Text for Consultation on the Use of Insurance Policy Returns

FNEEQ CSN

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FOR A HANDFUL OF DOLLARS

In November, 1984, the FNEEQ Conseil fédéral issued a mandate to organize a consultation process among our membership to decide how to use the returns from our group insurance policy. At present, these returns total around $2.5 million. They can be broken down as follows:

$1,496,881 from the long term salary insurance for the years 1980 to 1982;

$58,694.93 from life insurance, health insurance and short-term (policy 1010) for the year 1982;

$873,637 from life insurance, health insurance and short-term salary coverage for the year 1983;

Where's the Money?

The sum of approximately $280,000 must be added to these returns, for the interest paid on them.

$1,400,000 was loaned to the CSN at 7½% interest in June, 1983. This sum is still on loan to the CSN and is available upon demand.

The 873,637 was invested for us at 9% by the MVFQ.

These interests are now continuing to accumulate and to be added to the total sum. However, we must subtract the sum of approximately $225,000 from this total because the FNEEQ used it to maintain full insurance coverage for the members during the salary cutbacks. (the pool).

The total sum we have at our disposition amounts to approximately $2.5 million.

TABLE ON STATE OF RETURNS

	LONG-TERM SALARY INSURANCE	LIFE-INSURANCE, HEALTH SHORT-TERM SALARY INSURANCE
1980		
1981	$1,496,881	
1982		$58,694
1983		873,637

TOTAL:		$2,429,212
INTEREST	+	280,000
POOL	−	225,000
AVAILABLE RETURNS		$2,494,212

How We Became Millionnaires

To understand where such considerable sums come from, we have to go back to the end of 1976. The Insurance Committee report made May, 1983 explains it well:

SALARY INSURANCE

"Before 1976, we had a long-term salary insurance policy. In 1976, through negotiations (remember negotiations?) we won C.A.R.R. coverage of the first two years of salary insurance. So we had to arrive at a plan to cover our members from the beginning of the 3rd year to retirement. Such a plan was not found anywhere. Only one insurer agreed to take the risk. And as there were no statistics relative to this kind of coverage, the insurer over-evaluated the costs and granted no return on this policy, contrary to standard practice in life-insurance and medication insurance.

In 1979, when the contracts were renegotiated, it was obvious that the premiums were far higher than the real costs of the system. The insurer had large reserve funds on hand, which would have become a net profit for him (because there were no dividends) if we had changed insurance companies. So we had to recuperate a considerable share of these accumulated reserves ($300,000) and to include a dividend which limits the insurer's profits. These were the two major conditions for renewal of the contract. This operation made it possible for us to get the million dollar dividend we now have on hand.

This dividend, which was proof the system paid off, and the negotiation of recuperation of part of the accumulated reserves, put us in a position where we could accept bids from different insurers. We did this in 1982. This enabled us to considerably reduce the rate of premiums, and to obtain interest on all the reserves (before, just a few of them bore interest) and on treasury movements.

As for long-term salary insurance, the total costs of this coverage cannot be made known officially until April 1st, 1986, because they are calculated over a three-year period. (1983 to 1986). In 1983, the premium rate fell 30%. In 1985, it once again fell, by 10%. If dividends keep coming in at the current rate, yet another cut in premiums should be predicted.

To summarize:

— Dividends should normally diminish on a gradual basis for the next three years.

— During this period, we should receive a supplementary return of approximately one million dollars (or a little more!)

— We will have to keep a close eye on the premium levels set for certain coverage.

FOR A FEW MILLION MORE

For the next few years, the dividends should continue to accumulate, but at a lower rate, to stabilize at a more normal level.

As for life insurance, the rate of premiums has practically not budged for five (5) years (a very slight drop two years ago). So it seems the radical increase in dividends in 1983 is a particular occurrence, (unusually small number of deaths, disabilities and other similar claims). According to the actuaries, such fluctuations are no surprise in life insurance. However, if the 1983 rate were to continue for a few more years, this would certainly mean that our premiums are too high and they could be lowered to a level which better corresponds to the real cost of the policy for the group we represent.

