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## 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 2012.

As reported in the 2011 *Report on the operations of the Fund*, elections were held of SHIF Management Committee members representing the insured persons. Although the election of the members representing the insured persons of the ITU was successfully completed, the work of the Management Committee was disrupted when the electoral officers found receivable a claim of violation of a provision of the Rules for elections and interrupted the election process at the ILO. As a result, the process was only completed during the period under review and the outgoing Management Committee members representing the insured persons of the ILO remained in office for an additional five-month period, during which Committee decisions were limited to those related to day-to-day matters.

During the year under review the Management Committee considered whether an increase in the SHIF base rate of contribution would be required in 2014 to ensure that the Fund's solvency remains adequate.

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 levels without having to rely on interest on placed assets or gains from investment transactions. An actuarial study has been commissioned to complement the SHIF Secretariat's initial projections of growth in SHIF expenditure from 1 January 2014. This study will enable the Management Committee to determine the increase that would be necessary in the base rate of contribution in order to ensure that the Fund's solvency stands at midpoint at year-end 2017.

For the fifth year running, the Fund's solvency has been strengthened and now stands just above the midpoint, at US\$59.5 million. Although it is unlikely that any net operating deficit recorded at year-end 2013 will bring the Fund's solvency significantly below midpoint, it is reasonable to expect that this will be the case in subsequent years. It is therefore equally reasonable to expect that an increase in the base rate of contribution will be required to maintain adequate financial reserves.

The SHIF claims adjusters settled some 55,000 claims in 2012. On your behalf, we wish to extend to them, as well as to the rest of the Secretariat staff, our most sincere thanks.

The Secretariat recognizes the difficulties the Fund is experiencing in operating on a no-backlog basis at the ILO. A claims adjuster's absence – in particular long-term sick leave – has an immediate effect on timeliness that can be felt over a period of months.

Nevertheless, over the period under review, the claims pending balance was reduced by some 20 per cent and continued to reduce in 2013 by a further 30 per cent. As a result, the average claim settlement period has dropped from over six weeks to under three weeks. Various options for sustainably addressing the backlog issue are currently being considered at the ILO.

Work initiated late in 2011 on the new health insurance information system (NHIIS) continued during the year under review. NHIIS development is primarily aimed at placing

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the system on a stable, standard technical platform to avoid disruption in claims settlement. Its development addresses risks, identified by the SHIF Secretariat and the auditors, associated with the obsolescence of the current system's platform.

Discussions took place in 2012 between the ILO and ITU administrations regarding how best to address differences in the net operating results, to ensure that the SHIF's solvency is maintained through equitable contributions from the two organizations and their insured groups. The outcome of these discussions will almost certainly have a determining impact on the Fund's structure.

The Management Committee

# **ILO–ITU Staff Health Insurance Fund**

**Report on the operations  
of the Fund in 2012**

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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.

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### **Composition of the Management Committee in 2012**

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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).

#### **From 1 January to 31 May 2012**

##### **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 Thierry Perewostchikow (S)

#### **From 1 June to 31 December 2012**

##### **Representing the insured persons**

###### **ILO**

Ms Chantal Amine \* (T) **Chairperson**  
Mr Sylvain Delaprisson (T)  
Mr Gérald Weder (T)  
Ms Mireille Ecuivillon (S)  
Ms Marie Kathleen Maguire \* (S)  
Ms Cherry Thompson-Senior (S)

###### **ITU**

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Mr Fikri Gurzumar (S)  
Ms Anne Drouin (S)  
Mr Giuseppe Zefola (S)

###### **ITU**

Ms Marianne Wilson \* (T) **Vice-Chairperson**  
Mr Thierry Perewostchikow (S)

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### **Financial situation**

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#### **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 2012, the Fund had assets valued at US\$78.9 million and

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liabilities of US\$18.1 million, of which 96.7 per cent is accrued liability for claims incurred but not received (IBNR). The Guarantee Fund balance stood at US\$59.5 million. The reserve for derivatives was adjusted by US\$1.9 million to US\$1.3 million. More details on IBNR are provided in paragraphs 21 to 23 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 2012 amounted to US\$61.4 million, compared with US\$63.1 million in 2011. Total benefits paid in 2012 amounted to US\$57.7 million, compared with US\$59.4 million in 2011. The net operating surplus amounted to US\$2.4 million in 2012.

**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\$4.5 million in 2011, the Fund recorded an income of US\$2.7 million in 2012. Gains on currency trading of US\$704,164 were recorded in 2012, compared with gains of US\$2.4 million in 2011. More details on investment performance are provided in paragraphs 12–18 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 loss of US\$1.2 million was recorded in 2012, compared with the US\$607,042 revaluation gain in 2011.

