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OWNERSHIP RULES

A definition of ownership rules and how they apply to experience rating modifications

COMMON OWNERSHIP

If two or more legal entities have more than 50% common ownership with each other then the workers compensation experience will be combined for a shared experience rating modification, even if each maintains separate workers compensation policies.

Rules regarding ownership can be found in the NCCI *Experience Rating Plan Manual*, Rule 3.D. Combination of Entities. This manual is used in most states. The rule bases majority ownership interest on the following:

- Voting stock
- Majority of owners
- Majority of board of directors
- Participation of each general partner in the profits
- Ownership interest held by an entity as a fiduciary

Anytime an employer has a change in ownership the ICRB must be notified within 90 days via a completed and signed ERM-14 or narrative on company letterhead. If the combined entities create an interstate rating, then the NCCI would have jurisdiction in making a ruling and revising the experience rating(s).

OWNERSHIP BASICS

The following rules are taken from the *Experience Rating Plan Manual* which is adopted in the state of Indiana.

Rule 1.C. Definitions

4. Entity

An entity is an individual, partnership, corporation, unincorporated association, fiduciary, or other legal entity.

5. Risk

A risk is all entities eligible for combination under this Plan, regardless of whether insurance is provided by one or more policies or insurance carriers. A risk may be:

- a. A single entity, or
- b. Two or more entities that qualify for combination according to Rule 3-D.

Rule 3.D Combination of Entities

ADDITIONAL RESOURCES

[erm-14](#) 

1. The combination of two or more entities requires common majority ownership. Combination requires that:

1. The same person, group of persons or corporation owns more than 50% of each entity, or
2. An entity owns a majority interest in another entity, which in turn owns a majority interest in another entity. All entities are combinable for experience rating purposes regardless of the number of entities involved.

2. Determination of majority ownership interest is based on the following:

1. Majority of issued voting stock.
2. Majority of the owners, partners or members if no voting stock is issued.
3. Majority of the board of directors or comparable governing body if a. or b. is not applicable.
4. Participation of each general partner in the profits of a partnership. Limited partners are not considered in determining majority interest.
5. Ownership interest held by an entity as a fiduciary. Such an entity's total ownership interest will also include any ownership held in a nonfiduciary capacity.
6. For purposes of this rule, fiduciary does not include a debtor in possession, a trustee under a revocable trust, or a franchisor.

3. Multiple Combinations

1. More than one combination of entities may be possible within a group of entities. The selection of combinations is based on the combination that involves the most entities.
2. If Rule 3-D-3-a does not result in a single group with a majority of entities, the combination will be based on the group that has the largest amount of estimated standard premium. The estimated standard premium is based on the policies in effect at the time of the combination.
3. The experience of any entity may be used in only one combination.

ERM-14 FORM

The purpose of the ERM-14 form is to obtain confidential ownership information to assist in calculating premium for the workers compensation insurance policy. Policy requirements outline that all ownership changes must be reported to your insurance carrier in writing within 90 days of the change. Incomplete information or a missing signature may result in a delay in processing. The ownership information required on this ERM-14 Form can also be submitted in narrative form on the letterhead of the employer, signed by an owner, partner, member, or executive officer.

INDIANA SECRETARY OF STATE BUSINESS SERVICES ONLINE

The Secretary of State's office provides [Business Services Online](#) where you can find registered business ownership. If there are any discrepancies between ERM-14 ownership information and this site, we can request additional information such as board minutes or statements from the business owner(s) to verify proper ownership.

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