

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

## **Rates & Benefits**

The Hartford Fully Insured 2025 Rates and Contributions  
(Life Insurance, Accidental Death & Dismemberment, and  
Long-Term Disability Plans)

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# 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 2025 plan year.

Insurance rates for the 2025 plan year from The Hartford Life and Accident Insurance Company (The Hartford) represent the third year of a three-year rate commitment from The Hartford to the San Francisco Health Service System (SFHSS) — for plan years 2023, 2024, and 2025. Rates presented in this document for the 2025 plan year remain at current (2024 plan year) levels.

# 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—8% participation in Supplemental Life, increased from 6% in January 2023).

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 2023 through 2025 with The Hartford.

- The 2023 plan year rate action approved by the HSB during the February 10, 2022, HSB meeting.
- The 2024 plan year rate action approved by the HSB during the February 9, 2023, HSB meeting.

For the current 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 2023-2025 plan years (15% to 25% for lines of coverage).

As observed in historical experience exhibits in the Appendix, current rates remain adequate though in particular, the Basic Life Insurance plan experienced a higher number of employee deaths in 2022(29 deaths) and 2023 (20 deaths) relative to prior years (16 in 2021). The leading causes of death were attributed to heart disease and cancer.

# Employer-Paid Coverage—Basic Life Insurance

Basic life insurance is 100% employer paid, with three benefit amounts available as of January 1, 2025, based on eligibility (\$50,000, \$125,000, \$150,000).

The basic life insurance insured monthly rate per \$1,000 coverage will remain at the current \$0.089 level for the 2025 plan year.

- 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 2024:

| Basic Life Insurance Coverage | January 2024 Enrolled Employees |
|-------------------------------|---------------------------------|
| \$50,000                      | 24,934                          |
| \$125,000                     | 20                              |
| \$150,000                     | 2,014                           |
| <b>Total</b>                  | <b>26,968</b>                   |

# Employer-Paid Coverage—Long-Term Disability Insurance (LTD)

Basic LTD insurance is 100% employer paid, with two benefit levels available as of January 1, 2025, 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>

LTD insurance rates for 2025 will remain at 2024 levels (shown below with January 2024 enrolled employee counts by benefit level):

| Group Long Term Disability   |   |   |                                 |
|--|---|---|---------------------------------|
| LTD Benefit Level  | 2024 Monthly Rate Per \$100 of Coverage | 2025 Monthly Rate Per \$100 of Coverage | January 2024 Enrolled Employees |
| 60% up to \$5,000 monthly maximum;<br>180-day elimination period     | \$0.218                                 | \$0.218                                 | 18,661                          |
| 66.6667% up to \$7,500 monthly maximum;<br>90-day elimination period | \$0.197                                 | \$0.197                                 | 8,230                           |

# Member-Paid Coverage — Supplemental Employee and Dependent Life Insurance / AD&D

All member-paid life insurance and AD&D monthly rates remain at 2024 levels into the 2025 plan year.

| Supplemental Employee and Dependent Life—Employee Paid |                |         |                |         |
|--|----------------|---------|----------------|---------|
| Age Rated Per \$1,000 of Coverage                      | 2024 Plan Year |         | 2025 Plan Year |         |
|  | Non-Smoker     | Smoker  | Non-Smoker     | Smoker  |
| <25  | \$0.027        | \$0.040 | \$0.027        | \$0.040 |
| 25 – 29  | \$0.034        | \$0.048 | \$0.034        | \$0.048 |
| 30 – 34  | \$0.048        | \$0.062 | \$0.048        | \$0.062 |
| 35 – 39  | \$0.054        | \$0.068 | \$0.054        | \$0.068 |
| 40 – 44  | \$0.068        | \$0.080 | \$0.068        | \$0.080 |
| 45 – 49  | \$0.102        | \$0.109 | \$0.102        | \$0.109 |
| 50 – 54  | \$0.157        | \$0.170 | \$0.157        | \$0.170 |
| 55 – 59  | \$0.293        | \$0.320 | \$0.293        | \$0.320 |
| 60 – 64  | \$0.449        | \$0.490 | \$0.449        | \$0.490 |
| 65 – 69  | \$0.864        | \$0.938 | \$0.864        | \$0.938 |
| 70+  | \$1.401        | \$1.523 | \$1.401        | \$1.523 |

| Supplemental Child Life—Employee Paid <sup>1</sup> |                |                |
|--|----------------|----------------|
| Per \$1,000 of Coverage                            | 2024 Plan Year | 2025 Plan Year |
| Child Life Insurance (unit of children)            | \$0.120        | \$0.120        |

| Supplemental AD&D—Employee Paid |                |                |
|---------------------------------|----------------|----------------|
| Per \$1,000 of Coverage         | 2024 Plan Year | 2025 Plan Year |
| Employee Only                   | \$0.016        | \$0.016        |
| Spouse Only                     | \$0.016        | \$0.016        |
| Employee & Family               | \$0.020        | \$0.020        |

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

# Overall Renewal Summary— Expected Aggregate 2025 Premiums

Expected 2025 premiums based on 2023 insurance volumes and premiums:

|   | 2025 Plan Year Estimated Total Premiums |
|---|---|
| <b>EMPLOYER-PAID PLANS</b>                  |   |
| Basic Employee Life Insurance               | \$1,566,000                             |
| Long Term Disability Insurance              | <u>\$5,472,000</u>                      |
| <b>Total—Employer Paid Plans</b>            | <b>\$7,038,000</b>                      |
| <b>MEMBER-PAID PLANS</b>                    |   |
| Supplemental Employee Life Insurance        | \$712,000                               |
| Supplemental Dependent/Child Life Insurance | \$163,000                               |
| Supplemental AD&D Insurance                 | <u>\$103,000</u>                        |
| <b>Total—Member Paid Plans</b>              | <b>\$978,000</b>                        |
| <b>OVERALL TOTAL PREMIUMS</b>               | <b>\$8,016,000</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 2025 plan year—with all 2025 rates reflecting the third year of a three-year rating commitment made by The Hartford during 2022 for the 2023-2025 plan years.

