

Navigo

FINANCIAL SOLUTIONS

January 23, 2014

Navigo Financial

Proven Capability

- *Financial Coach for*
 - ▣ Corporations
 - ▣ Business Owners
 - ▣ Individuals
- *Proven Track Record*
 - ▣ 28+ years financial coaching
- *Team of Specialists*
 - ▣ Tax
 - ▣ Investments
 - ▣ Risk
 - ▣ Living Benefits
 - ▣ Employee Benefits
 - ▣ Group Retirement/Savings Plans
- *Depth & Breadth of Products*
- *National Coverage*

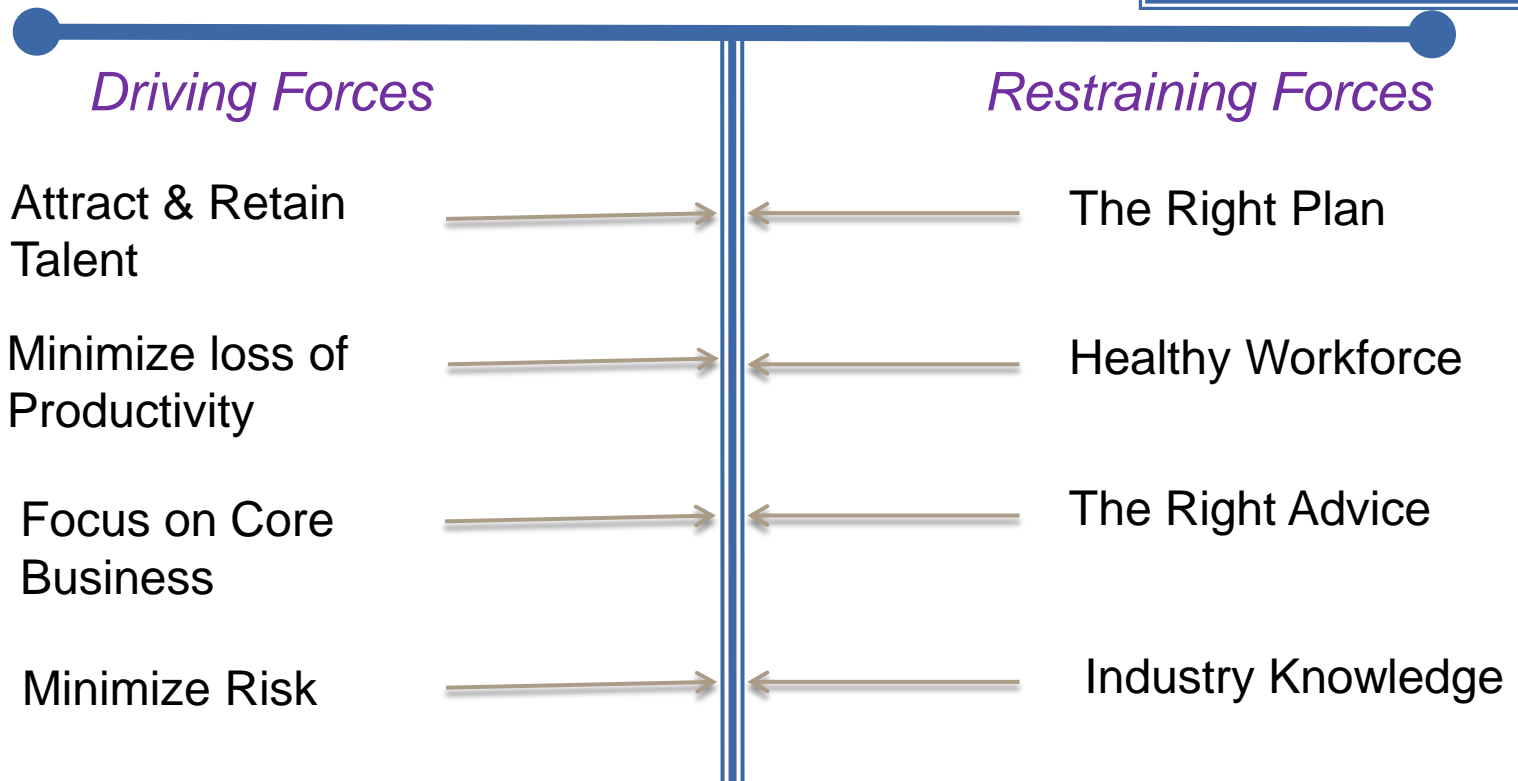
Discussion Topics

1. Group Benefits
 - ▣ The right plan - sustainable
 - ▣ Cost drivers
 - ▣ Control measures
2. Health & Wellness
 - ▣ Hidden costs and benefits
3. Case Study

