



March 23, 2023

**Re: CITY OF KINGSPORT  
Renewal - July 1, 2023**

Dear **XX**,

I am pleased to present MetLife's annual renewal package for **CITY OF KINGSPORT**.

The package contains important information about the financial status of the plan. Included is a Technical Overview, containing the renewal rate adjustments, renewal analysis, underwriting assumptions, and supporting exhibits.

After you have reviewed this information, I would be happy to provide more specifics on any of the material covered in this package.

All of us at MetLife appreciate your business, and we place a high value on the mutual success of our relationship.

Thank you for your trust in MetLife. I look forward to working with you in the coming year.

Sincerely,

Anthony Guarcello  
Account Executive

**Request to Notify Alaska Residents of Impending Coverage and/or Premium Changes**

Under Alaska Statute 21.36.225, covered individuals residing in Alaska must be notified of impending coverage and/or premium changes, as applicable. If you have employees residing in Alaska who are covered under MetLife's Disability, Dental, Vision or Accidental Death and Dismemberment policies, we ask that you provide them with written notice at least 45 days in advance of the effective date of the renewal, notifying them that coverage and/or premiums may change. Once renewal details are finalized, a second notice must be provided setting forth the details of the coverage or premium change. If you would like wording for these notices, please contact your MetLife service team.



## U.S. Business Intermediary and Producer Compensation Notice

Metropolitan Life Insurance Company, Metropolitan Tower Life Insurance Company, and Metropolitan General Insurance Company (collectively herein called "MetLife"), enters into arrangements concerning the sale, servicing and/or renewal of MetLife group insurance and certain other group-related products ("*Products*") with brokers, agents, consultants, third party administrators, general agents, associations, and other parties that may participate in the sale, servicing and/or renewal of such products (*each an "Intermediary"*). MetLife may pay your Intermediary compensation, which may include, among other things, base compensation, supplemental compensation and/or a service fee. MetLife may pay compensation for the sale, servicing and/or renewal of products, or remit compensation to an Intermediary on your behalf. Your Intermediary may also be owned by, controlled by or affiliated with another person or party, which may also be an Intermediary and who may also perform marketing and/or administration services in connection with your products and be paid compensation by MetLife.

Base compensation, which may vary from case to case and may change if you renew your products with MetLife, may be payable to your Intermediary as a percentage of premium or a fixed dollar amount. MetLife may also pay your Intermediary compensation that is based upon your Intermediary placing and/or retaining a certain volume of business (*number of products sold or dollar value of premium*) with MetLife. In addition, supplemental compensation may be payable to your Intermediary for eligible Products. Under MetLife's current supplemental compensation plan (SCP), the amount payable as supplemental compensation may range from 0% to 8% of premium. The supplemental compensation percentage may be based on one or more of: (1) the number of products sold through your Intermediary during a one-year period, or other defined period; (2) the amount of premium or fees with respect to products sold through your Intermediary during a one-year period; (3) the persistency percentage of products inforce through your Intermediary during a one-year period; (4) the block growth of the products inforce through your Intermediary during a one-year period; (5) premium growth during a one-year period; or (6) a flat amount, fixed percentage or sliding scale of the premium for products as set by MetLife. The supplemental compensation percentage will be set by MetLife based on the achievement of the outlined qualification criteria and it may not be changed until the following SCP plan year. As such, the supplemental compensation percentage may vary from year to year, but will not exceed 8% under the current supplemental compensation plan.

The cost of supplemental compensation is not directly charged to the price of our products except as an allocation of overhead expense, which is applied to all eligible group insurance products, whether or not supplemental compensation is paid in relation to a particular sale or renewal. As a result, your rates will not differ by whether or not your Intermediary receives supplemental compensation. If your Intermediary collects the premium from you in relation to your products, your Intermediary may earn a return on such amounts. Additionally, MetLife may have a variety of other relationships with your Intermediary or its affiliates, or with other parties, that involve the payment of compensation and benefits that may or may not be related to your relationship with MetLife (*e.g., insurance and employee benefits exchanges, enrollment firms and platforms, sales contests, consulting agreements, participation in an insurer panel, or reinsurance arrangements*).

More information about the eligibility criteria, limitations, payment calculations and other terms and conditions under MetLife's base compensation and supplemental compensation plans can be found on MetLife's Website at [www.metlife.com/business-and-brokers/broker-resources/broker-compensation](http://www.metlife.com/business-and-brokers/broker-resources/broker-compensation). Questions regarding Intermediary compensation can be directed to [ask4met@metlifeservice.com](mailto:ask4met@metlifeservice.com), or if you would like to speak to someone about Intermediary compensation, please call (800) ASK 4MET. In addition to the compensation paid to an Intermediary, MetLife may also pay compensation to your representative. Compensation paid to your representative is for participating in the sale, servicing, and/or renewal of products, and the compensation paid may vary based on a number of factors including the type of product(s) and volume of business sold. If you are the person or entity to be charged under an insurance policy or annuity contract, you may request additional information about the compensation your representative expects to receive as a result of the sale or concerning compensation for any alternative quotes presented, by contacting your representative or calling (866) 796-1800.

