

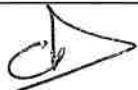
United Nations Staff Mutual Insurance Society Against Sickness and Accident (UNSMIS)
Definition of Key Financial Balances
15 January 2018


1. **Total of Net Assets and Total Liabilities** of the Society consist of (a) Assets: Current assets including Cash and cash equivalent, Investments, Other receivables and other assets and Non-current asset including Investments and Intangible assets less (b) Current liabilities: including accounts payable and accrued liabilities, Employee benefits liabilities and Provisions.
2. **Employee benefit liabilities** represent claims received but not yet paid and are defined to be equivalent to one month of claims reimbursement and amounted to CHF 7.8 million at end of 2016.
3. **Provision** represent claims incurred but not reported (IBNR) and are currently estimated at CHF 24 million this after an adjustment was made in 2015 following remarks by the Board of Auditors on the high level of IBNR. The actual value of IBNR's are to be established from time to time by an actuarial valuation.
4. **Total Net Assets** of the Society consist of the Accumulated surplus amounting to CHF 64.5 million and of Reserves standing at CHF 57.6 million at end of 2016.
5. **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. Claims paid during 2014 and 2015 totalled CHF 184.1 million. The Reserve Fund with CHF 64.5 million is thus standing within the definition of the Statutes: lowest level should be at CHF 46 million and highest level at CHF 92 million.
6. **Reserves** consist of several separated balances 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**, which stood at CHF 9.3 million as at 31 December 2016, was established in 1993 to protect the Society against the risk of having to pay out exceptionally large 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. The level of the reserve as at 31 December 2016 complied with this requirement.
 - b. **The reserve for currency fluctuation** was established in the year 2000 following recommendations made by an actuary and is constantly kept at CHF 5.0 million. 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. The reserve was set at CHF 1.8 million at end 2016.
- d. **The actuarial reserve for long-term risks** was established in 1995 in order 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. This reserve was increased to CHF 25 million in 2004 and has been held at this level to cover in part dependency benefits.”


Approved by the UNSMIS Executive Committee

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