Agenda

- What’s Changing in our Industry
- Challenges and Opportunities of Change
- Leadership
- The Richly Imagined Future
Who wants change?
Who wants to change?
Who wants to **lead the** change?
External pressures & trends impact our ability to maintain share and grow beyond market rates

**Competition**
- Insurers, Banks, Asset Managers

**Advisor Network**
- Aging Advisor population
- Increasing compliance requirements
- Eroding Margins

**Technology**
- Emerging players built on Technology use
- Fintech
- Predictive Analytics
- Robo-Advisor

**Consumer**
- Demand 24/7
- Other Industry Experiences (ex: auto)
- Move to de-cumulation / income focus
- Wealth transfer
- Wellness (help me now) versus insurance (help me when its too late)

**Environment**
- Regulation
- Healthcare system
- Non-regulated Fintech
- Similar tech barriers as we face in private
External pressures & trends impact our ability to maintain share and grow beyond market rates

**Consumer**
- Move to decumulation / income focus
- Wealth transfer
- Wellness (help me now) versus insurance (help me when it's too late)

**Environment**
- Regulation
- Healthcare system
A closer look at our environment

LONG-TERM, HEALTH EXPENDITURES HAVE GROWN AT ~7% P.A.

Canadian health expenditure

$200B

<table>
<thead>
<tr>
<th>Year</th>
<th>Provincial Government</th>
<th>Other Public</th>
<th>Private Health Insurance</th>
<th>Out of Pocket</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>26</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1991</td>
<td>67</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2001</td>
<td>107</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>200</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

CAGR (81-11) 7%

HEALTH SYSTEM MAY NOT BE SUSTAINABLE WITHOUT GOV’T ACTION

Provincial healthcare spend as a percentage of available revenues

Note: Other expenditure includes hospital non-patient revenue, capital expenditures for privately owned facilities and health research
Source: Society of Actuaries Sustainability of Healthcare Report; Canadian Institute for Health Information
TRENDS - HEALTH
Distribution of Paid Claims By Healthcare Benefit

- **Drugs**: 53.9%
- **Paramedical**: 11.2%
- **Medical Supplies**: 7.9%
- **Vision**: 1.8%
- **Hospital**: 1.3%
- **Out of Country**: 0.4%
- **Other**: 23.4%

Source: Great-West Life 2014-2015 Data

**Change in Proportional Spending from 2011 to 2015**

- **Drugs**: +4.4%
- **Medical Supplies**: -2.4%
TRENDS - HEALTH

Average Covered Amount per Plan Member

Overall average covered amount of health benefits: $2,286

Source: Great-West Life 2014-2015 Data
DRUG TRENDS: ACUTE/MAINTENANCE/SPECIALTY MEDICATIONS

Trends in A/M/S Distribution of Claims

Average covered costs per prescription:

- A (Acute): $30
- M (Maintenance): $42
- S (Specialty): $2,242

- % of Total Covered Amount:
  - Acute: 29%
  - Maintenance: 56%
  - Specialty: 15%

- % of Count of Claims:
  - Acute: 1%
  - Maintenance: 26%
  - Specialty: 73%

Source: Great-West Life 2014-2015 Data
## DRUG TRENDS:  TOP THERAPEUTIC CLASSIFICATIONS

### Top 10 Therapeutic Classifications 2010 vs. 2015

<table>
<thead>
<tr>
<th>2010 Rank</th>
<th>Therapeutic Class</th>
<th>% Total Paid Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Blood Pressure</td>
<td>9.9%</td>
</tr>
<tr>
<td>2</td>
<td>Cholesterol Disorders</td>
<td>9.3%</td>
</tr>
<tr>
<td>3</td>
<td>Depression</td>
<td>6.9%</td>
</tr>
<tr>
<td>4</td>
<td>Diabetes</td>
<td>6.5%</td>
</tr>
<tr>
<td>5</td>
<td>Biologic Disease-Modifiers*</td>
<td>6.4%</td>
</tr>
<tr>
<td>6</td>
<td>Gastrointestinal/Ulcers</td>
<td>6.1%</td>
</tr>
<tr>
<td>7</td>
<td>Antibiotics</td>
<td>4.0%</td>
</tr>
<tr>
<td>8</td>
<td>Skin Disorders</td>
<td>3.6%</td>
</tr>
<tr>
<td>9</td>
<td>Anti Inflammatory</td>
<td>2.9%</td>
</tr>
<tr>
<td>10</td>
<td>Narcotic Analgesics</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Top 10 Total</strong></td>
<td></td>
<td><strong>58.4%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2015 Rank</th>
<th>Therapeutic Class</th>
<th>% Total Paid Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Biologic Disease-Modifiers*</td>
<td>9.4%</td>
</tr>
<tr>
<td>2</td>
<td>Diabetes</td>
<td>8.1%</td>
</tr>
<tr>
<td>3</td>
<td>Blood Pressure</td>
<td>7.3%</td>
</tr>
<tr>
<td>4</td>
<td>Depression</td>
<td>6.1%</td>
</tr>
<tr>
<td>5</td>
<td>Cholesterol Disorders</td>
<td>5.0%</td>
</tr>
<tr>
<td>6</td>
<td>Ulcers</td>
<td>4.4%</td>
</tr>
<tr>
<td>7</td>
<td>Viral Infections/Hepatitis</td>
<td>3.9%</td>
</tr>
<tr>
<td>8</td>
<td>Skin Disorders</td>
<td>3.8%</td>
</tr>
<tr>
<td>9</td>
<td>Cancer</td>
<td>3.7%</td>
</tr>
<tr>
<td>10</td>
<td>Narcotic Analgesics</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Top 10 Total</strong></td>
<td></td>
<td><strong>54.5%</strong></td>
</tr>
</tbody>
</table>

