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MAXXFORCE

MWM

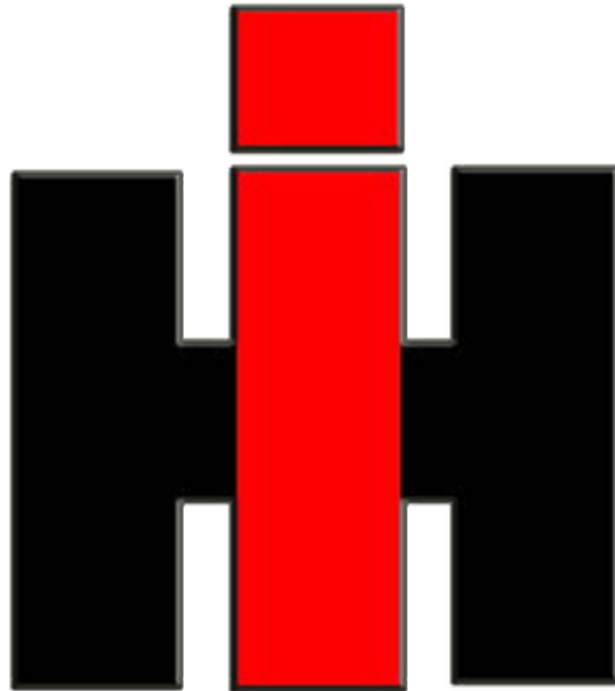
NAVISTAR
PARTS

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ELECTRONICS

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FINANCIAL







Navistar, Inc.

- Nations largest combined manufacturer of trucks, busses, engines, recreational vehicles, and military vehicles
- Founded in 1902, once known as International Harvester
- Global operations on 5 continents and in 90 countries
- Headquartered in Lisle Illinois since 2011



Employee Demographics

- 18,000 employees worldwide
- Average age 45
- 12.5 years average length of service
- 47% unionized
 - Three different UAW populations
 - Two separate Steel Worker locals
 - Teamsters
 - IFPTE
 - IUOE
 - IAM
 - EIEIO
- 3.5:1 Male-to-female ratio



Integrated Disability Program Summary

- Self insured and self administered in high population states for Workers Compensation; primary concentrations in Illinois, Indiana, Alabama, Texas, Ohio, Oklahoma, and Arkansas
- Excess coverage at \$1 million per occurrence
- Applying for self insurance in Wisconsin, South Carolina, and Oregon, insured in all other states through a high deductible program with Zurich
- Self insure and self administer fourteen of Navistar's fifteen collectively bargained and employer provided disability Plans



HSSP Reporting structure

- Health, Safety, Security and Productivity (HSSP) is part of Human Resources
- Report to the Director of Health and Productivity and ultimately to the Vice President of Health, Safety, Security and Productivity
- Integrated groups through corporate HSSP, including all plant medical departments
- Monthly monitoring by the Company's Executive Council of program success via cost, safety, and absenteeism metrics
- Monthly metrics reported to the Executive Council include IFR, LTCR, safety audit scores, combined Workers Compensation and disability costs, and sustainability metrics such as energy reduction



Health, Safety, Security & Productivity

Corporate

Senior Management



Strong Support for HSSP

Bill Bunn

VP, Health, Safety, Security and Productivity



Plant / Non-Corporate

Safety Manager



Physician and/or Nurse Team
(depends on size of facility)



Security Team

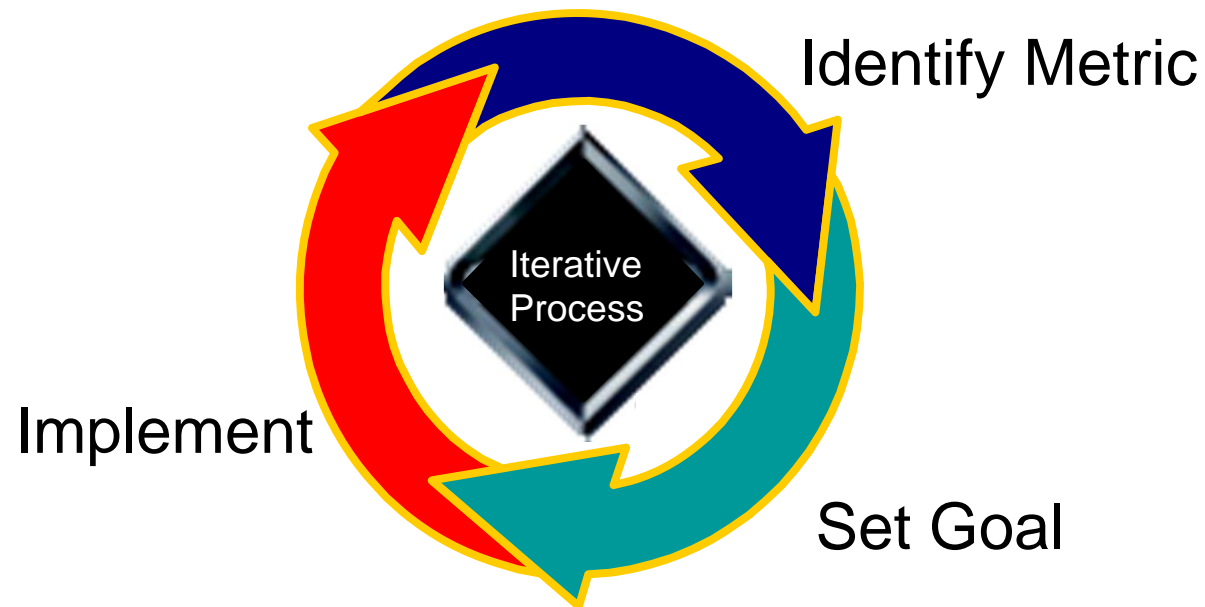
Advantages of Self Insurance and Self Administration