As for long-term salary insurance, the real costs of this coverage will not be known officially until April 1st, 1986, because they are calculated over a three (3) year period (1983 to 1985). In 1983, the level of premiums fell by 30%. In 1985, they fell 10%. here again, if the returns keep coming in at the present rate, a lower premium must be contemplated.

TO SUMMARIZE:

— *The returns should normally diminish gradually for the three (3) coming years.*

— *During this period, we should receive a supplementary return of approximately one million dollars (or a bit more!)*

— *We'll have to keep a close eye on the level of premiums for certain types of coverage.*

PLAN A

A dental plan for people who need it: a good idea, a wonderful idea, the best news ever!!!

The Conseil fédéral held in Hull in June, 1984 was the first time we discussed the possibility of establishing a dental plan **with the money from the dividends.**

The following Conseil fédéral, held last November in Québec City, studied the plan we are submitting to you in this text and decided to consult the General Meetings on the subject.

A NEW BENEFIT

Attempts to get a dental plan going for our Federation have met with failure up until now. Various factors explain this lack of success, such as plans far too incomplete to meet the needs of those who would like to join, or very high levels of premiums, especially during the first years of the plan, etc...

The plan we are submitting in this text would avoid these obstacles met with in the past.

- It's a comprehensive plan (i.e.: it covers all types of care) **from the very first year** it takes effect.
- The premiums are acceptable because FNEEQ would use the accumulated dividends to cover 40% of their cost for a period of at least two years. This means each person would only have to pay for 60% of the cost of her/his dental insurance.

ITS CHARACTERISTICS

Let us specify from the outset that this plan is intended for people who took out the optional life insurance coverage or the optional salary insurance coverage, because the dividends came from these funds.

Mutuelle representatives will be visiting each local union from around the end of March to the end of April to sign up policy members. People who would like to join the dental plan can do so when the MVFQ visits your union. Don't forget that a person who would like to join the dental plan but who is not already covered by the life insurance or salary insurance guarantee has the obligation to join either of the other optional coverages to belong to the dental plan.

Moreover, no memberships will be accepted after the registration period except in the following cases:

a) employment beginning after the end of the registration period;

b) spouse's insurance expires and the member was insured as a dependent.

THE PROPOSED SYSTEM

It reimburses up to $1,000 for the following plans: preventive care, basic restorative services, major restorative services and complex restorative services (prosthodontics). However, each person insured is entitled to this coverage. A $50 dollar franchise is required for all the plans mentioned above and covers all the people insured under the same family plan.

PREVENTIVE SERVICES REIMBURSED 100%

1. ***Clinical oral examination, up to one examination per consecutive six months period. Emergency examination are not subject of this limitation.***
2. ***X-rays***
   - — intra oral films (periapical occlusal and bitewing)
   - — extra oral films
   - — sinus examination
   - — sialography
   - — use of radiopaque dyes to demonstrate lesion
   - — temporomandibular joint
   - — interpretation of X-rays from another source
   - — teomography

   N.B. Reimbursement is limited to one X-ray sitting per consecutive six (6) month period, with the exception of X-rays taken during an emergency examination. Moreover a complete series of periapical and bitewing films is only reimbursable once per consecutive thirty-six (36) month period.
3. ***Pulp vitality test.***
4. ***Coronal polishing up to one treatment per consecutive thirty-six (36) month period.***
5. ***Scaling or root planing, up to one treatment per consecutive six (6) month period for each of these dental procedures.***
6. ***Topical application of fluoride, up to one treatment per consecutive six (6) month period.***
7. ***Finishing restorations.***
8. ***Pit and fissure sealants.***
9. ***Caries control (removal of carious lesions and placement of sedative dressing).***
10. ***Inter proximal discing.***

