the BIG COMPANY *advantage*™

April 8, 2019

Frontier Duty Free Association
222 Queen Street,
Suite 1404,
Ottawa, ON K1P 5V9

Dear Board members,

Benefit Partners approached the Frontier Duty Free Association with the vision of providing members in good standing with an affinity plan offering that could help them run their employee benefit arrangements in a cost effective sustainable manner through a program that we created and have used for many other Associations called the Big Company Advantage™. We could call this program the Frontier Duty Free Big Company Advantage™

The Frontier Duty Free Association (FDFA) Benefits Program would be a very unique collective purchasing plan for employee benefits. It would provide each participating firm with what we call the "Big Company Advantage™". The insurance industry treats most of their clients like they are small companies until they reach many thousands of employees. We have successfully negotiated a very unique set of arrangements such that every company participating in the FDFA plan is treated like a big company.

We have been consulting to the Consulting Engineers of Ontario, Consulting Engineers of Alberta, Consulting Engineers of New Brunswick, Ontario General Contractors Association, Canadian Institute of Steel Construction, Canadian Transportation Equipment Association, The Canadian Wood Truss Fabricators, Ontario Regional Common Ground Alliance and The Employers Co-Operative for many years now. We have amassed a volume of several thousand employees representing well in excess of $60,000,000 of insurance premium. The FDFA plan would piggy-back on that existing volume for the purpose of significantly reducing the insurance companies/suppliers plan administration costs which ultimately results in substantial premium savings for our clients. Many of our clients use these new found dollars to re-invest in their employees or simply use the savings to subsidize their association membership fees.

Most importantly however is that every company that participates in any of our association platforms remains autonomous for the purpose of their own claims experience and plan design. Unlike other association plans, our plans allow our clients complete flexibility when it comes to designing and providing the level of benefits, they wish to provide for their employees.

On an ongoing basis we work as your members benefit strategists to firstly keep them abreast of what the cost drivers are in their program and secondly to work with them to develop effective cost containment strategies and to help your members chart a long-term plan with respect to the management of their benefits program. Our work with members in this regard helps members save time and money in the long-term.

The Project Process

Our objective was to prepare a preliminary financial assessment on a couple of volunteer member firms to help explain the differences with the programs they presently have and what could be offered through the FDFA Big Company Advantage™. There was no cost for either of the member firms who participated. We will refer to the two volunteer members as Case Study #1 and Case Study #2.

In order to prepare the report, we requested the following information:

1. PDF of their most recent renewal and two years previous ones.
2. Claims experience from the last date reported in most recent renewal to present.
3. Signed privacy statement for our files and suggested firm retain a copy for themselves.
4. Copy of their employee benefits booklet.

Information received was limited to what their providers/insurers/brokers provided to our Case Study participants.

<u>Case Study #1</u> (Appendix A)

Number of Employees: 17
Current program: Chamber of Commerce
Annual Renewal: April 1, 2019 (provided with 2018 renewal information)

<u>Group Insurance Program Review</u>

Further to the information that has been provided, we are pleased to provide for your review a commentary with respect to the competitiveness of the current group insurance arrangements for Case Study #1.

<u>Comparative Underwriting Analysis:</u>

Based on the information contained in the most recent renewal report from their current insurer, there is a very important area that we wish to comment on for you.

1. <u>Target Loss Ratio (TLR)</u>

The target loss ratio contemplates the percentage of premium of the Health Care and Dental benefits that funds the cost of administration within their program. Their insurer **<u>has not disclosed</u>** this information to them for their health and dental benefits. We have for illustration purposes used a very conservative number of 75%. This translates into 25% of their premium funding the cost of administration. Their insurer sets the TLR based on the level of premium that their group generates on its own or conversely the Chamber of Commerce bases the level on the combined premium but chooses not to disclose this number to its program participants. This could change from year to year.

The unique benefit of *the Big Company Advantage*™ plan for The Frontier Duty Association is that the TLR for every company participating in the plan is based on the collective premium/insurance volume of all groups combined. Under *the Big Company Advantage*™ plan, the target loss ratio for their group would be set at 85%* (only 15%* administration). This administration fee is broken into three areas of responsibility. Consultant Compensation 5 %, Insurer Administration 8%, Government premium tax 2%.

