

GROUP BENEFIT - QUICK FACTS

In Group Programs there are two product groups: ***Insurance “Pooled” benefits***
Experienced Rated “Consumable” benefits.

This effort is about the consumable “Experience Rated” benefits rather than the “Pooled” Insurance Benefits in a group plan.

POOLED

(Insurance Benefits)

Life & Disability

Accidental Death & Dismemberment

Critical Illness

CONSUMABLES

(Experienced Rated Benefits)

Health & Drugs

Dental

Vision

WHAT IS “EXPERIENCE RATING”?

THE COMPANY PAYS FOR WHAT THE STAFF USE, PLUS AN ADMINISTRATION FEE.

Your company pays 100% of the entire cost of “Consumable”, non-catastrophic staff claims plus an administration fee to pay those claims and run the plan. That’s it, pure and simple!

Your annual rates & premium are set each annual renewal based on the dollar volume of paid claims (experience rating) incurred by your staff over the previous 12 months for Health, Drug, Dental & Vision (consumable) claim expenses.

Simply, your company is on the hook to pay for the products and services your staff access through the group benefit plan. No ifs, ands, or buts about it, you’re paying the bill.

HOW ARE “EXPERIENCED RATED” GROUP BENEFITS DELIVERED?

There are two basic delivery platforms: **TRADITIONAL** insured carrier offerings

HYBRID insured carrier offerings

The difference between the two is ever so slight but the cost difference can be HUGE.

Both platforms run exactly the same, are administered the same, and the lay person never sees any difference. That said, Traditional arrangements include an insurance promise that applies to the day-to-day “Experienced Rated” products that HYBRID doesn’t. It goes like this:

...for the premium you pay, we will pay all the qualifying and eligible claim expenses of your staff based on your plans coverage design...

In its’ simplest terms, a comforting promise. Upon closer look though, what does it really mean given that all Traditional & HYBRID plans are “Experience Rated” and protected, or should be, by the following catastrophic loss insurances:

1. Provincial Health & Drug Catastrophic Loss Insurance
2. Stop-Loss Insurance (private catastrophic loss insurance)

From the above, it is true that your plan is not at RISK to pay Catastrophic claims, the claims all employers want nothing to do with. What is also true is that your company pays 100% of the day-to-day Health, Drug, Dental & Vision claims of your staff re: “Experience Rating”.

So then, where does the insurance promise come into play?

“Things are not always as they seem; the first appearance deceives many”

Phaedrus - an Athenian aristocrat depicted in Plato's dialogues

The insurance promise generally applies in situations where a group moves to a new carrier. When it leaves the incumbent carrier, the group will have paid premiums to the end of the last month it was with the carrier and, the staff would have incurred claim expenses until the end of that same month. Generally speaking, those two events are covered off through the prior renewal forecasting so, all things being equal, they'll balance themselves out. However, on the slim chance that claims were higher than collected premium, the promise takes care of whatever that amount might be. The carrier builds a "Slush Fund" (*funded by the client*), to cover off this risk.

The pricing examples on pg. 5 & 6 show how the carrier collects excess premium to cover the risk of a premium shortfall. Through the collection of excess premium by the carrier, the employer actually pre-funds the insurance promise! Given this, the employer could more than adequately fund this risk themselves. I'll leave things at that for now but, this is a very, very important topic, one that we should be discussing in person.

The oldest and strongest emotion of mankind is fear, and the oldest and strongest kind of fear is fear of the unknown.

H. P. Lovecraft - American author

Short Story #1

*ED Ugrin is a professional engineer and business owner who recently sold his Western Canada enterprise. After about 10 years of renewals, and presenting the 11th. I was again explaining to Ed how experience rating works and why his group should be on my **HYBRID** plan. About 20 minutes into our meeting Ed stopped me dead in my tracks and said, "do you mean to tell me that my company is paying all the Health, Drug, Dental & Vision claim expenses of my employees, except for the catastrophic stuff?" I said "yes."
"That's what you've been telling me all these years, haven't you?" I said "yes."
Ed said, "all these years you've been telling me this and I just got it!"*

10 years for Ed to get it!

The insurance box.....as real as the nose on your face!

"Simple solutions seldom are. It takes a very unusual mind to undertake analysis of the obvious"

Alfred North Whitehead - English mathematician and philosopher

GREAT “SELF-DECEPTION” MOMENTS!

Consumers think, while their Traditional insured plan is running smoothly, that those day-to-day staff claims for Chiropractors, Crutches, Wheel Chairs, Drugs, Dental fillings, Eye Glasses and so on, are all insured. Nope, not even close! That said, catastrophic claims should be covered.