BASIC RESTORATIVE SERVICES REIMBURSED 100%

1. ***Restorative services***
   - — amalgam restoration
   - — retentive pins
   - — silicate restoration
   - — acrylic or composite restoration
   - — acrylic or composite using the acid etch technique or self-curing, excluding prefabricated veneer application.
2. ***Oral surgery***
   - — removal of erupted tooth (uncomplicated)
   - — Complex surgical removal
     - of an erupted tooth
     - of a tooth which is partially or completely covered with soft or bone tissue
     - of residual roots without complication
     - of root covered with soft or bone tissue
     - surgical exposure of tooth covered with soft or bone tissue
     - repositioning of a tooth
     - enucleation of an erupted tooth and his folicie
     - alveoloplasty
     - gingivoplasty and/or stromatoplasty
     - osteoplasty
     - surgical excision of cyst and neoplasm
     - surgical incision and drainage
     - frenectomy
     - hemorrhage control during dental treatment covered under the present contract.
3. ***General basic services***
   - — local anesthetic
   - — general anesthetic (cost of anesthetic only)
   - — conscious sedation by inhalation
   - — professional visits
     - at home
     - at the hospital
     - at the professional's office, nights, Sundays and statutory holidays.

MAJOR RESTORATIVE SERVICES REIMBURSED 80%

1. ***Endodontics***
   - — pulp capping
   - — pulpotomy
   - — root canal treatment, namely pulpectomy, biomechanical preparation, chemotherapeutic treatment and obliteration of the canal or canals
   - — apexification, namely biomechanical preparation, chemotherapetic treatment and obliteration of the canal or canals.
   - — insertion of dentogenic media
   - — periapical services, namely apical curettage and/or root resection
   - — retrograde amalgam and non-metallic compounds or silver points
   - — root amputation
   - — other endodontic procedures
     - removal of gingival tissue, necessary for isolation of tooth with rubber dam
     - removal of bone tissue, necessary to expose additional root structure of fractured or carious tooth
     - banding of tooth to maintain a sterile operating field
   - — hemisection
   - — bleaching, subject to an overall maximum of ten (10) visits per year per insured person, for all teeth
   - — intentional removal, apical filling and re-implantation (splinting additional)
   - — removal of root filling materials or foreign bodies from previously treated root canals
   - — endosseous implants for root stabilization
   - — emergency procedures
     - emergency pulpectomy
     - trephination through crown into root canal without pulpectomy
     - sedative dressing
     - smoothing of the tooth
     - relieving traumatic occlusion
     - reimplantation of a luxated tooth
     - repositioning of a tooth
2. ***Periodontics***
   - — application of displacement dressing (packing)
   - — management of acute infections and other oral lesions, as follows:
     - acute periodontal abscess, acute periocoronitis, acute necrotizing ulcerative gingivitis, traumatic ulcers, heat or chemical burns, acute herpetic gingivostomatitis aphthous ulcers and others
     - oral manifestations of dermatologic diseases
   - — desinsitization of tooth surface, up to an overall maximum of ten (10) treatments per year per insured person, for all teeth
   - — subgingival curetage
   - — gingivoplasty
   - — flap approach with osteoplasty/osteoectomy
   - — flap approach with curettage of osseous defects
   - — flap approach with curettage of osseous defects and osteoplasty
   - — osseous graft
   - — pedicle and free soft tissue graft
   - — vestibuloplasty
   - — distal wedge operation
   - — post-surgical treatment
   - — management of a periodontal abscess or pericoronitis
   - — occlusal equilibration
   - — occlusal device

COMPLEX RESTORATIVE SERVICES (PROSTHODONTCS) REIMBURSED 80%

1. ***Diagnostic casts***
   - — unmounted
   - — mounted, acquired centric
   - — mounted, centric and eccentric records on semi-adjustable articulor
   - — mounted, gnathologic procedures

2. ***Restorative services***
   - — gold foil
   - — inlays
     - • metal
     - • porcelain
   - — retentive pins in inlays and crowns

