

AON Hewitt
Group Benefits Renewal Review
April 1, 2015

Agenda

Section 1	Summary of Recent History
Section 2	Renewal – Health and Dental Premium Rates
Section 3	Plan Design Alternatives
Section 4	Health Care Financial Modelling
Section 5	Recommendations and Next Steps

Background

- Marketing completed and implemented October 1, 2013
 - Remain with incumbent carrier – Medavie Blue Cross and SSQ
- Implemented overall savings of nearly 17%, or \$906,000 in the first 12 months
- Changed Basic Life Underwriting Methodology
- Renewal dates for other benefits/fees are to the right
- Updated policy listing

Renewal Dates	Benefits/Charges Renewed
April 1, 2015	Health, Dental premium rates
April 1, 2016	Life, AD&D, LTD, Travel premium rates Health pooling charge
April 1, 2017	Expense charges
April 1, 2018	Optional Life, Optional AD&D, Optional CI

Class	Description
002	Permanent, active employees
003	Short term, temporary employees
004	Retirees under age 65 - Grandfathered
005	Retirees over age 65 - Grandfathered
006	Surviving spouses of employees over age 65 - Grandfathered
009	Long term temporary employees
015	Surviving spouses of employees under age 65 - Grandfathered
018	Retirees under age 65
019	Retirees age 65 and over
020	Surviving spouses of retirees from 018
021	Surviving spouses of retirees from 019

Renewal of Premium Rates

Dental Care

Blue Cross proposed adjustment	+ 10.0%
Aon negotiated adjustment	+ 10.0%

Experience results	10/1/2013 to 9/30/2014
Paid premiums	139,746
Incurred claims	132,783
Incurred ratio	95.0%
Target ratio	89.0%

Comments

- Fully insured, non-refund underwriting with no financial accounting
- Optional benefit for active employees and early retirees
- Renewal rating analyzes last 12 months of claims experience – Oct 1, 2013 – Sep 30, 2014
- Aon calculated a slightly larger rate adjustment of 10.4%

Renewal of Premium Rates

Health Care

Blue Cross proposed adjustment	- 7.3%
Aon negotiated adjustment	- 8.5%

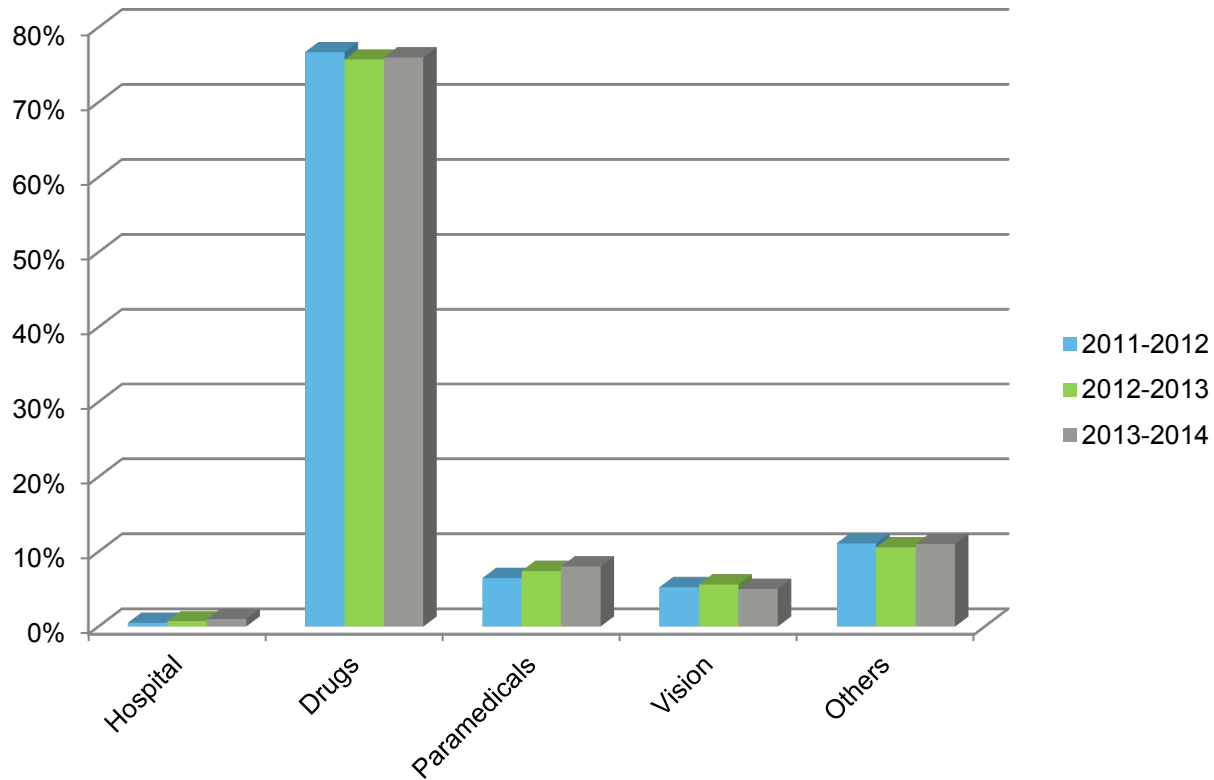
Policy experience results	10/1/2013 to 9/30/2014
Paid premiums	2,707,197
Incurred claims	2,323,599
Incurred ratio	85.8%
Target ratio	93.7%

