

Management  
Report of  
the Executive  
Committee  
**2018**



**UNSMIS**

United Nations Staff  
Mutual Insurance Society

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# EXECUTIVE COMMITTEE

from 1 January 2018 to 31 December 2018

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## CHAIRPERSON

**Christophe Duverger (UNHCR)**

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## VICE-CHAIRPERSON

**Jalil Housni (WMO)**

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## MEMBERS

**Emmanuelle Dupont**

**Sandya Prasad** until 26.09.2018

**Agnieszka Brozniek** from 27.09.2018 to 31.12.2018

**Catherine Peck Arif**

**Michel Jardon (WMO)**

**Patrick Magnin**

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## ALTERNATES

**Valentina Tsoneva/Angelova (UNHCR)**

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## OBSERVERS

**Pierre Vangeleyn**

**Mohammed Sebti**

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## MEDICAL ADVISERS

**Dr. Achard**

**Dr. Bossy**

**Dr. Ferrari**

**Dr. Arena**

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## EXECUTIVE SECRETARY

**Patrick Goergen**

until 31 May 2018,

then replaced, ad interim, by

**Giovanni Pizzini**

The background is a solid blue gradient. It features several abstract geometric elements: a vertical line on the left, a horizontal line intersecting the vertical one, and a series of nested, upward-pointing chevrons or arrows on the right side. The text 'INTRODUCTION' is centered in the lower half of the image.

# INTRODUCTION

The present report of the Executive Committee of the United Nations Staff Mutual Insurance Society (UNSMIS) 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.

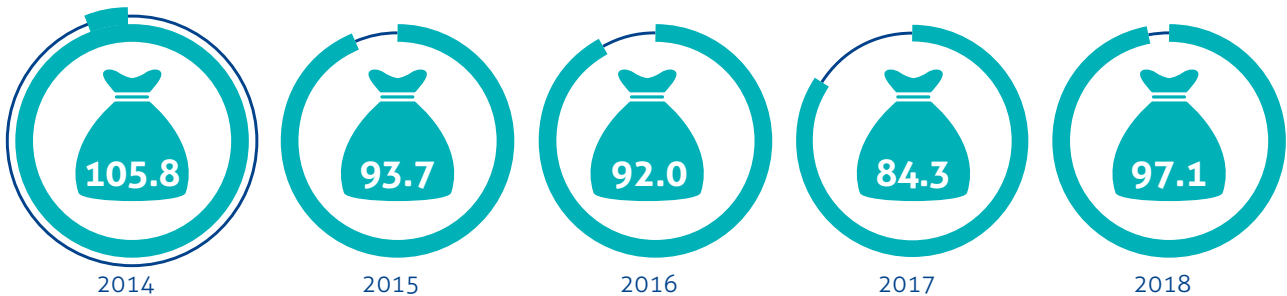
During 2018, the Society recorded **USD 103.4 million** in Claims & expenses paid (benefits paid), an increase of 4.7 % compared to 2017 (USD 98.8 million).

The number of insured members increased by 2%, and average annual claims reimbursements per member was USD 3,740.8 in 2018 compared to USD 3,645.5 in 2017. The claims data and the above ratios are calculated using exclusively reimbursement figures and do not consider accruals and provisions.

The overall financial performance of the Society for the year 2018, can be measured by a combined ratio of total expenses/total revenues.

The deterioration of the combined ratio between 2017 and 2018 was driven mainly by an increase, following a study by EY, of the IBNR provisions and a reduction of income following weak investment revenues. This does not impact the financial health of UNSMIS. Chart 1 below shows the trend of the combined ratio over the past five years.

**CHART 1: COMBINED RATIO**  
(TOTAL EXPENDITURE/TOTAL REVENUE) (%)



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

In 2018, total revenues stood at **USD 119.2 million** compared with total expenses of **USD 115.7 million**.

The position of the Society's total net assets increased from USD 138.5 million at the end of 2017 to USD 142.0 million at 31 December 2018. Further details can be obtained from *I. Statement of financial position, II. Statement of financial performance and III: Statement of changes in net assets* in Annex I of the report.



# FINANCIAL SITUATION

The revenue from Contributions for self-insurance funds (premiums) amounted to **USD 118.9 million** in 2018, representing 99.7% of the total revenues of USD 119.2 million.

