

# **San Francisco Health Service System Health Service Board**

The Hartford Fully Insured 2023 Rates and Contributions  
(Life Insurance, Accidental Death & Dismemberment, and  
Long-Term Disability Plans)

February 10, 2022

# Contents

## Recommendation Summary

### Introduction (including prior renewal background)

### Presentation of Recent Plan Experience and Insurance Renewal Rates for the 2023 Plan Year

- Basic Life Insurance (employer-paid)
- Long-Term Disability [LTD] Insurance (employer-paid)
- Supplemental Life Insurance for Employees and Dependents (member-paid)
- Supplemental Accidental Death and Dismemberment [AD&D] Insurance for Employees and Dependents (member-paid)

### Overall Renewal Summary — Expected Aggregate 2023 Premiums

### Recommendation for Health Service Board (HSB) Action

### Appendix — Recent Loss Ratio Experience for The Hartford Coverages

# The Hartford

## Recommendation Summary

It is recommended that the Health Service Board (HSB) accept renewal of all fully insured life insurance, accidental death and dismemberment (AD&D) insurance, and long-term disability (LTD) insurance premium rates included in this presentation for the 2023 plan year — with all 2023 rates reflecting a reduction from 2022 plan year insured rate levels.

Insurance rates for the 2023 plan year from The Hartford Life and Accident Insurance Company (The Hartford) represent the first year of a new three-year rate commitment from The Hartford to the San Francisco Health Service System (SFHSS) — for plan years 2023, 2024, and 2025. Today's HSB approval would be for 2023 plan year rates only, but with recognition that The Hartford has committed to offering 2023 plan year rates as part of a three-year renewal rate commitment for SFHSS's 2024 and 2025 plan years.

# Introduction

The SFHSS offers the following life and disability insurance coverages to certain active employees within the City and County of San Francisco (CCSF), Superior Court, and Municipal Executives Association (MEA) populations:

- Basic Life Insurance (paid by the employers);
- LTD Insurance (paid by the employers); and
- Supplemental Life and AD&D Insurance for employees and dependents (paid by participating members).

These insurances are not offered by SFHSS to retirees, nor are they offered to active employees of the San Francisco Unified School District (SFUSD) or City College of San Francisco (CCD).

# Introduction — Prior Renewal Background

SFHSS's life insurance, AD&D, and LTD insurance policies with The Hartford have generally renewed every three years. The most recent three-year rate guarantee period was entered into for plan years 2020 through 2022 with The Hartford—with the 2020 plan year rate action approved by the Health Service Board (HSB) during the June 13, 2019, HSB meeting.

For basic life insurance, after a significant required increase in premium rate from 2019 to 2020, The Hartford agreed to reduce the basic life insurance rate from 2020 to 2021, with the adjusted rate also applying for the 2022 plan year.

For the next three-year rate guarantee period commencing January 1, 2023, SFHSS and Aon partnered with The Hartford to carefully review historical claim experience for each benefit insured by The Hartford — leading to substantial premium rate reductions from the 2022 plan year to the 2023 plan year which are illustrated in the following pages.

# The Hartford Renewal Summary

As a result of recent conversations among SFHSS, Aon, and The Hartford upon review of historical favorable loss ratios on these plans, The Hartford has quoted rate reductions from 2022 to the 2023 – 2025 renewal period in all lines of coverage.

- Projected annual employer savings: \$1.98M projected based on current premium volume
- Projected annual employee savings: \$201K projected based on current premium volume

As part of this renewal, The Hartford has also agreed to 12-month Continuation of Coverage provision starting in 2022 for employees on Leave of Absence (LOA)/Furlough (measured from initial date of LOA/furlough) to maintain their life insurance, AD&D, and LTD coverages at no additional premium.

Detailed rate renewal information for each line of coverage is presented on following pages.

The Hartford Coverage	Paying Entity	Rate Change, 2022 to 2023 – 2025	Projected Annual Savings from Rate Reductions
Basic Life Insurance	Employers	–15.0%	\$323,000
LTD Insurance	Employers	–25.0%	\$1,659,000
Supplemental Employee Life Insurance	Members	–20.0%	\$147,000
Dependent/Child Life Insurance	Members	–20.0%	\$33,000
Supplemental AD&D Insurance	Members	–20.0%	\$21,000
<b>Overall — All Coverages</b>		<b>–22.3%</b>	<b>\$2,183,000</b>

# Employer-Paid Coverage

## Basic Life Insurance

Basic life insurance is 100% employer paid, with three benefit amounts available as of January 1, 2023, based on eligibility (\$50,000, \$125,000, \$150,000).

