



# **CITY OF CLEARWATER**

Renewal Analysis for Policy # 97477

## **Life Account Summary**

Thank you for choosing Unum as the insurance provider for your employee benefits. CITY OF CLEARWATER has been a Unum customer since January 01, 2012, utilizing Gehring Group as its brokerage contact. Unum understands that a strong employee benefits program helps you recruit and retain valuable employees. Our commitment is to provide you with options that meet the benefit needs of your diverse workforce, enhance productivity and minimize the cost of employee absence. Enclosed is a full summary of the performance of your benefit plan and the renewal offer for 2018.

## Case Rate Calculation

	<b>Base 08/01/2012 to 08/01/2017</b>	<b>Buy-up 08/01/2012 To 08/01/2017</b>	<b>Retiree 08/01/2012 to 08/01/2017</b>
<b>Paid Premium</b>	\$894,334	\$303,422	\$87,635
<b>Paid Claims</b>	\$965,859	\$281,750	\$94,036
<b>IBNR Res. Change</b>	\$48,339	\$11,713	\$2,232
<b>Pending Claims</b>	\$86,500	\$100,000	\$0
<b>Waiver Reserves</b>	\$105	\$0	\$0
<b>Conversion Charges</b>	\$6,064	\$2,057	\$594
<b>Incurred Claims</b>	\$1,106,867	\$395,520	\$96,862
<b>Pooling Charge</b>	\$0	\$823	\$0
<b>Pooled Claims</b>	\$0	\$0	\$0
<b>Non-Pooled Incurred Claims</b>	\$1,106,867	\$396,343	\$96,862
<b>Constant Premium</b>	\$1,144,739	\$303,422	\$87,635
<b>Incurred Loss Ratio %</b>	96.7%	130.6%	110.5%
<b>Tolerable Loss Ratio %</b>	67.8%	67.8%	67.8%
<b>Adjustment Factor</b>	1.426	1.926	1.630
<b>Inforce Rate</b>	0.320	0.409	2.320
<b>Experience Rate</b>	0.456	0.787	3.782
<b>Credibility %</b>	67.3%	25.1%	100.0%
<b>Manual Rate</b>	0.308	0.309	3.976
<b>Case Rate</b>	0.408	0.429	3.782

## Life Renewal Actions

Your Life renewal rates are presented below and are reflective of your current plan design, demographics and claims experience.

### Renewal Actions – Employee Life

Rate Grouping	Rate Basis	Bills Per Year	Rate Type	Inforce Rate	Renewal Rate	Percent Change
Actives	1000 Vol	12	Composite	0.32	0.335	4.7 %

Rate Grouping	Rate Basis	Bills Per Year	Rate Type	Inforce Rate	Renewal Rate	Percent Change
Retirees	1000 Vol	12	Composite	2.32	3.78	63.0 %

Rate Grouping	Rate Basis	Bills Per Year	Age Band	Inforce Rate	Renewal Rate	Percent Change
Voluntary Life	1000 Vol	12	< 35	0.05	0.065	29.5 %
Voluntary Life	1000 Vol	12	35-39	0.08	0.104	29.5 %
Voluntary Life	1000 Vol	12	40-44	0.13	0.168	29.5 %
Voluntary Life	1000 Vol	12	45-49	0.23	0.298	29.5 %
Voluntary Life	1000 Vol	12	50-54	0.38	0.492	29.5 %
Voluntary Life	1000 Vol	12	55-59	0.59	0.764	29.5 %
Voluntary Life	1000 Vol	12	60-64	0.92	1.191	29.5 %
Voluntary Life	1000 Vol	12	65-69	1.64	2.124	29.5 %
Voluntary Life	1000 Vol	12	70 +	2.94	3.807	29.5 %

These renewal rates will be guaranteed from January 01, 2018 through January 01, 2021 and assume removal of EAP services.