The year 2018 saw a poor performance of the equity position towards the end of the calendar year as well as a foreign exchange loss of USD 0.9 million in 2018. In addition, from an accounting perspective, the increase in IBNR provisions was reported under "self-insurance claims and expenses". Despite this, the Society still achieved a converted surplus of USD 3.4 million. The previous year this figure was USD 19.45 million

Total Net Assets as at 31 December 2018 were **USD 142 million.**

This amount is equivalent to about 16.5 months' worth of claims payments.

Employee benefit liabilities and Provisions accounted for **97%** of Total liabilities at 31 December 2018.

UNSMIS engaged the services of EY to carry out a comprehensive analysis of all reserves and provisions. The results of the study indicated that the level of provisions and reserves had to be amended to reflect the evolution of the health insurance fund.

- **Employee benefit liabilities** represent claims received but not yet paid. Historically they were defined to be the equivalent of one month's claims. In their analysis EY concluded that the 95% of all claims are processed within two weeks. This provision was estimated to be USD 4.26 million at the end of 2018. This figure was reviewed and agreed by the Executive Committee.
- **Provisions** represent claims incurred but not reported (IBNR) and were previously estimated at USD 24.5 million. The EY report reviewed UNSMIS's past claims patterns and estimated the claims tale is equivalent to roughly 4 months' worth claims. The provision for IBNR was thus estimated to be USD 35.46 for 2018. This figure was reviewed and agreed by the Executive Committee.



The Total Net Assets at 31 December 2018 consist of **USD 97.36 million** of Accumulated Surplus and USD 44.6 million of Reserves.

The Accumulated surplus represents the Reserve Fund as defined under the Statutes of the Society. Statutorily, the Reserve Fund cannot be less than 25% or more than 50% of total claims (benefit) paid during two preceding calendar years. The Reserve Fund, USD 97.36 million, is within the definition of the Statutes: the lower limit is USD 50.55 million and the higher limit USD 101.1 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.** 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 Society is now a stable and mature health insurance scheme and can easily absorb numerous peak files. The amount of the reserve used to be fixed at no less than 5% of the total claims (benefits) paid during the previous two calendar years. Following the study by EY the Executive Committee has agreed to adopt a new approach that ensures that the amount set aside for the Catastrophic Reserve hinges on the definition of a catastrophic claim. The Executive Committee, based on the report of EY, decided to define a catastrophic claim as any claim over CHF 200,000 (roughly 0.03% of all claims) The new reserve is thus set at USD 4.26 million.

**B. The reserve for currency fluctuation;** Established in the year 2000 following recommendations made by the then actuaries. Most expenses of the Society are in Swiss Francs while accounts are kept in United States Dollars. The Executive Committee, based on the report of EY, agreed to review this reserve to USD 3.55 million

**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. Based on estimates by EY this reserve should be set at USD 1.32 million for 2018. This figure was agreed by the Executive Committee.

**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. Following the recommendation of EY in their study, the Executive Committee agreed to review this figure from the previous USD 25 million to USD 35.46 million for 2018.

