



**Desjardins**  
Insurance

LIFE • HEALTH • RETIREMENT

# Renewal Report

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for

\*\*\*\*\* INC.

**Group Policy: #\*\*\*\*\***

Renewal effective on April 1, 2014

*All benefits*

Prepared by:  
Joanne Hodgson  
Account Executive  
Desjardins Financial Security

February 21, 2014

## RENEWAL RATES SUMMARY

Policyholder: \*\*\*\*\* INC.

Contract number: \*\*\*\*\*

Effective date: April 1, 2014

BENEFITS	VOLUMES	CURRENT		PROPOSED		%
		RATES	PREMIUMS	RATES	PREMIUMS	
<i>BASIC EMPLOYEE LIFE / (\$1,000)</i>						
- All Employees	550,000	\$0.277	\$152.35	\$0.398	\$218.90	43.7%
<i>AD&amp;D / (\$1,000)</i>						
- All Employees	550,000	\$0.045	\$24.75	\$0.045	\$24.75	0.0%
<i>DEPENDENT LIFE (per family)</i>						
- All Employees	14	\$2.15	\$30.10	\$2.56	\$35.84	19.1%
<i>LONG TERM DISABILITY</i>						
- All Employees (/ \$100 )	66,717	\$2.020	\$1,347.68	\$2.113	\$1,409.73	4.6%
<i>EXTENDED HEALTH CARE</i>						
- All Employees						
single coverage	8	\$53.77	\$430.16	\$65.36	\$522.88	21.6%
family coverage	14	\$143.66	\$2,011.24	\$174.62	\$2,444.68	21.6%
<i>DENTAL CARE</i>						
- All Employees						
single coverage	8	\$46.83	\$374.64	\$52.87	\$422.96	12.9%
family coverage	14	\$165.48	\$2,316.72	\$186.82	\$2,615.48	12.9%
<i>Total Monthly Premiums:</i>			\$6,687.64		\$7,695.22	
<i>Total Annual Premiums:</i>			\$80,251.72		\$92,342.64	
<i>Overall Increase:</i>						15.1%
<i>(premiums exclude Provincial Sales Tax)</i>						



Desjardins Financial Security is a subsidiary of Desjardins Group, the largest integrated cooperative financial group in Canada, with assets over \$157 billion. Ranking fourth in group insurance among Canadian life and health insurance companies in terms of written premiums, Desjardins Financial Security has assets under management of almost \$22 billion.

Over 5 million Canadians count on us daily for their financial security. Desjardins Financial Security is present in cities throughout the country, including Halifax, Lévis, Quebec City, Montreal, Ottawa, Toronto, Winnipeg, Calgary, Edmonton, St. John's and Vancouver.

### **OUR PERSONALITY**

Desjardins Financial Security stands out as a uniquely dynamic company that creates value for customers while paying particular attention to their needs and interests. Its strength, reliability, and integrity merit the ongoing trust of customers, who can count on the commitment and skills of its 3,800 employees.

Your satisfaction and that of the members in your group is our priority. This is why we are continually improving our services. We hope that they meet your expectations.

### **Your Renewal Report**

The purpose of this report is to present and explain our renewal conditions. These conditions are based on your group's claims experience and the overall claims experience of Desjardins Financial Security, Life Assurance Company.

Desjardins Insurance refers to Desjardins Financial Security Life Assurance Company.



As a Desjardins Financial Security customer, you expect Desjardins Financial Security to provide insurance protection against large claims while at the same time benefiting from your group's own claims experience. Accordingly, the pricing of your employee benefits plan is based on achieving a balance between protection against large claims and the benefit of your own claims experience.

When a claim occurs on a Pooled Benefit, the dollar amount can be quite high. To prevent a pooled claim from drastically affecting your renewal rates, we spread the loss across all of Desjardins Financial Security's group clients.

Life Insurance and Long Term Disability are usually pooled benefits. At each renewal, we take a snapshot of your current demographics. We then adjust your pooled rates to reflect the risk your group currently represents. For larger groups, we might also adjust pooled rates to reflect your claims experience.



