

SERFF Tracking Number: STLH-126239755 State: Arkansas
Filing Company: State Farm Mutual Automobile Insurance Company State Tracking Number: 43310
Company Tracking Number: 2010 AR ER PRE
TOI: MS02I Individual Medicare Supplement - Pre-Standardized Sub-TOI: MS02I.000 Medicare Supplement - Pre-Standardized
Product Name: 2010 AR Pre-Standardized Medicare Supplement
Project Name/Number: 2010 AR Pre-Standardized Medicare Supplement/

Filing at a Glance

Company: State Farm Mutual Automobile Insurance Company

Product Name: 2010 AR Pre-Standardized Medicare Supplement SERFF Tr Num: STLH-126239755 State: Arkansas

TOI: MS02I Individual Medicare Supplement - Pre-Standardized SERFF Status: Closed-Approved-Closed State Tr Num: 43310

Sub-TOI: MS02I.000 Medicare Supplement - Pre-Standardized Co Tr Num: 2010 AR ER PRE State Status: Approved-Closed

Filing Type: Rate

Reviewer(s): Stephanie Fowler

Authors: Jane Ann Long, Barb Baxter, Jason Boice, Emily DeWald Disposition Date: 09/25/2009

Date Submitted: 08/24/2009

Disposition Status: Approved-Closed

Implementation Date Requested: 01/01/2010

Implementation Date: 01/01/2010

State Filing Description:

General Information

Project Name: 2010 AR Pre-Standardized Medicare Supplement

Status of Filing in Domicile: Pending

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

Group Market Size:

Overall Rate Impact: 6.8%

Group Market Type:

Filing Status Changed: 09/25/2009

Explanation for Other Group Market Type:

State Status Changed: 09/25/2009

Deemer Date:

Created By: Barb Baxter

Submitted By: Barb Baxter

Corresponding Filing Tracking Number:

Filing Description:

On behalf of State Farm Mutual Automobile Insurance Company of Bloomington, Illinois, I submit the following annual rate filing for the above referenced Pre-Standardized Medicare Supplement policy forms.

We are filing new rate tables for Policy Forms 97033, 97043, 97046, 97049, and 97050 and Rider Forms 99417 and

SERFF Tracking Number: *STLH-126239755* State: *Arkansas*
 Filing Company: *State Farm Mutual Automobile Insurance Company* State Tracking Number: *43310*
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99418. This filing represents an average rate increase of 6.8%. These rates will apply to renewals only since we no longer issue these forms. This filing complies with all applicable minimum loss ratio standards. Contingent upon approval, these rates will become effective January 1, 2010, or as soon thereafter as possible.

The following are included with this filing:

- an actuarial memorandum including an actuarial certification
- revised rate tables
- experience exhibits
- 10-year projections

EFT in the amount of \$50.00 has been submitted to pay filing fees.

Sincerely,

Emily DeWald FSA, MAAA
 Actuarial Analyst III
 Phone: 309.766.3343
 Fax: 309.766.1827
 Email: emily.dewald.sbf3@statefarm.com

Company and Contact

Filing Contact Information

Emily DeWald, Actuarial Analyst III	Emily.DeWald.SBF3@statefarm.com
One State Farm Plaza	309-766-3343 [Phone]
Bloomington, IL 61710	309-766-1827 [FAX]

Filing Company Information

State Farm Mutual Automobile Insurance Company	CoCode: 25178	State of Domicile: Illinois
One State Farm Plaza	Group Code:	Company Type:
Life/Health Actuarial, B-1	Group Name:	State ID Number:
Bloomington, IL 61710	FEIN Number: 37-0533100	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved-Closed	Stephanie Fowler	09/25/2009	09/25/2009

SERFF Tracking Number: *STLH-126239755* State: *Arkansas*
 Filing Company: *State Farm Mutual Automobile Insurance Company* State Tracking Number: *43310*
 Company Tracking Number: *2010 AR ER PRE*
 TOI: *MS021 Individual Medicare Supplement - Pre-Standardized* Sub-TOI: *MS021.000 Medicare Supplement - Pre-Standardized*
 Product Name: *2010 AR Pre-Standardized Medicare Supplement*
 Project Name/Number: *2010 AR Pre-Standardized Medicare Supplement/*

Disposition

Disposition Date: 09/25/2009

Implementation Date: 01/01/2010

Status: Approved-Closed

Comment: The requested rate increase has been approved to be implemented on or after January 1, 2010. This approval is subject to the following:

