**20:06:42:01.  Eligible associations defined.** A bona fide association is a group of persons who have joined for some common purpose or goal. A bona fide association is eligible for the issuance of group health insurance if all of the following factors are met and filed for approval by the director:

 (1)  There is a shared or common purpose that is not generally applicable to the population at large;

 (2)  There is a constitution and by-laws which indicate a legitimate purpose other than the purchase of insurance with at least one substantial business purpose unrelated to obtaining insurance;

 (3)  The primary method of obtaining new members is not through, or in conjunction with, the solicitation of insurance. However, solicitation of insurance may be one of the methods of obtaining new members;

 (4)  If the association includes employer members, the following additional requirements apply:

 (a)  The functions and activities of the association are controlled by its employer members. The association's employer members that participate in the group health plan must control the plan in form and in substance;

 (b)  Employer members must be in the same trade, industry, line of business, or profession; and

 (c)  Each employer member has a principal place of business in the same geographic region.

 When determining eligibility for the issuance of group health insurance, the division may consider whether the association ever existed independently of an insurance product.

 **Source:** 26 SDR 44, effective October 6, 1999; 41 SDR 41, effective September 17, 2014; 45 SDR 158, effective June 27, 2019.

 **General Authority:** SDCL 58-18-62; 58-18-79, 58-18-89.

 **Law Implemented:** SDCL 58-18-3, 58-18-6; 58-18-88.