

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations
Staff Mutual Insurance Society against Sickness and Accident

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UNITED NATIONS

2015

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE YEAR 2015

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Executive Committee from 1 January 2015 to 31 December 2015

Chairperson :	Nataliya Myronenko
Vice-Chairperson :	Jalil Housni (WMO), alternate
Members :	Sandya Prasad Mohammed Chiraz Baly Christophe Duverger (UNHCR) Shuibao Liu (WMO)
Alternates:	Pierrine Aylara (UNHCR)
Observers (retirees):	Pierre Vangeleyn Mohammed Sebti
Medical Advisers :	Dr. Achard Dr. Ferrari Dr. Arena
Executive Secretary:	Patrick Goergen

Introduction

The present report of the Executive Committee of United Nations Staff Mutual Insurance Society (the Society) was prepared to provide members relevant information concerning the financial situation and operational highlights of the Society. The report is not a fully detailed financial report and is not meant to provide IPSAS compliant reporting. For IPSAS compliant reporting of the information presented in Annex I please refer to Volume 1 of the United Nations financial report.

1. During 2015, the Society recorded USD 96.5 million in Claims & expenses paid (benefits paid), a decrease of 2.2% compared to 2014 (USD 98.7 million). The number of members increased by 6.1%, and average annual claims reimbursements per member was USD 3,619 in 2015 compared to USD 3,928.2 in 2014. A decrease of around 7.9%. The capacity of the contribution (premium) income to cover the claims (benefit) payments stayed intact: in 2015, the ratio of claims (benefit) payments/contribution (premium) income stood at 89.9%, compared with 93.8% in 2014.
2. The overall financial performance of the Society for the year 2015, measured by a combined ratio of total expenses/total revenues, improved. The table 1 below shows the trend of the combined ratio over the last two years.

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

2015	2014
93.7	105.8

It is important to note that the combined ratio is inclusive of operating costs, investment revenue and exchange rate losses/gains.

3. In 2015, total revenues stood at USD 108.2 million compared with total expenses of USD 101.3 million. The position of the Society's total net assets increased from USD 103.9 million as at 31 December 2014 to USD 110.4 million as at 31 December 2015. Further details can be obtained from Annex I of the report.
4. 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, avoiding seeking 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 branded products;
- Adopt a lifestyle that includes a sensible diet and healthy habits.

I. FINANCIAL SITUATION

5. *The revenue from Contribution for self-insurance funds (premiums)* amounted to USD 107.4 million in 2015, representing 99.3% of the total revenues of USD 108.2 million. Comparing these total revenues with the total expenses of USD 101.3 million, the Society shows a converted surplus of USD 6.9 million compared to a converted deficit of USD 6.4 million in 2014.
6. *Net of Total Assets and Total Liabilities at 31 December 2015* was USD 110.4 million. This amount is, on average, equivalent to 15.8 months of claims payments.
7. *Total Net Assets* of the Society consist of the Accumulated surplus amounting to USD 53.0 million and of Reserves standing at USD 57.4 million at end of 2015.

As defined in the Statutes, the Reserve Fund (Accumulated Surplus) shall not be less than 25% or more than 50% of total claims (benefits) paid during two preceding calendar years. The Reserve Fund with USD 57.4 million is thus standing within the definition of the Statutes: lowest level should USD 47.0 million and the highest-level USD 94.0 million.

Reserves consist of several separated reserves including: (a) the reserve for catastrophic claims; (b) the reserve for currency fluctuations; (c) the reserve for terminal indemnities; and (d) the actuarial reserve for long-term risks.

- a) *The reserve for catastrophic risks* was established in 1993 to protect the Society against the risk of having to pay out exceptionally substantial 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. The amount of the reserve must not be less than 5% of the total claims (benefits) paid during the previous two calendar years.
- b) *The reserve for currency fluctuation* was established in the year 2000 following recommendations made by an actuary.

Most of the expenses (claims reimbursements) of the Society are in Swiss francs while accounts are kept in United States dollars.

- c) *The reserve for terminal indemnities* was established to cover indemnities due to staff working for the Society in case the Society is wound up.
 - d) *The actuarial reserve for long-term risks* was established in 1995 to cover the continuous increase in health-care costs and the progressive increase in the average age of members.
8. *Total Liabilities* of the Society amount to USD 31.7 million at 31 December 2015 and include:
- *Employee benefit liabilities* represent claims received but not yet paid and are defined to be equivalent to one month of claims reimbursement and amount to USD 7.0 million.
 - *Provisions* represent claims incurred but not reported (IBNR) and adjusted at USD 23.7 million following remarks by the Board of Auditors on excessive provisions for IBNR claims.

