

## Editorial

On several occasions, I have been asked why the SHIF Newsletter was discontinued after its July 2002 issue. I don't know why. But I *do* know that the Secretariat should be providing you with regular updates on issues that are important to you both as insured persons and as financial contributors to the Fund.

Thus, the Newsletter is reinstated. I promise a no-nonsense, plain-speaking approach to sharing information that matters.

This Newsletter is largely devoted to the Fund's current financial situation. Is the situation preoccupying? Yes. And a full reversal cannot be expected in 2006 or 2007.

The recent increase in the base rate of contributions, along with investment gains, should enable the Guarantee Fund to remain above the prescribed minimum through 2007, provided we are spared extreme revaluation- and exchange losses. But more extensive measures will need to be implemented in 2008, to re-establish the Fund's financial stability and reconstitute Guarantee Fund reserves.

This Newsletter also reports on 2005 claims. The SHIF operated on a no-backlog basis throughout 2005 and I want to take this opportunity to thank all the SHIF's Claims Adjusters at the ILO, the ITU and the ILO/ITC for their dedication in ensuring your claims payments continue to be timely and accurate.

Cliff Kunstler  
 Executive Secretary

## SHIF's Financial Situation at the Close of 2005

**Preliminary 2005 figures are now available. Here is some early insight into the Fund's year-end financial situation.**

**Is the SHIF's state of financial health cause for concern? Yes. Is a turn-around possible? Definitely. But only with unwavering resolve.**

### Where do we stand at year-end 2005?

Benefits paid of US\$ 36.3 million exceeded contributions of US\$ 31.8 million by US\$ 4.4 million. To pay claims, the SHIF began liquidating assets in 2004 and continued doing so in 2005.

The year-end operating deficit combined with a US\$ 5.6 million revaluation loss on assets and liabilities, a US\$ 2.0 million realized exchange loss and US\$ 1.5 million in investment income to bring the overall 2005 deficit to US\$ 10.5 million and the Guarantee Fund balance to US\$ 28.6 million (versus US\$ 39.1 million at year-end 2004).

### Why the deficit ?

The year 2000 was a pivotal financial year for the SHIF. Although revaluation losses on assets and liabilities had been recorded in prior years, an operating deficit and a revaluation loss combined for the first time to produce an overall deficit of US\$ 1.8 million. Since 2000, SHIF operating results have been consistently weak, although the Fund's regulatory solvency was at no time threatened.

The SHIF's solvency is maintained through a Guarantee Fund, whose year-end amount must be at least one sixth of the aggregate of benefits paid over the last 3-years. From 1990 through 2002, the Fund's financial balance was maintained through investment income and revaluation gains. Thus, during this 12-year period and for the following three years, with the solvency requirement fulfilled, the contribution base rate remained unchanged.

The Fund has recorded alarming operating deficits over the past three years. These cannot be attributed to a single cause. The steady increase in healthcare costs is certainly a major contributor to the deficit.

But there has also been a significant demographic shift in the Fund's insured population. Over the past ten years, the ratio of active- to retired insureds has reduced by 32.2%. The Fund covered 2.15 active insureds per retiree in 2005, versus 3.17 in 1995. The 2005 loss ratio (claims versus income) for retired insureds was 162%, versus 78% for active insureds. The impact of this demographic shift is not offset by parallel growth in salaries and pensions upon which contributions are assessed.

### Where do we go from here?

Experience shows that the Fund cannot rely on investment income or revaluation gains to compensate for operating deficits. Over the 10-year period ending 31<sup>st</sup> December 2004, four revaluation losses were recorded, ranging from US\$ 1.0 million to US\$ 2.0 million. The SHIF's 2005 Income and Expenditure Statement will reflect a record US\$ 5.6 million revaluation loss.

The SHIF Management Committee is therefore examining a wide spectrum of measures, for implementation in 2008, aimed at improving operating results. Possible measures include a further base rate adjustment and a re-structuring of the contribution system. Rules on eligibility of salaried spouses (eligible for coverage under other insurance arrangements) are also under review, as is the rule on eligibility for automatic dependant coverage.

A number of cost containment measures are also being discussed. Although these cannot be expected to reverse the current trend of cost inflation, they can contribute significantly to flattening that inflation, as can the current crack-down on insurance fraud, which the SHIF Secretariat will resolutely sustain.

67% of SHIF benefits are paid in Switzerland. The Guarantee Fund portfolio is currently hedged 100% to the Swiss franc. The Management Committee is considering moving closer to a neutral currency position by hedging 30% of the portfolio to the US dollar, to better reflect the reality of the Fund's liabilities.