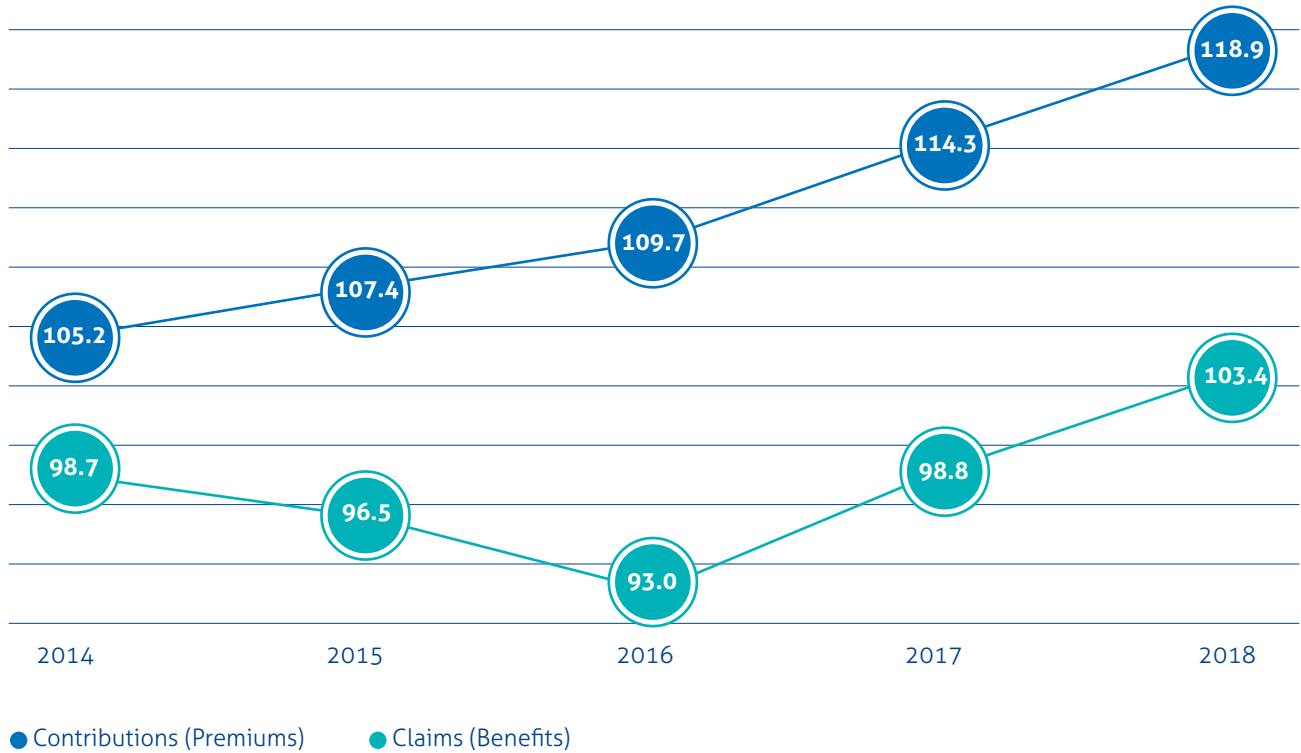


# TRENDS IN INCOME AND EXPENDITURE

Revenue from contributions (premiums) have risen steadily year on year. In 2018 contributions were **USD 118.9**

This represents an increase of 4 % versus 2017 (chart 2). Claims (Benefit) payments over the same period increased to USD 103.4 in 2018 compared to USD 98.8 million in 2017.

**CHART 2: REVENUE FROM CONTRIBUTIONS (PREMIUM) AND EXPENSES CLAIMS (BENEFITS) PAID (IN MILLION USD)**



The loss ratio (Claims paid/ Contributions received: see chart 3) 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. Surpluses have been recorded in each of the last 5 years.

**CHART 3: LOSS RATIO (%)**



In 2018, the Society's staffing costs accounted for **4.1%** of total Claims paid by the Society (see chart 4)

Operating costs remain very low in comparison with similar plans that are administered by third party administrators and/or insured with commercial insurers.

**CHART 4: STAFF COSTS AS A PERCENTAGE OF TOTAL BENEFITS PAID (%)**

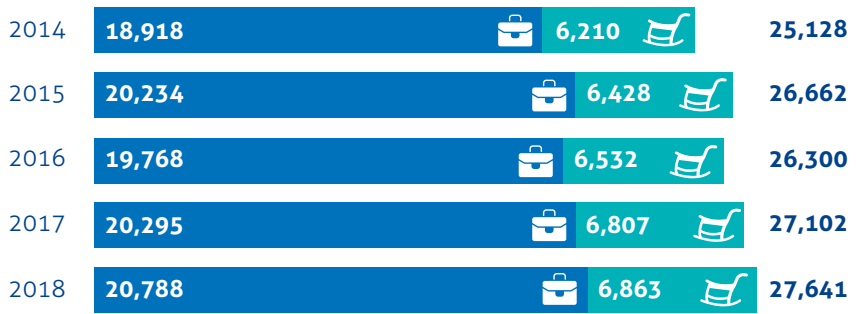




**THE  
SOCIETY IN  
FIGURES**

The number of members and dependants at 31 December 2018 totalled **27,641** which represents an increase of 2% compared to 2017.

