

San Francisco Health Service System Health Service Board

Rates & Benefits

The Hartford Fully Insured 2024 Rates and Contributions
(Life Insurance, Accidental Death & Dismemberment,
and Long-Term Disability Plans)

February 9, 2023

The Hartford Fully Insured 2024 Renewal—Overview

- Recommendation Summary
- Introduction (including prior renewal background)
- Recent Plan Experience and Insurance Renewal Rates for the 2024 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 2024 Premiums
- Recommendation for Health Service Board (HSB) Action
- Appendix — Recent Loss Ratio Experience for The Hartford Coverages

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 2024 plan year.

Insurance rates for the 2024 plan year from The Hartford Life and Accident Insurance Company (The Hartford) represent the second 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. Today's HSB approval would be for 2024 plan year rates only, but with recognition that The Hartford has committed to offering 2024 plan year rates as part of the three-year renewal rate commitment described above for SFHSS's 2025 plan year. Rates presented in this document for the 2024 plan year remain at current (2023 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—6% participation in Supplemental Life).

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—with the 2023 plan year rate action approved by the Health Service Board (HSB) during the February 10, 2022, 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 plan year which are illustrated in the following pages.

The Hartford Renewal Summary

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

- Projected annual employer savings was approximately \$2 million
- Projected annual employee savings was approximately \$200K

The Hartford Coverage	Paying Entity	Rate Change, 2022 to 2023–2025	Projected Annual Savings from 2023 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
Overall – All Coverages		-22.3%	\$2,183,000

Detailed rate renewal information for each line of coverage for the 2024 plan year (based on the second year of a three-year rating commitment from 2023 through 2025) is presented on following pages.

Employer-Paid Coverage—Basic Life Insurance

Basic life insurance is 100% employer paid, with three benefit amounts available as of January 1, 2024, 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 level for the 2024 plan year (\$0.089).

- 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 2023:

Basic Life Coverage	Enrolled Employees
\$50,000	23,949
\$125,000	20
\$150,000	1,860
Total	25,829

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

Basic LTD insurance is 100% employer paid, with two benefit levels available as of January 1, 2024, 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 2024 will remain at 2023 levels (shown with January 2023 enrolled employee counts by benefit level):

Group Long Term Disability			
LTD Benefit Level	2023 Monthly Rate Per \$100 of Coverage	2024 Monthly Rate Per \$100 of Coverage	January 2023 Enrolled Employees
60% up to \$5,000 monthly maximum; 180-day elimination period	\$0.218	\$0.218	18,196
66.6667% up to \$7,500 monthly maximum; 90-day elimination period	\$0.197	\$0.197	7,686

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

All member-paid life insurance and AD&D monthly rates remain at 2023 levels into the 2024 plan year.

Supplemental Employee and Dependent Life—Employee Paid				
Age Rated Per \$1,000 of Coverage	2023 Plan Year		2024 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 ¹		
Per \$1,000 of Coverage	2023 Plan Year	2024 Plan Year
Child Life Insurance (unit of children)	\$0.120	\$0.120

Supplemental AD&D—Employee Paid		
Per \$1,000 of Coverage	2023 Plan Year	2024 Plan Year
Employee Only	\$0.016	\$0.016
Spouse Only	\$0.016	\$0.016
Employee & Family	\$0.020	\$0.020

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

Overall Renewal Summary— Expected Aggregate 2024 Premiums

Expected 2024 premiums based on November 2022 insurance volumes and premiums, adjusted for premium changes that took effect in January 2023 for 2023-2025 plan years:

	2024 Plan Year Estimated Total Premiums
EMPLOYER-PAID PLANS	
Basic Employee Life Insurance	\$1,413,000
Long Term Disability Insurance	<u>\$5,072,000</u>
Total—Employer Paid Plans	\$6,485,000
MEMBER-PAID PLANS	
Supplemental Employee Life Insurance	\$580,000
Supplemental Dependent/Child Life Insurance	\$124,000
Supplemental AD&D Insurance	<u>\$86,000</u>
Total—Member Paid Plans	\$790,000
OVERALL TOTAL PREMIUMS	\$7,275,000

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 2024 plan year—with all 2024 rates reflecting the second year of a three-year rating commitment made by The Hartford at this time last year for the 2023-2025 plan years.

The Hartford plan rates for 2025 will be requested for approval by the HSB in next year's Rates & Benefits cycle.

Appendix – Recent Loss Ratio Experience (Claims vs. Premium)

Basic Life Insurance

From	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	TOTAL
Through	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	
Constant Premium	\$1,395,749	\$1,459,580	\$1,538,203	\$1,564,331	\$1,698,449	\$7,656,312
Total Incurred Claims	\$785,940	\$986,560	\$857,042	\$922,824	\$1,586,467	\$5,138,833
Incurred Loss Ratio	56.3%	67.6%	55.7%	59.0%	93.4%	67.1%
Number of Death Claims	15	20	15	16	21	87

Long-Term Disability Insurance

From	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2021	TOTAL
Through	12/31/2018	12/31/2019	12/31/2020	12/31/2021	6/30/2022	
Constant Premium	\$6,049,073	\$6,265,991	\$6,451,797	\$6,570,264	\$3,380,459	\$28,717,584
Total Paid Claims	\$1,622,214	\$1,863,744	\$912,087	\$469,817	\$7,890	\$4,875,752
Incurred Claims	\$3,775,428	\$2,857,919	\$2,388,800	\$3,632,125	\$1,411,010	\$14,065,283
Time Value Adjustment	(\$310,643)	(\$159,068)	(\$118,853)	(\$123,955)	(\$22,102)	(\$734,621)
Net Incurred Claims	\$3,464,785	\$2,698,852	\$2,269,947	\$3,508,170	\$1,388,908	\$13,330,661
Incurred Loss Ratio	57.3%	43.1%	35.2%	53.4%	41.1%	46.4%
Number of Disability Claims	57	59	33	30	12 (thru 6/30)	191

Appendix – Recent Loss Ratio Experience (Claims vs. Premium)

Supplemental Employee Life Insurance

From	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	TOTAL
Through	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	
Constant Premium	\$534,520	\$562,118	\$667,049	\$695,120	\$856,879	\$3,315,686
Total Incurred Claims	\$100,019	\$155,000	\$100,000	\$123,313	\$192,520	\$670,852
Incurred Loss Ratio	18.7%	27.6%	15.0%	17.7%	22.5%	20.2%
Number of Death Claims	1	2	1	1	1	6

Supplemental Dependent/Child Life Insurance

From	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	TOTAL
Through	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	
Constant Premium	\$113,697	\$119,560	\$151,270	\$154,590	\$197,915	\$737,032
Total Incurred Claims	\$10,002	\$0	\$100,131	\$105,496	\$121,370	\$337,000
Incurred Loss Ratio	8.8%	0.0%	66.2%	68.2%	61.3%	45.7%
Number of Death Claims	1	0	2	2	2	7

Supplemental AD&D Insurance

From	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	TOTAL
Through	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	
Constant Premium	\$78,599	\$85,888	\$98,846	\$102,012	\$128,216	\$493,561
Total Incurred Claims	\$0	\$0	\$0	\$2,617	\$10,468	\$13,085
Incurred Loss Ratio	0.0%	0.0%	0.0%	2.6%	8.2%	2.7%