- Increases will not be given more frequently than once in a twelve-month period

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
State Farm Mutual Automobile Insurance Company	6.800%	6.800%	\$35,143	246	\$516,812	6.800%	0.000%

SERFF Tracking Number: *STLH-126239755* State: *Arkansas*
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 Product Name: *2010 AR Pre-Standardized Medicare Supplement*
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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Health - Actuarial Justification	Accepted for Informational Purposes	No
Supporting Document	Experience Exhibits	Accepted for Informational Purposes	No
Supporting Document	10-year Projections	Accepted for Informational Purposes	No
Rate	Pre-Standardized Medicare Supplement	Approved	Yes

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 Product Name: *2010 AR Pre-Standardized Medicare Supplement*
 Project Name/Number: *2010 AR Pre-Standardized Medicare Supplement/*

Rate Information

Rate data applies to filing.

Filing Method: SERFF
Rate Change Type: Increase
Overall Percentage of Last Rate Revision: 1.300%
Effective Date of Last Rate Revision: 01/01/2009
Filing Method of Last Filing: SERFF

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
State Farm Mutual Automobile Insurance Company	6.800%	6.800%	\$35,143	246	\$516,812	6.800%	0.000%

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Rate/Rule Schedule

Schedule Item Status:	Document Name:	Affected Form Numbers: (Separated with commas)	Rate Action:	Rate Action Information:	Attachments
Approved 09/25/2009	Pre-Standardized Medicare Supplement	97046, 99417, 99418, 97049, 97050, 97033, 97043	Revised	Previous State Filing Number: Percent Rate Change Request: 6.800	AR Proposed Rates - Pre 2010.pdf

State Farm Mutual Automobile Insurance Company
 Bloomington, Illinois

Medicare Supplement Policy Forms 97033, 97043, 97046, 97049, and 97050
 Additional Benefit Rider Forms 99417 and 99418
 Annual Premiums
 Individual Male or Female

Proposed Rates (Proposed 01/01/10 Effective Date)

Community Rate	Policy Form 97033 Series ER_A33AR	Policy Form 97043 Series ER_B33AR	Policy Form 97043 Series without Prescription Drug Coverage	Policy Form 97046 Series ER_C33AR
All Ages	2,509.00	8,057.00	6,848.45	2,559.00
Community Rate	Policy Form 97049 Series ER_D33AR	Rider Form 99417 ER_F33AR		
All Ages	1,648.00	949.00		
Community Rate	Policy Form 97050 Series ER_E33AR	Rider Form 99418 ER_G33AR		
All Ages	4,648.00	859.00		

Semiannual Mode: 51% of Annual
 Quarterly Mode: 26% of Annual

Arkansas

State Farm Mutual Automobile Insurance Company, Bloomington, Illinois
Annual Rate Filing and Rate Revision for Pre-Standardized Medicare Supplement
Policy Forms 97033, 97043, 97046, 97049, and 97050 and Rider Forms 99417 and 99418
Actuarial Memorandum

I. Reason for Rate Filing

The purpose of this rate filing is to demonstrate that the anticipated loss ratio of this product, after the requested rate change, meets the minimum requirement of your state. This rate filing is not intended to be used for other purposes.

II. Description of Policy Forms

- a. Type of Policy: Medicare Supplement.
- b. Renewability: Guaranteed Renewable.
- c. General Marketing Method: None. We no longer issue these policies.
- d. Issue ages: None. We no longer issue these policies.

III. Description of Benefits

These policies offer benefits that supplement Medicare.

IV. Trend Assumption

Below are the trend rates experienced for the past four years on our Pre-Standardized Medicare Supplement policy forms. Countrywide data is used in order to maximize the reliability of our data. The percent shown is the increase in claim costs in one period compared to the prior period.

Period	Trend
2005	7.4%
2006	6.2%
2007	6.1%
2008	6.1%
Average	6.5%

Based on the trend rates we have been experiencing over the past four years, we feel a trend rate of 6.5% is justified.

V. Other Assumptions

- a. Persistency: Assumptions based on past company experience.
- b. Expenses: Assumptions based on past company experience.
- c. Rate classes: Premium rates vary based on the form number of the policy.
- d. Modal factors: The attached rate tables show annual rates. The factors to apply to the annual rate are .51 for semi-annual mode and .26 for quarterly mode.
- e. Claim reserve methodology: Claim reserves are calculated using the claim run off method.

