
To the insured persons of the ILO–ITU Staff Health Insurance Fund

The SHIF Management Committee is pleased to present to you the report on the activities of the Fund in 2011.

In their respective budgets for the 2008–09 biennium, the ILO and the ITU included provisions to cover the financial effects during the biennium of remedial measures aimed at maintaining the SHIF’s solvency over the 2008–14 period. These measures centred on a move from a single-contribution system to a system incorporating separate contributions for dependent spouses and children, and enabled the SHIF to recover from operating results that had been consistently weak since 2000.

The SHIF’s solvency is maintained through a Guarantee Fund, whose year-end amount must be between one sixth and one half of total benefits paid over the last three-year period. It is the Fund’s policy to maintain its solvency at the midpoint between the prescribed minimum and maximum, without having to rely on interest on placed assets or gains from investment transactions during a period of economic uncertainty. As shown in this 2011 *Report on the operations of the Fund*, the SHIF’s solvency has again been strengthened and the Guarantee Fund level is now just above the midpoint between its statutory minimum and maximum.

The SHIF’s operating results are mainly impacted by increases in health-care costs and demographic shifts in the Fund’s insured population. As at 31 December 2011, the SHIF insured a total of 13,981 people, of which 32.6 per cent were retirees. The ratio of active staff members to retired officials has decreased by 13.5 per cent over the past ten years, from 1.48 in 2002 to 1.28 in 2011. As is normal, the ratio of claims versus income is significantly lower for active staff members than for retired officials (58 per cent versus 141 per cent in 2011).

The financial impact of this demographic shift, combined with rising health-care costs, has not been offset by contribution increases associated with growth in the incomes upon which contributions are assessed. As a result, over the 2012–13 biennium, the SHIF’s operating results are expected to regress. Although it is also expected that income from investment transactions will be sufficient to ensure that the Guarantee Fund will remain at a satisfactory level until the end of the 2012–13 biennium, the Management Committee is planning for an increase – effective 1 January 2014 – of the SHIF contribution base rate, which has remained unchanged since 1 January 2006.

The SHIF is represented in a health insurance officers’ community of practice comprised of some 40 international organizations from both within and outside the UN system. In May 2012, 32 of these took part in a benchmarking exercise based on 2011 year-end figures. Although demographic make-up and geographic spread make inter-agency contribution rate comparisons difficult, SHIF contribution rates can reasonably be considered competitive as compared to those of both self-funded and private sector schemes. This is not expected to change with the increase in the contribution base rate.

Conversely, SHIF running costs borne by the ILO and the ITU stand at 4.87 per cent of contributions, below the 4.94 per cent running cost average for the self-administered insurance arrangements represented in the community of practice. Consistent with the ILO Director-General’s 2010–11 programme and budget proposals regarding the fostering of efficiencies in the delivery of administrative services at headquarters and in the field, the ILO commissioned two successive feasibility studies regarding efficiency gains to be

achieved from decentralizing or outsourcing the SHIF claims settlement function. It was concluded that some operational efficiencies, but little or no cost efficiency, could be derived from outsourcing the claims settlement function. Possible cost and operational efficiencies associated with decentralization are being considered by a working group established at the request of the Director-General.

The SHIF Management Committee continues to focus on health-care cost containment. In particular, the SHIF continues to cooperate with other Geneva-based international organizations, to jointly negotiate cost agreements with hospitals, clinics, laboratories and pharmacies in the Geneva area, where some 67 per cent of costs are incurred. This cooperation will extend to agreements with hospitals and clinics in other locations where inpatient confinement volumes can justify.

The SHIF claims adjusters settled over 53,000 claims in 2011 and did so with their usual empathy and diligence. On your behalf, we wish to extend to them, as well as to the rest of the secretariat staff, our most sincere thanks.

The Management Committee

ILO–ITU Staff Health Insurance Fund

**Report on the operations of the Fund
in 2011**

The present report is hereby submitted to the executive heads of the ILO and the ITU and to the insured persons, pursuant to article 4.7.1(i) of the Regulations.

Composition of the Management Committee in 2011

1. Pursuant to article 4.1 of the Regulations, the Management Committee was composed of the following titular (T) and substitute (S) members. An asterisk (*) next to the name indicates that this committee member also served on the Standing Subcommittee (established under article 4.7.2 of the Regulations).

Representing the insured persons

ILO

Ms Mireille Ecuivillon * (T)
Mr Jean-François Santarelli * (T) –

Vice-Chairperson

Mr Chris Baron (T)
Mr Philippe Marcadent (S)
Ms Chantal Amine * (S)
Ms Xenia Scheil-Adlung (S)

ITU

Mr Michel Rolland * (T)
Mr David Broadhurst (S)

Representing the executive heads

ILO

Mr Charles Agbavwe (T)
Mr Tilmann Geckeler * (T) – **Chairperson**
Mr Juan Llobera * (T)
Mr Fikri Gurzumar (S)
Ms Anne Drouin * (S)
Mr Giuseppe Zefola (S)

ITU

Ms Marianne Wilson * (T)
Mr Raymond Chalindar
from 19 January to 3 April 2011 (S)
Mr Thierry Perewostchikow
as of 4 April 2011 (S)

Financial situation

Assets and liabilities

2. The assets and liabilities statement is attached as Annex I. The statement provides year-end details on assets, liabilities and the balance of the Guarantee Fund, together with prior year comparative figures. The Fund's investments are recorded at market value rather than at cost and unrealized gains and losses on forward currency contracts are reported as either a derivative asset or a derivative liability.

