20:06:07:08. Variable contract agent license required prior to solicitation or sale.

Before a person may sell a variable contract, the person must meet the following requirements:

(1) Have passed the life insurance examination and be licensed as a life insurance agent under SDCL Title 58;

(2) Have passed either a series 6, series 7, series 63, or series 66 examination given by the National Association of Securities Dealers—Financial Industry Regulatory Authority; and

(3) Have filed a form approved by the director requesting to have variable annuities, variable life, or both, added as lines to the license.

A nonresident agent must also submit an original home state certification which is not more than 90 days old.


Cross-Reference: Policy forms -- Filing with and approval by the director, SDCL 58-11-11.


Source: 21 SDR 144, effective February 19, 1995; 23 SDR 43, effective October 1, 1996; 23 SDR 202, effective June 1, 1997; 25 SDR 13, effective August 9, 1998; 26 SDR 26, effective September 1, 1999; 27 SDR 54, effective December 4, 2000; 29 SDR 84, effective December 15,
2002; 31 SDR 21, effective August 23, 2004; 33 SDR 59, effective October 5, 2006; 34 SDR 271, effective May 6, 2008; 35 SDR 165, effective December 22, 2008; 36 SDR 209, effective July 1, 2010; 37 SDR 241, effective July 1, 2011; 38 SDR 219, effective June 25, 2012; 39 SDR 219, effective June 26, 2013; 41 SDR 41, effective September 17, 2014; 42 SDR 52, effective October 13, 2015; 42 SDR 177, effective June 28, 2016; 43 SDR 181, effective July 7, 2017; 45 SDR 10, effective August 2, 2018.

**General Authority:** SDCL 58-3-11, 58-3-26.

**Law Implemented:** SDCL 58-3-3.3, 58-3-11.


**Source:** 13 SDR 75, effective December 21, 1986; 22 SDR 110, effective March 1, 1996; 23 SDR 43, effective October 1, 1996; 25 SDR 13, effective August 9, 1998; 26 SDR 26, effective September 1, 1999; 27 SDR 54, effective December 4, 2000; 27 SDR 111, effective May 7, 2001; 30 SDR 39, effective September 28, 2003; 33 SDR 59, effective October 5, 2006; 34 SDR 271,
effective May 6, 2008; 35 SDR 165, effective December 22, 2008; 36 SDR 209, effective July 1, 2010; 37 SDR 241, effective July 1, 2011; 38 SDR 219, effective June 25, 2012; 39 SDR 219, effective June 26, 2013; 41 SDR 41, effective September 17, 2014; 42 SDR 52, effective October 13, 2015; 42 SDR 177, effective June 28, 2016; 43 SDR 181, effective July 7, 2017; 45 SDR 10, effective August 2, 2018.


References:


Copies of references 1 to 5, inclusive, may be obtained from the National Association of Insurance Commissioners, 1100 Walnut Street, Ste. 1500, Kansas City, MO 64106-2197, (816) 783-8300; http://www.naic.org.
**20:06:22:27. Rating bands.** With respect to the premium rate a health insurance issuer charges for health insurance coverage offered in the individual or small group market, the rate may only vary with respect to the particular plan or coverage involved by the following factors:

1. Whether the plan or coverage covers an individual or a family;
2. Rating area;
3. Age, except the rate may not vary by more than 3:1 for like individuals of different age who are age 21 and older. The variation in rate must be actuarially justified for individuals under age 21, consistent with the uniform age rating curve under § 20:06:22:30. For purposes of identifying the appropriate age adjustment under this subdivision and the age band in § 20:06:22:31, applicable to a specific enrollee, the enrollee's age as of the date of policy issuance or renewal shall be used; and
4. Tobacco use, except such rate may not vary by more than 1.5:1 for like individuals who vary in tobacco usage and may only be applied with respect to individuals who may legally use tobacco under state law.

The premium rate may not vary with respect to the particular plan or coverage involved by any other factor not described in this section.