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

## Basic Life Insurance

| From                          | 1/1/2019    | 1/1/2020    | 1/1/2021    | 1/1/2022    | 1/1/2023    | TOTAL       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Through                       | 12/31/2019  | 12/31/2020  | 12/31/2021  | 12/31/2022  | 12/31/2023  |             |
| Constant Premium <sup>1</sup> | \$1,237,167 | \$1,303,810 | \$1,325,957 | \$1,439,638 | \$1,566,468 | \$6,873,040 |
| Total Incurred Claims         | \$934,060   | \$839,623   | \$922,286   | \$2,047,239 | \$1,473,388 | \$6,216,596 |
| Incurred Loss Ratio           | 75%         | 64%         | 70%         | 142%        | 94%         | 90%         |
| Number of Death Claims        | 20          | 15          | 17          | 31          | 22          | 105         |

## Long-Term Disability Insurance (2023: experience through June)

| From                          | 1/1/2019    | 1/1/2020    | 1/1/2021    | 1/1/2022    | 1/1/2023       | TOTAL        |
|-------------------------------|-------------|-------------|-------------|-------------|----------------|--------------|
| Through                       | 12/31/2019  | 12/31/2020  | 12/31/2021  | 12/31/2022  | 6/30/2023      |              |
| Constant Premium <sup>1</sup> | \$4,699,493 | \$4,838,848 | \$4,927,698 | \$4,995,090 | \$2,736,024    | \$22,197,153 |
| Total Paid Claims             | \$1,792,923 | \$1,338,806 | \$1,155,356 | \$564,902   | \$87,149       | \$4,939,135  |
| Incurred Claims               | \$3,066,567 | \$4,526,383 | \$2,453,368 | \$4,704,433 | \$2,664,631    | \$17,415,381 |
| Time Value Adjustment         | (\$214,138) | (\$325,144) | (\$121,596) | (\$160,574) | (\$41,728)     | (\$863,181)  |
| Net Incurred Claims           | \$2,852,428 | \$4,201,238 | \$2,331,772 | \$4,543,859 | \$2,622,903    | \$16,552,200 |
| Incurred Loss Ratio           | 61%         | 87%         | 47%         | 91%         | 96%            | 75%          |
| Number of Disability Claims   | 60          | 38          | 33          | 33          | 15 (thru 6/30) | 179          |

<sup>1</sup> “Constant Premium” reflects if 2023 (current) insurance premiums had applied in each year prior to 2023 also.

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

## Supplemental Employee Life Insurance

| From                          | 1/1/2019   | 1/1/2020   | 1/1/2021   | 1/1/2022   | 1/1/2023   | TOTAL       |
|-------------------------------|------------|------------|------------|------------|------------|-------------|
| Through                       | 12/31/2019 | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 |             |
| Constant Premium <sup>1</sup> | \$449,693  | \$533,639  | \$556,096  | \$636,268  | \$711,833  | \$2,887,529 |
| Total Incurred Claims         | \$155,000  | \$100,000  | \$100,183  | \$118,222  | \$72,890   | \$546,295   |
| Incurred Loss Ratio           | 34%        | 19%        | 18%        | 19%        | 10%        | 19%         |
| Number of Death Claims        | 2          | 1          | 1          | 1          | 0          | 5           |

## Supplemental Dependent/Child Life Insurance

| From                          | 1/1/2019   | 1/1/2020   | 1/1/2021   | 1/1/2022   | 1/1/2023   | TOTAL     |
|-------------------------------|------------|------------|------------|------------|------------|-----------|
| Through                       | 12/31/2019 | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 |           |
| Constant Premium <sup>1</sup> | \$95,647   | \$121,016  | \$123,672  | \$146,137  | \$162,541  | \$649,013 |
| Total Incurred Claims         | \$0        | \$100,131  | \$100,190  | \$105,024  | \$169,968  | \$475,313 |
| Incurred Loss Ratio           | 0%         | 83%        | 81%        | 72%        | 105%       | 73%       |
| Number of Death Claims        | 0          | 2          | 2          | 2          | 2          | 8         |

## Supplemental AD&D Insurance

| From                          | 1/1/2019   | 1/1/2020   | 1/1/2021   | 1/1/2022   | 1/1/2023   | TOTAL     |
|-------------------------------|------------|------------|------------|------------|------------|-----------|
| Through                       | 12/31/2019 | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 |           |
| Constant Premium <sup>1</sup> | \$68,710   | \$79,077   | \$81,610   | \$94,218   | \$103,330  | \$426,945 |
| Total Incurred Claims         | \$0        | \$0        | \$0        | \$110,365  | \$10,204   | \$120,569 |
| Incurred Loss Ratio           | 0%         | 0%         | 0%         | 117%       | 10%        | 28%       |

<sup>1</sup> "Constant Premium" reflects if 2023 (current) insurance premiums had applied in each year prior to 2023 also.