

The Beneplan Employee Benefits Co-operative Inc.

Report of the Executive Officer to the Board of Directors and Member-Owners of the Co-operative

For the period January 1st, 2017 - December 31st, 2017

Published April 2018

Executive Summary

2017 was an excellent year for the co-operative, we set historic records for revenues, number of employers, lives covered and dividends payable, with about \$2.3 million payable in the spring of 2018.

The excellent dividend is due to many members adopting smart plan design suggestions that Beneplan has been advocating for many years. Drug caps, paramedical pre-approval and Reformulary have helped make this year a very good one.

The pipeline of new and expensive prescription drugs continues to deliver expensive new drugs into the Canadian Health market. Members without a drug cap are exposed to large drug claims, and thus higher health rates.

You may be aware that the Federal Government has appointed a commission to consider introducing a universal drug plan in Canada. The final shape of the universal drug plan could impact employer drug plans in one fashion or another.

Most provincial drug plans, including Ontario, already offer some form of a drug plan for residents that do not have access to drugs. Most require Canadians to pay an income related deductible.

We believe that the most likely outcome, is to introduce a universal Canadian drug plan that requires Canadians to pay an income related deductible, then the universal plan would kick in. The universal plan would allow employer plans to pay for the deductible applicable. The government would leave the normal utilization of drugs to employers but would apply if a Canadian needs expensive drugs.

Membership

The co-operative had a successful year in attracting new members. Membership grew by 44 new members, while 17 members transitioned out of the co-operative, for a net increase of 27 new members. Five withdrawals were due to insolvency or merger with a larger entity. Most of the others withdrew due to the usual competitive pressure from other insurance carriers, looking to grow their market share by offering unrealistically low rates that we could not compete with.

Our rate calculations pursuant to the co-operative policies & procedures prevent us from competing with these low rates. If we were to match these rates, we would have created deficits that other members would have had to fund. Our mandate is to protect member's interest so we refuse to participate in a race to the bottom which many of our competitors are tempted to play.

Financial Results

The favorable results in 2017 are partially luck and partially attributed to the many members implementing sound plan design changes to their plans. Many members have implemented drug caps, which were able to shift more of the expensive drugs to either provincial drug plans or other subsidy programs.

The Board of Directors agreed in 2015 to set aside \$100,000 of the reserve to contingently fund the “Beneplan Compassionate Drug Program”; we are delighted to report that the fund was not utilized at all in either 2016 or 2017. Our Drug Advocate continue to help many individuals navigate the Ontario Trillium Drug Program and other drug assistance programs, such that every one of these persons received the drugs they need from “other sources” once their employer’s drug maximum was reached.

In this report, we provide statistical comparatives for 2017 vs 2016.

We report on the meetings of the Board of Directors and the main issues that were discussed.

In 2016, the Life Insurance benefit was utilized at normal levels, resulting in the full funding of the reserve at \$1,242,929 and a refund of \$102,945.

The LTD benefit has had a very tough year, there were many more disabilities than expected, resulting in bigger than expected deficit. We ended up with a deficit of \$1,730,427, however, we also have \$4,764,979 in disabled reserves. We did discuss the fact that we will have two or three tough years before we start to see refunds from the LTD benefit.

The Reformulary project is continuing to do very well for the few members who have adopted it. Members who have adopted Reformulary have reduced their drug use by about 12% and have received about 3% refund on average. We encourage all plan managers to consider implementing Reformulary to lower their costs while maintaining patient health.

We report on the reserve funds for the health and dental reserve and the life insurance reserves.

Meetings of the Board of Directors

The board of directors met three times in 2017: March 23rd, June 21st and September 26th. There was also a Special General Meeting of the members for the purpose of voting on proposed changes to the Bylaws recommended by the Governance Committee and approved by the Board.

Four new board members were elected to the Board at the AGM in April 2017. Jennifer Osborne from Dan Lawrie Insurance Brokers returned after a one-year absence. Daniel Friedman VP Finance of the Promex Group also returned to the Board; he had served on the Committee that helped with the transition from the Trust to the Co-operative in 2012. Mauro LoRusso VP of Finance of Pride Pak Canada and Lisa Lamb General Manager of the Oakville Club

The March 23rd, 2017 meeting was focused on the review and discussion of the draft financial statements submitted by the Auditor for 2016. The Board approved the draft statements as proposed by the Audit and finance committee and Management (Beneplan Inc.) and they voted to present to the Members of the Co-operative at the AGM in April 2017.

At the June 21st, 2017 meeting, the board welcomed the newly elected board members and elected the following new positions:

- Executive Committee
 - o Mike Miller re-elected Chairman
 - o Linda Moroz re-elected Vice-Chair
 - o Malcolm Stoffman, Secretary
- Finance Committee
 - o Anne Kaufmann, Treasurer
 - o Daniel Friedman and Mauro LoRusso were elected to the Audit & Finance Committee
- Governance Committee
 - o Diane Kocet, Ian Torrance and Malcolm Stoffman, all re-elected
- Nomination Committee
 - o Barry Murphy re-elected

The Governance Committee submitted their report on their mandate to review and update the bylaws and governance of the Co-operative. They proposed changes to the bylaws that are mostly housekeeping in nature, and some that are significant. They also proposed that the Board should develop a Governance and Board policies document.

Board Members discussed the proposals and agreed to take them away, ponder the proposals and return at the next board meeting with more input.

At the September 26th, 2017 meeting, the Governance Committee proposals were the focus of discussions. Some board members had good input that was discussed by the board in depth. There were items that required members' approval and other items that did not require members' approval. The Board decided to take the items needed Members voting to the members. Beneplan suggested that the annual November administration and education meeting could also be declared a Special General Meeting to present the governance Committee's proposals to the Members for a vote, the Board agreed.

Beneplan Inc. reported that 2017 is shaping up as a very good year. They noted that the implementation of drug caps, Paramedical Pre-approval, Reformulary and plan adjustments is paying big dividends.

