

Meeting Date: October 21, 2019
Department: Chief Administrative Officer
Prepared By: Doug Payne, Manager of Human Resources
Approved By: Greg McClinchey, Chief Administrative Officer
SUBJECT: Pooled Benefit Carrier Change (Life and Disability Only)

RECOMMENDATION: **THAT: Council approves to: (1) change pooled benefit insurer from La Capitale to Great West Life effective January 1, 2020; (2) Change funding of the short-term disability model with Great West Life to *advise to pay*. (Self-insured).**

BACKGROUND

Our benefits provider Selectpath recently entered into an agreement with Green Shield and Great West Life (GWL) to offer Great West Life pooled benefits (life and disability) through the Green Shield Canada's platform. Selectpath sought a new vendor to replace La Capitale for their book of business based on certain service level concerns. The Municipality of Strathroy-Caradoc has experienced some less than adequate service levels on several disability claims so the notion of changing providers/structure was explored as a possible remedy.

It should be noted that Great West Life is one of the largest insurers in Canada and is generally recognized within the industry as a leader in terms of disability claims underwriting employer and employee experiences. In this context, the Municipality directed Selectpath to approach Great West Life for a quote on our offerings and Selectpath successfully negotiated a savings of 8.63% (approximately \$25,000 annually) and a rate guarantee period of 28-months on life, AD&D and long-term disability (LTD). Short term disability was quoted with a 16-month rate guarantee.

The proposal to carrier change is not simply a matter of costs. In fact, the service delays in underwriting claims and the employee and employer experience were part of the discussion at the staff level. Also, it should be noted that any change of carrier will be done at the carrier level and there will not be a re-enrolment of employees which means Municipal employees will receive the benefits without inconvenience.

There are three areas of differentiation within the Great West Life and La Capitale contracts. Two of these are policy improvements and one could be a continual cost to the Municipality.

1. LTD for Police officers would have a termination age of age 65 vs. La Capitale at age 60;
2. GWL offers Best Doctors Second Opinion service at no additional cost; and.

3. GWL does not waive AD&D premium. With this difference, if an employee became long term disabled, the AD&D benefit cost would continue to be an expense to the Municipality. The rate is only \$0.05/\$1,000 so the exposure is not large. As an example, on a disabled employee with a \$50,000 income, the cost would continue at \$5/month.

With respect to the short term disability program, wstaff recommend that Council consider an advice to pay (self-insured) option with Great West Life. The insurer would adjudicate the claim (at a cost) and then advise payroll of how long to pay the employee for that particular claim. This option would create one payment point for the employee and streamline the process for the Municipality. Further to the simplification of process, based on past claims history, the Municipality could benefit from the change in funding structure.

Since December of 2015, the Municipality has paid short term disability premiums of approximately \$275,856 while having claims of just \$143,185. Under a self-insured model, the Municipality will not pay regular premiums just the cost of claims as they occur. From the above example, outside of the adjudication fees (\$150/hour), savings show at over \$132,000 over the retrospective term.

Strathroy-Caradoc has, since commencing with Selectpath, introduced self-funding on the health and dental program with fiscally positive results. It should be noted that the policy has not seen an increase to health or dental rates since 2014 while building an insurance reserve of \$280,812 as a consequence of this structure.

CONSULTATION

Selectpath Benefits & Financial INC
Director of Financial Services

FINANCIAL IMPLICATIONS

Overall savings based on the assumptions noted above

ATTACHEMENTS

Selectpath Benefits & Financial Inc - Analysis of Quotation – Plan Design Comparison

A REPORT & RECOMMENDATIONS
ON EMPLOYEE BENEFITS FOR

**Municipality of
Strathroy-Caradoc**

SELECTPATH BENEFITS & FINANCIAL INC.

