**20:06:22:02.  Anticipated loss ratio requirements -- Exception.** The anticipated loss ratio for a policy form of excepted benefits on which the average annual premium is expected to be $250 or more must be equal to or greater than the applicable percentage shown in the following table:

 **Type of Coverage Type of Renewal Clause**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | OR | CR | GR | NC |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Medical Expense | 70% | 65% | 65% | 60% |
|  | Other | 70% | 65% | 60% | 55% |
|  | Disability Income | 60% | 55% | 50% | 45% |

 Special consideration may be given to disability policies in determining the timeframe in which the anticipated loss ratio is to be achieved.

 If the expected average annual premium for a policy form is $150, but less than $250, subtract 5 percentage points from the numbers in the table in this section. If the expected average annual premium is less than $150, subtract 10 percentage points.

 When justified by the insurer, the director may give special consideration and may permit anticipated loss ratios lower than those indicated in this section based on the type of coverage or a lower average annual premium, or both.

 Nothing in this section applies to credit life, credit health, or credit unemployment insurance policies.

 The loss ratio percentages required by this section apply to all policies issued after December 18, 1995, regardless of the date of approval of the policy form and accompanying rates.

 For individual and small group policies other than excepted benefits, the minimum loss ratio is 80%. The minimum loss ratio for large group policies other than excepted benefits is 85%. In calculating the loss ratio for policies other than excepted benefits, the earned premium may be reduced by federal and state taxes and incurred claims may be increased by expenses to improve health care quality.

 **Source:** 16 SDR 208, effective June 3, 1990; 20 SDR 60, effective November 3, 1993; 22 SDR 97, effective December 18, 1995; 24 SDR 86, effective December 31, 1997; 37 SDR 131, effective January 11, 2011.

 **General Authority:** SDCL 58-4-1, 58-17-4.2, 58-17-64, 58-17-87, 58-18-63, 58-18-79.

 **Law Implemented:** SDCL 58-17-4.2, 58-17-64.