

State: Pennsylvania **Filing Company:** The State Life Insurance Company
TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
Product Name: Lifestyle 2000 & Lifestyle 2000 Plus
Project Name/Number: /

Filing at a Glance

Company: The State Life Insurance Company
Product Name: Lifestyle 2000 & Lifestyle 2000 Plus
State: Pennsylvania
TOI: LTC03I Individual Long Term Care
Sub-TOI: LTC03I.001 Qualified
Filing Type: Rate - M.U. (Medically underwritten)
Date Submitted: 11/21/2017
SERFF Tr Num: LFCR-131276487
SERFF Status: Assigned
State Tr Num: LFCR-131276487
State Status: Received Review in Progress
Co Tr Num: PA STATE LIFE 6000 & 8000 2017 RATE INCREASE

Implementation: On Approval
Date Requested:
Author(s): Scarlett Nazari, Anoush Chngidakyan, Darlene Smith
Reviewer(s): Jim Laverty (primary)
Disposition Date:
Disposition Status:
Implementation Date:

State Filing Description:
Proposed 44.8% increase on 251 PA policyholders of forms S-6000-P-PA, S-6001-P-PA, S-6002-P-PA, S-6003-P-PA, S-8000-P-PA, S-8001-P-PA, S-8002-P-PA, and S-8003-P-PA.

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General Information

Project Name: Status of Filing in Domicile: Not Filed
 Project Number: Date Approved in Domicile:
 Requested Filing Mode: Review & Approval Domicile Status Comments:
 Explanation for Combination/Other: Market Type: Individual
 Submission Type: New Submission Individual Market Type:
 Overall Rate Impact: Filing Status Changed: 11/22/2017
 State Status Changed: 11/22/2017
 Deemer Date: Created By: Anoush Chngidakyan
 Submitted By: Anoush Chngidakyan Corresponding Filing Tracking Number:
 State TOI: LTC03I Individual Long Term Care

Filing Description:
 Please see Transmittal Letter in Supporting Documentation

Company and Contact

Filing Contact Information

Anoush Chngidakyan, Compliance anoush.chngidakyan@lifecareassurance.com
 Administrative Assistant
 P.O. Box 4243 818-867-2274 [Phone]
 Woodland Hills, CA 91365-4243 818-867-2508 [FAX]

Filing Company Information

(This filing was made by a third party - LCA01)
 The State Life Insurance Company CoCode: 69116 State of Domicile: Indiana
 Long Term Care Administrative Group Code: 619 Company Type:
 Office Group Name: State ID Number:
 P.O. Box 4243 FEIN Number: 35-0684263
 Woodland Hills, CA 91365-4243
 (818) 867-2450 ext. [Phone]

Filing Fees

Fee Required? Yes
 Fee Amount: \$35.00
 Retaliatory? Yes
 Fee Explanation: Retaliatory- \$35.00 per rate filing.
 Per Company: Yes

Company	Amount	Date Processed	Transaction #
The State Life Insurance Company	\$35.00	11/21/2017	131780378

State: Pennsylvania Filing Company: The State Life Insurance Company
 TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
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Rate Information

Rate data applies to filing.

Filing Method: SERFF
 Rate Change Type: Increase
 Overall Percentage of Last Rate Revision: 10.000%
 Effective Date of Last Rate Revision: 10/03/2014
 Filing Method of Last Filing: SERFF
 SERFF Tracking Number of Last Filing:

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
The State Life Insurance Company	44.800%	44.800%	\$302,812	251	\$675,929	45.000%	35.000%

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Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		State Life Rate Increase Act Memo Exhibits PA	Form S-6000-P-PA, FORM S-6001-P-PA, FORM S-6002-P-PA, S-6003-P-PA, FORM S-8000-P-PA, FORM S-8001-P-PA, FORM S-8002-P-PA, FORM S-8003-P-PA	New		State Life Rate Increase Act Memo Exhibits PA.xlsx,

SERFF Tracking #:	LFCR-131276487	State Tracking #:	LFCR-131276487	Company Tracking #:	PA STATE LIFE 6000 & 8000 2017 RATE INCR...
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State:	Pennsylvania	Filing Company:	The State Life Insurance Company
TOI/Sub-TOI:	LTC03I Individual Long Term Care/LTC03I.001 Qualified		
Product Name:	Lifestyle 2000 & Lifestyle 2000 Plus		
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Attachment State Life Rate Increase Act Memo Exhibits PA.xlsx is not a PDF document and cannot be reproduced here.

