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State Farm Insurance has filed for an average rate increase of 49.6% with the Virginia Bureau of Insurance. The increase will have a range of 0 to 40% in Year 1 and 0 to 16.4% in Year 2. The actual increase will vary by issue age, benefit period, elimination period, and inflation option.

The need for this rate increase is being driven by lower lapses and mortality. In other words, more policyholders are maintaining their policies for longer than originally anticipated and updated data shows these policyholders will be claiming benefits for longer than original assumptions would have projected. Although this is a testament to the value of this coverage, it also has put unanticipated financial pressure on this block of business leading to the need for a premium rate increase.

Please note that due to the historically low interest rate environment, the company is currently experiencing lower than anticipated investment returns on premiums received. However, these investment losses are not being passed along to the policyholder, but are instead being fully absorbed by State Farm.

Most policyholders will be given the option to reduce coverage in an effort to mitigate the impact of the proposed increase. Only policyholders who have coverage greater than the minimum issue requirements will be able to exercise several options to reduce coverage, which include the following:

- Reducing the daily benefit amount
- Decreasing the benefit period
- Increasing the elimination period
- Removing an optional rider

While the company recognizes that a rate increase is unwelcome, we feel it is necessary in order to fulfill our contractual obligations so that a policyholder's benefits are available when they need them most.

Long-Term Care Insurance premium rates are not guaranteed. If future experience emerges as expected, there are no further increases planned on this block of business.