Benefits-as-a-Service: Who Wants to Go BAAS Fishing?

Michael McClenahan, GBA
Managing Partner
Benefits by Design, Inc.
Port Coquitlam, British Columbia
Agenda

Benefits as a Service (BaaS)
A little history trip and current state
How will BaaS transform the employee benefits industry?
What are the threats and opportunities?
Taking advantage of the BaaS transformation
So, what does BaaS look like?
THE CREAM OF THE CROP

The graduating class from the 1991 Group school:

28 Years Ago
What was happening in 1991?

- The end of the Cold War
- Operation Desert Storm
- Terminator 2 was released
DEMUTUALIZATION
What about today?

Great West Life acquires Financial Horizons

Hub International purchases two more brokerages and announces employee benefits platform strategy

IA acquires PPI
What about today?

Technology is transforming benefits as a service. This encompasses programs like:

- Great West Life’s Flexbox
- League Inc.
Meanwhile . . .
Self-Driving Cars Might Kill Auto Insurance as We Know It
ROBOTS

JOB
INTERVIEW
THIS WAY

16D-15
Will robots take my job?
Insurance Underwriters

Review individual applications for insurance to evaluate degree of risk involved and determine acceptance of applications.

99%
Automation Risk Level
YOU ARE DOOMED

1 www.willrobotstakemyjob.com
Will robots take my job?

Insurance Sales Agents

92% Automation Risk Level
YOU ARE DOOMED

Sell life, property, casualty, health, automotive or other types of insurance. May offer clients to independent broker, or be employed by an insurance company.

1 www.willrobotstakingmyjob.com
Will robots take my job?
Personal Financial Advisors

Advise clients on financial claims using knowledge of tax and investment strategies, securities, insurance, pension plans, and real estate.

58%
Automation Risk Level
ROBOTS ARE WATCHING

1 www.willrobotstakemyjob.com
What do customers want?

Importantly, digital transformation does not spell the end of intermediaries. Technology has spawned new types of intermediaries such as price comparison websites. For traditional intermediaries, many of whom fear being squeezed out by direct sales, digital distribution need not lead to channel conflict. Customers will continue to value the personal interaction and expert advice of agents and brokers, especially for complex commercial and life and health risks. The challenge for intermediaries and insurers is therefore to adapt their business models to meet the varying needs and preferences of customers, while at the same time keeping the costs of integrating and maintaining multiple distribution channels under control.

1 Swiss Re: Digital Distribution in Insurance: a quiet revolution
Maybe we should look at this differently . . .
HALOSPORT
Please wait while you are redirected...or _____ if you do not want to wait.

Powered by innovation, patented with personality, amplified by people, and delivered with immediate results, Mattersight enables enterprises to create exceptional conversation outcomes.
So, that’s all great Mike . . .
I’m too young to retire . . .

. . . and I love my job!
Be curious!
Read

A short and interesting weekly blog that gets you thinking about what’s possible:

https://www.diamandis.com/
Listen

- Akimbo
- Exponential Wisdom
- Masters of Scale
- The Tim Ferriss Show
- Green Shield Canada—And Now for Something Completely Indifferent
What makes you stand out . . .
Framework

Let’s go back to the first principles and ask:

01 | Who do we serve?
02 | What do they need?
03 | What do we own?
04 | What do we know?

What makes you stand out?

Unbundle from the Supplier

Price is Only One Factor

Provide Value to Your Clients
Checklist

Dave Patriarche's Plan Admin Checklist

- ✔ Plan Admin Liability
- ✔ Foreign Workers
- ✔ Taxation
- ✔ HR Policy
Canada Pension Plan (CPP)

The CPP provides retirement benefits to people who have worked and contributed to the plan. The CPP supplements your retirement savings plan. Contributions towards CPP are deducted from an individual's pay. This chart specifies annual contribution limits for individuals based on the Canada Revenue Agency (CRA) guidelines.