Here’s one that might interest you.....

The products and services in my plan are determined by my carrier. Group Benefit products and services are the result of the Canadian Income Tax Act (The Act). Administrators only provide a platform for the employer to deliver the plans Products and Services allowed under The Act. The insurance industry has always had the consumer focus on insurance, kind of like Life, Home, Car or Cottage insurance. The truth is, nothing could be further from the truth.

How about this one.....

*All the Health, Drug, Dental & Vision claims of our staff are in one big carrier pool with other employers. Again, not even close! Only **YOUR** company is responsible for the claims of its staff.*

All-time great deception moments.....

- *we have group benefits already, we're fine*
- *we already have a broker, we're fine*
- *we're on our association plan, we're fine*
- *we didn't have a price increase this year, we're fine*
- *the price increase was very low this year, we're fine*
- *I'm too busy right now, we're fine*
- *everything is good, we're fine*
- *come over and get us some quotes, prices are too high*

“of all the problems in organizations, self-deception is the most common and most dangerous”

The book, **“LEADERSHIP AND SELF DECEPTION – The Arbinger Institute**

PRICING - TRADITIONAL vs **HYBRID**

The pricing below represents a group with forecasted annual Health & Dental claims of \$50K (Example 1). I've also shown what happens if claims are lower than forecast @ \$42,500.00 (Example 2) and higher than forecast @ \$60,000.00 (Example 3). The examples show the actual premium required to run the Traditional & **HYBRID** plans. What you want to keep in mind is that the excess premium payments made by the client to the carrier in a Traditional plan are not refundable but, they **ARE 100% REFUNDABLE UNDER OUR HYBRID ARRANGEMENTS!**

For a no smoke and mirrors representation of what is happening with your group, we use the information from your company's renewals! We don't guess, use sample or scenarios that are not representative of your group, just the facts!

Example 1 - \$50,000 in Actual Claims	<u>Traditional</u>	<i>HYBRID</i>
Premium	\$72,465.00	\$60,000.00
<i>Savings with HYBRID \$12,465.00</i>		

Example 2 - \$42,500 in Actual Claims	<u>Traditional</u>	<i>HYBRID</i>
Premium	\$72,465.00	\$51,000.00
<i>Savings with HYBRID \$21,465.00</i>		

Example 3 - \$60,000 in Actual Claims	<u>Traditional</u>	<i>HYBRID</i>
Premium	\$86,958.00	\$72,000.00
<i>Savings with HYBRID \$14,958.00</i>		

We can see that the **HYBRID** approach can save anywhere from \$12,465.00 to \$21,465.00 and, that's just in one year!! That's the excess premium (Slush Fund) in your plan and that's how easy you pay it. Hard to believe? This goes on day after day in Traditional group benefit programs and employers, just like yourself, are blind to this occurrence.

Every Traditional group program in Canada is run this way. Most consumers know nothing about this "Slush Fund" as generally, it's never pointed out or broken down.

Here's a breakdown of the expenses that create the "Slush Fund" in a traditional group benefit program:

- *2% carrier imposed Risk Charge,*
- *Trend (inflation) factors @ 3 to 4 times actual,*
- *Reserve Fund (6 to 23% on Health & 10% on Dental paid claims)*
- *Target Loss Ratio protection forecasting*

PRICING SUMMARY

HYBRID eliminates the 2% Provincial Premium Tax and has no 2% Risk Charge, no Trend Factors or Reserve Funding arrangements or "Protection Forecasting" that build up a "Slush Fund" which the client has no access to!!!

100% of any excess premium that might be collected under our HYBRID arrangements remain the sole property of the client.

If you want the facts on the excess premium your group has paid, where it is today and where it's going our "**Forensic Audit**" will "spill the beans".

OUR "FORENSIC AUDIT" USES YOUR RENEWAL INFORMATION, THE ACTUAL RECORD OF YOUR GROUP'S CLAIMS & PREMIUM EXPERIENCE, TO REVEAL THE FACTS ABOUT WHAT'S HAPPENING WITH YOUR PRICING. NO DOG & PONY SHOWS! JUST THE FACTS FROM YOUR RENEWALS BROKEN DOWN SO YOU CAN MAKE INFORMED DECISIONS!

Facts are stubborn things; and whatever may be our wishes, our inclinations, or the dictates of our passion, they cannot alter the state of facts and evidence."

