



## EXTENDED HEALTH AND DENTAL COST INCREASES REMAIN LEVEL

Employers have recently experienced relatively consistent annual increases in the cost of their extended health benefits and dental plans. Over the past five years, the average annual increase in the cost of extended health benefits has reached a high of 14.5% compared to the lowest annual increase of 13.5%. Similarly, the average annual increase in the utilization of dental plans has remained at about the same level for the past five years.

### ANNUAL SURVEY OF COST INCREASES

Western Compensation & Benefits Consultants conducts an annual survey of increases in extended health and dental plan costs. The 2008 survey includes the following major Canadian insurance companies:

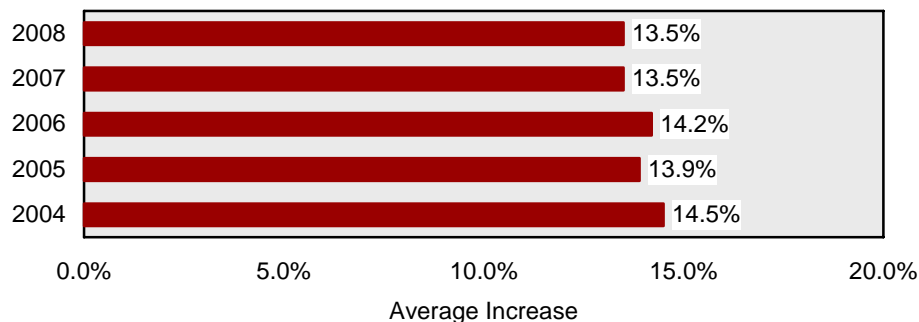
- ◆ Co-Operators Life Insurance Company
- ◆ Desjardins Financial Security Life Assurance Company
- ◆ Empire Life Insurance Company
- ◆ Equitable Life Insurance Company
- ◆ Great-West Life Assurance Company
- ◆ Green Shield Canada
- ◆ Industrial Alliance Insurance and Financial Services
- ◆ Manufacturers' Life Insurance Company
- ◆ Pacific Blue Cross
- ◆ Standard Life Assurance Company
- ◆ Sun Life Assurance Company

A summary of the median and average cost increases is contained in the following tables:

#### Current Increases in Extended Health Benefit Costs

Service	2008 Increase in Plan Costs	
	Median Increase	Average Increase
Hospital	11.9%	11.1%
Prescription Drugs	15.5%	14.3%
Vision Care	3.5%	3.1%
Other Services	14.9%	13.6%
Overall	13.9%	13.5%

#### Overall Annual Increases in Extended Health Benefit Costs Over the Past Five Years



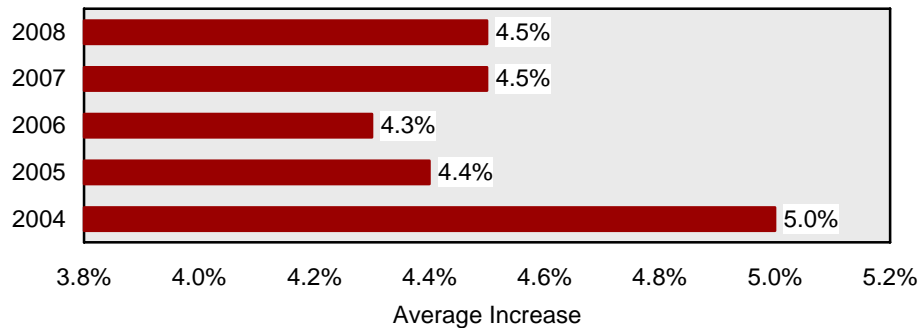


As shown, for 2008 the average increase in the trend/utilization factors is 13.5% – the same increase as in 2007.

### Current Increases in Dental Plan Costs

Province	2008 Increase in Dental Fee Guide	
	Median Increase	Average Increase
British Columbia	3.24%	3.24%
Alberta	6.39%	5.85%
Saskatchewan	6.50%	6.24%
Manitoba	3.86%	3.82%
Ontario	2.00%	2.14%
Quebec	3.20%	3.33%
New Brunswick	2.00%	2.14%
Newfoundland	4.30%	4.20%
Nova Scotia	2.74%	2.80%
Prince Edward Island	2.29%	2.46%
	2008 Increase in Plan Utilization	
	4.7%	4.5%

### Overall Annual Increases in Dental Plan Utilization For the Past Five Years



The average increase in the dental plan utilization factor has remained at about the same level for the past four years.

### SUMMARY

Trend and utilization factors should be used to project the increases required in premium rates to ensure that extended health and dental plans are adequately funded. However, the claims actually incurred by an organization's own employees are the biggest driver of plan costs. It is therefore important to regularly review the financial experience (i.e. claims incurred and premiums), the appropriateness of the funding (or risk sharing) arrangement with the insurance company, as well as the trend and utilization factors when negotiating appropriate renewal rates.