Reference Sheet

Group benefit taxation

Each benefit, depending on what your employer provides, plus the percentage you pay versus the percentage your employer pays, is taxable or a non-taxable benefit.

Contributions

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Maximum Pensionable Earnings</td>
<td>$54,900</td>
<td>$54,400</td>
</tr>
<tr>
<td>Annual Basic Exemption</td>
<td>$2,500</td>
<td>$2,500</td>
</tr>
<tr>
<td>Contribution Basis</td>
<td>$52,400</td>
<td>$51,900</td>
</tr>
<tr>
<td>Maximum Annual Contributions</td>
<td>$7,500</td>
<td>$7,284.90</td>
</tr>
</tbody>
</table>

Self-Employed

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$7,500</td>
<td>$7,284.90</td>
</tr>
</tbody>
</table>

Benefits - CPP

- Retirement Pension: age 65
- Post-Retirement
- Death Benefits
- Lump Sum
- Surviving spouse (under age 65)
- Surviving spouse (age 65 and over)
- Child (per child)

Disability Benefits

- Contributor
- Child (per child)

Taxable Income

Premium tax deductible expense (Employee) | Employer contributions | Benefit payment to employee |
------------------------------------------|------------------------|----------------------------|
Group Life                                 | Yes                     | Taxable Benefit | Non-Taxable |
Group Disability Life                      | Yes                     | Taxable Benefit | Non-Taxable |
Group Wage Loss Replacement Plan (GWL & LRP) | Non-Taxable         | Yes            |
Group Critical Illness                     | Yes                     | Taxable Benefit | Non-Taxable |
Group Critical Illness                     | Yes                     | Taxable Benefit | Non-Taxable |
Group Dental                                | Yes                     | Non-Taxable     | Non-Taxable |
Group Employee Assistance Program (GAP)     | Yes                     | Non-Taxable     | Non-Taxable |

1 Certain Employer paid contributions are subject to GST/HST and PST or provincial insurance levies and should be added to the value of the taxable benefit.

2 The disability benefit payments are taxable to the employee if any part of the short term or long-term disability premium is paid by the employer. No, if the entire short term or long-term disability premium is paid by the employer. Where the costs of the short term or long-term disability plan are shared between employer and employee, the employee is entitled to receive benefits and contributions on a non-taxable basis. To ensure that the non-taxable status of disability benefits are preserved, it is important to maintain accurate payroll records. For further information, please contact your tax advisor.

3 Taxable benefit in Quebec.
How Should Advisors Approach Technology?

- Must have (Core)
  - Digital enrolment
  - E-Communication
  - Flexible Benefits

- Should have
  - Time Tracking
  - Totals Rewards Statements
  - Payroll Management
  - Performance Reviews
  - Carrier Uploads (APIs)
  - Online HR Records
  - Benefits Marketplace (Voluntary)
  - Hour Bank
  - Shift Management

- Nice to have
  - HR Advice
  - Online HR Records
  - Total Rewards Statements
  - Payroll Management
  - Carrier Uploads (APIs)
  - Online HR Records
  - Benefits Marketplace (Voluntary)
  - Hour Bank
  - Shift Management

16D-34
Advantages of an Unbundled TPA Model

01 | Best-in-class
02 | Separation of admin from risk
03 | Access to data for you and your client
04 | Removes insurer handcuff
05 | Facilitates greater transparency
Technology and Processes
Technology and Processes
Telehealth
Can you find a niche?
Can you find a niche?
What did we catch with our BaaS fishing?

01 | Robots are watching but independent advice is valued
02 | Revisit your first principles to define your value
03 | Be curious and never stop learning
04 | Develop your tool belt
05 | Partner strategically
06 | Find a niche
What did we catch with our BaaS fishing?

01 | Robots are watching but independent advice is valued
02 | Revisit your first principles to define your value
03 | Be curious and never stop learning
04 | Develop your tool belt
05 | Partner strategically
06 | Find a PASSIONATE niche