Comments

- Renewal rating analyzes last 12 months of claims experience – Oct 1, 2013 – Sep 30, 2014
- Financial accounting over a 14-month period – Aug 1, 2013 – Sep 30, 2014
 - Pooled experience in the table at right
 - \$12,484 in pooled claims were removed from the 12-month experience period for rating purposes
- Health Care Claims Distribution on following slide

Pooled experience results	8/1/2013 - 9/30/2014
Pooled charges	29,372
Pooled claims	17,419
Loss ratio	59.3%

Health Care Claims Distribution



Source: Medavie Blue Cross renewal document

Health Care Financial Modelling

- Target funding for the Rate Stabilization Fund (RSF) is 15% of annual Health premium, or approximately \$460,000

	Negotiated decrease with surplus refund	Larger decrease to utilize surplus with no refund
Rate adjustment	-8.50%	-28.19%
Annual premium	2,735,647	2,147,155
Estimated surplus refund	588,493	-
RSF balance	463,788	463,788
Estimated surplus / (deficit)	-	1

- We have prepared an Excel file to run various scenarios, if needed.

Background

- **Basic and Dependent Life**
 - Move to fully insured, non-refund underwriting arrangement with the marketing from fully insured, refund accounting
 - One rate for all classes for each benefit
 - Basic - \$0.350 per \$1,000 – 35.5% savings at marketing
 - Dependent - \$4.264 per family – 11.2% savings at marketing
 - Rating based on a combination of claims experience and demographic changes

- **Optional Life**
 - Fully insured, fully pooled underwriting arrangement
 - Age-banded rates based on gender and smoking status
 - Rating based on Blue Cross' block of business

Basic & Dependent Life experience results	10/1/2013 to 9/30/2014
Paid premium	882,592
Paid claims	711,000
Loss ratio	80.6%

Waiver of Premium reserves (WOP)	as of 9/30/2014
Blue Cross	2,169,844
Aon calculated	1,110,759

Optional Life experience results	10/1/2013 to 9/30/2014
Paid premium	146,647
Paid claims	-
Loss ratio	0.0%

Background

- **Basic AD&D**
 - Fully insured, fully pooled underwriting arrangement with SSQ
 - One rate for all classes - \$0.024 per \$1,000 – increase from \$0.023 at marketing
 - Rating based on a combination of claims experience and demographic changes
- **Voluntary AD&D**
 - Fully insured, fully pooled underwriting arrangement with SSQ
 - Rates depend on single or family status - \$0.025 single / \$0.049 family
 - Available to employee, spouse, children
- **Voluntary Critical Illness (CI)**
 - Fully insured, fully pooled underwriting arrangement with SSQ
 - Age-banded rates based on gender and smoking status for adults and \$0.530 per \$1,000 for children
 - Available to employee, spouse, children

Basic AD&D experience results	10/1/2013 to 1/31/2015
Paid premium	70,054
Paid claims	3,731
Loss ratio	5.3%

Voluntary AD&D experience results	10/1/2013 to 1/31/2015
Paid premium	22,310
Paid claims	-
Loss ratio	0.0%

Voluntary CI experience results	10/1/2013 to 1/31/2015
Paid premium	9,324
Paid claims	10,000
Loss ratio	107.2%

Background

- Long Term Disability (LTD)
 - Fully insured, non-refund accounting underwriting arrangement
 - Non-taxable benefit to disabled
 - One rate for all classes - \$2.485 per \$100 – 30% savings from marketing
 - Rating based on a combination of claims experience, reserves and demographic changes
 - Claims experience since the market study is poor as the volume of new claims has increased substantially

Long Term Disability experience results	10/1/2013 to 9/30/2014
Paid premium	781,417
Paid claims	731,394
Loss ratio	93.6%

Disabled Life reserves (DLR)	as of 9/30/2014
Blue Cross	5,015,080
Aon calculated	4,874,325

