million, the Society shows an operating surplus of CHF 5.2 million compared to a surplus of CHF 7.6 million in 2013.
8. *Total Reserves and Fund Balances as at 31 December 2014* were CHF 127.3 million. This amount is equivalent to approximately 16.9 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 2014, *the statutory minimum reserve fund* stood at CHF 39.8 million, which represents 24.3% of the total benefits paid during the previous two years – which is slightly under 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, and an increase in 2016 for single staff members only. It appears that these measures have brought the Society back to financial equilibrium and soundness.
10. As at 31 December 2014, *the reserve for claims incurred but not reported* (expenditure incurred but not yet submitted to the Society) stood at CHF 40.8 million.
11. *The reserve for catastrophic risks*, which stood at CHF 8.1 million as at 31 December 2014, 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 2014 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 2014* 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 2014, cash and term deposits stood at CHF 13.8 million, short-term investments of CHF 13.9 million and the long-term investments were valued at CHF 94.5. 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 2014, premium income was 9.1% higher than in 2013 (table 2). Benefit payments over the same period increased to CHF 90.4 million in 2014 compared to CHF 82.6 million in 2013 (table 3).

Table 2: Income from premiums (in CHF)

Premiums	2014	2013	2012	2011	2010
	96 256 152	88 255 449	82 509 083	77 573 343	78 828 379

Table 3: Benefits paid (in CHF)

Benefits	2014	2013	2012	2011	2010
	90 408 197	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 surplus was recorded in 2014.

Table 4: Loss ratio (%)

2014	2013	2012	2011	2010	2009	2008
93.9	93.6	98.0	101.8	90.3	94.0	96.2

16. *In 2014, 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

2014	2013	2012	2011	2010	2009	2008
3.5	3.6	3.5	3.4	3.4	2.31	2.48

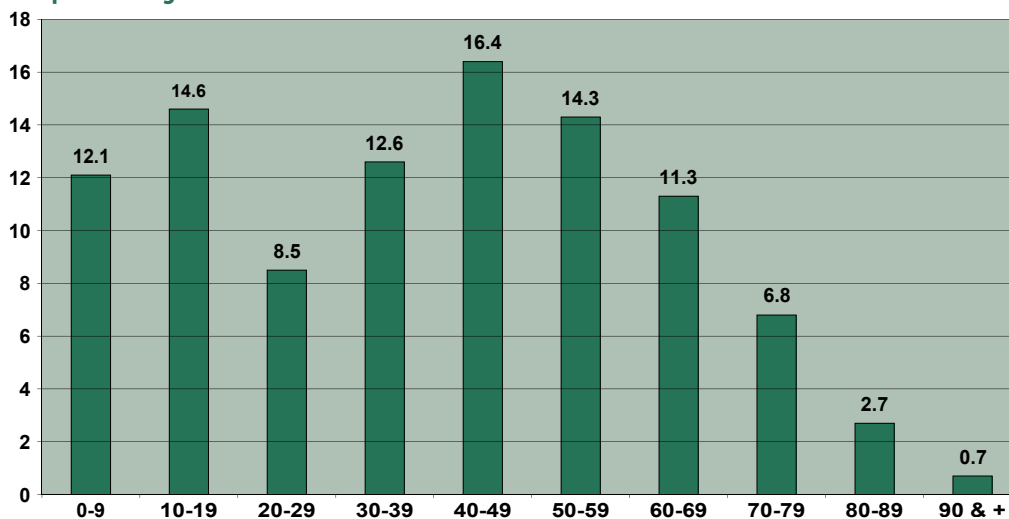
III. THE SOCIETY IN FIGURES

17. *The number of members and dependants at 31 December 2014 totalled 25,128 which represents an increase of 3.7% compared with 2013 figure. Similarly, the number of retired members has also risen slightly by 2.9%, as can be seen from table 6 below. The average age of members, including children, was 41 years and 3 months. Graph 2 shows the Society's age structure.*

Table 6: Number of individuals insured

	2014	2013	2012	2011	2010
Serving members and their dependants	18 918	18 206	17 780	17 136	16 567
Retired members and their dependants	6 210	6 034	5 805	5 676	5 479
Total	25 128	24 240	23 585	22 812	22 046

