



MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 037-19FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2019 December 5

GREAT-WEST LIFE BENEFITS – RENEWAL UPDATE

Recommendation

It is recommended that the Finance & Facilities Committee review and make recommendation to the Board of Health to approve the extension of the current renewal period of the group insurance rates administered by Great-West Life as described in Report No. 037-18FFC re: “Great-West Life Benefits – Renewal Update”.

Key Points

- Great West Life (GWL) is the insurer of record for Life Insurance, Accidental Death & Dismemberment (AD&D) and Long-Term Disability (LTD) - with exclusion of LTD for ONA-registered employees.
- With assistance from AON Hewitt, the Health Unit secured preferred annual rates effective January 1, 2019 with a rate guarantee of three years on Life and LTD. These preferred rates will remain in effect for 2020.
- The overall change to the annual ASO premium for 2020 is a decrease of 6.9% or \$102,000 which supports the proposed PBMA disinvestment outlined for 2020 as presented in Report No. 33-19FFC.
- At October 31, 2019, cumulative ASO premiums paid exceed total claims paid by \$465,267.

Background

In 2018, The Health Unit, with the assistance of AON Hewitt, approached the insurance carrier of record, GWL to determine whether current rates could be discounted in the absence of a marketing, with rate guarantees that would extend beyond the scheduled renewal date of May 1, 2019. Preferred annual rates were secured which went into effect sooner on January 1, 2019.

Insured Benefit Rates (Life, AD&D, LTD)

[Appendix A](#) provides a summary of the negotiated rates since moving to GWL. The rates being recommended for 2020 remain level with 2019 rates and are lower than pre-marketing rates of February 1, 2012 for Life, AD&D and LTD. The Life and LTD insurance rates will be guaranteed to remain unchanged until January 1, 2021. GWL included a condition that the LTD rates would be subject to an increase of up to 10% in the 3rd year (2021) if the Health Unit experiences more than 2 open LTD claims at the time the renewal is produced. Otherwise, rates would be extended unchanged for the 3rd year.

Pooling Charges

GWL proposes the pooling charge changes to 14.06% from 14.35% for active employees and to 18.76% from 15.88% for retirees, for an annual increase of approximately \$400.

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 as well as AON's recommendation of emerging trends. At October 31, 2019, cumulative ASO premiums paid exceeded total claims paid by \$465,267. Because of this surplus, the Health Unit has an opportunity to withdraw up to \$265,000 of the over-contribution and is also eligible for a 6.9% or \$102,000 premium reduction for 2020.

Conclusion

The Health Unit is currently under contract with GWL to provide group insurance to December 31, 2019. This proposal is intended to renew insured benefits at the same rates currently in effect for Life, AD&D and LTD for 2020. These rates remain under guarantee until January 1, 2022. In addition, ASO premiums will be reduced by 6.9% or \$102,000 in 2020.

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



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