Filing at a Glance

Company:	The State Life Insurance Company
Product Name:	CareGuard
State:	Pennsylvania
TOI:	LTC03I Individual Long Term Care
Sub-TOI:	LTC03I.001 Qualified
Filing Type:	Rate - M.U. (Medically underwritten)
Date Submitted:	04/09/2014
SERFF Tr Num:	LFCR-129490632
SERFF Status:	Assigned
State Tr Num:	LFCR-129490632
State Status:	Received Review in Progress
Co Tr Num:	S-6000 2014 RATE INCREASE PA
Implementation Date Requested:	On Approval
Author(s):	Smith Darlene, Scarlett Nazari, Anoush Chngidakyan
Reviewer(s):	Jim Laverty (AH) (primary)
Disposition Date:	
Disposition Status:	
Implementation Date:	

State Filing Description:

Proposed 17% increase on 266 policyholders of forms S-6000-P-PA, S-6001-P-PA, S-6002-P-PA and S-6003-P-PA.

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

General Information

Project Name:
Project Number:
Requested Filing Mode: Review & Approval
Explanation for Combination/Other:
Submission Type: New Submission
Overall Rate Impact:

Deemer Date:
Submitted By: Smith Darlene

Status of Filing in Domicile: Not Filed
Date Approved in Domicile:
Domicile Status Comments:
Market Type: Individual
Individual Market Type:
Filing Status Changed: 04/09/2014
State Status Changed: 04/10/2014
Created By: Smith Darlene
Corresponding Filing Tracking Number:

Filing Description:
Please see Transmittal Letter in Supporting Documentation

Company and Contact

Filing Contact Information

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P.O. Box 4243
Woodland Hills, CA 91365-4243

luis.morales@lifecareassurance.com
818-818-2478 [Phone]
818-867-2530 [FAX]

Filing Company Information

(This filing was made by a third party - LCA01)
The State Life Insurance Company
Long Term Care Administrative Office
P.O. Box 4243
Woodland Hills, CA 91365-4243
(818) 867-2450 ext. [Phone]

CoCode: 69116
Group Code: 619
Group Name:
FEIN Number: 35-0684263

State of Domicile: Indiana
Company Type:
State ID Number:

Filing Fees

Fee Required? Yes
Fee Amount: $35.00
Retaliatory? Yes
Fee Explanation: Domicile state fee is $35.00 per rate filing.
Per Company: Yes

Company	Amount	Date Processed	Transaction #
The State Life Insurance Company	$35.00	04/09/2014	81109199

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

Rate Information

Rate data applies to filing.

Filing Method: SERFF
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 15.000%
Effective Date of Last Rate Revision: 04/26/2013
Filing Method of Last Filing: SERFF

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	17.000%	17.000%	$120,659	266	$709,758	17.000%	17.000%

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

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 Attachment PA	Form S-6000-P-PA, Form S-6002-P-PA, Form S-6001-P-PA, Form S-6003-P-PA, Form S-6000-R1-PA, Form S-6000-R2-PA, Form S-6000-R3, Form S-6000-R4, Form S-6000-R5, Form S-6000-R6, Form S-6000-R7-PA	New		State Life Rate Increase Act Memo Attachment PA.xlsx,

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

Attachment State Life Rate Increase Act Memo Attachment PA.xlsx is not a PDF document and cannot be reproduced here.

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

Supporting Document Schedules

Satisfied - Item:	Transmittal Letter (A&H)
Comments:	
Attachment(s):	SL Filing 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):	SL Rate Memo PA.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):	TPA Authorization Letter 1-8-14.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
Product Name: CareGuard
Project Name/Number: /

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 and election form.pdf
Item Status:	
Status Date:	

Satisfied - Item:	PA retaliatory_fee_form
Comments:	
Attachment(s):	PA retaliatory_fee_form.pdf
Item Status:	
Status Date:	

April 08, 2014

Michael F. Consedine, 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 Guaranteed Renewable Long Term Care Policy

Dear Commissioner Consedine:

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 November 2000 and June 2005. These forms are no longer being marketed in any state.