- Greater control of claims and program administration:
 - Quick response to claims and safety needs
 - Communication
 - Familiarity with internal policies and politics
 - Global resolutions
 - Litigation reduction
 - Internal resources

- Cost savings:
 - Quick response to claims and safety needs
 - Claims – benchmarking shows Navistar claim costs are 40% below national average for heavy manufacturers, costs have been reduced eight out of the past nine years



Development of the Health and Productivity Model



Evolution of Health and Total Productivity Vision

1902 through 1980

- Employee well being a high priority
- Charter member of National Safety Council

1980 through 1995

- Strong historical emphasis on health and safety gave way to crisis climate in early 80s
- Program drivers became
 - Safety:
 - union negotiation and regulatory compliance
 - Health:
 - cost reduction and claims handling complaints

1995

- Safety record (incidence of OSHA reportables) focused management attention on health issues.
- Strategic intervention used to reduce reportables.

1996

- Refined safety focus to concentrate on lost time incidents
- Recognized worker's compensation cost issues and began to address them.
- Pilot to determine impact of a preventive approach to safety using proactive metrics-program pilot



Evolution of Health and Total Productivity Vision - continued

1997

- Based on Safety Audit pilot, roll-out of preventive safety audit program.
- Set goals for Workers' Compensation metric
- Identified group health costs as a metric

1998

- Initiation of Health and Productivity Management philosophy
- Started "Vital Lives" health promotion program
 - Education/Awareness
 - Key Metric = Participation

1999

- Added disability as a metric, which sparked disability management initiatives

2000

- Total absenteeism identified as a key metric
- Comprehensive absence management initiative gets results

2001

- Targets for absenteeism set and met
- Evidence Based Medicine project kickoff
- Comprehensive workplace violence and behavioral health management program launched
- Human Capital model research initiated



Evolution of Health and Total Productivity Vision - continued

2005-2008

- Board focus on accelerating improvement
- DuPont safety initiative
- Safety culture change

2009

- Energy Focus
 - Challenging economy
 - Focus on energy reduction at plants
 - Managing both supply and demand
 - Chairman established challenge fund for energy projects
 - Savings of \$10 Million in 2009 and \$7 Million in 2010

2010

- Rapid International expansion
 - Application of health and productivity to new sites globally
 - Integration of international operations into monitoring and audit systems
 - Continued internalization
 - Health care reform



*Advanced EGR In-Cylinder
NOx Reduction*



Ongoing Challenges

➤ Internal:

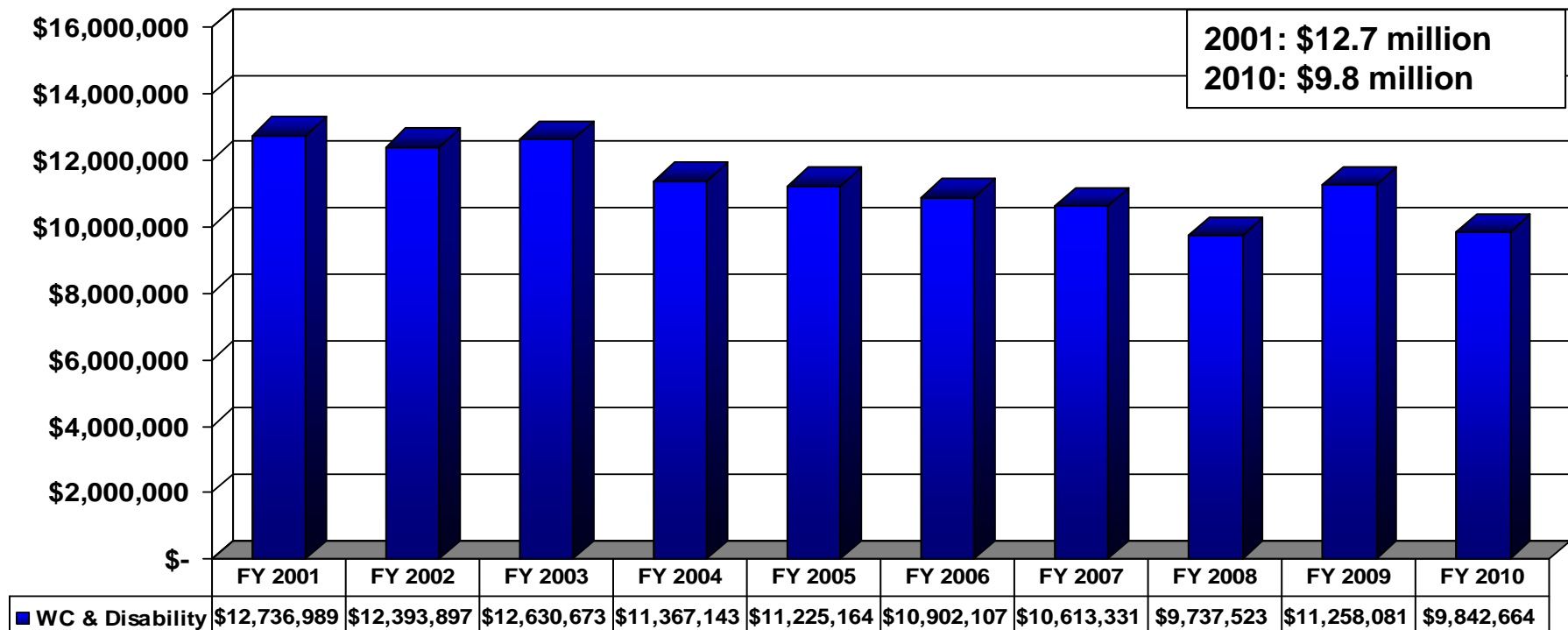
- Non HSSP departmental cooperation
- Legacy claims
- Some unionized facilities
- Specialized knowledge requirements and compliance issues
- Reductions in force
- New acquisitions, new states, new market segments

➤ External:

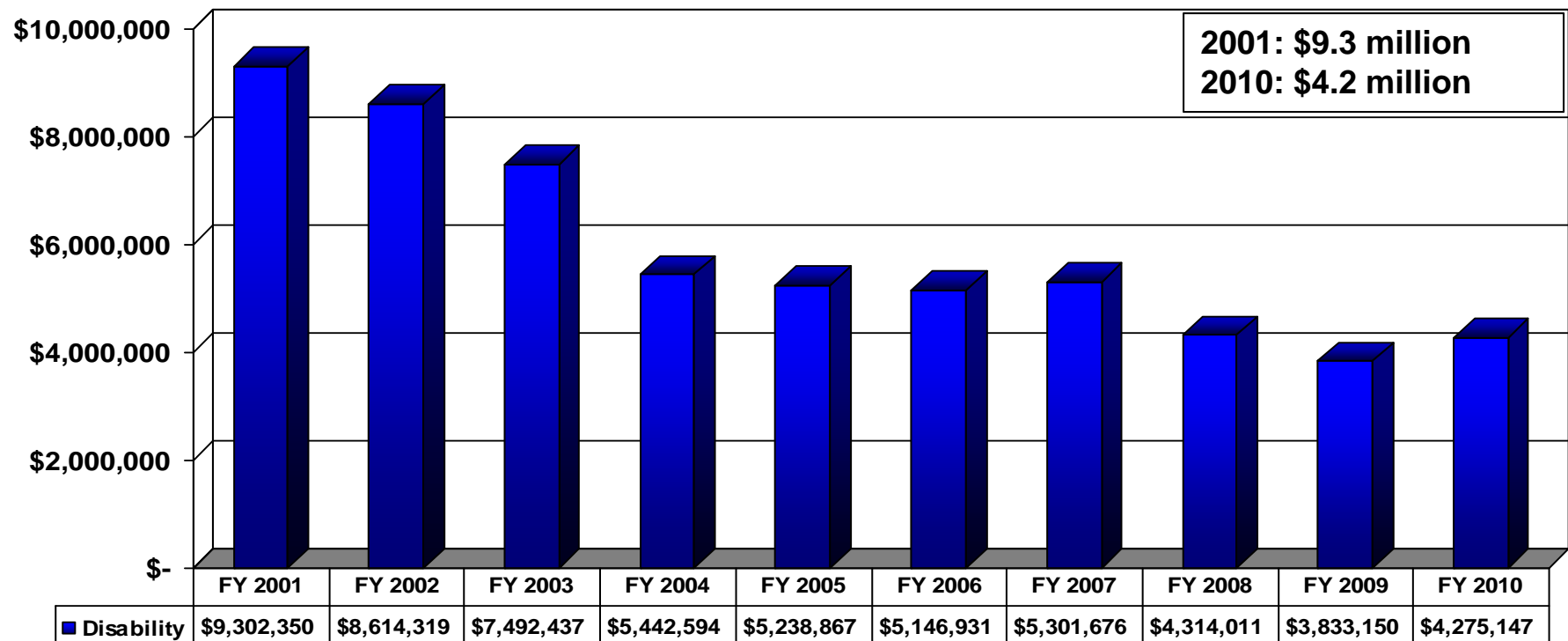
- Economic climate
- Security requirements
- Availability of appropriate care at some locations