*** Please note Target Loss Ratio may change slightly depending on recommended insurance carrier and size of client.**

2. Rate Projection

To be very conservative, our analysis and rate projection for pooled benefits has been projected to have saved 5% when we know that pooled benefits will likely net a 5-10% reduction when tendered to the 8 Big Company Advantage™ insurers. 15 – 27 month rate guarantees can be obtained and secured. Based on the information provided to us in combination with *the Big Company Advantage*™, and the pooled rates for Life, Accidental Death and Dismemberment, Dependent Group Life and Long-Term Disability, we have concluded and projected that we could not have improved the bottom line cost of their benefits program (compared to their 2018 rates). The cost of the program was actually 2.9% or $1,098 more expensive.

Please note that we calculated a savings of 9.2% on health benefits in 2018. Conversely, we were able to determine that dental benefits warranted an increase of 41% yet only harvested a 4% increase at renewal. Further discussion should take place to determine if the client had introduced some type of plan design change which accounted for this major financial discrepancy. We have conducted our analysis based on the limited information received using our normal calculation and had no further details to properly assess what the rate impact would have been from such a plan design change if it occurred.

3. Alternate Funding Analysis

Option to Change the Underwriting (Accounting) Method for Cash Flow Benefits

The current underwriting format of the cash flow benefits component of the program is insured. At each renewal, the insurance company uses the prior year's claims experience in order to prospectively rate the group for the coming year. In years when the employees claim more than the premium that is paid to the insurance company, the insurer incurs a deficit. The opposite occurs when the insurer takes in more than it pays out. Regardless of the scenario, the insurance company guarantees the rates at renewal for a period of 12 months. The insurance company keeps any surplus and has to absorb any loss that is incurred. It is able to adjust the rates that it charges on the renewal date. Generally speaking, over time, an insurance company will usually collect more premiums than it pays out in claims. This underwriting method can be practical for smaller groups, as one or two large claimants could easily result in claims exceeding premiums.

An alternative underwriting method that can be employed is called Modified Retention or Budget ASO. For all intents and purposes, nothing changes with respect to the administration of the plan. At year end, in addition to the insurer completing renewal calculations in order to set rates for the coming year, it also performs an accounting, wherein it details all of the expenses levied against the plan. In the event that there is a surplus, it becomes the property of the client (policyholder) and in the event of a deficit; the client must repay it to the insurance company. Therefore, the client self-insures it's claims. High claim limit insurance is put in place in order to protect the client against losses resulting from catastrophic claims (Extended Health Care benefit).

Catastrophic claims protection ensures that Out-of-Canada claims are pooled from the first dollar and that In-Canada claims are pooled at $10,000, per employee or dependent. A dental program already has built in catastrophic protection by virtue of the various plan maximums.

Modified Retention (Budget ASO)

This proposal looks at the opportunity for Case Study #1 to consider changing the funding of its plan from Insured to Modified Retention or Budget ASO. There are essentially two types of ASO **payment** methods. We have compared the two for your review.

Traditional ASO

1) Client is required to deposit with the insurance company 1 – 1 ½ times average expected monthly claims for group.
2) Insurance company invoiced, in arrears, the monthly cost of claims plus its administration charges and all statutory taxes.

Modified Retention (Budget ASO) – Preferred Method

1) Client is billed regular monthly premium rates as in the past with an insured plan.
2) Insurance company provides year-end accounting of surplus/deficit.
3) Surplus is refunded with 30 days of date that financial statements are prepared and client is required to pay deficit within the same 30-day period if one occurs. Client can also choose to keep surplus on deposit to pay any future deficits that might occur or take a "premium holiday" to use up some or all of the surplus.
4) An initial claims deposit is required which you will own.

Budget ASO Rating Structure

In the event that Case Study #1 was to change the underwriting of its cash flow benefits to modified retention (budget ASO) we recommend including the In-Canada-Pooling Insurance to protect against a single high dollar claimant.

