

● Ratings. Standard & Poors has been reviewing some insurers, and the results are not good. They have downgraded their outlook for both Sun Life and Canada Life from 'stable' to 'negative'. They have also lowered their credit rating on Mutual Life, from 'AA+ to AA'. Adjustments of this nature should not have negative consequences for policyholders. We will keep you informed.

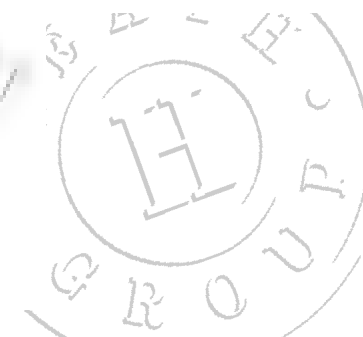
● In the United States, United Health Care has stopped its plan to buy rival Humana Inc., after United's shares fell 31% in two days. The transaction would have made United the largest health insurer in the US. Apparently, United took an unexpected US\$900 million charge for restructuring, and this triggered the share price collapse.

● British insurance broker Willis Corroon Group PLC has agreed to an £851 million takeover by a US leveraged buyout specialist and five big insurance companies, namely Guardian Royal Exchange PLC, Royal and Sun Alliance Group PLC, Chubb Corp, Hartford Financial Services Group, and Travelers Property Casualty Corp. Most interesting that a broker is being purchased by a clutch of insurers. It could be one way of acquiring a distribution channel.

● Marsh & McLennan Cos., the world's largest broker is buying Sedgwick Group PLC, Europe's largest broker, for US\$3.15 billion. Marsh had revenue last year of US\$6 billion and Sedgwick had US\$2.5 billion. In Canada, in benefits, this means Mercer will be taking over Sedgwick Noble Lowndes. In Toronto, this may not be much, since the four senior players in the Sedgwick office recently moved to Avalon Consulting.

● At press time, it was announced that the government has published preliminary guidelines on the demutualization of insurers, a topic referenced in previous issues. While we have not read the guidelines, it is reported that they include a cap of 10% on the amount any individual may own. This we advocated as a protection against over-centralization of control.

# Bene Facts



NEWS FROM HEATH BENEFITS CONSULTING



## Staff Profile Keith Morrallee

We are very pleased to introduce you to the newest member of Heath Benefits Consulting. Keith has just joined our Toronto team after a very successful 16 year career with another benefits consulting firm.

Keith is the Director of our Toronto office, with overall responsibility for staff and results. To this end, he will be working most closely with Jeff Jones, who is responsible for consulting services to existing clients.

Keith is married, with three children, and they live in Oakville. He is Chair of the Board of Directors of the VHA Health and Home Support Services, an organization that employs more than 500 people in the health care sector. Keith is also actively involved with the Certified Employee Benefit Specialist [CEBS] programme, for whom he has lectured and written articles. He currently sits on their Advisory Committee.

Feel free to contact Keith on any aspect of the consulting services we provide.

## 23 Guidelines for Flex Plans

Revenue Canada has recently issued Interpretation Bulletin IT-529, which provides a great deal of useful information in one document. It draws together provisions of the Income Tax Act, several Revenue Canada rulings, and prior Bulletins. In so doing, it documents Revenue Canada's position on the tax treatment of various benefits, as well as establishing basic plan design conditions.

There is no requirement that flexible benefit plans be registered with Revenue Canada. However, any such plan that is not structured appropriately can attract negative tax consequences both for employers and employees. Historically, there has been very little information from Revenue Canada, leaving employers and plan designers somewhat vulnerable. Thus this new document is extremely useful.

Copies of IT-529 are available from Revenue Canada, or from your local Heath office.

### In This Issue

- 2.1 Staff Profile - Keith Morrallee
- 2.2 The Insurer Files
- 2.3 Guidelines for Flex Plans
- 2.4 New Accounting Standards for Employees' Future Benefits
- 2.5 Legislative Update:
  - Ontario - OHIP Eye Exams
  - Ontario - Nurses' Roles Changed
  - Quebec - Nicotine Patches
  - Nova Scotia - Dispensing Fees
- 2.6 Long Term Care Insurance
- 2.7 Benefits Across Borders
- 2.8 Client Profile - Ricoh Canada
- 2.9 New Asthma Medication Released

# 2.4 New Accounting Standards for Employees' Future Benefits

These will soon require you to make provision on your financial statements for the cost of all Employees' Future Benefits, not just pension benefits.

The Canadian Institute of Chartered Accountants (CICA) is working on two projects that revise existing accounting recommendations and create new recommendations in respect of the cost of pension benefits and other post-employment benefits [OPEBs]. One project relates to private sector employers, and the other, to those in the public sector. The private sector project is expected to produce new regulations to be effective January 1, 2000, and the public sector project is likely to be phased in starting on January 1, 2001.

a. The Private Sector Project  
An exposure draft was issued in 1997,

and commentary submitted. The project team has reviewed all the submissions and revised the draft. They now expect that the final language will be approved and published in the 1st quarter of 1999, to be effective the following January 1.

