

Delaware Compensation Rating Bureau, Inc.



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February 26, 1999

BUREAU CIRCULAR NO. 715

To All Members of the Bureau:

Re: **MERIT RATING PLAN**
EFFECTIVE JULY 1, 1999

As previously announced in Bureau Circular No. 713, the Delaware Compensation Rating Bureau, Inc. has filed and the Insurance Commissioner has approved a Merit Rating Plan applicable to workers compensation business in Delaware, effective 12:01 a.m., July 1, 1999 with respect to new and renewal business.

The Merit Rating Plan, Attachment No. 1 to this circular, is modeled in numerous respects after the existing uniform Experience Rating Plan. Attachment No. 1 also provides several examples of hypothetical merit rating adjustments illustrating operations of the Delaware Plan. Attachment No. 2 provided with this circular is the Delaware Merit Rating Plan endorsement form, WC 07 04 08. Attachment No. 3 includes illustrations of the format of merit rating calculations which the Bureau will be using to inform carriers of applicable adjustments under this plan.

Insurers will begin receiving July 1999 merit rating calculations in April 1999.

Any questions concerning the application of the Merit Rating Plan should be directed to Betty Ann Campbell, Director - Rating Rules and Policy Reporting, at Extension 218.

Future Manual reprints will include the Merit Rating Plan.

Timothy L. Wisecarver
President

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THIS IS A COMPLETELY NEW SECTION IN THE MANUAL

Merit Rating Plan

**GENERAL RULES
SECTION I - INSTRUCTIONS**

1. The Merit Rating Plan is intended to grant premium discounts or assess premium surcharges to employers which do not qualify under the uniform Experience Rating Plan. Premium discounts or surcharges under this Plan shall be based on the number of compensable employee lost-time injuries incurred by each risk during the Merit Rating Plan experience period as defined in Section III - General Provisions. Claims to be counted under this Plan are defined in Section V - Tabulation of Experience.
2. The rules of this Plan shall govern the merit rating procedure to be followed in connection with workers compensation and employers' liability insurance. These rules have been prepared as applicable to policies written or issued for a period not in excess of one year. When, however, policies are written for periods of more than one year, such policies shall be considered as consisting of consecutive units of 12 months, or, if the period of coverage is not a multiple of 12 months, the first or last unit shall be considered as though it were a short term policy. If, however, coverage is written for a period that is more than one year but not more than one year and 16 days, such entire period shall be considered as a unit of coverage. Each unit as defined above shall be subject separately to all of the rules and procedures specified in the Plan to the same degree as if it actually constituted a separate policy.

In the event the policy period for a long-term policy is more than one year and 16 days and is not made up of complete 12-month periods, an endorsement shall be attached to the policy specifying whether the first or last unit shall be considered as though it were a short term policy.

3. This Plan and all amendments thereto, unless otherwise specifically provided, shall be applied as of the first normal anniversary rating date of the risk, as established by the Bureau, which is on or after the effective date of any change in the rules or rating values of this Plan but shall not otherwise be available to outstanding ratings.
4. It shall not be permissible by cancellation or rewriting or by the extension of the policy term to alter an existing policy for the purpose of enabling the risk to qualify for or avoid application of this Plan.
5. **Appeals.** Any determination or decision of the Bureau for an individual risk under the Delaware Merit Rating Plan may be appealed pursuant to Rule XVI, APPEALS FROM APPLICATION OF THE RATING SYSTEM PROCEDURE, Section 1 of this Manual.

SECTION II - DEFINITIONS

1. **Risk.** The term "risk" as used in this Plan shall mean
 - a) A single legal entity.
 - b) Two or more affiliates which qualify for combination under the rules of Section III of this Plan.
2. **Legal Entity.** The term "legal entity" or "entity" shall mean an individual, partnership, corporation, unincorporated association or fiduciary (e.g., trustee, receiver, executor or administrator).
3. **Affiliate.** The term "affiliate" shall mean entities in each of which the same entity or group of entities owns a majority interest.
4. **Experience.** For the purpose of this Plan experience shall mean the record established by a risk under Workers Compensation and Employers' Liability Insurance, as disclosed by the losses incurred by the insurance carrier or carriers and the payrolls or other exposures segregated according to classification of operations.