**CHART 5: NUMBER OF INDIVIDUALS INSURED**

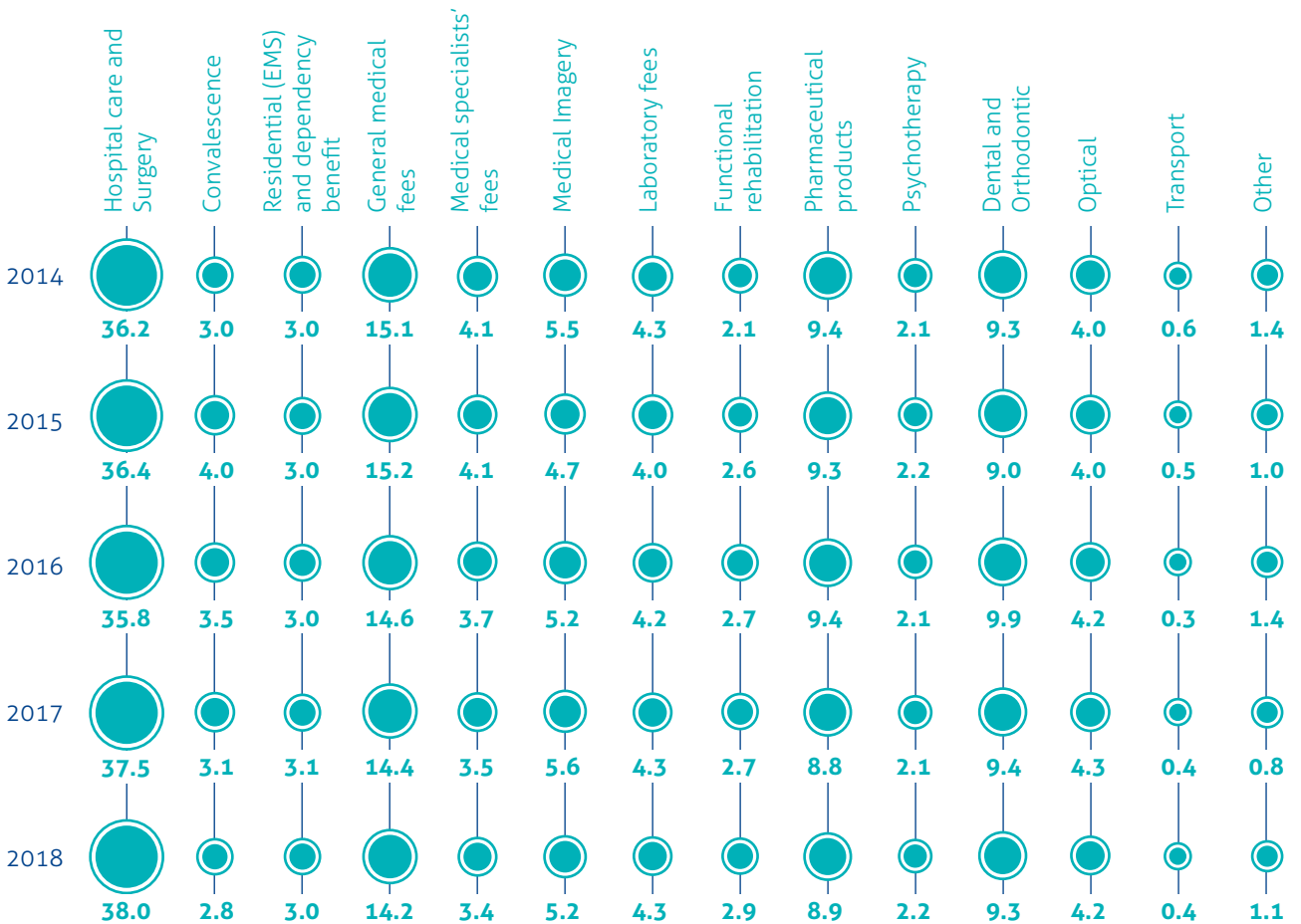


● Serving members and their dependants      ● Retired members and their dependants

Hospital care and surgery account for **38%** of total claims reimbursed in 2018.

General medical fees and medical specialists' fees was the second most important expense with 17.6% of total reimbursements, while the other two major items of expenditure, pharmaceutical products and dental and orthodontic treatment, accounted for 8.9% and 9.3% respectively, of total reimbursements. It is worth noting that the cost of pharmaceutical products is on a downward trend over the past 5 years.