3. ***Fixed prothodontic services***
   - — acrylic processed
   - — acrylic processed to metal
   - — acrylic or plastic, transitional, direct (chair side)
   - — acrylic or plastic, transitional, indirect
   - — porcelain
   - — porcelain fused to metal base
   - — metal (full or ¾ cast)
   - — preformed stainless steel
   - — performed polycarbonate crown
   - — metal transitional, direct (chair side)
   - — cast metal post and core
   - — metal transfert coping
   - — re-cementation or removal of crown or inlay
   - — prefabricated metal post and core or prefabricated metal post and cast core
   - — pin-reinforced amalgam or composite core for crown restoration

4. ***Removal prosthodontic services***
   - — complete denture
   - — immediate complete denture
   - — transitional complete denture
   - — transitional partial denture with acrylic base, no clasps
   - — transitional partial denture, acrylic base
     - • with wrought clasps
     - • with gold or chrome clasps with rests
     - • with wrought bar, rests and clasps
   - — partial denture cast, chrome cobalt (or gold)
     - • chrome cobalt palatal connector, rests, clasps and acrylic free end base
     - • palatal connector, rests, clasps and cast chrome cobalt base (tooth borne)
   - — partial denture with precision attachments
   - — semi-precision cast partial denture

5. ***Denture adjustments***
   - — minor adjustments, provided these adjustments are made more than six (6) months after the initial insertion of the denture
   - — remount and equilibration.

6. ***Denture repairs***
   - — to a complete or partial denture, with or without impression
   - — replacement of a fractured or lost tooth on a partial of full denture
   - — partial denture additions

7. ***Denture rebasing and relining***
   - — reline complete or partial denture
     - • self-polymerizing
     - • laboratory processed
   - — rebase (jump)
   - — tissue conditioning

8. ***Fixed prosthodontic services***
   - — pontics
     - • metal cast
     - • Steele's or William's type
     - • porcelain fused to metal
     - • acrylic processed to metal
     - • acrylic pontic processed — indirect transitional during healing
     - • reverse pin
   - — retainors — inlay, onlay
     - • two surfaces, used with broken stress technique
     - • three surfaces or more used with broken stress technique
     - • metal onlay

9. ***Extensive fixed denture repairs***
   - — replace broken pin facing with slotted or reverse pin feding
   - — replace
     - • broken facing where post is intact
     - • broken facing where post backing is broken
     - • broken facing with acrylic
     - • broken "tru pontic"
   - — removal of fixed partial denture (bridge) to be re-inserted
   - — stabilization of a fixed partial denture (bridge) with resin at contact point in order to solder a broken contact point
   - — removal of fixed partial denture (bridge) or to be re-inserted
   - — recementation of fixed partial denture (bridge)
   - — precision attachment, reimbursable not more than once per five (5) consecutive years
   - — splinting
   - — additional retentive pins in abutments
   - — provisional coverage in extensive or complicated restorative dentistry.

ORTHODONTIC CARE REIMBURSED 50% WITH ANNUAL LIMIT OF $1,000 A YEAR

1. ***X-rays***
   - — cephalometric films
   - — hand and wrist (as diagnostic aid for dental treatment)
   - — panoramic film

2. ***Orthodontic diagnostic casts***

3. ***Space maintainers***
   - — stainless steel band with wire attachment unilateral
   - — soldered lingual arch (bilateral)
   - — fixed partial pontic attached to soldered lingual arch, to replace missing anterior teeth
   - — removable lingual arch (with locking wires) Ellis arch
   - — stainless steel crown wire attachment or intra-alveolar attachment)
   - — removable acrylic space maintainer

4. ***Observation and adjustment including repairs, alterations and re-cementation***

5. ***Removable appliances***

6. ***Bilateral and unilateral fixed appliances.***

7. ***Appliances to control harmful oral habits.***

8. ***Retention appliances.***

COSTS OF THE NEW PLAN

As in all group insurance plans, the number of members is one of the basic elements used to set the premiums to be paid by each member of the group.

The more members in a plan, the lower the rates. The dental plan is no exeption to the rule.

This is why we can't tell you that the exact premium you will have to pay will be. This can only be known exactly once the registration period is over.