Graph 2: Age structure



18. *The breakdown of the Society's expenditure by category of benefits (table 7) shows that hospital care and surgery predominate: they accounted for 36.16% of total benefits reimbursed in 2014. General medical fees and medical specialists' fees come second, 19.20% in total, while the other two major items of expenditure: pharmaceutical products and dental and orthodontic treatment, accounted for 9.39% and 9.34% respectively, of total reimbursements.*

Table 7: Reimbursements (in %)

	2014	2013	2012	2011	2010
Hospital care	36.16	34.77	34.11	35.24	35.03
Convalescence	2.99	2.82	2.96	2.79	2.85
Residential (EMS) and dependency benefit	2.95	2.60	2.94	2.81	2.49
General medical fees	15.14	15.74	15.46	15.19	15.11
Medical specialists' fees	4.06	4.18	4.12	3.79	4.26
Medical Imagery	5.37	5.60	5.22	5.26	5.11
Laboratory fees	4.26	4.12	4.10	3.93	3.68
Functional rehabilitation	2.12	2.56	2.71	2.54	2.58
Pharmaceutical products	9.39	10.02	10.33	10.47	10.73
Psychotherapy	2.12	2.38	1.96	1.84	1.90
Dental	9.34	9.64	10.38	10.42	10.54
Optical	4.04	4.04	4.22	4.20	4.08
Transport	0.40	0.41	0.38	0.45	0.41
Other	1.16	1.13	1.12	1.09	1.23

19. *The breakdown of amounts reimbursed per member shows that reimbursements in excess of CHF 50,000.- accounted for around 26.7% of the total and were paid to only 0.9% of members.*
20. *In 2014, the Society made payments in more than 150 countries, in response to 87,274 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 397 claims were processed each working day in 2014, an increase of 4.7% compared with 379 in 2013.*

IV. ACTIVITIES OF THE SOCIETY

22. The Executive Committee met 3 times in 2014. It considered general policy on the management of the Society and reached decisions on 16 special cases submitted during the year. Two circulars and information bulletins were published in 2014.
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\$ 78,235 at the end of 2014.

Table 8: Fund for Additional Medical Aids (FAMA)

Number of cases dealt with per year from 2010 to 2014				
2014	2013	2012	2011	2010
2	0	2	1	0
Funds in USD available at the end of each year from 2010 to 2014				
2014	2013	2012	2011	2010
\$ 78 235	\$ 93 922	\$ 93 184	\$ 92 419	\$ 77 413

- 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 2014, for example, some 710 retirees were vaccinated against influenza and 125 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

*Statement of income and expenditure and changes in reserves
and fund balances for year 2014
ending 31 December 2014 (in United States Dollars)*

INCOME	2014	%
Premium income	105 163 727	98.3
Interest income	1 852 325	1.7
Miscellaneous income	597	0
Total income (1)	107 016 649	100.00
EXPENDITURE	2014	%
Claims reimbursements	98 714 616	97.3
Staff and other personnel costs	3 492 775	3.4
Operating and other expenses	48 375	0.1
Transaction exchange Gain/Loss	(800 301)	(0.8)
Total expenditure (2)	101 455 464	100.00
Exchange Gain/Loss due to revaluation (3)	(14 228 608)	
Excess / Shortfall of income over expenditure (1) – (2) + (3)	(8 667 424)	
Prior period adjustments	(3 655 833)	
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	(12 323 257)	
Saving on liquidation	434	
RESERVE AND FUND BALANCE : BEGINNING OF PERIOD	141 284 268	
RESERVE AND FUND BALANCE : 31 DECEMBER 2014	128 961 445	

*Statement of assets, liabilities, reserves and fund balances
as at 31 December 2014 (in United States Dollars)*

Assets	
Cash and term deposits	14 072 707
Short-term investments	14 053 431
Long-term investments	95 756 736
Inter-fund balances receivable	2 123 646
Other accounts receivable	3 113 703
TOTAL ASSETS	129 120 223
Liabilities	
Other accounts payable	134 509
Unliquidated obligations – current period	24 269
TOTAL LIABILITIES	158 778
Reserves and fund balances	
Reserve for claims to be paid	6 889 564
Reserve for claims incurred but not reported	41 337 386
Reserve for catastrophic claims	8 206 687
Reserve for currency fluctuations	5 065 856
Reserve for terminal indemnities	1 823 708
Actuarial reserve for long-term risks	25 329 281
Reserve fund	40 308 963
TOTAL RESERVES	128 961 445
TOTAL LIABILITIES AND RESERVES	129 120 223