If the classification assigned to a risk is revised or modified, for the purpose of this Plan the Bureau shall similarly reassign the classification of the experience period except that, if the revision is due to a change in operations, no part of the experience period prior to such operations change shall be affected.

5. **Compensable Employee Lost-Time Injury.** The term "compensable employee lost-time injury" for purposes of this Plan shall mean any claim having either an indemnity benefit payment or a case reserve for future indemnity benefit payments.
6. **Merit Rating Plan Discount.** The term "Merit Rating Plan discount" for purposes of this Plan shall mean a reduction in the subject premium developed by the use of the carrier rates in force on the normal anniversary rating date applicable to the policy to which the Merit Rating Plan is applied.
7. **Merit Rating Plan Surcharge.** The term "Merit Rating Plan surcharge" for purposes of this Plan shall mean an increase in the subject premium developed by the use of the carrier rates in force on the normal anniversary rating date applicable to the policy to which the Merit Rating Plan is applied.
8. **Merit Rating Plan Adjustment.** The term "Merit Rating Plan adjustment" for purposes of this Plan shall mean either a Merit Rating Plan discount or a Merit Rating Plan surcharge.
9. **Subject Premium.** The term "subject premium" for purposes of this Plan shall mean the premium developed by the use of carrier rates in force on the normal anniversary rating date of the policy to which the Merit Rating Plan is applied, exclusive of exceptions listed in Section IV, Paragraph 1.

Note: For special provisions applicable to self-insurers' data see Rule 5 of Section III.

SECTION III - GENERAL PROVISIONS

1. **Eligibility Requirements.** A risk shall qualify for application of the Merit Rating Plan if **BOTH** of the following conditions are met:
 - a) The risk does not qualify for experience rating, and
 - b) The risk has exposure greater than zero during each year of the Merit Rating Plan experience period as defined herein.
 - i) Eligibility requirements will be determined without consideration of maritime liability, liability under the Federal Employers' Liability Act, excess limits and additional medical coverage, the non-rateable element and seat surcharge for aircraft operation, the non-rateable element for explosives manufacturing, and atomic energy projects.
 - ii) Risks shall be disqualified by a lapse of insurance of two years or more until they again qualify for merit rating following the lapse.

The application of Rules 2 and 3 of this section is subject to the provisions of Section V "Tabulation of Experience" of this Plan.
2. **Merit Rating Plan Experience Period.** The experience period for purposes of the Merit Rating Plan shall be not more than three (3) years, commencing four (4) years prior and terminating one (1) year prior to the date for which a Merit Rating Plan adjustment is to be established but in no event shall be less than one policy year (12 months) commencing two (2) years prior and terminating one (1) year prior to the date for which merit rating is to be established. Completed policy periods only shall be used, and all such periods wholly within the experience period shall be used.
3. **Multiple Policy Experience.** If the experience used in rating a risk involves two or more policies varying in expiration date, the experience period shall be determined for each entity separately in accordance with the foregoing rules, except that the experience for each non-controlling entity shall close with the completed policy period beginning more than one year and terminating not less than six months prior to the date for which a Merit Rating Plan adjustment is to be established.
4. **Experience to be Used.** The entire experience of the risk (except as otherwise provided in Rule I of Section V of this Plan) incurred within the experience period on all its operations, whether such operations are normal to the business or otherwise, shall be reported and used in determining the Merit Rating Plan adjustment.. The Bureau may, at its discretion, verify any or all the data from which the Merit Rating Plan adjustment is to be determined.
5. **Self-Insurers' Data.** The experience of self-insurers may be accepted by the Bureau provided the experience on self-insured operations is submitted on the approved form, giving the required information with respect to payrolls and losses. Such statement shall be secured, verified and submitted by an interested carrier.

