



MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 045-18FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2018 November 1

GREAT-WEST LIFE BENEFITS – RENEWAL UPDATE

Recommendation

It is recommended that the Finance & Facilities Committee review and recommend that the Board of Health extend the current renewal period of the group insurance rates administered by Great-West Life, as described in Report No. 045-18FFC re: “Great-West Life Benefits – Renewal Update.”

Key Points

- The Board of Health previously approved the one-year renewal of a group benefits contract with Great-West Life (GWL), effective May 1, 2018.
- Before considering a return to market, MLHU, with the assistance of Aon Hewitt, approached its insurance carrier, GWL, to determine whether current rates could be discounted without going to market, with rate guarantees that would extend beyond the current renewal date of May 1, 2019.
- Preferred annual rates were secured, which will come into effect sooner, on January 1, 2019.
- As part of the renewal, the recommended life insurance premiums would decrease by 13.7% from the current rates; long-term disability (LTD) would decrease by 14.9%; dental premiums would remain flat (0%); and health premiums would remain flat (0%).
- By opting to stay with GWL without going to market, the Health Unit will achieve a reduction of proposed benefit costs throughout 2019, and will be able to defer a lengthy market search and potential migration to new business processes.
- Overall, the annual impact on benefit costs is a decrease of 2.7%, or \$38,414 annually. With a rate guarantee of three years on Life and LTD, MLHU will experience cost savings of up to \$115,242, based on current insurance volumes.

Background

Proposed 2018 renewal rates for group benefits were presented to the Finance & Facilities Committee (FFC) on May 3, 2018. At that time, the Health Unit indicated that it was considering a return to the market to assess whether the Middlesex-London Health Unit's (MLHU) current group insurance rates remain competitive. A request for proposal, if warranted, would target the next renewal period, commencing May 1, 2019. During the FFC discussion on [Report 021-18FFC](#), it was proposed that as a first step, AON approach GWL on behalf of MLHU to determine whether the latter would consider extending a competitive offer.

New Insured Benefit Rates (Life, AD&D, LTD, Pooling Insurance, ASO Expenses)

[Appendix A](#) provides a history of the negotiated rates since moving to GWL. The rates being recommended for 2019 are lower than the pre-marketing rates from February 1, 2012, for Life, AD&D, and LTD. The Life and LTD insurance rates will be guaranteed to remain unchanged for a period of three years following the January 1, 2019 renewal. GWL included a condition that the LTD rates would be subject to an increase of up to 10% in the third year, if the Health Unit experiences more than two open LTD claims prior to January 1, 2021 (there is currently one open LTD claim today). In regard to the increase in Pooling Insurance charges, Aon Hewitt has confirmed that pooling charges have been increasing significantly throughout the insurance

industry, and rates are typically not negotiable. The ASO expense rates (the cost to administer the ASO benefits) will remain unchanged, and will be guaranteed to remain unchanged for an additional two years following the January 1, 2019 renewal.

ASO Benefits (Health and Dental)

These benefits are funded based on actual claims utilization of benefits paid. The Health Unit sets a monthly deposit rate in advance to fund expected claims and expenses, based on actual experience and on Aon Hewitt's analysis of emerging trends. As can be seen in [Appendix B](#), in the first nine months of 2018, there has been a favourable variance in the claims costs related to the premiums paid of \$85,297. Considering this positive variance and the experience of 2017, the current (May 1, 2018) ASO Health and Dental deposit rates will likely remain unchanged until January 1, 2020.

Conclusion

The Health Unit is currently under contract with GWL to provide group insurance to April 30, 2019. In response to a request to submit a revised quote without returning to market, GWL has offered new terms, effective January 1, 2019, with an overall decrease of 2.7%, or \$38,414, in annual benefit costs.

This report was prepared by the Finance Team, Healthy Organization Division.



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