Group Benefits

The Requirement

Return on Investment
Market Share



Group Benefits – The Right Plan

Key “must haves”

- ✓ Sustainability
- ✓ Basic health including drug & out of country
- ✓ Basic dental
- ✓ Life insurance
- ✓ Long term disability*
- ✓ Coverage for catastrophic drug and out of country claims – pooling
- ✓ Employee assistance program

Optional

- ✓ Accidental death & dismemberment
- ✓ Dependent life
- ✓ Critical illness

**Benefits typically cost
4%-7% of payroll**

*Long Term Disability

Long term disability is the most important benefit and the most overlooked benefit.

We insure our homes and our vehicles. Why not our income?

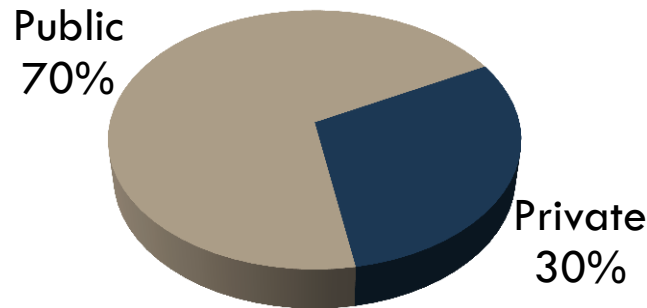
Did you know?

The largest minority in Canada is the disabled.
The #1 reason for mortgage foreclosure in Canada is disability.

50% of those on disability never make it back to the workforce.

Health Care Costs

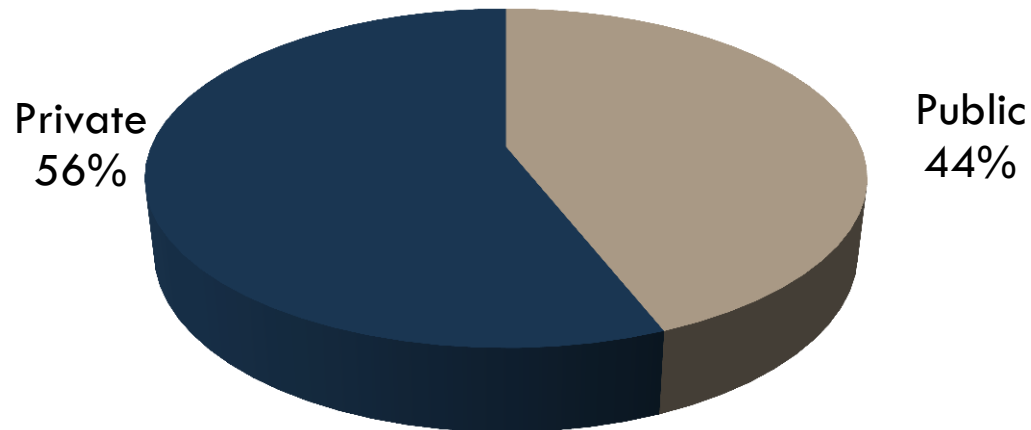
Canadian Health Spend ¹



- 30% private was \$62 billion in 2012
 - \$5 billion out of our own pockets
- Majority of these costs borne by business
- Does not include social impact – productivity lost

Canadian Drug Costs

Drug Costs ¹



Cost Increase Drivers (2001 vs. 2011)

TRENDS – HEALTH

The amount spent on health benefits is continuing to increase because more plan members are using the plan, more frequently and for more expensive benefits

	2001			2011		
	Percent Claiming	Average Cost	Plan Cost (Per Employee)	Percent Claiming	Average Cost	Plan Cost (Per Employee)
Age 27	69%	\$548	\$376	78%	\$1,061	\$823
Age 42	79%	\$1,064	\$845	89%	\$2,087	\$1,860
Age 57	85%	\$1,698	\$1,444	92%	\$2,725	\$2,508
Age 72	81%	\$1,203	\$977	89%	\$2,185	\$1,946
Overall	78%	\$1,176	\$919	88%	\$2,246	\$1,985

Current Cost Drivers to Group Plans

- ❑ Low interest rates
- ❑ Increased usage
- ❑ Ageing demographics & new medicines adding to longevity
- ❑ No retirement age
- ❑ Government delisting services
- ❑ Inflation – increased costs



Control Measures

- Carriers are building strategic partnerships
 - ▣ With pharmacies – Costco and Shoppers Drug Mart
 - ▣ With service providers

- Carriers have more health care professionals on staff
 - ▣ Nurses, doctors and pharmacists