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Kevin L. Routley, GBA, REBC, R
Employee Benefits Specialist

ANALYSIS OF QUOTATION – PLAN DESIGN COMPARISON

Class 1 – Volunteer Fire Fighters
 Class 2 – Council
 Class 3 – Mayor
 Class 4 – Non Union Employees
 Class 5 – Police Officers
 Class – 6 Retired Management Personnel
 Class – 7 Sr. Police Management

Class 8 – CUPE REC
 Class 9 – Other CUPE
 Class – 10 CUPE Volunteer Fire Fighters
 Class 11 – Police Civilians
 Class 12 – Part Time Police Civilians & Part
 Time Police Civilians with Retiree H&D
 Class 13 – Department Heads

Life Insurance	Great-West Life	LaCapitale
Schedule	Class 1, 2: Flat \$50,000 Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 200% of annual salary Class 6: Equal to amount in force on day prior to retirement Class 12: Flat \$10,000	Class 1, 2: Flat \$50,000 Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 200% of annual salary Class 6: Equal to amount in force on day prior to retirement Class 12: Flat \$10,000
Maximum Benefit	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 7, 13: \$300,000 Class 5: \$250,000 Class 6: Equal to amount in force on day prior to retirement Class 8, 9, 10: \$150,000 Class 12: \$10,000	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 7, 13: \$300,000 Class 5: \$250,000 Class 6: Equal to amount in force on day prior to retirement Class 8, 9, 10: \$150,000 Class 12: \$10,000
Non-Evidence Maximum	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 7, 13: \$300,000 Class 5: \$250,000 Class 6: n/a Class 8, 9, 10: \$150,000 Class 12: \$10,000	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 7, 13: \$300,000 Class 5: \$250,000 Class 6: n/a Class 8, 9, 10: \$150,000 Class 12: \$10,000
Reduction	Class 1, 4, 5, 6, 7, 12, 13: n/a Class 2, 3, 8, 9, 10: 50% at age 65 Class 11: 50% at age 70 to a maximum of \$50,000	Class 1, 4, 5, 6, 7, 12, 13: n/a Class 2, 3, 8, 9, 10: 50% at age 65 Class 11: 50% at age 70 to a maximum of \$50,000
Termination	Class 1, 5, 7, 12: Age 65 or earlier retirement Class 2, 3, 11: Age 75 or earlier retirement Class 4, 8, 9, 10, 13: Age 70 or earlier retirement Class 6: Age 65	Class 1, 5, 7, 12: Age 65 or earlier retirement Class 2, 3, 11: Age 75 or earlier retirement Class 4, 8, 9, 10, 13: Age 70 or earlier retirement Class 6: Age 65
Waiver of Premium	Class 1, 2, 6, 12: 6 month qualifying period Class 3, 4, 5, 7, 11, 13: 17 week qualifying period Class 8, 9, 10: 26 week qualifying period	Class 1, 2, 6, 12: 6 month qualifying period Class 3, 4, 5, 7, 11, 13: 17 week qualifying period Class 8, 9, 10: 26 week qualifying period
Conversion Option	Yes	Yes

The information in this presentation is only a summary of the more important provisions of the benefits.
 The insurance company policy will be the governing document.

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 Time Police Civilians with Retiree H&D
 Class 13 – Department Heads

Accidental Death & Dismemberment	Great-West Life	LaCapitale
Schedule	Class 1, 2: Flat \$50,000 Class 3, 4, 5, 7, 8, 9, 10, 13: 200% of annual salary Class 6: Flat \$200,000 Class 12: \$10,000	Class 1, 2: Flat \$50,000 Class 3, 4, 5, 7, 8, 9, 10, 13: 200% of annual salary Class 6: Flat \$200,000 Class 12: \$10,000
Maximum Benefit	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 13: \$300,000 Class 5, 7: \$250,000 Class 6: Equal to amount in force on day prior to retirement Class 8, 9, 10: \$150,000 Class 2: \$10,000	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 13: \$300,000 Class 5, 7: \$250,000 Class 6: Equal to amount in force on day prior to retirement Class 8, 9, 10: \$150,000 Class 2: \$10,000
Non-Evidence Maximum	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 13: \$300,000 Class 5, 7: \$250,000 Class 6: n/a Class 8, 9, 10: \$150,000 Class 12: \$10,000	Class 1, 2: \$50,000 Class 3, 11: \$180,000 Class 4, 13: \$300,000 Class 5, 7: \$250,000 Class 6: n/a Class 8, 9, 10: \$150,000 Class 12: \$10,000
Reduction	Class 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13: n/a Class 11: 50% at age 70 to a maximum of \$50,000	Class 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13: n/a Class 11: 50% at age 70 to a maximum of \$50,000
Termination	Class 1, 2, 3, 4, 5, 8, 9, 10, 12, 13: Age 70 or earlier retirement Class 6: Age 65 Class 7: Age 65 or earlier retirement Class 11: Age 75 or earlier retirement	Class 1, 2, 3, 4, 5, 8, 9, 10, 12, 13: Age 70 or earlier retirement Class 6: Age 65 Class 7: Age 65 or earlier retirement Class 11: Age 75 or earlier retirement
Waiver of Premium	Not Included	Class 1, 2, 6, 12: 6 month qualifying period Class 3, 4, 5, 7, 11, 13: 17 week qualifying period Class 8, 9, 10: 26 week qualifying period
Conversion Option	Not Included	Included