Background

- Health Care
 - Fully insured, refund accounting underwriting arrangement
 - \$25,000 large amount pooling (ILAP) for in-Canada claims; 1st dollar pooling for out-of-Canada claims
 - Separate rates for different classes (active and early retirees, retirees)
 - Renewal rating consolidates all experience and determines rating adjustment for whole policy
 - 6.5% savings from marketing

- Travel
 - Fully insured, fully pooled underwriting arrangement
 - Includes emergency health coverage while insured is covered under MCP outside of Newfoundland
 - Same classes and rating groups as with Health Care
 - Same renewal adjustments applied to all classes as with Health Care
 - No rate changes at marketing
 - \$157,686 in Travel premium paid from Oct 1, 2013 – Sep 30, 2014
 - Blue Cross does not release the paid claims figure as this is a fully pooled benefit

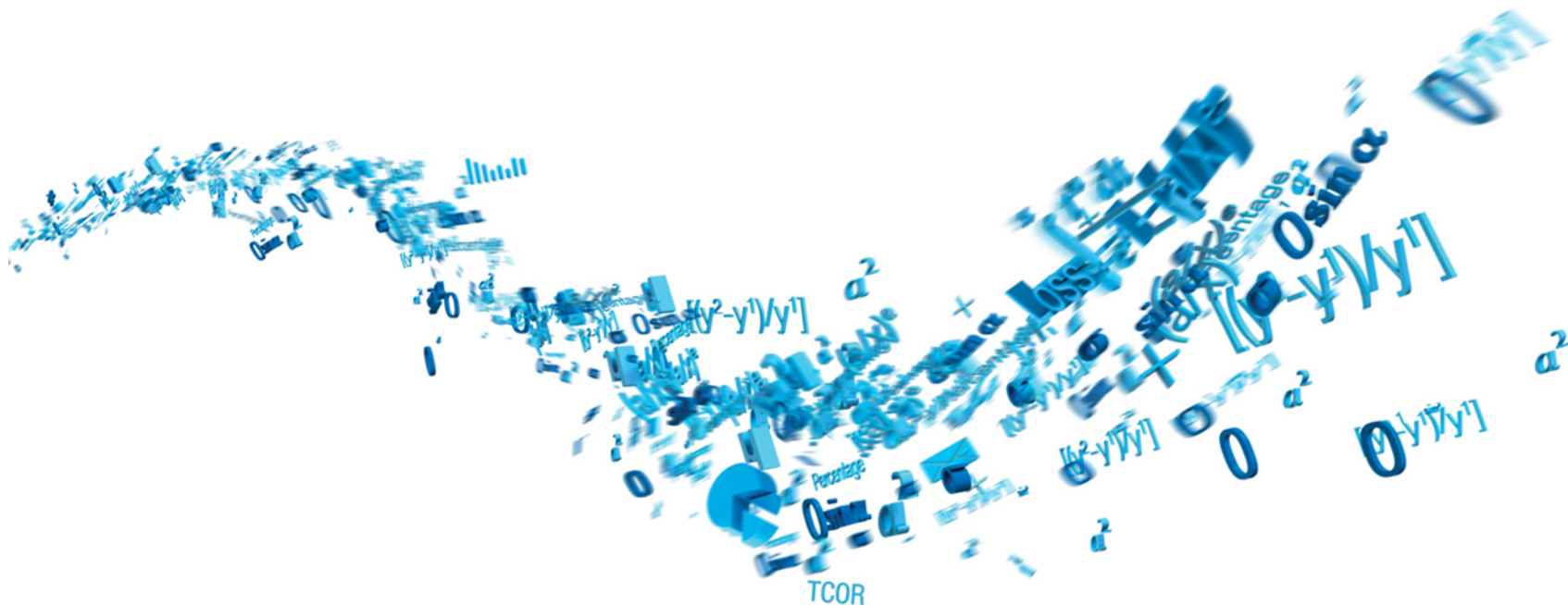
Background

- Optional Dental Care
 - Fully insured underwriting arrangement
 - No pooling provisions
 - Optional benefit available to active employees, early retirees and their surviving spouses
 - One set of single / family rates with 9.7% savings at marketing

Recommendations and Next Steps

- Recommendations
 - Accept negotiated Dental rates
 - Depending on NLP's needs, consider a larger rate decrease for Health and/or a surplus refund while maintaining a fully funded RSF
 - Detailed claims review for Health, Life and LTD to be reviewed Spring 2015

- Next Steps
 - NLP to confirm acceptance, if applicable, of a plan design alternative
 - NLP to confirm desired health rate adjustment to implement and refund amount, if applicable
 - Aon to provide plan design, rating and refund confirmations to Blue Cross
 - Aon to confirm final renewal rates to NLP
 - Update payroll systems for deductions
 - Employee communication regarding payroll deductions and any plan design changes, if applicable



Questions/Thank you

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