

FROM THE OFFICE OF David J. Stratton, Q.C.
DIRECT LINE 780.429.6804
DIRECT FAX 780.702.4353
E-MAIL dstratton@davis.ca

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October 1, 2009

Superintendent of Insurance
Alberta Finance and Enterprise
Room 402, 9515-107 Street,
Edmonton AB T5K 2C3

Dear Sir:

**Re: Consultation on Proposed Regulation for the Amended Insurance Act - Proposal 7
Administration of Group and Creditor Life and Accident and Sickness Insurance**

We are writing on behalf of our client, Funds Administrative Service Inc. concerning proposal 7 in the Consultation on Proposed Regulations for the amended *Insurance Act*.

Proposal by the Superintendent of Insurance

The Consultation Paper advises that the Regulation will prohibit an insurance company from using the insured (a Group Policy Holder or a Group Administrator) from negotiating and settling claims on behalf of the insurance company for Group and Creditor Group Life and Accident and Sickness Insurance.

Funds Administrative Service Inc.

Funds Administrative Service Inc. has been providing benefit administration services to trust funds, corporate and government clients across Canada for over 40 years. Funds Administrative Service Inc. has extensive experience and expertise in employee benefit plan administration, health and dental claims adjudication, and pension administration. Funds Administrative Service Inc. provides administrative services to over 53,000 members or employees of clients of Funds Administrative Service Inc., and the size of the employer clients ranges from 50 to 30,000 individuals. Funds Administrative Service Inc. processes more than 1,000,000 health and dental claims annually.

Discussion

Funds Administrative Service Inc. agrees that consumers are best served if their claims are handled by employees of administrators who are qualified. The ability to handle such claims properly is not an exclusive ability of insurance companies and their employees. In fact, a number of insurers utilize Third Party Administrators, such as Funds Administrative Service Inc., to administer or process claims, on behalf of those insurers. That is to the advantage of the claimants (consumers). The advantage is not only the specific knowledge which such Third Party Administrators, even if owned or controlled by the Plan Sponsor has, but also the ability, and in many cases the contractual obligation, to consult with insurers, where a Group Insurance Policy is in effect for those benefits.

Many Plan Sponsors utilize a Third Party Administrator, or utilize their own employees or staff, to ensure that there is a clear and explicit definition of the cost of the benefit that is otherwise only implicit to the insurer providing the administration. The Discussion Paper suggests that the insured (policy holder) in those circumstances may have a "conflict of interest" where there is an incentive for the insured to contain claims cost. Many organizations, and indeed governments and insurers, share the goal of containment of claims costs on a fair and equitable basis. Indeed, it is not practical to utilize a claims processor that has no regard for the cost to the Plan Sponsor. Such an approach results ultimately in additional cost to the consumer. The better approach in addressing conflicts of interest or bias arising from the adjudication of specific claims, and in particular those involving a short or long term disability, is an appropriate appeal process which the claimant can access. Many Plan Sponsors have, put in place such an appeal process which is effective, inexpensive, and prompt.

The potential of a Third Party Administrator not to have the required knowledge to adjudicate claims, is an erroneous assumption. By way of example, many claims which are dealt with by Funds Administrative Service Inc. are such that a high level adjudication, such as that which may be appropriate for a long term disability claim, is not required. As well, where a Third Party Administrator is processing claims on behalf of an insurer under a Group Insurance Contract, the Third Party Administrator is audited by the insurer on a regular basis. The result of such audits show whether the Third Part Administrators is adjudicating in the manner required by the rules and processes specified by the Group Insurer or by the client (the insured employer or Plan Sponsor). If the Third Party Administrator is not adjudicating appropriately, then either the insurer or the client will take the required and necessary steps to remedy that.

Lastly, self administration of benefit claims is a large part of the current trend in the payment of these types of benefits. If the intent of the proposed Regulation is to require that an insurer must administer benefits, even where the insurer is not insuring the benefit, that would not be a benefit to the Plan Sponsor or to the consumer, who ultimately will pay the higher cost.

Closing

Funds Administrative Service Inc. recognizes the challenges that Alberta Finance and Enterprise has in soliciting stakeholder input on the proposed Regulations for the amended *Insurance Act*, given the differing proposed Regulations and the various stakeholder groups that may be affected. However, a long standing and prominent Third Party Administrator such as Funds Administrative Service Inc. is one stakeholder that we respectively suggest should have been consulted. There are likely other stakeholders which are carrying out or are engaged in claims processing and adjudication of these types of claims for Alberta employers and Plan Sponsors that should be consulted, so that the consumers, employers and Plan Sponsors benefit from the suggested regulatory change.

Respectively submitted,

DAVIS LLP
on behalf of Funds Administrative Service Inc.

By:

David J. Stratton, Q.C.
DJS/tmm

cc: Funds Administrative Service Inc
Attention: Ross Undershute,
President and Chief Executive Officer