The type of OPEBs which will be involved are post-retirement benefits, post-employment benefits, benefits for disabled employees, and termination benefits.

The purpose is to reflect on the current financial statements the estimated present value of future benefits commitments made. For example, if the employer has promised to provide a particular dental plan to retirees, the present value of the projected cost of that promise is to be included on current financial statements.

The regulations will probably provide for a transitional period for private employers, so that the impact may not be fully shown immediately.

One aspect of the project is to harmonize the Canadian environment with the US environment, where, through several accounting regulations, post employment liabilities now have to be accounted for.

b. The Public Sector Project  
For this issue, CICA considers that the Public Sector encompasses federal, provincial and local governments, and school boards. Generally, hospitals and crown corporations are considered to be private sector.

The project has really only just begun, for the public sector. It has 3 areas of focus: to assess whether change is required to existing guidelines; to officially bring local governments under the regulations; and, to develop new guidelines where required.

Unlike the private sector project, this team plans to proceed in stages. They will begin with pensions, where regulations already exist, then move to OPEBs. Major topics like sick leave and workers' compensation will follow, as projects of their own.

Implementation of the various phases is expected to occur during the year 2001.

A key discussion point which will be addressed is the treatment of transition

## Legislative Update

### Ontario

● OHIP coverage for eye exams has been reduced from one exam every 12 months to one every 24 months, for those between 20 and 64 years old. If your plan does not address this issue, you may want to discuss it with your consultant. There are cost implications.

Here is the current provincial situation:



● The role of a nurse has been changed, as a result of Bill 127, and now encompasses 4 levels: nurse practitioners [NPs], registered nurses [RNs], registered practical nurses [RPNs] and unregulated care

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NF	YUK
Child	1/yr	1/yr	NA	1/2yr	1/yr	1/yr	NA	1/2yr	NA	NA	NA
Adult	1/2yr	NA	NA	NA	1/2yr	NA	NA	NA	NA	NA	NA
Senior	1/yr	1/yr	NA	1/2yr	1/yr	1/yr	NA	1/2yr	NA	NA	1/2yr

providers [UCPs]. Relative to an RN, an NP may perform additional services such as ordering certain tests and prescribing certain drugs. RNs are the primary care providers. RPNs deliver 'hands-on' nursing services under the supervision of an RN or a physician. UCPs are equivalent to nurses' aids, and provide primarily custodial services. Many group contracts include coverage for private duty nursing, and often specify that this is limited to the services of a registered nurse. Some insurers are automatically adjusting contracts to cover the new



arrangements and the treatment of the impact of changes to in-force plans. In general, in the private sector, amortization over the expected average remaining service life [EARSL] is used. There is some sense that for the public sector, these liabilities should be recorded in full, immediately.

Except for this aspect, the primary thrust will be to harmonize the public sector practice with that of the private sector.

What does this mean to you?

If you provide retiree benefit plans, sick pay accumulation plans, or other post employment benefits, you will be required to record the present value of the future cost of these benefits in your financial statements, beginning in either 2000 or 2001. To do so, you will need to have the amounts computed, and in most cases this will require an actuarial assessment.

**Your Heath office will be equipped to provide this service, and we will keep you informed as the implementation dates approach.**

## 2.6 Long-term Care Insurance – We're hearing more

What is it? It is insurance that pays all or a portion of the costs either of being in a nursing home or similar institution, or of receiving home care, in the event of need. One insurer says benefits are payable either in the case of cognitive impairment [inability to think, perceive, reason or remember] or if the claimant can no longer perform unaided two of the following five activities of daily living: bathing, dressing, eating, toileting or transferring positions of the body. Benefits are generally expressed in terms of a dollar amount per day or month, for a maximum period [which may be unlimited], and may include an inflation factor.

What is the cost? Costs rise with the age of the insured person at policy issue. For example, a policy with a \$100 daily benefit has annual premiums of \$200 at 40, \$2,090 at 65 and \$3,420 at 70.

Who might buy it and why? The current prime market for insurers is the middle-class baby-boom generation. And not necessarily only for themselves. Insurers expect that the boomers will be interested to buy the insurance on their parents, who are rapidly approaching the stage where the care/accommodation may become necessary. Confronted with a choice of taking Mom and Dad into their own homes, trying to get them into government-subsidized minimalist facilities [which still cost over \$1,200 per month], or paying the \$3,000 to \$6,000 per month that private facilities cost, many boomers might find the insurance to be the better alternative, insurers expect.

Of course, insurers will gladly also provide the insurance to boomers, on their own lives.

What is the implication for group plans. This could be an ideal component of a flexible benefit plan. There may be many people who would appreciate the convenience of the flex plan structure to acquire this form of insurance, either for themselves or for their parents. While we have not yet seen products packaged for group plans, it is a very logical development. We will keep you informed.

categories. Others are acting on request. The cost implications are unclear. RPN hourly rates are considerably below those of an RN [eg \$23 vs. \$30]. So, if your plan only covers RN services, and RPN services are required, you would save money by amending. The reverse would apply with respect to NPs.

