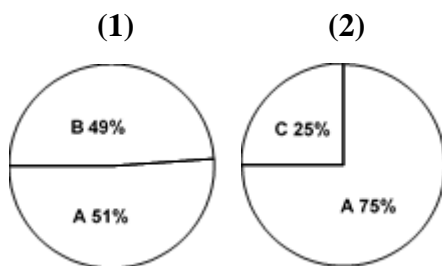


D. COMBINATION OF ENTITIES

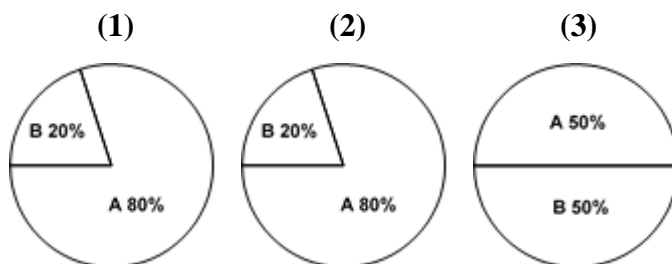
1.

The Combination of Two or More Entities requires common majority ownership. Combination requires that:

- The same person, group of persons or corporation owns more than 50% of each entity, or
- 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.

Example 1:

Entities (1) and (2) are combinable since A owns a majority in both.

Example 2:

Entities (1), (2), and (3) are all combinable since, as a group, A and B own more than 50% of each.

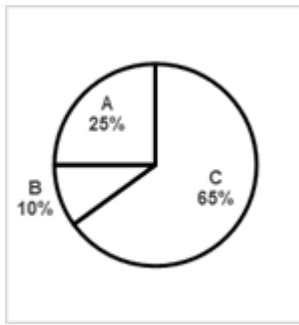
Example 3:

Six entities are combinable based on common majority ownership. A new entity (7) becomes combinable with one or more, but not all entities in the existing combination. Since none of the original six entities had undergone a change in ownership, they would continue to be rated together. The new entity is rated separately.

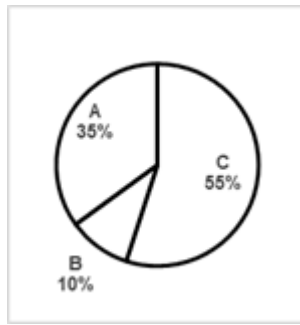
(1)

(2)

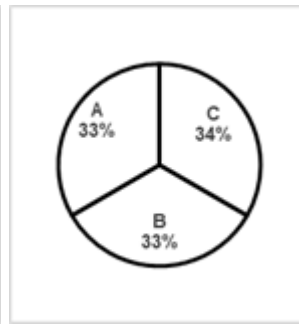
(3)



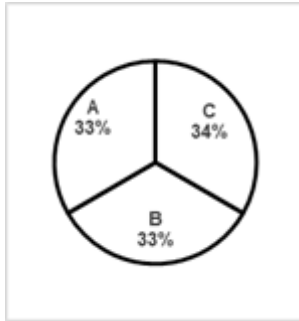
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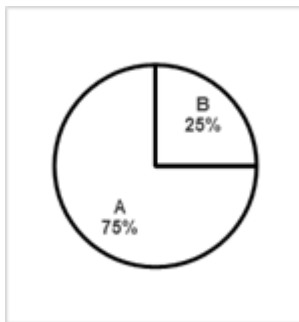
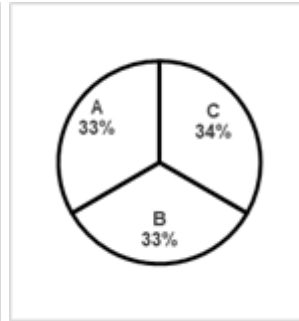
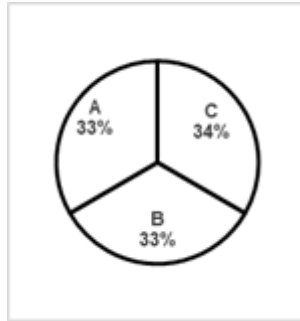
(5)



(6)



(7)



2.

