HBT - Affiliates Advisory Group
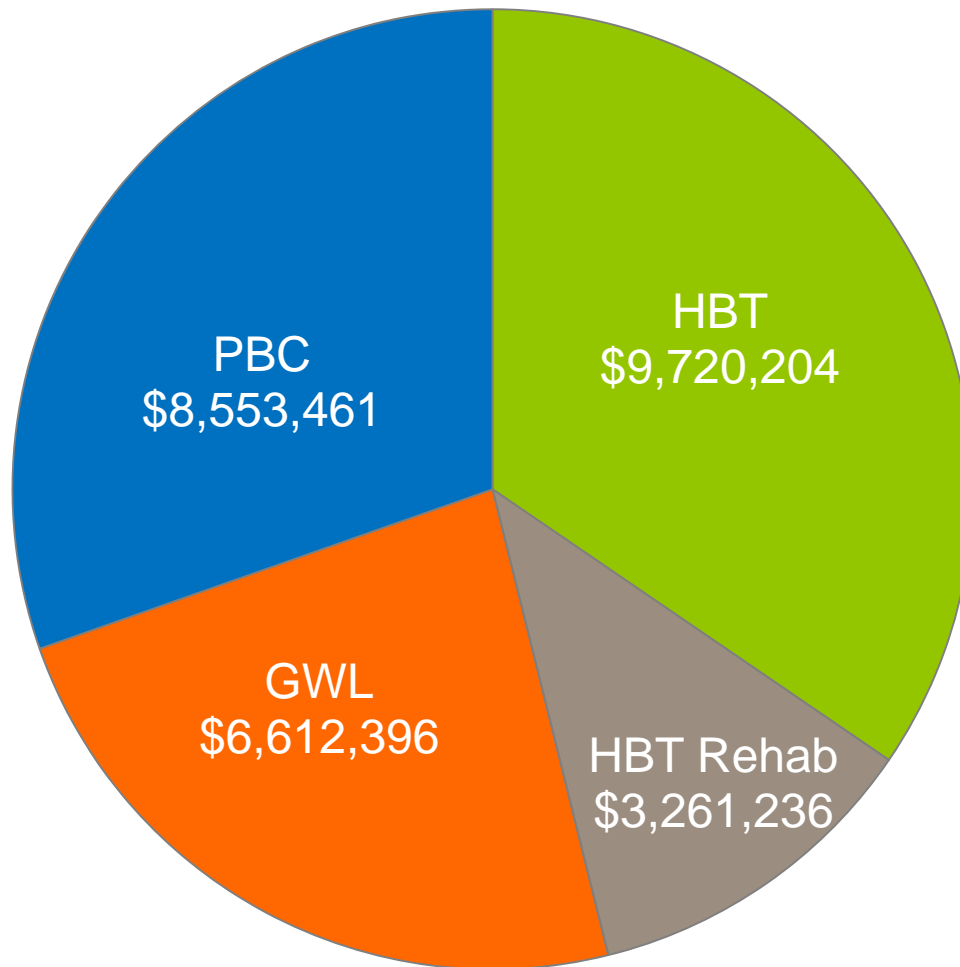
December 9, 2014

HBT Strategic Direction

Transform HBT into a "Customer Focused" organization

- Competitive financial cost structure

- HBT become "provider of choice" – move from monopoly mindset

Total HBT Admin Costs

Pie chart:
- HBT $9,720,204
- PBC $8,553,461
- GWL $6,612,396
- HBT Rehab $3,261,236

2013 Total
$28,147,000

2014
Reduced
due to org
changes

Core Review of HBT

- Performed function by function review

- What can we eliminate, do differently or can someone else do it better and cheaper

- Review cost drivers that impact costs

- Review of all discretionary costs

- Leverage expertise and capabilities of service providers

Financial Cost Focused

- Headcount reduced from 82 to just over 30, over 60% overall reduction

- Savings of over $4M for internal HBT costs Comprised of the following:

  - Outsourced Rehabilitation services, expect $1.4M in savings

  - 40% staff reduction on remaining staff complement, savings of $2.7M

  - Internal staff costs expected to go from $8M to $3.5M by 2015

Additional Savings

- Reduce space requirements – savings from 12th floor lease – approx. $500K per year, almost $2M cumulative to end of lease

- Reduce consulting costs for legal and actuarial, approx. $200K below budget for first 6 months in 2014

- Reduce software license costs – will be retiring Genelco and Medgate – over $200K expected savings

Funded Position ($ millions)

Dec 31, 2013	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Sep 30, 2014
Invested Assets	$85.9	$90.0	$93.7	$114.1	$122.6
Reserve	$116.4	$122.4	$127.3	$124.2	$116.8
Surplus/ (Deficit) - Excluding UFL*	($30.5)	($32.4)	($33.6)	($10.1)	$5.8
UFL Outstanding	$1.7	$4.4	$8.2	$9.3	$9.2
Surplus/ (Deficit) - Including UFL*	($28.7)	($27.9)	($25.4)	($0.8)	$15.0

April 1, 2015 Rate Changes

	LTD	EHC	Dental
Weighted Average	-14.3%	-0.2%	-1.4%
Max	10.0%	20.0%	20.0%
Min	-41.0%	-18.9%	-15.9%

April 1, 2015 LTD Rate Change Distribution