

# San Francisco Health Service System Health Service Board

## **Rates & Benefits**

The Hartford Life Insurance and Long-Term Disability  
Insured Rate Renewal Presentation

May 14, 2020

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\* Given The Hartford is in a rate guarantee through December 31, 2022, the 2021 plan year rates presented today will also apply for the 2022 plan year.

# The Hartford—Recommendation Summary

- It is recommended that the Health Service Board (HSB) accept renewal of all life insurance, accidental death and dismemberment (AD&D) insurance, and long-term disability (LTD) insurance premiums included in this presentation for the 2021 plan year, with details to follow.
- Proposed rating actions by The Hartford are illustrated below, with detail on rationale for each rating action presented in this document.

The Hartford Coverage	Paying Entity	Rate Change, 2020 to 2021
Basic Life Insurance	Employers	-7.9%
LTD Insurance	Employers	No Change
Supplemental Employee and Dependent Life Insurance	Members	No Change
Child Life Insurance and AD&D Insurance	Members	No Change
<b>Overall—All Coverages</b>		<b>-1.5%</b>

# Introduction

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- The San Francisco Health Service System (SFHSS) offers the following life and disability insurance coverages to certain active employees within the City and County of San Francisco, Superior Court, and Municipal Executive 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 to retirees.

## Introduction

- SFHSS’s life and long-term disability insurance policies had been in a three-year premium guarantee, from January 1, 2017 through December 31, 2019, based on the renewal approved with Aetna Group Insurance (Aetna) in 2016—with this rate guarantee continuing under The Hartford Life and Accident Insurance Company (The Hartford) upon their acquisition of Aetna’s group life and disability in late 2017.
- A new three-year rate guarantee period was entered into last year for 2020 through 2022 with The Hartford—with these rate actions approved by the Health Service Board (HSB) during the June 13, 2019 HSB meeting:

The Hartford Coverage	Paying Entity	Rate Change, 2017-2019 to 2020-2022
Basic Life Insurance	Employers	+42.5%
LTD Insurance	Employers	–20.0%
Supplemental Employee and Dependent Life Insurance	Members	–15.0%
Child Life Insurance and AD&D Insurance	Members	No Change
<b>Overall—All Coverages</b>		<b>–12.0%</b>

# Introduction

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- Today's presentation focuses on the 2021 plan year renewal with The Hartford, along with review of recent plan experience across all insurances held by SFHSS with The Hartford.
  - Proposed rates for the 2021 plan year are shown by line of coverage.
  - Rationale for why the Basic Life insurance rate is changing to a lower figure from 2020 to 2021 is discussed in this document.
  - The Appendix to this document contains information on member support program features included in The Hartford Life Essentials, similar to what was presented in the June 13, 2019 HSB meeting.

# Basic Life Insurance

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- Basic life insurance is 100% employer paid.
- Five benefit amounts are available as of January 1, 2021 based on eligibility: \$25,000; \$50,000; \$100,000; \$125,000; and \$150,000.
- In 2020, a premium increase from \$0.08 to \$0.114 per month per \$1,000 coverage was approved by the HSB upon Aon recommendation, due to higher level of claims in this plan in recent years relative to the premiums charged.
  - Aon committed to the HSB at the time to closely track future emerging Basic Life Insurance plan experience, and report on that experience to the HSB—see next page for our update.

# Basic Life Insurance

## Recent Basic Life Insurance Plan Experience, 2015-2019

- High loss ratios (claims divided by premiums) in 2015-2017 led to the Basic Life Insurance plan rate increase into the 2020-2022 three-year renewal period.
- Recent loss ratios for 2018 and 2019 plan years have significantly improved.

All claims reported as of 12/31/2019 on an accident year basis.

PERIODS						
From	01/01/2015	01/01/2016	01/01/2017	01/01/2018	01/01/2019	TOTAL
Through	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	
Constant Premium	\$ 895,452	\$ 938,604	\$ 1,029,006	\$ 1,064,184	\$ 1,112,063	\$ 5,039,308
Total Paid Claims	\$ 1,035,812	\$ 945,445	\$ 1,099,694	\$ 650,875	\$ 488,099	\$ 4,219,925
PW Reserves	\$ 87,500	\$ 122,500	\$ 175,000	\$ 122,500	\$ 87,500	\$ 595,000
Total Incurred Claims	\$ 1,123,312	\$ 1,067,945	\$ 1,274,694	\$ 817,007	\$ 750,129	\$ 5,033,086
Incurred Loss Ratio	125%	114%	124%	77%	67%	100%
Number of PW	5	5	10	7	3	30
Number of Claims	23	19	23	13	12	90
Lives	17,933	18,768	20,850	21,730	22,831	102,112

