

State Farm Mutual Automobile Insurance Company
Dec 12, 2018**SERFF #s:** STLH-131637330

Filing Summary: State Farm requested approval to increase the premium on Long Term Care policy form 97045PA.1 by an average of 30.2%.

The requested increase was not uniform over all policyholders as State Farm requested 40% for most policies with issue ages below 70 that had lifetime benefits and inflation, while they requested 0% if the policyholder had a 2-year benefit period and no inflation rider. The distribution of proposed increases is shown below.

Range of Requested Increase	Number of Policyholders
0 - 4.99%	200
5 - 9.99%	32
10 - 14.99%	41
15 - 19.99%	44
20 - 24.99%	39
25 - 29.99%	51
30 - 34.99%	43
35 - 40%	695

1,145

The Department approved a capped 15% increase on all 1,145 forms in PA. In other words, policyholders that were scheduled to receive increases from 0% to 15% can receive their full increase but those scheduled to receive increases greater than 15% are limited to a maximum increase of 15%.

Effective date of rate change: Renewals on and after 12/12/2018.

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 may be 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.