At the November 2nd, 2017 Special General meeting, The Board of directors presented the Governance Committee's proposals to the members; some members asked questions on various items,

and the Chairman, Mike Miller answered the questions and provided the reasoning for some of the proposals.

The Members voted almost unanimously to pass all items except for the proposal for Board compensation, it received 16 yes votes and 14 no votes. The proposal failed as changes to the Bylaws require a two thirds majority to pass.

The Co-operative Statistical Snapshot

2016 and 2017

Rounded to nearest \$1,000

	2017	2016
Net premiums	\$21,803	\$20,733
Net claims	(\$16,464)	(\$16,063)
Total fees and taxes	(\$3,227)	(\$3,128)
Total expenses and adjustments (*)	\$165	\$75
Total Co-operative Patronage Dividend	\$2,277	\$1,617

(*) Tax refunds, life insurance refunds, expenses, and reserve adjustments.

Member/Employers participating	312	285
Number of members in surplus	251	216
Number of members in deficit	61	69
Employees as at end of year	13,087	12,398
Lives covered (Employees & Dependents)	25,173	23,481
Average annual premium per employee	\$1699	\$1,672

Surplus / Deficit Analysis of New Membership

Before application of reserves, and rounded to the nearest \$1,000

	2016 Members	2017 Members	Total Pool
Surplus	\$362	\$361	\$2,810
Deficit	(\$79)	(\$19)	(\$361)
Gross Position	\$283	\$342	\$2,449
Members in surplus	31	37	251
Members in deficits	8	7	61
Total members	39	44	312
Surplus / Deficit Ratio	4.58	19.0	7.78

The Surplus Analysis table was generated to test that new members are not detrimental to the co-operative.

Report on the co-operative reserves

As at December 31st, 2017

Effective December 31st, 2017, the co-operative has three reserves: the health & dental incurred but not reported reserve (IBNR), the Life Insurance claims stabilization reserve (CSR) and the LTD reserves.

- The IBNR is the amount of money that is required to pay the claims that would have to be paid if the co-operative is wound up. This reserve is set up by the co-operative in accordance with its Policies & Procedures.
- The CSR is a reserve set up by The Co-operators Life Insurance underwriter to pay claims in an unusually high claims year. This reserve currently held in trust with The Co-operators.
- The LTD reserves are also set by the Co-operators to fund ongoing LTD claims. This reserve currently held in trust with The Co-operators.

The health & dental reserve (IBNR)

Every member must pay an amount of 5% of their weighted average claims in the last three years into the IBNR reserve fund. Members pay a maximum of 10% of their patronage dividends to the IBNR reserve until they have paid the 5% target reserve. The Reserve formula was amended effective January 2016 to add: **“first year members must contribute up to 50% of their patronage dividend, but not to exceed 5% of their annualized claims.”**

The IBNR stands at approximately \$773,895 as at December 31st, 2017, part of that is an amount of \$315,462 is in trust with the Co-operators as a float. This is 4.7% of the claims paid in 2017. Many members have paid up their target reserve, and no longer need to contribute to the reserve.

The claims stabilization reserve (CSR)

The CSR is set at 60% of life insurance premiums. The Global Stop Loss (GSL) of the life insurance arrangement is triggered at 125% of the life insurance premiums; claims above the GSL are re-insured. The insurance company (The Co-operators) withholds amounts required from any refunds our co-operative is entitled to fund the CSR reserve.

The CSR stood at \$1,087,655 as at December 31st 201, but due to an increase in premiums, the reserve was increased by \$154,935 to \$1,242, 929 as at December 31st, 2017. The CSR is now fully funded.

There are also about \$1,039,661 of additional reserves with The Co-operators, which are mostly to cover waiver of premium claims, and other claims that were not yet reported. These claims may yet revert to us if they were not used.

The LTD reserves (DLR) & (IBNR)

There are two main reserves for LTD; the Disabled Life Reserves (DLR); they are set up to pay the ongoing LTD claims. They are adjusted every year on a case by case basis depending upon the development of that case. It is returned to us if the disabled are deceased or returns to work. It stands at \$3,345,599.

The IBNR is a reserve to cover claims that are in “the mill” but have not been reported or paid by the Co-operators. This reserve, once set up in the first year, is adjusted slightly each year depending upon premiums and claims paid in the year. It stands at \$1,529,189.

Report on Projects of the Co-operative:

The Reformulary Project

The Reformulary Drug Plan is a multi-tiered drug formulary for the purpose of saving money on prescription drugs, while maintaining the best in patient care. Beneplan partnered with Reformulary starting in 2012 and introduced this option to employers as an option to save on health care premiums.

Reformulary helps employees and their dependents purchase the safest, most effective, and most economical drug for their condition, and not the drug that their doctor prescribes under some pressure from pharmaceutical companies.

Unfortunately, the project has not been adopted by many members due to the HR departments' reluctance to introduce any perceived negative plan design change. However, for the cost-conscious members that have adopted the drug control program, we calculate that they saved an average of 12% on their drug costs without reducing patient care and have received an additional volume discount of about 3% of their drug utilization. Further, a significant educational effort is done by HR, Beneplan and the Advisor to show staff the virtues of the program and allay any fears.

Reformulary Select is a newer version of the formulary, which grandfathers coverage for all existing employees, and only applies the tiering to new employees or new prescription drugs prescribed to existing employees. The savings are not immediate but will accumulate over time as expensive drugs are diverted from the plan. Please speak to your advisor for more information.

The Long-Term Disability Refund Agreement

Effective January 1st, 2016, the Beneplan Co-operative have entered into a refund agreement on the Long-Term Disability (LTD) benefit with The Co-operators Life Ins. Co., similar in concept to the Life Insurance refund agreement currently in place. It is important to understand that in both cases, they are not self-insured agreements; rather, the final liability lies with the insurance company. If the worst were to happen, the insurer is responsible for incurred claims even after they the agreement is terminated.