3. As at 31 December 2011, the Fund had assets valued at US\$71.8 million and liabilities of US\$16.9 million, of which 96.3 per cent is accrued liability for claims incurred but not received (IBNR). The Guarantee Fund balance stood at US\$55.5 million. The reserve for derivatives was adjusted by US\$3.6 million to –US\$643,117. More details on IBNR are provided in paragraphs 22 to 24 of this report.

Results of operating activities

4. The income and expenditure statement is attached as Annex II.

5. The first part of Annex II reflects the Fund's operating transactions. Total contributions received in 2011 amounted to US\$63.1 million, compared with US\$55.9 million in 2010. Total benefits paid in 2011 amounted to US\$59.4 million, compared with US\$51.5 million in 2010. The net operating surplus amounted to US\$3.7 million in 2011.

6. The second part of Annex II, under the heading "Investment transactions", reflects the result of the Guarantee Fund investments. Following a net income from investment transactions of US\$4 million in 2010, the Fund recorded an income of US\$4.5 million in 2011. Gains on currency trading of US\$2.4 million were recorded in 2011, compared with gains of US\$2.7 million in 2010. More details on investment performance are provided in paragraphs 13 to 19 of this report.

7. Revaluation gains and losses on assets and liabilities are the result of exchange rate fluctuations of all the currencies, other than the US dollar, in which assets and liabilities are held. A revaluation gain of US\$607,042 was recorded in 2011, compared with the US\$40,301 revaluation loss in 2010.

8. The Fund recorded a net operating surplus of US\$3.7 million in 2011, compared with a US\$1.3 million net operating surplus in 2010. This operating surplus, along with the abovementioned revaluation gain and net income from investment transactions of US\$4.5 million in 2011 (compared with US\$4 million in 2010), contributed to an overall net gain of US\$8.8 million in 2011, versus a 2010 overall net gain of US\$5.3 million.

9. The average contribution per contributing member (insured person) in 2011 was US\$8,575, up 6.4 per cent from US\$8,056 in 2010. (Details relative to benefits are provided in paragraphs 31 to 39 of this report.)

10. The improvement in the Fund's financial results since the beginning of 2008 is primarily attributable to the effects of remedial measures aimed at maintaining the SHIF's solvency over the 2008–14 period. These measures centred on a move from a single-contribution system to a system incorporating separate contributions for dependent spouses and children, and enabled the SHIF to recover from operating results that had been consistently weak since 2000.

11. As a reminder, the SHIF contribution system was modified in two phases. Although, at 3.3 per cent of remuneration or pension, the base rate of contribution to the SHIF has remained unchanged since 1 January 2006, from 1 January 2008, a contribution was introduced in respect of dependent spouses (30 per cent of the insured person's own contribution). From 1 January 2010, a contribution was introduced in respect of dependent children (10 per cent of the insured person's own contribution for one child, 20 per cent for two or more children).

12. Contribution income for the 2006–07 biennium was US\$73.6 million. Without the amendments to the SHIF contribution system, as a result of normal growth (number of SHIF

insured persons, salary/pension mass), this contribution income would have increased to an estimated US\$90.9 million. The actual contribution income for the 2010–11 biennium is US\$113.4 million. The effect of the amendments is therefore estimated at US\$22.5 million over the 2008–11 period.

Investments

13. In 2011, the ILO's Investment Committee continued to monitor the Fund's investment portfolio and to deliver guidelines and benchmarks on behalf of the Management Committee to the entity charged with the management of the Fund's investment portfolio. From 1 July 2009, Aberdeen Asset Management has had responsibility for management of the Fund's investment portfolio.

14. The portfolio is composed mainly of medium- and long-term fixed income securities and is hedged to the Swiss franc, although investments are held in a variety of currencies.

15. As at 31 December 2011, the market value of the portfolio was US\$57.9 million (including US\$445,196 of accrued interest), compared with a 2010 market value of US\$52.6 million (including US\$492,019 of accrued interest). Derivatives produced a total liability of US\$643,117 at 31 December 2011, versus a total asset value of US\$2.9 million in 2010.

16. Investments are held in various currencies and are translated into US dollars at the United Nations operational rate of exchange effective at 31 December.

17. Over the calendar year 2011, the return on the investment portfolio, based on market values and expressed in Swiss francs, was 2.95 per cent. Management fees charged were a fixed percentage of the market value of the portfolio, paid quarterly in arrears.

18. Derivatives provide the SHIF with protection against the exchange risk associated with bond investments. The value of derivatives depends on that of an underlying financial asset. The calculation of a derivative's market value for accounting purposes relies on pricing models that take into account a benchmark value such as an interest or exchange rate, a financial index or a commodity price.

19. Aberdeen Asset Management has commented as follows on the 2011 investment performance:

Manager’s review

At the start of 2011, bond yields rose as the financial markets became increasingly focused on the implications of higher inflation. These concerns centred on the effects of higher energy prices as the escalation of political tension in the Middle East and North Africa prompted a spike in oil prices. However by mid-year the global economy was showing signs of deceleration. The increase in energy prices had effectively eroded real incomes and consumer spending power, especially in the United States. This in turn resulted in a decline in demand for goods and a slowdown in global manufacturing.

In addition to worsening macroeconomic fundamentals, concern over the European debt crisis escalated and became the dominant driver of global bond market direction for the remainder of the period. Despite various summits, bail outs, new technocratic governments, fiscal rules and stress tests, the crisis remained unresolved. Fears of contagion and signs of slowing global growth led to increased risk aversion among investors, causing core sovereign bond markets to perform strongly while increased volatility saw global risk assets such as equity markets and corporate bonds underperform.

