



Canadian Life  
and Health Insurance  
Association Inc.

Association canadienne  
des compagnies d'assurances  
de personnes inc.

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+ Melvin*

April 11, 2014



*FYI*

Ms. Barbara Wallman  
Assistant Deputy Minister  
Pharmaceutical Services,  
Ministry of Health, Government of British Columbia  
1515 Blanshard Street  
Victoria, BC V8W 3C8

*Barbara*  
Dear Ms. Wallman:

I am writing in response to the recent paper in the Canadian Medical Association Journal entitled "The increasing inefficiency of private health insurance in Canada". This paper uses aggregate-level industry data to make incorrect and therefore misleading conclusions about the trend in medical loss expense ratios for insured supplemental health benefit plans and should not be referenced in any way going forward.

The following outlines our analysis of the paper:

#### Data issues

The data used in the report is aggregate-level data for group and individual benefits in Canada. It includes a disparate set of coverages that have experienced different market drivers and trends over the past several decades.

Broadly, the group benefits business can be broken into two areas:

1. Supplemental health insurance plans (drugs, dental, travel, paramedical, vision, hospital rooms etc.), and
2. Income replacement (STD, LTD) and other non-medical coverages (Creditors Disability Insurance, Critical Illness, Accidental Death & Dismemberment etc.)

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On a confidential basis (and therefore not for distribution), the attached Annex provides

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#### Competitiveness and Transparency of the market

Finally, I would reiterate that the private health insurance industry is highly competitive with over 25 insurers providing group health benefits. As well, the annual renewal process is a very transparent one for plan sponsors. At annual renewal, plan sponsors are provided a detailed summary of their actual experience for the previous year as well as a detailed justification for trend assumptions and pricing renewal levels. Based on our data, over 98% of all insured groups work with an advisor, who reviews this renewal information on behalf of the client to ensure it is grounded in fact and appropriate. Should a client feel that a proposed premium adjustment is unwarranted at their plan's renewal date, the client can negotiate with the insurer or transfer their business to a new insurer. It is simply incorrect to suggest that insured plan sponsors are not well served by a highly competitive and responsive market that provides a high degree of choice and flexible and customised solutions.



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The paper's conclusion that Canadian plan sponsors with insured supplemental health benefit plans are experiencing a declining value for money in their insured supplemental health benefit plans is incorrect. The declining medical loss ratio reflected in the aggregate-level group benefits data is being driven by income replacement (STD, LTD) and other non-medical coverages. As a result, this paper should not be referenced in any way going forward.

Sincerely,

Stephen Frank

Vice President, Policy Development and Health



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## ANNEX

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