The LTD program will have to set up its reserves for at least two years, and in the first few years, it will be in a deficit while these reserves are set up and while the first two-year own occupation period resolves the initial claims.

The LTD program has \$3,345,599 in disabled life reserves (DLR) as well as \$1,529,189 in incurred but not reported reserves (IBNR). The program also has \$1,730,427 in deficit.

Please keep in mind that the \$3,345,599 in DLR is set at very conservative levels and the fact that the \$1,529,189 is a reserve set up for theoretical claims that may be impending. In our opinion, the deficit is highly exaggerated by the insurer. 2018 will begin to resolve most of these numbers and we feel confident that the LTD benefit will result in refunds in 2018 or soon after that.

The Beneplan HR Toolkit Program

Beneplan introduced the HR Toolkit in 2017, a new benefit to all members. The benefit includes coverage for 3 new items:

- Access to an HR Advisor at Beneplan (CHRP) for up to 12 hours per year;
- The addition of a Shepell Employee & Family Assistance Program (EFAP); and,
- Coverage for pharmacogenetics through Personalized Prescribing Inc (“P3”).

Access to an HR Advisor

Beneplan had introduced a new complimentary service to support our member-owners: bespoke HR consulting and advice.

Many of our member-owners, regardless of size, cannot afford to hire a full-time HR consultant. This leaves companies at risk, because it is important to ensure that each company is complying with Canadian employment law. Beneplan noticed that many of our member-owners were approaching us for basic HR questions, and chose to invest in hiring an in-house CHRP advisor.

Our HR consultant has been very busy with many members with various cases. His services were so helpful, that we have received many “thank you” emails from many of the employers that he helped. There is no doubt that this service is a necessary one.

Please note that Beneplan’s HR advice should not be used as a substitute for legal advice. Beneplan takes no responsibility for any actions or decisions made at the member-owner.

Email: hr@beneplan.ca
1-800-387-16708

A Shepell Employee & Family Assistance Program (EFAP)

If you haven’t heard of employee assistance programs, one might think of it as a concierge for your employees’ mental health.

An EFAP or EAP is a confidential service that connects plan members with therapists, lawyers, counsellors, or support services to help them cope with work and life stressors.

The goal of the program is to reduce absenteeism, presenteeism, and disability days.

Beneplan noticed that mental health as a workplace issue is a true cost of doing business in 2018 and beyond, and employers do not have the adequate support or training in-house to grapple with all of their employees’ potential life issues. However, the lack of support does not mean a lack of responsibility, as we saw that WSIB and other worker’s compensation boards now include chronic mental stress as an eligible workplace injury to apply for and receive benefits.

That said, small businesses sometimes do not have the budget to be prepared to add mental health to their workplace safety strategy.

Beneplan therefore proactively added coverage for an EFAP to all enrolled plan members.

www.workhealthlife.com
1.800.387.4765

The Personalized Prescribing Plan (P3):

Effective July 1st, 2017, some members of the Co-operative began to utilize the personalized prescription plan (“P3”). A total of 1819 employee and their families became eligible. In October another 1754 employees and their families became eligible and in January 2108 another 1903 employees and their families became eligible. Most employees will become eligible on April 1st, 2018.

To date there has been 38 cases of employees or dependents that called the consulting pharmacist for advice on their medication. They had been suffering adverse side effects or felt that their medication was not working for them. Personalized Prescribing performed and reported on 29 cases and a few either did not proceed with the test, or their cases were solved by the pharmacist without a need for the test.

There were sixteen cases that were clearly on the wrong drugs, and most had their doctors change their medication to ones that were more compatible. A few had other issues that were helped with additional research by the pharmacist. In general, the early results appear to indicate that this program will be helpful for the employees that are having issues with their medications.

Eligible plan members may request a test at: info@personalizedprescribing.com

Implementing a Drug Cap in the Drug Plan

We have been preaching that Members should consider implementing some drug maximum on their drug plan. We are happy to report that almost 65% of our members have some limit on their drugs.

That has not hurt any employee or dependent, as the Drug Advocate managed to secure every person his or her drugs without added cost to the employee.

The Beneplan Compassionate Drug Program

Beneplan Inc. is pleased to report that the Compassionate Drug Assistance Program continues to help employees that need expensive specialty drugs and have reached their plan’s drug maximum.

The Drug Advocate again battled 100%. She managed to secure the needed drugs from either the Trillium Drug Benefit, a Drug Assistance Program of one kind or another. Any failed attempts were as a result of either the patient failing to follow through with applying to various assistance programs, or a patient request for coverage of a lifestyle drug (an elective medicine which is not life-sustaining or maintaining of a chronic condition).

Paramedical Pre-approval

The Paramedical Pre-approval program continues to be adopted by some members of the Co-operative that wish to control the cost of their health plans.

This program reduces the expenditures on paramedical services by 50% - 70% on average.

WSIA Amendments to Allow Benefits for Chronic Mental Stress

On December 14, 2017, Bill 177, Stronger, Fairer Ontario Act (Budget Measures), 2017, received Royal Assent. This amends several statutes, including the Workplace Safety and Insurance Act, 1997 (WSIA).

As a result, effective January 1, 2018, the WSIA will allow for benefits for chronic mental stress arising out of and during employment. Bill 177 provides for transitional rules to determine entitlement to mental stress claims, the key aspects of which include:

Claims of mental stress occurring on or after April 29, 2014, that have not yet been filed, can be filed by workers or their survivor(s) until July 1, 2018. Any claims filed during this six-month window will be adjudicated under the new mental stress WSIA provisions and the new Operational Policies.