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



ANNEX II

Statement of income and expenditure and changes in reserves and fund balances for year 2014 ending 31 December 2014 (in Swiss francs)

INCOME	2014	%	2013	%
Premium income	96 256 152	97.4	88 255 449	94.8
Interest income	1 828 908	1.9	4 593 247	5.0
Gain/Loss on exchange (Transactions)	729 207	0.7	221 287	0.2
Miscellaneous income	597	0		
Total income (1)	98 814 864	100.00	93 069 983	100.00
EXPENDITURE	2014	%	2013	%
Claims reimbursements	90 408 197	96.5	82 603 093	96.6
Staff and other personnel costs	3 194 819	3.4	2 999 572	3.5
Operating and other expenses	44 785	0.1	(119 521)	(0.1)
Acquisitions			714	0
Total expenditure (2)	93 647 801	100.00	85 483 858	100.00
Exchange Gain/Loss due to reevaluation (3)	(13 554 785)		2 172 433	
NET EXCESS/SHORTFALL OF INCOME OVER- EXPENDITURE (1) – (2) + (3)	(8 387 752)		9 758 558	
Prior period adjustments	(3 282 938)			
Savings on liquidation	428			
RESERVE AND FUND BALANCE: 1 JANUARY 2014	125 319 145		115 776 300	
USD/CHF conversion adjustment	13 636 064		(215 713)	
RESERVE AND FUND BALANCE: 31 DECEMBER 2014	127 284 946		125 319 145	

Statement of assets, liabilities, reserves and fund balances as at 31 December 2014 (in Swiss francs)

Assets	
Cash and term deposits	13 889 762
Short-term investments	13 870 737
Long-term investments	94 511 899
Inter-fund balances receivable	2 096 039
Other accounts receivable	3 073 225
TOTAL ASSETS	127 441 660
Liabilities	
Other accounts payable	132 760
Unliquidated obligations	23 954
TOTAL LIABILITIES	156 714
Reserves and fund balances	
Reserve for claims to be paid	6 800 000
Reserve for claims incurred but not reported	40 800 000
Reserve for catastrophic claims	8 100 000
Reserve for currency fluctuations	5 000 000
Reserve for terminal indemnities	1 800 000
Actuarial reserve for long-term risks	25 000 000
Reserve fund	39 784 946
TOTAL RESERVES	127 284 946
TOTAL LIABILITIES AND RESERVES	127 441 660

ANNEX III

Cash statement as at 31 December 2014 (UN OAH Investment Pool)

CURRENCY	PRINCIPAL	EXCHANGE RATE	VALUE IN USD
EUR	7 506 203.32	0.820	9 153 906.49
USD	4 899 524.94	1.000	4 899 524.94

Short-term and medium-term as at 31 December 2014

CURRENCY	PRINCIPAL	EXCHANGE RATE	VALUE IN USD
CHF	13 870 737	0.987	14 053 431

Equity portfolio as at 31 December 2014

EQUITY	TYPE	NUMBER	ACQUISITION COST	MARKET VALUE	UNREALIZED GAINS
USD	ISHARES SMI CH	312 830	29 358 086.86	31 996 366.43	2 638 279.57
CHF			27 454 449.53	31 793 189.50	4 338 739.97