**8.** The Fund recorded a net operating surplus of US\$2.4 million in 2012, compared with a US\$3.7 million net operating surplus in 2011. This operating surplus, along with the abovementioned revaluation loss and net income from investment transactions of US\$2.7 million in 2012, contributed to an overall net gain of US\$4 million in 2012, versus a 2011 overall net gain of US\$8.8 million.

**9.** The average contribution per contributing member (insured person) in 2012 was US\$8,804, up 2.7 per cent from US\$8,575

in 2011. (Details relative to benefits are provided in paragraphs 30–38 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).

### **Investments**

**12.** In 2012, the ILO's Investment Committee continued to monitor the Fund's investments 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.

**13.** 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.

**14.** As at 31 December 2012, the market value of the portfolio was US\$59.5 million (including US\$471,666 of accrued interest), compared with a 2011 market value of US\$57.9 million (including US\$445,196 of accrued interest). Derivatives produced a total asset value of US\$1.3 million at 31 December 2012 versus a total liability of US\$643,117 in 2011.

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

16. Over the calendar year 2012, the return on the investment portfolio, based on market values and expressed in Swiss francs, was 3.05 per cent. Management fees charged were a fixed percentage of the market value of the portfolio, paid quarterly in arrears.

17. 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.

18. Aberdeen Asset Management has commented as follows on the 2012 investment performance:

#### **Manager's review**

Fixed income markets were volatile at certain times over the period. These bouts of volatility were generally driven by concern over global growth and ongoing problems in the Eurozone. Both the Greek Government and Spanish banking system received bailout packages from the IMF and EU during the year.

Central banks were in easing mode over the entire period in the US, UK and Japan, while non-standard measures by the European Central bank helped calm bond markets.

It became apparent later on in the period that global growth was more positive than expected, primarily due to strength in emerging economies and coordinated and sustained central bank action from the developed world.

Within this positive environment, the European sovereign crisis began to stabilize, the Euro remained intact, Greece had not officially defaulted and Ireland looked to be on schedule to exit their official programme in 2013.

Within corporate space, banks continued to reduce leverage and increase capital and

non-financial corporates remained profitable albeit at lower levels.

#### **Portfolio review**

The portfolio was restricted from investing in certain markets within the benchmark due to credit quality and currency constraints (Italy, Spain, Mexico, Ireland, South Africa, Malaysia, Singapore and Poland). This had a negative impact in both absolute and relative terms as these were the best performing markets over the period.

During the period a shorter than benchmark duration target detracted from both the relative and absolute return of the portfolio. Weaker-than-expected growth, combined with flight-to-quality purchases of "risk-free" assets provided strong support to core government bond markets. Our rationale for targeting a shorter duration was our belief that government bonds represented poor value. However bonds continued to rally despite negative real yields (after inflation). We closed the underweight duration position in August 2012 and subsequently made back some, but not all, of the losses experienced in the first half of the year.

We held an overweight exposure to non-government bonds and these added positive relative return over the course of the year.

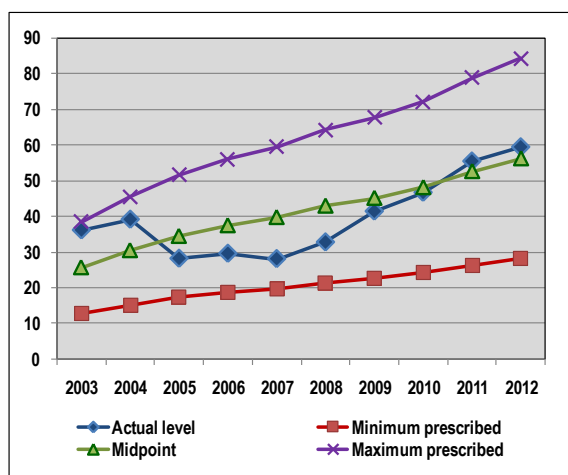
Over the 12 months to 31 December 2012, the investment portfolio achieved a total return before fees of 3.05 per cent whereas the benchmark achieved a return of 4.02 per cent, an underperformance of -0.97 per cent.

#### **Guarantee Fund**

19. 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.

20. The Guarantee Fund balance amounted to US\$59.5 million at year-end 2012, compared with US\$55.5 million at year-end 2011 (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\$28.1 million and slightly (5.7 per cent) above the US\$56.2 million 2012 midpoint.

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



**Accrued liability for claims incurred but not received (IBNR)**

21. 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 2012 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. For the 2012 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 2013 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.

22. 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”.

23. 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.