II. TRENDS IN INCOME AND EXPENDITURE

9. *Revenue from contributions (premiums)* have risen steadily year on year. In 2015 contributions were 2.1% higher than in 2014 (table 2). Claims (Benefit) payments over the same period decreased to USD 96.5 in 2015 compared to USD 98.7 million in 2014.

Table 2 – Revenue from contributions (premium) (in million USD)

Contributions (Premiums)	2015	2014
	107.4	105.2

Table 3 – Expenses Claims (Benefits) paid (in million USD)

Claims (Benefits)	2015	2014
	96.5	98.7

10. *The loss ratio* (Claims paid/Contribution received: see table 4) is a measure of the Society's ability to meet its expenses. The surplus of revenue over expenses enables the Society to cover operating costs and maintain its provisions and reserves at a constant level in relation to expenses.

Table 4 – Loss ratio (%)

2015	2014
89.9	93.8

11. *In 2015, the Society's staffing costs* accounted for 3.7% of total Claims paid by the Society. Operating costs remain very low in comparison with similar plans that are administered by third party administrators and/or insured with commercial insurers (table 5).

Table 5 – Staff costs as a percentage of total benefits paid (in USD)

2015	2014
3.7	3.5

III. THE SOCIETY IN FIGURES

12. *The number of members and dependants* as at 31 December 2015 totalled 26,662 which represents an increase of 6.1% compared to 2014. The number of retired members has risen by 3.5%, as can be seen from table 6 below.

Table 6 – Number of individuals insured

	2015	2014
Serving members and their dependants	20,234	18,918
Retired members and their dependants	6,428	6,210
Total	26,662	25,128

13. *The breakdown of the Society's expenditure* by category of benefits (table 7) shows that hospital care and surgery account for 36.4% of total claims reimbursed in 2015. General medical fees and medical specialists' fees come second with 19.3% in total, while the other two major items of expenditure, pharmaceutical products and dental and orthodontic treatment, accounted for 9.3% and 9.0 % respectively, of total reimbursements.

Table 7 – Reimbursements (in %)

	2015	2014
Hospital care	36.4	36.2
Convalescence	4.0	3.0
Residential (EMS) and dependency benefit	3.0	3.0
General medical fees	15.2	15.1
Medical specialists' fees	4.1	4.1
Medical Imagery	4.7	5.4
Laboratory fees	4.0	4.3
Functional rehabilitation	2.6	2.1
Pharmaceutical products	9.3	9.4
Psychotherapy	2.2	2.1
Dental and Orthodontic	9.0	9.3
Optical	4.0	4.0
Transport	0.5	0.6
Other	1.0	1.4

14. *The breakdown of amounts reimbursed per member* shows that reimbursements in excess of USD 51,473 (CHF 50,000) accounted for around 29.56% of total reimbursements and were paid to only 1.11% of insured members.

15. *In 2015, the Society made payments* in more than 150 countries, in response to 91,181 claims. The main currency of payment was the Swiss franc (83.4%), followed by the Euro (8.9%) and the United States dollar (7%).
16. *An average of 414 claims* were processed each working day in 2015, an increase of 4.3% compared with 397 in 2014.

IV. ACTIVITIES OF THE SOCIETY

17. The Executive Committee met 4 times in 2015. It considered general policy on the management of the Society and reached decisions on 9 exceptional cases submitted during the year. Two information circulars were published in 2015.
18. The Society's Internet site, freely accessible to all, is regularly updated. <https://medical-insurance.unog.ch>
19. 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.
 - 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 continue to prove their worth.
 - 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.
 - The Fund for Additional Medical Aids (FAMA) amounted to US\$ 61,974 at the end of 2015.

Table 8 – Fund for Additional Medical Aids (FAMA)

Number of cases dealt with per year from 2014 to 2015	
2015	2014
3	2
Funds in USD available at the end of each year from 2014 to 2015	
2015	2014
61,974	78,235

NOTE

Please note that with the introduction of IPSAS, the 2014 accounts have been restated and all accounts are now presented in USD only. This inevitably means that some past figures in this report will not match with the figures reported in past reports.