According to the membership thresholds, the range of premiums is as follows:

Percentage of members of a group of 6834 policy holders	PREMIUM BY PAY PERIOD Total Premium Ind.	Fam.	Member's Premium 60% Ind.	Fam.
from 90 to 100%	6,29	20,71	3,78	12,43
from 80 to less than 90%	7,04	23,14	4,22	13,88
from 70 to less than 80%	7,97	26,23	4,78	15,74
from 60 to less than 70%	9,20	30,26	5,52	18,16
from 50 to less than 60%	10,87	35,76	6,52	21,46

The premiums shown are those payable for the year 1985 until Policy 1010 comes up for renewal, ie. January 1st, 1986. After this date, it it possible that inflation in the dental care field may mean an increase. However, it is clear that FNEEQ can continue to pay 40% of the premiums for a second year. We can also expect other dividends to be added to those we already have, making it possible to keep on covering part of the dental plan costs. But the only commitment we can make as of now is what we are proposing on the basis of the 2.5 million dollars we now have on hand, i.e. roughly two years.

PLAN B

PENNIES FROM HEAVEN?

The alternative of a waiver on premiums theoretically could cover a wide range of possible uses thereof:

- — A total waiver until the dividends are used up. This would take one (1) year;
- — lower premiums, which could be modulated to cover a shorter or longer period of time;
- — a freeze on premiums, as forthcoming increases would be covered by the interests on the dividends or the capital if need be;
- — to constitute a reserve fund whose interests would be used as a cushion against the radical increase in costs our retired members have to cope with to maintain their life-insurance and health insurance coverage.

It would also be possible to combine several of these elements. This is what the Committee is proposing in its second option:

- — a 33⅓ waiver on premiums for three years for life-insurance, health insurance and short-term salary insurance, and for the long-term salary insurance coverage;
- — to achieve this, we propose a total waiver of premiums (exept for basic health insurance coverage) for the months of May, June, July and August of 1985, 1986, 1987;
- — a use of forthcoming interests generated by the return and the residual, if any, to attenuate increases in pensioners' life-insurance and health insurance premiums.

Advantages and Disadvantages

Teeth, Teeth, Teeth

The main advantage of **Plan A** is to help bring in a dental care plan. FNEEQ has received many requests from members and local unions who want such a plan. The problem with dental plans is that they are either too expensive when they offer an adequate range of services; or at a reasonable price but lack interest because they don't cover enough services.

The solution proposed by **Plan A**would make it possible to limit costs for the first years and encourage membership in the plan. It is essential to keep in mind that the more members join the plan, the cheaper it is; the cheaper it is, the more members will join, the more members join the cheaper it is... It's the old Hygrade frankfurter principle. But you have to start somewhere.

The solution retained in **Plan A** makes it possible to break out of the vicious circle by making membership easier for the first few years; the system can thus reach cruising speed and be stabilized at a cost which doesn't discourage participation.

On the other hand, the major shortcoming in **Plan A** is as follows: the return may very well be used up in a few years due to the magnitude of sums needed for the drop in premiums to be profitable enough to really get members to sign up; if this happens we could find ourselves facing a radical increase in premium rates which could make the percentage of members drop, which would lead to further premium increases, etc... In short, we would have used up our returns to establish a plan with hardly any future...

But why should such an increase be contemplated? Because inflation in this health care sector is running at a relatively high rate and the drop in costs due to an increase in the percentage of membership would not be enough to offset the loss of the 40% subsidy provided by the dividends.

However, this cause for worry can be limited by the following: according to current projections, it seems that dividends over the next two years should permit premiums to be reduced for a third consecutive year. Its also seems that lower premiums can be contemplated for long-term salary insurance and life-insurance. However, as this type of prediction is at best an educated guess in insurance matters, the Committee can't guarantee such lower premiums and prefers not to ge beyond saying the 40% reduction will probably continue for a third year.

Money, Money, Money

As for **Plan B**, its main advantage is its flexibility, the fact that it makes several types of benefits possible and leaves us more elbow room: it is easier to bring in or make changes in a waiver on premiums than to call off implementing a dental plan.

Plan B also has the advantage of greater accessiblity, in so far as the members in the coverage which paid the dividends don't have to pay extra amounts and join in new coverage to take advantage of them.