Mental stress claims that were already filed in a timely manner and are still pending before the Workplace Safety and Insurance Board (WSIB) on January 1, 2018 (i.e. the WSIB has not yet made an operational level or Appeals Branch level decision in respect of the claim) will be adjudicated by the WSIB pursuant to the new provisions, regardless of the date on which the worker's mental stress occurred.

If a worker (or a worker's survivor) filed a timely mental stress claim and their timely appeal is filed with or is pending before the Workplace Safety and Insurance Appeals Tribunal (WSIAT) as of January 1, 2018, the WSIAT will refer the claim back to the WSIB to re-adjudicate the claim pursuant to the new provisions, regardless of the date on which the worker's mental stress occurred.

The transitional provisions do not differentiate between chronic mental stress and traumatic mental stress; therefore, either type of mental stress claim could be filed under these provisions.

Outside these transitional rules, workers cannot re-file mental stress claims that were already denied by the WSIB or the WSIAT. The transitional rules come into force on January 1, 2018.

The relevant portion of Bill 177 that covers this topic in more detail is outlined under schedule 45 and the transitional rules can also be referenced under section 13.1 in the WSIA Act.

This new development will exert upward pressure on WSIA premiums. The concern is how much of an impact will that have?

Adjudicating mental illness disability is a tricky and difficult endeavor, we hope WSIA adjudicate these cases attributable to the workplace in a fair but tough fashion.



2017

**Beneplan Employee
Benefits Co-operative
Inc.**

Financial Statements
Year ended December 31, 2017

Independent Auditor's Report

To the members of
Beneplan Employee Benefits Co-operative Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Beneplan Employee Benefits Co-operative Inc., which are comprised of the balance sheet as at December 31, 2017, and the statements of income and accumulated surplus, changes in Health and Dental reserve, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Beneplan Employee Benefits Co-operative Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

S+C Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 20, 2018

Beneplan Employee Benefits Co-operative Inc.

Statement of Loss and Retained Earnings

For the year ended December 31, 2017

	2017	2016
Revenue		
Refund of surpluses from group insurance (note 8)	\$ 2,306,822	\$ 1,616,431
Interest income	2,741	2,273
	2,309,563	1,618,704
Expenses		
Bank charges and interest	676	645
Publications and meetings	23,494	16,069
Insurance	2,931	2,874
Professional fees	23,165	19,210
	50,266	38,798
Income before patronage dividends	2,259,297	1,579,906
Patronage dividends	(2,277,148)	(1,617,267)
Net loss	(17,851)	(37,361)
Retained earnings, beginning of year	-	-
Net appropriations from health and dental reserve	17,851	37,361
Retained earnings, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Beneplan Employee Benefits Co-operative Inc.

Balance Sheet

December 31, 2017

Assets	2017	2016
Current assets		
Cash and equivalents (note 3)	\$ 592,879	\$ 618,701
Accounts receivable (notes 4 and 8)	2,362,783	1,588,502
Income taxes receivable	-	3,988
	\$ 2,955,662	\$ 2,211,191
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 143,038	\$ 34,215
Patronage dividends payable	2,280,770	1,615,030
	2,423,808	1,649,245
Deferred revenue	73,421	84,244
	2,497,229	1,733,489
Members' equity		
Health and dental reserve (note 6)	458,433	477,702
	\$ 2,955,662	\$ 2,211,191

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Director

Director

Beneplan Employee Benefits Co-operative Inc.

Statement of Changes in Health and Dental Reserve

For the year ended December 31, 2017

	2017	2016
Appropriations from reserve		
Reserves of terminated members forfeited to cover deficits	\$ (17,851)	\$ (35,125)
Reserves used for payment shortfalls and forfeitures	-	(2,236)
Net appropriation from reserve	(17,851)	(37,361)
Adjustments to reserves of terminated members	15,028	(438)
Excess reserves refunded to members	(16,446)	-
Health and dental reserve, beginning of year	477,702	515,501
Health and dental reserve, end of year	\$ 458,433	\$ 477,702

The accompanying notes are an integral part of these financial statements.

Beneplan Employee Benefits Co-operative Inc.

Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016
Cash flows from operating activities		
Cash receipts from insurers' surpluses and members	\$ 1,639,569	\$ 1,038,792
Cash paid to suppliers	(44,266)	(30,718)
Patronage dividends paid	(1,611,408)	(927,735)
Excess reserves refunded to members	(16,446)	-
Interest received	2,741	2,273
Income taxes refunded (paid)	3,988	(3,988)
Increase (decrease) in cash and equivalents	(25,822)	78,624
Cash and equivalents, beginning of year	618,701	540,077
Cash and equivalents, end of year (note 3)	\$ 592,879	\$ 618,701

The accompanying notes are an integral part of these financial statements.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2017

1 Description of business

Beneplan Employee Benefits Co-operative Inc. is a Co-operative Corporation without share capital, incorporated on April 29, 2013, according to the provisions of the *Co-operative Corporations Act of Ontario*. The Co-operative, administered by Beneplan Inc., its Executive Officer, is a voluntary association of employers for the purpose of pooling their group insurance experience. Premiums of health, dental, and life insurance are paid by all employers to the Co-operators, Standard Life, Greenshield, and for some paramedical coverage to Beneplan Inc. The Co-operators, Standard Life, or Greenshield administer the group insurance plans throughout the year and refund the net surplus of premiums over claims and costs at year end, to the Co-operative. The Executive Officer then allocates this surplus among the member-employers according to a pre-established formula, the simplified version of which is:

1. Apportion the total life insurance refund to members pro-rata to their life insurance premiums.
 2. Apply each member's life insurance surplus as needed, to fund its health, dental, and paramedical deficit.
 3. Allocate a portion of each member's health, dental, and paramedical surplus, to cover the deficits of those members with remaining deficits and to cover the operating expenses of the Co-operative.
 4. Retain a portion of each member's surplus to fund the Health and Dental reserve (see Note 6)
 5. Pay out the balance of each member's surplus as a patronage dividend.
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2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and reflect the following significant accounting policies:

Revenue recognition

Revenue to the Co-operative consists mainly of the net surplus amounts calculated on all members' health, dental, and paramedical group insurance policies, as well as refunds of excess premiums on life insurance policies.

