

Management
Report of
the Executive
Committee
2019



UNSMIS

United Nations Staff
Mutual Insurance Society

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EXECUTIVE COMMITTEE

from 1 January 2019 to 31 December 2019

CHAIRPERSON

Christophe Duverger (UNHCR), Alternate

VICE-CHAIRPERSON

Jalil Housni (WMO)

MEMBERS

Emmanuelle Dupont

Agnieszka Broniek

Catherine Peck Arif

Michel Jardon (WMO)

Patrick Magnin

Asha Dhillon (UNHCR), Alternate

OBSERVERS

Pierre Vangeleyn

Mohammed Sebti

MEDICAL ADVISERS

Dr. Achard

Dr. Ferrari

Dr. Kituyi

Dr. Ngichabe

EXECUTIVE SECRETARY

Giovanni Pizzini

DEPUTY EXECUTIVE SECRETARY

Jana Warming

INTRO DUCT ION



The present report of the Executive Committee of 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. The Financial Statements in Annex I have been audited by the Board of Auditors and have been reviewed and approved by the Executive Committee. The Management Report has been prepared by the Executive Secretary and reviewed and approved by the Executive Committee.

Please refer to Volume 1 of the United Nations financial report for IPSAS compliant reporting of the information presented in Annex I.

During 2019, the Society recorded **USD 105.0 million**

in Claims & expenses paid (benefits paid), an increase of 1.5% compared to 2018 (USD 103.4 million).

The number of insured members increased by 2.3%, and average annual claims reimbursements per member was USD 3,713.5 in 2019 compared to USD 3,740.8 in 2018. Please refer to footnote 2 of the attached Financial Reports. The above ratios and figures do not include accruals and provisions.

The overall financial performance of the Society for the year 2019, measured by a combined ratio of total expenses/total revenues, saw a significant improvement.

This strong improvement was driven mainly by unrealised investment gains. Chart 1 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 2019, total revenues stood at **USD 132.9 million** compared with total expenses of **USD 110.4 million**.

The position of the Society's total net assets increased from USD 142.0 million at the end of 2018 to USD 164.5 million at 31 December 2019. Further details can be obtained from Annex I of the report. It is worth noting that a significant portion of the increase in net assets is driven by unrealized financial gains.



FINANCIAL SITUATION

The revenue from Contribution for self-insurance funds (premiums) amounted
USD 120.1 million
in 2019, representing 90.3% of the total revenues of USD 132.9 million.

The Society achieved a converted surplus of USD 21.9 million 3.4 million. The previous year this figure was USD 3.4 million and in 2017 it was USD 19.5 million.

Net of Total Assets and Total Liabilities as at 31 December 2019 were standing at
USD 164.5 million.

This amount is equivalent to about 18.8 months' worth of claims payments.

Total Net Assets of the Society are composed of the Accumulated surplus of
USD 109.1 million
and of USD 55.4 million of various earmarked reserves

The Accumulated surplus represents the Reserve Fund as defined under the Statutes of the Society. Per the Statutes, the Reserve Fund shall not be less than 25% or more than 50% of total claims (benefit) paid during two preceding calendar years. The Reserve Fund, USD 109.1 million, is slightly above the upper limit, as defined in the Statutes: lower limit is USD 52.1 million and higher limit USD 104.2 million. The Executive Committee has taken note of this. Given the strong rally of the equity markets, a significant share of the increase in assets is driven by unrealized financial gains. The Executive Committee notes that this trend can easily be reversed in 2020 and as such takes note that the Reserve Fund is slightly over the upper limit as defined in the Statutes and defers a decision only once the year end 2020 financial position is clear. This decision is also driven by the fact that the Executive Committee envisages the need of a new solvency study to be carried out in 2021. This would have ideally been done in 2020, but with the incorporation of ITU on 1 January 2020 it is essential that a solvency study have at least a full 12 months of observations, possibly even a bit more, to ensure statistical relevance and accuracy.

The four earmarked reserves are the following (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. Since 2018 the reserve stands at USD 4.3 million. This is was decided by the Executive Committee based a report by EY (Ernst Young) which estimated that 0.03% of all claims are above CHF 200,000.