Control Measures

- Organizational education
- Plan Design
 - ▣ Co-pay = informed consumers
 - ▣ Catastrophic drug coverage
 - ▣ Annual maximums in place
- Organizational wellness focus and initiatives

Health and Wellness



The Conference Board and CASHC

The Conference Board of Canada
Insights You Can Count On



Study Results

Key Messages for Business

- **Leadership Role from Stakeholders as Agent of Health and Wellness Promotion is Central.**
- The economic benefits associated with reducing the incidence and severity of disease is often overlooked or not well understood
 - The cost of treatment tends to receive most of the attention
- Balance needed in assessing drug costs
 - More expensive can provide significantly more benefits
- Private drug plans need to consider impact of drugs on labour force
 - This includes workplace productivity and disability
 - Public drug assessment authorities consider other factors
 - Efforts needed to increase patient adherence

What can you do?

- Be a promoter and leader
- Have an Employee Assistance Program
- Sponsor a health program
 - ▣ Weight loss challenge
 - ▣ Walking challenge
 - ▣ Healthy pot luck lunch days

Employee Assistance Program

Concrete Results

- Reduces health, disability, and WSIB costs
 - Disability and related costs for mental illness have been estimated to cost companies up to 14% of their net annual profits (Global Business & Economic Round Table on Addictions and Mental Health)
 - EAP can help shorten the duration of STD claims – on average 14.5 days as compared to those without a program. (The Hartford)
 - The typical ROI is \$3 or more for every \$1 invested in an EAP. (National Business Group on Health)

Healthy Workforce

- Reduce People Leader Stress and Burnout
 - 30% to 42% of People Leaders time is spent dealing with employee conflict. People Leaders take home 40% more work than others (Managers as Negotiators, Leadership Quarterly)

- 3 drug categories – acute, maintenance & specialty
- 80% of the cost is Maintenance
 - Majority fall under “cardio” & diabetes, Rheumatoid Arthritis also large contributor
 - High cholesterol, high blood pressure, high blood sugar all impacted by lifestyle

- Exercise is key

View and share “23.5 hours” by Dr. Mike Evans

Dr. Mike Evans -



What has the biggest impact on your health and what is the dosage?

Walking 30 minutes a day

Results

- Knee Arthritis REDUCED 47%
- Dementia & Alzheimer REDUCED 50%
- Diabetes REDUCED 58%
- Hip Fractures in post menopausal women
REDUCED 41%
- Anxiety REDUCED 48%
- Depression REDUCED 30%-47%

Case Study

Company A – Private Company
500 Employees, 50% unionized

Result on Benefit Plan:

Annual Savings of \$450,000 for the company

Savings of 25% to the employees (benefit)

Control & Transparency

Standardization

Comprehensive Reporting

Result on Retirement Plan:

Increased enrollment by 70%

90% vs. 52% enrollment in new DPSP/RRSP/TFSA

Increased assets by 90%

Assets grew from \$4m to \$7.6m in 5 months

Improved employee satisfaction, moral and loyalty.

Employees are ecstatic about changes and more engaged

Steps to Success

Benefit Plan:

- ▣ Took back control - union benefit plan
- ▣ Minor plan enhancements, nothing taken away
- ▣ Quarterly reporting now in place

Retirement Plan:

- ▣ Changed carriers from ***retail to wholesale***
- ▣ Incorporated aggressive pricing
- ▣ Introduced diversified fund line up
- ▣ Implemented effective communication
- ▣ Education - group and one on one sessions

Retail vs. Wholesale

Retail

- Retail Fees
- Back end loaded (DSC)
- Limited statements
- Limited planning tools
- Limited investment choices
- Very few fund managers
- Limited online functionality
- No “head office” reporting
- Non-compliant

Wholesale

- Wholesale Investment Management Fees
- No front end loads
- No back end loads
- Instant reporting
- Robust technology
- Many funds
- Many diversified fund managers
- Education
- Support
- Compliant with CAP guidelines

Impact of pricing and performance

RETAIL

WHOLESALE

Example of impact on one members portfolio using similar funds as of Dec 31, 2013

Target Risk Fund

Alto Aggressive Canada Focus Fund

Aggressive Continuum Fund

1 year return 15.07%

25.52%

Management Expense Ratio 3.05%

1.38%

Net Return to member 12.02%

24.14%

Difference in net rate of return 12.12%

Dividend

IG Dividend Fund

Dividend Fund GWLIM

1 year return 16.04%

18.24%

Management Expense Ratio 2.93%

1.12%

Net Return to member 13.11%

17.12%

Difference in net rate of return 4.01%

Questions