State: Pennsylvania Filing Company: The State Life Insurance Company
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Supporting Document Schedules

Satisfied - Item:	Transmittal Letter (A&H)
Comments:	
Attachment(s):	State Life Filing Cover Letter PA.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Certification (A&H)
Bypass Reason:	See Actuarial Memorandum
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum and Explanatory Information (A&H)
Comments:	
Attachment(s):	State Life Rate Increase Act Memo.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Advertisements (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Authorization to File (A&H)
Comments:	
Attachment(s):	SL Rate Inc - authorization letter.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Insert Page Explanation (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

State: Pennsylvania Filing Company: The State Life Insurance Company
 TOI/Sub-TOI: LTC03I Individual Long Term Care/LTC03I.001 Qualified
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Bypassed - Item:	Rate Table (A&H)
Bypass Reason:	See Rate/Rule Schedule
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Replacement Form with Highlighted Changes (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Reserve Calculation (A&H)
Bypass Reason:	See Rate/Rule Schedule
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Variability Explanation (A&H)
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	customer notice and election form
Comments:	
Attachment(s):	Customer Notice - NPO.pdf
Item Status:	
Status Date:	



LifeCare Assurance Company
LifeCare Administrators
21600 Oxnard Street, Suite 1500
Post Office Box 4243
Woodland Hills, CA 91367
(818) 887-4436 / Fax (818) 887-4595

November 20, 2017

Jessica Altman, Commissioner
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, Pennsylvania 17120

Re: The State Life Insurance Company
NAIC No: 69116
Policy Forms: S-6000-P-PA, S-6001-P-PA, S-6002-P-PA and S-6003-P-PA, S-8000-P-PA,
S-8001-P-PA, S-8002-P-PA, & S-8003-P-PA
Guaranteed Renewable Long Term Care Policy

Dear Commissioner Altman,

This rate filing is submitted on behalf of The State Life Insurance Company for your review.

Forms S-6000-P-PA, S-6001-P-PA, S-6002-P-PA and S-6003-P-PA are existing individual policy forms providing benefits for confinement in a qualified Nursing Facility, Assisted Living Facility, or Home Health Care. These forms were approved in 2000 and issued between 2000 and 2005. Forms S-8000-P-PA, S-8001-P-PA, S-8002-P-PA, and S-8003-P-PA were approved in 2005 and issued in 2005. These forms are no longer being marketed in any state.

Previously, the company requested an increase of 35% on policy forms S-6000-P-PA, S-6001-P-PA, S-6002-P-PA and S-6003-P-PA, and a 15% increase was granted on January 11, 2013 and implemented on April 26, 2013. Another 10% was granted on July 2, 2014 and implemented on October 3, 2014. The company is now requesting the approval of a 45% rate increase on the base rates for these forms. Additionally, the company is requesting the approval of a 35% rate increase on the based rates for policy forms S-8000-P-PA, S-8001-P-PA, S-8002-P-PA, and S-8003-P-PA. The details of the rate increases are in the actuarial memorandum.

The company will provide several options to the policyholders to reduce the impact of the rate increase:

- Reduce the daily benefits, subject to a minimum of \$20
- Change benefit options to lower the premium
- Offer a paid up option which provides a benefit pool equal to the premiums paid

The following items are included in this submission:

- This cover letter
- A letter from The State Life Insurance Company authorizing us to submit this filing on their behalf

- An actuarial memorandum and rate schedules
- Policyholder Notice of Rate Increase Letter & Coverage Change Request Form
- Plus any other state required form

The contact person for this filing is:

David Hung, FSA, MAAA
Consulting Actuary
21600 Oxnard Street, Suite 1500
Woodland Hills, CA 91367
800-366-5463 ext. 2415
David.Hung@LifeCareAssurance.com

Thank you for your assistance in reviewing this filing.