Out-of-Canada (60 days) would also be covered for $3.85 Single and $6.55 Family. Any resulting surplus on account would be refunded to Case Study #1 or could be used to set up a health care spending account, or alternatively left on deposit for any future deficit recovery or used to provide a "premium holiday".

Projected Annual Savings

$2,151.88

- Please note further pooled benefit savings could be generated as this savings only includes the 5% reduction to pooled benefits plus the projected Health and Dental savings.

<u>Case Study #2</u> (Appendix B)

Number of Employees: 16
Current program: RBC
Annual Renewal: October 1, 2018

<u>Group Insurance Program Review</u>

Further to the information that has been provided, we are pleased to provide for your review a commentary with respect to the competitiveness of the current group insurance arrangements for Case Study #2.

<u>Comparative Underwriting Analysis:</u>

Based on the information contained in the most recent renewal report from their current insurer, there is a very important area that we wish to comment on for you.

1. <u>Target Loss Ratio (TLR)</u>

The target loss ratio contemplates the percentage of premium of the Health Care and Dental benefits that funds the cost of administration within their program. Their insurer **<u>has not disclosed</u>** this information to them for their health and dental benefits. We have for illustration purposes used a very conservative number of 75%. This translates into 25% of their premium funding the cost of administration. RBC sets the TLR based on the level of premium that their group generates on its own.

The unique benefit of *the Big Company Advantage*™ plan for The Frontier Duty Association is that the TLR for every company participating in the plan is based on the collective premium/insurance volume of all groups combined. Under *the Big Company Advantage*™ plan, the target loss ratio for their group would be set at 85%* (only 15%* administration). This administration fee is broken into three areas of responsibility. Consultant Compensation 5 %, Insurer Administration 8%, Government premium tax 2%.

*** Please note Target Loss Ratio may change slightly depending on recommended insurance carrier and size of client.**

2. Rate Projection

To be very conservative, our analysis and rate projection for pooled benefits has been projected to have saved 5% when we know that pooled benefits will likely net a 5-10% reduction when tendered to the 8 Big Company Advantage™ insurers. 15 – 27 month rate guarantees can be obtained and secured. Based on the information provided to us in combination with *the Big Company Advantage*™, and the pooled rates for Life, Accidental Death and Dismemberment, Dependent Group Life and Long-Term Disability, we have concluded and projected that we could have improved the bottom line cost of their benefits program (compared to their initially proposed 2018 rates) by 11.13% or $7,805.85.

It was interesting to note that the RBC initial renewal showed a 16.8% rate increase and then a subsequent revised 10.4% rate increase and then again, a further revised renewal position of -2.5%. We can only assume that the broker either made some plan design cut backs or tendered the program and used the results of the tender to leverage RBC into a position of discounting rates to retain the client. When comparing the rates of the Big Company Advantage™ which are calculated to be sustainable, $389.29 more funding would be required.

Further discussion should take place to determine if the client had introduced any plan design changes at the time that the "further revised renewal rates" were provided. We would make a recommendation for Case Study #2 to stay with their current carrier until next renewal as it appears that the plan is underfunded, and it makes no sense to move now unless they were to consider an alternative funding arrangement for their program.

3. Alternate Funding Analysis

Option to Change the Underwriting (Accounting) Method for Cash Flow Benefits

The current underwriting format of the cash flow benefits component of the program is insured. At each renewal, the insurance company uses the prior year's claims experience in order to prospectively rate the group for the coming year. In years when the employees claim more than the premium that is paid to the insurance company, the insurer incurs a deficit. The opposite occurs when the insurer takes in more than it pays out. Regardless of the scenario, the insurance company guarantees the rates at renewal for a period of 12 months. The insurance company keeps any surplus and has to absorb any loss that is incurred. It is able to adjust the rates that it charges on the renewal date. Generally speaking, over time, an insurance company will usually collect more premiums than it pays out in claims. This underwriting method can be practical for smaller groups, as one or two large claimants could easily result in claims exceeding premiums.