ANNEX I – THE SOCIETY’S FINANCIAL STATEMENTS

I. Statement of financial position as at 31 december 2015

(Thousands of United States dollars)		
	31 December 2015	31 December 2014 (restated)
Assets		
Current assets		
Cash and cash equivalents	21,744	18,205
Investments	25,985	50,794
Assessed contributions receivable	–	–
Voluntary contributions receivable	–	–
Other receivables	3,991	2,218
Other assets	–	2,123
Total current assets	51,720	73,340
Non-current assets		
Investments	90,219	61,675
Intangible Assets & other assets	92	–
Total non-current assets	90,311	61,675
Total Assets	142,031	135,015
Current liabilities		
Accounts payable and accrued liabilities	905	–
Advance receipts	–	134
Employee benefits liabilities	7,038	7,544
Provisions	23,713	23,404 ^v
Other liabilities	–	1
Total current liabilities	31,656	31,083
Total non-current liabilities	–	–
Total Liabilities	31,656	31,083
Net of Total Assets and Total Liabilities	110,375	103,932
Accumulated surpluses/(deficits)	53,004	46,216
Reserves	57,371	57,716
Total Net Assets	110,375	103,932

^v Employee benefit liabilities in the 2014 Volume 1 financial statements included the balance of \$23.4 million related to reserves for claims incurred but not reported. In 2015, the classification was changed in Volume 1 to disclose these reserves as provisions. In these financial statements the classification as provisions is applied consistently in both years.

II. Statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)		
	2015	2014 (restated)
Revenue		
Contributions for self-insurance funds	107,380	105,164
Investment revenue	786	4,184
Total revenues	108,166	109,348
Expenses		
Employee salaries allowances and benefits	3,588	3,491
Grants and other transfers	2	–
Supplies and consumables	3	6
Amortization	6	–
Travel	14	8
Self-Ins. Claims & Expenses	96,490	98,707
Other operating expenses	1,197	13,523 ^{2/}
Total expenses	101,300	115,735
Surplus / (deficit) for the year	6,866	(6,387)

^{2/} Other operating expenses include foreign exchange losses of \$1.4 million for the year ended 31 December 2015 (2014: \$13.4 million).

III. Statement of changes in net assets for the year ended 31 December 2015

(Thousands of United States dollars)			
	Accumulated surpluses/(deficits)	Reserves	Total Net Assets
Net Asset opening as at 1 January 2015	40,309	88,652	128,961^{3/}
Derecognition of unliquidated obligations	24		24
Recognition of allowance for doubtful receivables	(183)		(183)
Valuation of investments at market value	6,066		6,066
Derecognition of reserves to provisions and employee benefits liabilities		(30,936)	(30,936)
Total IPSAS adjustments	5,907	(30,936)	(25,029)
Restated Net Asset opening as at 1 January 2015	46,216	57,716	103,932
Change in net assets			
Other adjustments to net assets	(79)	(345)	(424)
Surplus/(deficit) for the year	6,866		6,866
Total changes in net assets	6,787	(345)	6,442
Net Assets as at 31 December 2015	53,004	57,371	110,375

^{3/} The Net Asset balance as at 1 January 2015 was originally presented according to UNSAS. As described above, the UNSMIS 2015 Financial Statements have been prepared on an accrual basis. The opening Net Assets are therefore restated to include adjustments required by IPSAS. The main adjustment of \$30.9 million corresponds to the reclassification of the following Reserves ("Reserve for claims to be paid" and "Reserves for claims incurred but not reported") to employee benefits liabilities and provisions. The actuarial reserve is reviewed periodically, and the next review is scheduled for 2018. The other significant adjustment (\$6.1 million) corresponds to the gain on market value for investments as at 31 December 2014.

The statements are prepared on an accrual basis, following the principles laid down in applicable International Public Sector Accounting Standards (IPSAS). However, they do not include a full set of notes and disclosures that are required for fully IPSAS compliant financial statements. The UNSMIS Trust Fund is included in the United Nations Volume I Financial Statements which are fully IPSAS compliant.

ANNEX II – INVESTMENTS

UNSMIS total assets at 31 December 2015 stood at USD 142,030,000. Of this amount USD 21,744,000 was in Cash and Cash Equivalents and USD 116,204,000 in Investments. Please refer to Note 28 of report A/71/5 (Vol.1) <https://www.un.org/en/auditors/board/auditors-reports.shtml>

EQUITY PORTFOLIO AT 31 DECEMBER 2015

Type	Number	Currency	Acquisition Cost	Market Value	Unrealized Gains (losses)
ISHARES SMI CH	357,430	CHF	28,800,404.08	32,701,270.70	3,900,866.62
		USD	30,706,692.74	32,668,602.10	1,961,909.36