## Non-U.S. Coverage

When providing you with information concerning an eligible group insurance policy issued or proposed to your affiliate or subsidiary outside the United States by a MetLife affiliate or by other locally licensed insurers that are members of the MAXIS Global Benefits Network (MAXIS GBN), New York insurance law requires the person providing the information to be licensed as an insurance broker. In this capacity, the information provided to you will only be on behalf of such insurers and not on behalf of MetLife or any other insurer that is not a member of MAXIS GBN. Please note that while MetLife is a member of MAXIS GBN and is licensed to transact insurance business in New York, the other MAXIS GBN member insurers are not licensed or authorized to do business in New York. The group insurance policies they issue are for coverage outside the United States and are governed by the laws of the country they were issued in. These policies have not been approved by the New York Superintendent of Financial Services, are not subject to all of the laws of New York, and are not protected by the New York State Guaranty Fund.

July 1, 2023  
**Renewal Package**

for

**CITY OF KINGSPORT**

provided by



**MetLife Representative**

**Anthony Guarcello**

**X**  
**X**

**Phone Number -**  
**Fax Number -**

**This renewal is for plan year, July 1, 2023 to June 30, 2025.**

The information included in this renewal is proprietary to Metropolitan Life Insurance Company. It is intended for use only by CITY OF KINGSPORT and may not be shared with any other party without the written permission of Metropolitan Life Insurance Company.

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# TECHNICAL OVERVIEW

## RENEWAL RATE ADJUSTMENTS

Coverage	Current Rate	Renewal Rate	Change in Rate +/- %
<b>Long Term Disability</b> <i>Rates guaranteed through 6/30/2025</i>	<b>\$0.380</b>	<b>\$0.456</b>	<b>+20.00%</b>

# **LONG TERM DISABILITY**

## **RENEWAL ANALYSIS**

MetLife reviews past claims experience in an effort to predict future claims activity. This review serves as the basis for the experience rate portion of our analysis and is the focus of the discussion and exhibits that follow.

Long Term Disability (LTD) rates are based upon an analysis of incurred claims, adjusted premium, expected loss ratio and an experience credibility factor. In calculating your renewal rates for the upcoming policy year, we used the following process:

- Incurred claims for the experience period were calculated. Incurred claims represent paid claims, plus reserves, less investment credit.
- Incurred claims were then divided by the adjusted premium for the same experience period and then adjusted for trend.
- The resulting incurred loss ratio was compared to MetLife's tolerable (expected) loss ratio for groups of like size.

In determining the manual rate portion of our analysis, we have evaluated your group's demographics, plan design and certain economic factors relating to your nature of business and geographic location.

Although an important portion of our analysis, a group's past claims experience is not the only factor used in determining appropriate rate levels. Instead, the rate level developed from our analysis of past experience is combined with a manual rate based on your demographics and plan design. The degree to which these rates are blended is based on the level of credibility of your claims experience.

## **UNDERWRITING ASSUMPTIONS**

- The LTD renewal rates are guaranteed from July 1, 2023 to June 30, 2025.
- These rates may be changed any time the current plan or contribution structure is modified.
- MetLife reserves the right to retroactively adjust rates from the effective date of any plan change.
- The rates assume that there is no change in the Sources of Other Income Benefits, including Workers' Compensation and state disability law, by which MetLife's benefits are reduced.

## **SUPPORTING EXHIBITS**

Please refer to the Exhibit Section of this renewal for all supporting Exhibits.

LTD Exhibit 1 - Paid and Incurred Study

LTD Exhibit 2 - Open Claims

LTD Exhibit 3 - Key to Disability Codes

## LTD EXHIBIT 1

### PAID AND INCURRED STUDY

This exhibit has two primary objectives:

- To place every disability into the year in which it occurs;
- To generate the incurred loss ratio for each year.

Unlike medical insurance, the liability under an LTD policy may fluctuate a great deal depending on a variety of factors such as the initial eligibility for coverage, increased employee awareness of coverage, technological advances in an industry or occupation, and economic factors such as downsizing and mergers. By placing all liability attached to a claim in the time period during which it occurs, we may be able to discern the reason for, and if possible, the necessary correction of, such issues.

The Paid and Incurred Study consists of a number of elements. Those of most importance in the development of the experience rate are listed and defined below:

- Total Paid Claims
- Case Reserves
- IBNR (Incurred But Not Reported) Reserves
- Investment Credit
- Incurred Claims
- Paid Premium
- Adjusted Premium
- Incurred Loss Ratio (ILR)
- Tolerable Expected Loss Ratio

**Total Paid Claims:** The total for claims actually paid for and attributable to specific individual.

**Case Reserves:** These reserves represent the majority of an LTD insurer's liability, and reflect what the insurer believes is necessary to cover the anticipated payments for the open and pending claims.