- Details on basic life insurance amounts and plan features for employees can be found at this weblink to the SFHSS webpage:

<https://sfhss.org/group-life-insurance>

Most employees have the \$50,000 coverage level—enrolled employees as of January 2022:

Basic Life Coverage	Enrolled Employees
\$50,000	21,509
\$125,000	22
\$150,000	1,702
<b>Total</b>	<b>23,233</b>

The basic life insurance insured monthly rate per \$1,000 coverage will change from the current \$0.105 rate to \$0.089 on January 1, 2023—a 15% reduction in basic life insurance rate.

# Employer-Paid Coverage

## Long-Term Disability Insurance

Basic life insurance is 100% employer paid, with two benefit levels available as of January 1, 2023, based on eligibility (90-day elimination plan with 66.6667% of monthly base earnings benefit, and 180-day elimination plan with 60% of monthly base earnings benefit).

- Details on long-term disability insurance amounts and plan features for employees can be found at this weblink to the SFHSS webpage: <https://sfhss.org/long-term-disability-insurance>

Current and new 2023 insurance rates (25% reduction), and January 2022 enrolled employee counts by benefit level, are:

Group Long Term Disability			
LTD Benefit Level	2022 Monthly Rate Per \$100 of Coverage	2023 Monthly Rate Per \$100 of Coverage	January 2022 Enrolled Employees
60% up to \$5,000 monthly maximum; 180-day elimination period	\$0.290	\$0.218	18,336
66.6667% up to \$7,500 monthly maximum; 90-day elimination period	\$0.262	\$0.197	6,526



# Member-Paid Coverage

## Supplemental Employee and Dependent Life Insurance / AD&D

All member-paid life insurance and AD&D monthly rates are reducing by 20% from current levels into the 2023 plan year.

Supplemental Employee and Dependent Life—Employee Paid				
Age Rated Per \$1,000 of Coverage	2022 Plan Year		2023 Plan Year	
	Non-Smoker	Smoker	Non-Smoker	Smoker
<25	\$0.034	\$0.050	\$0.027	\$0.040
25 – 29	\$0.043	\$0.060	\$0.034	\$0.048
30 – 34	\$0.060	\$0.077	\$0.048	\$0.062
35 – 39	\$0.068	\$0.085	\$0.054	\$0.068
40 – 44	\$0.085	\$0.100	\$0.068	\$0.080
45 – 49	\$0.128	\$0.136	\$0.102	\$0.109
50 – 54	\$0.196	\$0.213	\$0.157	\$0.170
55 – 59	\$0.366	\$0.400	\$0.293	\$0.320
60 – 64	\$0.561	\$0.612	\$0.449	\$0.490
65 – 69	\$1.080	\$1.173	\$0.864	\$0.938
70+	\$1.751	\$1.904	\$1.401	\$1.523

Supplemental Child Life—Employee Paid <sup>1</sup>		
Per \$1,000 of Coverage	2022 Plan Year	2023 Plan Year
Child Life Insurance (unit of children)	\$0.150	\$0.120

<sup>1</sup> Supplemental child life eligibility: to age 26  
(or meet disabled dependent definition)

Supplemental AD&D—Employee Paid		
Per \$1,000 of Coverage	2022 Plan Year	2023 Plan Year
Employee Only	\$0.020	\$0.016
Spouse Only	\$0.020	\$0.016
Employee & Family	\$0.025	\$0.020

# Overall Renewal Summary

## Expected Aggregate 2023 Premiums

Expected 2022 Premiums, 2023 Premiums, and Savings From Renewal Rating Actions (based on current insurance volumes):

	2022 Plan Year	2023 Plan Year	Annualized Savings From Renewal Rating Actions
<b>EMPLOYER-PAID PLANS</b>			
Basic Employee Life Insurance	\$2,151,000	\$1,828,000	\$323,000
Long Term Disability Insurance	<u>\$6,637,000</u>	<u>\$4,978,000</u>	<u>\$1,659,000</u>
<b>Total—Employer Paid Plans</b>	<b>\$8,788,000</b>	<b>\$6,806,000</b>	<b>\$1,982,000</b>
<b>MEMBER-PAID PLANS</b>			
Supplemental Employee Life Insurance	\$734,000	\$587,000	\$147,000
Supplemental Dependent/Child Life Insurance	\$166,000	\$133,000	\$33,000
Supplemental AD&D Insurance	<u>\$105,000</u>	<u>\$84,000</u>	<u>\$21,000</u>
<b>Total—Member Paid Plans</b>	<b>\$1,005,000</b>	<b>\$804,000</b>	<b>\$201,000</b>
<b>OVERALL TOTAL PREMIUMS</b>	<b>\$9,793,000</b>	<b>\$7,610,000</b>	<b>\$2,183,000</b>