Life Insurance benefits are *pooled*. As claims of this nature can fluctuate considerably from year to year, we use claim statistics that reflect the experience on a broad pool of business. Therefore, rates presented in your renewal are determined by applying Desjardins Financial Security's standard rate table to the age/sex/benefit distribution of your group.

By doing so, your group's premium rates are kept within budget, even though there may be fluctuations in your claims experience from one year to the next. Your premium rates are maintained at reasonable levels and you receive the insurance protection that you expect from Desjardins Financial Security.

Specific to your plan, some of the most significant factors which affect the rate calculation include demographic changes.

**Demographic changes include:**

**AGE OF INSURED EMPLOYEES:** The cost of Life Insurance usually increases as insured employee's age increases. Even if there were no other changes in participation, each member is now one year older.

Generally, aging accounts for an increase of approximately 10% in the mortality and morbidity rates per year within the 40-55 age bands.

The amount of the benefit is used to calculate the expected claims for each insured employee. For example, the cost of providing \$10,000 of life insurance to a 54 year old is comparable to providing \$5,000 of coverage to a 65 year old.

**GROUP COMPOSITION:** The cost of Life Insurance is generally higher for males than females.

**Pricing changes include:**

**LOCATION:** Mortality and morbidity rates vary in different geographic areas due to economic conditions.

**INDUSTRY FACTOR:** More hazardous occupations create a higher risk of injury or death and result in a higher cost.

**EXPENSES:** The rates include expenses for administration costs, provincial taxes, and commissions. Some expenses are fixed, regardless of the size of the group, while others are dependent on the overall premium level, number of benefits, number of billing divisions as well as the number of insured lives.

Rates do not include provincial sales tax for Ontario and Quebec.



Long Term Disability benefits are pooled. As claims of this nature can fluctuate considerably from year to year, we use claim statistics that reflect the experience on a broad pool of business. Therefore, rates presented in your renewal are determined by applying Desjardins Financial Security's standard rate table to the age/sex/benefit distribution of your group.

By doing so, your group's premium rates are kept within budget, even though there may be fluctuations in your claims experience from one year to the next. Your premium rates are maintained at reasonable levels and you receive the insurance protection that you expect from Desjardins Financial Security.

Specific to your plan, some of the most significant factors which affect the rate calculation include demographic changes.

**Demographic changes include:**

**AGE OF INSURED EMPLOYEES:** The cost of the Long Term Disability usually increases as the insured employee's age increases. Even if there were no other changes in participation, each employee is now one year older.

The amount of the benefit is used to calculate the expected claims for each insured employee. For example, the cost of providing \$4,500 of Long Term Disability coverage to a 45 year old male is comparable to providing \$1,100 of coverage to a 60 year old male.

**GROUP COMPOSITION:** The cost of Long Term Disability is generally higher for females than for males. Studies show that females tend to incur more disability claims, and tend to remain on disability longer than their male counterparts. Conversely, a high percentage of males within the 18-39 age bracket can account for a rate increase due to trauma related injuries.

**Pricing changes include:**

**LOCATION:** Mortality and morbidity rates vary in different geographic areas due to economic conditions.

**INDUSTRY FACTOR:** Our underwriting philosophy for the pricing of the Long Term Disability benefit is to match the price and risk appropriately. Industry factors, combined with geographic factors, allow us to better match the price and risk for the renewal rates.

**EXPENSES:** The rates include expenses for administration costs, provincial taxes, and commissions. Some expenses are fixed, regardless of the size of the group, while others are dependent on the overall premium level, number of benefits, number of billing divisions as well as the number of insured lives.

