

1 Q. **2013 General Rate Application, Operating Expenses**

2 Page 2.21, Table 2.4 - Group Insurance costs increased from \$1.5 million in 2007 to
3 \$2.6 million for 2013 forecast or an increase of 73%. On page 2.23, lines 24-25 it is
4 stated that this increase is due mainly to higher employee salaries and associated
5 life insurance premiums and self-insured expense claim increases for health and
6 dental increases. Provide a detailed breakdown showing the increased costs for
7 each contributing factor to the increase.

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10 A. Table 2.4, p. 2.21, Salary and Benefit Expenses, shows an increase of \$1.5 million
11 from 2007 to 2013 forecast for Group Insurance Expense. While increases were
12 impacted by higher salaries and associated increases in premiums, the cost
13 components used for the comparison in Table 2.4 are different year over year
14 which impacts the amount attributed to increased salaries. To be comparable, the
15 Group Insurance Total Benefits amount for 2007 is restated at \$2.3 M. The overall
16 net effect of the differences on the comparison between 2007 and 2013 forecast is
17 an actual increase of 13% (versus 73% that was submitted on page 2.21, Table 2.4).

18

19 Table 1 summarizes the variances. An explanation of each item follows Table 1 as
20 well as a description of the drivers of change, other than salary increases, on Group
21 Insurance Expense from 2007 to 2013.

Table 1

Summary of Variance on Group Insurance Expense

Description	Amount (in Millions)
Beginning Balance (2007) as stated in Evidence	1.46
Adjustments re similar cost components	
Life Insurance and AD&D	+ 0.65
Recognition of Credit ¹	+ 0.20
Comparable Group Insurance Expense	2.31
Overall impact of Dental	+ 0.25
Overall Impact of Supplemental Health	+ 0.1
Overall Impact of Life Insurance	- 0.06
Ending Balance (2013)	2.6

Life Insurance and AD&D

Group Life and Accident Insurances were excluded in the Group Insurance Expense for 2007 and 2008 but are included in the amounts from 2009 to 2013 forecast. This difference results in a higher percentage change on Group Insurance Expense than would be if the amounts had been consistently reported in 2007 and 2008. To be comparable, Group Life and Accident Insurance costs of \$0.65 million would need to be added to the \$1.5 million reflected in Table 2.4.

Recognition of Credit

The Nalcor Energy Group of Companies receives credits for retiree group benefit deductions from the Pensions Division of the Department of Finance. In 2007, there was a \$0.2 million credit made to the Hydro Group Insurance account¹. The result was a lower Group Insurance Expense for those years than actual experience relating to Hydro. To be comparable, the impact is approximately \$0.2 million that should be added to the \$1.5 million Group Insurance Expense in 2007.

¹ The amount for CF(L)Co was credited to the Hydro Group Insurance account for 2007 and 2008. This amount does not negatively impact Hydro ratepayers as Hydro received a credit that should have been allocated to CF(L)Co.

1 **Dental**

2 The Dental Plan premium rates have steadily increased from 2007 to 2012 as
3 follows: 15% in 2008, 11% in 2011, and 21% in 2012, which translate to an
4 approximate cost increase of \$250,000 over the same period. The rates were
5 driven by the experience of the plan, average cost per paid claim, and a 6%
6 adjustment to the Dental Fee Guide in 2010. Increases in claims experience was
7 partially owing to temporary employees availing of coverage when employed.

8
9 **Supplemental Health**

10 Health Plan premiums increased by 12% from 2007 in 2008. While there have been
11 minor enhancements to the Health Plan since that time (refer to PUB-NLH-040),
12 there were no further premium increases applied since 2008. The 2013 forecast for
13 Health Plan cost reflects an increase of 6% cent, or \$100,000, when compared to
14 2007.

15
16 **Life Insurance**

17 The volume of insured life has increased by 30% from 2007, which is reflective of
18 salary increase in that period. However, expenses relating to life insurances were
19 somewhat offset by a decrease of premium rates over this same period. The total
20 cost of the Life Insurance plan decreased by 10% or approximately \$60,000
21 compared to 2007 costs. This was mainly due to a 37% decrease in the premium
22 rate since 2007. The premium rate dropped in 2010 by 7% and again by 13% in
23 2011 and 22% in 2012. The decrease was attributed to Hydro's favourable claims
24 experience during this period of time.

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26 PUB-NLH-037, Attachment 1 outlines the group insurance premium rates and
27 percentage change for Hydro from 2007 to 2013 forecast.

GROUP INSURANCE PREMIUM RATES 2007 - 2013														
Benefit Component	2007	2008	% Change	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	% Change	% Change 2007 - 2013
Health - Single	\$50.16	\$56.29	12.2%	\$56.29	0.0%	\$56.29	0.0%	\$56.29	0.0%	\$56.29	0.0%	\$56.29	0.0%	12.2%
Health - Family	\$153.67	\$172.34	12.1%	\$172.34	0.0%	\$172.34	0.0%	\$172.34	0.0%	\$172.34	0.0%	\$172.34	0.0%	12.1%
Dental - Single	\$23.44	\$26.91	14.8%	\$26.91	0.0%	\$26.91	0.0%	\$29.92	11.2%	\$36.12	21.0%	\$36.12	0.0%	54.1%
Dental - Family	\$48.70	\$55.91	14.8%	\$55.91	0.0%	\$55.91	0.0%	\$62.17	11.2%	\$75.06	21.0%	\$75.06	0.0%	54.1%
Basic Life Insurance (Per \$1,000)	\$0.323	\$0.323	0.0%	\$0.323	0.0%	\$0.300	-7.1%	\$0.260	-13.3%	\$0.203	-21.9%	\$0.203	0.0%	-37.2%
Basic AD&D (Per \$1,000)	\$0.024	\$0.029	20.8%	\$0.032	10.3%	\$0.032	0.0%	\$0.032	0.0%	\$0.032	0.0%	\$0.032	0.0%	33.3%