**Figure 2. Summary of benefits paid in 2012 for claims incurred in prior years**

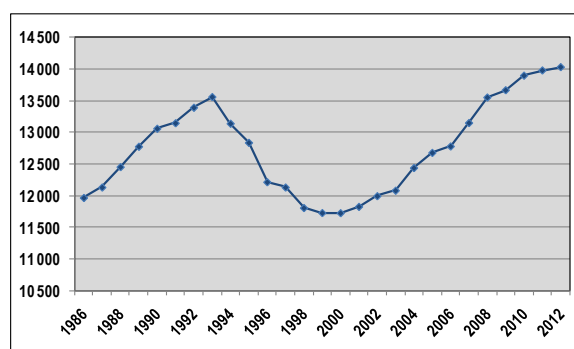
Insurance year	Benefits paid (US\$)
Years prior to 2010	17 342
2010	500 060
2011	16 518 805
IBNR at year-end 2012 (actual)	17 036 207
IBNR at year-end 2012 (forecast)	16 300 000
Variance actual IBNR vs forecast	736 207
IBNR at year-end 2013 (forecast)	17 500 000
IBNR increase	-1 200 000

**Trends in membership**

**Overall trend**

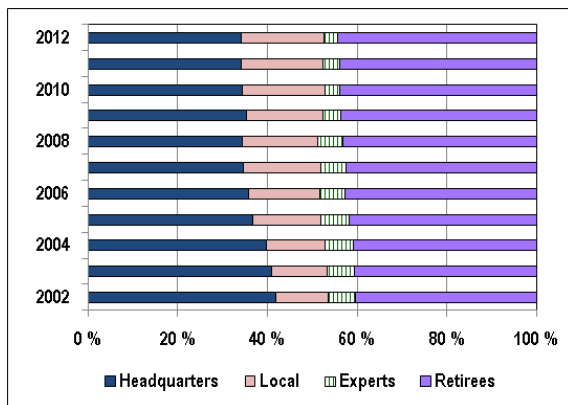
24. The total number of persons insured on 31 December of the year under review (excluding voluntarily covered dependants) was 14,033, compared with 13,981 on 31 December 2011.

**Figure 3. Number of insured persons 1986–2012 (excluding voluntarily covered dependants)**



25. In 2012, the number of insured persons contributing to the Fund was 7,050 (see Annex V for details). The distribution of insured persons was 76.2 per cent ILO versus 23.8 per cent ITU. The proportion of retired insured persons grew from 43.9 per cent of all insured persons in 2011 to 44.2 per cent in 2012.

**Figure 4. Composition of the body of insured persons**



**Automatically covered dependants**

26. The number of dependants (excluding voluntarily covered dependants) remained stable at 6,983 in 2012, versus 6,958 in 2011. The number of automatically covered dependants per active insured person was 1.41 in 2012, compared with 1.39 in 2011. The number of automatically covered dependants per retired insured person was 0.46 in 2012, down 4.3 per cent from 0.48 in 2011.

**Voluntarily covered dependants**

27. The number of voluntarily covered dependants stood at 682 at year-end 2012, down from 739 at year-end 2011. At year-end 2012, the number of voluntarily covered children was 574 (84.2 per cent of the total), the number of voluntarily covered spouses was 99 (14.5 per cent of the total) and the number of voluntarily covered parents and parents-in-law was nine (1.3 per cent of the total).

28. A summary of the annual and cumulative results of this group for the years 2003 through 2012 is set out in Annex IV. The five-year cumulative result for the voluntarily covered dependants category is a gain of US\$849,388. The five 5-year cumulative loss for the voluntarily covered parents and parents-in-law segment is US\$439,376, representing a

149.6 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\$1,325,625, representing 10.4 per cent of total benefits paid in respect of voluntarily covered dependants.

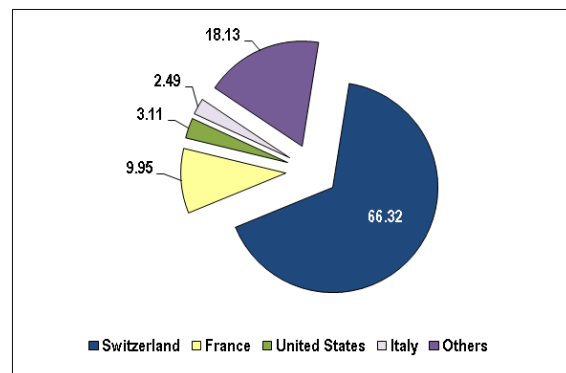
29. Under article 3.5 of the Fund’s Regulations, contribution rates in respect of voluntarily covered dependants have to be set so as to make this group self-supporting, with no contribution being paid by the organizations for this category of protected persons. An increase in contribution rates in respect of voluntarily covered dependants became effective on 1 October 2010 and the group was self-supporting during the period under review, producing an 91.1 per cent loss ratio.

**Benefits statistics**

**Trends in expenditure**

30. Total benefits paid reduced from US\$59.4 million in 2011 to US\$57.7 million in 2012. This 2.9 per cent decrease versus prior year is largely attributable to a higher-than-normal year-end accumulation of some 3,000 unsettled claims at the ILO, can thus not be considered a trend and is in part offset by a US\$1.2 million increase in accrued liability for unsettled claims (IBNR liability – see paragraph 23 above). Benefits paid in reimbursement of costs incurred in Switzerland represent two-thirds of the total, as reflected in figure 5 below.

