

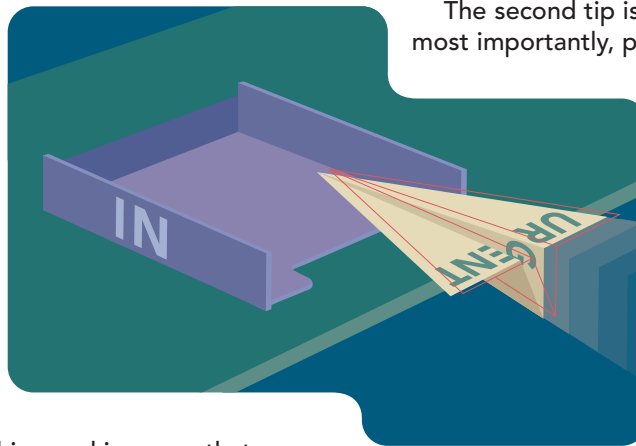
Communicating the Complex & Urgent

You find yourself facing the challenge of having to communicate an unexpected and complicated issue to your employee population and you are not sure what to do. While there is always the old “send out an urgent e-mail” or the “ignore it and maybe it will go away” approach, some issues require more care and thought.

Our first tip, therefore, is to expect the unexpected. In the benefits and pension world, genuine surprises are often rare – we generally see them coming in the form of legislation. However, there are circumstances that arise quickly, from emergencies such as SARS or litigation such as Hennig vs. Clarica in Alberta, that impact your plans, your people, and your company. These messages need to get out in a timely fashion and in a way that empowers people with clear knowledge versus creating confusion or an undesired response (that panic word).

Expecting the unexpected means having a process in place that allows you to create and release a recognizable notice to employees that they’ll want to read immediately. In early issues of CommuniK we talked about “getting through all the noise” – the constant bombardment of information flying at us all day. An important message needs to find its way to the top of the pile.

How do you best do that? By first recognizing that certain information released from a Human Resources department needs to be immediately recognized as something important that falls outside the realm of the company’s business and impacts employees as individuals. To keep things simple and effective, we suggest the use of a special “look” (such as pre-printed paper stock or an e-mail template) that allows Human Resources to quickly produce and release a quality and recognizable special announcement. By having simple but quality materials that allow you to be self sufficient and effective communicators, employees can find their way through the noise to your information.



The second tip is to get the facts straight, and most importantly, present them in a meaningful and clear manner. Source suppliers and services that can offer help or information on the subject matter. Complex issues require interpretation and application, and are commonly under careful scrutiny by industry experts and providers before being publicly released. Many also fall under the radar of the press and hence, your employee notice is often the first time the

audience hears about an issue. This places much of the responsibility on your shoulders to get the right response from your employees. Part of your expert advisor’s role is to educate you about important issues and how they impact your company, plans and people. A well planned approach that has your benefit or pension expert educating you about the issue and their associated communications expert assisting in the correct writing and presentation of the communiqué makes sense and ensures quality due diligence.

Managing the communication of time sensitive and important issues to your employees doesn’t have to be expensive or complicated. It just needs to be planned as an expected part of managing people and people benefits. The SARS experience reminded us how destructive panic can be and that ill-informed people can pose a dangerous threat to our well being. Let’s learn something from this terrible time and remember that being calm takes smarts and planning. Be prepared, educated and visible, and your people will remember your calm voice in the next storm. **K**

In This Issue

Cost of Compliance vs. Lawsuit

Are You Using Expertise to Your Greatest Advantage?

Understanding Disability Costs

Cost of Compliance vs. Risk of Lawsuit or How to Manage Legal Change – Well

An employee sues both their employer and their employer's insurance company over inequities within the benefit plan, and wins. The impact of the decision has major implications to benefit plans across the country including yours. What do you do? What does the insurance industry do to respond to the decision?

The unfortunate reality is that rarely does anybody do anything. As employees are becoming more aware and educated about benefit plans, not addressing a legal decision actually creates a risk to your organization.

An example of this is the Brooks versus Safeway case, in Saskatchewan, from 1989. When a similar decision finally reached the Ontario courts in September 2001, the insurers did not take action until several months into 2002 and were evidently very confused about something they were supposed to have been doing for over 10 years. A recent example of this same situation is the Hennig case - although it happened in March 2003, there is still relative silence.