Sincerely,



David Hung, FSA, MAAA
Consulting Actuary

The State Life Insurance Company

Company NAIC No. 69116

Home Office: One American Square, Indianapolis, IN 46282

Administrative Office: Post Office Box 4243, Woodland Hills, CA 91365-4243

Actuarial Memorandum

November 2017

Long Term Care Policy	S-6000-P-PA
Nursing Care Only Policy	S-6001-P-PA
Franchise Long Term Care Policy	S-6002-P-PA
Franchise Nursing Care Only Policy	S-6003-P-PA
Long Term Care Policy	S-8000-P-PA
Nursing Facility Only Policy	S-8001-P-PA
Franchise Long Term Care Policy	S-8002-P-PA
Franchise Nursing Facility Only Policy	S-8003-P-PA

Policy forms S-6000-P-PA, S-6001-P-PA, S-6002-P-PA and S-6003-P-PA were issued in Pennsylvania from 2000 through 2005 under product name “Lifestyle 2000” and are referred to as “S-6000” in this memorandum. Policy forms S-8000-P-PA, S-8001-P-PA, S-8002-P-PA and S-8003-P-PA were issued in Pennsylvania in 2005 under product name “Lifestyle 2000 Plus” and are referred to as “S-8000” in this memorandum. These policy forms are no longer being marketed.

1. Purpose of Filing

This is a rate increase filing for existing Long-Term Care (LTC) policy forms. This actuarial memorandum has been prepared for the purpose of documenting a proposed rate increase and demonstrating that the rates meet the requirements in the statutes of Pennsylvania. It may not be suitable for other purposes.

2. Scope of Filing

This filing applies to the Company’s LTC policy forms as specified above. These forms provide daily benefit for qualified long-term care services in various settings, as summarized in Exhibit A, when the insured meets policy benefit qualification requirements.

All forms included in this filing are individual LTC policies that are guaranteed renewable for life, subject to the Company’s right to change premium rates.

These policy forms were issue age rated and fully underwritten. The issue ages were from 18 to 84 on an

The State Life Insurance Company

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Administrative Office: Post Office Box 4243, Woodland Hills, CA 91365-4243

Actuarial Memorandum

November 2017

age nearest birthday basis. Strict underwriting criteria were administered with frequent utilization of medical records and paramedical functional assessments, personal history interviews and MIB searches.

These policy forms were marketed by individual agents of The State Life Insurance Company.

The proposed rate increase is applicable to all inforce policies as these forms are no longer being marketed.

Paid-up policies will not receive a rate increase. Single pay and 10 pay policies are not included in the scope of this filing.

The number of policyholders and the annual inforce premium, as of December 2016, are displayed in Exhibit B. Exhibit B also shows the average annual premium before and after proposed rate increase.

3. Reason for the Increase

A rate increase is necessary at this time due to significantly higher anticipated future and lifetime loss ratios.

The higher loss ratios are a result of a combination of lower lapse, lower death, and longer claim continuance.

State Life has been evaluating this LTCi block and updating assumptions based on the actual experience as well as the LTCi industry experience. For the policy forms specified above, projected experience is now worse than what original pricing assumptions were projecting. Ultimate lapse rates and mortality rates have had the most significant deviation from original pricing. The combined effect of changing the underlying claim costs to better reflect actual experience, as well as industry data, and updating the mortality and lapse assumptions resulted in the need for a rate increase.

The current premium levels are inadequate and, therefore, State Life is requesting a rate increase in order to maintain the viability and financial stability of the policy forms. Implementing a necessary rate increase earlier reduces the amount of the rate increase.

The State Life Insurance Company
Company NAIC No. 69116
Home Office: One American Square, Indianapolis, IN 46282
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Actuarial Memorandum

November 2017

4. Requested Rate Increase

The Company is requesting the approval of a flat increase of 45% for S-6000 and 35% for S-8000 on the current base rates. The increase does not vary by issue age or other policy characteristics. The new premium for any contract is equal to the product of the contract's current premium and one plus the base premium increase percentage. Paid-up policies will not be affected by the rate increase.