An alternative underwriting method that can be employed is called Modified Retention or Budget ASO. For all intents and purposes, nothing changes with respect to the administration of the plan. At year end, in addition to the insurer completing renewal calculations in order to set rates for the coming year, it also performs an accounting, wherein it details all of the expenses levied against the plan. In the event that there is a surplus, it becomes the property of the client (policyholder) and in the event of a deficit; the client must repay it to the insurance company. Therefore, the client self-insures it's claims. High claim limit insurance is put in place in order to protect the client against losses resulting from catastrophic claims (Extended Health Care benefit).

Catastrophic claims protection ensures that Out-of-Canada claims are pooled from the first dollar and that In-Canada claims are pooled at $10,000, per employee or dependent. A dental program already has built in catastrophic protection by virtue of the various plan maximums.

<u>Modified Retention (Budget ASO)</u>

This proposal looks at the opportunity for Case Study #2 to consider changing the funding of its plan from Insured to Modified Retention or Budget ASO. There are essentially two types of ASO **<u>payment</u>** methods. We have compared the two for your review.

Traditional ASO

1) Client is required to deposit with the insurance company 1 – 1 ½ times average expected monthly claims for group.
2) Insurance company invoiced, in arrears, the monthly cost of claims plus its administration charges and all statutory taxes.

Modified Retention (Budget ASO) – Preferred Method

1) Client is billed regular monthly premium rates as in the past with an insured plan.
2) Insurance company provides year-end accounting of surplus/deficit.
3) Surplus is refunded with 30 days of date that financial statements are prepared and client is required to pay deficit within the same 30-day period if one occurs. Client can also choose to keep surplus on deposit to pay any future deficits that might occur or take a "premium holiday" to use up some or all of the surplus.
4) An initial claims deposit is required which you will own.

Budget ASO Rating Structure

In the event that Case Study #2 was to change the underwriting of its cash flow benefits to modified retention (budget ASO) we recommend including the In-Canada-Pooling Insurance to protect against a single high dollar claimant.

Out-of-Canada (60 days) would also be covered for $3.85 Single and $6.55 Family. Any resulting surplus on account would be refunded to Case Study #2 or could be used to set up a health care spending account, or alternatively left on deposit for any future deficit recovery or used to provide a "premium holiday".

Projected Annual Savings

$4,071.08

- Please note further pooled benefit savings could be generated as this savings only includes the projected Health and Dental Savings.

Value Adds (Appendix C)

In November of 2018 Benefit Partners joined the People Corporation group of companies. People Corporation is a leading national provider of group benefits, group retirement and human resource services with over 800 employees servicing over 8,000 clients of all sizes from start-up stage to enterprise. The Company has offices across Canada, each led by a team of experts and backed by the resources of a national company that is traded on the TSX-V. Managing approximately $2 billion in annual premiums, and administering $10 billion in pension assets, our industry experts provide uniquely valuable insight while customizing our innovative suite of services to the specific needs of our clients. Whatever your sector, whatever your scale, putting our expertise and proven track record to work will make a difference to your people and your bottom line. This partnership allows us to bring value added services and programs to our clients. Some of these services and programs include; Preferred Provider Networks (PPN's), exclusive savings cards for various pharmacies, quarterly/monthly Newsletters which will provide information on Benefit related and Health and Wellness topics to name a few.

Conclusion

As the employee population ages and as the onset of age-related chronic conditions starts to affect plan members and their dependents, we could see a significant increase in utilization moving forward.

Communication plays a very important role in the sustainability of a group benefit plans. Your programs can be incurring unnecessary costs without increasing the therapeutic value of the program. Benefit Partner's objective is to educate the employees and make them better Health Care Consumers. During our Employee communication session, we cover topics such as; 1) Control what you claim- price shop around, drug ingredient costs and dispensing fees can vary between pharmacies, 2) Maintenance drugs, if you are taking a maintenance drug ask for a 3 month supply to reduce dispensing fees, 3) Look at other alternatives to getting your maintenance drug prescriptions filled, such as home delivery which can provide significant savings, to name a few.

Another way to ensure your benefit program remains viable is to look at ways to limit the risk and exposure to the Company. It is important to establish corporate policies that mitigate risk for the Company, such as policies that determine how long the Company will pay for Health benefits when and employee is unable to work due to a long term disability or illness.