NOTE: PW = "Premium Waiver", a benefit that waives life insurance premium for those on LTD





## Basic Life Insurance

- As a result of loss ratio improvements in the 2018 and 2019 plan years, SFHSS and Aon worked closely with The Hartford to request a rating reduction in the 2020 Basic Life Insurance premium rate, to apply for the 2021 and 2022 plan years—to a rate level higher than the 2017-2019 premium, but lower than the 2020 premium.
- We are pleased to report that The Hartford has agreed to reduce the Basic Life Insurance rate from its 2020 level, to apply for the 2021 and 2022 plan years as shown below, which will **reduce aggregate premium by \$135,000 annually**:

Benefit Amount	Projected January 2021 Covered Employees	2020 Plan Year Current Premium <sup>[1]</sup>	2021 – 2022 Renewal Premium <sup>[1]</sup>
\$25,000	254	\$0.114	\$0.105
\$50,000	20,957	\$0.114	\$0.105
\$100,000	1,342	\$0.114	\$0.105
\$125,000	456	\$0.114	\$0.105
\$150,000	18	\$0.114	\$0.105

*[1] Monthly premium per \$1,000 of coverage*

# Long-Term Disability Insurance

- Long-term disability insurance is 100% employer paid.
- Two designs are available based on eligibility:
  - 60% up to \$5,000 monthly maximum; 180 day elimination period
  - 66.6667% up to \$7,500 monthly maximum; 90 day elimination period
- A 20% premium rate reduction for LTD applied into the 2020-2022 renewal period given recent favorable experience in the plan—which continues in latest reporting, as exhibited on the next page. Rates for the 2021 plan year are shown below as part of the existing three-year renewal guarantee:

Benefit Amount	Current Covered Employees	2020 Current Premium <sup>[1]</sup>	2021 – 2022 Renewal Premium <sup>[1]</sup>
60%	18,379	\$0.290	\$0.290
66.6667%	6,827	\$0.262	\$0.262

*[1] Premium per \$100 of covered payroll*

# Long-Term Disability Insurance

## Recent LTD Plan Experience, 2015-2019

- Favorable loss ratios continue into the first half of 2019 for the LTD plan—noting the actual premiums shown in the exhibit below are before the 20% rate reduction in 2020.

Experience as of: 12/31/2019 by incurral year

	PERIODS					TOTAL	
	From Through	01/01/2015 12/31/2015	01/01/2016 12/31/2016	01/01/2017 12/31/2017	01/01/2018 12/31/2018		01/01/2019 06/30/2019
<b>Billed Premium (BP)</b>		\$6,859,329	\$7,425,869	\$7,287,284	\$7,561,341	\$3,969,541	<b>\$33,103,364</b>
<b>Constant Premium (CP)</b>		\$6,368,077	\$6,894,043	\$7,287,284	\$7,561,341	\$3,969,541	<b>\$32,080,286</b>
<b>Total Paid Claims</b>		\$1,457,453	\$1,365,451	\$1,433,555	\$533,140	\$78,846	<b>\$4,868,446</b>
<b>Claim Reserve</b>		\$1,444,645	\$1,029,963	\$3,431,511	\$1,608,622	\$1,559,815	<b>\$9,074,556</b>
<b>Incurred Claims</b>		\$2,902,098	\$2,395,414	\$4,865,067	\$2,141,763	\$1,638,661	<b>\$13,943,002</b>
<b>Time Value Adjustment</b>		(\$268,591)	(\$164,761)	(\$304,986)	(\$80,640)	(\$28,475)	<b>(\$847,453)</b>
<b>Net Incurred Claims</b>		\$2,633,508	\$2,230,653	\$4,560,081	\$2,061,123	\$1,610,185	<b>\$13,095,549</b>
<b>Net Loss Ratio (Billed Premium)</b>		38.4%	30.0%	62.6%	27.3%	40.6%	<b>39.6%</b>
<b>Adjusted Net Incurred Claims</b>		\$2,633,508	\$2,230,653	\$4,560,081	\$2,061,123	\$1,610,185	<b>\$13,095,549</b>
<b>Net Loss Ratio (Constant Premium)</b>		41.4%	32.4%	62.6%	27.3%	40.6%	<b>40.8%</b>
<b>Number of Open Claims</b>		10	15	20	15	16	<b>76</b>