**CHART 6: REIMBURSEMENTS (IN %)**



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**Reimbursements in excess of  
USD 50,000  
accounted for around 27.5%  
of total reimbursements and  
were paid to 0.97% of all  
insured members.**

The Executive Committee has reviewed the threshold for catastrophic claims and increased it to USD 200,000. During the calendar year 2018 claims equal to or exceeding this amount accounted for USD 7.8 million reimbursements (equivalent to 7.5% of total reimbursements for the year) and were reimbursed to 22 insured members (0.08% of the entire insured population)

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**In 2018, the Society made  
payments in more than  
150  
countries, in response  
to 122,584 claims. This  
represents an increase in the  
number of submitted claims  
of 19.1%.**

This increase is attributable to the success of e-claims portal; insured members submit claims more frequently. However, the number of invoices per claim has decreased. In general, this points towards a trend of improved regular submissions and more timely reimbursements. The main currency of payment was the Swiss franc. It accounted for 78.4% of all reimbursements. The Euro accounted for 11% of reimbursements and the United States dollar for 7.6% of all reimbursements

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**An average of  
554  
claims were processed  
per working day in  
2018, an increase of  
18.9% compared to 2017.**

This increase is driven mainly by the e-claims portal, where more claims with less invoices are submitted.



# ACTIVITIES OF THE SOCIETY

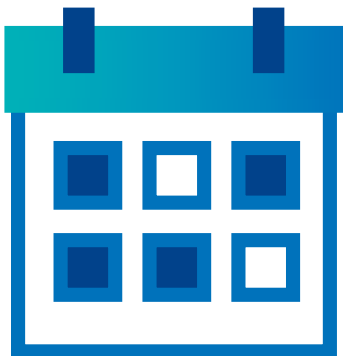




The Executive Committee met

# 4 times

in 2018. It considered general policy on the management of the Society and took decisions on 9 exceptional cases submitted during the year.