**Figure 5. Distribution percentage by providing country for reimbursements made in 2012**



31. In 2012, the benefits paid per contributing participant (insured person)



amounted to US\$7,811, down from US\$8,111 in 2011. 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 2012 amounted to US\$3,924, compared with US\$4,074 in 2011. During the period under review, the yearly variance in benefits paid per insured person averaged minus 3.70 per cent. It must be noted that the expenditure variance recorded in 2012 has been positively impacted by the relative recovery, compared with 2011, of the US dollar versus a large number of expenditure currencies.

**32.** The overall loss ratio for the period under review was 94.2 per cent, level with 2011. 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 2012 loss ratios per category of insured persons were 57.7 per cent (active staff category) and 139.6 per cent (retiree category). The 2011 loss ratios for the active staff and retiree categories were 58.3 per cent and 140.5 per cent, respectively.

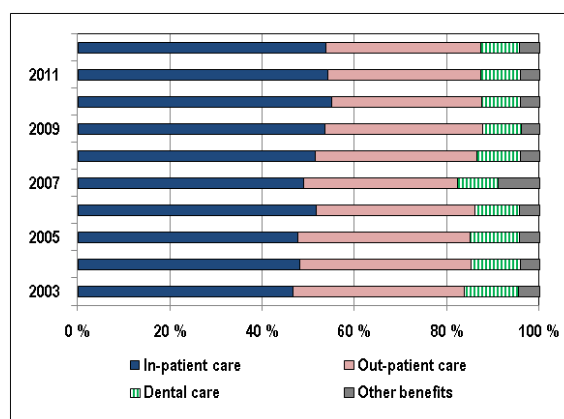
**33.** In the year under review, medical care provided in hospitals constituted the single largest item of expenditure, accounting for 36.8 per cent of the 2012 total. Doctor’s services and medication constituted the second and third largest items of expenditure, respectively accounting for 12.2 and 11.2 per cent of the year total, while dental care and nursing care accounted respectively for 8.3 and 9.5 per cent of the total. Expenditure in respect of nursing care has continued to trend upwards (up from 7.1 per cent of the 2008 yearly total and from 8.5 of the 2011 total).

**34.** Benefit expenditure is detailed in Annex VI. Figure 6 shows the relative benefit volumes in each of the three major categories of expenditure (in-patient care, out-patient care and dental care). In-patient care accounted for 53.7 per cent of the 2012 total claim volume and out-patient care for 33.6 per cent of the total claim volume. As in 2011, the benefit volume associated with in-patient care as a percentage of the total benefit volume did not increase in 2012 (decreased from 54.2 per cent of the 2011 total claim volume).

**35.** The **in-patient 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.

**36.** The **out-patient 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

**37.** 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\$4,087,361 versus US\$4,353,597 in 2011. Supplementary benefit expenditure represented 7.1 per cent of total benefits paid in 2012, compared with 7.4 per cent in 2011.

**38.** Supplementary benefits were received by 662 insured persons in 2012 versus 753 insured persons in 2011. In 2012, 85.8 per cent of supplementary benefits were paid to insured persons who are retirees versus 83.6 per cent in 2011.

### Maximum annual liability and large claims

**39.** At year-end 2012, 1,596 families had submitted claims with approved medical

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expenses totalling US\$10,000 or over, compared with 1,580 families at year-end 2011. Of these, 60 families had submitted claims with approved medical expenses equal to, or in excess of, US\$100,000, compared with 75 in 2011.

**40.** In 2012, 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 22 cases.

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## Administration

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**41. External audit** – The Auditor General of Canada and the Swiss Federal Audit Office jointly carried out an audit of the Fund's 2012 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.

**42. Claims settlement** – The period under review ended with an unsettled (regardless of cause) claim balance of 5.6 per cent of the total number of claims submitted for reimbursement. The Fund's claims adjusters processed 54,902 claims (ILO, ITU and ILO-ITC Turin combined) versus 53,361 claims in 2011. A total of 174,606 invoices were examined in 2012 versus 182,589 in 2011. Claims settled at the ILO represented 76.9 per cent of the total. Claims settled at the ITU represented 23.1 per cent of the total.

**43. Election to the Fund's Management Committee of members representing the insured persons for the period 2012-14** – As reported in the 2011 Report on the operations of the Fund, to conform with the Rules for elections set out in Appendix II of the SHIF Regulations, elections were held of SHIF Management Committee members representing the insured persons.

Although the election of the members representing the insured persons of the ITU was successfully completed, the electoral officers interrupted the election process at the ILO, pursuant to the provisions of paragraphs 5 and 16 of the Rules for elections. As a result, the process was only completed during the period under review. And, pursuant to the provisions of paragraph 23 of the Rules for elections, the outgoing Management Committee members representing the insured persons of the ILO remained in office for an additional five-month period.