Slow reaction to legal compliance results in employers

having to scramble to understand and meet legal requirements. Late implementation often results in complicated or expensive retroactive claim adjustments to employees. Communicating legal compliance that is clearly after the fact can cause more than just embarrassment for an employer.

Why is the process so slow? Cost, bureaucracy, politics – does it really matter what the reason is?

When our courts hand down a ruling or introduce legislation that affects benefit plans, the first reaction by the insurance companies is to determine the cost impact of compliance – something our courts often overlook. The insurers do this either in isolation or in conjunction with the Canadian Life & Health Insurance Association (CLHIA). While insurers ponder the matter, alone or collectively, employers' plans are in direct violation of the law.

In some cases, employers aware of a legal change (such as the 2001 changes to Ontario ESA) have the power and ability to meet compliance efficiently and quickly. However, there are issues that require the insurer to move first, such as Hennig, where the control over the contract and its operation lies solely with them. The latter issue raises the most concern. The bottom line is this is not right and must be changed. But how?

K + a Viewpoint

Are You Using Expertise to Your Greatest Advantage?

If one were to believe a basic statement that an experienced and objective benefit or pension expert has the ability to deliver the ultimate result to their clients, it should also be asked, why is excellence so rarely found? What is blocking the ability of knowledge to deliver results?

While there are many possible answers to this question, including the capabilities of the professional partnership and the culture of an organization, this article focuses on one possible scenario – the improper use of expertise.

A national magazine seeking an interview with our firm makes the statement that some Human Resource professionals do not really see the need for benefit experts but do understand that they have to use professionals to help with their pension plans, likely because they are legally obliged to. Where did this opinion arise from and why? Did the world change because the economy slowed? Did all the complex issues facing benefit plans just simply disappear? We know they did not and can make a very strong argument that during tough economic times, a knowledgeable benefit expert is a key strategic business partner for HR.

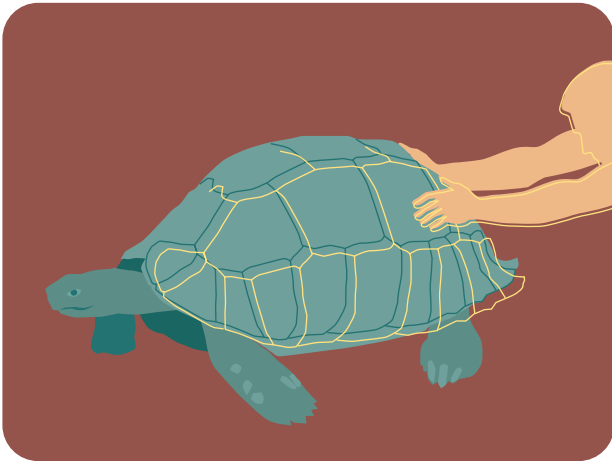
We believe HR professionals should understand what a good benefit expert is fully capable of, and what that

expert requires from a client to perform with excellence.

It is possible that some HR professionals underuse their expert's knowledge and services. It would be to their advantage to make use of the expert's ability to understand an organization and its needs, an understanding that is gained through the application of their knowledge in a focused and tangible manner.

A common example of the underuse of benefit plan experts can be found in financial plan management. Many HR professionals underestimate the expertise needed to successfully manage a benefit plan. The benefit experts are often "directed" to provide an independent financial analysis of the required rates under each line of coverage and to negotiate "the best deal" with the insurer. When they don't get the cost adjustment they wanted or a "deal" from the insurer, they often look poorly upon the performance of the benefit expert and don't value the exercise.

So, if you are one of those HR professionals, you may be asking yourself, "What's wrong with that? I expect that result for the fees I pay". It is not incorrect to employ your benefit expert in that manner if you are also willing to accept that you are leaving their most important skills sitting in the garage. If your intention is to con-



Corporate Canada should never underestimate the power of its voice. Nevertheless, it has seemingly gone silent. Mr. Romonow noted in a past interview with the Toronto Star that he was shocked at the lack of response from corporate Canada on the matter of health care considering they are the watersheds. When legal change is necessary, demand prompt action from your insurers instead of leaving yourself vulnerable. By acting quickly, you can greatly simplify managing the cost of the change while allowing a timely message to employees and claim corrections. Prompt action saves you time, money and avoids legal challenges.