BOND STATEMENT AT 31 DECEMBER 2015

	Coupon rate	Curr.	Market Value	Principal	Unrealized Gains (losses)	Maturity	Issue
BOND	2.625%	CHF	1,001,200.00	1,056,000.00	(54,800.00)	20/01/2016	GEN ELEC CAP CO
BOND	2.125%	CHF	702,310.00	697,900.00	4,410.00	22/02/2016	INTER-AMERICAN DEVELOPMENT
BOND	2.375%	CHF	2,006,400.00	1,993,000.00	13,400.00	22/02/2016	NEW YORK LIFE FUNDING
BOND	2.750%	CHF	1,011,500.00	1,065,500.00	(54,000.00)	11/05/2016	BK NED GEMEENTEN
BOND	1.500%	CHF	2,514,250.00	2,565,000.00	(50,750.00)	23/05/2016	KOREA DEV BANK
BOND	2.000%	CHF	506,100.00	498,500.00	7,600.00	08/07/2016	AUST NZ BANK
BOND	2.875%	CHF	1,832,040.00	1,791,000.00	41,040.00	19/07/2016	FMO-NEDERLANDSE
BOND	2.875%	CHF	2,044,200.00	2,144,600.00	(100,400.00)	20/09/2016	TOYOTA MOTO CRED
BOND	2.500%	CHF	3,094,800.00	3,155,100.00	(60,300.00)	16/02/2017	WESTPAC BANKING
BOND	1.875%	CHF	1,028,100.00	995,910.00	32,190.00	08/03/2017	SWEDISH EXPORT CREDIT CORP
BOND	1.750%	CHF	1,028,900.00	1,000,500.00	28,400.00	21/04/2017	EUROPAEISCHE INVESTITIONSBANK EIB
BOND	2.250%	CHF	517,150.00	499,680.00	17,470.00	14/07/2017	NATIONAL AUSTRALIA BANK
BOND	1.500%	CHF	2,052,800.00	1,998,060.00	54,740.00	29/09/2017	NORDEA BANK AB
BOND	1.625%	CHF	2,581,250.00	2,504,000.00	77,250.00	19/10/2017	GENERAL ELECTRIC CAPITAL CORP.
BOND	3.250%	CHF	2,135,400.00	1,995,000.00	139,600.00	13/11/2017	CDC (Caisse des Dépôts et Consignation)
BOND	1.500%	CHF	2,074,600.00	2,087,000.00	(12,400.00)	18/12/2017	DEUTSCHE BAHN FINANCE

	Coupon rate	Curr.	Market Value	Principal	Unrealized Gains (losses)	Maturity	Issue
BOND	1.500%	CHF	2,060,000.00	2,001,900.00	58,100.00	22/01/2018	BNZ INTL FUNDING
BOND	1.000%	CHF	4,429,430.00	4,366,920.00	62,510.00	01/02/2018	NEDER WATERSCHAPSBANK
BOND	3.125%	CHF	2,220,000.00	2,185,000.00	(35,000.00)	02/07/2018	BK NED GEMEENTEN
BOND	2.750%	CHF	2,176,200.00	2,220,000.00	(43,800.00)	23/01/2019	SNCF
BOND	2.125%	CHF	762,020.00	697,438.00	64,582.00	23/07/2019	OESTRAISCHICHE KONTROL BANK
BOND	1.500%	CHF	1,059,100.00	1,062,500.00	(3,400.00)	13/09/2019	COM BK AUSTRALIA
BOND	2.125%	CHF	548,550.00	499,520.00	48,730.00	27/04/2020	ENERGIE BEHEER NEDERLAND
BOND	1.750%	CHF	1,629,900.00	1,494,660.00	135,240.00	03/06/2020	DEUTSCHE BAHN FINANCE
BOND	1.125%	CHF	3,149,700.00	3,039,100.00	110,600.00	02/10/2020	NORDEA BANK AB
BOND	1.125%	CHF	5,234,955.00	5,207,500.00	27,455.00	18/06/2020	MET LIFE GLOB
BOND	1.125%	CHF	5,355,000.00	5,272,500.00	82,500.00	24/07/2020	OESTEREICH KONTROL BK
BOND	3.375%	CHF	1,178,500.00	1,189,500.00	(11,000.00)	06/11/2020	COUNCIL of EUROPE
BOND	2.250%	CHF	554,509.50	501,600.00	52,909.50	25/02/2021	SNCF
BOND	0.550%	CHF	4,013,600.00	4,025,200.00	(11,600.00)	12/08/2023	BANQUE FED CRED MTN
TOTALS		CHF	60,467,464.50	59,846,188.00	621,276.50		
		USD	60,407,057.44	61,565,444.12	(1,249,386.68)		