**Source:** 39 SDR 203, effective June 10, 2013.

**General Authority:** SDCL 58-17-4.2, 58-17-87, 58-18B-18, 58-18B-36.

**Law Implemented:** SDCL 58-17-4.3 58-17-74.1, 58-17-87, 58-18B-18, 58-18B-36.

**20:06:22:27.01. Tobacco use defined.** For purposes of § 20:06:22:27, tobacco use means the use of any tobacco product on average four or more times per week within no longer than the past six months. Tobacco use does not include religious or ceremonial use of tobacco. Tobacco use must be defined in terms of when a tobacco product was last used.
20:06:22:27.02. **Tobacco usage reporting.** If an enrollee is found to have reported false or incorrect information about their the enrollee’s tobacco use, the issuer may retroactively apply the appropriate tobacco use rating factor to the enrollee's premium as if the correct information had been accurately reported from the beginning of the plan year. An issuer must not rescind the coverage on this basis. Tobacco use is not a material fact for which an issuer may rescind coverage if there is a misrepresentation.

**Source:** 39 SDR 203, effective June 10, 2013.


**Law Implemented:** SDCL 58-17-4.3 58-17-74.1, 58-17-87, 58-18B-18, 58-18B-36.

20:06:22:28. **Health status and gender factors precluded.** A health insurance issuer may not use health status or gender as a factor in any premium rate in the individual or small group market.

**Source:** 39 SDR 203, effective June 10, 2013.

**General Authority:** SDCL 58-17-4.2, 58-17-87, 58-18B-18, 58-18B-36.

**Law Implemented:** SDCL 58-17-4.3 58-17-74.1, 58-17-87, 58-18B-18, 58-18B-36.

20:06:22:30. **Rating variations.** With respect to family coverage under a health insurance plan, the rating variations permitted under § 20:06:22:27(3) and (4), must be applied
based on the portion of the premium attributable to each family member covered under the coverage. The total premium for family coverage must be determined by summing the premiums for each individual family member. In determining the total premium for family members, premiums for no more than the three oldest covered children who are under age 21 may be taken into account.

In the case of the small group market, the total premium charged to the group shall be determined by summing the premiums of covered participants and beneficiaries in accordance with this section.

Source: 39 SDR 203, effective June 10, 2013.


**20:06:22:31. Uniform age bands.** For rating purposes under § 20:06:22:27(3) uniform age bands are as follows:

<table>
<thead>
<tr>
<th>AGE</th>
<th>PREMIUM RATIO</th>
<th>AGE</th>
<th>PREMIUM RATIO</th>
<th>AGE</th>
<th>PREMIUM RATIO</th>
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<td>50</td>
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<td>36</td>
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<tr>
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<tr>
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<td>63</td>
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<td>34</td>
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<td>49</td>
<td>1.706</td>
<td>64 and older</td>
<td>ARSD 20:06:46</td>
</tr>
</tbody>
</table>

**Source:** 39 SDR 203, effective June 10, 2013.

**General Authority:** SDCL 58-17-4.2, 58-17-87, 58-18B-18, 58-18B-36.


**20:06:22:32. Single risk pool.** For the individual market, a health insurance issuer shall consider the claims experience of all individual health plans, other than those enrolled in grandfathered health plans and group plans subject to SDCL 58-17-70, and excepted benefits offered by such the issuer in the individual market in a state, including those enrollees who do not enroll in such plans through an Exchange, to be members of a single risk pool.

For the small group market, a health insurance issuer shall consider the claims experience of all enrollees in all health plans, other than grandfathered health plans, subject to SDCL chapter 58-18B and offered by such the issuer in the small group market in a state, including those enrollees who do not enroll in such plans through an Exchange, to be members of a single risk pool.

