

E. TREATMENT OF EXPERIENCE

1. Transfer of Experience

Changes in ownership or combination status may or may not result in revisions of modifications. The Rating Board will request separate data from the carrier when appropriate. In certain cases, documentation may be needed to validate the accuracy of the submitted data.

The experience for any entity undergoing a change in ownership will be retained or transferred to the experience ratings of the acquiring, surviving or new entity unless specifically excluded by this Plan.

Transfer of Experience Table 1	
If the single or multiple entity risk disposes of all of its operations and the purchaser...	Then...
Does not have any prior or current policies or experience	The experience will be retained in the future experience ratings of the purchaser, subject to <u>Rule 2 Section (A)</u> of this Plan.
<ul style="list-style-type: none"> • Has prior experience, for which a modification has already been issued, or • Has prior experience, but did not qualify for experience rating 	The experience will be retained in the future experience ratings of the purchaser and combined with the other experience of the purchaser, subject to <u>Rule 2 Section (A)</u> of this Plan

Transfer of Experience Table 2		
If the single or multiple entity risk...	And the purchaser...	Then...

<ul style="list-style-type: none"> • Disposes of part of its operations, and • Otherwise continues to operate its business, and • Its statistical data has been combined on a single policy, and • The insurance provider can furnish the rating organization with the appropriate experience to provide for transfer of the data to the purchaser 	<p>Does not have any experience</p>	<ul style="list-style-type: none"> • The appropriate experience will be retained in the future experience ratings of the purchaser, subject to <u>Rule 2 Section (A)</u> of this Plan. • The same experience will be excluded from the future experience ratings of the seller. • If the separated experience results in the seller, purchaser, or both, not qualifying for experience rating, a unity factor (1.00) will apply to the non-qualifying risk until qualifying experience is developed.
	<ul style="list-style-type: none"> • Has experience but does not qualify for experience rating, or • Is an experience rated risk 	<ul style="list-style-type: none"> • The appropriate experience will be retained in the future experience ratings of the purchaser and combined with the other experience of purchaser, subject to <u>Rule 2 Section (A)</u> of this Plan. • The same experience will be excluded from the future experience ratings of the seller. • If the separated experience results in the seller, purchaser, or both, not qualifying for experience rating, a unity factor (1.00) will apply to the non-qualifying risk until qualifying experience is developed.
<ul style="list-style-type: none"> • Disposes of part of its operations, and • Otherwise continues to operate its business, and • Its statistical data has been combined on a single policy, and • The insurance provider cannot furnish the rating organization with appropriate experience to provide for transfer of the data to the purchaser. 	<ul style="list-style-type: none"> • Does not have any experience, or • Has experience but does not qualify for experience rating 	<ul style="list-style-type: none"> • A unity factor (1.00) will apply to the purchaser’s policy until qualifying experience is developed. • All experience developed prior to the sale remains in future ratings of the seller.
	<ul style="list-style-type: none"> • Is an experience rated risk 	<ul style="list-style-type: none"> • The purchaser’s modification will continue to apply. Any experience developed by the purchased entity after the sale will be used in future ratings of the purchaser. • All experience developed prior to the sale remains in future ratings of the seller.

2. Exclusion of Experience

Rare circumstances may require that experience for any entity undergoing a change in ownership be excluded from future experience ratings. The experience will be excluded only if the Rating Board confirms **all** of the following:

- The change must be a material change such that:
 The entire ownership interest after the change had no ownership interest before the change, or
 The collective ownership of all those having interest in an entity results in either less than:
 1/3 ownership before the change, or
 1/2 ownership after the change; **and**
- The material change in ownership is accompanied by a change in operations sufficient to result in reclassification of the governing classification; **and**
- The material change in ownership is accompanied by a change in the process and hazard of the operations. Change in process and hazard is determined by the Rating Board.

Except for action that may be taken under Section (F) of this Rule, experience is not otherwise excluded for employee leasing companies and temporary employment agencies. For more information on employee leasing companies, refer to Rule 5 Section (B) of this Plan.

3. Recalculation and Application of Modifications

If a change in ownership and/or combinability status occurs, recalculation of modifications may be required, as described in the table below. Changes in ownership and/or combinability status may also result in a change in rating effective date, as determined by the Rating Board.

If the first written reporting of the change by either the acquiring entity or acquired entity to their carrier or to the Rating Board occurs...	Then the recalculation and application of the revised modifications(s) will be as of the...
Within 90 days of the Date of the change	Date of the change
More than 90 days after the date of the change	Next rating effective date following the earliest notice of the change received by a carrier or the rating organization

Recalculation and application of experience rating modifications in conjunction with this rule is subject to Section (F) of this Rule and Rule 4 Section (E) of this Plan.

Example 6:

On 03/01/23, Entity A, with a 01/01/23 modification of 1.26, purchases Entity B with a 10/01/22 modification of 0.86. Assuming the change is reported on a timely basis, the 01/01/23 modification of Entity A is revised as of 03/01/23 (the date of combination) and applies from that date until the expiration date of 01/01/23 rating. In this example, the inclusion of Entity B’s experience results in a modification of 1.14, a decrease from the 1.26 original modification. Entity B’s original 0.86 modification applies from 10/01/22 until its acquisition of 03/01/23.

Example 7:

Entities C and D have been combined for many years based on the following ownership:

- Entity C – John Doe 50%, Jane Doe 30%, John Smith 20%
- Entity D – John Doe 30%, Jane Doe 10%, John Smith 60%

As a group, the three individuals own 100% of both entities. The rating for the combined entities is effective 1/1/23. On 5/15/23, John Smith sells his 20% interest in Entity C to Sam Jones. The ownership of the two entities now appears as follows:

- Entity C – John Doe 50%, Jane Doe 30%, Sam Jones 20%
- Entity D – John Doe 30%, Jane Doe 10%, John Smith 60%

As a result, the entities are no longer combinable. Assuming the change is reported on a timely basis, Entities C and D are separately rated as of 5/15/23.

If the entities are written on separate policies, separate modifications will be produced for each entity effective the date of the change.

If the entities are written on a single policy, an attempt is made by the carrier(s) to separate the data by entity. If this can be done, each entity will receive a separate modification effective the date of the change. If the data cannot be separated by entity, Entity C will receive a unity modification (1.00). Entity D will continue to be experience rated based on all experience developed prior to the sale.