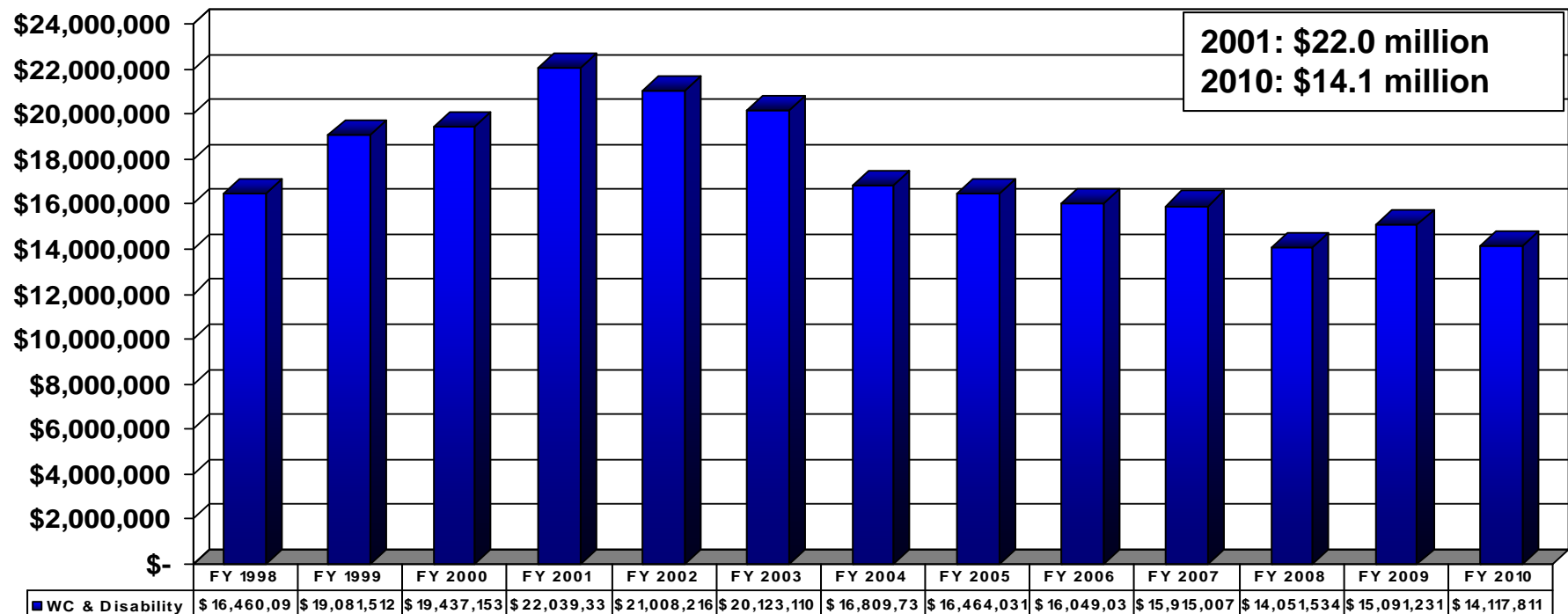
Fiscal Year Workers Compensation Cost Trends – Total Dollars Paid at all Sites