The Society's Internet site, freely accessible to all, is regularly updated

# <https://medical-insurance.unog.ch>



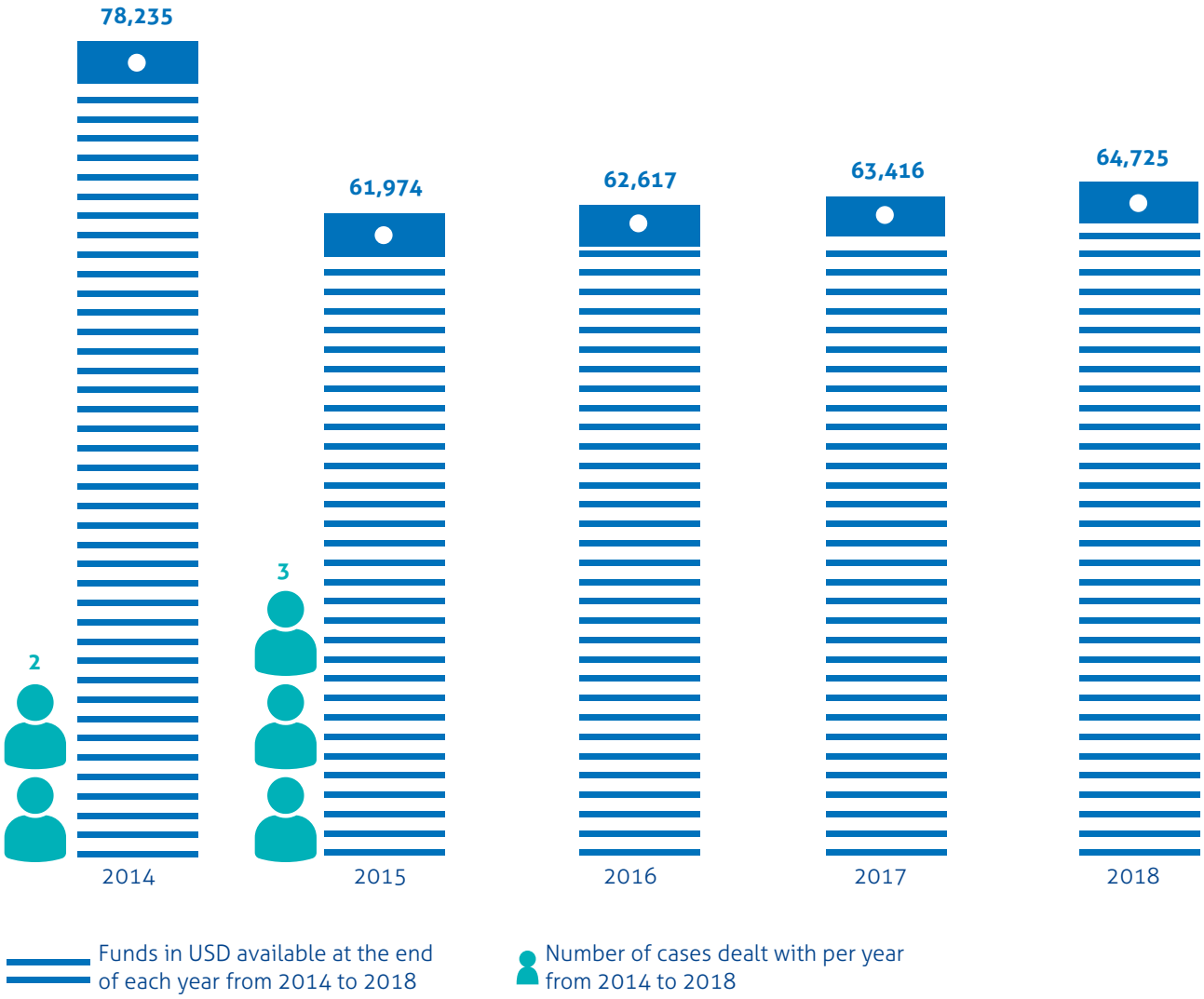
<https://medical-insurance.unog.ch>



**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 Executive Committee was represented by the Executive Secretary at meetings of the mutual insurance societies of the Geneva-based international organizations. Joint strategies were worked out for negotiations with service providers, and information was exchanged concerning trends in costs in an effort to mitigate increases in expenditures.
- The Fund for Additional Medical Aids (FAMA) amounted to USD 64,725 at the end of 2018.

**CHART 7: FUND FOR ADDITIONAL MEDICAL AIDS (FAMA)**



# ANNEX I

## FINANCIAL STATEMENTS

### I. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (THOUSANDS OF UNITED STATES DOLLARS)

	31 December 2018	31 December 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	33,458	27,785
Investments	90,993	67,854
Other receivables	2,941	2,704
Other assets	59	61
<b>Total current assets</b>	<b>127,451</b>	<b>98,404</b>
<b>Non-current assets</b>		
Investments	55,254	72,666
Intangible Assets	287	210
<b>Total non-current assets</b>	<b>55,541</b>	<b>72,876</b>
<b>TOTAL ASSETS</b>	<b>182,992</b>	<b>171,280</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	184	-
Other accounts payable	1,024	-
Employee benefits liabilities	4,372	8,232
Provisions	35,460	25,540
<b>Total current liabilities</b>	<b>41,040</b>	<b>32,772</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>41,040</b>	<b>32,772</b>
<b>NET OF TOTAL ASSETS AND TOTAL LIABILITIES</b>	<b>141,952</b>	<b>138,509</b>
Accumulated surpluses/(deficits) - unrestricted	97,362	79,659
Reserves	44,590	58,849
<b>TOTAL NET ASSETS</b>	<b>141,952</b>	<b>138,509</b>

## II. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

### 31 DECEMBER 2017

(THOUSANDS OF UNITED STATES DOLLARS)

	31 December 2018	31 December 2017	
<b>REVENUE</b>			
Other Revenue	-	4,571	1/
Contributions for self-insurance funds	118,919	114,263	
Investment revenue	267	5,114	
<b>Total revenues</b>	<b>119,186</b>	<b>123,948</b>	
<b>EXPENSES</b>			
Employee salaries allowances and benefits	4,160	3,974	
Supplies and consumables	16	8	
Amortization	37	36	
Travel	7	3	
Self Ins. Claims & Expenses	110,369	100,349	2/
Other operating expenses	1,153	123	3/
<b>TOTAL EXPENSES</b>	<b>115,742</b>	<b>104,493</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>3,444</b>	<b>19,455</b>	

## III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED

### 31 DECEMBER 2018

(THOUSANDS OF UNITED STATES DOLLARS)

	Accumulated surpluses/(deficits) unrestricted	Reserves	Total	
<b>NET ASSET OPENING AS AT 1 JANUARY 2017</b>	<b>62,902</b>	<b>56,151</b>	<b>119,053</b>	
<b>Change in net assets</b>				
Other adjustments to net assets	(2,698)	2,698	-	
Surplus/(deficit) for the year	19,455	0	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>	
<b>Change in net assets</b>				
Other adjustments to net assets	14,259	(14,259)	-	4/
Surplus/(deficit) for the year	3,444	-	3,444	
<b>Total changes in net assets</b>	<b>17,703</b>	<b>(14,259)</b>	<b>3,444</b>	
<b>NET ASSETS AS AT 31 DECEMBER 2018</b>	<b>97,362</b>	<b>44,590</b>	<b>141,952</b>	