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

- Ms Chantal Amine (titular member);
- Mr Sylvain Delaprisson (titular member);
- Mr Gérald Weder (titular member);
- Ms Mireille Ecuivillon (substitute member);
- Ms Marie Kathleen Maguire (substitute member);
- Ms Cherry Thompson-Senior (substitute member).

The SHIF Management Committee membership of these persons became effective 1 June 2012 and will cease on 31 December 2014.

**44. Main activities of the Management Committee** – The work of the Management Committee was disrupted by the interruption of the election process at the ILO (see paragraph 43 above). During the period 1 January 2012 to 31 May 2012, Management Committee decisions were limited to those related to day-to-day matters.

The Management Committee met six times in 2012. It monitored the functioning of the Secretariat and the Fund's financial situation. The following issues are highlighted in view of their importance:

- Sanctions in the event of fraud: The Management Committee noted the

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Executive Secretary's concern regarding the absence, in the SHIF Regulations, of a provision for exclusion from the Fund in cases of fraud committed by insured persons who are not active staff members (e.g. retired officials). This translates into a de facto difference of treatment between active staff members and former officials: in the event of fraud, active staff members risk separation from their organization, which in turn results in termination of SHIF coverage.

The Management Committee decided that a new provision should be proposed, for inclusion in the SHIF Regulations, governing sanctions in cases of fraud. Sanctions should be progressive in severity and possibly culminate in exclusion from the Fund.

- **Delegation of authority to the SHIF Standing Subcommittee:** The Management Committee noted duplication of effort in its own work and that of the Standing Subcommittee. To improve efficiency and effectiveness, pursuant to article 4.7, paragraph 2 and article 4.11, paragraph 1(a) of the SHIF Regulations, the Management Committee decided to delegate to the Standing Subcommittee the authority to take decisions under the following provisions, subject to re-examination by the Management Committee in the event of appeal by the insured person:

*SHIF Regulations:*

- Article 1.6 (“Voluntarily covered dependants”), paragraph 3;
- Article 2.4 (“Exclusion or limitation of liability for the payment of benefits”), paragraph 2;
- Article 2.11 (“Forfeiture and suspension of benefits”);
- Article 2.12 (“Right of pre-emption for the Fund of appliances no longer needed”);
- Schedule of Benefits Code 4 (“Dental care”);
- Schedule of Benefits Code 5.3 (“Prosthetic appliances”);

- Schedule of Benefits Code 5.4 (“Wheelchairs and similar equipment”);
- Schedule of Benefits Code 5.5 (“Other appliances”).

*SHIF Administrative Rules:*

- Chapter VI, Code 5.1 (“Optical appliances”), paragraph 5.

- **Composition of the SHIF Standing Subcommittee:** The Management Committee decided on the following composition of the Standing Subcommittee for 2012:

- representing the insured persons: Ms C. Amine (Chair), Ms M.K. Maguire, Mr M. Rolland;
- representing the executive heads: Ms M. Wilson (Vice-Chair), Mr J. Llobera-Serra, Mr T. Geckeler.

- **Authority of the Executive Secretary in respect of the Fund's maximum liability:** The Management Committee noted the Executive Secretary's concern that the US\$150,000 maximum liability stated in article 2.6 (“Maximum liability”), paragraph 1, of the SHIF Regulations was no longer adequate, in view of rising healthcare costs and exchange rate fluctuations, and decided to delegate to the Executive Secretary authority to allow payments of benefits in excess of the US\$150,000 limit in exceptional circumstances. The Management Committee decided to set at US\$600,000 the Executive Secretary's authority in respect of the Fund's liability, with no change, however, to the maximum liability stated in article 2.6.

- **Contribution base rate adjustment for the 2014–17 period:** The Management Committee examined the Executive Secretary's financial projections and recommendations relative to the 2014–17 insurance period, with in mind the objective of a Guarantee Fund balance at midpoint at year-end 2017.

While requesting that an actuarial study be carried out to confirm the projections provided by the SHIF Secretariat, the

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Management Committee stated its support for an increase in the SHIF contribution base rate of up to 3.91 per cent of remuneration or pension. (This Management Committee position does not affect persons insured under article 1.6 (“Voluntarily covered dependants”) of the SHIF Regulations.)

For the record, the Management Committee emphasized that any actual increase in the SHIF contribution base rate could only become effective following full consultation of the executive heads of the ILO and the ITU, the governing bodies and the insured persons.

Chantal Amine  
Chairperson

Clifford Kunstler  
Executive Secretary

Geneva, 30 October 2013

#### **45. 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 examined 30 special cases in 2012.
- **Fraud:** One fraudulent insurance claim was detected during the period under review.