Previously, The State Life requested an increase of 35% on this block of business, and a 15% increase was granted. The company is now requesting the approval of a 17% rate increase on the base rates. The minimum effective date for this rate increase will be 4/26/2014, one year after the effective date of the previous increase, meaning that no policy will get two rate increases in the same year. 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:

Jay R. Peters, FSA, MAAA
Consulting Actuary
21600 Oxnard Street, Suite 1500
Woodland Hills, CA 91367
(818) 867 2309
Jay.Peters@LifeCareAssurance.com

Thank you for your assistance in reviewing this filing.

Sincerely,

Jay R. Peters, FSA, MAAA
Consulting Actuary

The State Life Insurance Company

Home Office: Indianapolis, Indiana
Company NAIC No. 69116
Administrative Office: Post Office Box 4243
Woodland Hills, California 91365-4243

Actuarial Memorandum

March 2014

Long Term Care Policy:	**Form S-6000-P-PA**
	Form S-6002-P-PA
Nursing Care Only Policy:	**Form S-6001-P-PA**
	Form S-6003-P-PA
Full Nonforfeiture Rider:	**Form S-6000-R1-PA**
Shortened Benefit Period Nonforfeiture Rider:	**Form S-6000-R2-PA**
Compound Benefit Increase Rider:	**Form S-6000-R3**
Simple Benefit Increase Rider:	**Form S-6000-R4**
Indemnity Benefit Rider:	**Form S-6000-R5**
Home & Community Based Care Enhancement Rider:	**Form S-6000-R6**
Full Shortened Benefit Period Nonforfeiture Rider:	**Form S-6000-R7-PA**

These form and riders were issued in Pennsylvania from 2000 through 2005. The above form and riders are no longer being marketed.

The State Life Insurance Company

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Actuarial Memorandum

March 2014

Table of Contents

Actuarial Memorandum

Section 1: Purpose of Filing 4
Section 2: Requested Rate Increase 4
Section 3: Premiums 4
Section 4: Description of Benefits 5
Section 5: Marketing Method 7
Section 6: Underwriting Description 7
Section 7: Renewability 7
Section 8: Applicability 7
Section 9: Actuarial Assumptions 8
Section 10: Issue Age Range 10
Section 11: Reserves 10
Section 12: Trend Assumptions 10
Section 13: Past and Future Policy Experience 11
Section 14: Analysis Performed 12
Section 15: Loss Ratio Requirement Compliance Demonstration 12
Section 16: Proposed Effective Date 13
Section 17: Nationwide Distribution of Business as of December 31, 2013 (Based on Policy Count) 13
Section 18: Rate Increase Mitigation and Non-forfeiture Options 13
Section 19: Actuarial Certification 14

The State Life Insurance Company

Home Office: Indianapolis, Indiana
Company NAIC No. 69116
Administrative Office: Post Office Box 4243
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Actuarial Memorandum

March 2014

Actuarial Memorandum Exhibits

Attachment A: Rate Increase Impact Exhibit 15

Attachment B1-B3: Rate Tables 16

Attachment C: Lapse Rates 19

Attachment D1 & D2: Mortality Rates 20

Attachment E1.1-E2.2: Incidence and Continuance Assumptions and Experience 22

Attachment F1: Calendar Year Nationwide Projections without Proposed Rate Increase 26

Attachment F2: Calendar Year Nationwide Projections with Proposed Rate Increase 27

Attachment G1: Calendar Year Pennsylvania Projections without Proposed Rate Increase 28

Attachment G2: Calendar Year Pennsylvania Projections with Proposed Rate Increase 29