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 Time Police Civilians with Retiree H&D
 Class 13 – Department Heads

Short Term Disability	Great-West Life	LaCapitale
Schedule	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 70% of gross weekly salary	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 70% of gross weekly salary
Maximum Benefit	Class 3, 4, 13: \$1,000 Class 5, 7, 11: Up to maximum payable under EI Class 8, 9, 10: 60% of maximum EI earnings	Class 3, 4, 13: \$1,000 Class 5, 7, 11: Up to maximum payable under EI Class 8, 9, 10: 60% of maximum EI earnings
Commencement Date: Accident	Class 3, 4, 8, 9, 10, 13: 1 st day Class 5, 7, 11: 1 st day if hospitalized; 40 working hours total disability if no hospitalization	Class 3, 4, 8, 9, 10, 13: 1 st day Class 5, 7, 11: 1 st day if hospitalized; 40 working hours total disability if no hospitalization
Sickness	Class 3, 4, 8, 9, 10, 13: 8 th day Class 5, 7, 11: 1 st day if hospitalized; 40 working hours total disability if no hospitalization	Class 3, 4, 8, 9, 10, 13: 8 th day Class 5, 7, 11: 1 st day if hospitalized; 40 working hours total disability if no hospitalization
Hospitalization Day Surgery	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 1 st day Not Included	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 1 st day Not Included
Maximum Payout	Class 3, 4, 5, 7, 11, 13: 17 weeks Class 8, 9, 10: 26 weeks	Class 3, 4, 5, 7, 11, 13: 17 weeks Class 8, 9, 10: 26 weeks
Definition of Disability	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Any Occupation	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Any Occupation
Tax Status	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Taxable	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Taxable
Termination	Class 3, 5, 7, 8, 9: Age 65 or earlier retirement Class 4, 10, 13: Age 70 or earlier retirement Class 11: Age 75 or earlier retirement	Class 3, 5, 7, 8, 9: Age 65 or earlier retirement Class 4, 10, 13: Age 70 or earlier retirement Class 11: Age 75 or earlier retirement

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 Time Police Civilians with Retiree H&D
 Class 13 – Department Heads

Long Term Disability	Great-West Life	LaCapitale
Schedule	Class 3, 4, 5, 7, 9, 10, 11, 13: 70% gross monthly salary Class 8: 66.7% of gross monthly salary	Class 3, 4, 5, 7, 9, 10, 11, 13: 70% gross monthly salary Class 8: 66.7% of gross monthly salary
Maximum Monthly Benefit	Class 3, 4: \$5,000 Class 5: \$7,000 Class 7: \$11,000 Class 8, 9, 10: \$3,500 Class 11: \$5,000 Class 13: \$6,000	Class 3, 4: \$5,000 Class 5: \$7,000 Class 7: \$11,000 Class 8, 9, 10: \$3,500 Class 11: \$5,000 Class 13: \$6,000
Non-Evidence Maximum	Class 3, 4: \$5,000 Class 5: \$7,000 Class 7: \$8,400 Class 8, 9, 10: \$3,500 Class 11: \$5,000 Class 13: \$6,000	Class 3, 4: \$5,000 Class 5: \$7,000 Class 7: \$8,400 Class 8, 9, 10: \$3,500 Class 11: \$5,000 Class 13: \$6,000
Benefit Duration	Class 3, 4, 5, 7, 8, 9, 10, 13: Age 65, death or retirement Class 11: Age 70 or earlier retirement	Class 3, 4, 7, 8, 9, 10, 13: Age 65, death or retirement Class 5: Age 60 or earlier retirement Class 11: Age 70 or earlier retirement
Elimination Period	Class 3, 4, 5, 7, 11, 13: 17 weeks Class 8, 9, 10: 26 weeks	Class 3, 4, 5, 7, 11, 13: 17 weeks Class 8, 9, 10: 26 weeks
Definition of Disability	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Own Occupation	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Own Occupation
CPP Offset	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Primary Offset	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Primary Offset
Tax Status	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Taxable	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Taxable
All source maximum	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 85% of gross monthly income	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 85% of gross monthly income
Rehabilitation Benefits	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Included	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Included
Partial Disability Benefits	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Not Included	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Not Included
Survivor Benefits	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Not Included	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: Not Included
Pre-Existing Conditions	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 3 & 12 months	Class 3, 4, 5, 7, 8, 9, 10, 11, 13: 3 & 12 months
Cost of Living Index	Class 3, 4, 8, 9, 10, 13: Not Included Class 5, 7, 11: 3% maximum	Class 3, 4, 8, 9, 10, 13: Not Included Class 5, 7, 11: 3% maximum