Self-insured experience shall not be used in applying the Merit Rating Plan to a risk unless the operations that produced such experience are to be insured under a Standard Workers Compensation and Employers' Liability Policy.

6. **Administration of Property (Fiduciary and Non-Fiduciary).** 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 or a trustee under a revocable trust or a franchiser. 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 by the same entity.

COMBINATIONS OR CHANGES OF STATUS

7. Combination of Entities

- a) Affiliates shall be combined for merit rating purposes if:
- i) The affiliates involved constitute the component parts of an enterprise performing a continuous and/or integrated process or operation, or
 - ii) There is interchange of employment (other than office and salesmen) between two or more of the affiliates.

Separate policies may not be issued to affiliates which are required to be combined under this rule.

- b) Affiliates which are not required to be combined under Rule 8 (a) may be combined upon the mutual agreement of the risk and the carrier(s) involved. If such combination is agreed to, insurance may be provided either by a single policy insuring all affiliates or by separate policies for each affiliate issued by one or more insurance carriers. In the latter case the Merit Rating Plan adjustment established for the entire risk shall apply on each policy to each affiliate. If all affiliates are not combined, then each affiliate not otherwise subject to Rule 8 (a) shall be insured under a separate policy and merit-rated based on its own experience, providing it meets the qualification for merit rating as specified in Rule 1 of this section.
- c) When one or more mandatory combinations of affiliates under Rule 8. (a) exist, insurance for each such combination may be provided by a single policy. Each mandatory combination and any other affiliates which are not required to be a part of any mandatory combination pursuant to Rule 8. (a) may be separately merit-rated and separately insured.

Exception: If any one or more affiliates not required to be combined under Rule 8. (a) or mandatory combinations voluntarily choose to be insured under a single policy, then all affiliates shall be insured under a single policy and the Merit Rating Plan adjustment established for the entire risk shall apply to each affiliate.

Example

Five legal entities are commonly owned. Company A and Company B have an interchange of employees. Company C and Company D have a continuity of operations. Company E is unrelated except through ownership.

By Rule 8. (a) Company A and Company B must be combined for merit rating and must be covered by a single policy. Similarly, by Rule 8. (a) Company C and Company D must be combined for merit rating and must be covered by a single policy. Company E may be separately merit-rated and covered by a separate policy.

<u>Company</u>	<u>Merit Rating</u>	<u>Policy</u>
Company A	Combined	Combined
Company B	A & B	Policy 1
Company C	Combined	Combined
Company D	C & D	Policy 2
Company E	Separate	Policy 3

If any combination of these separate policy coverages is elected, then all commonly-owned entities must be combined for merit rating and must be covered by a single policy. Thus, if Companies A and B desire to be combined with Company E, they must also combine with Companies C and D, and all must be covered by a single policy.

- d) 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 considered as being under the same ownership for the purposes of this rule, regardless of the number of entities in succession.
- e) Separate legal entities organized for religious purposes within the same religious denomination shall not be combined for merit rating purposes, provided, however, that combination may be made as respects all such entities in each of which the same central authority 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.

In the term "majority interest," as used in this rule, "majority" shall mean more than 50 percent.

If an entity other than a partnership

- i) has issued voting stock, majority interest shall mean a majority of the issued voting stock.
- ii) has not issued voting stock, majority interest shall mean a majority of the members.
- iii) 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.

Note: If a combination of entities is required or has been elected and if two or more different combinations are possible in accordance with the provisions of this rule, the combination involving the greatest number of entities shall be made. The experience of any entity used in such a combination shall not be used in combination with any other entity. The experience to be used in any combination for purposes of the Merit Rating Plan shall be subject to the provisions of the Rule 8, "Ownership Changes," of this section.