John Adams - American lawyer, author, statesman, and 2nd President of the USA

Short Story #2

I met a gentleman who was the senior group benefits guy at one of Canada's most recognize group benefit carrier's. He and my father were acquainted through a business relationship some years ago. We had many discussions on **HYBRID** programs. Upon his retirement he said this to me:

*If I was a business owner, "**HYBRID** is the only platform I would use to deliver benefits to my employees. Your problem Jim is that the industry has the population so brainwashed that the consumer won't believe **HYBRID's** savings, doesn't understand the application of "Risk", nor wants to devote the time to learn. As a result, promoting the **HYBRID** approach will drive you nuts".*

He was right.....on ALL accounts!

"The truth will set you free, but first it will piss you off"

Joe Klaas – American Author

Short Story #3

For traditional insured plans, in my attempts to negotiate better rates for my client based on the evidence of our Forensic Audit of the annual carrier renewal, almost every carrier representative that I've dealt with has, at one time or another, challenged me with the following:

"you know Jim, you might be helping your client but, you're also reducing your income!"

"We are all born ignorant, but one must work hard to remain stupid."

Benjamin Franklin - one of the Founding Fathers of the United States

SUMMARY

All group benefit plans are “Experienced Rated.” All Traditional plans are priced to favor the carrier and, excess premium payments are not refundable. The consumer doesn’t know how to approach group benefits pricing because they have no training, no knowledge. Consumers do not know how to identify the truth from the fairy tale, don’t know how to confirm what they are being told, they don’t want to be sold and, are uncomfortable or lost with the entire process. Ask yourself, do you prefer being helped or sold?

Selling..... *“Trying to convince someone to buy something they don’t want or need”*

Author unknown

We believe in a win/win process. If there is no mutual benefit why bother. I need you to know how our full disclosure process works, understand what we do and how what we do will benefit your company. I’ve tried to do some of that here and, I appreciate the difficulty you might experience trying to put the pieces together. I was once in your shoes! If you understand there is a process, a few concepts, then you’ve done well. Your understanding can be fine-tuned later. My wish and hope is that you will come to understand and believe in a process that will correct the financial short falls of your current program. Let me show you that your huge leap of faith in me today will be rewarded with proof tomorrow. All I ask is for the opportunity to prove that I can, and will be, a positive addition to your team.

“It is literally true that you can succeed best and quickest by helping others to succeed”

Napoleon Hill - American author

I would like to work with your company on a full disclosure basis. If you don’t succeed then I don’t succeed. If this sounds attractive to you, then let’s chat.

Kindest regards,
Jim DuBois

GROUP BENEFIT MYTHS

1. We are bound by the agreement with our carrier for 12 months

No such agreements exists between the employer and the carrier. Insurance agreements/contracts are “unilateral” which means only one party (the carrier) is bound to it.

2. We’ve just renewed our benefits program so we’re locked-in for another 12 months

No such thing.....see answer to #1.

3. We’d like to go on this plan but don’t want to go through the hassle of changing.

What is the hassle you refer to? A change may be much simpler than you think!

4. How do I inform our current representative that we’re going on your plan?

Commonly it is the incumbent carrier who notifies the existing representative of any change.

5. Our premiums for Health, Dental & Vision insurance are forecasted to cover the costs to run our plan.

No kidding, and lots more!

6. All Agents, Brokers & Consultants are the same

Not even close!

7. All Agents, Brokers & Consultants are trained by carriers in group insurance pricing

No such thing. They’re on their own!

8. The best time to look at new opportunities is at renewal

The best time is now. See Items # 1 & 2!

9. I have to spend all kinds of time gathering mountains of information to get a quote

No Way. All I need is your “unmolested” annual renewals. Three years is the minimum and five years is the preferred. From that information we can perform our Forensic Audit. The audit results will confirm the financial position of the plan and, based on that, we can determine what course of action should be taken.

10. We’re fine. Our rates & premium didn’t go up, or not that much, this year.

You have paid, and are continuing to pay, rather large amounts of excess premium to your carrier which, will never be returned to you!

11. We had a premium reduction this year.

You have paid, and are continuing to pay, rather large amounts of excess premium to your carrier which, will never be returned to you!

12. *This group insurance financing thing is a pain*

Definitely not a myth!! To make the pain go away, to really engage in this and even make it fun, you need to change your approach. Not knowing what you don't know could be costing your plan thousands of dollars.

Simply, the company may need to travel down a fresh new path on how it finances their group benefits Health, Dental & Vision coverages.

13. *I know everything I need to know about Group Benefit pricing.*

No.....you don't.

14. *My Group Benefit plan is fully insured.*

Hmmm, yes & no. If you understood "Risk" and the financing methodology you'd be shocked.

15. *I'm fed up with insurance salespersons.*

No kidding.....ditto!