



Smart Choices Simplified:

Your Guide to Selecting the Ideal Experience-Rated Plan

Better Benefits

ClearBenefits.ca is a web-based Group Benefits Provider that develops, distributes and manages exclusive Group Benefits Programs.

Starting as a brokerage, we developed products and services that deliver what you expect a benefits plan should be.

- **Pooled** - ideal for clients wanting premium coverage with stable, predictable rates
- **Experience Rated** - experience-rated plans leveraging ClearBenefits.ca buying power
- **Group Retirement** - great way to add to your employee compensation



Our Approach

An informed client is better equipped to make decisions regarding their employee benefits plan.

Providing the best tools and information necessary to help you make the best choices for your business.



Why Offer a Benefits Plan?

Popular

Most employers would like to offer their staff a Group Benefits plan. It may be something you have thought about, or has already been promised to your staff.

Group Benefits are a vital part of a competitive compensation package, making it easier to attract and retain valued employees, providing affordable access to healthcare.

Healthy employees can be more productive, less stressed, have fewer sick days, which can result in less disruption to your business.

Affordable

Employers are pleasantly surprised with how affordable a benefits plan can be as it can be more cost-effective than a cash raise. Benefits can be a tax-deduction to your company and a tax-free benefit to your employees.

Valued

The value of benefits is remembered long after a raise would have been forgotten. Staff can feel a higher level of value and respect resulting in a higher degree of company loyalty.

Importance of Employee Retention

Many employers make long term commitments to their staff. Skilled workers are the top of the pay scale of most industries due to their skills, education and training.

Employers have a vested interest in keeping workers as they are the economic backbone of a company, making employee retention important.



Coverage Options

Group Benefits plans can include combinations of:

Catastrophic Benefits: Insures “Unexpected Events” that can have catastrophic financial effects

- Life Insurance
- Accidental Death & Dismemberment
- Dependent Life
- Optional Life Insurance
- Critical Illness Insurance
- Short Term Disability
- Long Term Disability
- Emergency Travel Medical Assistance

Experience Based Benefits: Insures usage-based benefits:

- Prescription Drugs
- Health Benefits (Paramedical, medical equipment...)
- Vision Care
- Dental Benefits
- Employee Assistance Programs



Selecting the Right Structure

There is no one “right” approach to benefits

The most appropriate plan for your circumstances depends on how you answer the following questions:

- How important is it for you to be able to reasonably budget for benefits costs?
- How much risk you are willing to assume?
- Would you prefer to transfer risk to the insurer?

Pooled Programs

Pooled plans are a great choice for groups of 3—20+ employees looking for rate stability.

If you want a plan that is easy to budget for, you have no current benefits plan, are experiencing change, growth or staffing fluctuations, then we [recommend](#) one of our pooled programs.

These will most often provide you with the best opportunity for stable premiums, quality coverage, simple to administer and are the easiest to budget for.

Experience Rated Program

Appropriate for clients that prefer a plan where rates are based on their own claims experience.

[ClearBenefits.ca](#) program features pooled (wholesale) TLR's (administration costs) which can lower rates.

Our focus is to help provide the best opportunity for stable rates and long term risk-management through a balance of plan design and proper funding levels.

Selecting the right program is important to the long term stability and success of your benefits program.

*ClearBenefits.ca Pooled Group Benefits Programs underwritten by Co-operators Life Insurance Company



Choosing an Experience-Rated Plan

What is an Experience-Rated Plan?

Rates are adjusted annually for the next 12 months based on a changes in demographics and a weighted average of the previous 3 years claims experience.

You can expect changes in premiums each year as a result of changes in:

- Average age
- Gender
- Occupations
- Volume of insurance
- Family status of your employees
- Claims experience
- Inflation trends

Occupations help determine the risk class for pooled benefits.

A higher volume of insurance will reduce some of the pooled rates while increasing others.



Features & Considerations

The advantage of an experience-rated plan is the flexibility to customize coverage in a way you feel is important for the needs of your company and staff.

- Ability to customize benefits, coverage terms, eligibility etc.
- Though a 3 month waiting period is most common, you can have different waiting periods for different classes of employees
- It is important to maintain quality coverage as strong definitions can provide solid and reliable coverage when claims arise.
- While 75% employee participation is generally required for groups of 10+, it is preferable from an employer standpoint to have 100% participation.

Other Important Points:

- Prescription Drugs and Dental Care are the two most utilized benefits. It is important to structure coverage to limit risk and encourage appropriate use of these benefits.
- Custom, experience-rated plans usually cost more as there are additional costs involved in the quoting, set-up and administration of a custom plan. Traditionally, the less staff you have, the higher the administration costs.
- Rates tend to be more volatile as they are based on the fluctuating claims experience of your group.