B. The reserve for currency fluctuation. Established in the year 2000 following recommendations made by the actuaries. Most of the expenses of the Society are in Swiss Francs while accounts are kept in United States Dollars. This reserve is set at USD 3.6 million for 2019.

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 1.3 million for 2018. This figure was agreed by the Executive Committee. This reserve is set at USD 1.3 million for 2019.

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 35.5 million for 2018. In 2019 this reserve is increased to USD 46.2 million to take into account the improved long term benefits. The Executive Committee agreed, in the meeting of 20 June 2019 where the increase in Long term benefits was recommended, that the underwriting surplus of the year would be used to increase this reserve.

Total Liabilities of the Society amount to
USD 40.5 million
 at 31 December 2019 and include:

- **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. As such this provision was estimated to be USD 4.26 million of 2018. In 2019 this amount has been proportionally increased to USD 4.4 million to consider the increase in reimbursements.
- **Provisions** represent claims incurred but not reported (IBNR) and were estimated at USD 24.5 million. The EY report reviewed this and estimated that the claims tale is equivalent to roughly 4 months' worth claims. The provision for IBNR was

estimated to be USD 35.5 for 2018. In 2019 this amount was proportionally increased to USD 36 million to consider the increase in reimbursements.

- **The remaining amount of liabilities** consist of Accounts Payable and Accrued Liabilities.