Portfolio review

The portfolio underperformed its benchmark over 2011. Negative contributions came from interest rate decisions and non-government security selection.

Within interest rates, the portfolio targeted a shorter than benchmark duration via underweight positions in US 5 and 10 year treasuries and UK 10 year gilts. This had a negative impact as core sovereign bond markets experienced further yield declines on continued flight to quality buying on concerns over Europe and the global growth outlook.

Modest gains were made in the positioning of peripheral European countries relative to the benchmark, such as underweight positions in Italy and overweight exposure to Finland versus France.

Corporate bonds traded nervously throughout most of the period, with the notable exception of October when risk assets enjoyed a brief respite. However the market was disappointed that EU summits failed to produce a credible solution and securities with lenders domiciled in troubled economies continued to suffer spread volatility. The portfolio’s

overweight exposure to these assets therefore made a negative contribution to the relative performance.

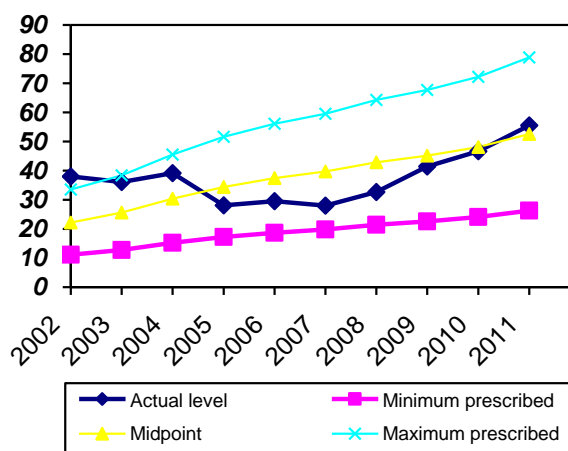
Over the 12 months to 31 December 2011, the investment portfolio achieved a total return before fees of 2.95 per cent, whereas the benchmark achieved a return of 5.12 per cent, an underperformance of –2.17 per cent.

Guarantee Fund

20. Article 3.8 of the SHIF Regulations sets the level of the Guarantee Fund at between one sixth (= six months) and one half (= 18 months) of Fund expenditure over the previous three financial years.

21. The Guarantee Fund balance amounted to US\$55.5 million at year-end 2011, compared with US\$46.7 million at year-end 2010 (see Annex I). The level of the Guarantee Fund at 31 December of the year under review was well above the statutory minimum level of US\$26.3 million and slightly (5.5 per cent) above the US\$52.6 million 2011 midpoint.

Figure 1. SHIF Guarantee Fund (US\$ million)



Accrued liability for claims incurred but not received (IBNR)

22. The method used for calculating the IBNR provision for the year ending 31 December is as follows:

At the end of each financial period, a provision is made representing amounts yet to be claimed in respect of the financial period under review. For the 2011 financial period, the provision has been calculated based on the comparison between actual claims incurred but not received (IBNR) reported to end February of the year +1 financial period and actual end February experience recorded for prior years.

The IBNR provision is the higher of: (i) the average percentage of IBNR reported in prior years, applied to actual IBNR reported to end February of the year +1 financial period and projected out to a year-end IBNR result; and (ii) the average percentage representing IBNR versus year –1 claims reported in prior years, applied to actual IBNR reported to end February of the year +1 financial period and projected out to a year-end IBNR result. As for the 2011 financial period, the IBNR provision has been calculated earlier than in years preceding 2009, the IBNR results have been adjusted to reflect the difference between the actual number of claims received at the end of February 2012 and the average number of claims received at the end of February in prior years. Any difference between the provision calculated and actual claims paid is reflected in the financial statements of the period in which it becomes known.

23. Accrued liability for claims incurred prior to, or during, the year under review, but not received by 31 December, appear under item 2 of “Liabilities” in the assets and liabilities statement (Annex I) as “Accrued liability for unsettled claims”.

24. The table hereunder provides details concerning the accrued IBNR liability amount shown in Annex I as “Accrued liability for unsettled claims”. The method of IBNR calculation was audited by the SHIF’s External Auditors for the year 2006. This method has remained unchanged for the following years.

Figure 2. Summary of benefits paid in 2011 for claims incurred in prior years

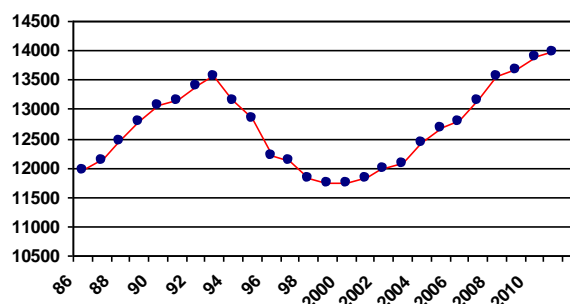
Insurance year	Benefits paid (US\$)
Years prior to 2009	43 804
2009	343 808
2010	14 932 568
IBNR at year-end 2011 (actual)	15 319 980
IBNR at year-end 2011 (forecast)	16 300 000
Variance actual IBNR vs forecast	-980 020
IBNR at year-end 2012 (forecast)	16 300 000
IBNR increase	-