Plan Cost

Premiums for experience-rated plans are determined by a variety of factors in order to determine the correct rates for your business each year.

Cost sharing

Most employers share the cost of a plan with their employees (this will vary by region). We find if the employer's portion of the monthly premium is approx. 2.5—3.5% of payroll (based on a 50/50 cost sharing with the employees), both the employer and the employees are comfortable and feel they are getting good value.

Our plans will allow for as low as 25% employer contributions.

Alternatively, some employers share the cost of a plan by paying for the Extended Health and Dental portions of a plan. Employees should still pay the Life Insurance & Disability portions of their coverage in order to ensure these benefits would be paid tax-free in the even of a claim.

Extended Health and & Dental Premiums can be tax-deductible to the company, and a tax-free benefit to employees.



Quoting Process

Agent of Record

This letter appoints your broker as the “Agent of Record” and lets the insurers know this is the broker you have chosen to work with and has authorization to obtain quotes on your behalf.

ClearBenefits.ca Plan Finder

This is an online fact-finding tool that helps document your priorities and clarify a whether pooled or experience-rated plan is the ideal approach for your situation.

Plan Design

Building or choosing a plan design requires careful consideration in order to balance:

- Competitive coverage
- Affordability
- Rate stability

We recommend submitting 3 plan designs for quoting (high, middle & low options)
Remember, you can start with one level of coverage and adjust it later if needed.

Submitting Quotes

The broker then submits the quotes for processing.

This can take:

- 3—7 business days for smaller cases
- Up to 21 business days for larger cases

Once the broker receives the quotes, they will be summarized and presented for your review.



Quoting Information

Information tells us a story, enabling us to create the right solution

Getting involved in a Group Benefits program is different than purchasing a commodity.

Most consumers are familiar with purchasing commodities and supplies on a one-time transactional basis. If the customer chooses to change suppliers, previous buying patterns have no bearing on the pricing with the next supplier.

Group Benefits is like auto, home and commercial insurance where previous claims history follows the client to the new provider in order to properly assess risk. Providers will not quote on an unknown risk when the information is available.

What the Information Illustrates:

- Was the reason for a rate increase due to inflation trend, teaser rates or increased usage?
- Resizing / layoffs – increased usage if staff are afraid of losing coverage
- Turnover – problem with the waiting period?
- Affordability
- Unnecessary risk
- Recent hiring
- Plan design
- High-value claims



Quoting Information (con't)

Business Information:

- Business name
- Address
- Email
- Website
- Name & position of person requesting the quote

Why do we ask for employee information?

- Average age - is someone older than the termination age of the current plan?
- Province of residence - each provincial medical plan has different coverage – as Extended Health plans pick-up where provincial plans leave off, rates are different per province
- Dental rates are different in each province
- Family status – accurate rates – esp. couples vs. family
- Job description – is that occupation eligible for all benefits?
- Employment start dates – long term staff or high turnover, recent hiring
- Incomes are for 2 purposes – disability benefits & measuring affordability
- Hours worked – help create definition of “permanent full-time” you want to provide coverage to



Quoting Information (con't)

Why do we ask for the most recent renewal – including rates & claims?

- Creates understanding of your current situation
- Can tell if you were provided artificially low “teaser rates” that may have created an unrealistic expectation of what your level of benefits should have cost.
- Is this a 1st year renewal?
- If a company changes providers frequently – why?
- Does the client have higher or lower than typical usage
- Prior years experience tells us if there is an upward or downward claiming trend

Billing Statement?

- Does the information match the employee information?
- Do the volumes of coverage match the employee information?
- Are there differences in the family status compared to the employee information?

Booklet with Current Plan Design

- Has the plan kept pace with changing consumer trends?
- Does it manage drug risk?
- Is coverage over-weighted in some areas and need to be rebalanced?
- Are there multiple classes of staff?



Choosing the Plan

Have you been told your claims are too high?

Most plans where we see large rate increases the client is told their claims were too high.

In almost every case we find is not that the claims were too high, but that the quoted rates were too low and created an unrealistic expectation of what that level of benefits should have cost in the first place.

Avoid Low Initial Prices

Selecting a plan with rates significantly below the average can indicate underfunding, leading to steep increases in renewal premiums.

Choosing the lowest cost plan may result in inadequate coverage, adversely affecting employee satisfaction and possibly leading to higher turnover.

Plans with lower initial costs may not adequately cover the actual claims, necessitating significant adjustments at renewal.

Seek Stable Long-Term Rates

Choosing a plan priced around the average of all quotes can help keep your costs more stable.



Average Cost Approach

Set Your Plan up for Success

ClearBenefits.ca "Average Cost Approach" has a long track-record of delivering the best rate stability possible to experience-rated plans.

