

Sept. 11/19
(19-18)
8d-4

August 1, 2019

East Algoma Community Futures Development Corp.
1 Industrial Park East
Blind River, Ontario
P0R 1B0

Re: Renewal for Group Policy #G: 812879 with Equitable Life and administered by Matrix Benefits Services for the following members:

Blind River Development Corp.	Class 011 - A
Town of Blind River	Class 001 - B
Township of St. Joseph	Class 003 - C
Municipality of Huron Shores	Class 010 - D
Township of Jocelyn	Class 009 - E
Township of Plummer Additional	Class 002 - F
Township of Bruce Mines	Class 005 - G
Township of Hilton	Class 004 - I
Township of Johnson	Class 006 - J
Township of Laird	Class 007 - K
Township of Tarbutt & Tarbutt Additional	Class 008 - L
Town of Spanish	Class 012 - N
Township of the North Shore	Class 013 - O
Retirees	Class - M

Dear Members:

This is the third year with Equitable Life. The initial year with Equitable Life was at an increase of 3.71%, then an increase of 9.46% followed by a decrease of 0.24% in premium. This year there will be an increase of 0.20% which was negotiated down from 8.10%.

What follows is an analysis of the renewal from Equitable Life based on pooled and experience rated benefits.

Pooled Benefits:

These are benefits that incur rate changes based on demographics, which is the combination of age, sex, occupation and volume of insurance. Last year the number of insured lives decreased from 109 to 94. A death claim or disability claim will not dramatically affect your rates. However, you are subject to a change in rates for these benefits based on the experience of the pool.

So the effect on the pooled benefits this year from all the above factors is:

Life Insurance	Rate unchanged from \$0.467 to \$0.467 or 0.00%
Dependent Life	Rate unchanged from \$6.82 to \$6.82 or 0.00%
AD & D	Rate unchanged from \$0.044 to \$0.044 or 0.00%
STD-Weekly Income	Rate increase from \$0.911 to \$1.181 / \$10 (taxable benefit) or 29.60%
STD-Weekly Inc (K)	Rate unchanged from \$1.19 to \$1.190 / \$10 (non-taxable benefit) or 0.00%
LTD (All others)	Rate increase from \$2.50 to \$2.82 / \$100 of (taxable) benefit or 12.80%
LTD (Class K)	Rate unchanged from \$2.048 per \$100 of (non-taxable) benefit or 0.00%

There were no Life Insurance or Dependent Life claims last year. However, there was an AD&D claim paid of \$218,000.00.

Seven (7) Short Term Disability (STD) claims were paid in this period and one is still open. A total of \$66,834.00 was paid out to claimants compared to \$13,129.48 the previous year. The loss ratio for all divisions except class k was 98.9% over the last 3 years. Rates are being increased 29.64% for all classed except the Township of Laird which has a 0.00% increase (their benefit is non-taxable).

There were two Long Term Disability claims opened and paid towards the end of the period resulting in \$11,948.77 being paid out. It is anticipated that the payment of these claims next year will be \$55,140.00. Based on the nature of these claims, a disability reserve of \$297,490.65 has been set up as well as a Life Insurance reserve of \$25,782.00 to pay future anticipated claims.

Only 17 employees are under age 40 while 20 employees are between ages 40 and 50, 53 employees are between ages 50 and 64, 4 employees are between 65 and 70 and 1 is over age 70. The change in demographics this past year was 14 male employees and 1 female employee left the plan.

Since the pooled benefit amounts are based on each employee's income, it is critical that wage changes be reported to Matrix Benefit Services as soon as possible (or as they occur) so that life and disability amounts for each employee reflect their current income in the event of a claim.

Experience Rated Benefits

Extended Health Care is an experience rated benefit whose premium is impacted by claims paid, inflationary trending, demographics and plan design. The usage by employees determines the loss ratio, which dictates the renewal rates. The loss ratio is a comparison of premiums paid versus claims paid. Among the external factors that also affect the costs of these benefits are:

- New and more expensive drugs and therapies are replacing older cheaper drug
- Provincial downshifting of Medical Services to the private sector.
- Increase in out-patient therapies placing more demands on the group Health plans.
- Dispensing fees and frequency of dispensing continue to increase.

Health Care Spending Accounts (HCSA):

Two towns/townships now participated in this benefit. These accounts are set up with a fixed dollar amount (say \$500.00) that an employee can use to purchase eligible Health and Dental expenses that are not covered under the basis group plan. There is a fee that is charged to claims made. In addition to the fee, there the 2% provincial premium tax plus PST plus commission. Claims under this are coordinated with your base plan of insurance which is the first payor.

If your town/township wants medical marijuana covered, then a HCSA can be set up for this purpose with Equitable Life. A medical marijuana claim form completed by a doctor would need to be submitted for approval.

A float would need to be established out of which claims are paid and the float would be replenished monthly. You only pay for claims made. Equitable Life has a 10% fee.

Extended Health Care:

Since last renewal, prescription drug claims represent 72% of paid claims, Hospital 4.8%, Major Services 14.5% and Vision 8.7%. The incurred loss ratio dropped from 66.5% to 58.1% which warranted a 10% premium reduction. There were no Insured Stop Loss or Out-of-country claims this year. Reimbursement remains at 1st dollar for out-of-province and out-of-country claims.

Based on the experience in the period, a **10.0% decrease** was applied or a \$1,881.20 premium reduction per month.

Dental:

The **Dental** incurred loss ratio was 74.65% which was up from 61.84% in the past year. Two years ago before moving the plan, the loss ratio was over 99.75%. This year the increase in ODA fees at the beginning of the year was about 4.0%. Your plan continues to pay the current ODA (Ontario Dental Association) rate schedule that increases yearly. Claims experience over the last year warrants **no change in premium** which I was able to negotiate. Last year 4 towns/townships added Major Restorative to the Dental plan and one town/township added orthodontics.

Employee Assistance Program (EAP):

An employee assistance program is in place for 10 out of 13 participating Towns/Townships. There will be no increase in premium rate for this benefit at this renewal. The monthly cost is going to remain at \$2.90 per member.

Overall, the rates will increase 0.20% (\$92.73 per month or \$1,112.76 per year). This is a fair renewal.

I recommend acceptance of this renewal.

Yours truly,

DONCAR Insurance Limited

A handwritten signature in cursive script that reads "D.J. MacDonell".

Donald J. MacDonell, B.Sc.
Broker, Financial Services

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