Based upon the preliminary analysis performed by Benefit Partners for Case Study #1 and Case Study #2, it appears that both companies could save additional dollars by more effectively managing the drug program without impacting the therapeutic value of the program. As well, by educating the employees to become better health care consumers, the plan could save additional dollars just by having the employees make a better choice with respect to where medications are purchased.

Benefit Partners could offer these services to each organization if we were to become the endorsed consultants for the Frontier Duty Free Association.

We trust that you have found our preliminary review and its attachments informative. We believe that given the opportunity Benefit Partners can professionally assist your members by lowering the current and future cost of their employee benefit plans through our unique benefits platform.

We look forward to the opportunity of working with The Frontier Duty Free Association and its member firms soon.

Yours truly,
Benefit Partners

Daniel S. Millar
Principal

APPENDIX A
Case Study #1

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Comparative Underwriting Analysis - 2 Years Claims Experience
Case Study #1 - 2018

		Current Insurer		BCA Plan	
	Health Care:	Calendar 2017	Calendar 2016	Calendar 2017	Calendar 2016
A.	Premium	$12,265	$14,054	$12,265	$14,054
B.	Claims	$8,257	$8,175	$8,257	$8,175
C.	Loss Ratio (B/A)	67.3%	58.2%	67.3%	58.2%
D.	Target Loss Ratio	75.0%	75.0%	85.0%	85.0%
E.	Adjustment before Inflation (C/D)	0.898	0.776	0.792	0.684
F.	Inflation Adjustment	12.0%	25.4%	12.0%	25.4%
G.	Adjustment Required (E x (1 + F)	100.5%	97.3%	88.7%	85.8%
H.	Weighting	70.0%	30.0%	70.0%	30.0%
I.	Credibility	**Unknown**		**100%**	
J.	Calculated Renewal @ 100% Credibility	**-0.4%**		**-12.2%**	
K.	Final Negotiated Increase/(Decrease)	-3.9%		-12.2%	
	Financial Impact:				
	Pre-Renewal Rates	Volume	Rates	Volume	Rates
	Single	10	$36.10	10	$36.10
	Family	7	$101.40	7	$101.40
	Final Negotiated Renewal Rates				
	Single	10	$34.68	10	$31.71
	Family	7	$97.42	7	$89.08
	Projected Annual Renewal Premium		***$12,344.88***		***$11,288.02***
	Renewal Premium Difference (with PST)				***$1,141.41***
					9.2%

Notes:

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Comparative Underwriting Analysis - 2 Years Claims Experience Case Study #1 - 2018					
		Current Insurer		**BCA Plan**	
	Dental Care	Calendar 2017	Calendar 2016	Calendar 2017	Calendar 2016
A.	Premium	$11,816	$12,211	$11,816	$12,211
B.	Claims	$11,182	$11,947	$11,182	$11,947
C.	Loss Ratio (B/A)	94.6%	97.8%	94.6%	97.8%
D.	Target Loss Ratio	75.0%	75.0%	85.0%	85.0%
E.	Adjustment before Inflation (C/D)	1.262	1.305	1.113	1.151
F.	Inflation Adjustment	8.0%	16.6%	8.0%	16.6%
G.	Adjustment Required (E x (1 + F)	136.3%	152.2%	120.2%	134.3%
H.	Weighting	70.0%	30.0%	70.0%	30.0%
I.	Credibility	**Unknown**		**100%**	
J.	Calculated Renewal @ 100% Credibility	**41.0%**		**24.4%**	
K.	Final Negotiated Increase/(Decrease)	4.0%		24.4%	
	Financial Impact:				
	Pre-Renewal Rates	Volume	Rates	Volume	Rates
	Single	10	$37.81	10	$37.81
	Family	7	$97.47	7	$97.47
	Final Negotiated Renewal Rates				
	Single	10	$39.33	10	$47.05
	Family	7	$101.41	7	$121.30
	Projected Annual Renewal Premium		***$13,238.04***		***$15,835.35***
	Renewal Premium Difference (with PST)				***-$2,805.10***
					-21.2%
	Notes:				

