

Report HRR-CS-02-16

To: Chair Eccles and Members of the Corporate Services Committee
From: Sandra Shipley, Human Resources Manager
Meeting Date: February 9, 2016
Subject: **2016 Employee Group Benefits Renewal**
Status: Recommendation adopted by Committee as presented per Resolution CS26-16; Endorsed by County Council March 1, 2016 per Resolution CC33-16;

Recommendation(s)

THAT Report HRR-CS-02-16 regarding the 2016 employee group benefit program renewal be received;

AND THAT the insurance policies with AIG Insurance and Sun Life Financial be renewed for the period of January 1 to December 31, 2016 at the proposed premium level.

Background

The employee group benefit program for Grey County is underwritten by Sun Life Financial and AIG Insurance. Mosey and Mosey Benefit Consultants is the County's Agent of Record.

- Accidental Death and Dismemberment (AD&D) benefits are underwritten by AIG
- Basic life, insured short term disability (STD), long term disability (LTD), extended health care and dental are underwritten by Sun Life

In May 2013 Mosey and Mosey conducted a full market study and as a result, the County moved its health and dental coverage from Green Shield Canada to Sun Life. Not only did the County receive significant savings in premiums, but the consolidation of the majority of benefits under one insurance carrier resulted in reduced administration as there is one insurer to deal with for benefits, one bill, one employee booklet, etc.

The breakdown of employee groups covered by insured benefit type is outlined in the

following chart. These figures are as of the December 1, 2015 billing. The amount of benefit coverage varies by employee group:

Number of Employees Insured by Benefit Type

GROUP	LIFE	AD&D	STD	LTD	HEALTH	DENTAL
OPSEU Lee Manor	67	67	*	66	65	66
OPSEU Lee Manor Retirees	n/a	n/a	n/a	n/a	2	2
Non Union	162	162	162	160	161	161
Non Union Retirees	9	n/a	n/a	n/a	6	6
OPSEU Paramedics	66	66	*	65	66	66
OPSEU Paramedic Retirees	5	n/a	n/a	n/a	5	5
UNIFOR	43	43	*	42	42	42
ONA Rockwood Terr.	4	4	*	4	4	4
ONA Grey Gables	3	3	*	3	3	3
OPSEU Social Services	43	43	43	43	42	42
OPSEU Social Services Retirees	3	n/a	n/a	n/a	3	3
CUPE	39	39	39	39	39	39
CUPE Retirees	4	n/a	n/a	n/a	4	4
OPSEU Grey Gables	26	26	*	26	25	25
ONA Lee Manor	3	n/a	*	3	3	3
TOTAL	477	453	244	451	470	471

*this benefit is self-insured

2016 Group Benefit Renewal

For 2016, benefit costs were reviewed two ways. First, Mosey and Mosey approached the current carrier, Sun Life. As part of the annual renewal process, Mosey and Mosey reviewed proposed premium adjustments and entered into negotiations with them. The results are summarized in the table on the next page.

The Projected 2016 costs were prepared by Mosey and Mosey based on claim costs for the period of September 1, 2014 to May 31, 2015 (annualized) and were used during the preparation of the 2016 budget. Negotiated renewal costs are based on claim costs for the period of September 1, 2014 to August 31, 2015.

Sun Life Insurance Renewal Comparison

Benefits	Current Monthly Premium	Projected 2016 Costs (used for 2016 Budget)		Negotiated Renewal Costs January 1, 2016	
		Rate Change	Monthly Premium	Rate Change	Monthly Premium
Basic Life	\$12,099	+7.0%	\$12,946	-19.8%	\$9,705
AD&D	1,278	N/C	1,278	N/C	1,278
LTD	73,733	+7.0%	78,894	-6.1%	69,235
STD	13,824	+10.0%	15,206	-10.0%	12,453
Ext Health	120,188	+7.2%	128,842	+4.3%	125,321
Dental	38,197	+9.5%	41,826	+7.9%	41,204
Monthly Cost	\$259,319		\$278,992		\$259,197
Monthly Cost including PST	\$280,064	+7.5%	\$301,311	N/C	\$279,932
Change in Current Annual Premium			\$254,964		(\$1,583)

Second, to confirm that Sun Life's pricing was the most competitive, Mosey and Mosey marketed all benefits with the exception of the Accidental Death and Dismemberment (AD&D) benefit. A Request for Proposal (RFP) detailing plan design, claims experience history, premium rate history and current employee data was sent to 11 insurers. Quotations covering all benefits were received from three (3) insurers and two (2) quotations were received covering some of the benefits.

The six (6) insurers declining to provide a quote cited one or more of the following reasons:

- Inability to provide a cost more competitive than the current rates
- Inability to duplicate the current level of benefits and contractual provisions
- Unfavourable long term disability experience
- Nature of business outside their target market

Mosey and Mosey have reviewed in detail each submitted quotation and have compared the quoted costs with the 2016 negotiated Sun Life costs. While the County could see savings of up to 7.3% in the first year, Mosey and Mosey's analysis shows that the proposed rates are underfunded, particularly for short term disability, health and dental benefits. This means that once the 16 month rate guarantee on these benefits ends, the insurer will have to propose rates to support the claims experience just as any insurer would. Mosey and Mosey believe that the overall underfunding for these three benefits for the insurer offering the largest overall decrease in premiums is 16.8%. While the County would enjoy a brief period of savings, there would ultimately be a catch up year to bring the premiums back in line where they need to be.

Accepting the renewal rates and keeping the employee group benefits insured with Sun Life keeps the expenditures at a stable rate and avoids additional administration costs involved with transferring to a new insurer. While Mosey and Mosey do a lot of work with the transfer, it takes a lot of County staff time to ensure a smooth transition. The additional staff time and dealing with the multitude of employee concerns that arise when changing carriers is recommended only when the savings are significant and sustainable.

One of the biggest challenges facing employers is the rising cost of group benefits and, in particular, prescription drugs. Sun Life has prepared information on the changes in the prescription drug landscape and how that is affecting the rising cost of premiums. The information is attached.

Financial/Staffing/Legal/Information Technology Considerations

There is no increase to the overall premium to renew the group benefit policies with Sun Life Financial and AIG Insurance. The annual cost for benefits insured with Sun Life is approximately \$3,359,184 including provincial sales tax and the annual cost for Accidental Death and Dismemberment premiums with AIG is approximately \$16,711 including provincial sales tax. The 2016 budget was prepared with an estimated increase to group benefits of 7.5%, based on Mosey and Mosey's projections as of May 31, 2015. This equates to gross expenditure savings of approximately \$250,000.

Link to Strategic Goals/Priorities

Providing a comprehensive benefit package to employees is part of Goal 2.8 of the Corporate Strategic Plan: Develop and implement a corporate wellness program that promotes active living, disease prevention/management, and healthy workplace initiatives for county employees.

Attachment

[Attachment to Report HRR-CS-02-16](#)

Respectfully submitted by,

Sandra Shipley
Human Resources Manager

Director Sign Off: *Grant McLevy, Director, Human Resources*