



## City of North Bay Report to Council

Report No: CORP-2022-110

Date: November 9, 2022

Originator: Wanda Trottier

Business Unit:

Corporate Services

Department:

Human Resources Department

Subject: **2022 Benefits Renewal**

Closed Session: yes ☐ no ☒

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### Recommendation

That Council approve the renewal of the Employee Administrative Services Only (ASO) and Pooled Benefits (excepting Accidental Death & Dismemberment [AD & D] coverage) Program with Manulife Financial effective November 1, 2022 and the AD & D coverage with AIG Insurance effective November 1, 2022 at an increase of 7.1% or \$269,148.

That Council further approve the 2022 ASO Deficit in the amount of \$146,069 (plus accrued interest) be funded by the ASO Benefits Reserve #99546.

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### Background

The Employee Group Benefits Program for the Corporation of the City of North Bay renews annually effective November 1, 2022.

This program is comprised of the insured portion, which includes Basic Life Insurance, Long-Term Disability (LTD) and AD & D, as well as the Administrative Services Only (ASO portion) where the employer assumes the risk by paying the actual cost of claims as laid out by the Extended Health Care and Dental plan design, ("the plan") and the carrier administers the benefits and adjudicates claims as per the plan.

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

The City uses Mosey and Mosey as a Benefits consultant. Mosey and Mosey's service includes negotiating renewal rates with the Benefits carrier, advising the City on plan design, reconciling claims, and facilitating the process of "going to market". Mosey and

Mosey does not recommend going to market any sooner than at five year intervals in order to garner the most competitive rates for the insured portion of our benefits plan as frequent shoppers can deter insurance companies from wanting to do business.

As a result of the most recent marketing in 2019, 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 renewal rates for the pooled benefits (Employee Group Life, Supplemental Life and Long-Term Disability) are based on a partially pooled and partially experience rated basis. The pooled portion is dependent on the overall performance of the insurer's pool and changes in the demographics of our employee group. (i.e. weighted average age distribution, female/male ratio, and occupation.) Experience is also weighted by the size of the group. AD&D is a fully pooled benefit.

While the insurer initially proposed an increase to the pooled rates of 5.9%, Mosey and Mosey successfully negotiated a lesser rate increase equal to 0.9%.

The annual rates for ASO benefits are projected in an effort to result in a break-even position by the end of the period. The payments associated with the ASO benefits translate to monthly deposits made to the ASO account from which all claims expenses during the period are deducted. When the actual claims incurred during the period are less than the cumulative payments to the ASO account (minus administrative expenses), a surplus is returned to the City. When the actual claims incurred during the period are greater than the cumulative payments in the ASO account, this results in a deficit to be paid by the City.

Early in the Pandemic, (2020), because of the physical distancing restrictions mandated by the Province, the Corporation of the City of North Bay realized a reduction in Health and Dental Benefit usage. In 2020, this resulted in a ASO Account surplus of \$235,093. However, in 2021, the City saw increased claims as a result of easing of restrictions which resulted in a deficit of \$92,450.

This past period, we continued to experience increased claim volume as well as high-cost claims.

The volume and costs of ASO claims through the period is considered when renewal rates for the following period are negotiated. The adjusted ASO benefits rates originally proposed by Manulife for the November 1, 2022 renewal would have resulted in an increase of \$624,516 or 16.5%. Following analysis and negotiations with the carriers, Mosey and Mosey was successful in achieving a renewal position resulting in an increase of 7.1% or \$269,148 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 projected usage and actual claims, the City has established an ASO reserve (99546R) which has a balance of approximately, **\$347,000** as of the writing of the report. As noted above, reconciliation of the ASO, resulted in a deficit of \$ 146,069 plus accrued interest in 2022.

An increase to current rates of 7.1% or \$269,148 per annum will result in approximately **0.26%** tax levy increase to the 2023 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, 2022 and the AD & D coverage with AIG Insurance effective November 1, 2022 with an increase to the current rates of 7.1% or \$269,148.

That Council further approve the 2022 ASO Deficit in the amount of \$146,069 (plus accrued interest) be funded by the ASO Benefits Reserve of 99546.

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 and the AD & D coverage with AIG Insurance effective November 1, 2022, 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, 2022 and the AD & D coverage with AIG Insurance effective November 1, 2022 at an increase of 7.1% or \$269,148.

That Council further approve the 2022 ASO Deficit in the amount of \$146,069 (plus accrued interest) be funded by the ASO Benefits Reserve #99546.

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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:  
Wanda Trottier, CHRL  
Director, Human Resources