

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations
Staff Mutual Insurance Society against Sickness and Accident

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UNITED NATIONS

2016

MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE YEAR 2016

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Executive Committee from 1 January 2016 to 30 August 2016

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

Executive Committee from 1 September 2016 to 31 December 2016

Chairperson:	Jalil Housni (WMO)
Vice-Chairperson:	Sandya Prasad
Members :	Emmanuelle Dupont Mohammed Chiraz Baly Cathy Peck Arif Shuibao Liu (WMO)
Alternates:	Christophe Duverger (UNHCR) Valentina Tsoneva (UNHCR)
Observers (Retirees):	Mohammed Sebti Pierre Vangeleyn
Medical Advisers:	Dr. Achard Dr. Bossy Dr. Kituyi Dr. Ferrari
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 2016, the Society recorded USD 93.0 million in Claims & expenses paid (benefits paid), a decrease of 3.6 % compared to 2015 (USD 96.5 million). The number of insured members decreased by 1.4 %, and average annual claims reimbursements per member decreased to USD 3,533.4 in 2016 compared to USD 3,619.0 in 2015. This represents a medical negative inflation of 2.3%. The capacity of the contribution (premium) income to cover the claims (benefit) payments stayed intact: in 2016, the claims (benefit) payments/contribution (premium) income stood at 84.8%, compared with 89.9% in 2015.
2. The overall financial performance of the Society for the year 2016, be measured by a combined ratio of total expenses/total revenues, improved mainly due to an increase in premium income expressed in Swiss francs. The table 1 below shows the trend of the combined ratio over the past three years.

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

2016	2015	2014
92.0	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 2016, total revenues stood at USD 108.3 million compared with total expenses of USD 99.6 million. The position of the Society's total net assets increased from USD 110.4 million at the end of 2015 to USD 119.1 million as at 31 December 2016. 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 marked 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 USD 109.7 million in 2016, representing 101.3 % of the total revenues of USD 108.3 million. A loss on Investment revenue of about USD 1.4 million was incurred as well as USD 2.8 million of exchange rate losses. Comparing total revenues with the total expenses (USD 99.6 million), the Society shows a converted surplus of USD 8.7 million compared to a converted surplus of USD 6.9 million in 2015.
6. *Net of Total Assets and Total Liabilities as at 31 December 2016* were standing at USD 119.1 million. This amount is equivalent to just under 15.3 months' worth of claims payments.
7. *Total Net Assets* of the Society consist of the Accumulated surplus amounting to USD 62.9 million and of Reserves standing at USD 56.2 million at end of 2016.

The Reserve Fund (Accumulated surplus) as defined in the Statutes shall not be less than 25% or more than 50% of total claims (benefit) paid during two preceding calendar years. The Reserve Fund with USD 62.9 million is thus standing within the definition of the Statutes: lowest level should be at USD 48.8 million and highest level at USD 97.6 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. The level of the reserve as at 31 December 2016 complied with this requirement.

- b) *The reserve for currency fluctuation* was established in the year 2000 following recommendations made by an actuary. Most expenses 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. Investment income from this reserve for long-term risks should make it possible to limit the rise in premiums.
8. *Total Liabilities* of the Society amount to USD 32.7 million at 31 December 2016 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 8.3 million at end of 2016.
 - *Provisions* represent claims incurred but not reported (IBNR) and are currently estimated at USD 23.4 million. An adjustment was made in 2015 following remarks by the Board of Auditors on excessive provisions for IBNR claims. The actual value of IBNR claims are to be established from time to time by an actuarial valuation.

II. TRENDS IN INCOME AND EXPENDITURE

9. *Revenue from contributions (premiums)* have risen steadily from year to year, in 2016 contributions were of USD 109.7 million, 2.1 % higher than in 2015 (table 2). Claims (Benefit) payments over the same period decreased slightly to USD 92.9 million in 2016 compared to USD 96.5 million in 2015 (table 3).

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

Contributions (Premiums)	2016	2015	2014
	109.7	107.4	105.2

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

Claims (Benefits)	2016	2015	2014
	93.0	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. It is to be noted that a surplus was recorded in 2016.

Table 4 – Loss ratio (%)

2016	2015	2014
84.8	89.9	93.8

11. *In 2016, the Society's staffing costs* accounted for 4.2% of total Claims paid by the Society (see table 5). The percentage increased in 2016 mainly due to a decrease in Claims paid. Nonetheless, 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 – Staff costs as a percentage of total benefits paid (in USD)

2016	2015	2014
4.2	3.7	3.5

III. THE SOCIETY IN FIGURES

12. *The number of members and dependants at 31 December 2016 totalled 26,300 which represents a slight decrease of 1.4% compared with 2015 figure.*