While you are pushing your insurer into action, also remember to take action on those items you can control –

control plan costs, deliver value to employees and the organization, and manage risk exposure, then asking an expert to just crunch numbers is limiting their abilities. A good benefit expert requires a strategic vision and in-depth knowledge of an organization to employ their skills at their most effective level. The expert's strategy is to assist a client in gaining reasonable and fair plan costs that reflect the realities of its plan and business strategies while dealing responsibly with its insurer partner. No expert's goal is to crush the insurer to the ground. An unhealthy insurance industry does not benefit anyone any more than an expert who runs around shouting that they can get you deals by beating them up.

The ideal way to get the most from your expert advisor is to first adjust your thinking about what they are actually offering you – knowledge and an experienced objective opinion. Financial audits are just that, the mathematical analysis of technical accuracy. A skilled expert's job really starts when the preliminary numerical analysis is over. The expert then seeks answers to the questions of "why"; why is health care inflation at the found level, why have disability claims increased so rapidly, etc.? An expert's job is to explain results through their knowledge of expected claiming patterns, the behaviours of the employee population and the condition and activities of the client's business. By not allowing your expert to do this, you leave them presenting only numerical arguments to your insurer while there is so much more they can offer.

your policies, practices, and information materials. The insurer will take care of its documents, such as the contract and claim practices. You need to take care of your communication materials that contain incorrect information.

As benefit experts, our role is to educate clients about legal changes and how they affect their organization, and to develop the appropriate implementation strategy. A consistent and major issue often arises with national employers concerning whether to adhere to the law in the ruling province or apply change consistently across the country. There is no right or wrong answer on this issue, only a question of each company's culture and business objectives. As experts, experience tells us that there are many situations where there is a high likelihood that a ruling, like Brooks and Hennig, will eventually find its way across the country. This type of case can raise a business dilemma in that not considering a change nationally does leave you open to be the next legal test case in another province. Often, this likelihood is a stronger motivator for a national versus provincial policy than the issue of cost. But, these are issues to consider and manage for every plan sponsor.

Whether legal compliance is your responsibility or that of your insurer, don't leave yourself vulnerable in these litigious times and certainly don't allow your insurer to take unreasonable amounts of time to respond to legal change. Show Mr. Romanow that you have a voice about things that matter – a clear, strong and intelligent voice that says, "Speed it up, get it going and let's move on." **K**

A savvy HR professional knows that when they allow their experts to develop well-rounded positions, the expert first presents a case for the business and the behavior of the population as major support to any financial analysis. For example, your insurer's renewal presents an aggressive rate increase. Your expert does an independent financial analysis and the numbers support the insurer's recommendation. The reality is that the rise in claims stemmed from a very unstable business year where many employees feared for their job security and worked under stressful conditions. The business stabilized itself and adopted a focused strategy for improved operations and growth based on the expert's insight. The expert, in the know about your organization, therefore has a greater chance at a high quality result than one kept at the level of a numerical issue.

Independent and expert pension and benefit knowledge and experience acquired over time is an invaluable asset to any HR professional. Take the time to examine your working relationships with your expert providers and ask yourself, "Am I making the most out of our partnership, and do I fully understand what my advisors are truly capable of"? Now, more than ever, benefits are becoming more complex and, as such, benefit expertise should be more valued. Wild animals also look tame and controlled when looking at them from a distance. But wait and see what happens when you get up close and personal.....That lion tamer, as embodied by your benefit expert, may be your best bet. **K**

Disability Costs – What You Need To Understand

Most of you will likely nod your heads in agreement with this statement: “My Long Term Disability premium increase this year was unacceptable”.

