UNSMIS Provisions and Reserves

UNSMIS carried out a solvency study as well as an actuarial review of its reserves in 2023 using the services of EY.

The Executive Committee approves the following provisions and reserves, with effect 1 Jan 2024:

1. **IBNR – Incurred but Not Reported**

In 2021 the Executive Committee supported the proposal to increase the IBNR to 4.5 months' worth of claims using the last 3 years of claims observations. The most recent EY study noted that the average duration between a claim occurrence date and its payment date decreased from 3.5 months in the last study to 3.3 months in this study. Nonetheless the IBNR provision recommendation increases in monetary terms to USD 52.7 million as the overall amount claims reimbursed increased.

Following the above the executive committee has endorsed the proposal to decrease this provision to USD 52.7 million

2. **Employee Benefit Liabilities**

The EY study confirmed that 95% of the number of the claims and 87% of the total claim amount are paid within 2 weeks, and 99% of the number claims and 96% of the total claim amount are paid in 4 weeks. EY recommended maintaining a reserve of 3 weeks of claims which would allow reimbursing about 98% of the number of claims and 93% of the total claim amount. Given the increase in overall claim reimbursements EY recommends an increase of this provision to USD 8.4 million.

Following the above the executive committee has endorsed the proposal to increase this provision to USD 8.4 million.

The above Provisions are treated as current liabilities and thus reduce the net asset position of UNSMIS.

Net assets are classified into 5 distinct reserves and the Accumulated Surplus.

3. **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. EY's study showed that Claims over USD 100k in 2021 and 2022 represent 0.012% of the total claims.

The executive committee agrees to set this reserve at USD 16.8 million as recommended by EY.

4. **The reserve for currency fluctuation** was established in the year 2000 following recommendations made by the actuaries. The report of EY found the need to slightly amend this reserve from its current level.

The executive committee agrees to increase this reserve to USD 5.2 million as recommended by EY

5. **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 study.

The executive committee has agreed to keep this reserve unchanged at USD 1.5 million.

6. **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 executive committee agrees to leave the reserve unchanged at USD 58.8 million as recommended by EY

7. **The reserve for nondependent insured family members.**

   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.

The reserve was set at USD 5.7 million previously. Given an excess of claims over premium income for this category, the executive committee agreed to a drawdown of this reserve to fund the claims for SPP categories in 2024 and that it would review the SPP premia in 2024, effective 2025, to ensure the category is once again self-financed. The executive committee agreed to a draw down of USD 4.2 million from this reserve. The remaining reserve is USD 1.5 million

8. **The Accumulated surplus**

This represents the Reserve Fund as defined under the Statutes of the Society. According to the statutes the Accumulated surplus shall not be less than 25% or more than 50% of total claims (benefit) paid during two preceding calendar years.

Any adjustments emanating from the revision of the reserves should be accounted for from the Accumulated Surplus. Similarly, any surplus/deficit generated in any given year should be accounted for from the Accumulated Surplus, so long as this remains within the statutory limits.

Should the reserve fund exceed the 50% threshold the Executive Committee will deliberate on how to allocate any excess funds. Should the reserve fund fall below the 25% threshold the Executive Committee is tasked with taking all necessary corrective actions. The procedure to follow should the reserve fund fall below or exceed the statutory levels is defined in **Chapter V, Article 13, Paragraph 3.**

Executive Secretary of UNSMIS attests that the information provided was thoroughly reviewed and deemed to be correct at the time.

Mr Giovanni Pizzini

Executive Secretary, UNSMIS

Geneva,