- f) Affiliates, combined for purposes of merit rating voluntarily (i.e., not a mandatory combination), which wish to change their merit rating option and have each affiliate separately merit-rated based on its individual experience, may petition the Bureau to do so. Upon Bureau approval, separate policies must be issued for each affiliate. Unless the Bureau is provided with the segregated experience needed to produce separate Merit Rating Plan adjustments for each affiliate in an acceptable format, each affiliate will continue to be subject to the Merit Rating Plan using combined experience for any policy period(s) for which segregated experience is not available and its own separately reported experience for policy period(s) subsequent to the separation.

8. Ownership Changes.

- a) For purposes of this Plan a change in ownership includes any of the following:
 - i) sale, transfer or conveyance of all or a portion of an entity's ownership interest.
 - ii) sale, transfer or conveyance of an entity's physical assets to a purchasing entity which takes over the operation of the selling entity and wherein the selling entity.
 - a) becomes entirely inactive with no employees or
 - b) retains a few employees for the purpose of closing out its affairs prior to dissolution as a legal entity or
 - c) retains a few clerical employees for the purpose of carrying on operations in connection with investment of its financial assets.
 - 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.
 - v) voluntary or court-mandated establishment of a trustee or receiver, excluding a debtor in possession, a trustee under a revocable trust or franchiser.
- b) *Continuation of Experience.* Unless excluded under paragraph (c), the experience for any entity undergoing a change in ownership shall be transferred to the experience of the acquiring, surviving or new entity. The date of revision will be the later of the following two dates: 1) the anniversary rating date in effect at the time the Bureau receives a completed ERM-14 form outlining the ownership change or 2) the date on which the change in ownership occurred.
 - i) *Partial Sale.* If an entity disposes of a part of its assets or operations but otherwise continues to operate its business, all experience incurred prior to the sale shall be used in future Merit Rating Plan adjustments of the entity.
Note: Future Merit Rating Plan adjustments of a risk shall retain all experience for any part of its operations which may have been discontinued or self-insured.
- c) *Exclusion of Experience.* The experience of any entity undergoing a change in ownership shall be retained and used in future Merit Rating Plan adjustments unless one or both of the following requirements (i) and (ii) are met at the same time of the ownership change.
 - i) A change in majority interest occurs, and the change in majority interest is accompanied by a complete change in operation and function sufficient to result in a change of governing classification, and the change in majority interest is accompanied by a change in the process and hazard of the operation.

- ii) A change in majority interest occurs, and the change in majority interest is accompanied by a change in employees such that all or a substantial portion of the employees of the new ownership are not retained from the prior ownership.
- d) If the experience of an entity undergoing a change in ownership is to be excluded from future Merit Rating Plan adjustments for the entity, the Merit Rating Plan adjustment no longer applies as of the date of the ownership change unless the entity is acquired by another entity which has an existing Merit Rating Plan adjustment. In that case the Merit Rating Plan adjustment of the acquiring entity shall apply.
- e) *Multiple Entities.* When two entities under substantially the same ownership have been insured under a single policy and the ownership of one or both of them is changed so that there is no longer any connection between them, the merit rating procedure shall be as follows:
 - i) If the experience of the entities has been combined for merit rating purposes during the entire experience period, the experience incurred prior to the change shall not be used for future merit rating plan adjustment, unless
 - a) the insurance carrier or carriers request that a new Merit Rating Plan adjustment be established, and
 - b) the Bureau is furnished with the experience required for the calculation of a Merit Rating Plan adjustment submitted in an acceptable format.
 - ii) If the experience of the entities has been combined for less than two years at the time of the change, so that the experience for each entity is available during the period they were separately insured, the experience for each entity shall be used for the purpose of calculating a new Merit Rating Plan adjustment.