*2015 Source: Great-West Life Data, July ‘14 to June ‘15
2010 Source: Great-West Life Data, Jan ‘10 to Dec ‘10*
Drug Costs Associated with Depression

- Depression is the #4 Therapeutic Classification on the GWL block by amount paid.
- The average total covered cost is higher for individuals who claimed depression drugs. This is due to the cost of depression drugs themselves *and* to increased spending on “other” drugs.

<table>
<thead>
<tr>
<th></th>
<th>Average Cost per Claimant</th>
<th>Average # of Scripts per Claimant</th>
<th>Average Cost per Script</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individuals who claimed Depression Drugs</strong></td>
<td>$360</td>
<td>7</td>
<td>$49</td>
</tr>
<tr>
<td>Depression Drugs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Other” Drugs</td>
<td>$1,451</td>
<td>26</td>
<td>$56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,811</td>
<td>33</td>
<td>$55</td>
</tr>
<tr>
<td><strong>GWL Block</strong></td>
<td>$948</td>
<td>15</td>
<td>$62</td>
</tr>
</tbody>
</table>

Source: Great-West Life 2014-2015 Data
### Top 10 Diagnosis Categories: Open Claims

<table>
<thead>
<tr>
<th>Diagnosis</th>
<th>Claims</th>
<th>Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mental Disorders</td>
<td>29.0%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Musculoskeletal &amp; Connective Tissue</td>
<td>24.9%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Nervous System &amp; Sensory Organs</td>
<td>10.7%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Cancer</td>
<td>9.3%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Accidents &amp; Injury</td>
<td>7.6%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Circulatory System</td>
<td>6.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Digestive System</td>
<td>2.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Symptoms &amp; Ill-defined Conditions</td>
<td>2.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Respiratory System</td>
<td>1.4%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Genitourinary System</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Other</td>
<td>4.3%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Source: Great-West Life 2015 Data

The two most common diagnoses account for over 50% of LTD claims on the GWL block.
### Burden of Illness

<table>
<thead>
<tr>
<th>Condition</th>
<th>Drug Costs</th>
<th>STD Costs</th>
<th>LTD Costs</th>
<th>Overall BOI Plan Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muscle/Bone</td>
<td>2.3%</td>
<td>3.0%</td>
<td>3.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Depression</td>
<td>4.3%</td>
<td>1.7%</td>
<td>2.3%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Blood pressure/Heart function</td>
<td>5.6%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Cancer</td>
<td>2.5%</td>
<td>1.9%</td>
<td>2.5%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Diabetes</td>
<td>5.8%</td>
<td>0.1%</td>
<td>0.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>High cholesterol</td>
<td>4.3%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Asthma/COPD</td>
<td>3.8%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Neuropathic pain</td>
<td>0.8%</td>
<td>1.1%</td>
<td>2.0%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Rheumatoid arthritis</td>
<td>3.7%</td>
<td>0%</td>
<td>0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Stomach acid</td>
<td>3.6%</td>
<td>0%</td>
<td>0.1%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Crohn’s disease</td>
<td>2.6%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Multiple sclerosis</td>
<td>1.2%</td>
<td>0.1%</td>
<td>0.6%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
## Adherence to drug therapy

