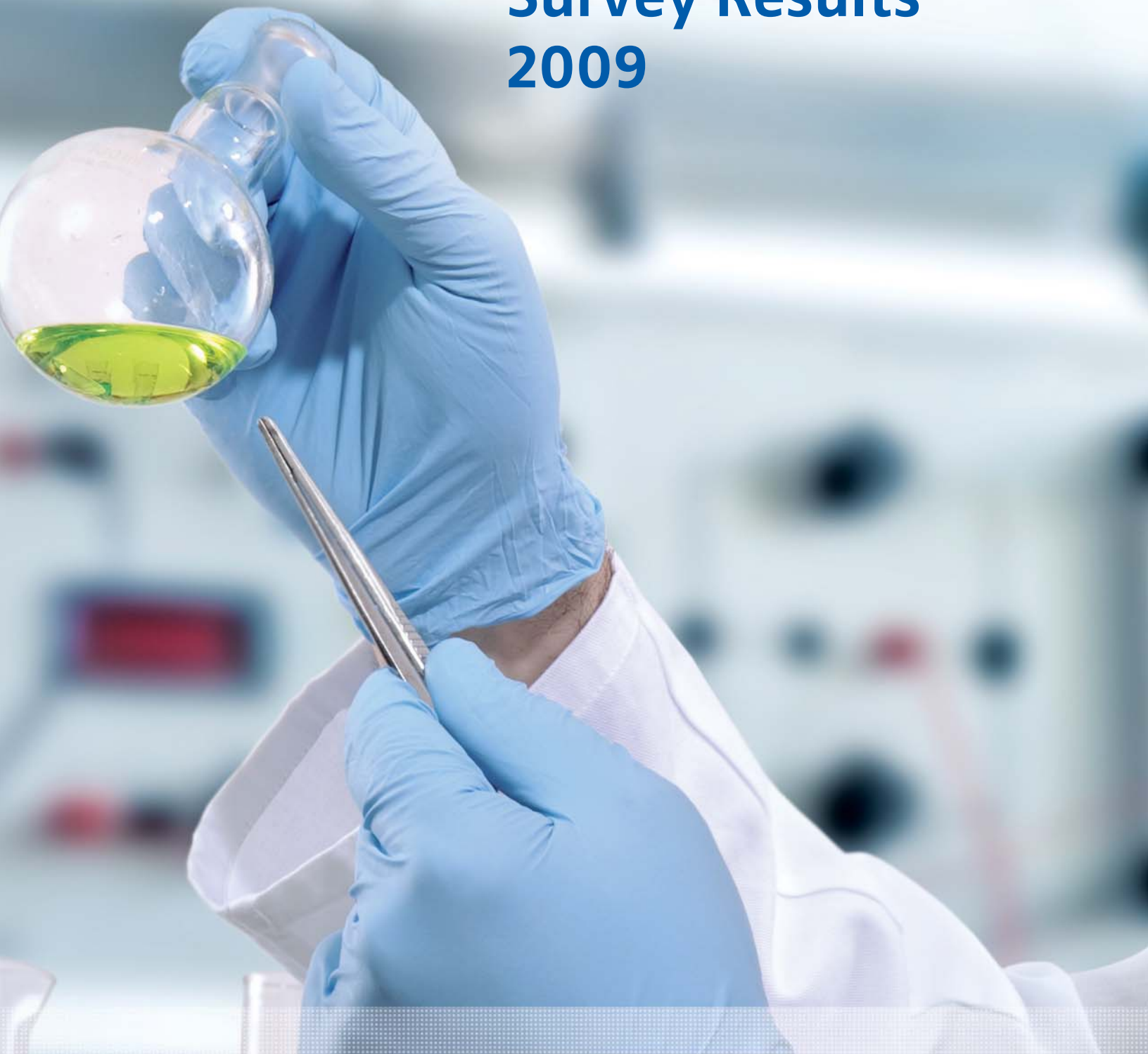


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Canadian Health Care Trend Survey Results 2009



INTRODUCTION

We are pleased to present the results of Buck Consultants' ninth annual Canadian Health Care Trend Survey. Each year, we ask the major Canadian group insurance carriers to provide the annual trend factors they are currently using to project employers' health care plan costs for the upcoming year. We then compare these factors to those provided in the previous four surveys in order to get a sense of the health care cost trends among private group plans over a five-year period.

