

BENEFITS *BY* DESIGN

CGIB CHIP PLAN RENEWAL

| 2022 REVIEW AND ANALYSIS





CGIB CHIP PLAN RENEWAL REVIEW

RENEWAL DATE: SEPTEMBER 1, 2022

Number of groups (including affiliates) that are part of this year's block renewal = 34

Current loss ratio = 57.6%

Target loss ratio = 72.3%

The block is currently under target and performing well. However, given this is the first year of the pool, we need to consider that these groups renewed into the pool throughout this experience period. This means that not all groups were paying the block rates for the entire 12 month period. Some groups were paying much higher rates based on their own poor experience for most of the period, and only renewed into the pool near the end of the experience period. This will be helping the loss ratio this year. We also did see numerous new groups join the pool throughout the year- hence the premium increase from last year to this year. This is a positive trend. We do have some groups that have joined recently and aren't yet part of this experience period. We don't know their impact on the pool yet.

You can see there are many pooled claims within the block- the stop-loss claims equal roughly 75% of the total paid claims. There is more than one group with pooled claims, and there are a handful of groups with high loss ratios. Obviously based on plan design this impact is due to drug claims, often ongoing for chronic conditions, so we don't expect this to decrease unless an employee or group terminates coverage.

For these reasons, we are suggesting a 2% increase to the current block rates. This is to cover off some of the risk of the higher claiming groups that just recently renewed into the pool with lower rates, and the new groups added into the block with unknown experience. Our ultimate goal with this pool is for it to be stable and consistent, year over year. The block is still relatively small and could be easily swayed by one or two groups with a high claimer in them. By putting in a small increase now, we are hoping to avoid any significant changes at next renewal. As the block grows in size, it can more easily absorb the increases in claims. This would impact the rates as follows:

New Non-Pharmacare Rates

Single = \$20.40 (\$0.40 increase)

Couple = \$35.70 (\$0.70 increase)

Family = \$51.00 (\$1.00 increase)

New Pharmacare Rates

Single = \$12.25 (\$0.25 increase)

Couple = \$17.35 (\$0.35 increase)

Family = \$27.55 (\$0.55 increase)

These rates will become the rates for all new groups entering the pool. They will also become the renewal rates for all existing groups renewing between September 2022-August 2023. At the 6-month mark, we did put in a small increase to newly quoted groups to help protect the pool. These groups will also renew at these rates, therefore seeing a small decrease to their rates at their first renewal. This is to try and get back to using one set of rates for all CGIB CHIP plan groups.

Extended Health	
Weighted Premium ¹	\$86,723.65
Weighted Paid Claims ²	\$49,956.94
Change in Reserves	\$157.89
Incurred Claims ³	\$50,114.83
Incurred Loss Ratio	57.8%
Inflated Incurred Claims ⁴	\$58,066.38
Loss Ratio (Inflated)	67.0%
Credibility	100.0%
Calculated Rate Change	-7.3%
High Claims Risk Charge (for claims between \$1,000-\$9,999)	7%
Adjusted Rate Change	2%
Implemented Rate Change w/Travel ⁵	2%

Pharmacare Rates		
Type	Current	Renewal
Single	\$12.00	\$12.25
Couple	\$17.00	\$17.35
Family	\$27.00	\$27.55

Non-Pharmacare Rates		
Type	Current	Renewal
Single	\$20.00	\$20.40
Couple	\$35.00	\$35.70
Family	\$50.00	\$51.00

Premium and Claims History			
Date	Premium	Paid Claims	Paid Loss Ratio
May 1, 2021 - April 30, 2022	\$86,723.65	\$49,956.94	57.6%
May 1, 2020 - April 30, 2021	\$69,251.10	\$47,851.76	74.6%
May 1, 2019 - April 30, 2020	\$62,211.30	\$42,091.04	67.6%

Renewal Factors	
IBNR	7.50%
Inflation & Utilization	11.90%
Applied Trend Factor	15.87%
Target Loss Ratio ¹	72.3%
Stop-Loss Charge ¹	15.93%

\$37,112.08 in claims removed due to In Canada Pooling (over the \$10,000 pooling threshold)

1. Premiums and Target Loss Ratios do not include In Canada Pooling & Out of Country charges (EHC only) or Premium Taxes. Travel rates are \$4.51 single and \$8.61 family.

2. Paid Claims do not include In Canada claims exceeding \$10k per participant or any Out of Country claims.

3. Incurred claims equal paid claims plus a claims reserve established to pay claims that are incurred but not yet reported. The reserve is calculated based on paid claims.

4. Incurred claims are multiplied by the inflation factor to estimate next year's claims.

5. Rates may vary slightly due to rounding.