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Estimated Comparative Spreadsheet - BCA Purchasing Plan for Case Study #1 - 2018

Benefit	Rate Structure 2017			Rate Structure 2018			BCA Pricing 2018		
	Volume	Rate	Premium	Volume	Rate	Premium	Volume	Rate	Premium
Life	430,000	$ 0.880	$ 378.40	430,000	$ 0.806	$ 346.75	430,000	$ 0.765	$ 328.95
AD&D	430,000	$ 0.060	$ 25.80	430,000	$ 0.060	$ 25.80	430,000	$ 0.050	$ 21.50
DGL	8	$ 2.21	$ 17.68	8	$ 2.21	$ 17.68	8	$ 2.10	$ 16.80
LTD	27,300	$ 1.523	$ 415.83	27,300	$ 1.466	$ 400.11	27,300	$ 1.390	$ 379.47
Health - S	10	$ 36.10	$ 361.00	10	$ 34.68	$ 346.80	10	$ 31.71	$ 317.13
Health - F	7	$ 101.40	$ 709.80	7	$ 97.42	$ 681.94	7	$ 89.08	$ 623.54
Dental - S	10	$ 37.81	$ 378.10	10	$ 39.33	$ 393.30	10	$ 47.05	$ 470.53
Dental - F	7	$ 97.47	$ 682.29	7	$ 101.41	$ 709.87	7	$ 121.30	$ 849.08
Total Monthly			**$ 2,968.90**			**$ 2,922.25**			**$ 3,007.00**

Annual Increase/(Decrease) from Pre-Renewal including PST	**$ (604.62)** **-1.6%**	**$ 493.74** **1.3%**
Annual Difference between 2018 rates and the Prospectively rated BCA Plan		**$ 1,098.36** **2.90%**

Case Study #1 - 2018

Benefit Analysis

Benefit	Volume[1]	Chamber 2018 Unit Rates	Monthly Premium	Benefit Partners Proposed Unit Rates	Benefit Partners Proposed Monthly Costs
Life Insurance	430,000	$0.806	$346.75	$0.765	$328.95
AD&D	430,000	$0.060	$25.80	$0.050	$21.50
Dependent Group Life	8	$2.210	$17.68	$2.100	$16.80
Long Term Disability	27,300	$1.466	$400.11	$1.390	$379.47
Out of Canada Pooling					
Single	10			$3.850	$38.50
Family	7			$6.550	$45.85
Health					
Single	10	$ 34.68	$346.80		
Family	7	$ 97.42	$681.94		
Dental					
Single	10	$ 39.33	$393.30		
Family	7	$ 101.41	$709.87		
Monthly Premium			$2,922.25		$831.07
Annual Premium			$35,067.01		$9,972.84

	2017 Claims [2]		Benefit Partners Estimated Stop Loss	Benefit Partners Proposed ASO Fees
Health	$ 8,257.00		13%	12.5%
Dental	$ 11,182.00			12.5%
Annual ASO Health Cost				$10,362.54
AnnualASO Dental Cost				$12,579.75
Total Annual Premium Comparison		$35,067		$32,915.13
Annual Savings				**-$2,151.88**

Notes:

(1) *Volumes and rates taken from the April 2018 billing statement provided by the client*

(2) *Claims experience provided in the Chamber Plan 2018 renewal*

APPENDIX B

Case Study #2

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Comparative Underwriting Analysis - 2 Years Claims Experience
Case Study #2 - 2018

		Current Insurer		BCA Plan	
	Health Care:	June 1/17 - May 31/18	June 1/16 - May 31/17	June 1/17 - May 31/18	June 1/16 - May 31/17
A.	Premium	$32,609	$27,542	$32,609	$27,542
B.	Claims	$24,217	$20,641	$24,217	$20,641
C.	Loss Ratio (B/A)	74.3%	74.9%	74.3%	74.9%
D.	Target Loss Ratio	75.0%	75.0%	85.0%	85.0%
E.	Adjustment before Inflation (C/D)	0.990	0.999	0.874	0.882
F.	Inflation Adjustment	12.0%	25.4%	12.0%	25.4%
G.	Adjustment Required (E x (1 + F)	110.9%	125.3%	97.9%	110.6%
H.	Weighting	70.0%	30.0%	70.0%	30.0%
I.	Credibility	**Unknown**		**100%**	
J.	Calculated Renewal @ 100% Credibility	**15.2%**		**1.7%**	
K.	Final Negotiated Increase/(Decrease)	15.0%		1.7%	