Table 6 – Number of individuals insured

	2016	2015	2014
Serving members and their dependants	19,768	20,234	18,918
Retired members and their dependants	6,532	6,428	6,210
Total	26,300	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 35.8 % of total claims reimbursed in 2016. General medical fees and medical specialists' fees come second with 18.3 % in total, while the other two major items of expenditure, pharmaceutical products and dental and orthodontic treatment, accounted for 9.4% and 9.9% respectively, of total reimbursements.*

Table 7 – Reimbursements (in %)

	2016	2015	2014
Hospital care	35.8	36.4	36.2
Convalescence	3.5	4.0	3.0
Residential (EMS) and dependency benefit	3.0	3.0	3.0
General medical fees	14.6	15.2	15.1
Medical specialists' fees	3.7	4.1	4.1
Medical Imagery	5.2	4.7	5.4
Laboratory fees	4.2	4.0	4.3
Functional rehabilitation	2.7	2.6	2.1
Pharmaceutical products	9.4	9.3	9.4
Psychotherapy	2.1	2.2	2.1
Dental	9.9	9.0	9.3
Optical	4.2	4.0	4.0
Transport	0.3	0.5	0.6
Other	1.4	1.0	1.4

14. *The breakdown of amounts reimbursed per member shows that reimbursements in excess of USD 50,710 (CHF 50,000) accounted for around 26.3% of total reimbursements and were paid to only 0.9% of insured members.*

15. *In 2016, the Society made payments* in more than 150 countries, in response to 94,126 claims. The main currency of payment was the Swiss franc (82.3%), followed by the Euro (9.5%) and the United States dollar (7.2%).
16. *An average of 428 claims* were processed per working day in 2016, an increase of 3.4 % compared with 414 in 2015.

IV. ACTIVITIES OF THE SOCIETY

17. The Executive Committee met 4 times in 2016. It considered general policy on the management of the Society and reached decisions on 16 exceptional cases submitted during the year. Two circulars and information bulletins were published in 2016.
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. Deliberations within the Committee resulted in the following measures being taken:
 - 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 2016, for example, some 700 retirees were vaccinated against influenza and 122 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.
 - The Fund for Additional Medical Aids (FAMA) amounted to USD 62,617 at the end of 2016.

Table 8 – Fund for Additional Medical Aids (FAMA)

Number of cases dealt with per year from 2014 to 2016		
2016	2015	2014
0	3	2
Funds in USD available at the end of each year from 2014 to 2016		
2016	2015	2014
62,617	61,974	78,235

ANNEX I – THE SOCIETY’S FINANCIAL STATEMENTS

I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)		
	31 December 2016	31 December 2015
Assets		
Current assets		
Cash and cash equivalents	33,115	21,744
Investments	40,707	25,985
Other receivables	4,906	3,991
Other assets	45	–
Total current assets	78,774	51,720
Non-current assets		
Investments	72,754	90,219
Intangible Assets	189	92
Total non-current assets	72,942	90,311
Total Assets	151,716	142,031
Current liabilities		
Accounts payable and accrued liabilities	955	905
Employee benefits liabilities	8,293	7,038
Provisions	23,415	23,713
Total current liabilities	32,663	31,656
Total non-current liabilities	–	–
Total Liabilities	32,663	31,656
Net of Total Assets and Total Liabilities	119,053	110,375
Accumulated surpluses/(deficits)	62,902	53,004
Reserves	56,151	57,371
Total Net Assets	119,053	110,375

II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)		
	2016	2015
Revenue		
Contributions for self-insurance funds	109,682	107,380
Investment revenue	(1,403)	786 ^{1/}
Total revenues	108,279	108,166
Expenses		
Employee salaries allowances and benefits	3,879	3,588
Grants and other transfers	–	2
Supplies and consumables	5	3
Amortization	17	6
Travel	–	14
Self-Ins. Claims & Expenses	92,929	96,490
Other operating expenses	2,771	1,197 ^{2/}
Total expenses	99,601	101,300
Surplus / (deficit) for the year	8,678	6,866

^{1/} Negative revenue on investments corresponds to unrealised losses from “mark to market” revaluation of investments as at 31 December 2016.

^{2/} Other operating expenses includes foreign exchange losses of \$2.8 million for the year ended 31 December 2016 (2015: \$1.4 million).

III. Statement of changes in net assets for the year ended 31 December 2016

(Thousands of United States dollars)			
	Accumulated surpluses/(deficits) - unrestricted	Reserves ^{3/}	SF Stf Mut Ins Soc
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
Change in net assets			
Other adjustments to net assets	1,220	(1,220)	–
Surplus/(deficit) for the year	8,678	–	8,678
Total changes in net assets	9,898		
Total for 31 December 2016	62,902	56,151	119,053

^{3/} The reserves are reviewed periodically. The next review of the actuarial reserve is scheduled for 2017 or 2018.

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.

Additional note to convert United States of America dollars (USD) statements to Swiss francs (CHF).

The Financial Statements are presented in USD currency.