Pended claim reserves are set aside for claims incurred but still pending beyond the Incurred But Not Reported (IBNR) period. The reserves for pending claims have been estimated at 41880 and are based on MetLife's average open claim reserve and the probability of claim approval.

For open claims, the reserve is estimated for each claim based upon the date of disability, the age at disability, the gender of the claimant and the total remaining time of disability. These factors are then modified by:

- Morbidity: the likelihood of recovery
- Mortality: the likelihood of death
- Interest on future liability: currently credited at 4.50%

The modification results in a reserve factor per \$100 of benefit which is used to calculate the actual open claim reserve.

**Incurred But Not Reported (IBNR) Claims Reserves:** Incurred but not reported (IBNR) reserves reflect the anticipated liability for claims that may already exist but have not fulfilled the elimination period or have not yet been submitted for consideration. While the bulk of this liability falls in the elimination period, the actual reporting lag causes some of the reserve to be placed in the prior reporting period.

**Investment Credit (Time Value Of Money):** Just as we adjust premium for changes in rate levels due to experience, we also adjust the paid claims and reserves. The investment credit (or time value of money adjustment) pushes the value of MetLife's liability back into the year incurred. This adjustment yields the present value, in the incurred year, of the future liability.

**Incurred Claims:** The sum of the total paid claims, the case reserves, IBNR reserves outside of the IBNR period, less the investment credit for a stated period of time.

**Paid Premium:** The premium actually paid for the stated period of time.

**Adjusted Premium:** Paid premium, as defined above, adjusted to the current rate level. The adjustment to premium accounts for all past rate changes during the stated period, except those resulting from plan revisions.

**Incurred Loss Ratio:** This is the ratio of incurred claims to adjusted paid premium, and is indicative of the percentage of premium needed to pay the claims during the stated period of time.

**Tolerable Expected Loss Ratio:** This represents the insurer's break-even point taking into consideration retention charges.

# LONG TERM DISABILITY EXHIBIT 1 – All EEs

## PAID AND INCURRED STUDY

**MetLife Disability Paid & Incurred Exhibit**  
**CITY OF KINGSPORT**  
**Group Number # 0153751**  
**Renewal Date July 1, 2023**  
**Long Term Disability Paid & Incurred Exhibit**  
as of 2/28/2023

Average Lives	1,280	1,279	1,242	1,222	1,215	4,718
					<b>Claim Lag Period*</b>	<b>TOTAL (w/o Claim Lag Period)</b>
Experience from	1/1/2019	1/1/2020	1/1/2021	1/1/2022	10/1/2022	1/1/2019
to	1/1/2020	1/1/2021	1/1/2022	10/1/2022	3/1/2023	10/1/2022
Months in period	12	12	12	9	5	45
Total Paid	\$91,554	\$123,197	\$173,126	\$19,476	\$0	\$407,353
Case Reserve	\$44,516	\$172,677	\$356,675	\$82,950	\$0	\$656,819
Elimination Period					4	MONTHS
IBNR	\$0	\$0	\$0	\$19,403	\$78,501	\$19,403
Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
Investment Credit	(\$12,117)	(\$21,689)	(\$24,329)	(\$3,006)	(\$731)	(\$61,141)
Incurred Claims	\$123,953	\$274,185	\$505,472	\$118,824	\$77,770	\$1,022,434
Premium(Paid)	\$211,104	\$212,647	\$211,552	\$170,850	\$97,978	\$806,153
Adjustment to Premium	1.0497	1.0497	1.0243	1.0000	1.0000	
Premium (Adjusted)	\$221,601	\$223,221	\$216,684	\$170,850	\$97,978	\$832,356
I.L.R. Weighted	55.9%	122.8%	233.3%	69.5%		116.5%
Tolerable Loss Ratio						79.1%
Open Claims	1	5	6	2	0	14
Open/Closed Claims	5	10	8	3	0	26
Pending Claims	0	0	0	0	0	0
Denied Claims	2	1	0	1	0	4
Monthly Indemnity Rate	\$334	\$1,560	\$9,658	\$2,669	\$0	\$14,220
	\$0.362	\$0.362	\$0.371	\$0.380	\$0.380	
Claim Incidence (per 1,000)	3.91	7.82	6.44	3.71	1.87	5.60
Average Cost per Claim	\$24,791	\$27,419	\$63,184	\$33,140	\$0	\$38,578
Average Reserve per Claim	\$44,516	\$34,535	\$59,446	\$41,475	\$0	\$46,916
Average Net Benefit	\$334	\$312	\$1,610	\$1,335	\$0	\$1,016
Average Gross Benefit	\$2,226	\$1,474	\$2,099	\$1,335	\$0	\$1,776

\* The Claim Lag Period is incomplete for incidence and claim development. Therefore, this period has been removed from the total column.

### RATE CALCULATION

FINAL CREDIBILITY FACTOR	71.4%
EXPERIENCE RATE	\$0.560
MANUAL RATE	\$0.743
BLENDED RATE	\$0.612