The insurers provide us with factors for each type of coverage: prescription drug, medical, hospital and dental care. The factors account for increases in cost under employer plans resulting from the following:

- Cost inflation
- Utilization of services
- New technology and services
- Changes in the mix of services
- Shifting costs from the public to the private sector

The results of our 2009 Canadian Health Care Trend Survey show that, overall, the rate of increase in all three major components of health expenses is edging higher.

Prescription drugs leads the group with the highest percentage increase at 15.19%, which typically accounts for between 60% and 70% of all medical care expenses. Prescribing options and patterns have become more varied, influenced by an aging population. Further pressures come from prescribing physicians and savvy consumers exposed to new products through direct-to-consumer advertising campaigns in all forms of media.

Dental Care is also seeing an increase in utilization, at a rate of 5.56% compared to last year's at 4.98%. The combination of the utilization factor and the increase in Provincial Fee Guides has important repercussions in some provinces. As organizations work through the toughest economic decline and uncertainty in decades, many employees are opting to get dental treatment done now that they may have put off in prior years, while they still have the coverage to help pay for it. Added to that is a continuing trend in the use of orthodontics, which is growing slightly year over year.

Overall health care cost trends continue to increase at just under 15%, a rate higher than any other business cost and significantly higher than the increase in the Consumer Price Index. Many employers have already addressed this concern through changes in their plan designs, implementing cost-sharing arrangements, and reducing administration costs.

Recognizing the role that the benefits program plays in keeping employees engaged and productive, few companies have cut back on coverage; still, many are reviewing their programs including their funding options, while some are limiting or eliminating the expenses associated with their post-retirement benefit plans.

However, health and wellness programs that help employees manage stress and maintain overall well-being are on the rise. These plans focus employees on improving their physical well-being. The rationale is simple – improve the health of our employees and improve the financial well-being of our health plans.

QUALIFICATION AND COMMENTARY

The trend factors in this survey reflect insurers' projected rates of increase in health care costs.

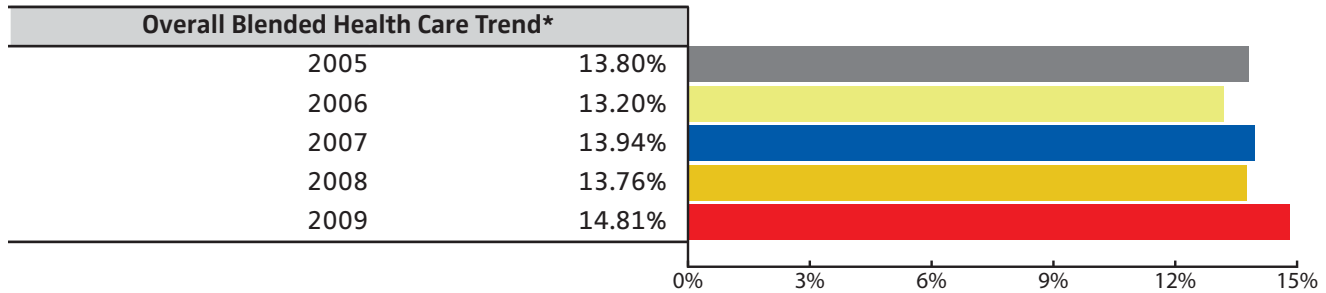
The final premium rate adjustment requested by an insurer may also reflect:

- Actual plan experience which is higher or lower than originally projected
- Changes in the insurer's administration expenses, cost of capital and risk charges
- Funding of any insurer reserve requirements
- Changes in any explicit margins for conservatism
- Recovery of any prior period losses