Attachment H1-H2: Nationwide Durational Experience Exhibits 30

Attachment I1-I2: Policy and Premium Distributions 32

Attachment J: Sufficiency Exhibit 36

Attachment K: State Approvals 37

Attachment L: Claim Reserve and IBNR History 38

The State Life Insurance Company

Home Office: Indianapolis, Indiana
Company NAIC No. 69116
Administrative Office: Post Office Box 4243
Woodland Hills, California 91365-4243

Actuarial Memorandum

March 2014

1. Purpose of Filing

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. Requested Rate Increase

The company is requesting an increase, which does not vary by policy form or issue age. Experience termination rates for inforce policies and policies in claim status are substantially lower than expected, resulting in expected loss ratios which would not be sustainable under the current premiums. A previous increase of 15% was approved for this form.

The base rate increase is 17%. 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.

Rate increase impact exhibits are in attachment A. Nationwide premiums have been adjusted to be consistent with the current rate level in Pennsylvania. Other states have approved rate increases up to 35%, Pennsylvania approved an 15% rate increase. This filing is for the remaining 17%. Exhibit K contains a summary of state approvals as of this filing date.

3. Premiums

Premiums are unisex, level, lifetime, and limited pay. Premiums vary by issue age, initial daily benefit, benefit period, elimination period, risk class, individual vs. joint coverage and the riders selected.

Please see attachments B1-B3 for rates:

B1	6000 current rates
B2	6000 proposed rates
B3	6000 proposed increase

The State Life Insurance Company

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Actuarial Memorandum

March 2014

4. Description of Benefits

BASE POLICY BENEFITS PER ($10.00) UNIT OF COVERAGE

a. Facility Care Benefit (FC) - Actual expenses incurred up to $10.00 per day for Facility Care (Qualified Long Term Care Services, including skilled, intermediate and custodial care) while confined in a qualified Nursing Facility or Assisted Living Facility and Maintenance or Personal Care performed in an Assisted Living Facility. Benefits paid are deducted from the Benefit Amount.

b. Home and Community Based Care (HCBC) - This optional benefit must be selected by the insured to be covered under the policy. Actual expenses incurred up to $10.00 per day. Coverage is provided for Home Health Care (services performed through a home health care agency including care by professional nurse, therapist or home health aide, homemaker services) Adult Day Care, Hospice Care and Caregiver Training. The Caregiver Training benefit payable is a maximum lifetime benefit equal to three times the daily benefit selected. Benefits paid are deducted from the Benefit Amount.

c. Bed Reservation Benefit - Actual Nursing Facility or Assisted Living Facility expenses incurred up to $10.00 per day to reserve a bed in a Nursing Facility or Assisted Living Facility during hospitalization. Benefit is payable up to 30 days per calendar year. Benefits paid are deducted from the Benefit Amount.

d. Respite Care - Actual expenses incurred up to $10.00 per day for Facility Care or Home and Community Based Care (if covered) payable as short term care to relieve primary caregiver. Benefit is payable up to 30 days per calendar year. Benefits paid are deducted from the Benefit Amount.

e. Alternative Plan of Care Benefit - Provides Qualified Long Term Care Services agreed upon by the insured, Licensed Health Care Practitioner and the Company, which may include equipment purchases or rentals; permanent or temporary modifications to the insured's residence (such as ramps or rails) or care services not normally covered under the Home and Community Based Care. The Alternative Plan of Care is not available for providing Home and Community Based Care on policies providing Facility Care only.

f. Personal Care Advisor, accessible through toll-free telephone number, is available to insured to provide assistance with any questions about their coverage.

g. Waiver of Premium is provided after confinement in a Nursing Facility or an Assisted Living Facility for a period of 90 days. Premiums already paid, but no longer due will be refunded on a pro-rata basis.

