



TO: Chair and Members of the Board of Health

FROM: Bryna Warshawsky, Acting Medical Officer of Health

DATE: 2012 November 15

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## **EMPLOYEE GROUP INSURANCE CONTRACT**

### ***Recommendation***

***It is recommended that the Board of Health award a contract to provide Employee Group Insurance Benefits to Great-West Life Insurance Company effective February 1, 2013.***

### **Key Points**

- On behalf of the Health Unit, Aon Hewitt managed a Request for Proposal for employee group insurance benefits.
- If approved by the Board of Health, the administration of group insurance benefits would be changed from Manulife Financial to Great-West Life Insurance Co.
- This would result in an estimated cost reduction of \$39,628, which has been incorporated in the 2013 budget estimates.

### **Background**

Currently, Manulife Financial provides the employee group insurance benefits at the Health Unit, with the exception of Long Term Disability benefits for the Ontario Nurses Association (ONA) members. In 2004, ONA retained their own broker and decided to change the insurance carrier for Long Term Disability to RBC Insurance. Long Term Disability premiums are paid by employees through payroll deductions. All other employee benefits and premiums are paid 100% by the Health Unit. This includes life and accidental death and dismemberment insurance, travel insurance, dental benefits and group health (which includes prescription drugs, supplemental health, eye examinations and other vision-related care).

Aon Hewitt is the Health Unit's broker who provides benefit plan administration, which includes market research and competitive pricing analysis for group insurance contract renewals. In the past 12 years, due to mergers and acquisitions, the Health Unit has had three different insurance companies providing benefits. First, Liberty Health was purchased by Maritime Life, then Maritime Life was purchased by Manulife Financial. Earlier this year, after consultations with Aon Hewitt, the Health Unit decided to seek formal proposals for the delivery of group insurance benefits.

### **Procurement Process**

As the Health Unit's broker, Aon Hewitt led the Request for Proposal (RFP) process which began in May of this year. The Request for Proposal was provided to eight group insurance providers. Responses were received from five of the eight group insurance providers. Of these, four were selected for evaluation, as the fifth group insurance provider submitted a proposal for group health and dental benefits, and travel insurance only. The evaluation committee consisted of members from Aon Hewitt, Human Resources and Labour Relations, and Finance & Operation Services. The submissions were evaluated based on predetermined criteria which included the following:

- [40%] Competitive Pricing (e.g. insured rates, pooling charges, expenses, etc.)
- [25%] Superior customer service and support
- [10%] Ability to effectively manage Long Term Disability claims
- [10%] Ability to administer the current plan designs
- [15%] Proven track record in ongoing administration capabilities, including employee self-serve options, employer access to make enrolment changes and view coverage through on-line administration services, and other technological considerations.

Each of the four proponents was required to provide a presentation to the evaluation committee on October 11, 2012. Table 1 below provides the results of the evaluation. As can be seen, Great-West Life Insurance Company ranked the highest in the overall evaluation and also provided estimated cost reductions for the Health Unit of \$39,628 resulting from both lower insurance premiums and administrative costs. In addition, employees (except ONA members) will see savings in premiums for Long Term Disability insurance. The estimated cost reductions have been considered in the Health Unit's 2013 budget estimates.

**Table 1 – Results of the Request for Proposal Process**

	<b>Manulife Financial</b>	<b>Great-West Life</b>	<b>Sun Life Financial</b>	<b>Equitable Life</b>
Estimated Savings				
Premium Based <sup>1</sup>	\$ 28,594	\$ 32,779	\$ 20,089	\$ 24,692
Benefit Admin. Expense	10,266	6,849	2,775	12,193
<b>Total estimated savings for the Health Unit</b>	<b>\$ 38,860</b>	<b>\$ 39,628</b>	<b>\$ 22,864</b>	<b>\$ 36,885</b>
Evaluation Rank	2	1	4	3

1) Only includes estimated savings for lower premiums on Life and Accidental Death and Dismemberment insurance. Long Term Disability premium savings go directly to employees.

In order to implement the changes and communicate to staff well in advance of the conversion, it is important that the Board of Health endorse this decision at this time. Implementation will begin immediately after Board of Health approval.

## **Conclusion**

Rather than undergoing the annual renewal process, staff worked with Aon Hewitt to obtain formal proposals for the delivery of group benefits. Aon Hewitt, as the Health Unit's broker, managed the Request for Proposal process. The process has been completed and will result in cost-savings. It is recommended that the Board of Health approve the contract to Great-West Life Insurance Company.

This report was prepared by Ms. Louise Tyler, Director, Human Resources and Labour Relations, and Mr. John Millson, Director, Finance & Operations.



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Acting Medical Officer of Health

**This report addresses** the following requirement(s) of  
Policy #4-025 Procurement, as outlined in the MLHU Administration Policy Manual.