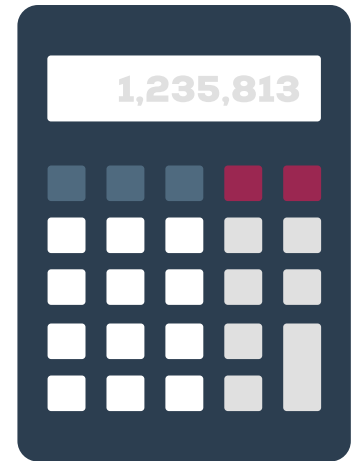


Understanding Premium Rates

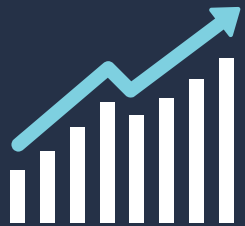
ASEBP is committed to meeting covered members' needs and ensuring the plan's sustainability.

How are premium rates set?

- A third-party actuarial service does premium rate calculations based on an in-depth, internal and external analysis.
- The break-even rate is determined using estimated claims costs for the upcoming year and loss ratios (what we have paid out in claims versus premiums collected).
- ASEBP Trustees review the break-even rate and may vote to apply subsidies from capital reserves if possible.
- The final premium rate is then approved by the Trustees in March.



Factors that have contributed to a premium rate increase include:



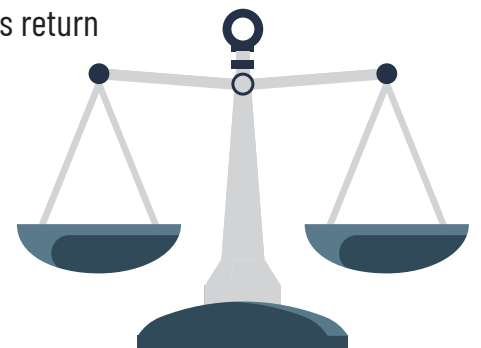
- Inflation contributing to increased costs for prescription medication
- Increased use of paramedical services (e.g. psychology, massage, physiotherapy)
- Extended Health Care utilization increases associated with growing prevalence of chronic conditions and new prescription drugs.



As a not-for-profit, rate increases do not increase profits but offset costs between premiums collected vs. actual claim costs.

Cost control measures put in place, include:

- A Sick Leave Support program with promising signs of helping covered members return to work
- Approving benefit plan items that will not increase premium rates
- Working in close partnership with ASEBP's administrator (Alberta Blue Cross) to manage drug expenditures
- Implementing measures to prevent fraud and abuse of benefits
- Continuing to offer an Employee and Family Assistance Plan (EFAP) with below market rates for psychology services
- Expanding generic substitution policy for prescription drugs
- Following the Alberta Dental Association's previous year's Dental Fee Guide



Industry trends are monitored for the plan to offer comprehensive coverage at a competitive price in the insurance industry.