**20:06:21:63.  Premium rate schedule increases -- Notice of pending increase.** An insurer shall provide notice of a pending premium rate schedule increase, including an exceptional increase, to the director at least 30 days prior to the notice to the policyholders, and shall include:

(1)  Information required by § 20:06:21:60;

(2)  Certification by a qualified actuary that:

(a)  If the requested premium rate schedule increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized, no further premium rate schedule increases are anticipated;

(b)  The premium rate filing is in compliance with the provisions of this section;

(c)  The insurer may request a premium rate schedule increase less than what is required under this section and the director may approve such premium rate schedule increase, without submission of the certification in subdivision (2)(a), if the actuarial memorandum discloses the premium rate schedule increase necessary to make the certification required pursuant to subdivision (2)(a), the premium rate schedule increase filing satisfies all other requirements of this section, and is, in the opinion of the director, in the best interest of the policyholders;

(3)  An actuarial memorandum justifying the rate schedule change request that includes:

(a)  Lifetime projections of earned premiums and incurred claims based on the filed premium rate schedule increase; and the method and assumptions used in determining the projected values, including reflection of any assumptions that deviate from those used for pricing other forms currently available for sale;

(i)    Annual values for the five years preceding the three years following the valuation date shall be provided separately;

(ii)   The projections shall include the development of the lifetime loss ratio, unless the rate increase is an exceptional increase;

(iii)  The projections shall demonstrate compliance with § 20:06:21:64; and

(iv)  For exceptional increases:

(I)   The projected experience must be limited to the increases in claims expenses attributable to the approved reasons for the exceptional increase; and

(II)  In the event the director determines as provided in § 20:06:21:70 that offsets may exist, the insurer shall use appropriate net projected experience;

(b)  Disclosure of how reserves have been incorporated in this rate increase whenever the rate increase will trigger contingent benefit upon lapse;

(c)  Disclosure of the analysis performed to determine why a rate adjustment is necessary, which pricing assumptions were not realized and why, and what other actions taken by the company have been relied on by the actuary;

(d)  A statement that policy design, underwriting, and claims adjudication practices have been taken into consideration; and

(e)  In the event that it is necessary to maintain consistent premium rates for new certificates and certificates receiving a rate increase, the insurer will need to file composite rates reflecting projections of new certificates;

(f)  A demonstration that actual and projected costs exceed costs anticipated at the time of initial pricing under moderately adverse experience and that the composite margin specified in subdivision 20:06:21:61(2)(b)(iv) is projected to be exhausted;

(4)  A statement that renewal premium rate schedules are not greater than new business premium rate schedules except for differences attributable to benefits, unless sufficient justification is provided to the director; and

(5)  Sufficient information for review and approval of the premium rate schedule increase by the director.

**Source:** 28 SDR 157, effective May 19, 2002; 44 SDR 184, effective June 25, 2018.

**General Authority:** SDCL 58-17B-4.

**Law Implemented:** SDCL 58-17B-4.