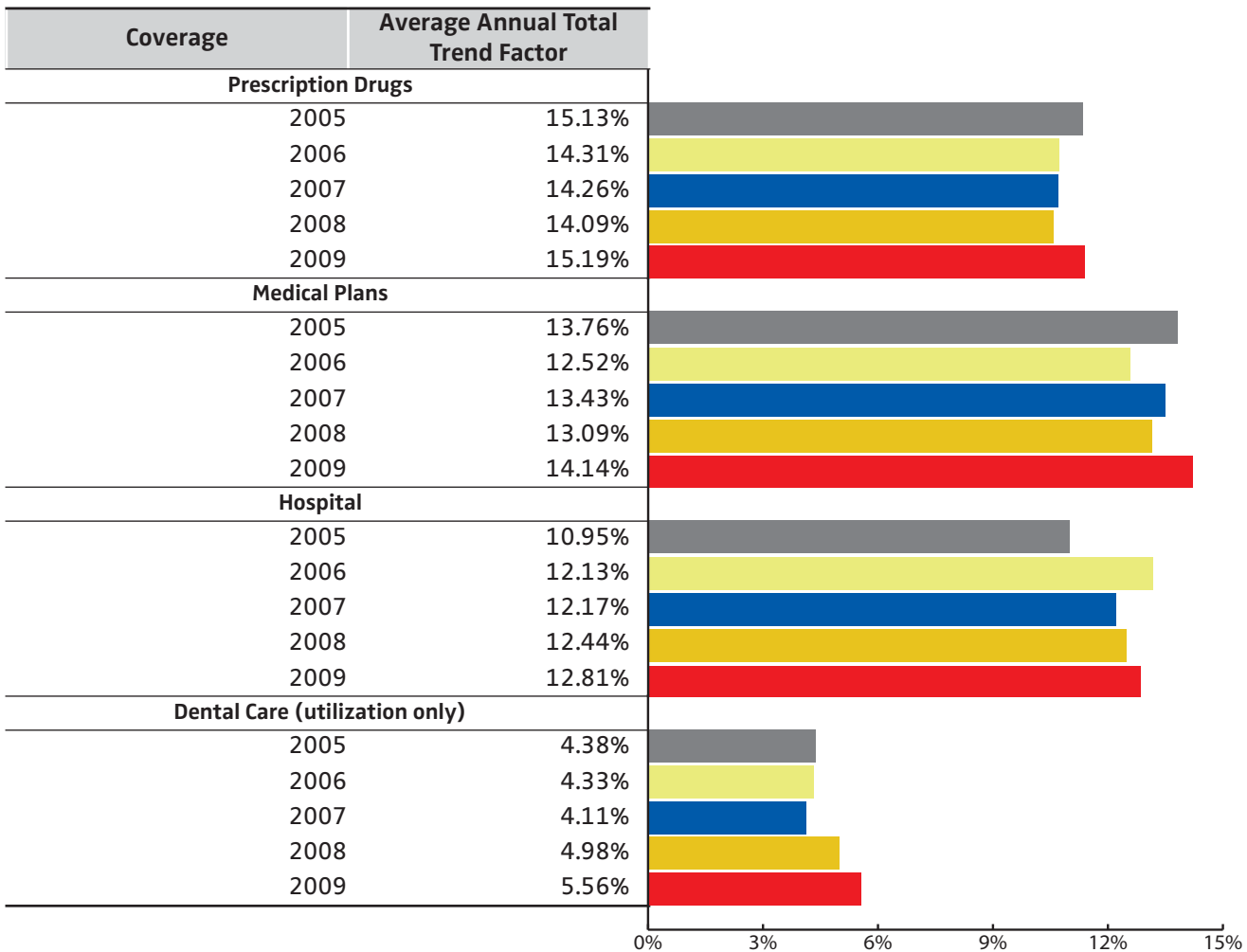
Therefore, plan sponsors may see annual premium rate adjustments that differ from the health care trend factors summarized in this report. Buck Consultants' Canadian Health Care Trend Survey is conducted and published annually, although some insurers may update their trends more frequently.

SUMMARY OF SURVEY RESULTS BY BENEFIT

In prior years the Health Care Trend Survey showed trend factors as a combination of utilization and inflation. Due to insufficient data, we are no longer able to show this breakdown for prescription drug, medical plans and hospital and will report on total trend only.