The total health and dental surplus is calculated by Beneplan Inc., the Executive Officer of the Co-operative, in February each year for the preceding year, from experience records provided by the insurance companies, with premiums tested for validity to the monthly records maintained by Beneplan and adjusted where necessary to convert from cash-basis to accrual-basis reporting. Claims amounts are not tested, due to the limitations imposed by privacy legislation. Representatives from Beneplan Inc. and the insurance companies keep in constant contact throughout this process to ensure agreement between them as to the final surplus amounts to be refunded.

Paramedical surplus is calculated by Beneplan Inc., on the Paramedical portion which it administers.

Life insurance refunds are calculated by the Co-operators. Beneplan staff closely examine the calculation of these refunds for accuracy except that no verification of the waiver reserves is possible due to privacy legislation, which protects the health information necessary for their determination.

In addition to the above surpluses, the Co-operative also recognizes revenues from other sources. Interest income is recognized as it accrues.

Income taxes

Income taxes are accounted for using the future income taxes method. Future taxes have been accounted for based on the difference between the carrying amounts of assets and liabilities for accounting purposes versus the carrying amounts of assets and liabilities for tax purposes. Future taxes are calculated based on enacted or substantively enacted tax laws that are expected to be in effect when the asset or liability is settled. Future taxes are reviewed on an annual basis and are adjusted where necessary to reflect their realizable amount.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2017

2 Significant accounting policies (continued)

Financial instruments

Measurement of financial instruments

The Co-operative initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The company subsequently measures all its financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include cash, cash equivalents, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, and patronage dividends payable.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in these financial statements are the determination of insurer surpluses, accounts payable, accrued liabilities and the provision for income taxes. Actual results could differ from management's best estimates as additional information becomes available.

3 Cash and equivalents

Cash and equivalents consist of the following:

	2017	2016
Cash	\$ 133,366	\$ 161,928
Term deposits	459,513	456,773
	<u>\$ 592,879</u>	<u>\$ 618,701</u>

The balance invested in a term deposit bears interest at a rate of 0.5%, is cashable prior to maturity, and matures February 2018. Subsequent to year end, the term deposit was renewed for an additional one year period at an interest rate of 0.45% and is cashable prior to maturity.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2017

4 Accounts receivable

	2017	2016
Trade receivables	\$ 2,203,794	\$ 1,352,913
Government remittances receivable	43	43
Receivable from Beneplan Inc.	138,974	202,451
Receivable from members	19,972	33,095
	\$ 2,362,783	\$ 1,588,502

The amount receivable from Beneplan Inc. relates to paramedical premium surpluses and cost recoveries. Beneplan Inc. is related by virtue of its appointment as Executive Officer of the Co-operative.

The amount receivable from members relates to the reimbursement of dental commissions administered outside of the Co-operative.

5 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2017	2016
Trade payables and accrued liabilities	\$ 40,214	\$ 34,215
Payable to members	102,824	-
	\$ 143,038	\$ 34,215

The amount payable to members relates to the reimbursement of dental commissions administered outside of the Co-operative.

6 Health and dental reserve

This is a reserve for health and/or dental and/or paramedical run-off claims which are outstanding at any given time. It is increased each year by contributions from the surplus otherwise payable to each member, by the amount necessary to bring each member's cumulative contribution to a "target" of 5% of its weighted average claims over the past three years, with the limitation that the annual contribution is not to exceed 10% of the health, dental, and paramedical surplus otherwise payable to the member for the year. In the first twelve months of membership, members with a surplus must pay to the reserve an amount which is equal to the lesser of 5% of their annualized claims or 50% of their patronage dividend. A portion of these reserve funds are held by the Co-operative with the remaining balance of the reserve withheld at source by the insurer.

Beneplan Employee Benefits Co-operative Inc.

Notes to the Financial Statements

December 31, 2017

6 Health and dental reserve (continued)

If at any time a member's cumulative reserve exceeds its target reserve by more than 10% for two consecutive years, such excess is to be refunded to the member. Members withdrawing from the Co-operative forfeit their accumulated paid-in reserves and surplus for the year to the Co-operative. The Health and dental reserve is retained to cover any unreported claims which may exist at such time as the Co-operative is wound up. Any surplus reserve not used to cover such claims after a suitable interval will be paid out to the remaining members of the Co-operative at that time, pro-rata to their accumulated contributions.

7 Financial instruments

The Co-operative is exposed to credit risk through its accounts receivable, which are by nature unsecured. The Co-operative mitigates this risk by ensuring it deals with financially strong insurance companies in good standing. Management has identified a concentration of credit risk such that 72% (2016 - 71%) of accounts receivable was receivable from a single insurer.

The Co-operative is subject to liquidity risk through its debts and obligations. To ensure the Co-operative is able to fund its obligations as they come due, it maintains accessible sources of liquidity. These sources consist of cash balances, a cashable term deposit, and a reserve for unpaid claims.

It is management's opinion that the Co-operative is not subject to significant currency, interest rate, or other price risk.

8 Related party transactions

During the year, the Co-operative earned a refund of surplus on group insurance from Beneplan Inc. in the amount of \$138,974 (2016 - \$202,451). Beneplan Inc. is related by virtue of its role as Executive Officer of the Co-operative. Included in accounts receivable is \$138,974 (2016 - \$202,451) related to this amount.

This transaction is in the normal course of operations and are recorded at the exchange amount. The exchange amount is the amount of consideration established and agreed to by the related parties.