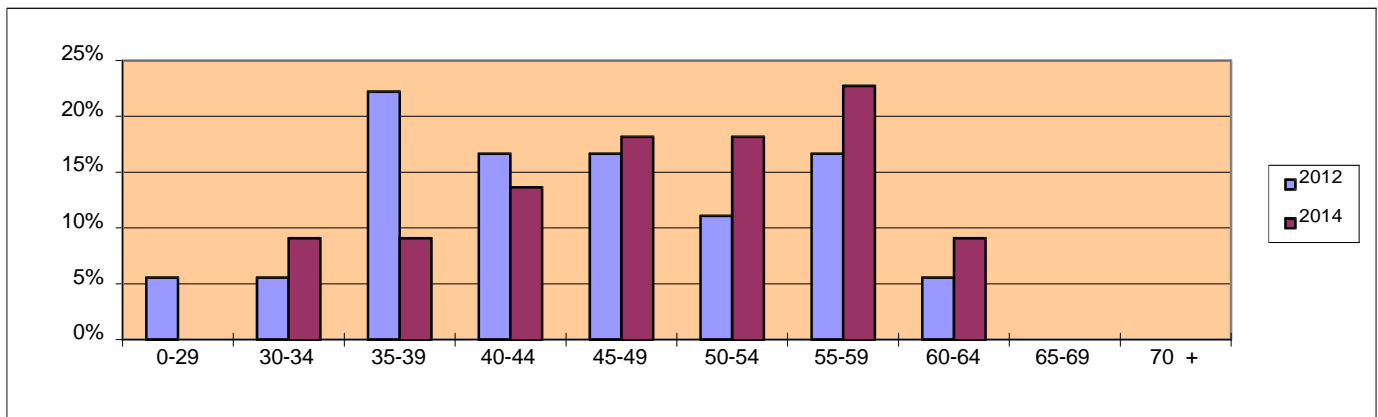
Rates do not include provincial sales tax for Ontario and Quebec.

**LIFE INSURANCE**

**For all employees**

2014									
Ages	Males			Females			Total		
	Number	Volume	%	Number	Volume	%	Number	Volume	%
0-29	0	0	0%	0	0	0%	0	0	0%
30-34	0	0	0%	2	50,000	9%	2	50,000	9%
35-39	0	0	0%	2	50,000	9%	2	50,000	9%
40-44	1	25,000	5%	2	50,000	9%	3	75,000	14%
45-49	3	75,000	14%	1	25,000	5%	4	100,000	18%
50-54	2	50,000	9%	2	50,000	9%	4	100,000	18%
55-59	1	25,000	5%	4	100,000	18%	5	125,000	23%
60-64	1	25,000	5%	1	25,000	5%	2	50,000	9%
65-69	0	0	0%	0	0	0%	0	0	0%
70 +	0	0	0%	0	0	0%	0	0	0%
<b>Total</b>	<b>8</b>	<b>200,000</b>		<b>14</b>	<b>350,000</b>		<b>22</b>	<b>550,000</b>	

2012									
Ages	Males			Females			Total		
	Number	Volume	%	Number	Volume	%	Number	Volume	%
0-29	0	0	0%	1	25,000	6%	1	25,000	6%
30-34	0	0	0%	1	25,000	6%	1	25,000	6%
35-39	0	0	0%	4	100,000	22%	4	100,000	22%
40-44	2	50,000	11%	1	25,000	6%	3	75,000	17%
45-49	2	50,000	11%	1	25,000	6%	3	75,000	17%
50-54	1	25,000	6%	1	25,000	6%	2	50,000	11%
55-59	0	0	0%	3	75,000	17%	3	75,000	17%
60-64	1	25,000	6%	0	0	0%	1	25,000	6%
65-69	0	0	0%	0	0	0%	0	0	0%
70 +	0	0	0%	0	0	0%	0	0	0%
<b>Total</b>	<b>6</b>	<b>150,000</b>		<b>12</b>	<b>300,000</b>		<b>18</b>	<b>450,000</b>	

