
MEMORANDUM

NLTA Group Insurance



To: Members Insured in the NLTA Group Insurance Plan
From: Derek Drover, Chairperson, NLTA Group Insurance Trustees
Re: **April 2011 Group Insurance Annual Renewal**

Dear Colleagues:

On behalf of your NLTA Group Insurance Trustees, I wish to inform you of the details of the annual Group Insurance Renewal for the payroll deduction period covering April 1, 2011 to March 31, 2012. Every year, the various insurance policies must be renewed with the insurance underwriters and the premium rates must be set at a level sufficient to pay claims for the next insurance year. Based on NLTA claims analysis, it has been determined that some premium rate increases are necessary in order to try to avoid deficits occurring this coming year, which would lead to even greater premium rate increases in the future. Specifically, the following decisions were made by your Group Insurance Trustees:

1. Maintain current monthly insurance premiums in Options:
 - A1 – Basic and Dependent Life
 - A3 – Basic Accidental Death and Dismemberment
 - A4 – Voluntary Accidental Death and Dismemberment
 - C – Long Term Disability
 - CI – Basic Critical Illness
 - CV – Voluntary Teacher Critical Illness
 - CS – Voluntary Spouse Critical Illness
 - CC – Voluntary Dependent Child Critical Illness
 - LC – Long Term Care
 - T – MEDOC – Travel
2. Increase the Post 65 – Retiree Life Insurance premium by 4.1%.
3. Decrease the Option A2/A5 – Voluntary Life Teacher/Spouse Insurance premiums by approximately 2.8% to 4.9%, depending on age band and extend A2/A5 coverage from age 65 to 84 years with a maximum \$50,000 Life benefit. The extended coverage is not available to members who are age 65 and over prior to May 1, 2011.
4. Increase the Option B – Health Insurance monthly premium for Single plan members by 14.0% and for Family plan members by 2.0%. (See **NOTE on the following page** for a further explanation.)
5. There will be a **three month Health Insurance premium holiday** for teachers for the deduction months from April 1, 2011 until June 30, 2011. During this period, the teacher portion of the Health premium will be paid to the underwriter from the NLTA Group Insurance Fund from past surpluses derived exclusively from the Health plan. **It is important to note that the three month Health premium holiday will more than offset the annual increase in premiums for Single and Family plan members during this insurance year.** Government will continue to make its premium contributions to the overall Health premium during this period.
6. Change the basis for payment of dental claims from the 2009 to the 2010 Newfoundland and Labrador Suggested Dental Fee Guide and increase the B2 – Dental Insurance monthly premium by 5.6%.
7. There will be a **four month Long Term Disability (LTD) Insurance premium holiday** for teachers for deduction months from April 1, 2011 until July 31, 2011. During this period, LTD premiums will be paid to the underwriter from the NLTA Group Insurance Fund from past surpluses derived exclusively from the LTD plan.

NOTE

Regarding the Single and Family Health premium rates, as referenced in number 4 above, the Group Insurance Trustees have decided to begin a phase-in of a Single and Family coverage premium rate adjustment which will more accurately reflect the recent claims experience trends for both the Single and Family coverage within the Health Plan. For the past 24 months, the Group Insurance Trustees, in consultation with the Plan Administrator, Johnson Inc., and the insurance underwriter, Desjardins Financial Security, have been monitoring the correlation between the amount of claims paid and level of premiums collected for each of the Single and Family coverage. In the analysis of the most recent 12 month period, the Loss Ratio on claims paid versus premiums collected indicate that the Single coverage Loss Ratio was 130.76% (i.e., for every dollar collected in premiums from Single coverage members, approximately \$1.31 has been paid out to Single coverage members in claims) and the Family Loss Ratio was 83.14% (i.e., for every dollar collected in premiums from Family coverage members, approximately \$0.83 has been paid out to Family coverage members in claims). As a result of this analysis, Trustees have determined that it is necessary to begin a phase-in of a premium rate adjustment which will more accurately reflect the current trend in claims paid versus premiums collected. Trustees will continue to analyze and monitor this premium rate adjustment on a go forward basis.