Determination of Majority Ownership Interest is based on the following:

- a. Majority of issued voting stock.
- b. Majority of the owners, partners or members if no voting stock is issued.
- c. Majority of the board of directors or comparable governing body if (a) or (b) is not applicable
- d. Participation of each general partner in the profits of a partnership. Limited partners are not considered in determining majority interest.
- e. The same central authority that appoints or controls the appointment of the board of trustees or similar body, and exercises direct, complete and active control over the finances, properties, operations and activities of separate legal entities within the same religious denomination.
- f. Ownership interest held by an entity as fiduciary. Such an entity's total ownership interest will also include any ownership held in a nonfiduciary capacity.

Note: 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

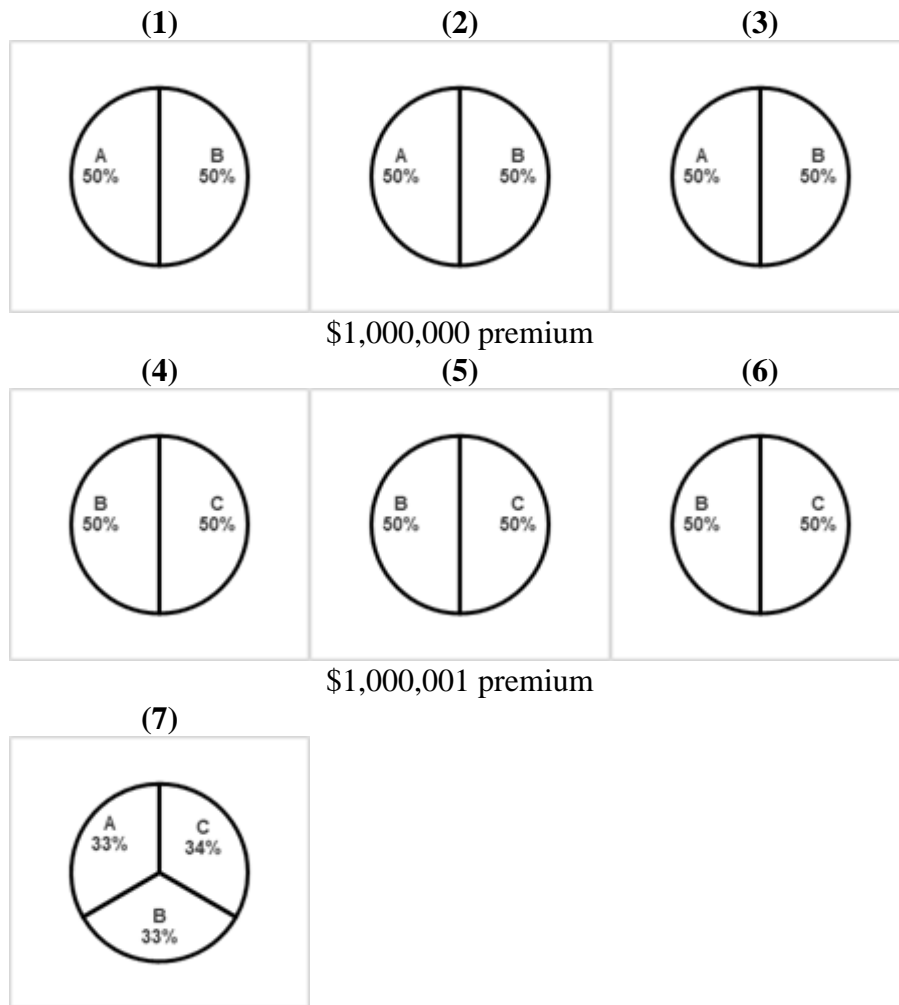
- a. More than one combination of entities may be possible within a group of entities. The selection of combinations is based on the combination that involves the most entities.
- b. If Section (D)(3)(a) of this Rule does not result in a single group with a majority of entities, the combination will 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.

- c. The experience of any entity may be used in only one combination.

Example 4:

Six entities, based on their respective ownership, are split into two sets of three combinable entities each. A new entity's ownership structure is such that it could be combinable with either of the existing three entity combinations. In this situation, assuming each entity has a separate policy, the combination that produces the largest amount of premium would be made. Therefore, Risk 7 would be combinable with entities 4, 5, and 6.



Example 5:

In this example, based on the ownership interest of six entities, two different sets of three entity combinations are possible. For example, the combinations could involve entities 1, 2, 3 and 4, 5, 6, or entities 1, 3, 5 and 2, 4, 6. The Plan rules provide that the combination involving the most entities be made. In this case, based on the ownership structure, a four-entity combination is not possible. As such, the combination that produces the largest amount of premium would be made, assuming each entity has a separate policy.