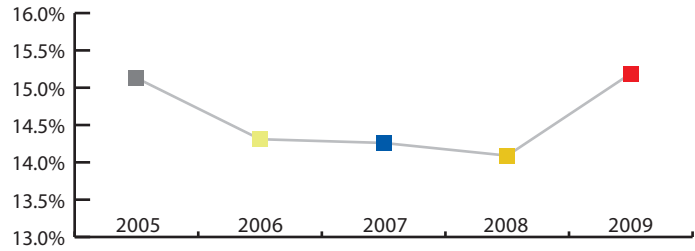
*For 2007, 2008 and 2009 a typical average plan expenditure breakdown of 70% drugs, 25% medical (including vision) and 5% hospital was used to more accurately reflect current claim patterns. For 2005 and 2006 a typical average plan expenditure breakdown of 65% drugs, 20% medical, 10% hospital and 5% vision was used.



PRESCRIPTION DRUGS

At 15.19%, the total trend for prescription drugs has dramatically reversed its decline of the last few years. Contributing factors to a high prescription drug trend include an aging population and a higher incidence of people taking medications to treat cancer, depression, rheumatoid arthritis and cardiovascular conditions.

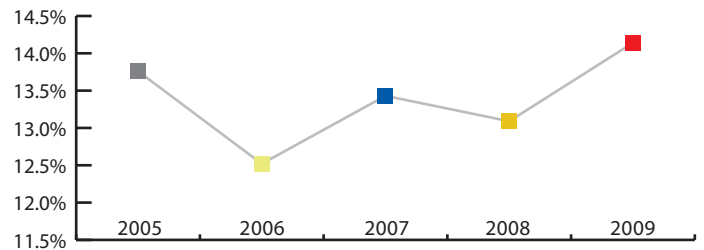
While the cost of drugs may be on the increase, it is important to recognize that improved compliance with prescription instructions may avoid the need for alternative (and usually more costly) approaches including specialized health care, hospitalization and in some cases surgery with related time off from work.



Average Annual Trend Factor	Total Trend
2005	15.13%
2006	14.31%
2007	14.26%
2008	14.09%
2009	15.19%

MEDICAL PLANS (excluding prescription drugs)

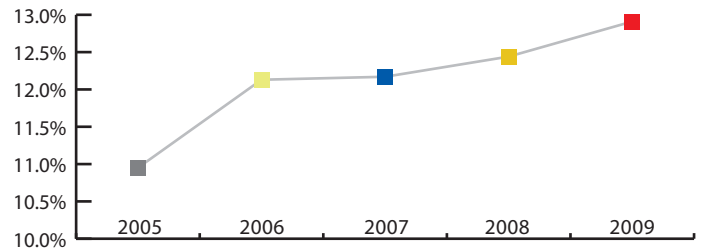
The total trend for medical plans (excluding prescription drugs) increased this year as the move to paramedical practitioner treatments continues to grow in popularity. An increase in prescribed orthotics also buoys this trend.



Average Annual Trend Factor	Total Trend
2005	13.76%
2006	12.52%
2007	13.43%
2008	13.09%
2009	14.14%

HOSPITAL

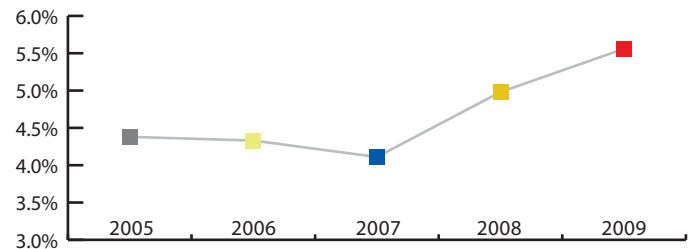
The total trend for hospital coverage remains above 12%. However, the rate of increase over last year is the lowest of the four trends measured. This lower trend may be the result of minimizing patients' stays in hospitals, which increases the number of patients being cared for on an at-home or outpatient basis. This may also contribute to the rising trend in prescription drugs, as this moves the cost of pharmaceuticals from hospitals to the community.



Average Annual Trend Factor	Total Trend
2005	10.95%
2006	12.13%
2007	12.17%
2008	12.44%
2009	12.81%

DENTAL CARE (utilization only)

A continuing trend in the use of orthodontics, coupled with employee worry about future cuts to the benefit, fuels the spending associated with dental programs and explains the continued increase in utilization.