Quotes

ClearBenefits.ca requests fully funded rates. This is the basis for everything else to work properly.

Summarizing the Quotes

- Eliminate the lowest quote as it is likely underfunded
- Eliminate the highest quote as it is likely overfunded
- Select the middle 3 quotes
- The average of the middle 3 quotes is likely to provide the best opportunity for rate stability

Selecting the Carrier

This is the last step in the decision process. Once the carrier is chosen, they are typically pleased to match the rates presented in the "Average Cost Summary"

From there, the enrollment and onboarding process begins.



What to Expect at Renewal

A properly priced and structured plan provides the best opportunity for rate stability.

An artificially low initial premium inevitably leads to initially abnormal premium increases the following years as the insurer needs to bring the premiums into line with the actual cost.

Extended Health and Dental

You can expect changes in renewal rates each year as a result of:

- Discount recapture (as applicable)
- Establishing IBNR Reserve
- Claims experience
- Inflation trend: Dental - approx. 6 - 9% per year
- Inflation trend: Extended Health & Prescription Drugs - approx. 11 - 13% per year
- Changes in the average age, genders, occupation, insurance volume and family status of staff

There is usually very little difference in rates between carriers by the time you have had your experience-rated plan 2—3 years. A properly priced and efficient plan design is the most effective method of containing and managing the premiums for these types of plans.

Life, AD&D, Dependent Life, Disability Insurance, Critical Illness

These are usually fully pooled benefits. Rates are based on the demographics of the group (age, volumes, gender, occupation). The insurer's claims experience of its pool impacts these rates.



What to Expect at Renewal (con't)

Extended Health Care, Prescription Drugs, Dental Care

Depending on the size of the group and length of time with the current carrier, premiums for these benefits may be semi-pooled initially, gradually becoming solely based on the claims experience of the individual group.

The larger the group, the sooner rates are based entirely on your own claims experience.

Demographics

A lower average age can help decrease pooled and health rates. Occupations help determine the risk class for pooled benefits. A higher volume of insurance will reduce some of the pooled rates while increasing others.

It is important to structure the plan in a way that encourages normal usage of the plan:

- Start with a plan you can grow with
- Expand coverage at a future date in place of a raise
- Use of co-insurance to help encourage stable claiming patterns
- Waiting period for new employees



What to Expect at Renewal (con't)

Case Study

Here is an actual case where the current renewal was very fair and properly priced at 8.77%.

The client was approached with options for lower rates however was concerned about what would happen at renewal. We did the analysis projecting next year's renewal based on claims remaining the same but lower premiums. You can see the results below.

8.77% Overall % Increase before demographic changes

Example 1:

29.89% Overall % Increase before demographic changes

Illustrates effect at renewal of:

- Same Claims as Previous Year
- **10.00%** Marketing Discount from Previous Year Premiums
- Re-establishing of IBNR

Example 2:

46.13% Overall % Increase before demographic changes

Illustrates effect at renewal of:

- Same Claims as Previous Year
- **20.00%** Marketing Discount from Previous Year Premiums
- Re-establishing of IBNR

Life, AD&D, Dependent Life, Disability Insurance, Critical Illness

These are normally fully pooled benefits. Rates are based on the demographics of the group (ie. age, volume of insurance, gender and occupation). The insurer's claims experience of its overall pool for these benefits also has an impact on rates.

Extended Health Care, Drugs, Dental Care

Depending on the size of the group, premiums for these benefits are partially based on inflation trend, experience of the individual group, and can partly pooled. For a larger group, premiums for these benefits can be based on being semi-pooled initially and gradually become based solely on the experience of the individual group.

Effects of demographic changes

A decrease in the average age can put **downward** pressure on pooled, health & dental rates.

An increase in the average age can put **upward** pressure on pooled, health & dental rates.

No change in the average age can have a **neutral** effect on pooled, health & dental rates.

Effects of changes in the # of employees

An increase in the # of employees age can put **downward** pressure on pooled, health & dental rates.

A decrease in the # of employees can put **upward** pressure on pooled, health & dental rates.

No change in the # of employees can have a **neutral** effect on pooled, health & dental rates.