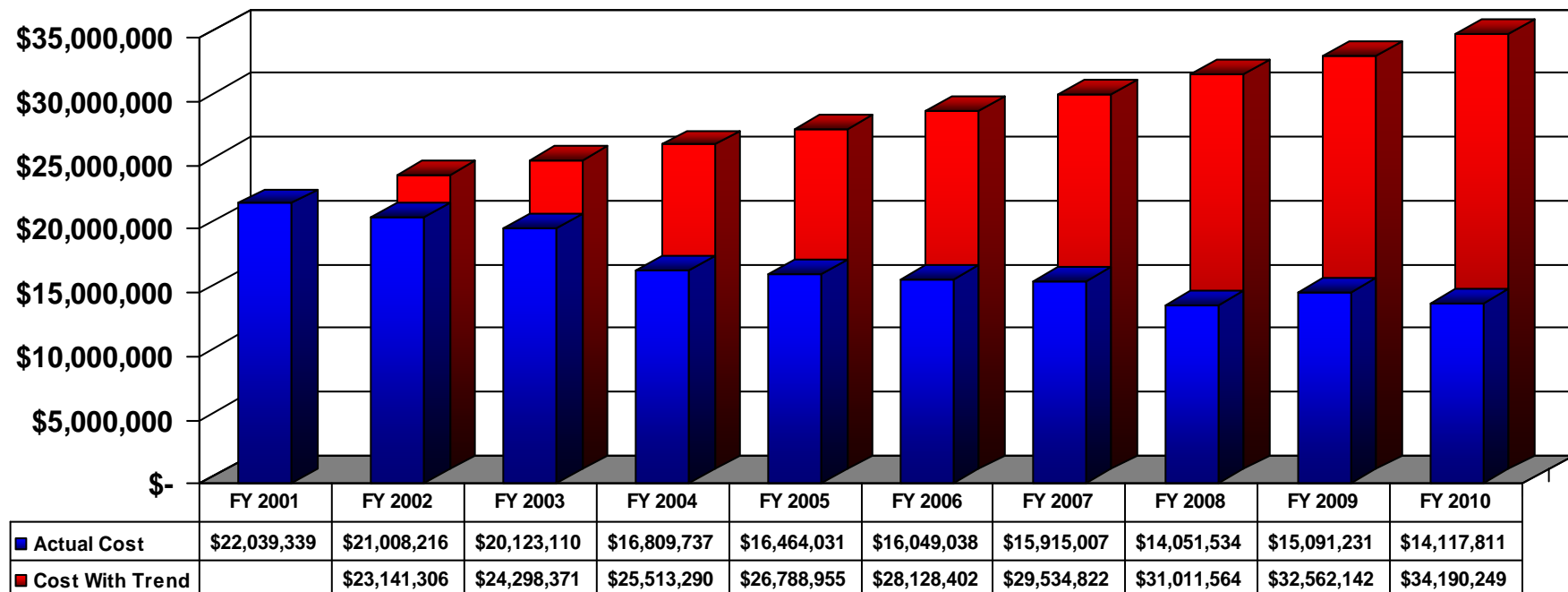
Fiscal Year Disability Cost Trends – Total Dollars Paid at All Sites



Fiscal Year Combined Workers Compensation and Disability Cost Trends – Total Dollars Paid at all sites

