

Management
Report of
the Executive
Committee
2021



UNSMIS

United Nations Staff
Mutual Insurance Society

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EXECUTIVE COMMITTEE

from 1 January 2021 to 31 December 2021

CHAIRPERSON

Catherine Peck Arif

VICE-CHAIRPERSON

Michel Jardon (WMO)

MEMBERS

Emmanuelle Dupont

Agnieszka Broniek

Patrick Magnin

Jalil Housni (WMO)

Christophe Duverger (UNHCR), Alternate

Nathalie Meynet (UNHCR), Alternate

OBSERVERS

Pierre Vangeleyn

Mohammed Sebti

MEDICAL ADVISERS

Dr. Achard

Dr. Graf since May 2021

Dr. Kituyi

Dr. Ferrari

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 2021, the Society recorded **USD 140.6 million** in Claims/benefits paid (excluding accruals and provisions).

In 2020 this figure was USD 118.4 million (excluding accruals and provisions). The 2021 increase in claims over 2020 is driven by two main factors: lower than forecasted claims in 2020 due to COVID, which expectedly then rolled over to 2021 and the materialization of the IBNR "tail" of ITU related claims dated 2020. The average annual claims reimbursements per member was USD 4,155 compared to USD 3,672.8 in 2020. Because COVID shut down all non-essential care for about 3 months in many countries, it is safe to conclude that 2020 is not a good year of comparison. The average annual claims reimbursements per member USD 3,713.5 in 2019.

The above ratios are calculated using reimbursement amounts and do not consider accruals and provisions.

The overall financial performance of the Society for the year 2021, measured by a combined ratio of total expenses/total revenues, as predicted in the 2020 Management Report saw a decline compared to 2020.

Despite the envisaged decline the combined loss ratio is still in positive territory, meaning that overall income exceeds overall expenditure.

CHART I: 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 2021, total revenues stood at **USD 168.1 million** compared with total expenses of **USD 161.2 million**.

The position of the Society's total net assets increased from USD 219.3 million at the end of 2020 to USD 226.2 million on 31 December 2021. Further details can be obtained from Annex I of the report.



FINANCIAL SITUATION

The revenue from Contribution for self-insurance funds (premiums) amounted **USD 155.9 million** in 2021, representing 92.7 % of the total revenues of USD 168.1 million.

The Society achieved a converted surplus of USD 6.8 million.

Net of Total Assets and Total Liabilities at 31 December 2021 was **USD 226.2 million**.

This amount is equivalent to about 19.3 months' worth of claims payments. Accruals and claims to be paid are not included in this calculation.

Total Net Assets of the Society consist of the Accumulated surplus amounting to **USD 138.8 million** and Reserves of **USD 87.4 million** at end of 2020.

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 (benefits) paid during two preceding calendar years. The Reserve Fund, USD 138.8 million, is above the upper limit, as defined in the Statutes: lower limit is USD 64.8 million and higher limit USD 129.6 million. The Executive Committee has taken note of the fact that the Accumulated Surplus exceeds the statutory limit of 50% of the claims paid in the preceding two calendar years. The Executive Committee however notes that a significant amount of the assets that constitute the accumulated surplus are unrealized financial gains. If unrealized gains are removed from the calculation, then the value of the Accumulated Surplus equates to USD 128.7 million, roughly 49.7% of the value total of claims (benefits) paid during two preceding calendar years.

Considering that unrealized gains may fluctuate significantly from year to year the Executive Committee has agreed to exclude unrealized gains/losses when calculating the adequacy of the Reserve fund.

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. In 2021 UNSMIS engaged the services of EY to carry out a review of the adequacy of these provisions and reserves.