Trends in membership

Overall trend

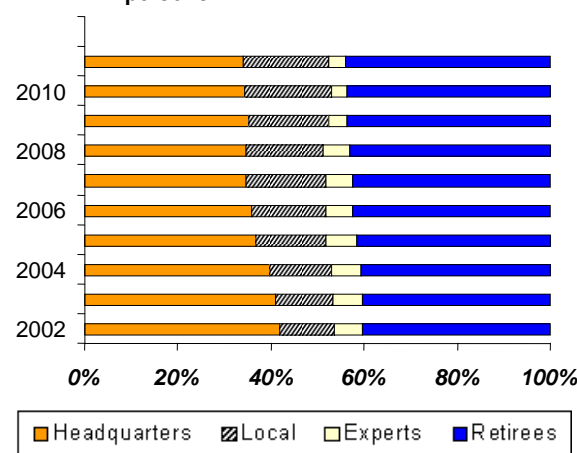
25. The total number of persons insured on 31 December of the year under review (excluding voluntarily covered dependants) was 13,981, compared with 13,899 on 31 December 2010.

Figure 3. Number of insured persons 1986–2011
(excluding voluntarily covered dependants)



26. In 2011, the number of insured persons contributing to the Fund was 7,023 (see Annex V for details). The distribution of insured persons was 76.4 per cent ILO versus 23.6 per cent ITU. The proportion of retired insured persons grew from 43.7 per cent of all insured persons in 2010 to 43.9 per cent in 2011.

Figure 4. Composition of the body of insured persons



Automatically covered dependants

27. The number of dependants (excluding voluntarily covered dependants) remained stable at 6,958 in 2011, versus 6,960 in 2010. The number of automatically covered dependants per active insured person was 1.39

in 2011, compared with 1.41 in 2010. The number of automatically covered dependants per retired insured person was 0.48 in 2011, level with 2010.

Voluntarily covered dependants

28. The number of voluntarily covered dependants stood at 739 at year-end 2011, up from 672 at year-end 2010. At year-end 2011, the number of voluntarily covered children was 628 (85 per cent of the total), the number of voluntarily covered spouses was 103 (13.9 per cent of the total) and the number of voluntarily covered parents and parents-in-law was eight (1.1 per cent of the total).

29. A summary of the annual and cumulative results of this group for the years 2002 to 2011 is set out in Annex IV. The five-year cumulative result for the voluntarily covered dependants category is a gain of US\$524,171. The five-year cumulative loss for the voluntarily covered parents and parents-in-law segment is US\$585,044, representing a 160.6 per cent five-year loss ratio. Benefits paid in respect of voluntarily covered parents and parents-in-law over the past five years amount to US\$1,549,894, representing 12.7 per cent of total benefits paid in respect of voluntarily covered dependants.

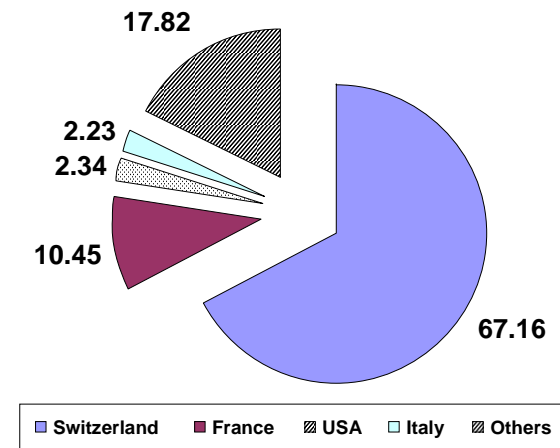
30. Under article 3.5 of the Fund's Regulations, contribution rates in respect of voluntarily covered dependants have to be set so as to make this group self-supporting, with no contribution being paid by the organizations for this category of protected persons. An increase in contribution rates in respect of voluntarily covered dependants became effective 1 October 2010 and the group was self-supporting during the period under review, producing an 85 per cent loss ratio.

Benefits statistics

Trends in expenditure

31. Total benefits paid increased from US\$51.5 million in 2010 to US\$59.4 million in 2011. Benefits in 2011 were thus up 15.3 per cent over the prior year. Benefits paid in reimbursement of costs incurred in Switzerland represent just over two-thirds of the total, as reflected in figure 5 below.

Figure 5. Distribution (%) by providing country for reimbursements made in 2011



32. In 2011, the benefits paid per contributing participant (insured person) amounted to US\$8,111, up from US\$7,074 in 2010. These figures do not include benefits paid in respect of persons covered under article 1.6 ("Voluntarily covered dependants") of the SHIF Regulations. Benefits paid per person protected by the Fund (excluding voluntarily covered dependants) in 2011 amounted to US\$4,074, compared with US\$3,532 in 2010. During the period under review, the yearly increase in benefits paid per insured person averaged 14.66 per cent. It must be noted that the expenditure variance recorded in 2011 has been negatively impacted by the weakening of the US dollar versus a large number of expenditure currencies.

33. The overall loss ratio for the period under review was 94.2 per cent, compared with 92.2 per cent in 2010. This loss ratio does not take into account contributions received and benefits paid in respect of persons covered under article 1.6 ("Voluntarily covered dependants") of the SHIF Regulations. The 2011 loss ratios per category of insured persons were 58.3 per cent (active staff category) and 140.5 per cent (retiree category). The 2010 loss ratios for the active staff and retiree categories were 55.7 per cent and 138.3 per cent, respectively.

