



BENEFITS BY DESIGN (BBD)

# Understanding your renewal

Benefits renewals can be confusing. To simplify things, Benefits by Design (BBD) put together this summary to support the process.

### What are partially experience rated benefits?

These are a type of benefit where claims experience is partially used to determine rates. Specifically, a group's claims experience is determined by comparing the premium paid against the claims incurred.

The following benefits are partially experience rated:

- **Short term disability**
- **Extended health care**
- **Dental care**

*\* Please note your benefits plan may not include all benefits listed above.*

### Why are some benefits partially experience rated?

Partially experience-rated benefits like those listed above have predictable claiming patterns over prolonged periods, meaning more frequent claims are incurred but for lower/moderate amounts. This means a group's claims experience can be analyzed to predict their future usage of benefits, and rates can be set appropriately.

### Why are some benefits pooled?

Pooling a group's experience with the experience of other groups who are insured under a similar plan (like the fully-insured plan you are on) alleviates some of the impact of rate increases. Demographics such as age, gender, and volume/composition of the pool can also impact renewal rates. Demographic changes, employee occupations, and an organization's industry classification can potentially impact renewal rates specific to long term disability benefits.

### What are fully pooled benefits?

These are a type of benefit where the insurer accepts the entire risk should claims being paid exceed premiums. Fully pooled benefits include:

- **Life insurance**
- **Accidental death and dismemberment**
- **Dependent life insurance**
- **Critical illness**
- **Long-term disability**

*\* Please note your benefits plan may not include all benefits listed above*

### How are rates for benefits like health & dental determined?

Rates for health and dental benefits are established for the upcoming year based on claims experience, the anticipated trend, and a number of external factors. For instance, some external factors impacting extended health care rates include inflation, rising drug costs, and provincial deregulation. Factors like provincial fee guides and increased utilization can impact dental rates.

Demographic changes, employee occupations and industry classification also impact the outcome of your renewal rates.

**For more information on external or other factors impacting rates for health and dental benefits, speak to your advisor or contact BBD.**

# Dictionary

[dik-shuh-ner-ee] A list of terms used when renewing your health and dental benefits.

## **Applied trend factor**

Inflation and utilization factor plus four-month lag.

## **Claims reserve**

A reserve fund established to pay claims that are incurred but not yet reported.

## **Experience rated premium**

Does not include premium paid for in Canada pooling, out of country charges or premium taxes.

## **Incurred claims**

Weighted paid claims plus or minus the change in reserves amount.

## **Premium**

Total billed premium minus premium tax

## **Premium and claims history**

Date range over which premium and claim amounts are totalled and used for calculations.

## **Renewal rates**

Current rates x (1+implemented rate change). *Note: premium tax is included.*

## **Target loss ratio**

Percentage of premium to be paid out in claims. This is the break-even point.