A. The reserve for catastrophic risks was established in 1993 to protect the Society against “peak files”. These are single cases that have a large monetary impact on the Society’s cash flow. Given the maturity of the plan and the large volume of participants it has been decided that having a dedicated reserve is a more cost effective and flexible solution versus purchasing a risk transfer mechanism, namely quota share and/or excess of loss reinsurance coverage. Using USD 100,000 as the defined limit for a catastrophic claim, EY estimated that a reserve of USD 16.8 million is necessary. Reviewing all claims between 2017 and 2020, it was noted that the claims over USD 100,000 represent 0.014% of total claim numbers. This considers an adjustment of the claims from 2017 to 2019 that were not yet inclusive of the ITU claims. **The Executive Committee has endorsed the proposal to increase this reserve to USD 16.8 million.** The Executive Committee reserves its right to review this reserve and if necessary, increase the defined limit for a catastrophic claim to USD 200,000. Based on the EY report this would translate in the reserve needed being reduced to USD 7.7 million.

B. The reserve for currency fluctuation: following the recommendation of EY **the Executive Committee has agreed to maintain the reserve unchanged at USD 4.6 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. **This reserve was not within the scope of the EY study. The Executive Committee has agreed to keep this reserve unchanged at USD 1.5 million.**

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 and absorb any unforeseen costs. The study by EY proposes to leave the reserve unchanged at USD 58.8 million. **The Executive Committee agrees to maintain the reserve unchanged at USD 58.8 million.**

E. UNSMIS classes nondependent family members as specially protected persons (SPP’s). These are family members that can benefit from the insurance, but because they are not recognized as dependents by Human Resources (HR) they pay a flat monthly premium with no contribution from the organization. Because this category of insured is entirely

self-funded, the UNSMIS secretariat reviews the loss ratio at the end of each year to ensure there is no cross subsidy with staff members and dependents whose premium is partially funded by the organization. In 2021 the Executive Committee supported the creation of an ad hoc reserve for this group of insured to be used to fund years where claims exceed income and to absorb potential premium rate increases in the future. EY reviewed this reserve and proposed increasing to USD 5.7 million. The average net loss ratio over the last 5 years is 89%. Therefore, EY suggested building a reserve of 11% of the average annual net income over the last 5 years.

The Executive Committee endorsed the recommendation and increased the reserve to USD 5.7 million.

Total Liabilities of the Society amount to
USD 59.9 million_{at}
31 December 2021.

The Executive Committee had agreed to increase provisions in accordance with the proposal of the EY study

- **Employee benefit liabilities** represent claims received but not yet paid. The Executive Committee has agreed to increase this amount to USD 6.5 million for the year ending 31 December 2021.
- **Provisions** represent claims incurred but not reported (IBNR) The Executive Committee has agreed to increase this amount to USD 53.3 million for the year ending 31 December 2021.
- **Accounts payables** and **accrued liabilities** amounted to USD 83,000