**Source:** 39 SDR 203, effective June 10, 2013.

**General Authority:** SDCL 58-17-4.2, 58-17-87, 58-18B-18, 58-18B-36.

20:06:22:33. **Index rate.** Each health insurance issuer shall establish its own index rate for this state based on the total combined claims costs for providing essential health benefits within the single risk pool of this state. Separate single risk pools are required for the individual and small group markets. Each health insurance issuer shall adjust the index rate on a market-wide basis based on the total expected market-wide payments and charges under the risk adjustment and reinsurance program in this state. The premium rate for all the plans the health insurance issuer offers in this state market must use the applicable index rate, as adjusted for total expected market-wide payments and charges under the risk adjustment and reinsurance programs, subject only to the adjustments permitted under § 20:06:22:34.

**Source:** 39 SDR 203, effective June 10, 2013.

**General Authority:** SDCL 58-17-4.2, 58-17-87, 58-18B-18, 58-18B-36.


20:06:22:34. **Permitted plan-level adjustments to the index rate.** For each plan year or policy years beginning after December 31, 2013, a health insurance issuer may vary premium rates for a particular plan from its index rate for a relevant market in this state based only on the following actuarially justified plan specific factors:

1. The actuarial value and costsharing design of the plan;
2. The plan's provider network, delivery system characteristics, and utilization management practices;
(3) The benefits provided under the plan that are in addition to the essential health benefits. These additional benefits must be pooled with similar benefits within the single risk pool and the claims experience from those benefits must be utilized to determine rate variations for plans that offer those benefits in addition to essential health benefits;

(4) Administrative costs, excluding Exchange user fees; and

(5) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans.

Source: 39 SDR 203, effective June 10, 2013.


Source: 21 SDR 144, effective February 19, 1995; 22 SDR 110, effective March 1, 1996; 23 SDR 202, effective June 1, 1997; 25 SDR 13, effective August 9, 1998; 26 SDR 26, effective September 1, 1999; 27 SDR 54, effective December 4, 2000; 27 SDR 111, effective May 7, 2001; 30 SDR 39, effective September 28, 2003; 31 SDR 21, effective August 23, 2004; 33 SDR 59, effective October 5, 2006; 34 SDR 271, effective May 6, 2008; 35 SDR 165, effective December 22, 2008; 36 SDR 209, effective July 1, 2010; 37 SDR 241, effective July 1, 2011; 38 SDR 219, effective June 25, 2012; 39 SDR 219, effective June 26, 2013; 41 SDR 41, effective September
17, 2014; 42 SDR 52, effective October 13, 2015; 42 SDR 177, effective June 28, 2016; 43 SDR 181, effective July 7, 2017; 45 SDR 10, effective August 2, 2018.

**General Authority:** SDCL 58-6-75.

**Law Implemented:** SDCL 58-6-75.

**References:**


Copies of references 1 to 5, inclusive, may be obtained from the National Association of Insurance Commissioners, 1100 Walnut Street, Ste. 1500, Kansas City, MO 64106-2197, (816) 783-8300; http://www.naic.org.

20:06:25:01.01. **Accounting methods for certain surety bonds.** Insurers writing surety bonds guaranteeing to lending institutions the repayment of student loans made by lending
institutions may, in lieu of compliance with SSAP60 of the Accounting Practices and Procedures Manual, develop premium earning patterns that are representative of their claims and expense patterns by loan and program, and compute unearned premium reserves according to those premium earning patterns. In lieu of compliance with SSAP3 of the Accounting Practices and Procedures Manual, changes in accounting estimates, for this method of accounting only, may be amortized over the remaining life of the student loans utilizing pro-rated current premium earning patterns. In lieu of compliance with SSAP53 of the Accounting Practices and Procedures Manual, such insurers may recognize written premiums when due.


General Authority: SDCL 58-6-75.

Law Implemented: SDCL 58-6-75.

20:06:25:01.02. **Accounting methods for bail bonds.** Insurers writing bail bonds may, in lieu of compliance with SSAP 53 of the *Accounting Practices and Procedures Manual*, report bail bond written premiums less agent commissions and may recognize total premiums as earned on the effective date of the bonds. Insurers reporting premiums on this method must file a supplemental Schedule T with their annual statement setting forth the gross premiums by state for premium tax purposes.

