

San Francisco Health Service System Health Service Board

Rates & Benefits

The Hartford Fully Insured 2022 Rates and Contributions
(Life Insurance, Accidental Death & Dismemberment, and Long-Term
Disability Plans)

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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) premium rates included in this presentation for the 2022 plan year.
- Insurance rates for the 2022 plan year from The Hartford Life and Accident Insurance Company (The Hartford) will remain the same as 2021 plan year insurance rates, given 2022 represents the third year of a three-year rate agreement that commenced on January 1, 2020.

Introduction

- 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 (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 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 upon their acquisition of Aetna’s group life and disability in late 2017.
- A new three-year rate guarantee period was entered into 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 which were projected to save employees \$119,000 annually and the employers \$1,051,000 annually:

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
Overall—All Coverages		-12.0%

Introduction—Prior Renewal Background

- For the 2021 renewal, The Hartford agreed to reduce the basic life insurance rate from the 2020 level—to apply for plan years 2021 and 2022—given emerging more favorable experience at this time last year for the basic life insurance plan.
 - This basic life insurance rate reduction was approved by the HSB at the May 14, 2020 meeting, generating expected annual employer savings of \$135,000.

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
Overall—All Coverages		-1.5%

Introduction—The Hartford 2022 Plan Year Renewal

- Today's presentation focuses on the 2022 plan year renewal with The Hartford, along with review of recent plan experience across all insurances held by SFHSS with The Hartford.
 - **Current 2021 plan year insurance rates will maintain for the 2022 plan year**—the third year of a three-year rate guarantee period covering 2020 through 2022.
 - Proposed rates for the 2022 plan year are shown by line of coverage.
 - 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 and May 14, 2020 HSB meetings.

Employer-Paid Coverage—Basic Life Insurance

- Basic life insurance is 100% employer paid, with four benefit amounts available as of January 1, 2022 based on eligibility (\$50,000; \$100,000; \$125,000; \$150,000).
 - Details on basic life insurance amounts for employees can be found at this weblink to the SFHSS webpage: <https://sfhss.org/group-life-insurance#tab-4141>
- Most employees have the \$50,000 coverage level—enrolled employees as of February 2021:

Basic Life Coverage	Enrolled Employees
\$50,000	21,305
\$100,000	1,350
\$125,000	79
\$150,000	434
Total	23,168

Employer-Paid Coverage—Basic Life Insurance

- 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 to 2020 plan years have significantly improved.

All claims reported as of 12/31/2020 on an accident year basis.

PERIODS						
From	01/01/2016	01/01/2017	01/01/2018	01/01/2019	01/01/2020	TOTAL
Through	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	
Constant Premium	\$ 1,337,510	\$ 1,466,333	\$ 1,515,385	\$ 1,584,686	\$ 1,681,379	\$ 7,585,293
Total Paid Claims	\$ 932,932	\$ 1,132,605	\$ 650,875	\$ 746,034	\$ 400,432	\$ 3,862,878
PW Reserves	\$ 105,000	\$ 105,000	\$ 70,000	\$ 262,500	\$ 140,000	\$ 682,500
Total Incurred Claims	\$ 1,037,932	\$ 1,237,605	\$ 720,875	\$ 1,049,516	\$ 704,361	\$ 4,750,289
Incurred Loss Ratio	78%	84%	48%	66%	42%	63%

Employer-Paid Coverage—Long-Term Disability Insurance

- Favorable loss ratios continue into 2020 for the LTD plan—50% average over the five-year period 2016 to 2020.

	PERIODS						TOTAL
	From	01/01/2016	01/01/2017	01/01/2018	01/01/2019	01/01/2020	
	Through	12/31/2016	12/31/2017	12/31/2018	12/31/2019	09/30/2020	
Billed Premium (BP)		\$7,425,870	\$7,287,284	\$7,561,341	\$7,832,489	\$4,865,428	\$34,972,412
Constant Premium (CP)		\$5,515,235	\$5,829,827	\$6,049,073	\$6,265,991	\$4,865,428	\$28,525,554
Total Paid Claims		\$1,508,680	\$1,903,508	\$1,059,983	\$766,524	\$58,164	\$5,296,858
Claim Reserve		\$671,726	\$2,181,683	\$1,966,275	\$3,415,289	\$1,635,835	\$9,870,808
Incurred Claims		\$2,180,406	\$4,085,191	\$3,026,258	\$4,181,813	\$1,693,999	\$15,167,667
Time Value Adjustment		(\$163,292)	(\$316,108)	(\$184,787)	(\$167,889)	(\$24,861)	(\$856,937)
Net Incurred Claims		\$2,017,114	\$3,769,083	\$2,841,471	\$4,013,924	\$1,669,138	\$14,310,730
Net Loss Ratio (Billed Premium)		27.2%	51.7%	37.6%	51.2%	34.3%	40.9%
Adjusted Net Incurred Claims		\$2,017,114	\$3,769,083	\$2,841,471	\$4,013,924	\$1,669,138	\$14,310,730
Net Loss Ratio (Constant Premium)		36.6%	64.7%	47.0%	64.1%	34.3%	50.2%
Number of Open Claims		12	14	14	30	10	80

The Hartford Financial Renewal—Employer-Paid Coverages

Basic Life Insurance Rates (Monthly Rates Per \$1,000 Coverage)		
	2020 Plan Year Rate	2021-2022 Plan Years Rate
Basic Life Insurance	\$0.114	\$0.105

Group Long Term Disability Rates (Rates Per \$100 of Coverage)		
Plan of Coverage	January 2021 Covered Employees	2020-2022 Plan Years Rate
60% up to \$5,000 monthly maximum; 180-day elimination period	18,075	\$0.290
66.6667% up to \$7,500 monthly maximum; 90-day elimination period	6,776	\$0.262

Member-Paid Coverage— Employee Supplemental Life Insurance

Recent Supplemental Employee Life Insurance Plan Experience, 2016-2020

- Favorable loss ratios continue through the 2020 plan year.
- 1,472 employees are enrolled in Employee Supplemental Life as of January 2021.