A benefit statement from the Plan Administrator, Johnson Inc., outlining your personal coverage and premiums will be mailed to you in the near future.

Sincere regards,



Derek Drover

Analysis of Premium Rate Adjustments

Table 1: Comparison of the current and new premium rates.

TOTAL MONTHLY PREMIUM RATES		
	Current	New
*Basic Life (2 x Salary/Pension)	\$0.173/\$1,000 of benefit	Same
*Dependent Life	\$2.60	Same
Voluntary Life	Step Rated by Age Band	Decrease rates by approximately 2.8% to 4.9% depending on age band; Max. \$50,000 coverage extended from age 65 to 84. (Note: extended coverage is not available to members who are age 65 and over prior to May 1, 2011.)
*Basic Accidental Death & Dismemberment	\$0.085/\$10,000 of benefit	Same
Voluntary Accidental Death & Dismemberment	\$0.15/\$10,000 of benefit (single) \$0.21/\$10,000 (family)	Same (single) Same (family)
Basic Critical Illness	\$3.92	Same
Voluntary Critical Illness	Step Rated by Age Band, Gender, Smoker/Non-Smoker Status	Same
Voluntary Dependent Child Critical Illness	\$2.38	Same
*Health: Single	\$81.54	\$92.76
Family	\$230.76	\$235.32
Dental: Single	\$25.24	\$26.66
Family	\$50.68	\$53.52
Long Term Disability	\$0.80/\$100 of salary	Same
**Retiree-Post 65 (\$15,000)	\$24.60	\$25.65

* Government contributes to this premium rate in accordance with the Collective Agreement.

** For retired teachers who turned age 65 after September 1, 2004, \$20.15 is paid by the retiree and \$5.50 is paid from the Post 65 Life Fund established when the Post 65 Paid Up Life program was eliminated on September 1, 2004. Retired teachers who turned 65 prior to September 1, 2004 and were eligible for the Paid Up Life policy prior to its elimination continue to be entitled to the Paid Up Life benefit and are not eligible for this subsidy.

GOVERNMENT CONTRIBUTION RATES - IMPACT ON TEACHER PREMIUMS

Government's premium contributions to the premium rates in the A1 – Basic and Dependent Life, the A3 – Basic AD&D, and the B – Health plan options are determined annually in accordance with a Premium Rate Setting Process utilizing an independent insurance consultant. Government's contributions to the NLTA premium rates are the lesser of 50% of the NLTA premium rate calculated under the rate setting process in the Collective Agreement or 50% of the Government premium rate for its Basic/Dependent Life, Basic AD&D, and Health plan options calculated under this rate setting process. The premise is that Government will contribute a consistent amount to Group Insurance for all government employees, including teachers. The following table illustrates the impact of the Premium Rate Setting Process and the Government contribution rate determined for 2011-12.

BASIC PLAN PREMIUM RATES PER PAY PERIOD (EFFECTIVE APRIL 1, 2011 DEDUCTIONS) * BASED ON A \$60,000 ANNUAL SALARY						
	Total Premium		Government Contribution		Teacher Contribution	
	Current	New	Current	New	Current	New
Basic Life	Single: \$10.38 Family: \$11.68	Same Same	Single: \$4.26 Family: \$4.67	\$3.84 \$4.20	Single: \$6.12 Family: \$7.01	\$6.54 \$7.48
AD&D	\$0.52	Same	\$0.26	Same	\$0.26	Same
Health	Single: \$40.77 Family: \$115.38	\$46.38 \$117.66	Single: \$20.01 Family: \$50.67	\$21.11 \$53.41	Single: \$20.76 Family: \$64.71	\$25.27 \$64.25

Note: This memorandum will be available on the NLTA website (www.nlta.nl.ca), under "Recent Info".