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CUASA to Pursue Local Grievance and Join CAUT/CLC Action

CUASA has joined in the CAUT/CLC action with respect to demutualization of Clarica and has also filed a grievance against the employer claiming that 100% of the proceeds of demutualization plus interest applicable to CUASA be returned to the members rather than the 42.5% management is proposing to provide under their characterization of the proceeds as a 'rebate'.

You may have heard that some insurance companies have been 'demutualizing' the composition of their companies. Clarica, the company that has carried all the insurance policies on Carleton employees, is one of them. Since the early spring CUASA has been making inquiries as to how this will be handled at Carleton and alerting the administration of our intention to be involved in the process.

At a meeting of the Bi-lateral Benefits Committee on November 7, 2000, the employer informed CUASA that management received a cheque in the amount of $882,000 from Clarica in late April/early May 2000 with respect to 'demutualizing' the composition of their companies. Clarica, the company that has carried all the insurance policies on Carleton employees, is one of them. Since the early spring CUASA has been making inquiries as to how this will be handled at Carleton and alerting the administration of our intention to be involved in the process.

At a meeting of the Bi-lateral Benefits Committee on November 7, 2000, the employer informed CUASA that management received a cheque in the amount of $882,000 from Clarica in late April/early May 2000 with respect to demutualization of LTD and Life Insurance (including optional life) policies. The effective date of demutualization was December 31, 1998.

Upon receipt of the check, management contacted their benefit consultants (Mercers), Mercers' legal counsel and other universities to find out how to handle this. There is no legislation requiring insurance companies going through demutualization to release the formula or calculations used to determine how much money (and/or shares) accrue to shareholders and none have done so. All we know is that the amount is based on "contribution to surplus over the life of the policy", i.e., both before and after demutualization. The only information provided was the fact that the $882,000 cheque related to LTD and Life (including Optional Life) as well as the percentage breakdown applicable to each.

Based on the percentages provided by Clarica, management calculates the split between LTD and Life as $679,022 (LTD) and $202,978 (Life). Management deducted a contingency sum of $132,000 (15%) from the $882,000, which they plan to use for legal expenses. This leaves $577,607.00 for LTD, of which $178,372.94 is attributable to CUASA employees. For Life, the amount is $66,038.32 and $29,513.88 (Optional Life). Management then attributed the premiums paid between 1996-1998 to active employees in each of those years (3 years rather than another number because that's all the verifiable data they have retained). If the proceeds from demutualization are paid to employees in cash it is a taxable dividend and T4As would have to be issued. Therefore, management proposes premium holidays as the best way to disburse the money to minimize tax implications. Those currently paying premiums, including those who retired early with the option of retaining life insurance to normal retirement age, will benefit. Of the $178,372.94 (LTD) calculated by management as pertaining to CUASA employees, the employer wants to keep $89,186.47 (50%), resulting in a 3 month premium holiday for members. For Life, the calculation is $66,038.32 (with management retaining 50% or $33,019.16), resulting in a 2 month premium holiday for members. Optional Life is to be treated differently on the grounds that it is not a benefit required under the collective agreement but something individuals may or may not take out on their own initiative. So the entire amount of $29,513.88 would accrue to those who have optional insurance resulting in a 2 month premium holiday The employer proposes the 50/50 split on LTD and Life on the basis that the contract (Article 40.3(b)) stipulates that "rebates" are to be split this way.

Interest generated on the portion of the cheque management deems to be CUASA's share (including interest on the contingency sum) is reported by management to be $4,964.73 (approximately 6.3%).

CAUT reports that faculty associations across the country are encountering a variety of responses in their discussions with their administrations. At some, there is complete cooperation and dispersal of the funds to members. At others, the faculty association has been forced to file grievances. CAUT and some member associations are participating with the CLC in seeking a legal opinion on a law suit with respect to demutualization. CUASA is one of the member associations that is participating in the CAUT/CLC action.