



TO: Chair and Members of the Finance & Facilities Committee

FROM: Emily Williams, Chief Executive Officer

DATE: 2022 February 3

---

## CANADA LIFE BENEFITS – RENEWAL RATES

### **Recommendation**

*That the Finance & Facilities Committee make a recommendation to the Board of Health to approve the renewal of the group insurance rates administered by Canada Life as described in Report No. 02-22FFC re: “Canada Life Benefits – Renewal Rates”.*

### **Key Points**

- Middlesex London Health Unit provides employee group benefits from Canada Life and has an annual contract term from January to December. Coverage was extended to January 31, 2022 to allow time to present to the Board of Health for their approval.
- Staff reviewed contract details with AON Hewitt during December 2021. To increase review/approval time, staff asked that future reviews be completed earlier in the year.
- The benefits are administered under two separate policies:
  1. The first policy covers Life, Accidental Death & Dismemberment (AD&D), and Long Term Disability (LTD) which is premium based. Previous years’ rates were guaranteed; this will be the first renewal.
  2. The second policy covers extended health care (EHC - health, drug, vision) and dental which is Administrative Services Only (ASO) based. EHC rates will increase by 5.3% and Dental rates by 10.6% in order to maintain a minimum \$94,000 float (approximately 1.5 months claims and expenses).
- The overall change to MLHU annual premiums is an increase of 7.3% or \$101,685 annually.

### **Background**

Since 2013, MLHU has been insured by Canada Life, formerly Great West Life, in order to provide group benefits to staff. MLHU has partnered with AON Hewitt (Aon), a consulting firm, to assist with negotiations on behalf of the Health Unit. Premium rates were guaranteed and remained constant from 2019 to 2021 but are subject to review/increases beginning in 2022. The proposed rates for 2022 are equal to or less than those rates that were in place for 2018 ([Appendix A](#)).

## Proposed Rate Summary

The following table is a summary of [Appendix B](#) and illustrates an annual increase of 7.3% or \$101,685:

Benefit	Current	Canada Life	AON	Change	Change %
	Premiums	Proposed	Negotiated		
Life	9,363	12,342	10,019	655	7.0%
AD&D	1,083	1,155	1,083	0	0.0%
Long Term Disability	10,842	15,721	11,927	1,084	10.0%
GMA <sup>(1)</sup>	451	451	451	0	0.0%
Medical	60,763	70,333	63,983	3,220	5.3%
Dental	33,146	40,107	36,661	3,514	10.6%
<b>Total Monthly Benefits</b>	<b>115,649</b>	<b>140,110</b>	<b>124,123</b>	<b>8,474</b>	<b>7.3%</b>
<b>Annual Benefits</b>	<b>1,387,788</b>	<b>1,681,318</b>	<b>1,489,473</b>	<b>101,685</b>	<b>7.3%</b>

<sup>(1)</sup> GMA: Group Medical Assistance/Virtual Health Service

### Analysis - Life, AD&D and LTD:

**Life:** Canada Life (CL) required a 31.8% increase to have MLHU's current rate reflect Canada Life's manual rate. Aon's recommendation was largely driven by the change in MLHU's demographics and suggested a 2.7% increase and settled at a 7% increase. Historically, the 2018 rate was \$0.255 and the 2021 rate was \$0.220, with a proposed rate for 2022 of \$0.235 vs. a manual rate of \$0.289.

**AD&D:** CL proposed a 6.7% increase. Aon was able to hold the current rate with no increase. The current rate is \$0.030/\$1000 per month which is competitive. Rates are typically between \$0.03 to \$0.05.

**Long Term Disability:** CL required a 45.0% increase to have MLHU's current rate reflect Canada Life's manual rate. Aon used an internal database to benchmark LTD rates for groups of similar size, demographics, industry and risk category which calculated a 10.0% increase. Historically, the 2018 rate was \$2.890, and the 2021 rate was \$2.460, with a proposed rate for 2022 of \$2.706 vs. a manual rate of \$3.570.

### Analysis – ASO and EHC:

**ASO Expenses:** Calculated on deposit rates that are set based on claims activity for the previous 12 months, expected claims for the following year and the administrative fees incurred under the plan. The administrative fees are also included within [Appendix A](#). CL proposed increases that would have amounted to an annual increase of \$13,200, however, Aon was able to negotiate no increase to the administrative fees.

**Medical:** CL reviewed 12 months of experience and required a combined 15.7% increase (17.6% on Health and 15.6% on Drug and Vision). Aon reviewed 24 months of experience and proposed a combined 6.0% increase and settled at a 5.3% increase. Aon did adjust claim history upwards in both years to account for reduced claims during the COVID-19 pandemic.

**Dental:** CL reviewed 12 months of experience and required a 21.0% increase. Aon reviewed 24 months of experience which revealed a 3.0% increase; however, suggested a 10.6% increase due to trending and analysis. Aon did adjust claim history upwards in both years to account for reduced claims during the COVID-19 pandemic.

## **Conclusion**

MLHU's contract with Canada Life to provide group insurance has been extended to January 31, 2022 and is awaiting Board approval. Based on the number of employees and benefits selected, the premium increase for 2022 is estimated to be \$101,685.

This report was prepared by the Healthy Organization Division.

A handwritten signature in black ink that reads "EWilliams". The signature is written in a cursive style and is positioned above the printed name and title.

Emily Williams, BScN, RN, MBA, CHE  
Chief Executive Officer