VI. Description of Rate Changes

We are filing new rate tables for each of our Pre-Standardized Medicare Supplement policy forms. These rates will apply to renewals only since we no longer issue these forms. This filing represents an average rate increase of 6.8%, with actual rate changes varying as follows:

Form	Rate Change
97033	6.8%
97043	6.8%
97046	6.8%
97049	6.8%
97050	6.8%
99417	6.8%
99418	0.0%

The new rates will be applied to individual policyholders upon their policy's next renewal following the effective date of the change. Contingent upon approval, the effective date for the change will be January 1, 2010 or as soon thereafter as possible.

Rate tables are provided as attachments.

VII. Experience and Loss Ratio Projections

Included with this filing is "Medicare Supplement Experience by State." This exhibit shows our experience since inception for our Pre-Standardized Medicare Supplement forms, on both a state and countrywide basis. The experience is shown by calendar year.

Also included with this filing is "10-Year Projections of Medicare Supplement Experience." This exhibit shows a 10-year projection of premiums, losses, and loss ratios, on both a state and countrywide basis. The assumptions used to prepare the projections are shown in the exhibit. Full credibility is given for 2,000 life years.

VIII. Average Annual Premium

The average annual premium per policy as of December 31, 2008 is as follows:

Arkansas	\$2,618
Countrywide	\$2,836

IX. Rate Changes Taken in the Past Five Years

Effective Date	Rate Change
July 1, 2003	11.0%
July 1, 2004	17.0%
January 1, 2006	1.9%
January 1, 2007	4.4%
January 1, 2009	1.3%

X. Compliance with Minimum Loss Ratio Standards

- a. The minimum loss ratio presumed reasonable for Medicare Supplement in your state is 65%.
- b. Third year loss ratios for policies that have been in force for less than three years are expected to meet or exceed the minimum loss ratio standard.
- c. Our projected future loss ratio, shown in the attached exhibit "10-Year Projections of Medicare Supplement Experience", complies with the minimum loss ratio standard.
- d. Our projected lifetime loss ratio, shown in the attached exhibit "10-Year Projections of Medicare Supplement Experience", complies with the minimum loss ratio standard.

XI. Certification

I certify that to the best of my knowledge and judgment, this entire filing is in compliance with the applicable laws of your state and with the rules of the Department of Insurance. Furthermore, it complies with Actuarial Standard of Practice No. 8, "Regulatory Filing for Health Plan Entities," as adopted by the Actuarial Standards Board, December 2005, and effective May 2006, and the benefits provided are reasonable in relation to the proposed premiums.



David Diffor, FSA, MAAA
Actuarial Director I
Phone: 309.766.2475

Medicare Supplement Experience by State
 State Farm Mutual Automobile Insurance Company
Pre-Standardized Policy Forms

Arkansas Experience

Calendar Year	Written Premium	Earned Premium	Paid Losses	Incurred Losses	Loss Ratio	Policies in Force
Dec-84	69,071	32,488	1,688	24,629	75.8%	257
Dec-85	225,335	183,240	67,559	104,951	57.3%	540
Dec-86	341,799	316,647	190,915	231,102	73.0%	688
Dec-87	446,621	412,941	255,374	251,478	60.9%	822
Dec-88	584,643	543,277	386,012	388,570	71.5%	1,052
Dec-89	780,587	708,696	509,593	576,402	81.3%	1,365
Dec-90	1,237,410	1,087,312	763,433	843,598	77.6%	1,678
Dec-91	1,605,192	1,505,802	1,231,358	1,331,108	88.4%	1,747
Dec-92	1,605,294	1,599,474	1,137,173	1,142,157	71.4%	1,542
Dec-93	1,643,954	1,570,475	1,084,534	1,008,314	64.2%	1,354
Dec-94	1,422,730	1,475,951	1,079,396	1,035,179	70.1%	1,224
Dec-95	1,289,636	1,335,707	1,028,592	1,011,780	75.7%	1,104
Dec-96	1,276,422	1,266,372	1,055,788	1,097,173	86.6%	983
Dec-97	1,146,501	1,169,434	938,922	884,757	75.7%	854
Dec-98	1,069,653	1,095,728	886,511	874,155	79.8%	781
Dec-99	986,005	1,016,768	828,385	816,679	80.3%	725
Dec-00	851,769	957,478	974,951	1,026,690	107.2%	670
Dec-01	875,917	922,899	860,994	848,854	92.0%	561
Dec-02	926,306	919,121	718,987	683,342	74.3%	498
Dec-03	906,263	914,738	718,791	702,212	76.8%	440
Dec-04	865,457	879,524	648,521	604,363	68.7%	376
Dec-05	794,890	821,338	600,816	590,191	71.9%	309
Dec-06	668,935	700,408	467,735	445,919	63.7%	255
Dec-07	600,302	612,756	448,788	436,575	71.2%	226
Dec-08	516,812	538,665	429,567	418,860	77.8%	193
Grand Total	22,220,687	22,048,577	16,884,816	16,960,177	76.9%	20,051