## Annex I

**ILO-ITU Staff Health Insurance Fund**  
**Assets and Liabilities Statement as at 31 December 2012**  
(in US dollars)

<b>ASSETS</b>		<b>ILO</b>	<b>ITU</b>	<b>Total 2012</b>	<b>Total 2011</b>
<b>1. Cash</b>	Term deposits	-	-	-	-
<b>2. Debtors</b>	Advances and other accounts receivable	842 031	3 475	845 506	467 623
	Other debtors	17 451 877	(219 718)	17 232 159	14 117 096
<b>3. Investments</b>	Held with Aberdeen Asset Management	47 536 557	11 512 843	59 049 400	57 421 123
	Derivative assets	1 129 380	162 521	1 291 901	(643 117)
<b>4. Other</b>	Accrued investment income	367 102	104 564	471 666	445 196
<b>TOTAL</b>		<b>67 326 947</b>	<b>11 563 685</b>	<b>78 890 632</b>	<b>71 807 921</b>
<b>LIABILITIES</b>					
<b>1. Creditors</b>	Prepaid contributions	558 894	-	558 894	585 848
	Other creditors	41 529	6 083	47 612	39 513
<b>2. Accrued liability for unsettled claims</b>		12 425 000	5 075 000	17 500 000	16 300 000
<b>TOTAL</b>		<b>13 025 423</b>	<b>5 081 083</b>	<b>18 106 506</b>	<b>16 925 361</b>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>		<b>54 301 524</b>	<b>6 482 602</b>	<b>60 784 126</b>	<b>54 882 560</b>
<b>SHIF Guarantee Fund</b>					
	Balance brought forward from previous year	48 541 261	6 984 416	55 525 677	46 704 012
	Total surplus/(deficit) for the year	4 630 883	(664 335)	3 966 548	8 821 665
<b>Guarantee Fund Balance</b>		<b>53 172 144</b>	<b>6 320 081</b>	<b>59 492 225</b>	<b>55 525 677</b>
<b>Reserve for Derivatives</b>					
	Balance brought forward from previous year	(556 811)	(86 306)	(643 117)	2 932 686
	Adjustment for derivative assets for the year	1 686 191	248 827	1 935 018	(3 575 803)
<b>Reserve for Derivatives Balance</b>		<b>1 129 380</b>	<b>162 521</b>	<b>1 291 901</b>	<b>(643 117)</b>
<b>RESERVE AND FUND BALANCE at 31 December</b>		<b>54 301 524</b>	<b>6 482 602</b>	<b>60 784 126</b>	<b>54 882 560</b>

Annex II

ILO-ITU Staff Health Insurance Fund  
Income and Expenditure Statement for the year ended 31 December 2012  
(in US dollars)

<b>OPERATING TRANSACTIONS</b>		<b>ILO</b>	<b>ITU</b>	<b>Total 2012</b>	<b>Total 2011</b>
<b>1. Contributions received</b>	Active staff including experts	12 028 126	4 250 457	16 278 583	16 882 912
	Active staff - Organizations	11 929 876	4 180 113	16 109 989	16 753 000
	Retired/survivors	6 305 085	2 392 109	8 697 194	8 857 550
	Retired/survivors - Organizations	12 610 170	4 784 808	17 394 978	17 715 022
	Voluntary	2 008 250	866 219	2 874 469	2 876 609
	<b>TOTAL CONTRIBUTIONS</b>	<b>44 881 507</b>	<b>16 473 706</b>	<b>61 355 213</b>	<b>63 085 093</b>
<b>2. Benefits paid</b>	Active staff including experts	12 500 805	6 195 022	18 695 827	19 621 450
	Retired/survivors	26 525 325	9 895 972	36 421 297	37 340 421
	Voluntary	1 814 951	804 357	2 619 308	2 443 676
	Less: Recoveries from third parties	(47 115)	-	(47 115)	-
	<b>TOTAL BENEFITS</b>	<b>40 793 966</b>	<b>16 895 351</b>	<b>57 689 317</b>	<b>59 405 547</b>
<b>3. Net surplus/(deficit) in contributions income over benefits paid</b>		<b>4 087 541</b>	<b>(421 645)</b>	<b>3 665 896</b>	<b>3 679 546</b>
<b>4. Increase/(decrease) in accrued liability for unsettled claims</b>		852 000	348 000	1 200 000	-
<b>5. Exchange gains/(losses)</b>		(16 069)	(4 181)	(20 250)	629
<b>6. Sundry expenses</b>		120	-	120	924
<b>7. Net operating surplus/(deficit)</b>		<b>3 219 352</b>	<b>(773 826)</b>	<b>2 445 526</b>	<b>3 679 251</b>
<b>INVESTMENT TRANSACTIONS</b>					
<b>8. Interest &amp; other income received</b>		1 300 402	176 854	1 477 256	1 551 422
<b>9. Capital gains/(losses) on investment sold</b>		233 978	33 670	267 648	(136 195)
<b>10. Unrealized gains/(losses) on investment</b>		357 407	51 432	408 839	897 380
	<b>Sub-total</b>	<b>1 891 787</b>	<b>261 956</b>	<b>2 153 743</b>	<b>2 312 607</b>
<b>11. Gains/(losses) on currency trading:</b>					
	On purchase and sales	611 023	93 141	704 164	2 393 184
	<b>Sub-total</b>	<b>611 023</b>	<b>93 141</b>	<b>704 164</b>	<b>2 393 184</b>
	<b>Total investment income</b>	<b>2 502 810</b>	<b>355 097</b>	<b>2 857 907</b>	<b>4 705 791</b>
<b>12. Expenditure:</b>					
	Investment management fees	152 699	25 454	178 153	170 419
	<b>Total investment expenditure</b>	<b>152 699</b>	<b>25 454</b>	<b>178 153</b>	<b>170 419</b>
<b>13. Net income/(loss) on investments</b>		<b>2 350 111</b>	<b>329 643</b>	<b>2 679 754</b>	<b>4 535 372</b>
<b>14. Net surplus/(deficit)</b>		<b>5 569 463</b>	<b>(444 183)</b>	<b>5 125 280</b>	<b>8 214 623</b>
<b>15. Revaluation gain/(loss) on assets &amp; liabilities</b>		(938 580)	(220 152)	(1 158 732)	607 042
	<b>NET RESULT FOR THE YEAR</b>	<b>4 630 883</b>	<b>(664 335)</b>	<b>3 966 548</b>	<b>8 821 665</b>