When designing and purchasing an insured employee benefit plan, we believe an employer should have maximum flexibility regarding how employer and employee premium contributions are allocated among the benefit coverages being purchased. When the employer's plan is subject to ERISA (the Employee Retirement Income Security Act of 1974) the employer must make these purchasing decisions in a careful and thoughtful manner. In developing our premium rates, we have recommended an allocation that could be different from how you allocate employer and employee contributions under your current plan. If there is a change, Unum can assist you in modifying policy language to reflect the different allocation. Please let us know if you would like more information about our rates or the proposed premium allocation for each option quoted.

## **In Closing**

### **We Value Our Partnership**

Thank you for allowing Unum to provide employee benefits to you and your employees. We value the relationship we have with your company and look forward to working with you in the years to come. If you have questions about this analysis or would like additional information on any of the products or services mentioned, please contact your broker or Unum representative.

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## Glossary of Terms

The following glossary provides detailed explanations of the elements that may be involved in establishing rates for your insurance coverages.

**Case rate** - the target rate, calculated by comparing the rate that would have produced premiums to cover expenses and incurred claims within the review period (experience rate), and the average rate for a case with the same characteristics as your employee population and insurance plan (manual rate).

**Constant premium** - the premium that would have been paid if the current rate and plan design had been in force throughout the review period.

**Conversion charges** - the amount required to cover the risk associated with converting group life coverage to an individual policy when an employee terminates or retires.

**Credibility** - the weight put on the past experience of the group in determining a case rate. Credibility is impacted by the number of lives covered, the frequency of claims, plan design and demographics.

**Experience adjustment** - applied to the in force rate to arrive at the experience rate. Calculated by dividing the incurred loss ratio (incurred claims divided by constant premiums) by the tolerable loss ratio (the incurred loss ratio required to cover incurred claims and the cost of doing business).

**Experience (or review) period** - the time period used in the experience evaluation, usually five years for life insurance, one or two years for short term disability, and three years for long term disability.

**Experience rate** - the rate that would have produced premiums adequate to cover incurred claims and pay expenses within the review period.

**IBNR (incurred but not reported) period** - for LTD, the period of time equal to the elimination period, plus one month during which new claim liability is unknown.

**IBNR reserve change** - reserve funds held by Unum as an estimate of claims incurred during a specific period but not yet reported to our benefits organization.

**Incurred claims** - for LTD and STD, the paid claims plus the claims reserves; for life, the paid claims, reserves, and conversion charges.

**Incurred loss ratio (ILR)** - the incurred claims (non-pooled incurred claims, for life insurance) divided by the constant premium, expressed as a percentage.

**Inforce rate** - the current rate being charged for the cost of coverage.

**Manual rate** - a target rate for your plan based on your employee demographics, industry group and insurance plan design, supported by Unum data. The manual rate does not take into account your actual claims experience.

**Non-pooled incurred claims** - incurred claims plus the pooling charge, minus any pooled claims.

**Paid claims** - the total amount paid on claims submitted during the review period.

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**Paid loss ratio** - paid claims divided by the paid premium, expressed as a percentage.

**Paid premium** - the total amount paid as insurance premium for the review period.

**Pending claims** - claims received, but not yet paid.

**Pooled claims** - total of paid claims, pending claims and pro-rated waiver reserves above the pooling level.

**Pooling charge** - the charge for removing claims above a certain amount (pooling level) from the case experience. The pooling process spreads the risk of these claim amounts over all cases, resulting in the pooling charge.

**Reserves** - funds to cover claims both approved but not yet paid, incurred but not reported (IBNR), and run-out claims.

**Tolerable loss ratio** - the target loss ratio required to cover incurred claims and the cost of doing business. For example, a tolerable loss ratio of 70% means that 70 cents of every premium dollar can be allocated to cover incurred claims, and the remaining 30 cents covers the cost of doing business.

**Waiver reserves** - funds to pay for estimated future liability for disabled employees who have been approved for life insurance waiver of premium.

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