Countrywide Experience

Calendar Year	Written Premium	Earned Premium	Paid Losses	Incurred Losses	Loss Ratio	Policies in Force
Dec-81	40,187	28,789	13,180	17,131	59.5%	78
Dec-82	150,314	108,906	45,403	61,914	56.9%	530
Dec-83	333,933	265,215	140,264	173,016	65.2%	1,097
Dec-84	6,102,008	3,049,747	494,605	2,251,491	73.8%	20,625
Dec-85	19,690,193	15,582,245	6,555,569	10,431,519	66.9%	47,514
Dec-86	30,820,297	27,259,979	15,905,205	19,588,455	71.9%	61,415
Dec-87	41,703,316	37,743,105	24,578,819	25,150,776	66.6%	76,684
Dec-88	55,704,788	51,113,204	36,396,223	35,757,066	70.0%	95,605
Dec-89	72,392,239	66,728,231	48,239,978	53,758,028	80.6%	120,499
Dec-90	105,172,669	94,210,033	72,992,969	79,582,269	84.5%	142,024
Dec-91	133,422,314	124,457,541	97,961,196	106,337,046	85.4%	146,841
Dec-92	139,693,257	138,479,691	102,008,245	100,850,545	72.8%	128,712
Dec-93	141,206,842	136,945,061	96,791,589	92,746,478	67.7%	109,413
Dec-94	121,419,325	126,303,408	92,261,238	87,887,662	69.6%	95,994
Dec-95	109,751,053	114,071,989	89,030,671	87,486,693	76.7%	84,768
Dec-96	107,089,470	107,532,401	85,762,170	89,051,989	82.8%	73,977
Dec-97	101,059,456	102,895,176	80,250,609	74,987,949	72.9%	63,848
Dec-98	91,156,720	95,194,542	73,037,846	71,447,201	75.1%	55,837
Dec-99	82,375,655	85,477,807	67,710,458	66,195,900	77.4%	50,503
Dec-00	71,440,540	79,705,219	69,472,876	73,830,846	92.6%	44,842
Dec-01	76,627,133	78,328,968	63,318,396	62,253,744	79.5%	38,796
Dec-02	77,138,300	77,548,912	54,817,076	52,155,093	67.3%	32,840
Dec-03	72,405,606	74,075,642	51,059,608	48,975,953	66.1%	28,246
Dec-04	66,620,107	68,315,128	45,632,957	41,536,718	60.8%	24,597
Dec-05	58,817,105	61,192,454	43,244,879	41,991,318	68.6%	21,352
Dec-06	49,130,952	51,625,810	37,673,280	35,724,863	69.2%	18,000
Dec-07	43,779,789	45,215,717	34,441,599	33,824,631	74.8%	15,566
Dec-08	38,925,983	40,216,091	31,638,697	30,751,326	76.5%	13,438
Grand Total	1,914,169,550	1,903,671,011	1,421,475,604	1,424,807,621	74.8%	1,613,641

10-Year Projections of Medicare Supplement Experience
 State Farm Mutual Automobile Insurance Company
 Policy Form **Pre-Standardized**

4.5% Interest rate
 87.2% Persistency
 23.6% Credibility for the state
 6.5% Claim cost trend