Please see Exhibits B1–B2 for rate tables reflecting the rate increase:

- B1 S-6000-P-PA, S-6001-P-PA, S-6002-P-PA, and S-6003-P-PA proposed rates
- B2 S-8000-P-PA, S-8001-P-PA, S-8002-P-PA, and S-8003-P-PA proposed rates

Please note that the actual rates implemented may vary from those in rate pages slightly due to implementation rounding algorithms.

5. History of Previous Rate Revisions

a. S-6000

A 15% flat rate increase was approved on January 11, 2013 and another 10% flat rate increase was approved on July 2, 2014 for policy forms S-6000-P-PA, S-6001-P-PA, S-6002-P-PA, and S-6003-P-PA.

b. S-8000

No prior rate increase has been requested for policy forms S-8000-P-PA, S-8001-P-PA, S-8002-P-PA, and S-8003-P-PA.

6. Actuarial Assumptions

a. Interest

The maximum valuation interest rate for contract reserves, 4.5%, has been used for accumulating historical experience and for discounting projected future experience.

The State Life Insurance Company

Company NAIC No. 69116

Home Office: One American Square, Indianapolis, IN 46282

Administrative Office: Post Office Box 4243, Woodland Hills, CA 91365-4243

Actuarial Memorandum

November 2017

b. Lapse

The current best estimate ultimate lapse rate is assumed to be 0.75%, formulated by analyzing the trend in lapse rates of later durations. Exhibit C shows the Company's actual lapse experience by duration.

c. Mortality

The current best estimate mortality assumptions are based on experience from the reinsurer's entire similarly underwritten and administered block of LTC policies. The attained age mortality is assumed to be 85% of the 1994 Group Annuity Mortality Table for ages 85 and younger and graded to 100% of the 1994 Group Annuity Mortality Table at age 90 and older, with duration selection factors, varied by single vs. joint, shown in Exhibit D1. Mortality selection factors for Single grade from 15% to 100% over 21 years while selection factors for Joint grade from 9% to 100% over 25 years. No mortality improvement is assumed in the projection.

Exhibit D2 shows the comparison of actual deaths and expected deaths based on best estimate assumptions for the combined reinsurer's block of LTC policies.

d. Morbidity

The current best estimate morbidity assumptions are also based on the reinsurer's combined experience. Studies are performed for incidence, continuance, and recovery from claim data. Incidence rates by gender, marital status, and attained age have been developed.

Continuance termination rates are derived from reinsurer data that has been credibility blended with the latest industry data. Recovery and return to active status is based on the policyholder attained age at the time their claim is incurred, grading down from 50% of all claims at age 40, to 10% at age 99, and then 0% at age 120. Underwriting selection durational factors are 10%, 20%, 40%, 60%, 80%, 100% for durations 6 & later. No morbidity improvement is assumed in the projection.

Policy design features have been taken into consideration. Benefit provisions, elimination periods, benefit periods, number of units, benefit growth, etc. have been accounted for either in the development of claim costs or projection model formulas.

Exhibits E1.A and E1.B show best estimate incidence rates for S-6000 and S-8000 respectively and the rates vary by gender and partner status. Exhibit E2 demonstrates best estimate length of stay for

The State Life Insurance Company

Company NAIC No. 69116

Home Office: One American Square, Indianapolis, IN 46282

Administrative Office: Post Office Box 4243, Woodland Hills, CA 91365-4243

Actuarial Memorandum

November 2017

lifetime benefit period, 90-day elimination period policies with and without 5% Compound Inflation Protection.

Exhibits E3 and E4 contain the analysis of actual to expected incidence and termination, with expected based on best estimate assumptions, for the combined reinsurer block of LTC policies.

e. Expenses

Expenses have not been explicitly projected. It is assumed that the originally filed expenses assumptions remain appropriate.

f. Rate Increase Impact on Policyholder Behavior

Half of the premium increase is assumed to occur in 2018 and the other half in 2019. The rate increase may induce some policyholders to seek a reduction in benefits or to lapse their policy.

- An extra 3% of the policyholders with a rate increase are assumed to lapse.
- 11% of the policyholders with a rate increase are assumed to keep their premium level and reduce their benefit proportionally.

The above discussed current best estimate assumptions are based on the experience of the company, reinsurer and industry experience, and judgement. The best estimate assumptions reflect an estimate of the most likely outcome and do not reflect an explicit margin for conservatism.

