**20:06:21:64.  Premium rate schedule increase requirements.** All premium rate schedule increases shall be determined in accordance with the following requirements:

(1)  Exceptional increases shall provide that 70% of the present value of projected additional premiums from the exceptional increase will be returned to policyholders in benefits;

(2)  Premium rate schedule increases shall be calculated such 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:

(a)  The accumulated value of the initial earned premium times 58%;

(b)  85% of the accumulated value of prior premium rate schedule increases on an earned basis;

(c)  The present value of future projected initial earned premiums times 58%; and

(d)  85% of the present value of future projected premiums not in subdivision (2)(c) of this section on an earned basis;

(3)  In the event that a policy form has both exceptional and other increases, the values in subdivisions (2)(b) and (d) of this section will also include 70% for exceptional rate increase amounts; and

(4)  All present and accumulated values used to determine rate increases shall use the maximum valuation interest rate for contract reserves as specified in SDCL 58-26-71 and 58-26-75. The actuary shall disclose as part of the actuarial memorandum the use of any appropriate averages;

(5)  After December 31, 2018, expected claims shall be calculated based on the original filing assumptions assumed until new assumptions are filed as part of a rate increase. New assumptions shall be used for all periods beyond each requested effective date of a rate increase. Expected claims are calculated for each calendar year based on the in-force at the beginning of the calendar year. Expected claims shall include margins for moderately adverse experience, either amounts included in the claims that were used to determine the lifetime loss ration consistent with the original filing or as modified in any rate increase filing.

**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.