

The application of these Supplementary Rules is mandatory for all insureds meeting the eligibility requirements as contained in Sections I and II of this Plan. Any action taken in any form to evade the application of an experience modification determined in accordance with this Plan is prohibited.

#### **A. DEFINITIONS**

1. Entity

The term entity shall mean an individual, partnership, corporation, unincorporated association or fiduciary, i.e., trustee, receiver, executor or administrator.

2. Risk

The term risk for the purpose of this Section shall mean:

- a. a single entity, or
- b. two or more entities which must be combined under the provisions of this Plan regardless of whether insurance is or has been provided by one or more policies or insurance carriers.

3. Majority Interest

Majority shall mean more than 50% ownership or other property interest.

If an entity other than a partnership

- a. has issued voting stock, majority interest shall mean a majority of the issued voting stock;
- b. has not issued voting stock, majority interest shall mean a majority of its members;
- c. has not issued voting stock and has no members, majority interest shall mean a majority of the board of directors or comparable governing body.

If an entity is a partnership, majority interest shall be determined in accordance with the participation of each general partner in the profits of the partnership.

4. Ownership Interest

- a. Ownership interest of any corporation shall be determined on the basis of the ownership of the issued voting stock of any such corporation.
- b. If there is no issued voting stock, ownership interest shall be determined on the basis of its members if the entity is other than a partnership.
- c. If there is neither issued voting stock nor members, ownership interest shall be determined on the basis of the membership of the board of directors or comparable governing body if the entity is other than a partnership.
- d. Ownership interest of any partnership shall be determined in accordance with the participation of each general partner in the profits of the partnership.
- e. Ownership interest shall be deemed to be vested in a fiduciary when a fiduciary is involved. However, fiduciary shall not include a debtor in possession, a trustee under a revocable trust or a franchisor. Ownership interest held by an entity in a fiduciary capacity and ownership interest held by the same entity in a non-fiduciary capacity shall be deemed to be ownership interest of the same entity.

## **B. COMBINATION OF ENTITIES**

1. Two or more entities shall be combined for rating purposes if the same person, or group of persons, or corporation owns a majority interest in each such entity.
2. If an entity owns a majority interest in another entity which in turn owns the majority interest in another entity, all entities so related shall be combined regardless of the number of entities in succession.

In those instances where two or more different combinations are possible, the combination involving the greatest number of entities shall be made. The experience of any entity used in such a combination shall not otherwise be used in combination with the experience of any other entity.

## **C. MERGER OR CONSOLIDATION**

### 1. Merger

If two or more entities are merged so that the ownership interest of all such entities are combined in the surviving entity, the incurred experience of all such merged entities shall be used for experience rating the surviving entity.

### 2. Consolidation

If two or more entities are consolidated by replacing them with a new entity combining the ownership interest of the prior entities, the incurred experience of all such consolidated entities shall be used for experience rating the new entity.

**D. CHANGE OF OWNERSHIP, CONTROL, MANAGEMENT,  
NAME OR OPERATIONS**

Due inquiry should be made into all cases of purported change of ownership raising reasonable doubt as to the validity and good faith of the transfer. The insurance carrier may require the transferee to pay a premium based upon the experience modification applicable to the transferor or the manual rate, whichever is higher, pending investigation of the facts of the case and subject to later adjustment if appropriate. A proper period for investigation of the facts shall be allowed in all cases of doubt about the validity of a purported change of ownership.

For purposes of this Plan a change in ownership includes any of the following:

- i. sale, transfer or conveyance of an entity's ownership interest,
- ii. sale, transfer or conveyance of an entity's physical assets to another entity which takes over its operations,
- iii. merger or consolidation of two or more entities,
- iv. Formation of a new entity subsequent to the dissolution or non-operative capacity of an entity, and or
- v. voluntary or court mandated establishment of a trustee or receiver, excluding a debtor in possession, a trustee under a revocable trust, or a franchisor.

1. Continuation of Experience

Unless excluded under D.iii. of this Section, the experience for any entity undergoing a change of ownership shall be transferred to the experience ratings of the acquiring, surviving or new entity.

**EXCEPTION**

If an entity disposes of part of its operations, but otherwise continues to operate its business, or if a multiple entity risk disposes of one or more entities whose statistical data has been combined on a single policy, the experience shall continue to be used in future experience ratings of the seller unless the rating company is furnished with the appropriate experience to provide for transfer of the data to the acquiring entity.

2. Recalculated Experience Modification Due to a Change in Ownership

a. Unless excluded under the provisions of D.iii. of this Section, the experience of an entity undergoing a change of ownership shall be retained in future ratings in accordance with the following procedure:

(1) The experience modification of the new owner shall be revised to include the past experience of the acquired entity subject to Sections I and II under Subsection C. Experience Used.

(2) If the new owner is not experience rated, an experience modification shall be calculated utilizing the experience of the acquired entity together with any applicable existing experience.

(3) If based on its ownership in other entities, the previous owner continues to be experience rated after the change in ownership, its experience modification shall be revised to exclude all experience of the relinquished entity.

b. Experience modifications in accordance with D.2.a.(1), (2) and (3) of this Section shall be calculated and applied as follows:

(1) If the first written reporting of the ownership change by either the acquiring entity or the acquired entity to their carrier occurs within 90 days of the date of the change, the calculation of the revised modification shall be as of the date of the change.

(2) If the first written reporting of such change occurs more than 90 days after the date of the change, the calculation of the revised modification shall be as of the next anniversary rating date following the earliest notice either carrier received of the change.

3. Exclusion of Experience

- a. In the event of a change in ownership, if after such change, the new owner is a taxi risk with two or less vehicles, the experience of the prior owner shall not be included in the calculation of future experience ratings. In the event, however, the new owner subsequently becomes a taxi risk with three or more vehicles, the experience of the prior owner shall prospectively be considered for experience rating purposes subject to the other provisions of this Section.
- b. In all other instances, the experience of any other entity undergoing a change of ownership shall be excluded from future experience rating calculations only if each of the following conditions of D.3.b.(1), (2) and (3) of this Section are met.
  1. The change must be a material change such that the:
    - (a) entire ownership interest after the change had no ownership interest before the change, or
    - (b) the collective ownership of all those having an interest in an entity both before the change and after the change amounts to either less than one-third ownership before the change or less than one-half ownership after the change.
  2. The material change in ownership is accompanied by a change in operations sufficient to result in reclassification of the governing classification.
  3. The material change in ownership is accompanied by a change in the process and hazard of the operations.
  4. If the experience of an entity is to be excluded, the experience modification no longer applies as of the date of the change. An experience modification of 1.00 shall apply effective the date of the change, unless acquired by an entity with an existing experience modification.

4. Self-Insured or Discontinued Operations

The experience rating of a risk shall retain all experience for any part of its operations which may have been discontinued or self-insured.

5. Notification Requirement

When an ownership change occurs the insured shall report the details of such change to its carrier. This may be done by submitting the details of the change in narrative form on the letterhead of the insured, signed by an officer of the company.

The carrier will determine the type of change and combinability of the entities involved.