

Benefit Facts Article

Price Isn't Everything, Not By A Long Shot

Traditionally, Group Benefit Insurance Plans are "experienced rated." What this means is insurance companies set each firm's premiums based on each firm's own employee's claims experience. Other factors that affect premiums are administration and expense charges, inflation and marketplace changes like government health plan cutbacks.

With these types of plans the insurance company has the right to increase the premiums without limit, or decline to renew your coverage entirely. This is especially a risk for small businesses where, if just one employee or insured family member has a serious accident or illness, health claims can skyrocket.

To protect your employees and company from this uncertainty, look for a "pooled plan" where premiums are set for a large number of employers under one umbrella. Pooled plans will offer you more stable, predictable premiums.

This past summer I was contacted by and assisted two small firms whose benefit plans were not renewed by their insurers due to continuously high health claims. These firms experienced considerable increases to their health premiums during their plan's previous two renewals because they each had one employee whose state of health had changed and they required costly drugs and other medical necessities.

These firms were quite upset because after faithfully paying their premiums for many years their plans were not renewed by the insurers at a time when it was most needed. They were taken by surprise because they were totally unaware that this could even happen. Another thing that both of these firms had in common was that they had purchased their coverage based on the fact that they offered the lowest priced plan at the time of purchase.

The Chambers of Commerce Group Insurance Plan is the largest pooled plan for small businesses in Canada. It guarantees against termination of coverage, so long as the premiums are paid and your firm is a paid up member of a local Chamber of Commerce or Board of Trade. It may not be the lowest priced plan for every single firm, but if your firm is struck with high claims, this particular guarantee will be priceless.