POLICY #	Premiums (\$)	Claims Under Stop-Loss (\$)	Fees & Taxes (&)	RST Refund (\$)	Reformulary Refund (\$)	Life Ins Refund (\$)	Reserve Contribution (\$)	Patronage Dividend (\$)
16000	26064	19079	5579	131		413	57	1672
16002	89407	59483	10676	1751		268	0	18468
16005	89547	60797	9293	1777		563	0	19006
16007	62427	48599	6380	633		338	442	6448
16008	150548	120688	16995	1143		652	0	12479
16010	218599	158505	23238	3384	2341	1349	3859	34649
16011	212738	180315	24614	661		732	0	7531
16012	268507	235740	31910	-6		1193	100	897
16013	46343	38293	6738	122		318	19	1532
16014	336705	276240	34251	2128	6014	1870	2921	26223
16015	290451	245253	32044	1065		2061	0	12921
16016	54786	43123	5809	512	94	436	0	5804
16017	218256	160671	23018	3126	445	918	420	33338
16019	39816	28608	3919	642		112	0	6788
16024	302891	267697	33671	-111	546	724	0	0
16025	69884	52316	7358	907		200	162	9462
16027	55540	40506	7779	675		0	0	7026
16028	263789	224556	24742	1165		1378	1338	12016
16029	91954	72128	9146	939	771	371	296	10492
16030	228281	197929	26918	319		474	0	3745
16031	54397	43879	7780	255		252	288	2588
16034	52725	30494	6947	1421		399	32	15124
16035	174953	173406	24060	-2131		1236	0	0
16037	98545	76856	11114	983	438	239	0	10840
16038	17783	9648	2308	542		51	8	5681
16044	220515	175732	24049	1839		689	0	19763
16045	60640	40212	8273	1130		237	0	11981
16046	71775	62583	10616	-132		69	0	0
16047	0	0	0	0		508	45	405
16048	371682	323285	42601	383		3051	671	6023
16050	37450	24026	5814	708		153	0	7506
16800	154401	150643	19138	-1430		869	0	0
16801	77503	40595	7327	2751		82	0	28720
20003	73339	48731	11477	1221		441	1013	12094
20004	61464	43658	8566	859		316	224	9005
20006	43208	38110	6415	-122		50	0	0
20007	4751	3361	755	59		53	0	662
20009	53860	44948	7855	98		320	0	1307
20010	53878	41702	7464	438	486	146	0	5124
20011	270585	230360	29197	820		1699	426	9624
20013	22897	13480	2686	603		318	0	6556
20015	112732	103466	16945	-714		397	0	0
20016	154821	88040	31154	3313		520	1927	33037
20017	40820	25460	5480	919		43	826	8780
20020	12751	8732	1698	216		152	0	2383
20024	66600	61854	12057	-680		102	0	0
20025	31106	22406	4117	411		258	0	4507
20026	51657	39112	6950	520		319	0	5701
20027	112298	91032	12402	824		426	0	8962
20028	300542	228339	42572	2756		2004	63	30410
20031	169970	128826	17781	2074		401	2195	19754
20032	93953	61145	19557	1232		138	1295	11659
20035	16826	11937	2386	228		172	0	2523
20036	90564	57933	18702	1295		245	378	13328

POLICY #	Premiums (\$)	Claims Under Stop-Loss (\$)	Fees & Taxes (&)	RST Refund (\$)	Reformulary Refund (\$)	Life Ins Refund (\$)	Reserve Contribution (\$)	Patronage Dividend (\$)
20037	62216	62542	12677	-1209		510	0	0
20038	18201	9529	3617	470		64	0	4952
20040	38601	34473	6420	-213		364	0	0
20041	112886	80810	21372	996		263	741	9859
20043	72673	55484	9833	607		470	88	6646
20044	17914	16893	3615	-241		149	0	0
20045	27289	13345	4325	895		131	0	9431
20046	103103	101565	15826	-1329		361	0	0
20047	60650	49367	8169	263		369	307	2759
20048	56449	40750	10706	464		144	354	4609
20050	33176	31587	5064	-323		102	0	0
20051	119423	115269	14700	-981		1949	0	0
20053	18698	9994	2373	589		145	0	6260
20054	11095	9013	1605	44		181	0	622
20055	6760	4025	1032	158		40	0	1685
20056	97327	66081	18229	1211		383	1163	11784
20057	0	0	0	0		3065	272	2444
20058	298196	241429	32003	1903	246	4474	1336	22662
20059	122959	116921	12540	-605		1652	0	0
20060	56851	33699	11423	1091		440	0	11748
20062	6308	7704	1242	-245		204	0	0
20063	36109	21019	4818	955		41	0	9984
20064	73490	59744	8427	495		327	544	4897
20065	6689	4784	1065	78		11	43	779
20066	29856	23356	5112	129		59	118	1279
20067	29848	16803	5698	683		59	0	7168
20068	127071	108021	14282	443		789	532	4785
20069	214424	149920	27812	3377		1097	3614	32524
20070	289518	213750	30733	4188		2698	4601	41405
20071	176319	117239	29883	2715		1103	2925	26328
20072	126647	110868	18756	-277		282	0	0
20073	33745	23343	4899	512		207	120	5392
20074	38325	37636	5972	-491		280	0	0
20075	105429	60262	19124	2422	702	698	710	25752
20076	18431	8994	2219	660	603	109	0	7508
20077	158963	120592	25700	1178		829	1301	11706
20079	43860	25472	6451	1110		214	0	11750
20080	15639	8894	3460	305		114	263	3019
20081	54586	43176	9040	220		308	257	2311
20082	11013	7463	1445	196		60	0	2092
20084	98166	71583	19373	671		191	0	7152
20085	53348	47046	11616	-494		209	0	0
20087	69260	53389	14707	108		146	126	1131
20088	154945	114094	26410	1343	1839	535	1609	14480
20090	56805	19580	9595	2570		689	157	27212
20091	62962	33067	13502	1525		182	489	15549
20095	23217	17927	3295	185		168	3	2078
20097	35805	24019	6287	511		227	179	5348
20099	64424	59803	9031	-410	13	359	0	0
20100	55636	38829	8809	744		358	0	8064
20102	26954	22665	3618	32		380	67	607
20103	10421	10320	1944	-175		192	0	0
20104	37105	27107	5200	446		303	128	4787
20105	101824	97990	19697	-1475	794	751	0	0