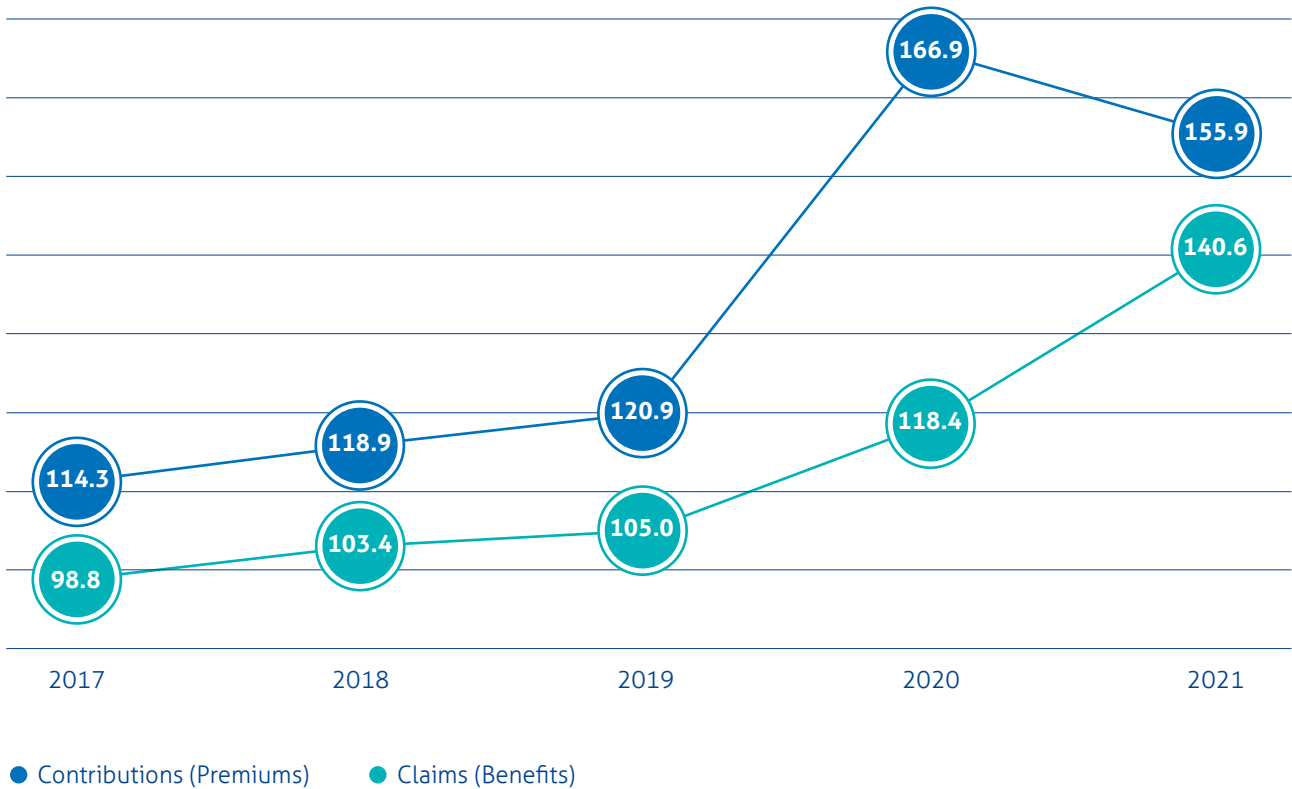


TRENDS IN INCOME AND EXPENDITURE

Revenue from contributions (premiums) have risen steadily year on year. In 2021 contributions amounted to **USD 155.9 million.**

As forecasted this amount is lower than in 2020. The reason for this reduction in income is that in 2020 UNSMIS received a one-off contribution to existing reserves by ITU that was booked as income for accounting purposes.

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



Claims (Benefit) payments over the same period increased to **USD 140.6 million** excluding provisions and accruals.

The amount is significantly higher than in 2020. The identified reasons for this increase are mainly:

- a) the materialization of the first year IBNR tail of ITU joining in 2020.
- b) the strong CHF to USD exchange rate (the bulk of UNSMIS claims are received in CHF).
- c) health care “put on hold” during the 2020 COVID19 pandemic “shifted” to 2021, as forecast last year.

The impact, if any, of missed check-ups and early detection that would have otherwise happened had all non-essential care been suspended remains very difficult to quantify.

We can confirm that no evident anomalies were identified in UNSMIS's claim data patterns.

The loss ratio (Claims paid/ Contribution received: see chart 3) is a measure of the Society's ability to meet its expenses.

The loss ratio for 2021 has moved back to an acceptable figure from the very low amount in 2020. It is worth remembering that the exceptionally good loss ratio in 2020 was spurred by two key factors.

- the already mentioned one-off contribution to UNSMIS reserves by ITU. For accounting purposes, it was booked as income.
- the year 2020 saw a lower than forecast claims submissions due to the temporary suspension of all medical care in some countries because of the COVID-19 pandemic.

The surplus of revenue over expenses enables the Society to cover operating costs and maintain its provisions and reserves in financially sound. Surpluses have been recorded in each of the last 5 years. The year 2021 shows once again the Society's ability to meet its financial obligations.

CHART 3: LOSS RATIO (%)



In 2021, the Society's staffing costs accounted for **3.6%** of total costs of the Society (see chart 4).