When three or more entities under substantially the same ownership have been insured under a single policy and the ownership of one of the entities has been changed so that there is no longer any connection between it and the remaining entities, the existing Merit Rating Plan adjustment shall continue to apply to the entities whose ownership has not changed. The entity whose ownership has changed shall not be subject to merit rating unless it has been purchased by an entity which has an applicable Merit Rating Plan adjustment.

When three or more entities under substantially the same ownership have been insured under a single policy and the ownership of two or more of the entities has been changed so that common ownership is no longer present, the experience incurred prior to the date of the change shall not be used for future Merit Rating Plan adjustments, unless

- a) the insurance carrier or carriers request that a new Merit Rating Plan adjustment be established, and
- b) the Bureau is furnished with the experience required for the calculation of a Merit Rating Plan adjustment submitted in an acceptable format.

9. **Joint Ventures.** When two or risks associate for the purpose of undertaking one or more projects as a joint venture, the premium for the operation involved shall not be subject to merit rating until such time as the joint venture qualifies in accordance with the provisions of Rule 1 of this section, subject, however, to the following conditions:
- a) The contracts shall be awarded in the name of the associated risks as a joint venture.
 - b) The joint ventures shall share responsibility for and participate in the control, direction and supervision of all work undertaken.
 - c) The joint ventures shall maintain a common bank account, payroll and business records.
 - d) When the joint venture becomes subject to merit rating, all applicable Merit Rating Plan adjustments shall be based exclusively on the experience of the joint venture. The experience developed under a joint venture shall be excluded from the future Merit Rating Plan adjustments of the individual ventures.

SECTION IV APPLICATION OF MERIT RATING PLAN ADJUSTMENT

1. **Merit Rating Plan Adjustment.** A Merit Rating Plan adjustment for a qualified risk shall be determined annually (except as provided in Rules 3 and 4 of this section) and shall be effective as of the normal anniversary rating date of the risk. No more than one Merit Rating Plan adjustment shall apply to a risk at the same time. Subject to the exceptions noted below, the Merit Rating Plan adjustment shall be applied to the premium developed by the use of carrier rates in force on the effective date of the Merit Rating Plan adjustment

EXCEPTIONS:

- a) **Premiums Not Subject to the Merit Rating Plan:**
The following are not subject to the Merit Rating Plan:
 - i) Expense constants
 - ii) The policy minimum premium
 - iii) Premium under the National Defense Projects Rating Plan
 - iv) Premium under Rule 1 of the Atomic Energy Procedure
 - v) The surcharge premium under Rule 2 of the Atomic Energy Procedure
 - vi) The seat surcharge premium for aircraft operation
2. **Period and Operations Affected.** The Merit Rating Plan adjustment shall be effective for a period of 12 months (except as provided in Rules 3 and 4 of this section) and shall apply to all the operations of the risk, regardless of whether the current or any new operations are assigned to the same classifications as were used in establishing the Merit Rating Plan adjustment.
3. **Single Policy Risk.** If a risk is covered by a single policy, the following procedure shall apply:
 - a) The Merit Rating Plan adjustment effective as of the normal anniversary rating date shall apply for the full term of the policy which becomes effective on such date and also for the full term of any policy which becomes effective within three months after such date.