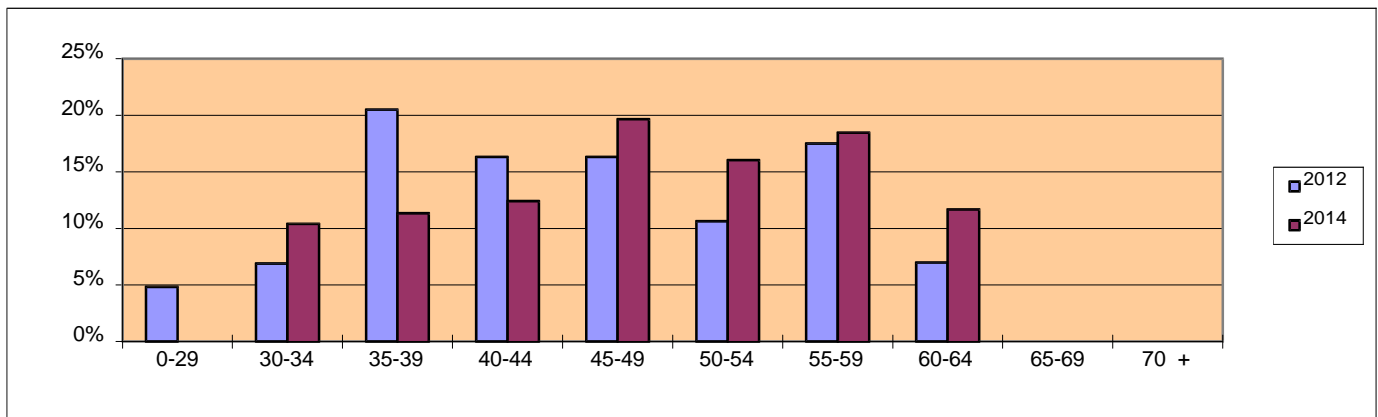


**LONG TERM DISABILITY INSURANCE**

**For all employees**

2014									
Ages	Males			Females			Total		
	Number	Volume	%	Number	Volume	%	Number	Volume	%
0-29	0	0	0%	0	0	0%	0	0	0%
30-34	0	0	0%	2	6,954	10%	2	6,954	10%
35-39	0	0	0%	2	7,567	11%	2	7,567	11%
40-44	1	3,223	5%	2	5,054	8%	3	8,277	12%
45-49	3	10,647	16%	1	2,467	4%	4	13,114	20%
50-54	2	6,567	10%	2	4,130	6%	4	10,697	16%
55-59	1	2,427	4%	4	9,881	15%	5	12,308	18%
60-64	1	3,900	6%	1	3,900	6%	2	7,800	12%
65-69	0	0	0%	0	0	0%	0	0	0%
70 +	0	0	0%	0	0	0%	0	0	0%
Total	8	26,764		14	39,953		22	66,717	

2012									
Ages	Males			Females			Total		
	Number	Volume	%	Number	Volume	%	Number	Volume	%
0-29	0	0	0%	1	2,734	5%	1	2,734	5%
30-34	0	0	0%	1	3,890	7%	1	3,890	7%
35-39	0	0	0%	4	11,559	20%	4	11,559	20%
40-44	2	6,641	12%	1	2,554	5%	3	9,195	16%
45-49	2	6,735	12%	1	2,467	4%	3	9,202	16%
50-54	1	4,001	7%	1	2,001	4%	2	6,002	11%
55-59	0	0	0%	3	9,867	17%	3	9,867	17%
60-64	1	3,945	7%	0	0	0%	1	3,945	7%
65-69	0	0	0%	0	0	0%	0	0	0%
70 +	0	0	0%	0	0	0%	0	0	0%
Total	6	21,322		12	35,072		18	56,394	





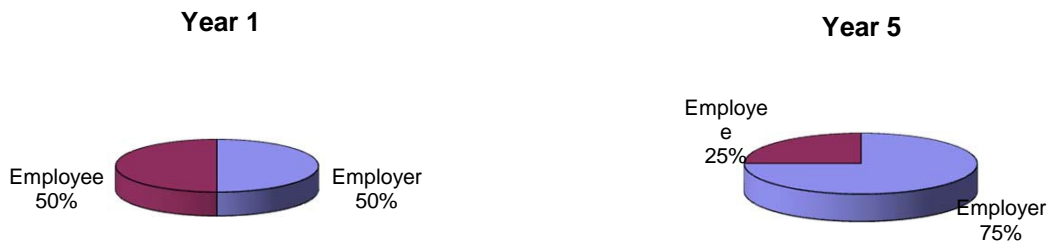


Experience Rated Benefits are the reverse of Pooled Benefits. More claims occur but most are low to moderate in dollar amount.

The number of employees enrolled in an employee benefits plan is very important in determining the degree to which experience-rating is used. In general, the larger the size of **your** group, the more weighting we give to your group's past claims experience in predicting future claims trends.

Health, Dental and Short Term Disability benefit rates are usually experience-rated benefits.