Further methodology changes have been applied to align calculations with market practice. This results in slight differences in the percentages reported for the years 2017 to 2020 vs the what was reported for the same years in the 2020 annual report. Write offs, Advances and F/X revaluation included under "Other operating Expenses" in the Statement of financial Performance have been purposely removed from the calculations. The purpose of this ratio is purely to monitor staffing costs and ancillary expenses such as travel and equipment. 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 COSTS



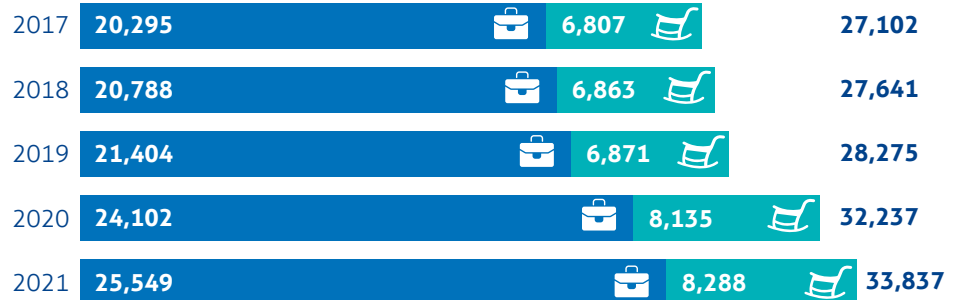


**THE
SOCIETY IN
FIGURES**

The number of members and dependants at 31 December 2021 totalled **33,837** which represents an increase of 5% year on.

This increase is higher than envisaged at the beginning of the year.