### Annex III

#### Guarantee Fund 2003–12

(in US dollars)

Accounts year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Guarantee Fund	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	59 492 225
Benefit expenditure	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	57 689 317
Minimum level	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	28 101 337
Maximum level	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	84 304 010
Ratio: actual level/maximum level	0.93	0.86	0.54	0.53	0.47	0.51	0.61	0.65	0.70	0.71
Swiss franc to US dollar exchange rate at year-end	1.30	1.14	1.31	1.21	1.12	1.19	1.00	0.97	0.92	0.93

## Annex IV

### Voluntarily covered dependants (VCD): Summary of annual and cumulative results 2003–12

Year	Number of dependants covered	Contributions received (US dollars)	Benefits paid (US dollars)	Operational balance (US dollars)	Cumulative result (US dollars)	Benefit paid per US dollar contributed
2003	736	1 415 079	1 702 492	-287 413	-287 413	1.20
2004	740	1 704 414	1 856 579	-152 165	-439 578	1.08
2005	704	2 034 409	2 000 673	33 736	-405 842	0.98
2006	666	2 061 438	2 035 428	26 010	-379 832	0.99
2007	660	2 072 721	2 143 277	-70 556	-450 388	1.03
2008	654	2 195 825	2 510 305	-314 480	-764 868	1.14
2009	647	2 439 505	2 244 602	194 903	-569 965	0.92
2010	672	2 720 583	2 424 434	296 149	-273 816	0.89
2011	739	2 861 830	2 443 675	418 155	144 339	0.85
2012	682	2 874 469	2 619 308	255 161	399 500	0.91
<b>TOTAL</b>		<b>22 380 273</b>	<b>21 980 773</b>			



