**20:06:21:05.  Loss ratios.** This section applies to all long-term care insurance policies or certificates except those covered under § 20:06:21:61 and §§ 20:06:21:63 to 20:06:21:69, inclusive.

A long-term care insurance policy sold in this state shall meet or exceed the minimum loss ratio. The minimum loss ratio for an individual policy is 60 percent. The minimum loss ratio for a group policy is 65 percent. Long-term care insurance coverage sold through the mail or mass media advertising is considered an individual policy and not a group policy. The loss ratio shall be calculated based on earned premium and incurred loss in the aggregate. The premium shall be designed to develop at least the minimum loss ratio over the lifetime of the policy. An anticipated loss ratio shall be based on generally accepted actuarial principles and practices as published in the **Actuarial Standards of Practice**.

All filings of rates and rating schedules shall demonstrate that actual and expected losses, in relation to premiums, comply with the requirements of this section.

Loss ratio requirements do not apply to long-term care riders attached to or provisions included in life insurance policies.

In evaluating the expected loss ratio, consideration shall be given to all relevant factors, including:

(1)  Statistical credibility of incurred claims experience and earned premiums;

(2)  The period for which rates are computed to provide coverage;

(3)  Experienced and projected trends;

(4)  Concentration of experience within early policy duration;

(5)  Expected claim fluctuation;

(6)  Experience refunds, adjustments, or dividends;

(7)  Renewability features;

(8)  All appropriate expense factors;

(9)  Interest;

(10)  Experimental nature of the coverage;

(11)  Policy reserves;

(12)  Mix of business by risk classification; and

(13)  Product features such as long elimination periods, high deductibles, and high maximum limits.

**Source:** 16 SDR 208, effective June 3, 1990; 22 SDR 106, effective February 18, 1996; 25 SDR 13, effective August 9, 1998; 26 SDR 26, effective September 1, 1999; 27 SDR 54, effective December 4, 2000; 28 SDR 157, effective May 19, 2002; 30 SDR 39, effective September 28, 2003.

**General Authority:** SDCL 58-17B-8.

**Law Implemented:** SDCL 58-17B-8.

**Reference:** **Actuarial Standards of Practice**, American Academy of Actuaries. Copies may be obtained free of charge on the website: http:/www.actuarialstandardsboard.org/asops.htm.