7. Area Factors and Trend Assumptions

Area factors were not used in pricing for the above-listed policy forms. As this is not medical insurance, an explicit medical cost trend is not included in the projections.

8. Claim Liability and Reserves

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2016 have been discounted to the incurral date of each respective claim and included in historical incurred claims. Incurred but not reported reserve (IBNR) balances as of December 31, 2016 have been allocated to a calendar year of incurral and included in historical incurred claims. Paid claims have been discounted to the incurral date and included in historical incurred claims. Claim Reserves are calculated for active and

The State Life Insurance Company

Company NAIC No. 69116

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Actuarial Memorandum

November 2017

pending claimants as present value of benefit payments discounted by interest and terminations. The IBNR is based on lag factors which are applied to the claim reserves and survivor payments based on the difference between the incurral date and the valuation date.

9. Past and Future Policy Experience

Earned premiums and incurred claims for projection years 2017 through 2056 are developed from an active lives model representing actual contracts in force as of December 31, 2016. The best estimate assumptions described above for morbidity, voluntary lapse, and mortality are used to project earned premiums and incurred claims.

Nationwide and statewide historical experience and projections without and with proposed rate increase are shown as follows:

Policy Form	Nationwide	Pennsylvania
Combined	Exhibit F1	Exhibit F2
S-6000	Exhibit F1.A	Exhibit F2.A
S-8000	Exhibit F1.B	Exhibit F2.B

Historical experience is shown by claim incurral year with the loss ratio for each loss year calculated by the following formula:

$$LR_j = \frac{\sum_{t=j}^{2016} Pmt_t^j \times v^{t-j} + {}_jCR_{2016} \times v^{2016-j+0.5} + {}_jIBNR_{2016} \times v^{2016-j+0.5}}{EP_j}$$

LR_j = loss ratio for year j

Pmt_t^j = claim payments in year t on claims incurred in year j , assumed to occur mid-year

${}_jCR_{2016}$ = claim reserve held on December 31, 2016 for claims incurred in year j

${}_jIBNR_{2016}$ = incurred but not reported reserve as of December 31, 2016 attributable to claims incurred in year j

EP_j = earned premium in year j , assumed mid-year

j = year of incurral

$v = 1 / 1.045 = 0.956938$

Future anticipated loss ratio is calculated, with and without interest, as anticipated incurred claims divided by earned premiums. Lifetime loss ratio as of December 31, 2016 is calculated as the sum of accumulated

The State Life Insurance Company

Company NAIC No. 69116

Home Office: One American Square, Indianapolis, IN 46282

Administrative Office: Post Office Box 4243, Woodland Hills, CA 91365-4243

Actuarial Memorandum

November 2017

past experience and discounted future experience where accumulation and discounting occur at maximum valuation interest rate 4.5%.

10. Analysis Performed

The initial originally approved premium schedule was based on pricing assumptions believed to be appropriate, given industry experience available when the initial originally approved rate schedule was developed. The original pricing assumptions for voluntary lapse, mortality and claim costs were as follows:

a. Original Pricing Ultimate Lapse

S-6000: 4%

S-8000: 2%

b. Original Pricing Mortality

1975-80 Select and Ultimate

c. Original Pricing Morbidity

Original pricing claim costs for skilled, intermediate and Facility Care Benefits are derived from The Reports of the Society of Actuaries based on the 1985 National Nursing Home Survey Utilization Data in Transactions, Society of Actuaries, 1988-89-90 Reports; and the Long Term Care Intercompany Study: 1984-1991 Experience in Transactions, Society of Actuaries, 1993-94 Reports. Claim costs factors shown in the original actuarial memorandum are applied to the inforce lives and represent the expected cost per life of incurred benefits.

Original pricing claim costs for Home and Community Based Care are decreasing percentages of Facility Care claims costs derived from information provided by a reinsurer.