OPTIONAL BENEFIT RIDERS

a. Full Nonforfeiture Rider (Full Nonf.) - This rider provides a nonforfeiture benefit without a claims offset in the event of policy lapse. If the policy lapses due to nonpayment of premiums, coverage will continue and benefits will be payable at the daily benefits in effect on the date of lapse. No further benefit increases will occur under any Benefit Increase Rider, if attached to the policy. The Benefit Amount becomes equal to the total of premiums paid for the policy and all riders. Any benefits paid after lapse will be deducted from this new Benefit Amount. Any of the new Benefit Amount that is not paid as benefits after lapse will be paid to the beneficiary upon the insured's death (second-to-die in the case of joint coverage). If the policy lapses due to death of the insured (second-to-die in the case of joint coverage) and has not previously lapsed for nonpayment of premium, the total of premiums paid, with no deduction for benefits paid, will be paid to the beneficiary.

b. Shortened Benefit Period Nonforfeiture Rider (SBP) - This rider provides the nonforfeiture credit as adopted by the NAIC. If the policy has been in force for at least three years and lapses due to nonpayment of premiums, coverage will continue and benefits will be payable based on the daily benefits in effect on the date of lapse. No further benefit increases will occur under any Benefit Increase Rider, if attached to the policy. The Benefit Amount becomes equal to the greater of: (a) the total of premiums paid for the policy and riders; or (b) thirty (30) times the daily benefit in effect on the date of lapse. Any benefits paid after lapse will be deducted from this new Benefit Amount.

c. Compound Benefit Increase Rider (CBI) - This rider increases the daily benefits and the remaining Benefit Amount by 5%, compounded annually. Increases are made regardless of claims status.

d. Simple Benefit Increase Rider (SBI) - This rider increases the daily benefits and the Benefit Amount annually by 5% of the dollar amounts originally issued. The remaining Benefit Amount will be increased by the same proportion as the increase in daily benefits. Increases are made regardless of claims status.

e. Indemnity Benefit Rider (IB) - This rider provides that all benefits covered under the policy will be payable on an indemnity basis at the full daily benefit selected, regardless of actual expenses incurred. This rider is not available if the Home & Community Based Care Enhancement Rider is purchased.

f. Home & Community Based Care Enhancement Rider (HCBCE) - This rider provides that all benefits covered under the policy will be payable on a weekly basis rather than a daily basis (Sunday through Saturday) up to seven (7) times the daily benefit. In addition premiums for the policy and riders will be waived following the 90th HCBC visit. Premiums already paid, but no longer due will be refunded on a pro-rata basis. This rider is not available if the Indemnity Benefit Rider is purchased.

5. Marketing Method

This policy form was marketed by individual agents who primarily sell on an individual basis.

6. Underwriting Description

This policy form was fully underwritten with the use of various underwriting tools in addition to the application, which may have included medical records, an attending physician's statement, telephone interview and/or face-to-face assessment.

7. Renewability

These policies are guaranteed renewable for life.

8. Applicability

This filing is applicable to all in force policies issued in Pennsylvania on the above referenced form. Since these form and riders are no longer being sold, the rate increase will only apply to in force policies.

9. Actuarial Assumptions

a. Lapse and rate increase impact

Attachment C includes a comparison of pricing, experience, and best estimate voluntary lapse rates. 50% of the premium increase is assumed to occur in 2015, 50% in 2016. 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.

b. Mortality

Attachment D1 includes a comparison of actual and expected mortality rates.

Best estimate:	Attained age mortality is 85% of the 1994 Group Annuity Mortality Table for ages 85 and younger and grade to 100% of the 1994 Group Annuity Mortality Table at age 90 and older, with duration selection factors, shown in attachment D2.

c. Claims

Attachment E1.1 includes best estimate ultimate unisex incidence rates and inforce adjustment factors.

Inforce Adjustment factors are used to account for the fact that inforce counts are not reduced by claim incidence. The factor applied to the incidence varies by attained age and duration of the policy.

Attachment E2.1 shows the comparison of actual and expected incidence.

Attachment E1.2 includes the best estimate length of stay for lifetime benefit period, 90 day elimination period policies with and without 5% Compound COLA. The best estimate claim length of stay is based on SOA LTC Intercompany Study 2007 Report and reinsurer's experience.