### Quebec

● Effective on June 1, 1998, the nicotine patch has changed from a drug that requires a prescription to one that can be purchased over the counter. As such, the patch will no longer be covered by drug plans written on a prescription-required basis. This will obviously result in cost savings.

### Nova Scotia

● For the province's drug plan for seniors, the maximum allowable dispensing fees have been adjusted to \$8.65 for claims up to \$110.00 and \$12.98 for higher claims. Some private plans reflect these. Other private plans may have lower dispensing fee caps. In that case, your employees would be responsible for the difference between the plan cap and the provincial maximum. A dispensing fee cap is a good cost control device that you may wish to discuss with your consultant.

## 2.7 Benefits Across Borders

Hiring in the US - Europe - Pacific Rim? You'll soon need new benefits solutions. And, to ensure that your new investment in staff is optimized, you'll need to know that the package is right - that the coverages you provide are competitively appropriate to your business objectives.

Heath has the solutions. We've been "doing it" for 20 years. We have the knowledge, the networks and the connections to deliver the plan designs and the providers that are right for you and your new staff. Contact your Heath consultant for details.

Watch this spot for more information about the US in future editions. We are working with our partners on new support services to make your cross-border plan management simpler and less time-consuming. They should be ready early next year.

# Client Profile

## Ricoh Canada

Ricoh Canada is a subsidiary of Ricoh Company Limited, a global leader in digital imaging systems for over six decades, operating in 132 countries, with 60,000 employees worldwide and US\$12 billion in revenues.



Jane Padwick, Director of Human Resources, Ricoh Canada

Internationally, Ricoh is a pioneer in the development of digital multi-functional document solutions, a leader in the fast-growing colour copier market and a major supplier of copiers and facsimile products, digital duplicators and management services. Ricoh is the first organization in the

office equipment industry to have twice won the coveted Deming award for excellence in quality control.

Their mission is to become the pre-eminent total document solutions provider, by marrying state of the art Image Communication technology with innovative and reliable customer services. Also, by adopting the Energy Star standards, Ricoh contributes actively to the protection of the environment.

Ricoh Canada has a network of direct and dealer locations across Canada, and through its subsidiary, Ricoh Document Management Corporation, has locations in Pine Brook, New Jersey and Phoenix, Arizona. The company has approximately 800 direct employees.

Jane Padwick is the Director of Human Resources for Ricoh Canada, located at their home office in Toronto. Jane and the Heath Benefits Consulting team in Toronto have worked together through numerous acquisitions, mergers and reorganizations, over many years.

Information about Ricoh's complete range of imaging solutions can be accessed on the World Wide Web at <http://www.ricoh.ca>

# Benefacts

NEWS FROM HEATH BENEFITS CONSULTING

For further information or reprints of any of the articles published in this issue, please call us at one of our offices listed below.

Benefacts is not an authoritative statement of law – it is issued for the general guidance of our clients.

## Heath

BENEFITS CONSULTING INC.

[www.heath.ca](http://www.heath.ca)

### Vancouver Office

403-555 West 8th Avenue  
Vancouver, British Columbia V5Z 1C6  
Phone: (604) 877-0488  
Fax: (604) 877-0325  
Toll Free: 877-HEATH-BC  
(877-432-8422)

### Winnipeg Office

11 Wethersfield Road  
Winnipeg, Manitoba R3P 2G8  
Phone: (204) 487-1300  
Fax: (204) 487-0055  
Toll Free: 877-HEATH-WI  
(877-432-8494)

### Toronto Office

305-191 The West Mall  
Toronto, Ontario M9C 5K8  
Phone: (416) 620 - 0779  
Fax: (416) 620 - 9416  
Toll Free: 877-HEATH-TO  
(877-432-8486)

### Ottawa Office

1203-99 Metcalfe Street  
Ottawa, Ontario K1P 6L7  
Phone: (613) 238-4272  
Fax: (613) 238-3714  
Toll Free: 877-HEATH-OT  
(877-432-8468)

## 2.9 New Asthma Medication Released

A new drug called Singulair has been released, and is apparently the first major new class of medication in the treatment of asthma in 25 years. The one-a-day pill, developed in Canada, will not replace inhalers for all of the 1.8 million chronic asthma sufferers in Canada (600,000 of whom are children), but it is expected that it could do so for up to half of them.

The medication in normal doses costs about \$2.00 per adult and \$1.40

per child per day, plus dispensing fees. By contrast, an inhaler costs about \$80.00. However, the need for inhalers apparently varies greatly. Some people use one every three months and others use three a month. So, it is almost impossible to assess the financial implications of the medication.

Singulair was developed by Merck Frosst Canada, and is now available on prescription. It will likely be included in standard insurer formularies.