**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.**

- 1/ Other revenue for the year ended 31 December 2017 represents foreign exchange gain of \$4.6 million.
- 2/ Self Insurance Claims & Expenses for the year ended 31 December 2018 is USD 103.4 million (2017 : 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).
- 3/ Other operating expenses for the year ended 31 December 2018 includes foreign exchange losses of USD 0.9 million.
- 4/ The actuarial reserve is reviewed periodically and the most recent review was performed in 2018. UNSMIS reserves include an amount of USD 1.3 million for staff benefit liabilities related to terminations/separations. Such liabilities are recognized separately at the entity level (UN Secretariat), therefore, the amount is not part of the reserves in the Volume I Financial Statements.

### Additional note on currency conversion

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

As at 31 December 2018, assets converted in Swiss francs ('CHF') totalled CHF 180.6 million and converted liabilities totalled CHF 40.5 million. The resulting net assets amounted to CHF 140.1 million, including reserves of CHF 44.0 million. The rate used for conversion is the United Nations official rate of exchange as of 31 December 2018.

The 2018 converted surplus totalled CHF 3.4 million, with a revenue of CHF 116.7 million and expenses of CHF 113.4 million. The rate used to convert surplus, expenses and revenue is the average United Nations official rate of exchange for the year 2018.

	USD	CHF	0.987	United Nations rate as at 31 December 2018
Total Assets	182,992	180,613		
Total Liabilities	41,040	40,506		
Total Net Assets	141,952	140,107		
Reserves	44,590	44,010		
	USD	CHF	0.979	United Nations average rate for the year 2018
Total Expenses	115,742	113,365		
Total Revenue	119,186	116,739		
Total Surplus	3,444	3,373		

# ANNEX II

## INVESTMENTS

**UNSMIS total assets at 31 December 2018 stood at USD 182,992,000**

Of this amount USD 33,458,000 was in Cash and Cash Equivalents and USD 146,247,000 in Investments. Please refer to Note 28, page 302 of report A/74/5 (Vol.1))  
<https://www.un.org/en/auditors/board/auditors-reports.shtml>

### EQUITY PORTFOLIO AS AT 31 DECEMBER 2018

Type	Number	Acquisition Cost (in USD)	Market Value (in USD)	Unrealized Gain (in USD)
ISHARES SMI CH	307,030	26,419,742.39	27,194,984.48	775,242.09

### BOND PORTFOLIO AS AT 31 DECEMBER 2018

	Coupon	Market Value (in USD)	Cost Basis (in USD)	Unrealised gains (losses)	Maturity	Asset
BOND	2.750%	2,032,724.90	2,270,635.16	(237,910.26)	23/01/2019	SNCF
BOND	2.125%	721,566.57	697,438.00	24,128.57	23/07/2019	OESTRAISCHICHE KONTROL BANK
BOND	1.500%	1,031,209.47	1,086,734.17	(55,524.70)	13/09/2019	COM BK AUSTRALIA
BOND	2.125%	525,406.52	499,820.00	25,586.52	27/04/2020	ENERGIE BEHEER NEDERLAND
BOND	1.750%	1,569,777.24	1,494,660.00	75,117.24	03/06/2020	DEUTSCHE BAHN FINANCE
BOND	1.125%	3,132,988.44	3,156,263.70	(23,275.26)	02/10/2020	NORDEA BANK AB
BOND	1.125%	5,181,999.90	5,326,275.95	(144,276.05)	18/06/2020	MET LIFE GLOB
BOND	1.125%	5,219,111.40	5,392,758.51	(173,647.11)	24/07/2020	OESTEREICH KONTROL BK
BOND	3.375%	1,091,877.87	1,216,630.87	(124,753.00)	06/11/2020	COUNCIL of EUROPE
BOND	2.250%	537,578.21	501,600.00	36,978.21	25/02/2021	SNCF
BOND	0.550%	4,117,156.44	3,959,278.02	(157,878.42)	12/08/2023	BANQUE FED CRED MTN
<b>TOTALS</b>		<b>25,161,396.96</b>	<b>25,602,094.38</b>	<b>(440,697.42)</b>		



**UNSMIS**

United Nations Staff  
Mutual Insurance Society