Attachment E2.2 shows actual to expected claim terminations.

The State Life Insurance Company

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Actuarial Memorandum

March 2014

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.

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

Claim costs for the Shortened Benefit Period Nonforfeiture Rider and the Full Nonforfeiture Rider are developed by using mortality rates and nonforfeiture benefits appropriate at each duration.

For the Benefit Increase Riders, the foregoing claim costs are compounded by 5% each duration (compound interest rider) to obtain the actual claim costs by duration.

Claim costs were adjusted to accommodate the Waiver of Premium, which is treated as an increment of the daily benefit.

Joint claim cost factors:

Pricing:	150% of the individual claim costs
Best Estimates:	144% of the claim costs of the older insured

Underwriting selection factors:

Pricing:	10%, 20%, 40%, 60%, 80%, 100% durations 6 & later
Best estimates:	10%, 20%, 40%, 60%, 80%, 100% durations 6 & later

d. Interest

Pricing:	6.5%
Best Estimate:	5.5%

e. Expenses

Expenses have not been explicitly projected. It is assumed that the originally filed expense assumptions remain appropriate and that renewal commission rates will not apply to the increased premium.

10. Issue Age Range

The issue ages are from 40 to 84 on an age nearest birthday basis, except for endorsed groups where the issue age range is 18 to 84.

11. Claim Liability and Reserves

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2013 have been discounted to the incurral date of each respective claim and included in historical incurred claims. Incurred but not reported reserve balances as of December 31, 2013 have been allocated to a calendar year of incurral and included in historic incurred claims. Paid claims have been allocated to a calendar year of incurral and included in historical incurred claims. Claim Reserves are calculated for active and 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. Policyholders are offered a non-forfeiture option when they reserve the increase notice. The reserves held for the policyholders who accept the non-forfeiture options are treated the same as those policies that have lapsed with the non-forfeiture benefit rider. Attachment L shows nationwide and Pennsylvania claim reserves and IBNR by calendar year and Active Life Reserve amount held as of 12/31/2013.

12. Trend Assumptions

As this is not medical insurance, we have not included any explicit medical cost trends in the projections.

13. Past and Future Policy Experience

Projections based on rate increase are shown as follows:

Nationwide experience and projections without proposed rate increase by calendar year:

All Pay Types: Attachment F1

Pennsylvania experience and projections without proposed rate increase by calendar year:

All Pay Types: Attachment G1

A future annual loss ratio is calculated, with and without interest, as anticipated incurred claims divided by earned premiums.

A lifetime loss ratio as of December 31, 2013 is calculated as the sum of accumulated past experience and discounted future experience where accumulation and discounting occur at 5.5%.

Projections based on rate increase are shown as follows:

Nationwide experience and projections with proposed rate increase by calendar year:

All Pay Types: Attachment F2

Pennsylvania experience and projections with proposed rate increase by calendar year:

All Pay Types: Attachment G2

Earned premiums and incurred claims for projection years 2014 through 2053 are developed from an asset share model representing actual contracts in force as of December 31, 2013. The assumptions described above for morbidity, voluntary lapse and mortality are used to project life years, earned premiums and incurred claims.

Statewide experience is not considered credible for Pennsylvania.

14. Analysis Performed

The initial premium schedule was based on pricing assumptions deemed appropriate when the initial rate schedule was developed.

As part of the in-force management of the business, LifeCare Assurance Company and the reinsurer on the business monitor the performance of the business by completing periodic actual-to-expected analysis for claim incidence, mortality, and claim length of stay. A study of actual voluntary lapse rates is performed periodically. The findings from these analyses were used in projecting the inforce business to determine the effect of experience on the projected lifetime loss ratio.

Attachments C, D1, E2.1 and E2.2 compare experience results with expected assumptions. Attachments H1 and H2 compare durational loss ratios with pricing durational loss ratios for Nationwide and Pennsylvania only experience.