Bond statement as at 31 December 2014

	COUPON RATE	CURR.	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	ISSUE
BOND	2.750%	CHF	3 098 400.00	3 014 700.00	3 000 000.00	16/03/2015	RABOBANK
BOND	3.375%	CHF	1 994 000.00	2 037 600.00	2 000 000.00	03/08/2015	NORWEGIAN STATE RAILWAY AS
BOND	1.875%	CHF	2 068 200.00	2 021 600.00	2 000 000.00	25/08/2015	WESTPAC SEC NZ
BOND	2.625%	CHF	2 086 800.00	2 034 600.00	2 000 000.00	22/09/2015	NEDER FINANCE
BOND	3.125%	CHF	2 185 000.00	2 045 600.00	2 000 000.00	29/09/2015	TOTAL CAPITAL
BOND	3.375%	CHF	1 005 119.00	1 031 300.00	1 000 000.00	21/12/2015	SANOFI-AVENTIS
BOND	2.625%	CHF	1 056 000.00	1 025 400.00	1 000 000.00	20/01/2016	GEN ELEC CAP CO
BOND	2.125%	CHF	697 900.00	716 800.00	700 000.00	22/02/2016	INTER-AMERICAN DEVELOPMENT BANK
BOND	2.375%	CHF	1 993 000.00	2 047 800.00	2 000 000.00	22/02/2016	NEW YORK LIFE FUNDING
BOND	2.750%	CHF	1 065 500.00	1 036 600.00	1 000 000.00	11/05/2016	BK NED GEMEENTEN
BOND	1.500%	CHF	2 565 000.00	2 540 250.00	2 500 000.00	23/05/2016	KOREA DEV BANK
BOND	2.000%	CHF	498 500.00	513 800.00	500 000.00	08/07/2016	AUST NZ BANK
BOND	2.875%	CHF	1 791 000.00	1 881 360.00	1 800 000.00	19/07/2016	FMO-NEDERLANDSE
BOND	2.875%	CHF	2 144 600.00	2 096 600.00	2 000 000.00	20/09/2016	TOYOTA MOTOR CRED
BOND	2.500%	CHF	3 155 100.00	3 151 500.00	3 000 000.00	16/02/2017	WESTPAC BANKING
BOND	1.875%	CHF	995 910.00	1 040 500.00	1 000 000.00	08/03/2017	SWEDISH EXPORT CREDIT CORP
BOND	1.750%	CHF	1 000 500.00	1 043 400.00	1 000 000.00	21/04/2017	EUROPAISCHE INVESTITIONSBANK EIB
BOND	3.250%	CHF	2 003 300.00	2 146 200.00	2 000 000.00	10/07/2017	ERSTE GROUP BANK AG
BOND	2.250%	CHF	499 680.00	527 050.00	500 000.00	14/07/2017	NATIONAL AUSTRALIA BANK
BOND	1.500%	CHF	1 998 060.00	2 075 600.00	2 000 000.00	29/09/2017	NORDEA BANK AB

Bond statement as at 31 December 2014 (continued)

	COUPON RATE	CURR.	PRINCIPAL	MARKET VALUE	FACE VALUE	MATURITY	ISSUE
BOND	1.625%	CHF	2 504 000.00	2 602 000.00	2 500 000.00	19/10/2017	GENERAL ELECTRIC CAPITAL CORP.
BOND	3.250%	CHF	1 995 800.00	2 185 000.00	2 000 000.00	13/11/2017	CDC (Caisse des Dépôts et Consignation)
BOND	1.500%	CHF	2 087 000.00	2 086 400.00	2 000 000.00	18/12/2017	DEUTSCHE BAHN FINANCE
BOND	1.500%	CHF	2 001 900.00	2 080 000.00	2 000 000.00	22/01/2018	BNZ INTL FUNDING
BOND	1.000%	CHF	4 366 920.00	4 436 740.00	4 300 000.00	01/02/2018	NEDER WATERSCHAPSBANK
BOND	3.125%	CHF	2 220 000.00	2 219 400.00	2 000 000.00	02/07/2018	BK NED GEMEENTEN
BOND	2.750%	CHF	2 220 000.00	2 215 200.00	2 000 000.00	23/01/2019	SNCF
BOND	2.125%	CHF	697 438.00	766 780.00	700 000.00	23/07/2019	OESTRAISCHICHE KONTROL BANK
BOND	1.500%	CHF	1 062 500.00	1 063 500.00	1 000 000.00	13/09/2019	COM BK AUSTRALIA
BOND	2.125%	CHF	499 820.00	553 700.00	500 000.00	27/04/2020	ENERGIE BEHEER NEDERLAND
BOND	1.750%	CHF	1 494 660.00	1 630 200.00	1 500 000.00	03/06/2020	DEUTSCHE BAHN FINANCE
BOND	1.125%	CHF	3 039 100.00	3 133 800.00	3 000 000.00	02/10/2020	NORDEA BANK AB
BOND	1.125%	CHF	5 207 500.00	5 225 000.00	5 000 000.00	18/06/2020	MET LIFE GLOB
BOND	1.125%	CHF	5 272 500.00	5 299 655.00	5 000 000.00	24/07/2020	OESTEREICH KONTROL BK
BOND	3.375%	CHF	1 189 500.00	1 191 000.00	1 000 000.00	06/11/2020	COUNCIL of EUROPE
BOND	2.250%	CHF	501 600.00	562 357.00	500 000.00	25/02/2021	SOCIETE NATIONALE DES CHEMINS DE FER (SNCF)
CASH		CHF	(2 649 946)	(2 649 946)			
Total		CHF	67 611 860	68 629 045			