- b) If a policy is written for a period of one year but is extended for a period of not more than 16 days, the carrier rates and Merit Rating Plan adjustment in effect as of the normal termination date shall remain in effect until the termination date of the extended policy. The carrier rates and Merit Rating Plan adjustment which would have become effective as of the normal anniversary rating date shall apply for a period of one year from the effective date of the renewal policy.
 - c) If a policy is written for a period of one year but is extended for a period of more than 16 days but not in excess of 60 days, the carrier rates and the Merit Rating plan adjustment shall apply as of the normal anniversary rating date for the unexpired portion of the extended policy period and shall also apply for a period of one year from the effective date of the renewal policy.
 - d) If a policy becomes effective on a date more than three months after the normal anniversary rating date,
 - i) the outstanding Merit Rating Plan adjustment shall apply to the new policy for the period corresponding to the unexpired term of the rating.
 - ii) a new Merit Rating Plan adjustment then shall apply for the unexpired term of the outstanding policy
 - iii) thereafter, a new Merit Rating Plan adjustment shall apply annually as of a new normal anniversary rating date. The new normal anniversary rating date shall be the date 12 months after the effective date of the outstanding policy.
4. **Multiple Policy Risk.** If a risk is covered by several policies (as provided in Rule 8. of Section III of this Plan) which differ as to inception dates, the following procedure shall apply:
- A single Merit Rating Plan adjustment shall be computed to be effective for a period of 12 months beginning on a normal anniversary rating date to be established by the Bureau. The Bureau may, however, authorize the application of an existing Merit Rating Plan adjustment for a period not to exceed 15 months or a new Merit Rating Plan adjustment for a period greater than three months and less than 12 months for the purpose of establishing a new normal anniversary rating date. Any policy effective prior to the normal anniversary rating date established by the Bureau shall be canceled as of such date and rewritten for a period of 12 months. Any policy effective subsequent to the normal anniversary rating date established by the Bureau shall be written to expire concurrently with the next ensuing normal anniversary rating date or shall be canceled as of that date. Any policies subject to this rule which are extended beyond the normal period of 12 months shall be subject to the provisions of Rules 3(b) and 3(c) of this section.

SECTION V TABULATION OF EXPERIENCE

1. **Experience Used for the Merit Rating Plan.** The experience used for purposes of the Merit Rating Plan shall be the individual risk experience valued at least three months prior to the rating date and reported in accordance with the provisions of the Delaware Workers' Compensation Statistical Plan. It shall include voluntary compensation insurance but shall

exclude maritime employments and employments under the Federal Employers' Liability Act. It shall also exclude the exposure and any losses under Code 9108, Passenger Seat Surcharge.

2. **Merit Rating Plan Forms.** To determine the Merit Rating Plan adjustment the prescribed experience shall be tabulated by the Bureau on approved Merit Rating Plan forms.
3. **Payrolls.** The audited payrolls or other exposures for each classification for the experience period shall be tabulated by policy years.
4. **Losses.** Incurred losses or claims reported for all policy periods considered in qualifying a risk for the Merit Rating Plan shall be tabulated in the following manner:
 - a) Claims having no indemnity benefit payment or case reserve for indemnity benefit payment shall be excluded from the experience tabulation for purposes of the Merit Rating Plan. Losses as reported (indemnity, medical and total) shall be shown for each policy year. Losses incurred shall be on a gross basis, before the application of the deductible when such coverage is provided.
 - b) All claims not excluded from the experience tabulation for purposes of the Merit Rating Plan by virtue of sections (a) above shall be listed in the experience tabulation with the following information:
 - Policy number
 - Policy effective date
 - Claim number or number of claims
 - Indemnity loss amount
 - Date of loss
5. **Moral Responsibility.** No loss shall be excluded from the experience of a risk on the ground that the employer was not morally responsible for the accident that caused such loss.
6. **Revision of Losses.** It shall not be permissible to revise values because of department or judicial decision or because of developments in the nature of injury between two valuation dates. Provided, however, that
 - a) in cases where loss values are included or excluded through mistake other than error of judgment
 - b) where a claim is declared non-compensable (see note below)
 - c) where the claimant or carrier has recovered in an action against a third party

It shall be permissible to submit a revised reporting requesting adjustment of the affected Merit Rating Plan adjustment or adjustments, provided such request is made within 24 months of the expiration of the period to which the merit rating applied.

Note: For purposes of this rule, the term "non-compensable" refers to

- i) an official ruling specifically holding that a claim is not entitled to benefits under the provisions of the Delaware Workers Compensation Law.
- ii) a case where no claim was filed during the period of limitation provided by the Delaware Workers Compensation Law for the filing of such claim and the carrier therefore closes the case.