Underwriting selection durational factors are 10%, 20%, 40%, 60%, 80%, 100% for durations 6 & later.

d. Original Pricing Interest

S-6000: 6.5%

S-8000: 4.5%

The State Life Insurance Company

Company NAIC No. 69116

Home Office: One American Square, Indianapolis, IN 46282

Administrative Office: Post Office Box 4243, Woodland Hills, CA 91365-4243

Actuarial Memorandum

November 2017

As part of the inforce management of the business, the reinsurer and administrator on the business monitor the performance of the business by completing periodic actual-to-expected analysis for voluntary lapse, mortality, claim incidence, and claim length of stay. The findings from these analyses were used in projecting the inforce business to determine the effect of experience on the projected lifetime loss ratio. An analysis of the projected lifetime loss ratio based on current best estimate assumptions compared to that assumed at the time of original pricing revealed that experience has deteriorated significantly.

The best estimate assumptions used in this filing (described in Section 6) are based on actual inforce experience of the Company, experience of reinsurer's similarly underwritten and administered LTC products, industry experience, and judgement. Actual persistency has been higher than that assumed in original pricing.

11. Loss Ratio Requirement Compliance Demonstration

Projected experience using current best estimates are shown in the following exhibits:

Policy Form	Nationwide	Pennsylvania
Combined	Exhibit F1	Exhibit F2
S-6000	Exhibit F1.A	Exhibit F2.A
S-8000	Exhibit F1.B	Exhibit F2.B

In all projections, the expected lifetime loss ratios with and without the requested rate increase exceed the minimum loss ratio requirements.

Exhibits H1 and H2, for S-6000 and S-8000 respectively, provide a demonstration that the sum of the accumulated value of incurred claims without the inclusion of active life reserves, and the present value of future projected incurred claims, without the inclusion of active life reserves, will not be less than the sum of the following:

- a. Accumulated value of the initial earned premium times 58%,
- b. 85% of the accumulated value of prior premium rate schedule increases,
- c. Present value of future projected initial earned premiums times 58%, and

The State Life Insurance Company

Company NAIC No. 69116

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Actuarial Memorandum

November 2017

- d. 85% of the present value of future projected premiums in excess of the projected initial earned premiums.

Present and accumulated values in the lifetime projections in Exhibits H1 and H2 are determined at 4.5%, the maximum valuation interest rate for contract reserves applicable to long-term care business issued in the years in which the applicable business of this filing were issued.

12. Proposed Effective Date

The rate increase will apply to policies on their policy anniversary date following at least a 60-day policyholder notification period after approval.

13. Nationwide Distribution of Business as of December 31, 2016

As of December 31, 2016, the number of policies in force that will be affected by this increase by policy form is shown in the following Exhibits:

Policy Form	Nationwide	Pennsylvania
S-6000	Exhibit G1.A	Exhibit G2.A
S-8000	Exhibit G1.B	Exhibit G2.B

The State Life Insurance Company

Company NAIC No. 69116

Home Office: One American Square, Indianapolis, IN 46282

Administrative Office: Post Office Box 4243, Woodland Hills, CA 91365-4243

Actuarial Memorandum

November 2017

14. Actuarial Certification

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's qualification standards for preparing health rate filings.

I believe this rate filing is in compliance with the applicable laws of the State of Pennsylvania and with the rules of the Department. This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 8.

The data used to develop this actuarial memorandum was provided by LifeCare Assurance Company, the administrator of the policies, and Employers Reassurance Corporation, the reinsurer of the business. I have reviewed the data for reasonableness.

To the best of my knowledge and judgement, I hereby certify that:

- this rate submission is in compliance with the applicable laws and regulations of the state where it is filed;
- policy design, underwriting, and claims adjudication practices have been taken into consideration;
- the rates are not unfairly discriminatory and the gross premiums are not excessive and bear reasonable relationship to the benefits, based on the lifetime loss ratio exceeding the minimum loss ratio requirement; and
- the relationship between renewal premium rate schedules and new business premium rate schedules is not applicable because the company is no longer marketing new business in any states.



David Hung, FSA, MAAA
Consulting Actuary



September 21, 2017

Ms. Pam Corbally
Assistant Vice President Compliance
LifeCare Assurance Company
21600 Oxnard Street, Suite 1500
Woodland Hills, CA 91367

RE: STATE LIFE INSURANCE COMPANY
NAIC # 69116
Group # 619
FEIN # 35-0684263

Dear Ms. Corbally,

Pursuant to an Administration and Marketing Services Agreement, as amended, between The State Life Insurance Company ("State Life") and LifeCare Assurance Company ("LifeCare"), Life Care is authorized to perform certain functions on State Life's behalf.