CHART 5: NUMBER OF INDIVIDUALS INSURED

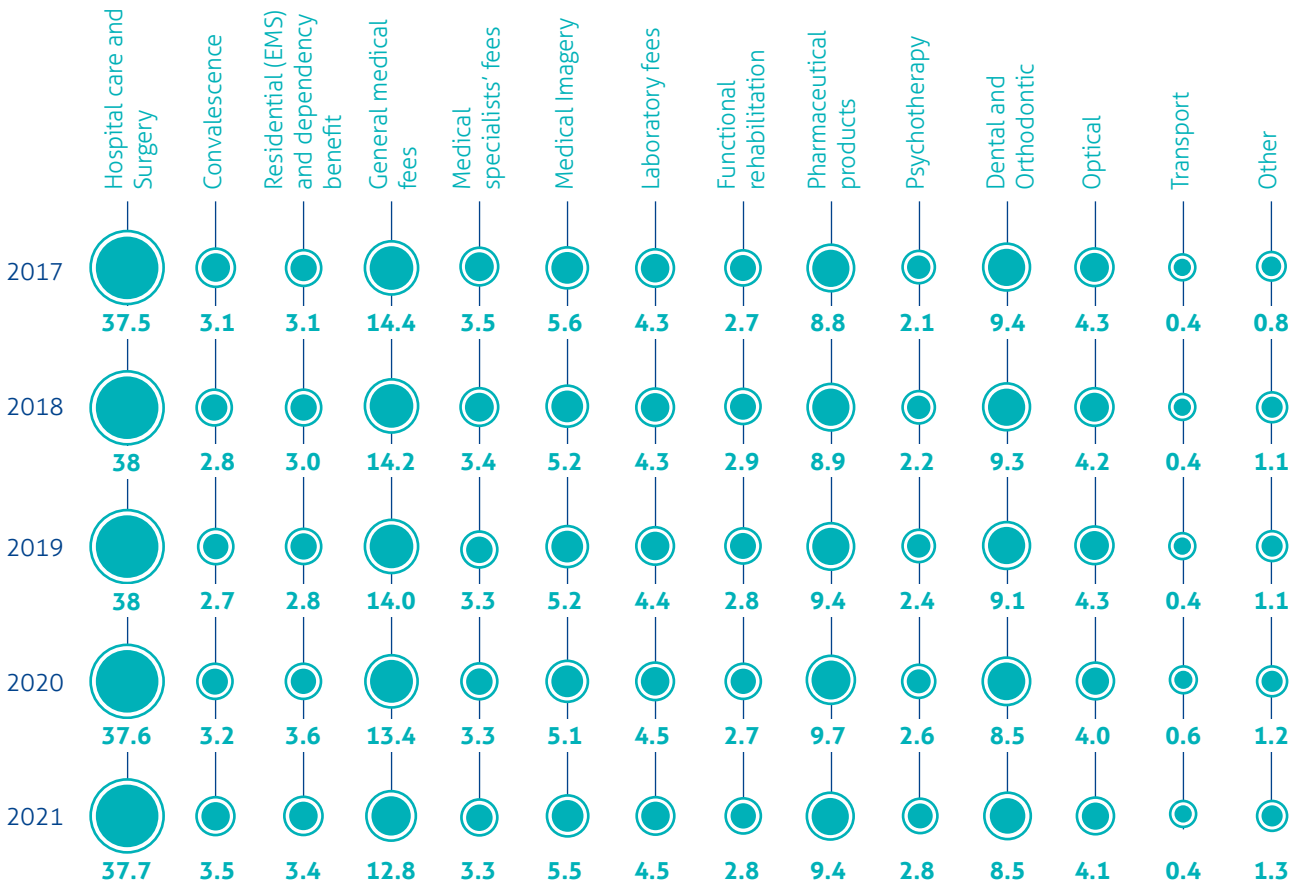


● Serving members and their dependants ● Retired members and their dependants

The breakdown of the Society's expenditure by category of benefits (chart 6) shows that hospital care and surgery account for **37.7%** of total claims reimbursed in 2021.

General medical fees and medical specialists' fees was the second most important expense with 16.1% in total, while the other two major items of expenditure, pharmaceutical products and dental and orthodontic treatment, accounted for 9.4% and 8.5% respectively, of total reimbursements.

CHART 6: REIMBURSEMENTS (IN %)



In 2021, the Society made payments in more than 150 countries, in response to 205,870 claims. This represents an increase in the number of submitted claims of 28.4%.

This increase is attributable to the integration of the ITU insured population, the success of the e-claims portal and the forecasted rollover increase in claims in 2021 following the 2020 COVID related suspension and/or postponement of certain medical services. The number of invoices processed in 2021 was 456,452, an average of 2.2 invoices per claims. In 2020 the Society processed 400,738 invoices, an average of 2.5 invoices per claim. This points towards a trend of improved regular submissions and more timely reimbursements. A key driver of this improvement has been the roll out of the UNSMIS App which allows, amongst other things, the submission of claims electronically. The 4th quarter of 2021 saw electronic claim submission hover between 88.7% and 91.4% of total claims submissions.

The main currency of payment was the Swiss franc. It accounted for 81.0% of all reimbursements, despite only 72% of all claims submitted were paid in Swiss francs.

The Euro accounted for 8.5% of reimbursements and the United States dollar for 9.2% of all reimbursements.

An average of 931 claims were processed per working day in 2021.

4

ACTIVITIES
OF THE
SOCIETY



The Executive Committee met

10 times in 2021.