All claims reported as of 12/31/2020 on an accident year basis.

PERIODS							TOTAL
From	01/01/2016	01/01/2017	01/01/2018	01/01/2019	01/01/2020		
Through	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020		
Constant Premium	\$ 98,828	\$ 339,360	\$ 509,794	\$ 536,114	\$ 664,643	\$ 2,148,739	
Total Paid Claims	\$ -	\$ 150,044	\$ 100,019	\$ 175,128	\$ -	\$ 425,191	
PW Reserves	\$ -	\$ -	\$ -	\$ 63,000	\$ 175,000	\$ 238,000	
Total Incurred Claims	\$ -	\$ 150,044	\$ 100,019	\$ 259,118	\$ 258,961	\$ 768,142	
Incurred Loss Ratio	0%	44%	20%	48%	39%	36%	

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

Member-Paid Coverage— Dependent Supplemental Life Insurance

Recent Supplemental Dependent Life Insurance Plan Experience, 2017-2020

- Favorable loss ratios continue through 2020, though the loss ratio did elevate in 2020.
- 725 adult dependents and 489 children are enrolled in Dependent Supplemental Life as of January 2021.

All claims reported as of 12/31/2020 on an accident year basis.

PERIODS						
From		01/01/2017	01/01/2018	01/01/2019	01/01/2020	TOTAL
Through		12/31/2017	12/31/2018	12/31/2019	12/31/2020	
Constant Premium		\$ 82,416	\$ 132,139	\$ 138,954	\$ 151,112	\$ 504,621
Total Paid Claims		\$ 50,017	\$ 10,002	\$ -	\$ 100,131	\$ 160,150
PW Reserves		\$ -	\$ -	\$ -	\$ -	\$ -
Total Incurred Claims		\$ 50,017	\$ 10,002	\$ 4,434	\$ 117,865	\$ 182,318
Incurred Loss Ratio		61%	8%	3%	78%	36%

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

Member-Paid Coverage—Supplemental AD&D Insurance

Recent Supplemental AD&D Plan Experience, 2017-2020

- Favorable loss ratios continue through the 2020 plan year.
- 1,472 employees and 725 adult dependents are enrolled in Supplemental AD&D as of January 2021.

All claims reported as of 12/31/2020 on an accident year basis.

PERIODS					
From	01/01/2017	01/01/2018	01/01/2019	01/01/2020	TOTAL
Through	12/31/2017	12/31/2018	12/31/2019	12/31/2020	
Constant Premium	\$ 53,975	\$ 78,599	\$ 85,888	\$ 98,781	\$ 317,244
Total Incurred Claims	\$ -	\$ -	\$ 4,243	\$ 16,973	\$ 21,217
Incurred Loss Ratio	0%	0%	5%	17%	7%

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

The Hartford Financial Renewal—Member-Paid Coverages

Supplemental Employee and Dependent Life—Member Paid		
Age Rated – Monthly Rates Per \$1,000 of Coverage	1/1/2020–12/31/2022	
	Non-Smoker	Smoker
<25	\$0.034	\$0.050
25-29	\$0.043	\$0.060
30-34	\$0.060	\$0.077
35-39	\$0.068	\$0.085
40-44	\$0.085	\$0.100
45-49	\$0.128	\$0.136
50-54	\$0.196	\$0.213
55-59	\$0.366	\$0.400
60-64	\$0.561	\$0.612
65-69	\$1.080	\$1.173
70+	\$1.751	\$1.904

Supplemental Child Life—Member Paid	
Monthly Rates Per \$1,000 of Coverage	1/1/2020–12/31/2022
Child(ren)	\$0.150

Supplemental AD&D—Member Paid	
Monthly Rates Per \$1,000 of Coverage	1/1/2020–12/31/2022
Employee Only	\$0.020
Spouse Only	\$0.020
Employee & Family	\$0.035

Overall Renewal Summary— Expected Aggregate 2022 Premiums

- Based on January 2021 insurance volumes, the table below illustrates the aggregate estimated premiums in 2022.

EMPLOYER-PAID PLANS	
Basic Employee Life	\$1,385,000
Long Term Disability	<u>\$6,425,000</u>
Total—Employer Paid Plans	\$7,810,000
MEMBER-PAID PLANS	
Supplemental Employee Life	\$532,000
Supplemental Dependent Life	\$161,000
Supplemental AD&D	<u>\$83,000</u>
Total—Member Paid Plans	\$776,000
OVERALL TOTAL PREMIUMS	\$8,586,000

Recommendation for HSB Action

- 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 2022 plan year.
- 2022 insurance rates reflect the third year of a three-year agreement that commenced on January 1, 2020.

Appendix—The Hartford Life Essentials Value Added Services

Appendix—The Hartford Life Essentials

- 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 HealthChampionSM 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.