

COST INCREASES for Extended Health and Dental Plans

For many years Canadian employers have experienced high annual increases in the costs of extended health benefit and dental plans. However, the magnitude of the increase in extended health costs has reduced since 2012 and remained fairly constant for the past three years. On the other hand, the average annual increase in the cost of dental plans in 2015 will remain about the same as it was in recent years.

ANNUAL SURVEY OF COST INCREASES

Western Compensation & Benefits Consultants conducts an annual survey of increases in extended health and dental plan costs. The 2015 survey includes the following major Canadian insurance companies:

- Co-Operators Life Insurance Company
- Desjardins Financial Security Life Assurance Company
- Great-West Life Assurance Company
- Green Shield Canada
- Industrial Alliance Insurance and Financial Services
- Manufacturers' Life Insurance Company
- Pacific Blue Cross
- Sun Life Assurance Company

EXTENDED HEALTH BENEFITS

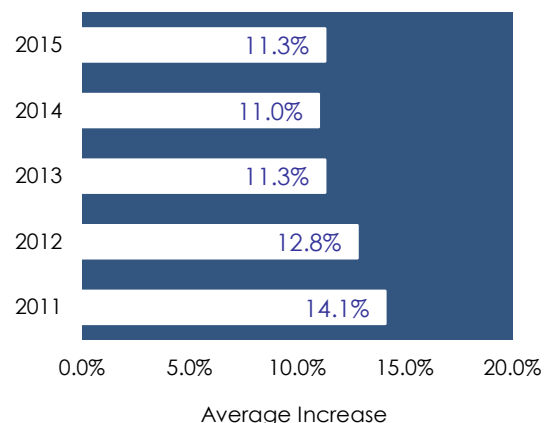
The 2015 increases in four service areas of extended health benefit plans are shown in the following table:

2015 Increases in Extended Health Benefit Costs

Service	2015 Average Annual Increase in Plan Costs
Hospital	11.4%
Prescription Drugs	11.6%
Vision Care	4.0%
Overall	11.3%

The overall annual increases in extended health costs for 2015 and the previous four years are displayed in the graph below. As shown, the annual increase in 2012 was lower than that of the previous year, and the increases for 2013, 2014 and 2015 are approximately the same.

Overall Annual Increases in Extended Health Benefit Costs Over the Past Five Years



DENTAL

Increases in dental costs result from two factors, including increases in the fees charged by dentists coupled with increases in the utilization of the plans by covered employees and their dependents. Utilization is influenced by factors in the economy and the introduction of new dental procedures.

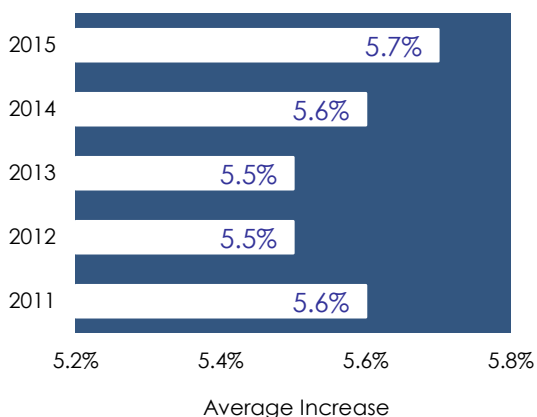
The table below shows the 2015 average increase in the provincial dental fee guides, and reports that the 2015 increase in plan utilization is 5.69%. Therefore, depending on the particular province, the overall cost of dental will increase by between 7% and 9% in 2015.

Current Increases in Dental Plan Costs

Province	2015 Average Increase in Dental Fee Guide
British Columbia	1.93%
Alberta	3.14%
Saskatchewan	2.20%
Manitoba	3.01%
Ontario	1.62%
Quebec	2.06%
New Brunswick	2.16%
Newfoundland	1.89%
Nova Scotia	2.30%
Prince Edward Island	2.18%
	2015 Increase in Plan Utilization
	5.69%

The graph below displays the overall annual increases in dental plan utilization over the past five years. As shown, the increase in plan utilization has remained at between 5.5% to 5.7% for the past five years.

Overall Annual Increases in Dental Plan Utilization For the Past Five Years



SUMMARY

Trend and utilization factors should be used to project the increases required in premium rates to ensure that extended health and dental plans are appropriately funded. However, the claims actually incurred by an organization's own employees are the biggest driver of plan costs. It is therefore important to regularly review the financial experience (i.e. claims incurred and premiums), the appropriateness of the funding (or risk sharing) arrangement with the insurance company, as well as the trend and utilization factors when negotiating appropriate renewal rates.

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