## Annex V

**Membership of the Fund 2003–12**  
(voluntarily covered dependants excluded)

Category	Paying members										Dependants										Total insured persons									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>ILO</b>																														
Headquarters and Field project personnel	1959	2047	1882	1828	1827	1877	1857	1821	1826	1830	2378	2531	2344	2289	2285	2363	2368	2314	2317	2367	4337	4578	4226	4117	4112	4240	4225	4135	4143	4197
External offices	733	804	957	1027	1143	1128	1159	1258	1286	1268	1217	1305	1595	1635	1833	1964	1955	2108	2070	2077	1950	2109	2552	2662	2976	3092	3114	3366	3356	3345
Former officials and survivors	1835	1886	1963	2025	2060	2143	2180	2232	2255	2274	994	993	989	1031	1048	1083	1098	1096	1100	1073	2829	2879	2952	3056	3108	3226	3278	3328	3355	3347
<b>TOTAL</b>	<b>4527</b>	<b>4737</b>	<b>4802</b>	<b>4880</b>	<b>5030</b>	<b>5148</b>	<b>5196</b>	<b>5311</b>	<b>5367</b>	<b>5372</b>	<b>4589</b>	<b>4829</b>	<b>4928</b>	<b>4955</b>	<b>5166</b>	<b>5410</b>	<b>5421</b>	<b>5518</b>	<b>5487</b>	<b>5517</b>	<b>9116</b>	<b>9566</b>	<b>9730</b>	<b>9835</b>	<b>10196</b>	<b>10558</b>	<b>10617</b>	<b>10829</b>	<b>10854</b>	<b>10889</b>
<b>ITU</b>																														
Headquarters and Field project personnel	897	827	842	811	799	796	800	799	796	797	1092	1005	1027	1000	994	1030	1046	1048	1049	1038	1989	1832	1869	1811	1793	1826	1846	1847	1845	1835
External offices	19	20	18	25	27	29	28	27	33	37	26	24	25	41	43	45	38	37	52	61	45	44	43	66	70	74	66	64	85	98
Former officials and survivors	613	654	689	714	736	749	787	802	827	844	322	346	350	356	357	347	353	357	370	367	935	1000	1039	1070	1093	1096	1140	1159	1197	1211
<b>TOTAL</b>	<b>1529</b>	<b>1501</b>	<b>1549</b>	<b>1550</b>	<b>1562</b>	<b>1574</b>	<b>1615</b>	<b>1628</b>	<b>1656</b>	<b>1678</b>	<b>1440</b>	<b>1375</b>	<b>1402</b>	<b>1397</b>	<b>1394</b>	<b>1422</b>	<b>1437</b>	<b>1442</b>	<b>1471</b>	<b>1466</b>	<b>2969</b>	<b>2876</b>	<b>2951</b>	<b>2947</b>	<b>2956</b>	<b>2996</b>	<b>3052</b>	<b>3070</b>	<b>3127</b>	<b>3144</b>
<b>ILO-ITU</b>																														
Headquarters and Field project personnel	2856	2874	2724	2639	2626	2673	2657	2620	2622	2627	3470	3536	3371	3289	3279	3393	3414	3362	3366	3405	6326	6410	6095	5928	5905	6066	6071	5982	5988	6032
External offices	752	824	975	1052	1170	1157	1187	1285	1319	1305	1243	1329	1620	1676	1876	2009	1993	2145	2122	2138	1995	2153	2595	2728	3046	3166	3180	3430	3441	3443
Former officials and survivors	2448	2540	2652	2739	2796	2892	2967	3034	3082	3118	1316	1339	1339	1387	1405	1430	1451	1453	1470	1440	3764	3879	3991	4126	4201	4322	4418	4487	4552	4558
<b>TOTAL</b>	<b>6056</b>	<b>6238</b>	<b>6351</b>	<b>6430</b>	<b>6592</b>	<b>6722</b>	<b>6811</b>	<b>6939</b>	<b>7023</b>	<b>7050</b>	<b>6029</b>	<b>6204</b>	<b>6330</b>	<b>6352</b>	<b>6560</b>	<b>6832</b>	<b>6858</b>	<b>6960</b>	<b>6958</b>	<b>6983</b>	<b>12085</b>	<b>12442</b>	<b>12681</b>	<b>12782</b>	<b>13152</b>	<b>13554</b>	<b>13669</b>	<b>13899</b>	<b>13981</b>	<b>14033</b>

**Annex VI**  
**Benefit statistics, 2003-2012**

Types of benefit	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>TOTAL</b>	<b>31 002 992</b>	<b>36 118 293</b>	<b>36 417 562</b>	<b>40 160 176</b>	<b>42 445 067</b>	<b>45 755 980</b>	<b>47 323 439</b>	<b>51 448 117</b>	<b>59 220 212</b>	<b>57 313 543</b> <sup>1</sup>
Doctors' services	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	6 718 022
X-rays, laboratory and other tests	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	3 158 702
Special treatments	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	1 607 620
Psychoanalysis and psychotherapy	505 170	629 182	627 164	580 006	647 744	658 671	732 805	786 991	964 090	876 075
Public ward at global fee	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	1 752 817
Hospital accommodation/clinic accommodation	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	2 108 041
Medical care	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	19 019 884
Post-operative convalescence	130 982	176 121	163 172	190 553	149 022	192 066	170 769	189 295	208 056	161 996
Other convalescences and cures	34 022	24 244	27 423	24 798	28 043	23 988	26 532	14 539	23 655	16 130
Nursing care	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	4 631 093
Prescribed medicaments	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	6 099 078
Dental care	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	4 690 412
Optical appliances: lenses	709 707	784 284	766 237	823 272	876 216	885 925	907 495	914 593	1 084 096	1 033 879
Optical appliances: frames	190 582	197 642	187 200	198 886	197 586	189 906	214 706	236 490	282 641	275 984
Hearing aids	121 787	124 109	156 732	155 114	176 353	187 158	203 525	259 495	304 016	357 412
Other appliances	169 825	195 665	212 534	235 490	274 442	308 575	259 261	348 174	382 768	398 127
Medical travel	75 743	76 557	75 402	178 767	139 242	168 681	189 483	195 166	249 741	269 931
Funeral costs	33 410	23 172	31 589	37 193	31 637	29 375	40 823	40 681	44 753	50 979
Supplementary benefits	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	4 087 361
Exchange rate average US dollar to Swiss franc	1.35	1.25	1.24	1.25	1.20	1.19	1.00	1.05	0.89	0.94

<sup>1</sup> 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.