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From the Masthead

Mainstay Insurance Brokerage Inc. Phone: (905)886-9203

In order to serve you better

To assist you with your employee benefit plan, we are continually updating our website. Located at:

www.mainstayinsurance.ca

The site provides easy access to many insurance company's websites and to the health and dental claim forms you utilize on a regular basis. We have also added links to the log on pages for members (employees) in order to provide quick entry to other websites.

If you use a form that is not on our website and would like it added, please send us an e-mail at:

Dave@mainstayinsurance.ca

Did you know that...

Dependent children who are turning age 21 will lose coverage unless they are returning to post secondary school full-time. Those who are over 21 and returning to school must have their information updated with the insurer to continue their coverage.

If dependents are not returning to school, are married or are working full-time, they are no longer eligible for coverage under their parents benefit plan. They should enroll in their employer's benefit plan or obtain individual coverage.

If you are unsure about your dependent's coverage, please call your insurer for details or to obtain the proper forms to update coverage.

As you grow, so do we….

Effective April 1st, 2014 Mainstay will be adding a new supplier to better serve our clients.

Since our inception we have been able to remain small and still continue to service our clients well. Times are changing however as many of our clients are growing, adding new staff, and in some cases, opening new locations. Others now require higher levels of service (and more often) as our working population ages and as companies grow and encounter different challenges. We are seeing a higher incidence rate of newer and more expensive drugs that often require assistance with the claim process, prior authorization or in some cases lead to plan design changes. We also have more clients who are experiencing long-term disability claims that require assistance either at application or appeal.

In response to our new business reality, we have elected to work with a Group Insurance Managing General Agent (MGA) called GroupQuest. MGA's assist brokers with backroom administrative duties such as: shopping plans, compiling raw data supplied from insurers and negotiating and preparing the renewal packages for presentation.

To understand how this will impact you, are the following questions and answers.

Why are we doing this?
We want to ensure that service is number one with our clients. We want to be able to respond promptly to your calls when you or your employees have an issue. In order to be able to continue to do this we are outsourcing some of the more mundane duties that take time but that can be better handled by others so that we are available for you, our clients, when you really need us.

What does this mean to you?
The days of the "Mainstay Blue Renewal Folders" are over and instead you will receive a bound renewal report (also available in "pdf" format) that compiles all your plan's data a little differently and we think more effectively.

Do we still speak to you?
Yes, the MGA is Mainstay's direct support, not yours. You still call us and our relationship will not change nor will you have to speak to anyone else.

Will this cost me more?
Over the years we have spoken with many of you about the commission level we charge and the possibility of it increasing. This potential increase was in part due to the downloading of tasks that insurers were putting onto brokers and the extra administrative load we have had to take on. Enlisting an MGA to support us will help alleviate potential commission increases.

As you know via our disclosure information discussed at renewal each year, we charge standard "crown" scale on most traditional plan designs and standard commissions on other cases. Our fees are less than many other group brokers. We believe that we offer superior advice for a very reasonable price. By using an MGA, we are avoiding the need to add staff and passing on potential accompanying cost increases to you.

There **is** a cost to using an MGA and this is reflected in a small decrease in the Target Loss Ratios (TLR) of your plan. In most cases the TLR will change by approximately 1%. This represents a small change when compared to the variation in TLR's between carriers which often varies as much as 4 to 7%.

What else will change?
Other than the new look of the renewal kits and the occasional information coming from our MGA, GroupQuest, rather than from the insurer directly, you should not see any other changes.

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Note: This side of the newsletter is intended for you, the plan administrator. The information on the 'front' is generally targeted more to your staff and can be copied and distributed for their reference.

Just in case you were wondering…

The majority of our client's plans are structured as "Generic" Drug plans meaning that unless a doctor writes "no substitution" on the script, the generic drug is dispensed.

Insurers are amending these plans to "Mandatory generic" plan designs either at renewal or in some cases at a common date (such as BBD on July 1st, 2014).

This is to try and maintain the affordable pricing of your plan and at the same time reduce the pressure to slip higher priced brand drugs onto plans.

Ensuring employee info is kept up to date

As Plan Administrator (PA), you are required to update your provider with any changes that affect your plan members benefit coverage. This must be done within 31 days of the change taking place.

Changes can include things like: a hire or termination of an employee; a change in salary; a change in student status once over age 21; a change in hours or class of employee (if you have classes); a marriage or common-law relationship beginning or ending; a separation that would make an ex-spouse ineligible for benefits; or a loss of spousal benefits.

Employees are not always good at remembering to keep this information up to date. Failing to do so can result in benefit reductions or even outright denials of benefit coverage in the event of late applicants. This is something we want to avoid at all costs for many reasons. For example, many of the new drug costs are extremely high with some claims over $10,000 and some as high as $500,000 a year. A denial of this type of claim could be catastrophic

As a PA, you are aware and responsible for new hires, terminations and salary changes, but most of the remaining changes require the employee to notify you. Regular reminders to staff to keep their information up to date are a great way to make sure that they get the benefits they are entitled to and to avoid future problems.

When making these reminders it is also a good time to remind staff to update and review their beneficiary designations.

The beneficiary of their life and AD&D coverage should be an adult of legal age. If your employee wishes to leave the proceeds to an underage child, then a trustee should be appointed to handle the funds or they will be held until the child reaches legal age.

This benefits reminder can also serve as a valuable reminder for employees to create or review and update their personal wills and estate information.

What are other employers paying for benefits?

Each year we meet to discuss your renewal. During it we review the change in rates based on changes in your staff demographics and claim costs as well as the pool of all small business claims. Some of you see higher increases and others experience lower increases or even decreases on occasion.

The average increase in rates over the past 5 years has been about 3.7% overall. Over 10 years it has been 3.9%: the lowest period since 1985.

We have included the highest increases and decreases in the chart following to illustrate the range our clients have encountered. These numbers are compiled from our current existing Mainstay clients only and are un-weighted.

Annual Premium Changes

Year	Best	Avg.	Worst
2009	-27%	5.0%	+38%
2010	-17%	3.4%	+32%
2011	-24%	4.0%	+30%
2012	-13%	3.8 %	+39%
2013	-28%	2.2 %	+31%

The initial response we often get is, "we want that 28% rate decrease". In actuality, you likely would not.

The firm that had that rate reduction grew their staff population considerably over that year, while at the same time REDUCED their overall claim costs. They were really overpaying at their old rates, until the pricing was adjusted to reflect the new staff added and the declining claims of the firm.

What this summary tells us is that the average client paid a benefit cost slightly higher than inflation, but not as high as many expected.

Is it likely to get better or worse? We never know for sure but we can expect costs to continue to increase as we see the generic drug savings taper off, drug claim costs to rise, services to be utilized more and provincial downloading to increase.

Stay tuned for updates.