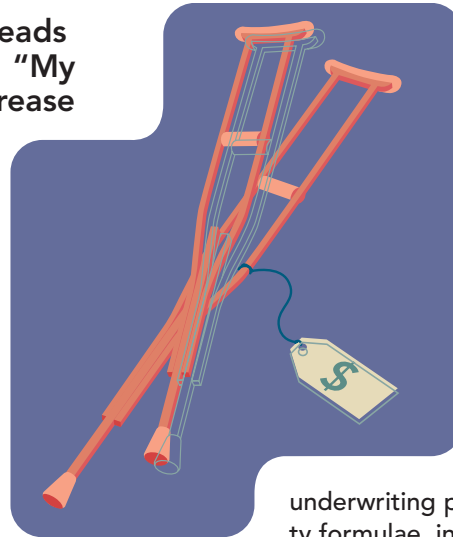
Whether true or not, understanding the complexities of a group disability plan can be daunting and that feeling of uncertainty can make negotiating a disability plan renewal with your insurer difficult. As experts on the subject, we can assure you that disability plans are, in fact, complex. From the basis used to develop cost (underwriting & funding) to the culture of each organization, disability plans require study and experience to gain clarity on the full breadth of the subject matter.

Before sharing some knowledge with you, consider two simple facts about disability plan costs. After the first day your insurer prices your disability plan, for evermore your costs are the result of claims – people being unable to work. Whether they are your claims or the collective result of a large number of plans, their numbers, and hence your costs, tell a story about a great many things too numerous to address here. The second fact, while we are addressing private disability plans in this article, is that one thing always remains true – an absence is an absence is an absence, regardless of the source of disability income.

When next faced with an increase in your disability plan costs, here are some important points you need to consider:

- Let’s deal with the most obvious one first – “What kind of business are you and what does your culture dictate about the matter of absent employees?” This question asks that you ignore for a minute what you are legally compelled to do and look at what you can and want to do. Insurers are in the business of pricing risk. The operation and culture of each organization sets it in a specific class of risk, remembering that poor culture can often present greater risk than the type of work the employees conduct.
- If your problem lies within your Long Term Disability (LTD) plan, take a good hard look at your disability claims activity leading up to LTD. If you manage claims effectively from the onset, you reduce the likelihood of an expensive LTD claim. Don’t make the mistake of assuming that rehab and modified work processes start when LTD starts. In many cases, it is too late by then. The best management processes start from day one of an absence.

There are a few critical items within the financial management of any LTD plan that weigh most heavily on the



resulting price. If you have a smaller plan where your own experience plays little or no part in your costs, pay attention to the business health and claims management processes of your chosen insurer. Poor results, measured either financially or by service, in the insurer’s overall pool of disability plans means you will pay. If your experience counts in the equation, those same items still apply but you also need to examine

underwriting processes related to the credibility formulae, interest accreditation, and the

basis used to establish claim reserves. Learn to understand how your disability costs come to be and what factors you need to pay the most attention to.

While the adjudication of disability claims may seem foreign, don’t get lulled into a false sense of security. Insurers may all claim they are experts in the management of disability claims, but some are definitely better than others. If you are an organization that tends towards high disability claim activity, take a good hard look at your provider options and what organization will best give you the service you need and expect. Don’t forget that there are also independent disability experts available to offer professional assistance or as an alternative provider to an insurer for short term disability plans. Manage your claims and you will manage your disability costs.

Here’s hoping all your employees remain healthy, happy and never have to claim LTD benefits. **K**

Announcement

David Krieger, President of Krieger + Associates, is proud to announce the addition of **Jessica Joerg** to Team Krieger in the position of Communications Consultant.

Jessica brings to our team her experience as an effective communications strategist and client manager. Her role at K+A will be to help our clients develop creative solutions to the ongoing communication of their compensation offerings, especially group benefit and retirement programs, and to act as a project manager to ensure an excellent process and result. Jessica’s combination of experience, intelligence, and creativity make her a wonderful addition to Team Krieger. I trust you all join me in extending a warm welcome. She officially joined Team Krieger on June 23. You can contact her at 416-363-1221, x 205 or jjoerg@kriegerandassociates.com. **K**

Krieger + associates, Suite 300, 43 Front Street East, Toronto, Ontario Canada M5E 1B3

T. 416.363.1221 F. 416.363.0677 E. communik@kriegerandassociates.com Web. www.communik.ca

CommuniK is written, designed and produced by Team Krieger. We want to know what you think! Please email us your benefits, pensions and communications questions or suggestions.

The content of this newsletter is provided to you for your information only. Though Krieger + Associates has made every effort to ensure the accuracy of CommuniK, it is accepted by the reader on the condition that any error or omission shall not be made the basis for any claim, demand or cause for action. No reader of this newsletter should act or refrain from acting without seeking the appropriate professional advice.