This letter is to confirm that LifeCare is authorized by State Life to submit to state insurance regulators State Life's request for rate increases on policy form numbers 6000/6001 and 8000/8001 and their allied state variations.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Poston", with a long horizontal flourish extending to the right.

Gregory A. Poston
Vice President, Operations
The State Life Insurance Company

OneAmerica
Financial Partners, Inc.
One American Square
P.O. Box 368
Indianapolis, IN 46206-0368
(317) 285-1111



LifeCare Assurance Company
 LifeCare Administrators
 21600 Oxnard Street, Suite 1500
 Post Office Box 4243
 Woodland Hills, CA 91367
 (818) 887-4436 / Fax (818) 887-4595

Notice of Premium Rate Increase

DATE

OWNER NAME
 ADDRESS
 ADDRESS

POLICY NUMBER

Re: Your Long-Term Care Insurance Policy POLICY NUMBER
 Issued by The State Life Insurance Company
 Administered by LifeCare Assurance Company

Dear Policyholder(s):

Your long-term care insurance policy was issued some time ago by The State Life Insurance Company. Under a long-standing agreement with State Life, LifeCare Assurance Company (“LifeCare”) provides all the administration services related to your policy, such as premium collection, sending you annual reports and other correspondence, and payment of any claims you may submit. Under that authority, LifeCare is writing to you now to advise you that the premium you pay for your policy is increasing effective [Month XX, 20YY], your next policy anniversary date. As a result, your [modal] premium payment will increase from [\$xxx.xx to \$yyy.yy], beginning with the premium payment that is due [Month XX, 20YY]. As an alternative to paying a higher premium, however, you may choose policy adjustment options and alternatives that are explained below. This premium increase does not affect any other terms of your policy unless you elect to change your benefits in order to change your premiums.

This increase applies to all the policies issued in your state with the same form number. The increase is not based on any one individual’s claims history, age, health status, or any other factor related to you individually. The need to increase premium is based on several severe adverse factors that have affected similar policies issued in your state. To minimize the impact of this rate increase as much as possible, we filed with your state insurance department the smallest increase necessary. The experience on this group of policies may in the future necessitate further premium increases.

Because we realize that paying an increased premium may not be financially feasible for all of our customers, we are providing options and alternatives to help you maintain coverage. A long-term care policy represents an important component of your long term financial health, so you should carefully consider which best suits your individual circumstances and anticipated future needs. Before you adjust your benefits or decide to forgo this coverage completely, you should consult with your insurance or financial professional, keeping in mind that your current health and age may affect whether you are able to obtain a new long-term care policy. Please also keep in mind if you reduce your benefits, you will be unable to increase them in the future.

If you have qualified for Waiver of Premium, your premiums will continue to be waived at the higher amount. Should premiums again become due on your policy, your billing notice will reflect the increased premium. We will also provide you with an opportunity to discuss the following options available to you that may help offset the increase in premium.

- **Benefit Reduction:** Option 1 is to reduce your daily benefit from [\$xxx.xx to \$yyy.yy], your [modal] premium would be [\$zzz.zz]. If your policy provides home and community based care benefits, that daily benefit is also reduced proportionately. All other terms (excluding the amount of the premium and the amount of benefit payable) of your policy will remain unchanged. The resulting daily benefit under this option cannot be lower than the minimum daily benefit allowed by your policy form.
- **Non-Payment Option:** Option 2 is a non-payment option if you do not wish to pay any further premiums on your policy. Instead of your policy lapsing and providing no future coverage, your policy will continue under its current terms, except the maximum amount of benefits payable under the policy will be limited to an amount equal to the premiums you have paid into your policy, or 30 times the daily benefit on [the premium rate increase effective date, Month XX, 20YY], whichever is greater. No further benefit increases will occur under any Benefit Increase Rider, if attached to your policy. This option will automatically be provided if your policy lapses for non-payment of premium within 120 days of the rate premium increase effective date.