34. In the year under review, medical care provided in hospitals constituted the single largest item of expenditure, accounting for 36.8 per cent of the 2011 total. Doctors' services and medication constituted the second and third largest items of expenditure, respectively accounting for 12.5 and 10.7 per

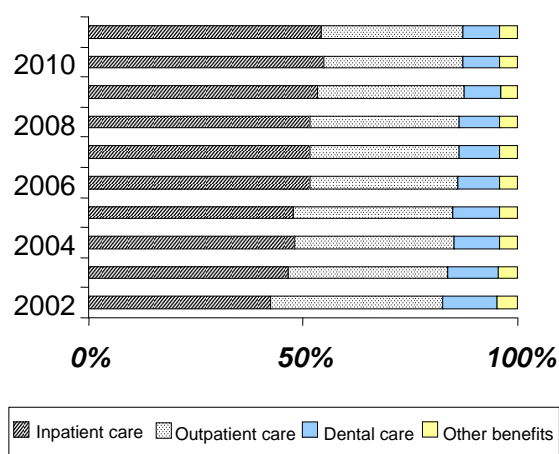
cent of the year total, while dental care and nursing care accounted respectively for 8.6 and 8.5 per cent of the total. Although expenditure in respect of nursing care has continued to trend upwards (up from 7.02 per cent of the 2006 yearly total), there was no material variance in 2011 expenditure percentages compared with prior year expenditure percentages.

35. Benefit expenditure is detailed in Annex VI. Figure 6 shows the relative benefit volumes in each of the three major categories of expenditure (inpatient care, outpatient care and dental care). Inpatient care accounted for 54.2 per cent of the 2011 total claim volume and outpatient care for 33.1 per cent of the total claim volume. Unlike prior years, the benefit volume associated with inpatient care as a percentage of the total benefit volume did not increase in 2011 (decreased from 55 per cent of the 2010 total claim volume).

36. The **inpatient category** comprises the benefits for all types of institutional care. This relates in particular to hospitalization for treatment, examination or diagnosis, nursing care, post-operative convalescence and cures, including accommodation and medical care.

37. The **outpatient category** comprises doctors' fees, psychiatry and psychoanalysis, medical imagery, laboratory tests, prescribed medications and physiotherapy.

Figure 6. Relative benefit volumes per major category of expenditure (% of total)



Supplementary benefits

38. Pursuant to article 2.5 of the SHIF Regulations, the Fund pays supplementary benefits where approved expenses in respect of

an insured person and his/her dependants exceed a yearly US dollar threshold proportional to the income of each insured person, in accordance with paragraph 1 of article 2.5.3 (“Supplementary benefits”) of the Fund’s Administrative Rules. The amount of supplementary benefits paid over the period under review was US\$4,353,597 versus US\$3,545,405 in 2010. Supplementary benefit expenditure represented 7.4 per cent of total benefits paid in 2011, compared with 6.9 per cent in 2010.

39. Supplementary benefits were received by 753 insured persons in 2011 versus 699 insured persons in 2010. In 2011, 83.6 per cent of supplementary benefits were paid to insured persons who are retirees versus 86.6 per cent in 2010.

Maximum annual liability and large claims

40. At year-end 2011, 1,580 families had submitted claims with approved medical expenses totalling US\$10,000 or over, compared with 1,483 families at year-end 2010. Of these, 75 families had submitted claims with approved medical expenses equal to, or in excess of, US\$100,000, compared with 59 in 2010.

41. In 2011, the Fund’s maximum annual liability per family remained set at US\$150,000. With the approval of the Management Committee, this maximum annual liability was exceeded in 33 cases.

Administration

42. External audit – The Auditor General of Canada and the Swiss Federal Audit Office jointly carried out an audit of the Fund’s 2011 financial year accounts, as part of the overall audits of the ILO and ITU financial statements. The objective of this audit work was for the External Auditors “to verify that the contributions were accurate and complete, that the claims paid were accurate and valid, that the estimate relating to the claims incurred but not received was properly estimated and that the SHIF Guarantee Fund was in compliance with the respective authority”. Pursuant to article 4.14 of the SHIF Regulations, a report of their findings has been presented by the joint External Auditors to the SHIF Management Committee.

43. Claims settlement – The period under review ended with an unsettled (regardless of cause) claim balance of 6.6 per cent of the total number of claims submitted for reimbursement. The Fund’s claims adjusters processed 53,361 claims (ILO, ITU and ILO/ITC Turin combined) versus 51,965 claims in 2010. A total of 182,589 invoices was examined in 2011 versus 155,743 in 2010. Claims settled at the ILO represented 79.6 per cent of the total. Claims settled at the ITU represented 20.4 per cent of the total.

44. Election to the Fund’s Management Committee of members representing the insured persons for the period 2012–14 – During the period under review and in conformity with the rules for elections set out in Appendix II of the SHIF Regulations, the process of election to the Fund’s Management Committee of members representing the insured persons was initiated by the electoral officers with the support of the SHIF secretariat. The election process in respect of the members representing the insured persons of the ITU was successfully completed. However, the process in respect of the members representing the insured persons of the ILO was interrupted by the electoral officers pursuant to the provisions of paragraphs 5 and 16 of the Rules for elections and, as a result, was not completed during the period under review. Pursuant to the provisions of paragraph 23 of the Rules for elections, the outgoing Management Committee members representing the insured persons of the ILO therefore remained in office for an additional six-month period.

The persons elected as members of the SHIF Management Committee representing the insured persons of the ITU for the period 2012–14 are:

- Mr Michel ROLLAND (titular member); and
- Mr David BROADHURST (substitute member).