	Volume	Rates	Volume	Rates
Financial Impact:				
Pre-Renewal Rates	Volume	Rates	Volume	Rates
Single	8	$91.31	8	$91.31
Family	8	$259.36	8	$259.36
Final Negotiated Renewal Rates				
Single	8	$105.01	8	$92.84
Family	8	$298.26	8	$263.71
Projected Annual Renewal Premium		***$38,713.92***		***$34,229.25***
Renewal Premium Difference (with PST)				***$4,843.45***
				12.5%

Notes:

Assumed TLR, Inflation, and Credibility

2018 "Revised Renewal Rates" have been used the BIG COMPANY advantage™

Comparative Underwriting Analysis - 2 Years Claims Experience Case Study #2 - 2018					
		Current Insurer		**BCA Plan**	
	Dental Care	June 1/17 - May 31/18	June 1/16 - May 31/17	June 1/17 - May 31/18	June 1/16 - May 31/17
A.	Premium	$10,706	$10,555	$10,706	$10,555
B.	Claims	$7,061	$5,780	$7,061	$5,780
C.	Loss Ratio (B/A)	66.0%	54.8%	66.0%	54.8%
D.	Target Loss Ratio	75.0%	75.0%	85.0%	85.0%
E.	Adjustment before Inflation (C/D)	0.879	0.730	0.776	0.644
F.	Inflation Adjustment	8.0%	16.6%	8.0%	16.6%
G.	Adjustment Required (E x (1 + F)	95.0%	85.2%	83.8%	75.1%
H.	Weighting	70.0%	30.0%	70.0%	30.0%
I.	Credibility	**100%**		**100%**	
J.	Calculated Renewal @ 100% Credibility	**-8.0%**		**-18.8%**	
K.	Final Negotiated Increase/(Decrease)	0.0%		-18.8%	
	Financial Impact:				
	Pre-Renewal Rates	Volume	Rates	Volume	Rates
	Single	8	$32.18	8	$32.18
	Family	8	$80.58	8	$80.58
	Final Negotiated Renewal Rates				
	Single	8	$32.18	8	$26.13
	Family	8	$80.58	8	$65.43
	Projected Annual Renewal Premium		***$10,824.96***		***$8,790.23***
	Renewal Premium Difference (with PST)				***$2,197.51***
					20.3%

Notes:

Assumed TLR, Inflation, and Credibility

2018 "Revised Renewal Rates" have been used

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Estimated Comparative Spreadsheet -BCA Collective Purchasing Plan for Case Study #2

Benefit	Rate Structure 2017			Rate Structure 2018			BCA Pricing 2018		
	Volume	Rate	Premium	Volume	Rate	Premium	Volume	Rate	Premium
Life	722,000	$ 0.420	$ 303.24	722,000	$ 0.420	$ 303.24	722,000	$ 0.399	$ 288.08
AD&D	722,000	$ 0.045	$ 32.49	722,000	$ 0.045	$ 32.49	722,000	$ 0.050	$ 36.10
DGL	11	$ 2.50	$ 27.50	11	$ 3.00	$ 33.00	11	$ 2.85	$ 31.35
LTD	34,917	$ 2.380	$ 831.02	34,917	$ 2.620	$ 914.83	34,917	$ 2.489	$ 869.08
Health - S	8	$ 91.31	$ 730.48	8	$ 105.01	$ 840.08	8	$ 92.84	$ 742.72
Health - F	8	$ 259.36	$ 2,074.88	8	$ 298.26	$ 2,386.08	8	$ 263.71	$ 2,109.68
Dental - S	8	$ 32.18	$ 257.44	8	$ 32.18	$ 257.44	8	$ 26.13	$ 209.04
Dental - F	8	$ 80.58	$ 644.64	8	$ 80.58	$ 644.64	8	$ 65.43	$ 523.44
Total Monthly			**$ 4,901.69**			**$ 5,411.80**			**$ 4,809.49**