<table>
<thead>
<tr>
<th>Condition</th>
<th>Number of employees evaluated</th>
<th>Adherence rate</th>
<th>% of employees with general non-adherence</th>
<th>% of employees who didn’t complete therapy</th>
</tr>
</thead>
<tbody>
<tr>
<td>High blood pressure</td>
<td>8,705</td>
<td>58.4%</td>
<td>31.0%</td>
<td>10.6%</td>
</tr>
<tr>
<td>High cholesterol</td>
<td>6,022</td>
<td>55.3%</td>
<td>34.3%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Depression</td>
<td>6,053</td>
<td>44.6%</td>
<td>32.4%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Diabetes (non-insulin)</td>
<td>2,333</td>
<td>52.3%</td>
<td>37.3%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>
The opportunity for technology

TECHNOLOGY ADOPTION CONTINUES TO ACCELERATE

INCREASED CONNECTIVITY RAISES EXPECTATIONS

- The definition of ‘fast’ is changing with instant feeds and live updates
- Channel or device-hopping habits mean customers expect omni-channel service
- The data-driven online world means consumers expect a personalized service
Challenge and Opportunity of Technology Example
Overview of Dialogue services

**Instant access to care team**
Direct access to healthcare professionals through chat

**Video consultations**
With physicians & specialists for visual examination

**Care navigation**
Guidance for patients through healthcare system

**Prescriptions (incl. free delivery)**
MDs issue & renew prescriptions; we send Rx to pharmacy or deliver meds for free

**Referrals (specialists, labs)**
In-person examinations can be arranged for specialist referrals or a lab tests

**Personal health history**
Access to conversations, care plans, prescriptions & referrals through Dialogue App
So, what does this all mean?

- Broader definition of customer
- Accelerated pace of change
- Expect new competitors
  
  It’s not paranoia if they’re really after you!

- Product alone not enough
- New measures of success
- Expect challenges to status quo
Agenda

• What’s Changing in our Industry

• Challenges and Opportunities of Change

• Leadership

• The Richly Imagined Future
Who wants to change?
Companies are successful at achieving lasting change.
Why?

• No burning platform - or the fire isn’t hot enough yet

• Skills required for change

• Fragmented systems.
Communicate effectively
Lead actively
Empower employees
Create continuous improvement environment

3x likelihood of success

Tools and Approaches to Meet the Challenges

• Change infrastructure
  - Change management office
  - Leader materials and website
  - Townhall meetings with staff
  - Communication from the top

• Scale up what we would do as leaders in smaller teams
  - Pulse Surveys

• Innovation group
Agenda

- What’s Changing in our Industry
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  - Leadership
- The Richly Imagined Future
Who wants to **lead the** change?
# Leadership Capability Model

<table>
<thead>
<tr>
<th><strong>Strategy</strong></th>
<th>Outward Focus</th>
<th>Drive Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td>Develop Talent</td>
<td>Build Collaborative Partnerships</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>Execute for Results</td>
<td>Lead the Organization Forward</td>
</tr>
<tr>
<td><strong>Functional</strong></td>
<td>The discriminating traits of this capability will vary by business and function.</td>
<td></td>
</tr>
</tbody>
</table>
Tools to help succeed

- Rollout of Individual Development Plans (IDP)
- Leadership training and development
  - Queen’s Executive Training Webinar series
  - Workshops
- Leadership Forums
COMMUNICATE EFFECTIVELY

- Senior leaders communicate openly about:
  - Progress & Success (8x)
  - Impact to day-to-day work (4.4x)

- Leaders use a consistent change story to align the organization around the transformation’s goals (3.8x)

Tell me the facts and I’ll learn. Tell me the truth and I’ll believe. But tell me a story and it will live in my heart forever.

- Native American proverb
The Importance of Leadership & Tools for Leaders

- Leaders role model the behavior changes they are asking employees to make (5.3x)

- Managers understand that their primary role is to lead & develop their teams (3.9x)

- Senior leaders and initiative leaders spend more than half of their working time on the transformation (2.1x)

Agenda

• What’s Changing in our Industry

• Challenges and Opportunities of Change

• Leadership

• The Richly Imagined Future
Customer Experience
Innovation Centre: Iteration 1

“The recession destroyed our trust in financial institutions.”

“I couldn’t help but feel as if there was a big catch somewhere. I couldn’t see the benefit for GWL.”

Draw up an idea, and start testing and designing with potential market participants
Iteration 2: Respond to Feedback – refine the approach

Refine and re-test desirability with more concrete mock-ups

Is it feasible?

Is it viable?

HIGH-LEVEL PROCESS
In Summary

• Who wants change?

• Consumers. Driven by some hard facts on costs, demographics, and pushed by technology and agile start ups

• Who wants to change?

• This is tougher (burning platform), but communications and a story are vital.

• Of course, there need to be moments of proof to walk the talk. Investments in innovation, technology, and big data demonstrate an investment toward the threats

• Who Wants to Lead Change?

• People teams can rally behind, who can re-create the vision for their area

• New support and talent creation required.