45. Main activities of the Management Committee – The Management Committee met eight times in 2011. It monitored the functioning of the secretariat and the Fund’s financial situation. The following issues are highlighted in view of their importance:

- **Review of the external consultant’s feasibility study regarding the outsourcing of the SHIF claims processing function to the private sector:** The Management Committee noted that the external consultant’s report reflected no major financial benefit, over the initial six-year period, to migrating claims settlement to a private sector third-party administrator (TPA). Following the initial six-year period, once the costs associated with the rewrite of the health insurance information system were absorbed, the status quo option was financially more advantageous.

The Management Committee also noted that certain risks were assessed as high and was in particular concerned about the vulnerabilities associated with the limited size of the TPA market, both in the short and longer terms. The Management Committee was further concerned that certain risks were possibly underestimated, such as the difficulty of interfacing with internal departments or of adequately managing exceptional cases.

The Management Committee noted the high quality of the work carried out by the external consultant and appreciated that areas had been identified in which the operations of the SHIF could possibly be improved.

The Management Committee wrote to senior ILO management summarizing these observations.

- **General meeting:** The Management Committee convened a general meeting of insured persons, held on 12 May 2011. The Management Committee decided that general meetings should in principle be held yearly, once prior year financial results are known and some indication can be given as to current year results.
- **Code 2.2 (“Accommodation in hospital or clinic”) of the SHIF Schedule of Benefits:** In reviewing Code 2.2 of the SHIF Schedule of Benefits, the Management Committee found that applicable benefit caps were adequate, except where a global charge in respect of inpatient treatment was high, but the

period of confinement relatively short. The Management Committee decided on amendments to the Administrative Rules aimed at ensuring a fair balance between reimbursements in respect of accommodation and the reimbursement of other costs associated with the inpatient treatment.

- **Settlement of claims from Chile:** The Management Committee noted the increasing frequency of exclusively electronic invoicing in Chile, with the associated risk of invoices being printed several times and submitted for reimbursement to more than one insurer. The Management Committee further noted that the Chilean system manages this risk by maintaining a shared database – not accessible to the SHIF – in which multiple submissions are detected. In these particular circumstances, the Management Committee decided to waive the normal requirement that only single issue original bills can be submitted for reimbursement and to introduce country-specific control measures instead.
- **Codes 2.5 and 2.6 (“Long-term nursing services”) of the SHIF Schedule of Benefits:** Following in-depth debate surrounding the funding by the SHIF of custodial services associated with long-term care, the Management Committee found that, although Code 2.5 and

Code 2.6 benefits could be re-examined to ensure their adequacy in covering the funding of long-term nursing services, the scope of Codes 2.5 and 2.6 should not be extended to incorporate custodial services.

In addition, the Management Committee decided that it did not fall within the remit of the SHIF to make available an external long-term care insurance scheme covering custodial care. However, it was also decided that, upon the organizations’ request, the Executive Secretary should provide the ILO and ITU technical support with respect to the selection of an external scheme.

46. Activities of the Standing Subcommittee

- **Special cases:** Special cases correspond to situations which require interpretation of the Regulations and Administrative Rules, or which call for exceptions thereto, in accordance with articles 1.7 or 2.2(3) of the SHIF Regulations. They are examined by the Standing Subcommittee, which reports to the Management Committee. The Standing Subcommittee met once in 2011 and examined 12 special cases.
- **Fraud:** One fraudulent insurance claim was examined during the period under review.

Tilman Geckeler
Chairperson

Clifford Kunstler
Executive Secretary

Geneva, 27 November 2012

Annex I

ILO—ITU Staff Health Insurance Fund
Assets and Liabilities Statement as at 31 December 2011

(in US dollars)

ASSETS		ILO	ITU	Total 2011	Total 2010
1. Cash	Term deposits	-	-	-	-
2. Debtors	Advances and other accounts receivable	465 149	2 474	467 623	245 929
	Other debtors	13 883 575	233 521	14 117 096	10 793 239
3. Investments	Held with Aberdeen Asset Management	46 039 909	11 381 214	57 421 123	52 063 980
	Derivative assets	(556 811)	(86 306)	(643 117)	2 932 686
4. Other	Accrued investment income	344 508	100 688	445 196	492 019
TOTAL		60 176 330	11 631 591	71 807 921	66 527 853
LIABILITIES					
1. Creditors	Prepaid contributions	585 848	-	585 848	550 714
	Other creditors	33 032	6 481	39 513	40 441
2. Accrued liability for unsettled claims		11 573 000	4 727 000	16 300 000	16 300 000
TOTAL		12 191 880	4 733 481	16 925 361	16 891 155
EXCESS OF ASSETS OVER LIABILITIES		47 984 450	6 898 110	54 882 560	49 636 698
SHIF Guarantee Fund					
	Balance brought forward from previous year	40 438 066	6 265 946	46 704 012	41 419 267
	Total surplus/(deficit) for the year	8 103 195	718 470	8 821 665	5 284 745
Guarantee Fund Balance		48 541 261	6 984 416	55 525 677	46 704 012
Reserve for Derivatives					
	Balance brought forward from previous year	2 451 432	481 254	2 932 686	1 076 140
	Adjustment for derivative assets for the year	(3 008 243)	(567 560)	(3 575 803)	1 856 546
Reserve for Derivatives Balance		(556 811)	(86 306)	(643 117)	2 932 686
RESERVE AND FUND BALANCE at 31 December		47 984 450	6 898 110	54 882 560	49 636 698

Annex II

ILO—ITU Staff Health Insurance Fund
Income and Expenditure Statement for the year ended 31 December 2011

(in US dollars)

