**20:06:21:06.  Cost-of-living adjustments -- Basis.** The annual cost-of-living adjustment may be based on either the medical care component of the federal consumer price index or may be based on a fixed percentage increase of not less than five percent or more than ten percent. The adjustment period must continue for at least ten years or to age 85, whichever is sooner. The maximum lifetime benefit, if any, must be increased by the same percentage as the daily benefit. Annual adjustments must continue during the entire adjustment period regardless of the claims status of the policy.

An insurer may offer periodic adjustments in lieu of annual adjustments if the adjustments offered are at intervals of no more than three years. If the periodic adjustment is based on a fixed percentage, the adjustment must be at a rate which complies with the annual fixed percentage total over the period used.

If a company already offers a cost-of-living adjustment endorsement that meets the requirements of this section, other adjustment endorsements may be offered if the director determines that the endorsements are in the public interest.

If a policy states the maximum policy limit as a time interval, the maximum policy limit is not required to be adjusted. The daily benefit is required to be adjusted.

Notwithstanding any other provision, an insurer may not be required to increase its maximum lifetime benefit beyond $500,000.

**Source:** 16 SDR 208, effective June 3, 1990; 22 SDR 97, effective December 18, 1995.

**General Authority:** SDCL 58-17B-4, 58-17B-13.1.

**Law Implemented:** SDCL 58-17B-13.