**Source:** 29 SDR 5, effective July 10, 2002; 30 SDR 39, effective September 28, 2003; 31 SDR 21, effective August 23, 2004; 33 SDR 59, effective October 5, 2006; 34 SDR 271, effective May 6, 2008; 35 SDR 165, effective December 22, 2008; 36 SDR 209, effective July 1, 2010; 37 SDR 241, effective July 1, 2011; 38 SDR 219, effective June 25, 2012; 39 SDR 219, effective June 26, 2013; 41 SDR 41, effective September 17, 2014; 42 SDR 52, effective October 13, 2015; 42 SDR 177, effective June 28, 2016; 45 SDR 10, effective August 2, 2018.

**General Authority:** SDCL 58-6-75.

**Law Implemented:** SDCL 58-6-75.


20:06:25:02. **Actuarial opinions.** Actuarial opinions shall be filed in accordance with standards adopted by the National Association of Insurance Commissioners in the manuals on

Source: 21 SDR 144, effective February 19, 1995; 22 SDR 110, effective March 1, 1996; 23 SDR 202, effective June 1, 1997; 25 SDR 13, effective August 9, 1998; 26 SDR 26, effective September 1, 1999; 27 SDR 54, effective December 4, 2000; 30 SDR 39, effective September 28, 2003; 31 SDR 21, effective August 23, 2004; 33 SDR 59, effective October 5, 2006; 34 SDR 271, effective May 6, 2008; 35 SDR 165, effective December 22, 2008; 36 SDR 209, effective July 1, 2010; 37 SDR 241, effective July 1, 2011; 38 SDR 219, effective June 25, 2012; 39 SDR 219, effective June 26, 2013; 41 SDR 41, effective September 17, 2014; 42 SDR 52, effective October 13, 2015; 42 SDR 177, effective June 28, 2016; 43 SDR 181, effective July 7, 2017; 45 SDR 10, effective August 2, 2018.


References:


Copies of references 1 and 2 may be obtained from the National Association of Insurance Commissioners, 1100 Walnut Street, Ste. 1500, Kansas City, MO 64106-2197, (816) 783-8300; http://www.naic.org.

Source: 21 SDR 144, effective February 19, 1995; 22 SDR 110, effective March 1, 1996; 23 SDR 202, effective June 1, 1997; 25 SDR 13, effective August 9, 1998; 26 SDR 26, effective September 1, 1999; 27 SDR 54, effective December 4, 2000; 30 SDR 39, effective September 28, 2003; 31 SDR 21, effective August 23, 2004; 33 SDR 59, effective October 5, 2006; 34 SDR 271, effective May 6, 2008; 35 SDR 165, effective December 22, 2008; 36 SDR 209, effective July 1, 2010; 37 SDR 241, effective July 1, 2011; 38 SDR 219, effective June 25, 2012; 39 SDR 219, effective June 26, 2013; 41 SDR 41, effective September 17, 2014; 42 SDR 52, effective October 13, 2015; 42 SDR 177, effective June 28, 2016; 43 SDR 181, effective July 7, 2017; 45 SDR 10, effective August 2, 2018.


20:06:36:01. Definitions. Terms used in this chapter mean:
(1) "Adjusted RBC report," an RBC report which has been adjusted by the director in accordance with § 20:06:36:06;

(2) "Corrective order," an order issued by the director specifying corrective actions which the director has determined are required;

(3) "Domestic insurer," any insurance company domiciled in this state or any entity required to comply with RBC pursuant to § 58-4-48;

(4) "Domestic health organization," any health organization domiciled in this state;

(5) "Foreign insurer," any insurance company which is licensed to do business in this state but is not domiciled in this state;

(6) "Foreign health organization," any health organization that is licensed to do business in this state, but is not domiciled in this state;