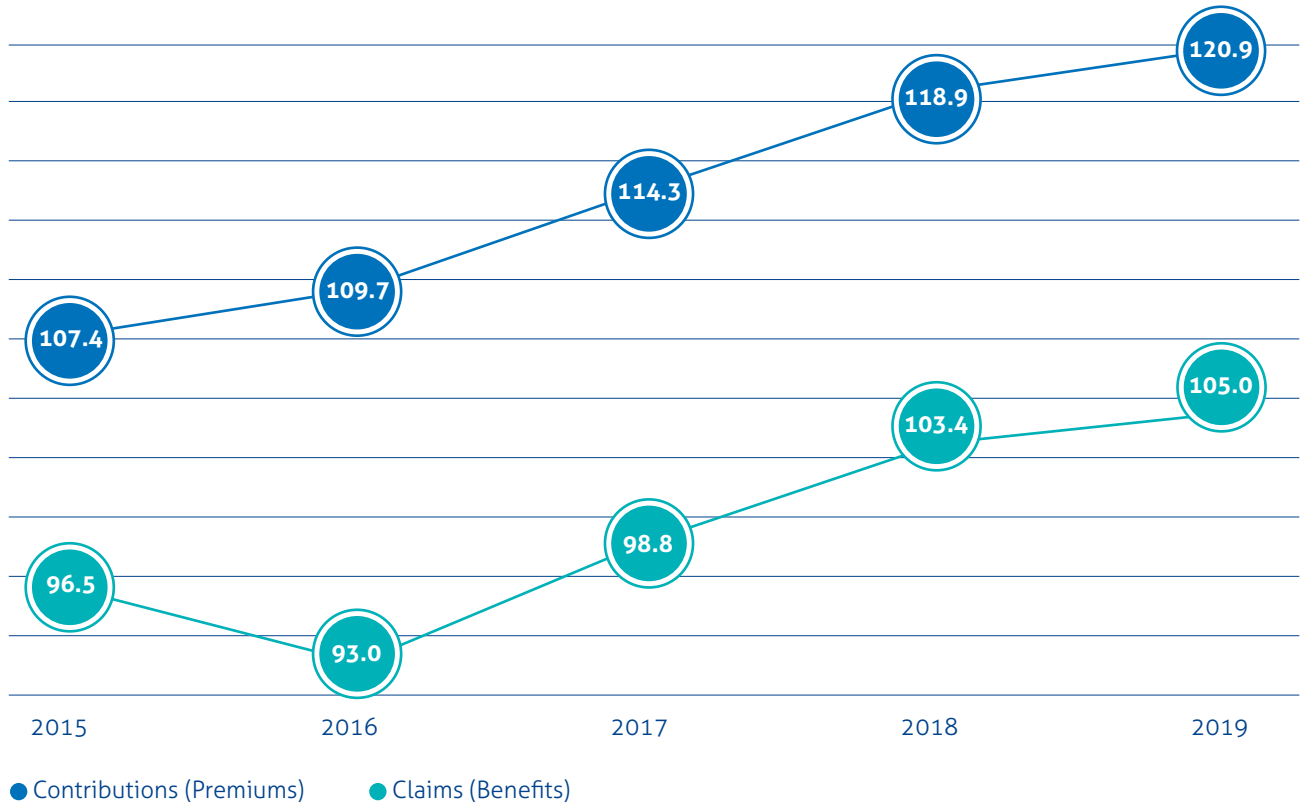


TRENDS IN INCOME AND EXPENDITURE

Revenue from contributions (premiums) have risen steadily year on year. In 2019 contributions were of **USD 120.9 million**

This represents an increase of 1.7% versus 2018 (chart 2). Claims (Benefit) payments over the same period increased to USD 105 million in 2019 compared to USD 103.4 million in 2018.

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



The loss ratio (Claims paid/Contribution 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 2019, the Society's staffing costs accounted for **4.4%** 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 2019 totalled **28,275** which represents an increase of 2.3% compared to 2018.