As claims increase, it's important to review deductibles and co-insurance to ensure that they continue their original intent of having employees share proportionately in the cost of services. Without a periodic increase of your deductible, the portion of the total claims paid by your employees is decreasing every year. This erosion of deductibles can be illustrated as follows:



Assuming an annual trend of 17.5% for a claim of \$100 and a deductible of \$50.

Year 1: Employer pays \$50, Employee pays \$50

Year 5: Employer pays \$140.61, Employee pays \$50



For this benefit, based on the number of lives during the last few years, we have based a part of your new premium rates on your group's own past claims experience and a part on the experience on a broad pool of our business. This method will help keep the rate fluctuations to a minimum while generating sufficient premium to cover claims.

**Explanation of terms used in your renewal analysis:**

**ADJUSTED PREMIUMS:** Premium that would have been collected if underwriting basis in force at the end of last period had always been in place.

**INCURRED BUT NOT REPORTED RESERVE (IBNR):** An incurred but not reported claims reserve (IBNR) reflects the potential claims that the plan is liable for but has not yet paid. It is used to generate an accurate number to use when estimating future claims by compensating for the claim lag time.

The IBNR is established at the end of the first year and should accurately reflect the claim lag. At the end of the second year and subsequent years, the IBNR is recalculated and the previous year's IBNR is subtracted so that only changes are charged to the claims experience.

**INCURRED CLAIMS:** Incurred claims are equal to cash claims plus the IBNR requirement less pooled claims. Pooled claims could include Out of Country claims or claims over a certain limit for drugs as well as Extended Health Care claims other than drugs or Out of Country claims.

**TREND/UTILIZATION:** This factor reflects the increase in the cost of health care services plus increases in use. Drug claims form the largest component of most Extended Health Care plans. The number of drug claims has risen dramatically and the cost of the average prescription is increasing as pharmaceutical companies try to recover research and development costs for new drugs. New maintenance type drugs are very expensive and contribute to higher drug costs. As our population ages they take more medications leading to an increased number of claims for older insureds. Overall, prescription costs are increasing.

As governments reduce their coverage in some areas and patients increase their use of alternative therapies, we see increased claims for many supplementary health services, such as claims for physiotherapists, massage therapists and chiropractors.

The inflation/utilization factor used for your group is indicated in the detailed experience analysis. The inflation factor is an annual factor that has been pro-rated to reflect the gap between the end of the experience and the implementation date of rates.

**EXPENSES:** The rates include expenses for administration costs, provincial taxes, and commissions. Some expenses are fixed, regardless of the size of the group, while others are dependent on the overall premium level, number of benefits, number of billing divisions as well as the number of insured lives.



## **EHC Claims Pooling**

Since August 1, 1999 Desjardins Financial Security has been renewing its non-retention Extended Health Care benefit using a pooling approach. This method was introduced in order to protect clients from rate fluctuations due to large claims for out of country services and expensive hospital and drug treatments.

### **What is claims pooling?**

Claims pooling is a process whereby all claims for a certain category of expenses are removed from the individual group's experience, and charged to a separate pool. This pool is funded by transferring a portion of the paid premium to a separate pool or fund.

### **The benefits of claims pooling**

With new and more expensive drugs available on the market and innovative treatment options being introduced, drug and health care related costs are continually on the rise. By charging some, or all, of certain claims to this pool, future rate fluctuations can be minimized. Pooling limits will be implemented as follows:

### **Out of Country Claims**

Out of country claims will be pooled as of the first dollar. As these are often very large claims, the impact from even one claim can greatly affect renewal rates.

### **Extended Health Care claims (Excluding out of country and vision care claims)**

#### **• For groups of less than 50 lives**

Any claims in this category above a threshold of \$7,500 per insured employee will be charged to a separate pool.

#### **• For groups of 50 lives and under 125 lives**

Any claims in this category above a threshold of \$15,000 per insured employee will be charged to a separate pool.

#### **• For groups of 125 lives and over**

Any claims in this category above a threshold of \$25,000 per insured employee will be charged to a separate pool.



