

CGIB



Catastrophic Hybrid Insurance Plan (CHIP) FAQ

Why offer a pooled product?

Clients looking for rate stability year over year are a great fit for a fully pooled product. The Canadian Group Insurance Brokers (CGIB) CHIP Plan offers reduced rate volatility, with potential for pricing to increase approximately 4%-5% a year (depending on pool performance). For example, one higher claim (over \$1,000) will not drive up costs for the plan sponsor, removing the risk for clients to move into a higher rate tier. Plan sponsors and advisors alike also have access to review how the CGIB CHIP Pool is performing, providing complete transparency. The CGIB CHIP pool is a unique offering available only to CGIB members.

When can I start promoting the CGIB CHIP Plan?

CGIB BBD Advisors can begin promoting the CGIB CHIP plan as of October 1st. CGIB Advisors with active CGIB CHIP clients will have their clients moved into the pool starting as of their next renewal following September 1st, 2021.

What are the criteria to sell the CGIB CHIP Plan?

In order to promote the CGIB CHIP plan, you must be an active CGIB member with proficiency in field underwriting. This is essential for maintaining the health of the CGIB CHIP pool.

Can I choose for my client to be in or out of the pool?

CGIB Advisors with active CHIP clients through BBD have the freedom to join or not join the pool. If you choose not to participate in the pool, you may not have access to it in the future. This is to ensure that the proper spread of risk is established right from the start.

If you are interested in participating in the CGIB CHIP pool, you are to move your current CHIP clients into the CGIB CHIP Pool at their first renewal following September 1st, 2021.



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What will the rate impact be for my current CHIP clients?

Currently, the standard BBD CHIP product has 4 different rating tiers. CGIB Advisors with active CHIP clients in Tier 1 can expect a modest increase to their rates. However, active clients in the Tier 2, 3, and 4 rating will experience a decrease to their rates.

How do I explain that the rates are going up at the next renewal?

Advisors can frame the conversation around the protection that a fully pooled offering provides. Though the client may start off paying a slightly higher rate, they will have better rate predictability over a longer period of time. Any catastrophic claims that the group experiences will not substantially impact their rates.

How will BBD illustrate the transparency of the pool?

All groups in the CGIB CHIP pool will receive the same rating at their individual renewal. BBD will share the performance of the pool at your client's annual renewal by illustrating total premiums collected against total claims paid.

Will there be different rate pools?

No, all clients in the CGIB CHIP pool will be part of one pool with a common renewal rate adjustment. Groups in Pharmacare provinces will receive a lower rate than Non-Pharmacare provinces.

Will we be able to customize any aspect of the CGIB CHIP Plan?

In order to ensure and maintain the health of the CGIB CHIP pool, all groups must share the same risk load. This being said, the same plan design is to be offered to all prospective and participating groups.



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How do you do employee or employer cost-sharing with CHIP?

Cost-sharing is a standard option for many benefit plans. However, Government rules govern what costs can be shared within employee benefits plans. To ensure that your plan stays onside, tax-wise, your options are to:

- Have the employee pay **ALL** of the Long Term Disability (LTD) premium, plus applicable taxes, to receive the plan tax-free at the time of claim.
- Have the employee pay **ALL** of the Life, Accidental Death & Dismemberment (AD&D), and Critical Illness premium, plus applicable taxes, so that the employer does not need to add the employer portion to payroll as a taxable benefit.

Depending on the level of cost-sharing your client is requesting, you can choose from the following:

1. The employee pays the LTD premium, plus applicable taxes.
2. The employee pays the LTD, Life, AD&D, and Critical Illness premiums, plus applicable taxes (non-taxable and no taxable benefit reporting).

3. The employee pays the LTD, Life, AD&D, Critical Illness, and catastrophic health coverage, plus applicable taxes (non-taxable, no taxable benefit reporting, and the greatest cost-sharing to the employee).

If any employer wants to provide more cost-sharing than the above can provide (i.e., 50/50 split), you can suggest reducing the HCSA funding. For example, if your client wanted to give a \$2,000 HCSA and have the employee contribute 50%, you could set a \$1,000 HCSA funded 100% by the employer.