- iii) a case where the carrier contends prior to the evaluation date that a claimant is not entitled to benefits under the Delaware Workers Compensation or Law and the claim is officially closed because of the claimant's failure to prosecute his claim.

SECTION VI MERIT RATING PLAN PROCEDURE

1. **Merit Rating Plan Adjustments.** For each risk qualified under Section III of the Merit Rating Plan claims listed in the experience tabulation under Section V, Paragraph 4 of the Merit Rating Plan shall be counted. Merit Rating Plan adjustments shall apply based on the following criteria:
 - a) No compensable employee lost-time injuries – 5 percent (5.0%) discount.
 - b) One (1) compensable employee lost-time injury – No discount or surcharge. Manual rates apply.
 - c) Two (2) or more compensable employee lost-time injuries – 5 percent (5.0%) surcharge.

The Rating Bureau will determine the appropriate Merit Rating Plan adjustment factors and notify the carrier.

EXAMPLE A

Merit Rating Plan Adjustment Effective Date 08/09/99		
(1) Experience Period to be used for qualifying	(2) Employers Policy History	(3) Period used to determine Merit Rating Adjustment
	08/09/98 to 08/09/99	
08/09/97 to 08/09/98	08/09/97 to 08/09/98	
08/09/96 to 08/09/97	08/09/96 to 08/09/97	08/09/97
08/09/95 to 08/09/96	06/11/95 to 06/11/96	08/09/96

This employer's merit rating effective date has been established to be 8/09/99. This anniversary rating date requires the experience period begin as of 8/09/95 as shown in Column 1. The employer's policy history shows that the risk has experience data within only two years of the experience period as shown in Column 2. Though a portion of the 06/11/95 policy period falls within the 08/09/95 to 08/09/96 experience period, the 6/11/95 policy extends beyond the experience period and thus cannot be used in the determination of the merit rating plan adjustment, per Column 3. Thus this risk does not qualify for merit rating adjustment effective 08/09/99.

EXAMPLE B

Merit Rating Plan Adjustment Effective Date 12/09/99		
(1) Experience Period to be used for qualifying	(2) Employers Policy History	(3) Period used to determine Merit Rating Adjustment
	12/09/98 to 12/09/99	
12/09/97 to 12/09/98	12/09/97 to 12/09/98	12/09/97
12/09/96 to 12/09/97	12/09/96 to 12/09/97	12/09/96
12/09/95 to 12/09/96	01/03/95 to 01/03/96	

This employer's merit rating effective date has been established to be 12/09/99. This anniversary rating date requires the experience period begin as of 12/09/95 as shown in Column 1. The employer's policy history shows that the risk has experience data within only two years of the experience period as shown in Column 2. Thus this risk does not qualify for merit rating plan adjustment effective 12/09/99.

EXAMPLE C

Merit Rating Plan Adjustment Effective Date 10/17/99		
(1) Experience Period to be used for qualifying	(2) Employers Policy History	(3) Period used to determine Merit Rating Adjustment
10/17/97 to 10/17/98 10/17/96 to 10/17/97 10/17/95 to 10/17/96	10/17/98 to 10/17/99 10/17/97 to 10/17/98 10/17/96 to 10/17/97 09/28/96 to 10/17/96 09/28/95 to 09/28/96	10/17/97 to 10/17/98 10/17/96 to 10/17/97 09/28/96 to 10/17/96

This employer's merit rating effective date has been established to be 10/17/99. This anniversary rating date requires that the experience period begin as of 10/17/95 as shown in Column 1. The employer's policy history shows that the risk has experience data within each year of the experience periods required for eligibility as shown in Column 2. Thus, merit rating plan adjustment will be based on the three policies which fall within the experience period per Column 3. The risk qualifies for merit rating adjustment effective 10/17/99.