15. Loss Ratio Requirement Compliance Demonstration

Past experience and best estimates are used in the following projections:

Without proposed rate increase (Nationwide, Pennsylvania):

Attachment F1: Nationwide

Attachment G1: Pennsylvania

With proposed rate increase (Nationwide, Pennsylvania):

Attachment F2: Nationwide

Attachment G2: Pennsylvania

In all projections the accumulated lifetime loss ratios exceed the minimum loss ratio of 60%.

Attachment J provides 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:

1. Accumulated value of the initial earned premium times 58%,
2. 85% of the accumulated value of prior premium rate schedule increases.
3. Present value of future projected initial earned premiums time 58%, and
4. 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 Attachment J 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.

16. Proposed Effective Date

This rate increase will apply to policies on their policy anniversary date following a 60-day policyholder notification period. The minimum effective date would be 4/26/2014, one year after the minimum effective date of the previous rate increase.

17. Nationwide Distribution of Business as of December 31, 2013 (Based on Policy Count)

As of December 31, 2013, the number of policies in force that will be affected by this increase, by policy form and in aggregate are shown in the following attachments

Nationwide distribution: Attachment I1
Pennsylvania distribution: Attachment I2

18. Rate Increase Mitigation and Non-Forfeiture Options

All policyholders have the options to mitigate the rate increase by reducing their death benefit. Additionally, policyholders and increase their elimination period, reduce their benefit period, and eliminate any riders they choose to. Customer non-forfeiture options are described in the policyholder letter included in this filing.

The State Life Insurance Company

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Actuarial Memorandum

March 2014

19. 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.

I hereby certify that, to the best of my knowledge and judgment, this rate submission is in compliance with the applicable laws and regulations of the state where it is filed. Furthermore, the actuarial assumptions are appropriate and the gross premiums bear reasonable relationship to the benefits.

Jay R. Peters, FSA, MAAA
Consulting Actuary

ONEAMERICA®

January 8, 2014

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 Administrative and Marketing Services Agreement, as amended, between The State Life Insurance Company ("State Life") and LifeCare Assurance Company ("LifeCare"), LifeCare 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 required annual reports and policy form revisions which revisions may be prompted by changes of state law with regard to State Life's long term care insurance standard policy form numbers 6000/6001 and 8000/9000 and its allied state variations.

Sincerely,

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

American United Life
Insurance Company®
a ONEAMERICA® company
One American Square
P.O. Box 368
Indianapolis, IN 46206-0368
(317) 285-1877

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 POLICY NUMBER
ADDRESS
ADDRESS

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, CareGuard, 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.

- Benefit Reduction: Option 1 is to reduce your daily maximum benefit from [$xxx.xx to $yyy.yy], your [modal] premium would be [$zzz.zz]. This is approximately the same rate you are currently paying for your policy. 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, [Month XX, 20YY].

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 maximum 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

PENNSYLVANIA RETALIATORY FILING FEE FORM

COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
Office of Insurance Product Regulation
1311 Strawberry Square
Harrisburg, PA 17120
Fax (717) 787-8555 Telephone (717) 787-4192

PLEASE TYPE OR PRINT
COMPLETE ALL NECESSARY INFORMATION

CHECK INFORMATION

COMPANY NAME ON CHECK EFT

CHECK # EFT

COMPANY NAIC # 69116

CHECK AMOUNT $35.00

DATE CHECK MAILED EFT

CHECK DATE EFT

FILING INFORMATION

COMPANY FILING # State Life 2014 Rate Increase

FILER PHONE # (800) 366-5463 ext. 2478

SERFF TRACKING # LFCR-129490632

CREATOR OF SERFF FILING Darlene Smith

DATE SERFF FILING SUBMITTED 04/08/2014

TYPE OF FILING:

- ☐ A&H
- ☐ P&C
- ☐ LIFE

All checks with attached form should be mailed to the above address.