# Supplemental Life Insurance (Employee and Dependent)

- Supplemental life insurance is 100% member paid.
- Benefit options range from \$10,000 to \$300,000.
- A 15% premium reduction for all rates at right, except for child life, was activated for the 2020-2022 renewal period, versus 2017-2019 period rates (child life rates did not change into 2020).
- Current supplemental life plan enrollment:
  - Employees: 1,059
  - Adult dependents: 649
  - Children: 142

Age Band	2020 Current Premium <sup>[1]</sup>		2021 – 2022 Renewal Premium <sup>[1]</sup>	
	Non-Smoker	Smoker	Non-Smoker	Smoker
<25	\$0.034	\$0.050	\$0.034	\$0.050
25-29	\$0.043	\$0.060	\$0.043	\$0.060
30-34	\$0.060	\$0.077	\$0.060	\$0.077
35-39	\$0.068	\$0.085	\$0.068	\$0.085
40-44	\$0.085	\$0.100	\$0.085	\$0.100
45-49	\$0.128	\$0.136	\$0.128	\$0.136
50-54	\$0.196	\$0.213	\$0.196	\$0.213
55-59	\$0.366	\$0.400	\$0.366	\$0.400
60-64	\$0.561	\$0.612	\$0.561	\$0.612
65-69	\$1.080	\$1.173	\$1.080	\$1.173
70+	\$1.751	\$1.904	\$1.751	\$1.904
Child Life	\$0.150	\$0.150	\$0.150	\$0.150

[1] Monthly premium per \$1,000 of coverage

# Supplemental Life Insurance (Employee)

## Recent Supplemental Employee Life Insurance Plan Experience, 2015-2019

- Favorable loss ratios continue through the 2019 plan year—noting premiums below reflect rates before the 15% rate reduction for the 2020 plan year.

All claims reported as of 12/31/2019 on an accident year basis.

PERIODS						
From	01/01/2015	01/01/2016	01/01/2017	01/01/2018	01/01/2019	TOTAL
Through	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	
Constant Premium	\$ 124,778	\$ 121,911	\$ 418,611	\$ 628,849	\$ 662,805	\$ 1,956,954
Total Paid Claims	\$ -	\$ -	\$ 150,044	\$ 100,019	\$ 100,128	\$ 350,191
PW Reserves	\$ 17,500	\$ -	\$ -	\$ 35,000	\$ 35,000	\$ 87,500
Total Incurred Claims	\$ 17,500	\$ -	\$ 150,044	\$ 156,817	\$ 222,323	\$ 546,684
Incurred Loss Ratio	14%	0%	36%	25%	34%	28%
Number of PW	1	0	0	1	1	3
Number of Claims	0	0	2	1	1	4
Lives	324	316	1,030	2,275	1,491	5,436

NOTE: PW = “Premium Waiver”, a benefit that waives life insurance premium for those on LTD

# Supplemental Life Insurance (Dependent)

## Recent Supplemental Dependent Life Insurance Plan Experience, 2017-2019

- Favorable loss ratios continue through the 2019 plan year—noting premiums below reflect rates before the 15% rate reduction for the 2020 plan year.

All claims reported as of 12/31/2019 on an accident year basis.

PERIODS						
From			01/01/2017	01/01/2018	01/01/2019	TOTAL
Through			12/31/2017	12/31/2018	12/31/2019	
Constant Premium			\$ 83,428	\$ 133,765	\$ 138,926	\$ 356,119
Total Paid Claims			\$ 50,017	\$ 10,002	\$ -	\$ 60,019
PW Reserves			\$ -	\$ -	\$ -	\$ -
Total Incurred Claims			\$ 50,017	\$ 14,161	\$ 16,633	\$ 80,811
Incurred Loss Ratio			60%	11%	12%	23%
Number of PW			0	0	0	0
Number of Claims			1	1	0	2
Lives			677	1,409	1,171	3,257

NOTE: PW = “Premium Waiver”, a benefit that waives life insurance premium for those on LTD

# Supplemental AD&D Insurance

- Supplemental Accidental Death & Dismemberment (AD&D) insurance is 100% member paid.
- Monthly supplemental AD&D insurance premium rates are illustrated at right—these did not change from the 2017-2019 period to the 2020-2022 period.