OPERATING TRANSACTIONS		ILO	ITU	Total 2011	Total 2010
1. Contributions received	Active staff including experts	12 448 159	4 434 753	16 882 912	14 865 190
	Active staff - Organizations	12 410 416	4 342 584	16 753 000	14 750 987
	Retired/survivors	6 417 477	2 440 073	8 857 550	7 854 725
	Retired/survivors - Organizations	12 836 100	4 878 922	17 715 022	15 705 759
	Voluntary	2 005 777	870 832	2 876 609	2 720 583
	TOTAL CONTRIBUTIONS	46 117 929	16 967 164	63 085 093	55 897 244
2. Benefits paid	Active staff including experts	13 477 550	6 143 900	19 621 450	16 505 137
	Retired/survivors	27 288 364	10 052 057	37 340 421	32 583 586
	Voluntary	1 642 466	801 210	2 443 676	2 424 434
	Less: Recoveries from third parties	-	-	-	-
	TOTAL BENEFITS	42 408 380	16 997 167	59 405 547	51 513 157
3. Net surplus/(deficit) in contributions income over benefits paid	3 709 549	(30 003)	3 679 546	4 384 087	
4. Increase/(decrease) in accrued liability for unsettled claims	-	-	-	3 100 000	
5. Exchange gains/(losses)	(17 053)	17 682	629	3 500	
6. Sundry expenses	924	-	924	1 260	
7. Net operating surplus/(deficit)	3 691 572	(12 321)	3 679 251	1 286 327	
INVESTMENT TRANSACTIONS					
8. Interest & other income received	1 341 257	210 165	1 551 422	1 480 635	
9. Capital gains/(losses) on investment sold	(117 918)	(18 277)	(136 195)	377 176	
10. Unrealized gains/(losses) on investment	776 952	120 428	897 380	(351 473)	
Sub-total	2 000 291	312 316	2 312 607	1 506 338	
11. Gains/(losses) on currency trading:					
On purchase and sales	2 073 043	320 141	2 393 184	2 669 168	
Sub-total	2 073 043	320 141	2 393 184	2 669 168	
Total investment income	4 073 334	632 457	4 705 791	4 175 506	
12. Expenditure:					
Investment management fees	146 321	24 098	170 419	136 787	
Total investment expenditure	146 321	24 098	170 419	136 787	
13. Net income/(loss) on investments	3 927 013	608 359	4 535 372	4 038 719	
14. Net surplus/(deficit)	7 618 585	596 038	8 214 623	5 325 046	
15. Revaluation gain/(loss) on assets & liabilities	484 610	122 432	607 042	(40 301)	
NET RESULT FOR THE YEAR	8 103 195	718 470	8 821 665	5 284 745	

Annex III

Guarantee Fund 2002–11

(in US dollars)

Accounts year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Guarantee Fund	37 824 157	36 157 195	39 148 470	28 096 763	29 539 253	27 961 919	32 721 349	41 419 267	46 704 012	55 525 681
Benefit expenditure	24 084 102	31 040 332	35 907 731	36 260 292	40 111 730	42 560 551	45 885 414	46 919 078	51 513 157	59 405 545
Minimum level	11 161 769	12 823 504	15 172 027	17 201 393	18 713 292	19 822 095	21 426 283	22 560 841	24 052 942	26 306 297
Maximum level	33 485 308	38 470 522	45 516 082	51 604 178	56 139 876	59 466 286	64 278 848	67 682 523	72 158 825	78 918 890
Ratio: actual level/maximum level	1.13	0.93	0.86	0.54	0.53	0.47	0.51	0.61	0.65	0.70
Swiss franc to US dollar exchange rate at year-end	1.49	1.30	1.14	1.31	1.21	1.12	1.19	1.00	0.97	0.92

Annex IV

Voluntarily covered dependants (VCD): Summary of annual and cumulative results 2002–11

Year	Number of dependants covered	Contributions received (US dollars)	Benefits paid (US dollars)	Operational balance	Cumulative result	Benefit paid per US dollar contributed
2002	706	1 315 628	1 391 197	-75 569	-75 569	1.05
2003	736	1 415 079	1 702 492	-287 413	-362 982	1.20
2004	740	1 704 414	1 856 579	-152 165	-515 147	1.08
2005	704	2 034 409	2 000 673	33 736	-481 411	0.98
2006	666	2 061 438	2 035 428	26 010	-455 401	0.99
2007	660	2 072 721	2 143 277	-70 556	-525 957	1.03
2008	654	2 195 825	2 510 305	-314 480	-840 437	1.14
2009	647	2 439 505	2 244 602	194 903	-645 534	0.92
2010	672	2 720 583	2 424 434	296 149	-349 385	0.89
2011	739	2 861 830	2 443 675	418 155	68 770	0.85
TOTAL		20 821 432	20 752 662			

Annex V

Membership of the Fund 2002–11
(voluntarily covered dependants excluded)