For this benefit, based on the number of lives during the last few years, we have based a part of your new premium rates on your group's own past claims experience and a part on the experience on a broad pool of our business. This method will help keep the rate fluctuations to a minimum while generating sufficient premium to cover claims.

**Explanation of terms used in your renewal analysis:**

**ADJUSTED PREMIUMS:** Premium that would have been collected if underwriting basis in force at the end of last period had always been in place.

**INCURRED BUT NOT REPORTED RESERVE (IBNR):** An incurred but not reported claims reserve (IBNR) reflects the potential claims that the plan is liable for but has not yet paid. It is used to generate an accurate number to use when estimating future claims by compensating for the claim lag time.

The IBNR is established at the end of the first year and should accurately reflect the claim lag. At the end of the second year and subsequent years, the IBNR is recalculated and the previous year's IBNR is subtracted so that only changes are charged to the claims experience.

**INCURRED CLAIMS:** Incurred claims are equal to cash claims plus the IBNR requirement.

**TREND/UTILIZATION:** This factor is the annual provincial dental association fee guide increase. More people with dental coverage are using this benefit and people are having more dental services performed.

The inflation/utilization factor used for your group is indicated in the detailed experience analysis. The inflation factor is an annual factor that has been pro-rated to reflect the gap between the end of the experience and the implementation date of rates.

**EXPENSES:** The rates include expenses for administration costs, provincial taxes, and commissions. Some expenses are fixed, regardless of the size of the group, while others are dependent on the overall premium level, number of benefits, number of billing divisions as well as the number of insured lives.

**EXTENDED HEALTH CARE**

Policy: \*\*\*\*\* Inc.

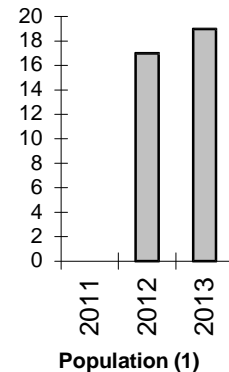
 Divisions: **All**

	<u>Period #1</u>	<u>Period #2</u>
from	01-Dec-12	01-Dec-11
to	30-Nov-13	30-Nov-12

Participation (1):	19	17
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**Premiums**

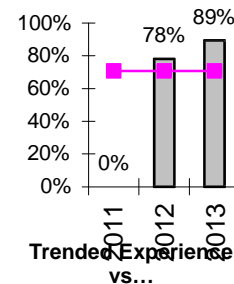
Billed premiums	\$24,653	\$20,175
Pooled premiums	\$2,367	\$1,937
Experience-rated premiums	\$22,286	\$18,238
Adjusted premiums (2)	\$22,979	\$20,057


**Claims**

Paid claims	\$18,249	\$11,649
Adjusted (3)	\$17,798	\$11,207
Pooled Claims (4)	\$0	\$0
I.B.N.R. Change(5)	\$291	\$1,311
Incurred claims	\$18,089	\$12,518

**Experience analysis**

Incurred Loss Ratio	79%	62%
Trended Loss Ratio (6)	<b>89%</b>	<b>78%</b>
Effective Weighting	70%	30%
Incurred Loss Ratio after weighting	86%	
Breakeven Loss Ratio	71%	
Credibility given to experience	100%	



<b>Proposed adjustment</b>	<b>+21.6%</b>
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Includes -2% for Mandatory generic substitution and Cap on pharmacy mark-ups and dispensing fees

- Note 1: Estimate of the average number of certificates during the period.
- Note 2: Premiums of the analyzed period are adjusted to the current rates.
- Note 3: Claims adjusted to current plan design.
- Note 4: Out of Country claims and Health claims w/o Out of Country in excess of the threshold are pooled to stabilize your group's
- Note 5: Reserves are calculated by multiplying annualized paid premiums by 6.5%.
- Note 6: Trend and deterioration = 9.5 % / 12 months ; Erosion = 0.7 % for the last period.



**DENTAL CARE**

Policy: \*\*\*\*\* Inc.

