

# MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE

United Nations  
Staff Mutual Insurance Society against Sickness and Accident

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UNITED NATIONS

2017

# MANAGEMENT REPORT OF THE EXECUTIVE COMMITTEE YEAR 2017

## Contents

	<i>Pages</i>
Introduction .....	2
I. Financial situation .....	3
II. Trends in income and expenditure .....	5
III. The Society in figures .....	6
IV. Activities of the Society .....	7
Annex I – The Society’s financial statements .....	9
Annex II – Investments .....	13

## Executive Committee from 1 January 2017 to 28 September 2017

Chairperson :	Jalil Housni (WMO)
Vice-Chairperson :	Sandya Prasad until 17 May 2018
Members :	Emmanuelle Dupont Catherine Peck Arif Christophe Duverger (UNHCR) Shuibao Liu (WMO) until 28.02.2017 then replaced by Michael Buch
Alternates:	Valentina Tsoneva/Angelova (UNHCR)
Observers (retirees):	Pierre Vangeleyn Mohammed Sebti
Medical Advisers :	Dr. Achard Dr. Bossy Dr. Kituyi Dr. Arena
Executive Secretary:	Patrick Goergen

## Executive Committee from 29 September 2017 to 31 December 2017

Chairperson :	Christophe Duverger (UNHCR)
Vice-Chairperson :	Jalil Housni (WMO), alternate
Members :	Sandya Prasad Emmanuelle Dupont Catherine Peck Arif Michel Jardon Patrick Magnin
Alternates :	Valentina Tsoneva/Angelova (HCR)
Observers (retirees):	Pierre Vangeleyn Mohammed Sebti
Medical Advisers :	Dr. Achard Dr. Bossy Dr. Ferrari Dr. Kituyi
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 2017, the Society recorded USD 98.9 million in Claims & expenses paid (benefits paid), an increase of 6.3 % compared to 2016 (USD 93 million). The number of members increased by 3.1%, and average annual claims reimbursements per member was USD 3,647.3 in 2017 compared to USD 3,533.4 in 2016. This equates to a medical inflation of around 3.2%. It must however be noted that the last weekly payment of December 2016 was paid in January 2017, thus artificially reducing the claims in 2016 and inflating them in 2017, which in turn translates into an artificially higher medical inflation figure.

The capacity of the contribution (premium) income to cover the claims (benefit) payments stayed intact: in 2017, the claims (benefit) payments/contribution (premium) income stood at 86.4%, compared with 84.8% in 2016.

2. The overall financial performance of the Society for the year 2017, 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 four years.

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

2017	2016	2015	2014
84.3	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 2017, total revenues stood at USD 124.0 million compared with total expenses of USD 104.5 million. The position of the Society's total net assets increased from USD 119.1 million at the end of 2016 to USD 138.5 million at 31 December 2017. 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 114.3 million in 2017, representing 92.2% of the *total revenues* of USD 124.0 million. A gain on Investment revenue of about USD 5.1 million was recorded along with USD 4.6 million in exchange rate gains. Comparing these total revenues with the total expenses of USD 104.5 million, the Society shows a converted surplus of USD 19.5 million, compared to a converted surplus of USD 8.7 million in 2016.
6. *Net of Total Assets and Total Liabilities as at 31 December 2017* were standing at USD 138.5 million. This amount is equivalent to about 16.8 months' worth of claims payments.
7. *Total Net Assets* of the Society consist of the Accumulated Surplus amounting to USD 79.7 million and of Reserves standing at USD 58.9 million at end of 2017.

As defined in the Statutes, the Reserve Fund (Accumulated Surplus) shall not be less than 25% or more than 50% of total claims (benefit) paid during two preceding calendar years. The Reserve Fund, USD 79.7 million, is within the definition of the Statutes: lower limit is USD 47.4 million and higher limit USD 94.7 million.

Reserves consist of several different 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 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.
8. *Total Liabilities* of the Society amount to USD 32.8 million (rounded up) at 31 December 2017 and include:
- a) *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 8.2 million.
  - b) *Provisions* represent claims incurred but not reported (IBNR) and adjusted at USD 24.5 million following remarks by the Board of Auditors on excessive provisions for IBNR claims. An actuarial valuation will be carried out in 2018 to review the adequacy of the provision.