Annual Increase/(Decrease) from Pre-Renewal including PST	**$ 6,610.91** **10.4%**	**$ (1,194.94)** **-1.9%**
Annual Difference between 2018 rates and the Prospectively rated BCA Plan		**$ (7,805.85)** **-11.13%**

Notes:

2018 rate structure reflects the "Revised Renewal Rates" proposed by RBC

the BIG COMPANY advantage™

Estimated Comparative Spreadsheet -BCA Collective Purchasing Plan for Case Study #2

Benefit	Rate Structure 2017			Rate Structure 2018			BCA Pricing 2018		
	Volume	Rate	Premium	Volume	Rate	Premium	Volume	Rate	Premium
Life	722,000	$ 0.420	$ 303.24	722,000	$ 0.370	$ 267.14	722,000	$ 0.399	$ 288.08
AD&D	722,000	$ 0.045	$ 32.49	722,000	$ 0.045	$ 32.49	722,000	$ 0.050	$ 36.10
DGL	11	$ 2.50	$ 27.50	11	$ 2.88	$ 31.68	11	$ 2.85	$ 31.35
LTD	34,917	$ 2.380	$ 831.02	34,917	$ 2.380	$ 831.02	34,917	$ 2.489	$ 869.08
Health - S	8	$ 91.31	$ 730.48	8	$ 91.31	$ 730.48	8	$ 92.84	$ 742.72
Health - F	8	$ 259.36	$ 2,074.88	8	$ 259.36	$ 2,074.88	8	$ 263.71	$ 2,109.68
Dental - S	8	$ 32.18	$ 257.44	8	$ 28.96	$ 231.68	8	$ 26.13	$ 209.04
Dental - F	8	$ 80.58	$ 644.64	8	$ 72.51	$ 580.08	8	$ 65.43	$ 523.44
Total Monthly			**$ 4,901.69**			**$ 4,779.45**			**$ 4,809.49**

Annual Increase/(Decrease) from Pre-Renewal including PST	**$ (1,584.23)** **-2.5%**	**$ (1,194.94)** **-1.9%**

Annual Difference between 2018 rates and the Prospectively rated BCA Plan	**$ 389.29** **0.63%**

Notes:

2018 rate structure reflects the "Further Revised Renewal Rates" proposed by RBC

Case Study # 2

Benefit Analysis

Benefit	Volume[1]	RBC 2018 Unit Rates	Monthly Premium	Benefit Partners Proposed Unit Rates	Benefit Partners Proposed Monthly Costs
Life Insurance	722,000	$0.370	$267.14	$0.370	$267.14
AD&D	722,000	$0.045	$32.49	$0.045	$32.49
Dependent Group Life	11	$2.880	$31.68	$2.880	$31.68
Long Term Disability	34,917	$2.380	$831.02	$2.380	$831.02
Out of Canada Pooling					
Single	8			$3.850	$30.80
Family	8			$6.550	$52.40
Health					
Single	8	$ 91.31	$730.48		
Family	8	$ 259.36	$2,074.88		
Dental					
Single	8	$ 28.96	$231.68		
Family	8	$ 72.51	$580.08		
Monthly Premium			$4,779.45		$1,245.53
Annual Premium			$57,353.46		$14,946.42

	June 1/17 - May 31/18 Claims [1]		Benefit Partners Estimated Stop Loss	Benefit Partners Proposed ASO Fees
Health	$ 24,217.00		13%	12.5%
Dental	$ 7,061.00			12.5%
Annual ASO Health Cost				$30,392.34
AnnualASO Dental Cost				$7,943.63
Total Annual Premium Comparison		$57,353		$53,282.38
Annual Savings				**-$4,071.08**

Notes:

(1) *Volumes, claims experience, and rates taken from the October 2018 RBC renewal provided by the client.*

APPENDIX C