Covered Members	2020 Current Premium <sup>[1]</sup>	2021– 2022 Renewal Premium <sup>[1]</sup>
Employee Only	\$0.020	\$0.020
Spouse Only	\$0.020	\$0.020
Employee and Family	\$0.025	\$0.025

*[1] Monthly premium per \$1,000 of coverage*

# Supplemental AD&D Insurance

## Recent Supplemental AD&D Plan Experience, 2017-2019

- Favorable loss ratios continue through the 2019 plan year.

All claims reported as of 12/31/2019 on an accident year basis.

PERIODS				
From	01/01/2017	01/01/2018	01/01/2019	TOTAL
Through	12/31/2017	12/31/2018	12/31/2019	
Constant Premium	\$ 53,974	\$ 78,599	\$ 88,985	\$ 221,558
Total Paid Claims	\$ -	\$ -	\$ -	\$ -
PW Reserves	\$ -	\$ -	\$ -	\$ -
Total Incurred Claims	\$ -	\$ 4,815	\$ 19,261	\$ 24,076
Incurred Loss Ratio	0%	6%	22%	11%
Number of PW	0	0	0	0
Number of Claims	0	0	0	0
Lives	1,803	2,987	2,214	7,004

NOTE: PW = "Premium Waiver", a benefit that waives AD&D insurance premium for those on LTD



# Overall Renewal Summary— Expected Aggregate 2021 Premiums

- Based on projected 2021 insurance volumes, the table below illustrates the aggregate estimated premiums in 2021 under both current rates and proposed 2021-2022 rates—where the only change from 2020 to 2021 is the reduction in basic life insurance rate.
- This comes after an overall 12% rate reduction across all insurance lines below (or approximately \$1,170,000) from new three-year renewal period rating actions into 2020.

	Under Current 2020 Rates	Under Proposed 2021 Rates	% Change from Current	Annual Savings from Current
<b>EMPLOYER-PAID PLANS</b>				
Basic Employee Life	\$1,708,000	\$1,573,000	-7.9%	\$135,000
Long Term Disability	<u>\$6,462,000</u>	<u>\$6,462,000</u>	No Change	No Change
Total—Employer Paid Plans	\$8,170,000	\$8,035,000	-1.7%	\$135,000
<b>MEMBER-PAID PLANS</b>				
Supplemental Employee Life	\$592,000	\$592,000	No Change	No Change
Supplemental Dependent Life	\$128,000	\$128,000	No Change	No Change
Supplemental AD&D	<u>\$93,000</u>	<u>\$93,000</u>	No Change	No Change
Total—Member Paid Plans	\$813,000	\$813,000	No Change	No Change
<b>OVERALL TOTAL PREMIUMS</b>	<b>\$8,983,000</b>	<b>\$8,848,000</b>	<b>-1.5%</b>	<b>\$135,000</b>

## Recommendation for HSB Action

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- The HSB is asked to approve the basic life insurance, long-term disability insurance, and supplemental life and AD&D insurance rates as displayed in this presentation for the 2021 plan year—with these 2021 rates also holding for the 2022 plan year, through the end of the current rating agreement with The Hartford on December 31, 2022.
- The specific actions requested for HSB approval today are:
  - Approve the updated Basic Life Insurance rate of \$0.105 per month per \$1,000 insurance for the 2021 plan year; and
  - Approve the continuation of current insurance rates into the 2021 plan year for LTD Insurance, Supplemental Employee/Dependent Life Insurance, and Supplemental AD&D Insurance plans, as displayed in this presentation for these plans.

**NOTE:** All premiums displayed in this presentation are net of commissions (e.g., there are no commissions included in the SFHSS insurance rates shown in this presentation).

# Appendix—The Hartford Life Essentials Value Added Services

## Appendix—The Hartford Life Essentials

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- The Hartford Life Essentials are a suite of value-added services to the member covered by an insurance program through The Hartford.
- The suite of services includes:
  - The Hartford Life Essentials Funeral Concierge
  - The Hartford Life Essentials EstateGuidance®
  - The Hartford Life Essentials Travel Assistance & ID Theft Protection Service
  - The Hartford Life Essentials Beneficiary Assist® (Help for Those Coping With a Loss)
  - Ability Assist® Counseling Services With HealthChampion<sup>SM</sup> Counseling Support
- Information on these programs is contained in the Group Life Insurance summary overview flyer found within the Your Benefit Plans menu on the SFHSS.org website.