POLICY #	Premiums (\$)	Claims Under Stop-Loss (\$)	Fees & Taxes (&)	RST Refund (\$)	Reformulary Refund (\$)	Life Ins Refund (\$)	Reserve Contribution (\$)	Patronage Dividend (\$)
20106	10839	4775	2105	368		73	0	3898
20107	37121	26321	6643	387		60	232	3848
20108	143378	130555	18644	-541		251	0	0
20112	27961	22982	4059	86		89	97	873
20113	110535	81530	19003	930		207	987	8883
20115	37030	23136	7566	588		88	0	6206
20117	107328	91046	15773	47		304	76	686
20118	42236	34268	8218	-23		158	0	0
20120	121321	92438	19637	860		629	951	8561
20122	101139	85343	11769	375		258	0	4129
20123	17630	16510	3375	-210		96	0	0
20124	121852	86955	20818	1309		482	573	13489
20127	6561	3771	1322	137		38	0	0
20129	400476	327964	46196	2447		1421	2675	24071
20131	7666	4452	1394	169		73	0	1827
20132	19949	12542	3681	347		55	0	3657
20133	30057	22677	3081	383		154	124	4000
20134	162624	129718	28016	455		806	545	4905
20135	30088	26992	4509	-131		127	0	0
20136	61529	31576	9284	1922		124	0	20127
20137	111404	97092	13133	110		1703	245	2406
20138	74437	46399	14458	1263		462	286	13275
20139	53036	43720	8766	51		182	69	624
20140	185562	120873	27436	3465		1490	0	37399
20141	96363	71167	15473	904		779	0	10107
20144	43795	31903	7008	454		141	0	0
20145	189459	126665	24008	3607		1447	284	38560
20147	45910	29820	4852	1045		331	0	11177
20149	152877	103095	25537	2255		988	1716	22641
20150	51940	35162	11397	500	371	171	569	5123
20151	145761	90671	21905	2997		476	3164	28472
20152	43834	43476	5882	-579		376	0	0
20153	8120	3287	1074	350		14	0	0
20154	79263	66436	9572	303	36	519	364	3280
20155	230219	144545	37350	4494		458	4721	42485
20156	12818	6199	2263	405		34	0	4249
20157	82549	58376	8985	1412		397	430	14630
20158	69030	50625	11064	683		475	745	6785
20159	49218	33379	9216	616		152	0	6548
20161	20649	12175	2734	534	583	132	0	6193
20162	16971	19501	3278	-540		67	0	0
20164	35552	27584	5071	270		289	202	2861
20165	112468	89890	20684	176		737	249	2239
20167	88604	61243	13407	1298		588	245	13790
20169	6872	1305	896	434		219	0	4718
20170	31116	18429	5689	651		158	147	6770
20171	5301	9352	1203	-489		45	0	0
20172	39576	31957	6505	104		177	0	0
20173	94462	61343	13114	1748		307	0	18477
20175	66867	53850	12320	65		454	108	970
20176	35417	27150	6006	210		419	256	2305
20177	72393	49172	9153	1308		201	732	13071
20179	41120	31904	7283	163		70	0	0
20181	-7467	20344	3925	-2951		0	0	0

POLICY #	Premiums (\$)	Claims Under Stop-Loss (\$)	Fees & Taxes (&)	RST Refund (\$)	Reformulary Refund (\$)	Life Ins Refund (\$)	Reserve Contribution (\$)	Patronage Dividend (\$)
20182	20752	13582	2821	404		110	76	4233
20183	60457	39473	12358	802		293	400	8213
20184	37057	31428	8026	-223		219	0	0
20185	0	3170	108	-305		0	0	
20186	73751	46075	13593	1310	32	279	1391	12522
20187	84343	74697	12538	-269		0	0	0
20188	77714	46763	13448	1628		829	811	16875
20189	72480	54917	11755	540		642	469	5725
20190	39993	41532	7081	-802		148	0	0
20191	20360	12000	3713	432		72	24	4540
20193	35500	20632	6103	815		120	232	8363
20194	33148	21163	5472	606		203	460	6029
20195	52367	41380	11176	-17		102	0	0
20196	30842	28400	4115	-183		190	0	0
20197	18370	12536	3811	188		107	187	1867
20198	84893	50181	17187	1630		150	1710	15394
20199	11743	15463	2024	-534		34	0	0
20200	57541	34183	9864	1255		275	1045	12267
20201	38634	26188	6461	557		134	591	5323
20202	30047	9418	5625	1395		227	0	14733
20203	0	1494	358	-172		0	0	
20205	15033	10377	2675	184		306	219	1971
20206	95495	69481	17186	821		380	889	7998
20207	22049	13442	2540	531		95	562	5056
20208	361281	294635	54287	1054		161	1112	10006
20209	35322	23206	6573	516		65	64	5361
20210	72478	66051	12335	-549		134	0	0
20211	103399	85609	17111	63		634	122	1097
20212	48405	34389	7612	549		99	581	5225
20214	29459	15216	5843	781		141	0	0
20215	35854	25296	6409	386	70	254	33	4272
20216	18225	11969	2703	321		258		0
20217	8624	8890	1301	-146		30		0
20218	75899	71645	11527	-676		426	0	0
20219	32153	21928	4386	543		57	0	5706
20220	22455	8980	4086	873		322	13	9366
20221	44516	38067	6543	-9		237	12	106
20222	233265	186185	23755	1889		983	0	20544
20223	29772	16660	3892	858		108	0	9026
20226	6684	5982	1198	-46	262	19	0	0
20231	96304	64063	17964	1328		451	455	13771
20232	17835	9549	2843	506		22	0	5292
20233	69954	53021	10398	608		267	722	5843
20235	44293	44907	5568	-575		445	0	0
20237	156760	91215	20681	4172		565	0	43950
20238	69849	62897	11139	-389		347	0	0
20239	47470	29875	7812	910		219	0	9669
20240	35705	24074	5641	557		103	250	5641
20243	67073	49202	8642	802		106	2032	6416
20245	78855	93760	15820	-2857		30	0	0
20246	25622	16574	4234	448		210	138	4710
20247	13395	14490	2136	-300		40	0	0
20252	79699	49875	12861	1578		110	2494	14032
20253	39293	29844	5494	340		121	1276	2370