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>



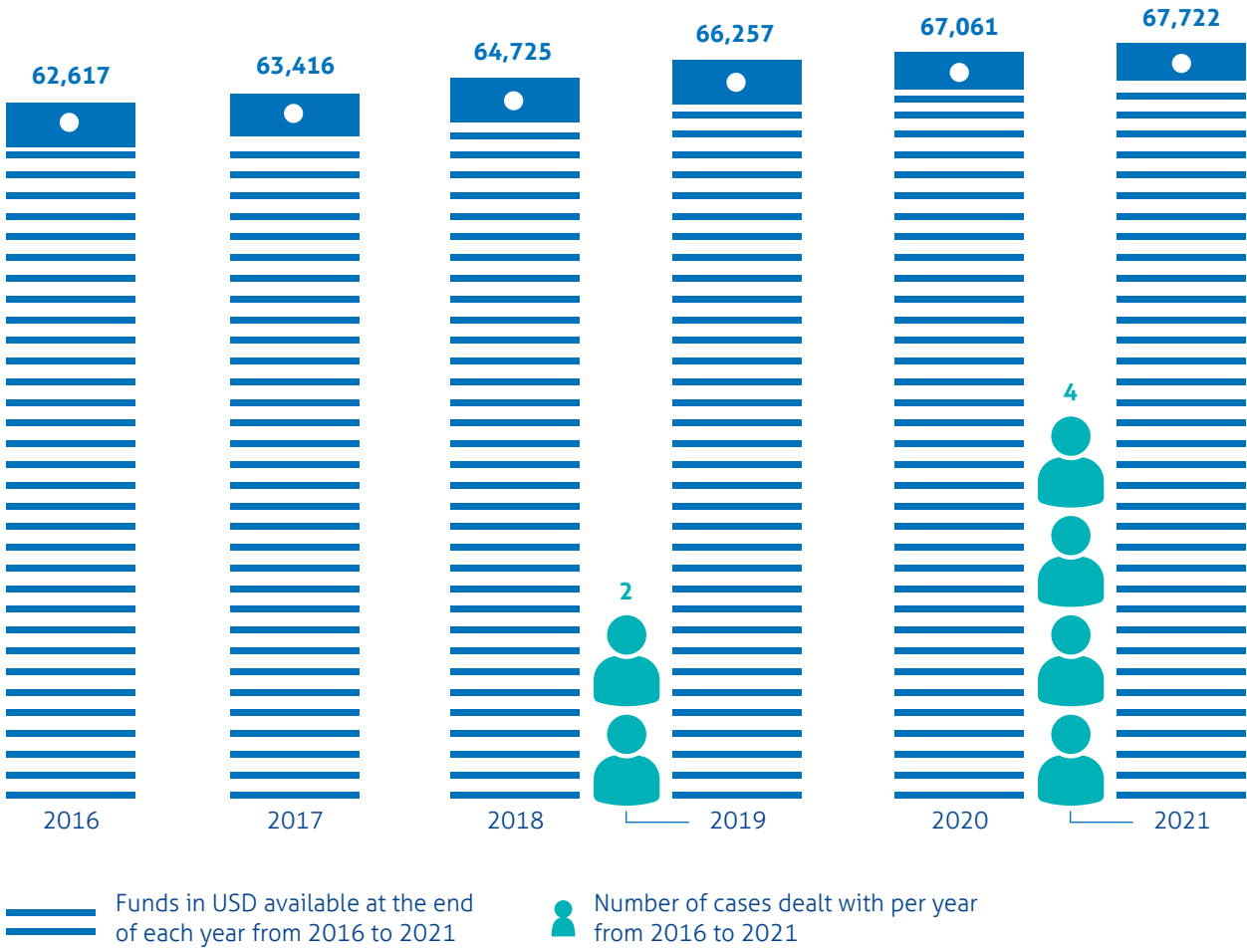
<https://medical-insurance.unog.ch>



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.
- The preventive care initiatives taken by the Society since 2004 based on recommendations by the Committee under the guidance of the Medical Advisors were mostly put on hold in 2020 due to COVID, especially as all non-essential care was essentially suspended for 3 months in many countries. The initiatives resumed in 2021. The Executive Committee agreed in the past to cover the flu vaccine and the COVID vaccine at 100% without any prescription for all insured members to further bolster preventive care.
- 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 67,722 at the end of 2021.

CHART 7: FUND FOR ADDITIONAL MEDICAL AIDS (FAMA)



ANNEX I

FINANCIAL STATEMENTS

I. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (THOUSANDS OF UNITED STATES DOLLARS)

	31 December 2021	31 December 2020
ASSETS		
Current assets		
Cash and cash equivalents	62,864	65,704
Investments	41,485	46,035
Other receivables	4,184	3,364
Other assets	76	62
Total current assets	108,609	115,165
Non-current assets		
Investments	176,638	155,220
Intangible Assets	827	550
Total non-current assets	177,465	155,770
TOTAL ASSETS	286,074	270,935
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	83	4
Employee benefits liabilities	6,502	5,700
Provisions	53,300	45,890
Total current liabilities	59,885	51,594
Total non-current liabilities	-	-
TOTAL LIABILITIES	59,885	51,594
NET OF TOTAL ASSETS AND TOTAL LIABILITIES	226,189	219,341
NET ASSETS		
Accumulated surpluses/(deficits) - unrestricted	138,789	136,911
Reserves	87,400	82,430
TOTAL NET ASSETS	226,189	219,341

II. STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2021 (THOUSANDS OF UNITED STATES DOLLARS)

	31 December 2021	31 December 2020	
REVENUE			
Contributions for self-insurance funds	155,928	166,873	
Investment revenue	12,145	6,653	3/
Other Revenue	0	16,589	4/
Total revenues	168,073	190,115	
EXPENSES			
Employee salaries allowances and benefits	5,506	5,384	
Supplies and consumables	3	3	
Amortization	103	74	
Travel	1	-	
Self Ins. Claims & Expenses	148,934	129,496	5/
Other operating expenses	6,678	316	4/
TOTAL EXPENSES	161,225	135,273	
SURPLUS / (DEFICIT) FOR THE YEAR	6,848	54,842	

III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2021 (THOUSANDS OF UNITED STATES DOLLARS)

	Accumulated surpluses/(deficits) unrestricted	Reserves	Total	
NET ASSET OPENING AS AT 1 JANUARY 2020	109,119	55,380	164,499	
Change in net assets				
Other adjustments to net assets	(27,050)	27,050	-	
Surplus/(deficit) for the year	54,842	-	54,842	
Total changes in net assets	27,792	27,050	54,842	
NET ASSETS AS AT 31 DECEMBER 2020	136,911	82,430	219,341	
Change in net assets				
Other adjustments to net assets	(4,970)	4,970	-	6/
Surplus/(deficit) for the year	6,848	-	6,848	
Total changes in net assets	1,878	4,970	6,848	
NET ASSETS AS AT 31 DECEMBER 2021	138,789	87,400	226,189	

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/ Employee benefits liabilities for the year ended 31 December 2021 are \$ 6.5 million (2020: \$ 5.7 million) and include a provision of \$ 6.4 million (2020: \$ 5.5 million) for claims received but not yet paid. The increase of the provision to 6.4 million is based on the 2021 actuarial review of the UNSMIS accruals and reserves.
- 2/ Provisions for Insurance Claims Incurred But Not Reported (IBNR) for the year ended 31 December 2021 are \$ 53.3 million (2020: \$ 45.9 million). As suggested by the actuaries in their 2021 report, the provision was increased to take into account the recent integration of ITU, the forecasted inflation of medical costs and the fact that the timeline for submitting claims has been increased from 12 to 24 months from the invoice date.
- 3/ Investment revenue for the year ended 31 December 2021 is \$ 12.2 million (2020: \$ 6.7 million) and include unrealized gains of \$ 10.1 million (2020: \$ 4.2 million).
- 4/ Other operation expenses include net foreign exchange losses of \$ 6.3 million for the year ended 31 December 2021. It should be noted that for the year ended 31 December 2020, net foreign exchange gains of \$ 16.6 million were reported in the financial statements as Other Revenue.
- 5/ Self Insurance Claims & Expenses for the year ended 31 December 2021 are \$ 140.6 million (2020: \$ 118.4 million), excluding Accruals for Claims to be paid (net impact of + \$ 0.9 million in 2021) and Provision for Insurance Claims Incurred But Not Reported (net impact of + \$ 7.4 million of IBNR in 2021).
- 6/ 2021 adjustments to the net assets include:
 - an increase of \$ 4.25 million for the reserve for catastrophic claims,
 - an increase of \$ 0.02 million for the reserve for currency fluctuations,
 - an increase of \$ 0.03 million for the reserve for terminal indemnities,
 - an increase in reserves of \$ 0.03 million for the reserve for long term risk, and
 - an increase of \$ 0.7 million for the creation of the reserve for non-dependent family members.

The actuarial reserve is reviewed periodically and the most recent review was performed in 2021. UNSMIS reserves, amounting to \$ 87.4 million, include an amount of \$ 1.5 million for terminal indemnities. These liabilities are recognized in a separate fund in the Volume I Financial Statements for the Secretariat and it explains the discrepancy with the UNSMIS reserves in the Volume I Financial Statements (amounting to \$ 85.9 million).

