

State Farm Mutual Automobile Insurance Company
Jan 5, 2021

SERFF #: STLH-132498527

Filing Summary:

State Farm requested approval to increase the premium on Long Term Care policy form 97058.

The requested rate increase averaged 8.7% over two years (7.4% first year and 1.2% in the second), but varies between 0% and 50% depending upon the issue age, inflation option, elimination period, and benefit period (i.e. the requested increase is smaller if there is no inflation protection and the benefit period is 5 years or less).

These forms were marketed in Pennsylvania between September 1, 2001 and April 30, 2004.

The Pennsylvania Insurance Department approved an aggregate 4.60% increase over one year on the 935 policies in force. The maximum increase on any form was limited to 20%.

Effective date of rate change: Renewals on and after 1/5/2021.

The current policies in place are not generating sufficient premium to pay future claims to policyholders. This is a common problem for a number of insurers nationwide because policyholders are keeping their policies longer than expected and are living longer than projected. As a result, policyholders are using more benefits on average than the company anticipated when the policies were originally sold. This means the company has to pay out more for benefits than it originally projected.

In making this decision, the Department considered the projected loss ratio for each block of policy forms, that is, the projected total amount of benefits paid out versus the total amount of premium collected, the reasonableness of the assumptions the company used in its projections, and the company's financial situation. The Department also considered the financial impact this rate increase would pose to consumers, the past rate increases policyholders have faced, and the availability of options to limit the rate increase by reducing benefits.

The company is offering ways for policyholders to limit the rate increase by reducing benefits. The company will let you know your options when they contact you directly about this premium increase.

This Rate Filing Decision Summary is a tool to help explain the rate filing and does not describe all the factors considered as part of the Department's rate review.