## II. TRENDS IN INCOME AND EXPENDITURE

9. *Revenue from contributions (premiums)* have risen steadily year on year. In 2017 contributions were of USD 114.3 this is 4.2 % higher than in 2016 (table 2). Claims (Benefit) payments over the same period increased to USD 100.4 in 2017 compared to USD 92.9 million in 2016. It does however appear that 2016 was an unusual year as claims that year were about USD 3.6 million less than in 2015 (table 3) despite an increase in the insured population over the same period.

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

Contributions (Premiums)	2017	2016	2015	2014
	114.3	109.7	107.4	105.2

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

Claims (Benefits)	2017	2016	2015	2014
	98.8	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 surpluses have been recorded in each of the last 4 years.

**Table 4 – Loss ratio (%)**

2017	2016	2015	2014
86.4	84.8	89.9	93.8

11. *In 2017, the Society's staffing costs* accounted for 4.0% of total Claims paid by the Society (see table 5) 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**

2017	2016	2015	2014
4.0	4.2	3.7	3.5

### III. THE SOCIETY IN FIGURES

12. *The number of members and dependants at 31 December 2017 totalled 27,102 which represents an increase of 3.1% compared to 2016.*

**Table 6 – Number of individuals insured**

	2017	2016	2015	2014
Serving members and their dependants	20,295	19,768	20,234	18,918
Retired members and their dependants	6,807	6,532	6,428	6,210
<b>Total</b>	<b>27,102</b>	<b>26,300</b>	<b>26,662</b>	<b>25,128</b>

13. *The breakdown of the Society's expenditure by category of benefits (table 7) shows that hospital care and surgery account for 37.5 % of total claims reimbursed in 2017. General medical fees and medical specialists' fees come second with 17.9% in total, while the other two major items of expenditure, pharmaceutical products and dental and orthodontic treatment, accounted for 8.8% and 9.4% respectively, of total reimbursements. It is worth noting that the cost of pharmaceutical products is on a downward trend over the past 4 years.*

**Table 7 – Reimbursements (in %)**

	2017	2016	2015	2014
Hospital care and Surgery	37.5	35.8	36.4	36.2
Convalescence	3.1	3.5	4.0	3.0
Residential (EMS) and dependency benefit	3.1	3.0	3.0	3.0
General medical fees	14.4	14.6	15.2	15.1
Medical specialists' fees	3.5	3.7	4.1	4.1
Medical Imagery	5.6	5.2	4.7	5.4
Laboratory fees	4.3	4.2	4.0	4.3
Functional rehabilitation	2.7	2.7	2.6	2.1
Pharmaceutical products	8.8	9.4	9.3	9.4
Psychotherapy	2.1	2.1	2.2	2.1
Dental and Orthodontic	9.4	9.9	9.0	9.3
Optical	4.3	4.2	4.0	4.0
Transport	0.4	0.3	0.5	0.6
Other	0.8	1.4	1.0	1.4

14. *The breakdown of amounts reimbursed per member shows that reimbursements in excess of USD 50,837 accounted for around 26.95% of total reimbursements and were paid to only 0.95% of insured members.*



15. *In 2017, the Society made payments* in more than 150 countries, in response to 102,949 claims. The main currency of payment was the Swiss franc (80.1%), followed by the Euro (9.8%) and the United States dollar (8.3%).
16. *An average of 466 claims* were processed per working day in 2017, an increase of 8.9% compared with 428 in 2016. This increase is driven mainly by the e-claims portal, where more claims with less invoices are submitted as well as an increase in the insured population.

## IV. ACTIVITIES OF THE SOCIETY

17. The Executive Committee met 4 times in 2017. 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 2017.
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 have fully proved their worth.

- In 2017 about 700 retirees were vaccinated against influenza and about 100 retirees 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.
- In 2017 over 50 HIV tests and 300 PSA tests were carried out by the walk-in clinics at UNOG and UNHCR

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 informa-

tion was exchanged concerning trends in costs and ways of keeping expenditure down.