(7) "Health Organization," any health maintenance organization, limited health service organization, dental or vision plan, hospital, medical and dental indemnity or service corporation or other managed care organization licensed under SDCL Title 58. This definition does not include an organization that is licensed as either a life or health insurer or property and casualty insurer, and that is otherwise subject to either life or property and casualty RBC requirements;

(8) "NAIC," the National Association of Insurance Commissioners;

(9) "Life or health insurer," any insurance company licensed under SDCL Title 58 to write life or health, or a property and casualty insurer licensed to do business in this state writing only accident and health insurance;
(10) "Property and casualty insurer," any insurance company licensed under SDCL Title 58 to do business in this state, but not monoline mortgage guaranty insurers, financial guaranty insurers, and title insurers;

(11) "Negative trend," for a life or health insurer, a negative trend in the level of risk-based capital over a period of time;

(12) "RBC," risk-based capital;

(13) "RBC instructions," the 2017 2018 NAIC RBC Forecasting and Instructions-Life, the 2017 2018 NAIC RBC Forecasting and Instructions-Property/Casualty, and the 2017 2018 NAIC RBC Forecasting and Instructions-Health;

(14) "RBC plan," a comprehensive financial plan containing the elements specified in § 20:06:36:08. If the director rejects the RBC plan and it is revised by the insurer or health organization, with or without the director's recommendation, the plan is called the "revised RBC plan";

(15) "RBC report," the report required in §§ 20:06:36:03 to 20:06:36:06, inclusive;

(16) "Total adjusted capital," the sum of an insurer's or health organization's statutory capital and surplus as determined in accordance with the statutory accounting applicable to the annual financial statements required to be filed under SDCL 58-6-75, and any other items required by the RBC instructions.

Source: 23 SDR 228, effective July 3, 1997; 25 SDR 13, effective August 9, 1998; 26 SDR 26, effective September 1, 1999; 27 SDR 54, effective December 4, 2000; 30 SDR 39, effective September 28, 2003; 31 SDR 21, effective August 23, 2004; 33 SDR 59, effective October 5, 2006; 34 SDR 271, effective May 6, 2008; 35 SDR 165, effective December 22, 2008; 36 SDR 209,
effective July 1, 2010; 37 SDR 241, effective July 1, 2011; 38 SDR 219, effective June 25, 2012;
39 SDR 219, effective June 26, 2013; 41 SDR 41, effective September 17, 2014; 41 SDR 93,
effective December 3, 2014; 42 SDR 52, effective October 13, 2015; 42 SDR 177, effective June

**General Authority:** SDCL 58-4-48.

**Law Implemented:** SDCL 58-4-48.

**References:**

1. **2017 2018 NAIC RBC Forecasting and Instructions-Life.** Cost: $45.
2. **2017 2018 NAIC RBC Forecasting and Instructions-Property/Casualty.** Cost: $45.
3. **2017 2018 NAIC RBC Forecasting and Instructions-Health.** Cost: $45.

Copies of references 1 and 3, inclusive, may be obtained from the National Association of
Insurance Commissioners, 1100 Walnut Street, Ste. 1500, Kansas City, MO 64106-2197, (816)
783-8300; http://www.naic.org.

**20:06:59:01. Valuation manual - operative date.** The valuation of reserve liabilities for
life insurance contracts, annuity and pure endowment contracts, accident and health contracts, and
deposit-type contracts shall be calculated in accordance with the standards set forth in the
The operative date for the valuation manual is January 1, 2017.

**Source:** 43 SDR 80, effective December 5, 2016; 45 SDR 10, effective August 2, 2018.

**General Authority:** SDCL 58-26-45.1.

**Law Implemented:** SDCL 58-26-44.1(11), 58-26-45.1.
Reference: Valuation Manual of the National Association of Insurance Commissioners, 2017 edition, National Association of Insurance Commissioners. Copies may be obtained from the NAIC, 1100 Walnut Street, Ste. 1500, Kansas City, MO 64106-2197, (816) 783-8300.