ANNEX II

INVESTMENTS

**UNSMIS total assets at 31 December 2021
stood at**

USD 286,074,000

Of this amount USD 65,704,000 was in Cash and Cash Equivalents and USD 201,255,000 in Investments. Please refer to Note 29, page 365 of the 2021 report A/77/5 (Vol.1) [N2239891.pdf \(un.org\)](#)

EQUITY PORTFOLIO AT 31 DECEMBER 2021

Type	Number	Acquisition Cost (in USD)	Market Value (in USD)	Unrealized Gain (in USD)
ISHARES SMI CHF ETF	512,100	49,092,475	75,071,168	25,978,692

BOND PORTFOLIO AT 31 DECEMBER 2021

	Coupon	Market Value (in USD)	Book Value (in USD)	Maturity	Asset
BOND	0.1275%	1,091,228	1,063,651	27/07/2028	Credit Agricole SA
BOND	0.250%	4,375,745	4,409,460	10/10/2029	Credit Agricole SA
BOND	2.875%	4,054,700	3,968,098	02/04/2030	EuroFima
BOND	0.253%	3,321,879	3,092,291	06/03/2023	Export-Import Bank of Korea
BOND	0.170%	1,100,587	1,023,984	13/05/2022	UBS AG
BOND	0.250%	1,565,406	1,588,400	28/08/2040	Luzerner
BOND	0.125%	1,084,561	1,081,976	25/11/2032	Luzerner
BOND	0.550%	4,461,933	3,959,278	08/12/2023	Banque Fédérative du Crédit Mutuel
BOND	0.250%	4,970,279	4,990,094	11/09/2028	Berlin Hyp AGSF
BOND	0.250%	547,029	541,272	10/03/2031	Berlin Hyp AGSF
BOND	0.050%	5,388,220	5,400,108	28/01/2033	Province of Ontario
BOND	0.200%	1,094,763	1,063,805	03/11/2028	Banque Fédérative du Crédit Mutuel
BOND	0.750%	5,758,821	5,716,803	24/09/2030	Roche
BOND	0.113%	5,434,012	5,252,489	10/12/2029	Commonwealth Bank of Australia
BOND	0.750%	2,309,196	2,174,076	25/02/2030	APPLE
BOND	0.200%	2,195,909	2,025,227	07/11/2031	Province of New Brunswick
BOND	0.125%	542,398	542,426	06/12/2032	Province of New Brunswick
BOND	0.550%	1,134,402	1,009,353	04/10/2032	Nestle Holdings
BOND	1.050%	6,029,699	5,849,071	11/05/2035	Novartis AG
BOND	1.375%	1,113,966	1,060,222	05/10/2022	Svenska Handelsbanken AB
BOND	0.445%	1,681,296	1,591,004	08/05/2025	Korea Development Bank
BOND	0.250%	2,719,843	2,657,953	06/12/2039	Province of New Brunswick
BOND	0.065%	5,442,046	4,951,533	29/01/2029	National Australia Bank
BOND	1.750%	3,948,845	3,668,977	28/06/2033	European Investment Bank
BOND	2.190%	3,307,721	3,010,336	16/07/2025	Industrial Bank Republic of Korea
BOND	0.300%	3,366,453	3,092,610	12/11/2027	Caisse des Dépôts et Consignations
BOND	0.500%	3,974,836	3,552,591	18/07/2028	Deutsche Bahn Finance
BOND	0.100%	1,591,247	1,679,771	28/01/2036	Deutsche Bahn Finance
BOND	0.125%	1,106,201	1,012,684	30/11/2023	DNB Bank ASA
BOND	0.070%	5,445,042	4,981,720	18/10/2027	First Abu Dhabi Bank
BOND	0.170%	3,248,916	3,291,592	22/07/2031	The Korea Development Bank
	TOTALS	93,407,180	89,302,845		



UNSMIS

United Nations Staff
Mutual Insurance Society