The Fund for Additional Medical Aids (FAMA) amounted to USD 63,416 at the end of 2017.

**Table 8 – Fund for Additional Medical Aids (FAMA)**

<b>Number of cases dealt with per year from 2014 to 2017</b>			
<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0	0	3	2
<b>Funds in USD available at the end of each year from 2014 to 2017</b>			
<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
63,416	62,617	61,974	78,235

## ANNEX I – THE SOCIETY’S FINANCIAL STATEMENTS

### I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)		
	31 December 2017	31 December 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	27,785	33,115
Investments	67,854	40,707
Other receivables	2,704	4,906
Other assets	61	45
<b>Total current assets</b>	<b>98,404</b>	<b>78,774</b>
<b>Non-current assets</b>		
Investments	72,666	72,754
Intangible Assets	210	189
<b>Total non-current assets</b>	<b>72,876</b>	<b>72,942</b>
<b>Total Assets</b>	<b>171,280</b>	<b>151,716</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	–	955
Employee benefits liabilities	8,232	8,293
Provisions	24,540	23,415
<b>Total current liabilities</b>	<b>32,772</b>	<b>32,663</b>
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>Total Liabilities</b>	<b>32,772</b>	<b>32,663</b>
<b>Net of Total Assets and Total Liabilities</b>	<b>138,508</b>	<b>119,053</b>
Accumulated surpluses/(deficits) - unrestricted	79,659	62,902
Reserves	58,849	56,151
<b>Total Net Assets</b>	<b>138,508</b>	<b>119,053</b>

## II. Statement of financial performance for the year ended 31 December 2017

<b>(Thousands of United States dollars)</b>		
	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Other Revenue	4,571	– <sup>1/</sup>
Contributions for self-insurance funds	114,263	109,682
Investment revenue	5,114	(1,403)
<b>Total revenues</b>	<b>123,948</b>	<b>108,279</b>
<b>Expenses</b>		
Employee salaries allowances and benefits	3,974	3,879
Supplies and consumables	8	5
Amortization	36	17
Travel	3	–
Self Ins. Claims & Expenses	100,349	92,929 <sup>2/</sup>
Other operating expenses	123	2,771
<b>Total expenses</b>	<b>104,493</b>	<b>99,601</b>
<b>Surplus / (deficit) for the year</b>	<b>19,455</b>	<b>8,678</b>

<sup>1/</sup> Other revenue represents foreign exchange gain of \$4.6 million for the year ended 31 December 2017.

<sup>2/</sup> Self Insurance Claims & Expenses for the year ended 31 December 2017 is USD 98.8 million, excluding Accruals for Claims to be Paid and Provision for Insurance Claims Incurred But Not Reported (IBNR) which are based on actuarial valuations.

### III. Statement of changes in net assets for the year ended 31 December 2017

<b>(Thousands of United States dollars)</b>			
	<b>Accumulated surpluses/ (deficits) unrestricted</b>	<b>Reserves<sup>5/</sup></b>	<b>Total</b>
<b>Net Asset opening as at 1 January 2016</b>	<b>53,004</b>	<b>57,371</b>	<b>110,375</b>
Change in net assets			
Other adjustments to net assets	1,220	(1,220)	— <sup>3/</sup>
Surplus/(deficit) for the year	8,678	—	8,678
<b>Total changes in net assets</b>	<b>9,898</b>	<b>(1,220)</b>	<b>8,678</b>
<b>Net Assets as at 31 December 2016</b>	<b>62,902</b>	<b>56,151</b>	<b>119,053</b>
Change in net assets			
Other adjustments to net assets	(2,698)	2,698	— <sup>4/</sup>
Surplus/(deficit) for the year	19,455	—	19,455
<b>Total changes in net assets</b>	<b>16,757</b>	<b>2,698</b>	<b>19,455</b>
<b>Net Assets as at 31 December 2017</b>	<b>79,659</b>	<b>58,849</b>	<b>138,508</b>

<sup>3/</sup> Negative revenue on investments for the year ended 31 December 2016 corresponds to unrealised losses from “mark to market” revaluation.