Divisions: All

	<u>Period #1</u>	<u>Period #2</u>
from	01-Dec-12 to 30-Nov-13	01-Dec-11 to 30-Nov-12

Participation (1):	19	17
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**Premiums**

Experience-rated premiums	\$26,326	\$19,974
Adjusted premiums (2)	\$27,978	\$24,288

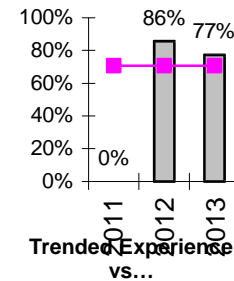
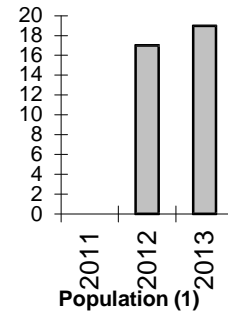
**Claims**

Paid claims	\$19,071	\$15,982
Adjusted (3)	\$19,071	\$15,982
I.B.N.R. Change(4)	\$476	\$1,498
Incurred claims	\$19,547	\$17,480

**Experience analysis**

Incurred Loss Ratio	70%	72%
Trended Loss Ratio (5)	<b>77%</b>	<b>86%</b>
Effective Weighting	70%	30%
Incurred Loss Ratio after weighting	80%	
Breakeven Loss Ratio	71%	
Credibility given to experience	100%	

**Proposed adjustment +12.9%**



- Note 1: Estimate of the average number of certificates during the period.
- Note 2: Premiums of the analyzed period are adjusted to the current rates.
- Note 3: Claims adjusted to current plan design.
- Note 4: Reserves are calculated by multiplying annualized paid premiums by 7,5%.
- Note 5: Trend and deterioration per period (annual rates) = (1) 7.8% ; (2) 7.8% ; Erosion = 0 % for the last period.
- Note 6: Weighting is a function of adjusted premiums.

## **OUR ON-LINE SERVICES**

When you do business with Desjardins Financial Security, you benefit from the technological tools we make available to make it easier to manage group insurance plans.

In addition to the [www.desjardinsfinancialsecurity.com](http://www.desjardinsfinancialsecurity.com) Web site, which provides a wealth of information for everyone, there are two secure Web sites to meet the needs of our group insurance clients.

### **SECURE WEB SITE FOR PLAN ADMINISTRATORS**

E-commerce solutions for Plan Administrators simplify and reduce the administrative tasks related to the management of group insurance plans.

On this site, Plan Administrators manage Plan Members' files. They view and update their files and their benefits, and they can also view the transaction history of a member, a division or the group.

For greater flexibility, e-billing service is also available. This way, Plan Administrators can view and download current and previous premium statements on-line.

Some of the key advantages of a secure site for Plan Administrators are:

- the elimination of most paper forms;
- ability to update Plan Member file quickly;
- reduction in postal delays;
- considerable reduction in adjustments because more up-to-date statements are produced.

### **SECURE WEB SITE FOR PLAN MEMBERS**

All Plan Members can view their health claims file on-line. The secure Web site makes it easier for them to submit their claims for health care benefits by giving them access to pre-completed forms.

An on-line guide helps Plan Members navigate on the site and includes instructions on how to submit claims.

Information on the secure Web site allows Plan Members to take full advantage of their plan. This is just one more reason for them to appreciate the advantages offered by their employer or group.

For more information or to enrol in Desjardins Financial Security on-line services, please contact your group insurance advisor.



**Desjardins**  
**Insurance**

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This statement is valid from April 1, 2014 to March 31, 2015.

This Inter-Company EP3 Statement confirms that, if the contract is effective during the validity period of this statement, you are covered by your insurer's Extended Drug Policy Protection Plan (EP3) which meets the Canadian Drug Insurance Pooling Corporation's (CDIPC) EP3 minimum standards for drug insurance.

Please note that should any provision of your insurer's EP3 conflict with any provision contained in any provincial drug insurance pooling legislation, such legislation takes precedence over your insurer's EP3. In addition, any exclusions from your insurer's EP3 apply for the purposes of the CDIPC pooling agreement only.

Desjardins Financial Security  
 Insurer

February 21, 2014  
 Statement issuance date

\*\*\*\*\* Inc.  
 Policyholder

**POOLING DETAILS**

Are any eligible certificates subject to any form of pre-existing exclusion?

- Yes       No

\$7,500  
 Threshold

per Certificate  
 Application