As at 31 December 2016, converted assets in CHF totalled CHF 155.5 million and converted liabilities totalled CHF 33.5 million. The resulting net assets amounted to CHF 122.0 million. The rate used for conversion is the United Nations official rate of exchange as of 31 December 2016.

The rate used to convert surplus, expenses and revenue is the average United Nations official rate of exchange for the year 2016.

	USD	CHF	1.025	United Nations rate as at 31 December 2016
Total Assets	151,716	155,509		
Total Liabilities	32,663	33,479		
Total Net Assets	119,053	122,029		
Reserves	56,151	57,555		
	USD	CHF	0.986	United Nations average rate for the year 2016
Total Expenses	99,601	98,207		
Total Revenue	108,279	106,763		
Total Surplus	8,678	8,557		

ANNEX II – UNSMIS INVESTMENTS

UNSMIS total assets at 31 December 2016 stood at USD 151,716,000. Of this amount USD 33,115,000 was in Cash and Cash Equivalents and USD 113,461,000 in other investments. The remainder was classed as “other receivables” and “other assets” (please refer to Note 28, page 253 of report A/72/5 (Vol.1)) <https://www.un.org/en/auditors/board/auditors-reports.shtml>

Below are the details of UNSMIS specific CHF investments, reported in USD.

EQUITY PORTFOLIO AT 31 December 2016

Type	Number	Currency	Acquisition Cost	Market Value	Unrealized Gains (losses)
ISHARES SMI CH	322,430	USD	27,553,277.05	27,022,765.19	(530,511.86)

BOND STATEMENT AT 31 DECEMBER 2016

	Coupon Rate	Market Value (in USD)	Principal (in USD)	Unrealised gains/ losses (in USD)	Maturity	Issue
BOND	2.500%	2,962,660.50	3,227,063.52	(264,403.02)	16/02/2017	WESTPAC BANKING
BOND	1.875%	988,635.80	995,910.00	(7,274.20)	08/03/2017	SWEDISH EXPORT CREDIT CORP
BOND	1.750%	991,390.76	1,000,500.00	(9,109.24)	21/04/2017	EUROPAEISCHE INVESTITIONSBANK EIB
BOND	2.250%	499,385.06	499,680.00	(294.94)	14/07/2017	NATIONAL AUSTRALIA BANK
BOND	1.500%	1,999,114.48	2,192,417.84	(193,303.36)	29/09/2017	NORDEA BANK AB
BOND	1.625%	2,503,074.73	2,629,699.65	(126,624.92)	19/10/2017	GENERAL ELECTRIC CAPITAL CORP.
BOND	3.250%	2,033,748.22	1,995,800.00	37,948.22	13/11/2017	CDC (Caisse des Dépôts et Consignation)
BOND	1.500%	2,009,150.40	2,189,581.91	(180,431.51)	18/12/2017	DEUTSCHE BAHN FINANCE
BOND	1.500%	2,011,511.78	2,126,626.65	(115,114.87)	22/01/2018	BNZ INTL FUNDING
BOND	1.000%	4,307,403.96	4,512,143.29	(204,739.33)	01/02/2018	NEDER WATERSCHAPS BANK
BOND	3.125%	2,079,992.12	2,270,635.16	(190,643.04)	02/07/2018	BK NED GEMEENTEN
BOND	2.750%	2,098,686.48	2,270,635.16	(171,948.68)	23/01/2019	SNCF
BOND	2.125%	737,295.22	697,438.00	39,857.22	23/07/2019	OESTRAISCHE KONTROL BANK

	Coupon Rate	Market Value (in USD)	Principal (in USD)	Unrealised gains/ losses (in USD)	Maturity	Issue
BOND	1.500%	1,034,584.54	1,086,734.17	(52,149.63)	13/09/2019	COM BK AUSTRALIA
BOND	2.125%	533,526.83	499,820.00	33,706.83	27/04/2020	ENERGIE BEHEER NEDERLAND
BOND	1.750%	1,591,725.28	1,494,660.00	97,065.28	03/06/2020	DEUTSCHE BAHN FINANCE
BOND	1.125%	3,091,946.67	3,156,263.70	(64,317.03)	02/10/2020	NORDEA BANK AB
BOND	1.125%	5,133,566.20	5,326,275.95	(192,709.75)	18/06/2020	MET LIFE GLOB
BOND	1.125%	5,209,819.45	5,392,758.51	(182,939.06)	24/07/2020	OESTEREICH KONTROL BK
BOND	3.375%	1,133,467.80	1,216,630.87	(83,163.07)	06/11/2020	COUNCIL of EUROPE
BOND	2.250%	541,398.14	501,600.00	39,798.14	25/02/2021	SNCF
BOND	0.550%	3,994,686.88	3,959,278.02	35,408.86	12/08/2023	BANQUE FED CRED MTN
TOTALS	47,486,771.30	49,242,152.40	(1,755,381.10)			