CHART 5: NUMBER OF INDIVIDUALS INSURED



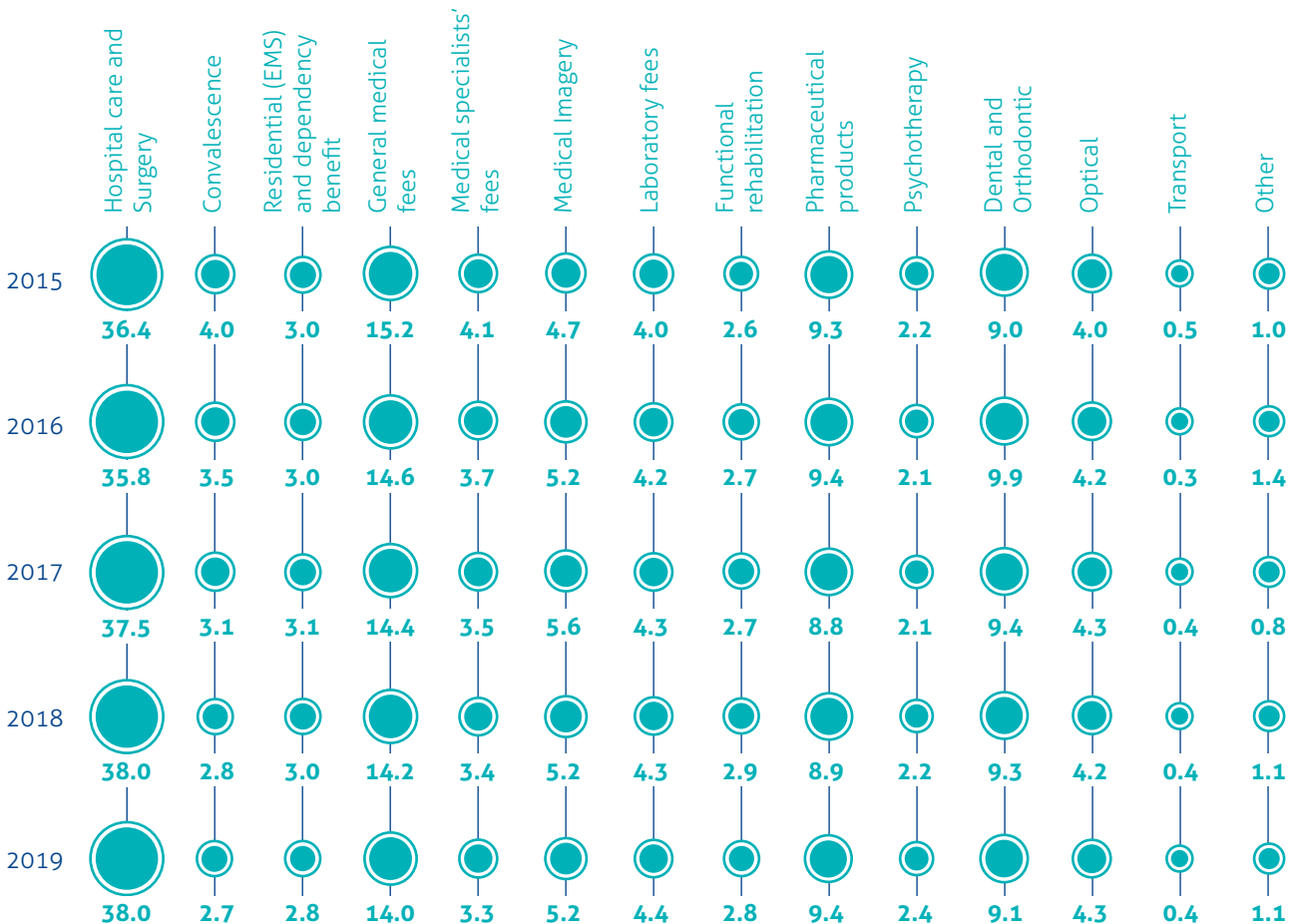
● Serving members and their dependants

● Retired members and their dependants

The breakdown of the Society's expenditure by category of benefits (chart 6) shows that hospital care and surgery account for **38%** of total claims reimbursed in 2019.

General medical fees and medical specialists' fees was the second most important expense with 17.3% in total, while the other two major items of expenditure, pharmaceutical products and dental and orthodontic treatment, accounted for 9.4% and 9.1% 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 %)



The breakdown of amounts reimbursed per member shows that during the calendar year 2019 claims equal to or exceeding

USD

200,000

accounted for USD 6.9 million of reimbursements

This is equivalent to 6.6% of total reimbursements for the year and were reimbursed to 20 insured members (0.07% of the entire insured population).

In 2019, the Society made payments in more than

150

countries, in response to 136,488 claims.

This represents an increase in the number of submitted claims of 11.3%. 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, despite only 72.2% of all claims submitted were in Swiss francs. The Euro accounted for 10% of reimbursements and the United States dollar for 10.5% of all reimbursements

An average of

617

claims were processed per working day in 2019, an increase of 11.4% compared with 2018.

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.

4

ACTIVITIES
OF THE
SOCIETY



The Executive Committee met

10 times

in 2019. It considered general policy on the management of the Society, proposed an increase in the reserves for long-term care and reached decisions on 15 exceptional cases submitted during the year.