Average Annual Trend Factor	Trend
2005	4.38%
2006	4.33%
2007	4.11%
2008	4.98%
2009	5.56%

DENTAL CARE - FEE GUIDES

The following shows the estimated average annual Fee Guide increases for dental care services performed by general practitioners. The annual Fee Guide incorporate the factors influencing the general market in each province.

This year, four provinces increased their Fee Schedules by amounts greater than their increase in the previous year, while five provinces increased their Fee Schedules by amounts less than their increase in the previous year. The average Fee Schedule increase is 3.63%.

Newfoundland and Labrador has increased its Fee Schedule by 39.53% while New Brunswick has increased its Fee Guide by 50.00%. Conversely, Quebec and Saskatchewan have decreased their Fee Guides by 18.75% and 23.85% respectively. Ontario has held its increase this year at 2.00% as in 2008.

Province	2005	2006	2007	2008	2009
Alberta*	5.50%	3.90%	4.76%	5.90%	6.42%
British Columbia	3.37%	3.52%	3.19%	3.24%	2.70%
Manitoba	3.49%	3.50%	3.79%	3.86%	3.84%
New Brunswick	3.00%	2.69%	3.00%	2.00%	3.00%
Newfoundland & Labrador	2.60%	3.70%	3.00%	4.30%	6.00%
Nova Scotia	3.26%	3.24%	3.46%	2.74%	2.93%
Ontario	2.60%	3.60%	3.60%	2.00%	2.00%
Prince Edward Island	2.10%	2.00%	2.80%	2.29%	1.92%
Quebec	2.80%	4.80%	3.10%	3.20%	2.60%
Saskatchewan	4.11%	4.89%	6.23%	6.50%	4.95%

- *Since the Alberta Dental Association does not publish a Fee Guide, it is common for insurers to use their own experience to determine increases required in conjunction with CLHIA data.*
- *We have removed the figures for the three territories due to the limited data available.*

LOOKING AHEAD

Since prescription drug costs still represent the largest portion of employer health care costs, employers should expect their plan costs to continue to increase over the next five to ten years at double-digit rates. An aging population and increased awareness of available medical therapies has created a more demanding consumer.

Perhaps the most immediate impact in the short term may be nervous employees facing an economic downturn and taking advantage of every benefit offered to them during this time of uncertainty. These and other developments, along with sustained benefit plan usage by employees resulting from high employee expectations for health care coverage, will continue to push health care costs upward. They will also place benefit costs at the top of the list of employers' business issues, if they were not already there.

Employers who have not evaluated their plan designs to address cost and funding issues should consider doing so. Benefit plans that cover 100% of eligible expenses encourage overuse and do not promote wise decision making. When employees share in the cost of medical services, they tend to appreciate the actual cost and are more judicious in their health care purchases.

Consumerism, which focuses on cost sharing between employers and employees, continues to gain in popularity for employers. One goal of a cost-sharing approach is to encourage employee understanding regarding the costs associated with health plans; each time a fee is incurred, the employee faces an immediate financial impact.

Many employers, having already implemented plan design changes to curb cost trends, are beginning to shift from a reactive to a proactive approach to health cost containment. Wellness continues to gain momentum as a way not only to control health costs, but to reduce absenteeism, increase productivity, and increase employee engagement.

There is no question that in this difficult economic climate, controlling health care costs continues to assume a more urgent priority for Canadian business. At the same time, employers face the reality of trying to do more with less. The ripple effects of reducing a benefit program typically go beyond the current fiscal year, as the risk of losing employees when the economy recovers is very unsettling.

If you have any questions or would like more information on how you can help reduce benefit plan costs for your organization, please contact us at:

infocanada@buckconsultants.com

PARTICIPATING ORGANIZATIONS

Alberta Blue Cross
Desjardins Financial Securities
Great-West Life
Green Shield
Manulife Financial
Medavie Blue Cross
Pacific Blue Cross
Saskatchewan Blue Cross
SSQ Financial
Standard Life
Sun Life Financial

CONTACT US

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