



## City of North Bay Report to Council

Report No: CORP-2021-106

Date: September 24, 2021

Originator: Wanda Trottier

Business Unit:

Department:

Corporate Services

Human Resources Department

Subject: **2021 Benefits Renewal**

Closed Session: yes ☐ no ☒

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### Recommendation

That Council approve the renewal of the Employee ASO and Pooled Benefits (excepting Accidental Death & Dismemberment [AD & D] coverage) Program with Manulife Financial effective November 1, 2021 and the AD & D coverage with AIG Insurance effective November 1, 2021 at an increase of 9.9% or \$339,936.

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### Background

The Employee Group Benefits Program for the City of North Bay renews effective November 1, 2021.

This program comprises the insured portion, including Basic Life Insurance, Long-Term Disability (LTD) and AD & D, as well as Extended Health Care and Dental plans, provided on an “Administrative Services Only” (ASO) basis.

The City is a member of the North Bay Consortium which comprises the City of North Bay, District of Nipissing Social Services Board, Nipissing District Housing, Habitation Supreme, North Bay Public Library, North Bay Mattawa Conservation Authority, North Bay Jack Garland Airport, and the Capitol Centre. Using a consortium approach provides the opportunity to maximize economies of scale resulting in advantageous pricing for all group members.

As a result of the 2019 marketing, Manulife guaranteed the premium costs associated with Life, Supplemental Life and LTD for three (3) years (to November 1, 2022). The AD & D benefit was transferred from Manulife to AIG and was also guaranteed for three (3) years (to November 1, 2022).

The annual premiums for ASO benefits are projected in an effort to result in a break even position. The premiums associated with the ASO benefits translate to annual deposits made to the ASO account from which all annual claims expenses are deducted. As a result, the volume and costs of ASO claims may have a significant impact on the annual premiums. When rating the ASO benefits, the current plan status is taken into consideration. Due to the COVID-19 pandemic, many Extended Health Care and Dental service providers were required to close their businesses through the previous benefit period, resulting overall in reduced claims for many services such as Paramedical, Vision, Dental, etc. The reduced claims in the previous period resulted in a refund to the City for the surplus of premiums paid equivalent to \$235,093, as well as no change to the rates for the current period.

However, during this current period, with the easing of Provincial restrictions and Extended Health Care and Dental offices open, the City realized an increase in the use of these services and increased claims. As a result of the current activity during the previous period, our benefits consultants, Mosey and Mosey is projecting a deficit of \$109,200. Typically at the time of the benefits renewal, the City also receives the annual ASO Reconciliation from Manulife. This reconciliation covers the period June 1, 2020 to June 30, 2021 and is separate from the annual rate renewal process. Mosey and Mosey expects Manulife to provide the annual reconciliation later in October.

For renewal rating purposes, Mosey and Mosey's analysis includes COVID-19 adjustments for ASO claims. The purpose of this is to bring these claims amounts up to a more typical annual level so that renewal rates may be set at a level that will support future anticipated claim levels.

The premium adjustments to the ASO benefits originally proposed by Manulife for the November 1, 2021 renewal would have resulted in an increase to the annual plan costs of \$593,112 or 17.2%. Following analysis and negotiations with the carriers, Mosey and Mosey was successful in achieving a renewal position resulting in an increase of 9.9% or \$339,936 per annum.

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### **Financial/Legal Implications**

The current rate renewal was calculated projecting a break-even position and using conservative trending. In order to absorb any fluctuations between the projection and actuals the City has established an ASO reserve (99546R) which has a balance of \$247,000 as of the writing of the report. As noted above the City received an ASO refund of \$253,000 in 2020 and is forecasted to have a deficit of \$109,200 in 2021. The pandemic has impacted the annual reconciliations as well as contributed to the fluctuations in the renewal (no change in November 2020). An increase to current rates of 9.9% or \$339,936 per annum will result in approximately 0.35% tax levy increase to the 2022 operating budget.

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### **Corporate Strategic Plan**

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|---------------------------------------------------------------------------|--------------------------------------------------|
| <input type="checkbox"/> Natural North and Near                           | <input type="checkbox"/> Economic Prosperity     |
| <input type="checkbox"/> Affordable Balanced Growth                       | <input type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government |                                                  |

## Specific Objectives

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### Options Analysis

Option 1: That Council approve the renewal of the Employee ASO and Pooled Benefits (excepting Accidental Death & Dismemberment [AD & D] coverage) Program with Manulife Financial effective November 1, 2020 and the AD & D coverage with AIG Insurance effective November 1, 2021 with an increase to the current rates of 9.9% or \$339,936. This is the recommended option.

Option 2: That Council not approve the renewal of the Employee ASO and Pooled Benefits (excepting Accidental Death & Dismemberment [AD & D] coverage) Program with Manulife Financial effective November 1, 2020 and the AD & D coverage with AIG Insurance effective November 1, 2021, and proceed to “go to market”. This is not the recommended option.

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### Recommended Option

That Council approve the renewal of the Employee ASO and Pooled Benefits (excepting Accidental Death & Dismemberment [AD & D] coverage) Program with Manulife Financial effective November 1, 2021 and the AD & D coverage with AIG Insurance effective November 1, 2021 at an increase of 9.9% or \$339,936.

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Respectfully submitted,

Name: Wanda Trottier, CHRL

Title: Director, Human Resources

### **I concur with this report and recommendation**

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name David Euler, P.Eng., PMP

Title: Chief Administrative Officer

Personnel designated for continuance:

Karen McIsaac, Dipl. M.A.

City Clerk