Category	Paying members										Dependants										Total insured persons									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ILO																														
Headquarters and Field project personnel	1887	1959	2047	1882	1828	1827	1877	1857	1821	1826	2316	2378	2531	2344	2289	2285	2363	2368	2314	2317	4203	4337	4578	4226	4117	4112	4240	4225	4135	4143
External offices	669	733	804	957	1027	1143	1128	1159	1258	1286	1221	1217	1305	1595	1635	1833	1964	1955	2108	2070	1890	1950	2109	2552	2662	2976	3092	3114	3366	3356
Former officials and survivors	1793	1835	1886	1963	2025	2060	2143	2180	2232	2255	999	994	993	989	1031	1048	1083	1098	1096	1100	2792	2829	2879	2952	3056	3108	3226	3278	3328	3355
TOTAL	4349	4527	4737	4802	4880	5030	5148	5196	5311	5367	4536	4589	4829	4928	4955	5166	5410	5421	5518	5487	8885	9116	9566	9730	9835	10196	10558	10617	10829	10854
ITU																														
Headquarters and Field project personnel	966	897	827	842	811	799	796	800	799	796	1157	1092	1005	1027	1000	994	1030	1046	1048	1049	2123	1989	1832	1869	1811	1793	1826	1846	1847	1845
External offices	24	19	20	18	25	27	29	28	27	33	29	26	24	25	41	43	45	38	37	52	53	45	44	43	66	70	74	66	64	85
Former officials and survivors	601	613	654	689	714	736	749	787	802	827	336	322	346	350	356	357	347	353	357	370	937	935	1000	1039	1070	1093	1096	1140	1159	1197
TOTAL	1591	1529	1501	1549	1550	1562	1574	1615	1628	1656	1522	1440	1375	1402	1397	1394	1422	1437	1442	1471	3113	2969	2876	2951	2947	2956	2996	3052	3070	3127
ILO/ITU																														
Headquarters and Field project personnel	2853	2856	2874	2724	2639	2626	2673	2657	2620	2622	3473	3470	3536	3371	3289	3279	3393	3414	3362	3366	6326	6326	6410	6095	5928	5905	6066	6071	5982	5988
External offices	693	752	824	975	1052	1170	1157	1187	1285	1319	1250	1243	1329	1620	1676	1876	2009	1993	2145	2122	1943	1995	2153	2595	2728	3046	3166	3180	3430	3441
Former officials and survivors	2394	2448	2540	2652	2739	2796	2892	2967	3034	3082	1335	1316	1339	1339	1387	1405	1430	1451	1453	1470	3729	3764	3879	3991	4126	4201	4322	4418	4487	4552
TOTAL	5940	6056	6238	6351	6430	6592	6722	6811	6939	7023	6058	6029	6204	6330	6352	6560	6832	6858	6960	6958	11998	12085	12442	12681	12782	13152	13554	13669	13899	13981

Annex VI

Benefit statistics, 2002–11

Types of benefit	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
TOTAL	24 243 752 31 002 992 36 118 293 36 417 562 40 160 176 42 445 067 45 755 980 47 323 439 51 448 117 59 220 212 ¹									
Doctors' services	3 750 392	4 175 410	4 657 760	4 546 510	4 706 051	4 934 826	5 507 767	5 618 588	5 892 889	7 063 098
X-rays, laboratory and other tests	1 307 756	1 599 173	1 925 623	1 950 418	2 114 074	2 325 218	2 532 843	2 513 701	2 630 816	3 091 476
Special treatments	666 608	869 572	990 472	1 021 657	1 107 237	1 178 502	1 241 947	1 301 071	1 366 907	1 594 822
Psychoanalysis and psychotherapy	371 690	505 170	629 182	627 164	580 006	647 744	658 671	732 805	786 991	964 090
Public ward at global fee	691 560	1 403 843	1 763 104	1 402 211	1 541 791	1 689 576	1 355 114	2 316 348	2 231 664	2 413 983
Hospital accommodation/clinic accommodation	1 105 797	1 386 931	1 593 381	1 572 012	1 987 564	1 931 532	1 916 948	2 086 926	2 250 411	2 400 218
Medical care	6 576 266	9 195 989	10 785 557	10 972 970	12 604 913	13 493 504	15 123 399	15 403 815	17 337 209	19 439 713
Post-operative convalescence	74 401	130 982	176 121	163 172	190 553	149 022	192 066	170 769	189 295	208 056
Other convalescences and cures	34 189	34 022	24 244	27 423	24 798	28 043	23 988	26 532	14 539	23 655
Nursing care	1 266 197	1 425 547	1 920 132	2 087 284	2 548 293	2 637 165	2 804 398	3 043 941	3 490 370	4 293 548
Prescribed medicaments	3 186 033	3 748 133	4 286 466	4 551 562	4 729 683	5 115 203	5 385 996	5 390 404	5 387 545	6 046 469
Dental care	2 881 310	3 416 005	3 607 317	3 646 054	3 801 188	3 888 595	4 288 229	3 897 874	4 329 477	4 979 472
Optical appliances: lenses	612 866	709 707	784 284	766 237	823 272	876 216	885 925	907 495	914 593	1 084 096
Optical appliances: frames	191 979	190 582	197 642	187 200	198 886	197 586	189 906	214 706	236 490	282 641
Hearing aids	106 480	121 787	124 109	156 732	155 114	176 353	187 158	203 525	259 495	304 016
Other appliances	126 045	169 825	195 665	212 534	235 490	274 442	308 575	259 261	348 174	382 768
Medical travel	56 698	75 743	76 557	75 402	178 767	139 242	168 681	189 483	195 166	249 741
Funeral costs	28 033	33 410	23 172	31 589	37 193	31 637	29 375	40 823	40 681	44 753
Supplementary benefits	1 209 452	1 811 161	2 357 505	2 419 431	2 595 303	2 730 661	2 954 994	3 005 372	3 545 405	4 353 597
Exchange rate average US dollar to Swiss franc	1.68	1.35	1.25	1.24	1.25	1.20	1.19	1.00	1.05	0.89

¹ The difference with the total shown in the income and expenditure statement (Annex II) is due to the recovery of benefits paid in advance for medical expenses related to service incurred sickness/third party liability.