<sup>4/</sup> Other operating expenses for the year ended 31 December 2016 includes foreign exchange losses of \$2.8 million.

<sup>5/</sup> The actuarial reserve is reviewed periodically, the next review is scheduled for 2018.

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

The Financial Statements are presented in United States dollars ('USD').

As at 31 December 2017, assets converted in Swiss francs ('CHF') totalled CHF 167.5 million and converted liabilities totalled CHF 32.0 million.

The resulting net assets amounted to CHF 135.5 million. The rate used for conversion is the United Nations official rate of exchange as of 31 December 2017.

The rate used to convert surplus, expenses and revenue is the average United Nations official rate of exchange for the year 2017.

	USD	CHF	0.978	United Nations rate as at 31 December 2017
Total Assets	171,280	167,512		
Total Liabilities	32,772	32,051		
Total Net Assets	138,508	135,461		
Reserves	58,849	57,554		
	USD	CHF	0.984	United Nations average rate for the year 2017
Total Expenses	104,493	102,772		
Total Revenue	123,948	121,907		
Total Surplus	19,455	19,135		

## ANNEX II – INVESTMENTS

UNSMIS total assets at 31 December 2017 stood at USD 171,280,000. Of this amount USD 27,785,000 was held in Cash and Cash Equivalents and USD 140,520,00. Please refer to Note 28 of report A/73/5 (Vol.1) <https://www.un.org/en/auditors/board/auditors-reports.shtml>

Below are the details of UNSMIS specific CHF denominated investments.

### *EQUITY PORTFOLIO AT 31 DECEMBER 2018*

Equity	Type	Number	Acquisition cost	Market value	Unrealized gain
USD	ISHARES SMI CH	285,930	24,434,167.12	28,493,239.92	4,059,072.80

**BOND STATEMENT AT 31 DECEMBER 2017**

	Coupon Rate	Market Value (in USD)	Principal (in USD)	Unrealised gains/losses (in USD)	Maturity	Issue
BOND	1.500%	2,054,797.34	2,126,626.65	(71,829.31)	22/01/2018	BNZ INTL FUNDING
BOND	1.000%	4,418,696.77	4,512,143.29	(93,446.52)	01/02/2018	NEDER WATERSCHAPSBANK
BOND	3.125%	2,092,765.52	2,270,635.16	(177,869.64)	02/07/2018	BK NED GEMEENTEN
BOND	2.750%	2,127,244.74	2,270,635.16	(143,390.42)	23/01/2019	SNCF
BOND	2.125%	750,282.20	697,438.00	52,844.20	23/07/2019	OESTRAISCHE KONTROL BANK
BOND	1.500%	1,061,056.95	1,086,734.17	(25,677.22)	13/09/2019	COM BK AUSTRALIA
BOND	2.125%	542,585.94	499,820.00	42,765.94	27/04/2020	ENERGIE BEHEER NEDERLAND
BOND	1.750%	1,623,140.07	1,494,660.00	128,480.07	03/06/2020	DEUTSCHE BAHN FINANCE
BOND	1.125%	3,192,406.35	3,156,263.70	36,142.65	02/10/2020	NORDEA BANK AB
BOND	1.125%	5,305,284.75	5,326,275.95	(20,991.20)	18/06/2020	MET LIFE GLOB
BOND	1.125%	5,351,462.30	5,392,758.51	(41,296.21)	24/07/2020	OESTEREICH KONTROL BK
BOND	3.375%	1,139,558.75	1,216,630.87	(77,072.12)	06/11/2020	COUNCIL of EUROPE
BOND	2.250%	553,360.70	501,600.00	51,760.70	25/02/2021	SNCF
BOND	0.550%	4,186,762.44	3,959,278.02	227,484.42	12/08/2023	BANQUE FED CRED MTN
<b>TOTALS</b>		<b>34,399,404.82</b>	<b>34,511,499.48</b>	<b>(112,094.66)</b>		