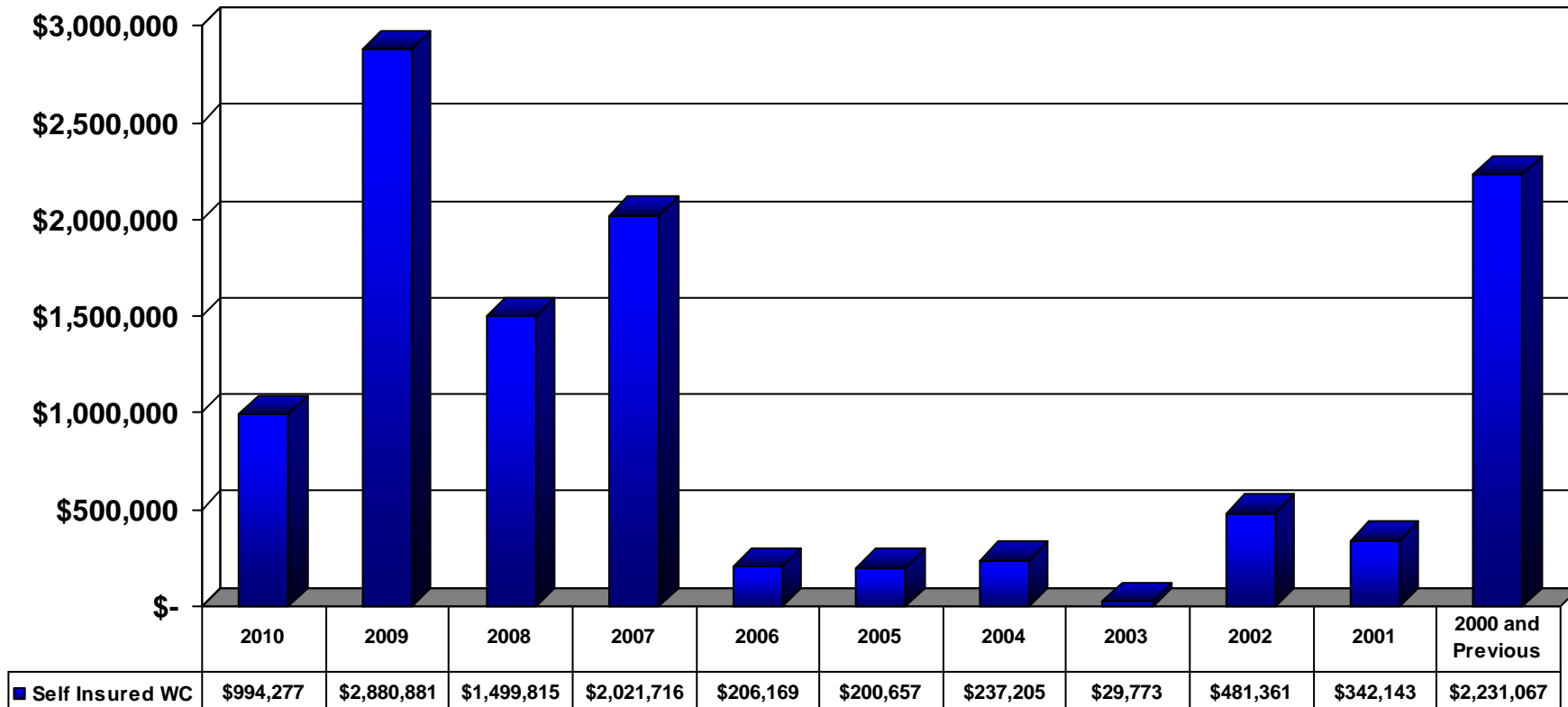


Combined Workers Compensation and Disability Cost - National Trends* vs. Navistar Actual



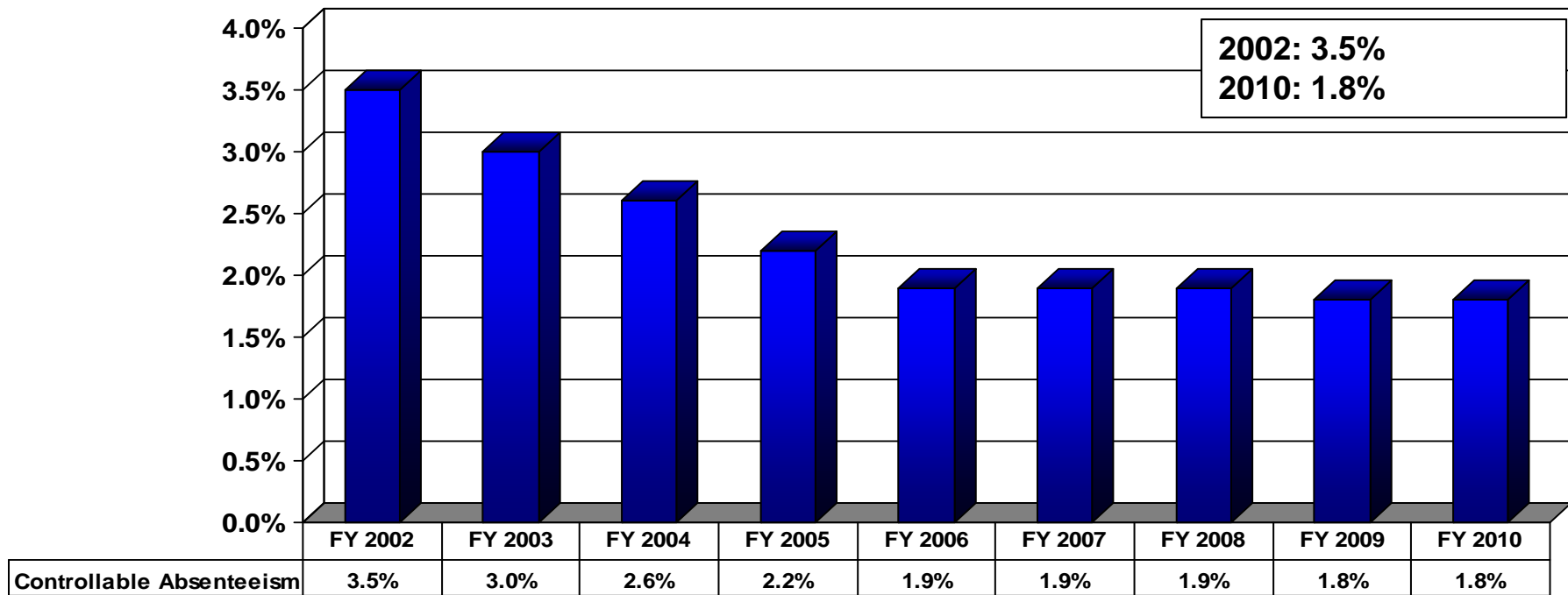
**Assumes only 5% annual combined increase in WC and Disability costs*