Another alternative is to adjust the benefits of your policy in order to reduce your premiums. These adjustments include lengthening your elimination period or shortening your overall maximum benefit period. The elimination period is the time after you would be otherwise eligible for benefits but before you begin to receive payments. Depending on your needs, these adjustments may provide a better alternative than reducing your daily benefit. You must call us at the number listed at the end of this letter for information on these benefit adjustment alternatives specific to your policy.

If you choose to modify your coverage at this time, please complete the enclosed Coverage Change Request Form and return it in the enclosed postage paid envelope by [Month XX, 20YY]. In doing so, you will ensure your requested changes are processed prior to [Month XX, 20YY], the date on which the premium increase for your policy takes effect. If your Coverage Change Request Form is not received prior to [Month XX, 20YY], or you do not call us to discuss benefit adjustment alternatives, your benefits will remain unchanged and your coverage will lapse if your new premium is not received by the end of the grace period provided by your policy.

If you would like more information on the options and benefit adjustment alternatives that are discussed above and specified on the enclosed Coverage Change Request Form, contact customer service at the number listed at the end of this letter. The representative will be able to provide you with more information on possible benefit adjustment alternatives and the premium impact.

Should you wish to continue your policy at its current coverage level at the new premium, you only need to pay the indicated premium when you are billed.

If you have questions about this letter, the premium increase, the attached Coverage Change Request Form, or the options and alternatives available to you, please contact our customer service associates at 888-505-8101, Monday through Friday, from 7 a.m. to 5 p.m. Pacific time (10 a.m. to 8 p.m. Eastern time).

Sincerely,

LifeCare Assurance Company

Enclosure



LifeCare Assurance Company
LifeCare Administrators
21600 Oxnard Street, Suite 1500
Post Office Box 4243
Woodland Hills, CA 91367
(818) 887-4436 / Fax (818) 887-4595

Coverage Change Request Form

DATE

POLICY NUMBER
Issued by The State Life
Insurance Company
Administered by
LifeCare Assurance
Company

OWNER NAME
ADDRESS
ADDRESS

If you elect to modify your existing coverage in order to offset the upcoming premium increase on your policy, please indicate as such below and return this form in the enclosed postage paid envelope to:

LifeCare Assurance Company
Long Term Care Administrative Office
P.O. Box 4243
Woodland Hills, CA 91365-4243

To ensure that your requested changes are received and processed prior to the date upon which your premium increase takes effect, please return this form postmarked by [Month XX, 20YY]. If your Coverage Change Request Form is not received prior to [Month XX, 20YY], or you do not call us to discuss other benefit adjustment alternatives, your policy benefits will remain unchanged and your coverage will lapse if your new premium is not received by the end of the grace period provided by your policy.

It is important that you make any policy changes after you carefully consider your personal needs and circumstances and consult as necessary with your insurance or professional advisor. If you decrease your long term care coverage now you will be unable to increase your coverage later.

Please indicate your choice by checking one of the options below, or contact us at 888-505-5101 to discuss other benefit adjustment options. If you do not check either option, do not return this form, or do not contact us, there will be no changes to your policy other than the premium rate increase described in the attached letter.

Coverage Change Request Form

DATE

POLICY NUMBER
Issued by The State Life
Insurance Company
Administered by
LifeCare Assurance
Company

OWNER NAME
ADDRESS
ADDRESS

- Benefit Reduction (option 1): Reduce my current daily benefit amount from [\$xxx.xx to [yyy.yy] which will result in a [modal] premium of [zzz.zz] beginning with the premium payment that is due [Month XX, 20YY]. If my policy provides home and community based care benefits, that daily benefit is also reduced proportionately. Other terms of my policy except for the premium and the benefit amounts will remain unchanged. I understand that the resulting daily benefit under this option cannot be lower than the minimum daily benefit allowed by my policy.

- Non-Payment Option (option 2): I choose to discontinue paying premiums. The maximum amount of benefits I can receive are limited to an amount equal to the premiums I have paid for my policy, or thirty times the daily benefit on the premium rate increase effective date, [Month XX, 20YY], whichever is greater. No further benefit increases will occur under any Benefit Increase Rider, if attached to my policy. I will still receive annual renewal notices but no further premium will be payable.

Signature of Owner

Date Signed