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

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



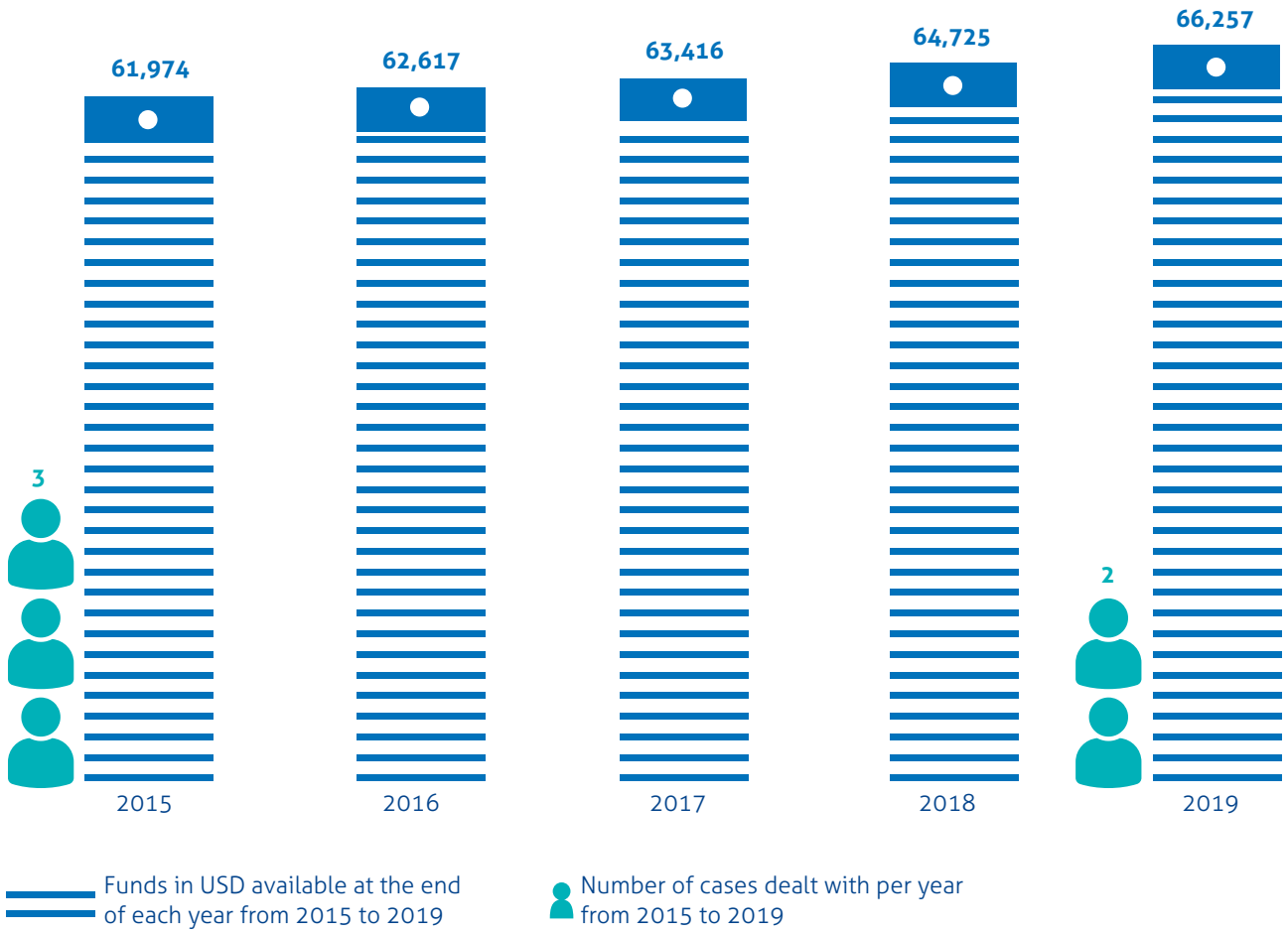
<https://medical-insurance.unog.ch>



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 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 proved 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 USD 66,257 at the end of 2019.

CHART 7: FUND FOR ADDITIONAL MEDICAL AIDS (FAMA)



ANNEX I

FINANCIAL STATEMENTS

I. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (THOUSANDS OF UNITED STATES DOLLARS)

	31 December 2019	31 December 2018
ASSETS		
Current assets		
Cash and cash equivalents	51,188	33,458
Investments	64,650	90,993
Other receivables	2,901	2,941
Other assets	56	59
Total current assets	118,795	127,451
Non-current assets		
Investments	85,750	55,254
Intangible Assets	471	287
Total non-current assets	86,221	55,541
TOTAL ASSETS	205,016	182,992
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	68	184
Advance receipts		1,024
Employee benefits liabilities	4,449	4,372
Provisions	36,000	35,460
Total current liabilities	40,517	41,040
Total non-current liabilities	-	-
TOTAL LIABILITIES	40,517	41,040
NET OF TOTAL ASSETS AND TOTAL LIABILITIES	164,499	141,952
Accumulated surpluses/(deficits) - unrestricted	109,119	97,362
Reserves	55,380	44,590
TOTAL NET ASSETS	164,499	141,952

II. STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2019 (THOUSANDS OF UNITED STATES DOLLARS)

	31 December 2019	31 December 2018	
REVENUE			
Contributions for self-insurance funds	120,908	118,919	
Investment revenue	11,176	267	
Other Revenue	862	-	1/
Total revenues	132,946	119,186	
EXPENSES			
Employee salaries allowances and benefits	4,565	4,160	
Supplies and consumables	12	16	
Amortization	28	37	
Travel	5	7	
Self Ins. Claims & Expenses	105,632	110,369	2/
Other operating expenses	157	1,153	3/
TOTAL EXPENSES	110,399	115,742	
SURPLUS / (DEFICIT) FOR THE YEAR	22,547	3,444	