A third advantage of the plan is to start finding a solution to a problem which will probably become more serious in coming years: retired members. Other groups of unions, with more members than we have, brought retired members into the calculation of the group's overall statistics. This means the membership at learge subsidizes their retirees through their regular contributions to the plan and by a lower rate of return. Due to our group's size and makeup, this solution would probably mean a very heavy cost to our members. The concept of a reserve fund, or using the interests on the return, would improve our retired members' situation without putting a heavy burden on the other members.

To get an idea of the kind of premium increases retirees have to cope with, we can point out that they had to pay 25% and 12% increases during the last two years and the Insurer foresees approximately 20% increases for the coming years. And retired members have to pay both their share and the employer's...

The major problem with **Plan B** is obviously that it doesn't meet the membership demand for a dental plan.

Finally, the more gradual our use of the dividends is the more we can maintain our loan to the CSN or deposit our funds in the Caisse des travailleurs. This allows these movement institutions to have a greater margin in terms of liquid funds without our having to waive our interests.

Consultation

As for decisions about the option to choose, our legal advisors say the Federation's regular decision-making bodies must deal with the question of the return because the FNEEQ holds the policies.

Consequently, the Conseil fédéral decided to organize the consultation process through the General Meetings. These will have to vote on which option (Plan A or Plan B) they prefer. As for necessary adjustments in the two options, the Insurance Committee will deal with these, under the watchful eye of the Bureau fédéral, who also have a stake in the outcome!

Furthermore, the Insurance Committee is of the opinion that it is not realistic to think we can bring in a dental plan unless we can get 70% to sign up. This means 70% of the present holders of long-term salary insurance coverage (6834 members) and life-insurance (6667). So we need a total of 4900 to 5000 members.

For this reason, to avoid putting the burden of a membership drive on the local unions when it can't succeed, the Committee estimates that the double majority rule should hold for the FNEEQ to agree to opt for **Plan A.** If this double majority can't be achieved **Plan B** will take effect.

If the General Meetings opt for **Plan A**, the MVFQ will visit each local union to sign people up. Our final decision will be based on whether or not this drive is successful. At this stage, a 70% threshold still seems to be the criterium, if we want to avoid being stuck with a plan which just gets by for a year or two, until our returns are used up, and then goes under.

OUTSIDE OPINIONS

(From the Wonderful World of Law)

After many internal Federation debates on how to use the returns, the FNEEQ asked the CSN Legal Department for a legal opinion. The latter consulted a firm specialized in insurance law and sent us the following advice:

— The sums should be used for insurance purposes only:

— They should be used for the benefit of the people who held the policies which paid the dividends.

And more specifically, the Legal Department is of the opinion that we must conform to the four (4) orientations indicated in 5-6.18 of the provisions in lieu of a decree. The orientations are as follows:

— Waiver on premiums for a certain period:

and/or

— making up future increases in premiums;

and/or

— improving existing plans;

and/or

— sharing the returns among the members.

Among these four (4) options, the Insurance Committee chose to favour using the dividends on a group basis. We believe it's our responsibility to take advantage of this opportunity to provide our members group services we couldn't otherwise afford. The November, 1984 Conseil fédéral subscribed to this outlook. So we grouped the different options under the following alternatives:

PLAN A: Use the dividends to make it easier to get out dental plan off the ground.

PLAN B: A partial or total waiver on premiums over a certain period.

These two categories are based on the fact a dental plan would use up all the accumulated dividends, contrary to other alternative uses of the fund.

THE VOTE

General Meetings will have to vote on the following text:

For the use of returns generated by Master Policy 1010

☐ **I'm in favour of Plan A (Dental Care)**

☐ **I'm in favour of Plan B (Waivers on Premiums)**

The outcome of each General Meeting must be communicated to FNEEQ no later than the Conseil fédéral meeting in March. If we fail to reach a double majority by this date, Plan B will come into force and the premiums will be cut by one-third (yet another cutback!).

We hope everybody's consultations go well.

THE COMMITTEE