EXAMPLE D

Merit Rating Plan Adjustment Effective Date 11/01/99		
(1) Experience Period to be used for qualifying	(2) Employers Policy History	(3) Period used to determine Merit Rating Adjustment
11/01/97 to 11/01/98 11/01/96 to 11/01/97 11/01/95 to 11/01/96	11/01/98 to 11/01/99 11/01/97 to 11/01/98 11/01/96 to 11/01/97 11/01/95 to 11/01/96	11/01/97 to 11/01/98 11/01/96 to 11/01/97 11/01/95 to 11/01/96

This employer's merit rating effective date has been established to be 11/01/99. This anniversary rating date requires that the experience period begin as of 11/01/95 as shown in Column 1. The employer's policy history shows that the risk has separate policy periods which have experience data within each year of the experience period required for eligibility as shown in Column 2. Thus, merit rating plan adjustment will be based on 36 months of experience per Column 3. The risk qualifies for merit rating adjustment effective 11/01/99.

Effective 07/01/99

DELAWARE MERIT RATING PLAN ENDORSEMENT

This endorsement applies to the insurance provided by this policy because Delaware is shown in Item 3.A of the Information page.

The premium for this insurance may be subject to merit rating plan adjustment because your premium may be less than the amount necessary to be eligible for the Uniform Experience Rating Plan.

The following premium discount or surcharge will be applied to your manual premium based on your claims during the most recent three year period for which statistics are available.

1. A 5% credit (discount) will be applied if you had no compensable employee lost-time injuries - **Statistical Code 9885.**
2. No credit or debit will be applied if you had one (1) compensable employee lost-time injury - **Statistical Code 9884.**
3. A 5% debit (surcharge) will be applied if you had two (2) or more compensable employee lost-time injuries - **Statistical Code 9886.**

Notes:

1. This endorsement should be attached to a policy showing Delaware in Item 3.A of the Information Page.
2. Show any merit rating discount or surcharges in Item 4 of the Information Page.

EXAMPLE - EMPLOYER NOT SUBJECT TO MERIT RATING PLAN

**DELAWARE COMPENSATION RATING BUREAU
MERIT RATING CALCULATION**

Carrier: Any Insurance Co.
Insured: ABC Associates
Bureau File No. 2299XXX
Policy No. WC xx1200311
Effective Period 09/08/99 - 09/08/00

Code 9884-Neutral

Based on the lost-time claims indicated below, the risk is not subject to a Merit Rating Plan adjustment.

<u>Policy Number</u>	<u>Policy Effective Date</u>	<u>Claim Number</u>	<u>Date of Injury</u>	<u>Indemnity Amount</u>
WC00199920001	090896	29991100	091596	1,870

EXAMPLE - EMPLOYER SUBJECT TO MERIT RATING PLAN DISCOUNT

**DELAWARE COMPENSATION RATING BUREAU
MERIT RATING CALCULATION**

Carrier: Any Insurance Co.
Insured: ABC Associates
Bureau File No. 2299XXX
Policy No. WC xx1200311
Effective Period 09/08/99-09/08/00

Code 9885-Credit

No lost-time claims. This risk qualifies for a Merit Rating Plan **discount** of 5. .%

EXAMPLE - EMPLOYER SUBJECT TO MERIT RATING PLAN SURCHARGE

**DELAWARE COMPENSATION RATING BUREAU
MERIT RATING CALCULATION**

Carrier: Any Insurance Co.

Insured: ABC Associates

Bureau File No. 2299XXX

Policy No. WC xx1200311

Effective Period 09/08/99 - 09/08/00

Code 9886-Surcharge

Based on the lost-time claims indicated below, the risk is subject to a Merit Rating Plan **surcharge** of 5 percent.

<u>Policy Number</u>	<u>Policy Effective Date</u>	<u>Claim Number</u>	<u>Date of Injury</u>	<u>Indemnity Amount</u>
WC00199920001	090896	29991100	091596	1,870
WC00199920001	090896	29991101	121196	2,991
WC00199920002	090895	39991100	100195	15,019