General	Great-West Life	LaCapitale
Eligibility	Class 1, 2, 3, 4, 5, 7, 11, 12, 13: 3 months of continuous employment Class 6: Retired Class 8, 9, 10: After completion of 90 working days	Class 1, 2, 3, 4, 5, 7, 11, 12, 13: 3 months of continuous employment Class 6: Retired Class 8, 9, 10: After completion of 90 working days
Waiting Period	Class 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 13: Working a minimum of 30 hours per week Class 6: n/a Class 12: Working a minimum of 24 hours per week	Class 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 13: Working a minimum of 30 hours per week Class 6: n/a Class 12: Working a minimum of 24 hours per week

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ANALYSIS OF QUOTATION – PLAN DESIGN COMPARISON

Benefit	Volume	GWL	LaCapitale Current
Life Insurance			
Volume \$	19,041,000	19,041,000	19,041,000
Rate per \$1,000		0.280	0.292
Monthly Cost		5,331.48	5,559.97
A.D. & D.			
Volume \$	19,041,000	19,041,000	19,041,000
Rate per \$1,000		0.050	0.038
Monthly Cost		952.05	723.56
Short Term Disability 3, 13			
Volume \$	9,603	9,603	9,603
Rate per \$100		0.960	1.28
Monthly Cost		921.89	1,229.18
Short Term Disability 4			
Volume \$	21,306	21,306	21,306
Rate per \$100		0.690	0.92
Monthly Cost		1,470.11	1,949.50
Short Term Disability 5, 7			
Volume \$	16,490	16,490	16,490
Rate per \$100		0.530	0.71
Monthly Cost		873.97	1,169.14
Short Term Disability 8, 9, 10			
Volume \$	14,580	14,580	14,580
Rate per \$100		0.530	0.71
Monthly Cost		772.74	1,035.18
Short Term Disability 11			
Volume \$	5,620	5,620	5,620
Rate per \$100		0.640	0.85
Monthly Cost		359.68	477.14
Long Term Disability 3, 4, 13			
Volume \$	149,607	149,607	149,607
Rate per \$100		2.600	2.76
Monthly Cost		3,889.78	4,129.15
Long Term Disability 11			
Volume \$	39,871	39,871	39,871
Rate per \$100		2.600	2.76
Monthly Cost		1,036.65	1,100.44
Long Term Disability 9, 10			
Volume \$	53,441	53,441	53,441
Rate per \$100		2.750	2.90
Monthly Cost		1,469.63	1,548.19
Long Term Disability 5, 7			
Volume \$	182,091	182,091	182,091
Rate per \$100		2.750	2.90
Monthly Cost		5,007.50	5,275.18
Long Term Disability 8			
Volume \$	23,775	23,775	23,775
Rate per \$100		2.800	2.95
Monthly Cost		665.70	702.31
Total Monthly Cost		22,751.18	24,898.94
8% Sales Tax		1820.09	1991.92
Final Monthly Cost		24,571.27	26,890.86
Final Annual Cost		294,855.29	322,690.27
Annual Difference		-27,834.97	
Percentage Difference		-8.6%	
Rate Guarantee		28/16 mths	12 mths

This rate analysis is based on the employee data recently provided.
Rates are subject to change if employee information changes.