## Recommendation For HSB Action

**It is recommended that the HSB accept renewal of all fully insured life insurance, AD&D insurance, and LTD insurance premium rates included in this presentation for the 2023 plan year — with all 2023 rates reflecting a reduction from 2022 plan year insured rate levels.**

Insurance rates for the 2023 plan year from The Hartford represent the first year of a new three-year rate commitment from The Hartford to SFHSS. The Hartford plan rates for 2024 and 2025 will be requested for approval by the HSB in applicable future year Rates & Benefits cycles.

# Appendix

## Recent Loss Ratio Experience (Claims vs. Premium)

### Basic Life Insurance

From	1/1/2017	1/1/2018	1/1/2019	1/1/2020	1/1/2021	TOTAL
Through	12/31/2017	12/31/2018	12/31/2019	12/31/2020	8/31/2021	
Constant Premium	\$1,350,570	\$1,395,749	\$1,459,580	\$1,538,203	\$1,022,657	\$6,766,759
Total Incurred Claims	\$1,367,597	\$803,440	\$1,008,625	\$916,770	\$685,622	\$4,782,054
Incurred Loss Ratio	101.3%	57.6%	69.1%	59.6%	67.0%	70.7%

### Long-Term Disability Insurance

From	1/1/2017	1/1/2018	1/1/2019	1/1/2020	1/1/2021	TOTAL
Through	12/31/2017	12/31/2018	12/31/2019	12/31/2020	2/28/2021	
Constant Premium	\$5,829,827	\$6,049,073	\$6,265,991	\$6,451,797	\$1,130,544	\$25,727,232
Total Paid Claims	\$2,293,316	\$1,201,806	\$1,333,774	\$347,797	\$3,223	\$5,179,915
Incurred Claims	\$4,136,296	\$3,398,379	\$4,009,430	\$3,588,712	\$226,077	\$15,358,894
Time Value Adjustment	(\$300,755)	(\$212,285)	(\$180,290)	(\$92,308)	\$0	(\$785,638)
Net Incurred Claims	\$3,835,541	\$3,186,094	\$3,829,140	\$3,496,404	\$226,077	\$14,573,256
Incurred Loss Ratio	64.6%	51.7%	60.0%	53.2%	19.6%	56.6%

# Appendix

## Recent Loss Ratio Experience (Claims vs. Premium)

### Supplemental Employee Life Insurance

From	1/1/2017	1/1/2018	1/1/2019	1/1/2020	1/1/2021	TOTAL
Through	12/31/2017	12/31/2018	12/31/2019	12/31/2020	8/31/2021	
Constant Premium	\$355,815	\$534,514	\$562,111	\$667,049	\$459,611	\$2,579,101
Total Incurred Claims	\$237,672	\$100,019	\$155,000	\$117,499	\$32,498	\$642,687
Incurred Loss Ratio	66.8%	18.7%	27.6%	17.6%	7.1%	24.9%

### Supplemental Dependent/Child Life Insurance

From	1/1/2017	1/1/2018	1/1/2019	1/1/2020	1/1/2021	TOTAL
Through	12/31/2017	12/31/2018	12/31/2019	12/31/2020	8/31/2021	
Constant Premium	\$70,892	\$113,662	\$119,524	\$151,270	\$103,075	\$558,422
Total Incurred Claims	\$50,017	\$10,002	\$0	\$105,016	\$109,262	\$274,298
Incurred Loss Ratio	70.6%	8.8%	0.0%	69.4%	106.0%	49.1%

### Supplemental AD&D Insurance

From	1/1/2017	1/1/2018	1/1/2019	1/1/2020	1/1/2021	TOTAL
Through	12/31/2017	12/31/2018	12/31/2019	12/31/2020	8/31/2021	
Constant Premium	\$53,975	\$78,599	\$85,888	\$98,846	\$66,940	\$384,248
Total Incurred Claims	\$0	\$0	\$0	\$6,465	\$12,007	\$18,472
Incurred Loss Ratio	0.0%	0.0%	0.0%	6.5%	17.9%	4.8%