Self Insured Workers Compensation Payments in Fiscal Year 2010 by Claim Year*

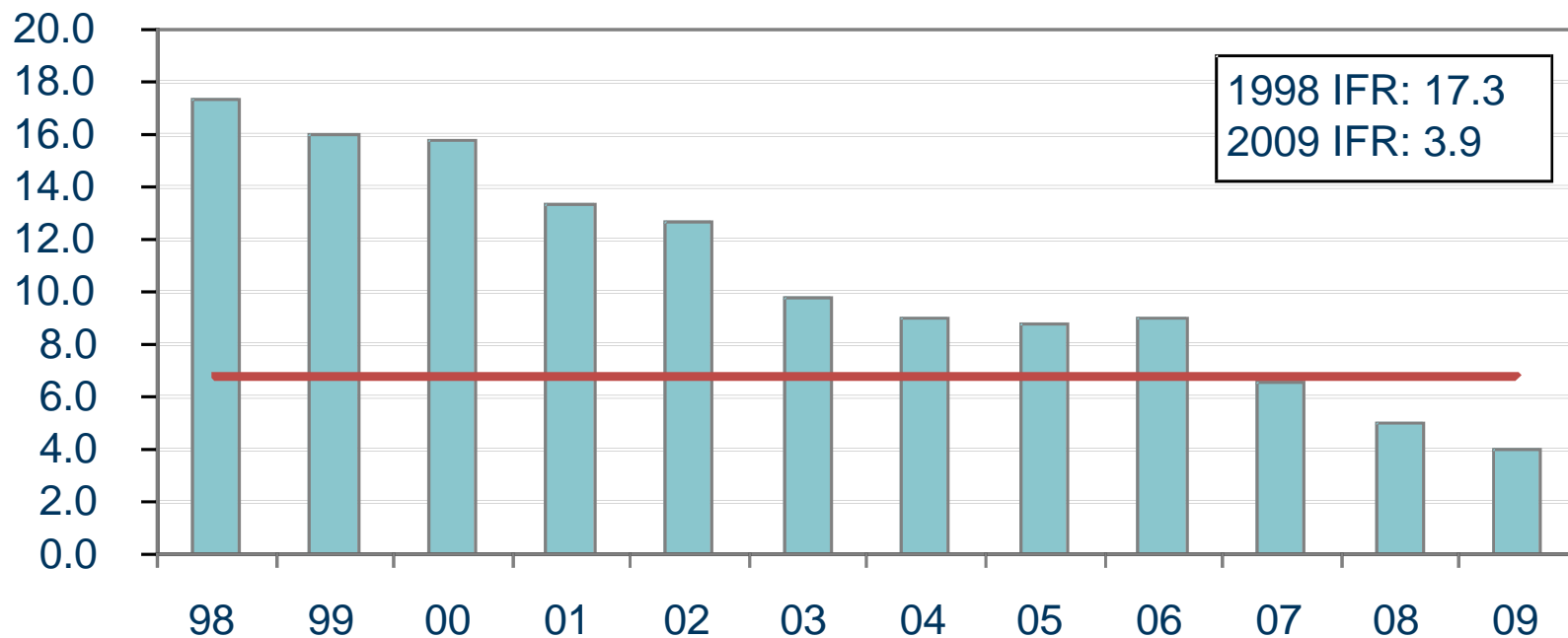


*Totals exclude costs from insured sites

Fiscal Year Controllable Absenteeism Trends

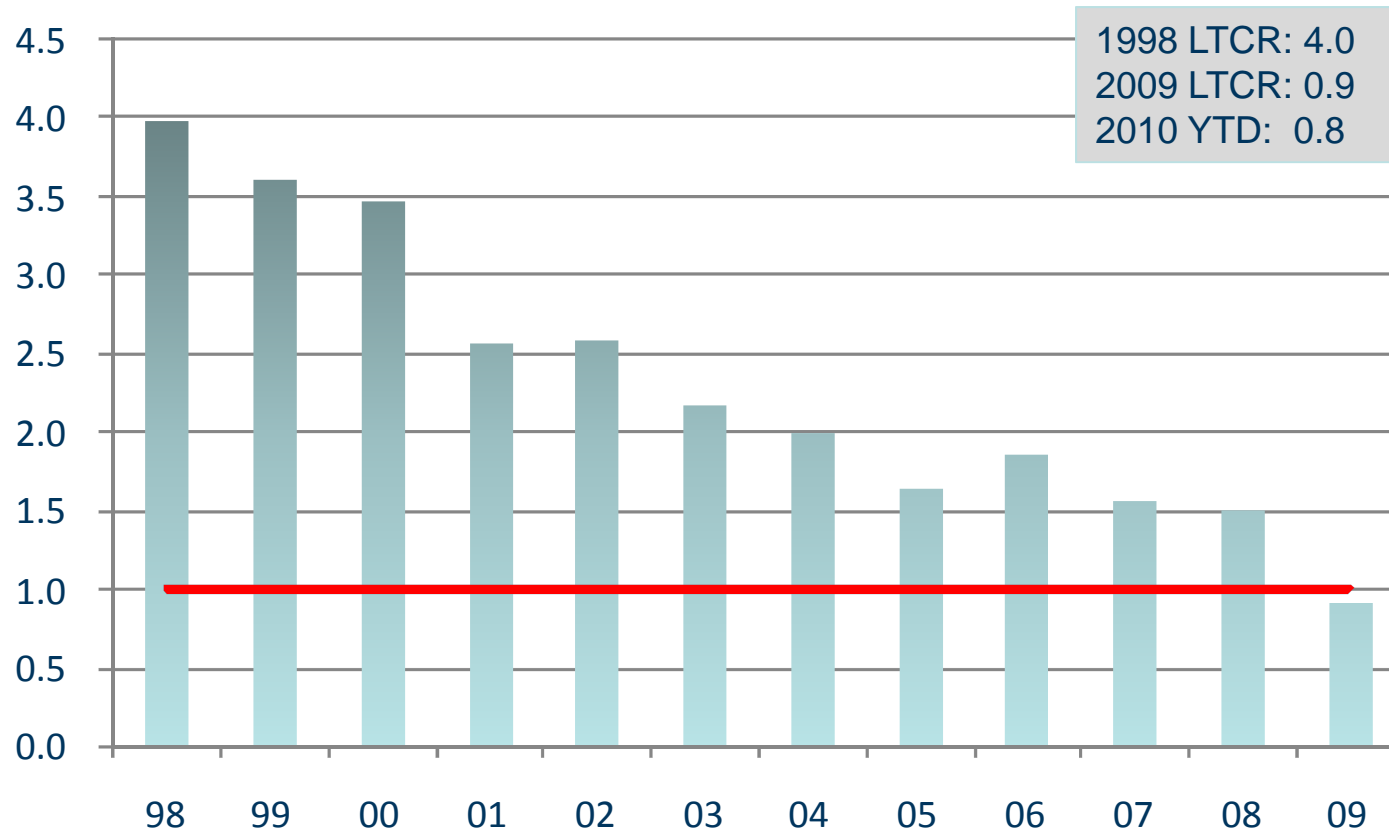


Improvements in Safety: Incidence Frequency Rate



There were 455 injuries in 2009 compared to 2,446 in 1998

Improvements in Safety: Lost Time Case Rate



There were 136 lost time injuries in 2009 compared to 601 in 1998

Safety Opportunities

- Integrate new additions to Navistar family: Monaco RV, Defense business, Pure Power, Continental Mixers, Joint ventures (India, China, NC², etc.)
- Assure compliance due to OSHA's increased focus on enforcement and recordkeeping - Especially at newer facilities
- Safety improvements gained over the last decade need to be sustained by focusing on risk assessment and effective change management (move beyond preventing injuries to managing risk)



Safety Opportunities - Ergonomics



Ergonomics = making work
easier

Other Opportunities - Storage practices



Medical and Integrated Disability Opportunities

Overall Goal - Continue moving from a Culture of Safety to a Culture of Health and Productivity

- Explore greater opportunities for safe return to work
- Address ergonomic issues to help control cost
- Continue to address mental health & stress-related issues
- Continue efforts to improve accident prevention
- Evaluate any opportunities available through the new health care reforms



Lessons Learned

- Senior management support is key
- Initial focus on safety expanded to other areas
- Measure and manage with accurate data
- Sequential approach to health and productivity management
- Integration across disciplines to achieve best results





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Thank You!