Arkansas												
Year	Earned Premium	Incurred Losses	Loss Ratio	Number Insured	Average Premium	Claim Cost	Rate Change	Rate change effect from ...				Total
								2 yrs ago	Prior yr	Current yr		
Prior to 2003	18,119,813	14,180,918	78.3%									
2003	914,738	702,212	76.8%	476	1,922	2,950						
2004	879,524	604,363	68.7%	404	1,999	1,374						
2005	821,338	590,191	71.9%	330	2,238	1,608						
2006	700,408	445,919	63.7%	269	2,339	1,489	1.9%					
2007	612,756	436,575	71.2%	237	2,422	1,726	4.4%					
2008	538,665	418,860	77.8%	201	2,460	1,913	0.0%	1.0000	1.0218	1.0000	1.0218	
2009	467,237	385,281	82.5%	175	2,484	2,048	1.3%	1.0000	1.0000	1.0064	1.0064	
2010	423,689	357,803	84.4%	153	2,583	2,181	6.8%	1.0000	1.0064	1.0333	1.0399	
2011	393,967	332,284	84.3%	133	2,754	2,323	6.5%	1.0000	1.0333	1.0320	1.0663	
2012	365,869	308,586	84.3%	116	2,933	2,474	6.5%	1.0000	1.0320	1.0320	1.0650	
2013	339,775	286,577	84.3%	101	3,124	2,635	6.5%	1.0000	1.0320	1.0320	1.0650	
2014	315,542	266,139	84.3%	88	3,327	2,806	6.5%	1.0000	1.0320	1.0320	1.0650	
2015	293,038	247,158	84.3%	77	3,543	2,988	6.5%	1.0000	1.0320	1.0320	1.0650	
2016	272,138	229,530	84.3%	67	3,773	3,182	6.5%	1.0000	1.0320	1.0320	1.0650	
2017	252,730	213,160	84.3%	59	4,018	3,389	6.5%	1.0000	1.0320	1.0320	1.0650	
2018	234,705	197,958	84.3%	51	4,280	3,610	6.5%	1.0000	1.0320	1.0320	1.0650	
Totals with interest				Totals without interest								
	Premium	Losses	Ratio		Premium	Losses	Ratio					
Past	29,304,531	22,590,329	77.1%		22,587,242	17,379,037	76.9%					
Future	2,790,734	2,345,605	84.0%		3,358,690	2,824,475	84.1%					
Lifetime	32,095,266	24,935,934	77.7%		25,945,932	20,203,511	77.9%					

Countrywide												
Year	Earned Premium	Incurred Losses	Loss Ratio	Number Insured	Average Premium	Claim Cost	Rate Change	Rate change effect from ...				Total
								2 yrs ago	Prior yr	Current yr		
Prior to 2003	1,563,030,169	1,192,002,811	76.3%									
2003	74,075,642	48,975,953	66.1%	30,187								
2004	68,315,128	41,536,718	60.8%	26,133	2,426	1,475						
2005	61,192,454	41,991,318	68.6%	22,559	2,513	1,725	0.3%					
2006	51,625,810	35,724,863	69.2%	18,902	2,490	1,723	1.3%					
2007	45,215,717	33,824,631	74.8%	16,272	2,571	1,923	3.6%					
2008	40,216,091	30,751,326	76.5%	13,984	2,658	2,033	3.6%	1.0000	1.0178	1.0178	1.0360	
2009	36,432,478	28,452,535	78.1%	12,194	2,783	2,174	5.6%	1.0000	1.0178	1.0276	1.0460	
2010	33,404,925	26,423,301	79.1%	10,633	2,927	2,315	4.7%	1.0000	1.0276	1.0232	1.0515	
2011	30,759,207	24,538,791	79.8%	9,272	3,091	2,466	6.5%	1.0000	1.0232	1.0320	1.0560	
2012	28,565,460	22,788,684	79.8%	8,085	3,291	2,626	6.5%	1.0000	1.0320	1.0320	1.0650	
2013	26,528,171	21,163,395	79.8%	7,050	3,505	2,796	6.5%	1.0000	1.0320	1.0320	1.0650	
2014	24,636,182	19,654,022	79.8%	6,148	3,733	2,978	6.5%	1.0000	1.0320	1.0320	1.0650	
2015	22,879,130	18,252,297	79.8%	5,361	3,976	3,172	6.5%	1.0000	1.0320	1.0320	1.0650	
2016	21,247,390	16,950,543	79.8%	4,675	4,234	3,378	6.5%	1.0000	1.0320	1.0320	1.0650	
2017	19,732,026	15,741,631	79.8%	4,076	4,510	3,598	6.5%	1.0000	1.0320	1.0320	1.0650	
2018	18,324,738	14,618,937	79.8%	3,555	4,803	3,831	6.5%	1.0000	1.0320	1.0320	1.0650	
Totals with interest				Totals without interest								
	Premium	Losses	Ratio		Premium	Losses	Ratio					
Past	2,476,840,521	1,856,301,583	74.9%		1,903,671,011	1,424,807,621	74.8%					
Future	218,146,437	173,220,202	79.4%		262,509,707	208,584,137	79.5%					
Lifetime	2,694,986,958	2,029,521,785	75.3%		2,166,180,718	1,633,391,758	75.4%					