III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2019 (THOUSANDS OF UNITED STATES DOLLARS)

	Accumulated surpluses/(deficits) unrestricted	Reserves	Total	
NET ASSET OPENING AS AT 1 JANUARY 2018	79,659	58,849	138,508	
Change in net assets				
Other adjustments to net assets	14,259	(14,259)	-	
Surplus/(deficit) for the year	3,444	-	3,444	
Total changes in net assets	17,703	(14,259)	3,444	
NET ASSETS AS AT 31 DECEMBER 2018	97,362	44,590	141,952	
Change in net assets				
Other adjustments to net assets	(10,790)	10,790	-	4/
Surplus/(deficit) for the year	22,547	-	22,547	
Total changes in net assets	11,757	10,790	22,547	
NET ASSETS AS AT 31 DECEMBER 2019	109,119	55,380	164,499	

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.

- 1/ Other revenue for the year ended 31 December 2019 includes net foreign exchange gain of \$0.2 million.
- 2/ Self Insurance Claims & Expenses for the year ended 31 December 2019 is \$105.0 million (2018:\$103.4 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 2019 includes foreign exchange losses of \$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 \$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.

ANNEX II

INVESTMENTS

UNSMIS total assets at 31 December 2019 stood at USD

205,016,000

Below is a list of CHF denominated investments. All other investments are part of the UN Main Pool.

Of this amount USD 51,188,000 was in Cash and Cash Equivalents and USD 150,400,000 in Investments with the remainder being intangible assets and other receivables. Please refer to Note 27, report A/75/5 (Vol.1) <https://www.un.org/en/auditors/board/auditors-reports.shtml>

EQUITY PORTFOLIO AT 31 DECEMBER 2019

Type	Number	Acquisition Cost (in USD)	Market Value (in USD)	Unrealized Gain (in USD)
ISHARES SMI CHF ETF	383,100	33,164,799	42,144,026	8,979,227

BOND PORTFOLIO AT 31 DECEMBER 2019

	Coupon	Market Value (in USD)	Book Value (in USD)	Maturity	Asset
BOND	2.125%	504,610	499,995	27/04/2020	EBN B.V - UTRECHT
BOND	1.750%	1,515,417	1,499,762	03/06/2020	DEUTSCHE BAHN FINANCE BV - AMSTERDAM
BOND	1.125%	3,042,300	3,005,262	02/10/2020	NORDEA BANK AB - NY
BOND	1.125%	5,039,739	5,017,489	18/06/2020	MET LIFE GLOB FUNDING - NY
BOND	1.125%	5,053,000	5,027,343	24/07/2020	OEKB OEST. KONTROLLBANK - VIENNA
BOND	3.375%	1,034,292	1,027,310	06/11/2020	COUNCIL of EUROPE
BOND	2.250%	516,344	500,184	25/02/2021	SNCF
BOND	0.550%	4,118,012	4,012,403	08/12/2023	BANQUE FED CRED MTN
BOND	0.304%	2,032,820	2,023,943	16/09/2024	CORP ANDINA DE FOMENTO
BOND	0.300%	2,024,532	2,020,103	07/04/2025	CORP ANDINA DE FOMENTO
BOND	0.070%	4,891,850	4,974,171	18/10/2027	FIRST ABU DHABI
BOND	0.113%	2,481,050	2,504,984	10/12/2027	COMMONWEALTH BANK OF AUSTRALIA
BOND	0.750%	2,131,590	2,146,749	25/02/2030	APPLE INC /
BOND	0.200%	2,032,365	2,014,832	07/11/2031	PROVINCE OF NEW BRUNSWICK
BOND	0.550%	1,046,980	1,008,443	04/10/2032	NESTLE HOLDINGS INC
BOND	1.050%	5,644,600	5,762,122	11/05/2035	NOVARTIS SECS INVEST LTD
TOTALS		43,109,501	43,045,093		



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