POLICY #	Premiums (\$)	Claims Under Stop-Loss (\$)	Fees & Taxes (&)	RST Refund (\$)	Reformulary Refund (\$)	Life Ins Refund (\$)	Reserve Contribution (\$)	Patronage Dividend (\$)
20255	8711	6413	1398	84		15	0	0
20257	60877	42344	8414	941		77	2117	7751
20258	32108	17608	6425	751		42	709	7149
20259	24892	19547	4808	50		82	237	356
20260	160936	136513	18785	524		937	3145	3145
20261	67496	43573	12518	1061		179	2179	9025
20262	39975	18185	7794	1302		108	992	12659
20264	40784	23260	6171	1056		276	1396	9844
20266	33534	24440	5367	347		59	1466	2196
20267	80200	51211	12071	1554		522	3061	13589
20273	70514	41121	9009	1868		124	2741	16820
20276	24470	15200	4505	443		88	1140	3554
20277	20250	15405	3276	146		158	830	830
20278	23009	20298	3364	-61		49	0	0
20280	7549	2507	1043	372		77	215	3725
20282	15220	9051	2628	329		50	776	2698
20283	15878	10597	1544	328		85	908	2581
20284	29628	13915	3727	1115		46	1193	10456
20285	19468	14739	2513	185		92	1006	1006
20287	37893	23680	4202	888		92	2368	6956
20288	182395	98579	21472	5619		780	9858	49351
20289	5481	4093	773	57		9	302	302
20291	30783	18601	4100	752		186	1860	6133
20292	8378	7872	1438	-87		18	0	0
20293	19116	9531	3008	612		173	1144	5379
20294	15998	10144	1677	388		34	1522	2554
20295	5127	1359	587	296		9	272	2817
20300	4912	1868	201	264		19	1121	1649
1003	81185	56212	12834	1129		302	0	0
1004	15343	5045	2272	746		68	0	7833
1005	53070	30619	10706	1092		367	375	11325
1006	66332	50900	9433	558		266	605	5441
1007	21366	23508	3857	-558		40	0	0
1009	20701	12162	3360	482		69	0	5077
1010	170801	114846	28521	2551		0	0	26569
1011	70755	42037	9388	1798		0	904	17817
1012	114733	53728	15411	4144		0	1996	41162
1013	11310	8890	1394	95		39	133	896
1014	60041	41738	10101	763		68	340	7665
1015	53277	47856	10091	-434		0	0	0
1016	85873	55976	17677	1136		0	1183	10651
1017	67371	47883	12739	628		0	654	5882
1018	32857	26631	6393	-16		0	0	0
1019	24835	15907	4600	403		0	148	4044
1020	48421	42635	9124	-310		0	0	0
1021	80131	50966	14021	1408		0	1467	13199
10 22	44706	33626	8555	235		0	245	2201
1024	25958	17863	4876	299		0	0	0
1025	27883	13733	4659	883		0	479	8712
1026	37918	25281	6699	552		0	575	5175
1027	269329	193689	45666	2788		0	2903	26127
1028	97488	75294	14865	682		114	1052	6147
1029 /30	26438	36928	5204	-1459		34	0	0
1031	63835	52802	9926	103		287	398	929

POLICY #	Premiums (\$)	Claims Under Stop-Loss (\$)	Fees & Taxes (&)	RST Refund (\$)	Reformulary Refund (\$)	Life Ins Refund (\$)	Reserve Contribution (\$)	Patronage Dividend (\$)
1032	44806	30856	7970	556		0	0	5792
1033 /34	26946	17689	6948	184		0	669	1243
1035 /36	496768	316151	81968	9174		0	7444	88095
1037	99376	61535	15310	2095		98	1012	20896
1038	44192	43726	8150	-715		288	0	0
1039 /40	60128	54669	10222	-443		115	0	0
1041	22044	13809	3625	429		65	0	4522
1042	34144	26771	5220	160		53	0	1708
1043	52029	38968	4224	822		239	1945	6825
1044/45/4 6	105840	78892	11993	1391		120	1459	13130
1047/48	117246	83559	12803	1942		194	4547	15850
1049	23593	18235	4070	120		17	631	631
1050	84257	57270	14103	1198		601	3812	9197
1051/70/7 1	132439	106229	23060	293		386	1697	1697
1052	21149	15031	3153	276		72	998	1937
1053	28192	10478	3959	1279		0	697	12624
1054	37486	25234	6636	522		289	1679	4015
1055	56661	36683	8817	1038		512	2440	8823
1056	9304	10762	1801	-303		51	0	0
1057	21038	10457	2679	735		179	772	7040
1058	73418	41353	11817	1883		149	0	19741
1059	122089	88622	20743	1183		613	0	12866
1060/1/2/3 /4	48437	45983	9795	-683		330	0	0
1065	38395	25329	7152	550		244	2529	3415
1066	23284	19035	4540	-27		24	0	0
1067	2270	2214	349	-27		0	0	0
1068	41845	37726	5423	-121		13	0	0
1069	11977	13389	2174	-333		57	0	0
1073	2514	786	420	122		5	470	800