Effects of changes in claims

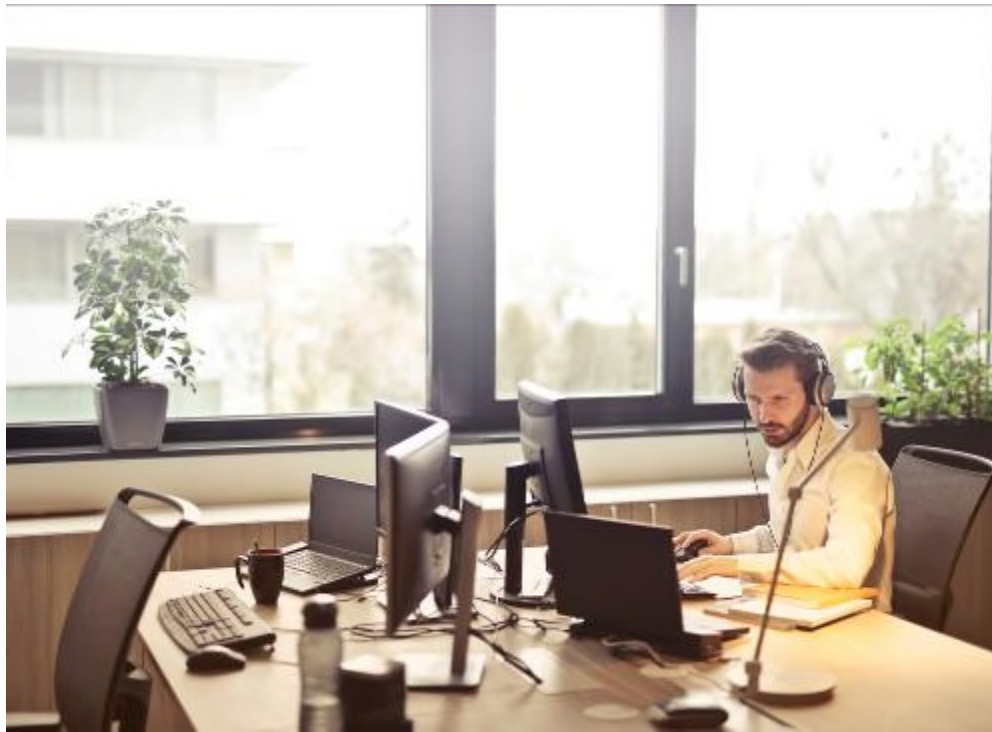
An increase in claims as a % of paid premiums can put **upward** pressure on health & dental rates.

A decrease in claims as a % of paid premiums can put **downward** pressure on health & dental rates.

No change in claims % can have a **neutral** effect on health & dental rates.

Effects of employee turnover

If you have a high level of staff turnover, this can change the # of employees, average ages, family status and claiming patterns. From an insurer perspective, a group with more than 15% change in staff can void any rate guarantees and positive claims history as this will change the risk profile of the group. A lower than average claims history will not be as relevant in calculating renewal rates.



Service

[ClearBenefits.ca](#) service includes:

- Initial plan design & carrier selection
- Enrolment support
- Benefit summary & communication for Employees
- Administrator support
- Comprehensive structured service plan
- Claims support
- Cost containment support
- Help ensure you are paying fair and responsibly priced premiums.
- Periodic information updates

[ClearBenefits.ca](#) makes it easier for you to:

- Maintain your plan
- Keep benefits current
- Administer your plan smoothly

[ClearBenefits.ca](#) **Service System**

Our structured approach is designed to help ensure your plan meets your company's needs, runs smoothly, keeping benefits current while containing costs and effectively eliminating common administrative issues that can arise.

About Us:

ClearBenefits.ca is a web-based Group Benefits provider that develops, distributes and manages a comprehensive range of pooled and experience-based Group Benefits programs.

ClearBenefits.ca works with you to help ensure the right plan for your situation, providing quality, affordable benefits that meet your needs within a comfortable budget.

Programs - Pooled*

Our pooled programs offer a "true insurance" approach to benefits through a spread of risk that is consistent with clients' expectations. Focusing on long term risk management has resulted in a history of rate stability.

- [Essentials Benefits Program](#) (3—20+) (most affordable)
- [Lifestyle Benefits Program](#) (3—20+) (contemporary, healthy lifestyle-focused coverage)

Features:

- No medical questions required
- Portability between programs
- Smart Phone App
- Pay Direct Drug & Dental
- Online, email, or mail submission for all other Extended Health claims
- On-line administration
- On-line employee web access
- Exclusive to [ClearBenefits.ca](#)
- Underwritten by The Co-operators
- Service available locally and nationally

Options:

- Critical Illness
- Employee Assistance Program - Solarah
- Second Opinion Consult - WorldCare
- ContinYou - Individual health and dental conversion coverage - The Co-operators
- Health Care Spending Accounts
- Cost Plus

Experience-Based Program

- Rates are based on your own company's claims experience
- Lower fees through [ClearBenefits.ca](#) pooled TLR's
- Enhanced plan design flexibility

Programs - Other

- [Group RRSP Program**](#)

* Pooled Group Benefits Programs underwritten by Co-operators Life Insurance Company

** Group Retirement Plans - administered by The Co-operators