The SHIF has commissioned an actuarial study, from ILO/FACTS, to provide an understanding of the Fund's financial outlook over the long term and of the impacts of remedial measures. The study will also address reserve requirements and the restructuring of the current Guarantee Fund, in order to reflect specific reserving needs. A more prudential approach to reserving is intended to mitigate rate increase requirements over the long term

## Claims Settlement in 2005

SHIF benefits paid in 2005 totalled US\$ 36.3 million and exceeded the 2004 figure by just under 1.0%. An increase in contributions greater than the increase in benefits paid produced a 2005 operating deficit lower by US\$ 1.4 million than the 2004 deficit of US\$ 5.8 million.

**Does this improvement constitute a trend? It would be safe not to assume so.**

The SHIF's Claims Adjusters settled a total of 47,687 claims in 2005, down 1.4% from 48,349 in 2004. However, the number of invoices examined, not the number of claims, is the measure of claims settlement activity. This number was up 6.2%, from 134,625 in 2004 to 142,932 in 2005.

The number of families claiming US\$ 10,000 or more in the course of the year was up 4.5%, from 1,059 in 2004 to 1,104 in 2005. Benefits paid to these families totalled US\$ 29.6 million, up 0.6% from the 2004 total. This figure translated into just under 81.5% of total benefits paid, level with the 2004 percentage.

## Avian Flu

The media have been full of reports about the H5N1 strain of influenza, commonly called "bird flu" or "avian influenza". Although the H5N1 virus has proven its ability to jump the species barrier, it has not yet displayed a capability to circulate freely amongst humans. However, it could gain this capability if it undergoes further genetic mutation and triggers a pandemic, as the human population has no natural immunity to the H5N1 virus.

Currently, mortality rates for avian flu are over 50%. However, there is no accurate forecast for mortality rates in the event of a pandemic, as the same genetic mutation required to make the virus transmissible from human to human might also make it less harmful.

Initial research into vaccines is under way as part of a global preparedness campaign. However, there is currently no vaccine available to protect against a pandemic. An effective vaccine can only be developed once the characteristics of the mutated strain of the virus are known.

Treatment against the virus may be available, for example in the form of the anti-viral medications Tamiflu or Relenza. These medicines are known to reduce the severity of seasonal influenza and could be effective in the treatment of avian influenza. Anti-viral medication, including Tamiflu and Relenza, must be prescribed by a physician who can decide on its appropriate use.

**SHIF insureds are advised that the cost of Tamiflu and Relenza will not be reimbursed when these medicines are prescribed for prophylactic use. However, the SHIF's normal reimbursement rules will apply when they are prescribed by a physician, provided the claim for reimbursement is supported by a medical report documenting the existence of an acute condition justifying the administration of Tamiflu or Relenza.**

## Bank Account Information – Urgent Call for Updates

The SHIF's track record in claim settlement reflects the Fund's ongoing commitment to timeliness. In order to keep this commitment, the SHIF's data system must contain bank account information which is both accurate and complete.

Implementation of best practice measures within the banking industry makes it compulsory for the SHIF to include all components of the beneficiary's bank account details when giving instructions for the payment of a claim. Bank account details must reflect exactly those contained in the beneficiary's bank's data system and must include all account components – including the BIC/SWIFT code - without any omissions.

The SHIF Secretariat's records show that required components are missing from the bank details for a number of insured persons. These insureds have received a letter from the secretariat requesting that they provide the missing data by asking their banks to check the information shown in the letter and filling in the gaps.

Those insureds who have received a letter from the Secretariat are requested to reply as a matter of urgency. Inaccurate or incomplete bank details hinder the SHIF's ability to pay their claims.

## Retiring this year ?

Congratulations on your upcoming retirement!

Question 1: Will you have reached age 55 upon retirement *and* have had at least 10 years of service with the United Nations or a specialized agency?

Question 2: Will you have been covered by the SHIF during the 5 years immediately preceding your retirement?

If the answer to *both* these questions in 'Yes', then chances are you are eligible for after-service health insurance with the SHIF, as a Voluntarily Insured Person.

The base rate of contribution for retirees is the same as for active staff, as are all entitlements. **But you must apply before you retire and sign an authorization for deduction of contributions from your pension. After your retirement, you will no longer be allowed to apply.**

So, plan ahead. Enter your application at least two months before your retirement date. The person to contact is Ms. Jeannine Richard (richard@ilo.org) if you are an ILO official, Ms. Anahid Linch (anahid.linch@itu.int) if you are an ITU official, or Ms. Angelina Confait (a.confait@itcilo.org) if you are an ILO International Training Centre official.

The SHIF is *our* health insurance fund. We share responsibility for keeping costs under control.

**Think  
Generic !**

**Ask your physician to prescribe generic drugs. Insist that your pharmacist provide you with the generic equivalents of branded drugs.**

Are generic drugs just as effective as branded drugs? Yes! And they are significantly less costly. By buying generics, you save yourself and the SHIF money! Let's think "Generic" and keep costs under control!

(Don't forget to ask your pharmacist to specify which branded drug shown on your prescription has been replaced by a generic.)