

January 15, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Item B-1411 - Revisions to ***Basic Manual for Workers Compensation and Employers Liability Insurance***

The North Carolina Rate Bureau has adopted and the North Carolina Commissioner of Insurance has approved the adoption of changes to NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance***. The approval is effective April 1, 2009, and impacts only the layout and introduction of the manual; no premium is estimated as a result of this change.

The attached exhibits explain in more detail the changes.

Contact the Information Center at 919-582-1056 or via email at wcinfo@ncrb.org, if you require additional information.

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dg

C-09-3

FILING MEMORANDUM

ITEM B-1411—REVISION TO BASIC MANUAL INTRODUCTION—APPLICATION OF MANUAL RULES AND PART TWO—CLASSIFICATIONS

PURPOSE

The purpose of this item is to clarify and enhance NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* by taking the following actions:

- Introduction—Application of Manual Rules—remove the language outlining how additions and removal of text within the manual is displayed, and revise the language regarding NCCI's Classification Inspection Program
- Part Two—Classifications—include additions that will make the manual more user-friendly and easier to understand
- Part Four—Classifications Pending—create this new section to assist with pending classification changes

BACKGROUND

NCCI has determined that Item 10 in the Introduction—Application of Manual Rules section concerning the use of shading for content changes should be deleted since many state regulations require that content changes be identified by underlining instead of shading. As a result, NCCI will now use underlining instead of shading to indicate new changes.

As part of its advisory organization's functions, NCCI maintains the classification system, and conducts a Classification Inspection Program in all NCCI states. Accordingly, Item 6 in the Introduction—Application of Manual Rules section is being revised to clarify that NCCI has the right to determine the propriety of the classification assignments and applicability of all *Basic Manual* rules.

NCCI has an ongoing process dedicated to the systematic research, analysis, and maintenance of NCCI's manuals and classification system. This process ensures that the classification system remains healthy, viable, and responsive to the needs of various industry stakeholders. Recommended changes resulting from NCCI's industry reviews that require regulatory approval are filed with each state's regulatory authority. Since these item filings are proposed to be effective concurrently with each state's rate/loss cost filing, NCCI is creating a data table for **each** class code entry in the Classification section of NCCI's *Basic Manual* to provide users with additional information regarding effective dates, exceptions, and applicability. These data tables will become more apparent in future years as NCCI continues to make classification filings.

As part of the continued effort to enhance the *Basic Manual* into a plain language reference and informational tool, we are introducing a new and distinct example in the *User's Guide* to assist readers in understanding the intent and purpose of the new classification data table. Since the *User's Guide* contains examples and other national and state information, but not rules, the *User's Guide* is not being filed for approval. A copy of the *User's Guide* is being provided for informational purposes only.

A new section will also be required to store classification treatments that are no longer in effect nationally but remain state specials until each state's effective date. This new section will temporarily store state specials and will be updated periodically as state's rate/loss cost filing become effective.

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FILING MEMORANDUM

ITEM B-1411—REVISION TO BASIC MANUAL INTRODUCTION—APPLICATION OF MANUAL RULES AND PART TWO—CLASSIFICATIONS

PROPOSAL

The following is a summary of the key changes proposed in this item:

1. Change the Introduction—Application of Manual Rules to:
 - Delete Item 10 because text additions will be underlined instead of shaded. The deletion of Item 10 in this section requires the renumbering of certain state-specific rules.
 - Clarify Item 6 regarding NCCI's Classification Inspection Program. Some state-specific changes to this item due to renumbering or repeating phrases are also being proposed.
2. In Part Two—Classifications, add a reference to the *User's Guide*, which will assist with the determination of effective dates, exceptions, and applicability for each national classification.
3. Add a new section entitled Part Four—Classifications Pending, Classifications Pending Discontinuation, which will show the classifications that are pending discontinuation until the effective date of the change or completion of a transition program.

IMPACT

It is anticipated there will be no premium impact as a result of this item.

IMPLEMENTATION

In order to implement this item, the attached exhibits detail the changes required in NCCI's *Basic Manual*. The following is a summary of the exhibits included in this item filing package:

- **Exhibits 1:** details the changes required to the national rules for Introduction—Application of Manual Rules
- **Exhibit 2:** details the changes required to Part Two—Classifications
- **Exhibit 3:** details the changes required to the Preface to the *Basic Manual for Workers Compensation and Employers Liability Insurance*
- **Exhibit 4:** details the changes required to Part Four—Classifications Pending
- **Exhibit 5:** details the changes required to state-specific rules for Introduction—Application of Manual Rules

In all states, except Hawaii and Virginia, this item will be implemented effective 12:01 a.m. on April 1, 2009, applicable to new and renewal voluntary and assigned risk policies.

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

In Virginia, this item filing will be implemented for new and renewal, voluntary and assigned risk policies effective on or after 12:01 a.m. on April 1, 2009.

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ITEM B-1411—REVISION TO BASIC MANUAL INTRODUCTION—APPLICATION OF MANUAL RULES AND PART TWO—CLASSIFICATIONS

**EXHIBIT 1
BASIC MANUAL—2001 EDITION
PART 1—RULES**

This manual contains rules that have been approved by state insurance regulators. These rules cover the following topics:

Introduction—Application of Manual Rules

Rule 1—Classification Assignment

Rule 2—Premium Basis and Payroll Allocation

Rule 3—Rating Definitions and Application of Premium Elements

Rule 4—Workers Compensation Insurance Plan Rules

INTRODUCTION—APPLICATION OF MANUAL RULES

1. Rules apply separately to each policy, except as provided in the rules related to premium discount and executive officers.
2. This manual applies only from the anniversary rating date that occurs on or after the effective date of this manual.
3. The effective date of a change in any rule, classification, rate, or loss cost is 12:01 a.m. on the date approved for use.
4. Changes made during a policy period are effective as of the next anniversary rating date on or after the date of change, unless otherwise specified.
5. The anniversary rating date is the effective month and day of the policy in effect and each anniversary thereafter unless a different date has been established by the National Council on Compensation Insurance, Inc. (NCCI) or other licensed rating organization. *Refer to Rule 3-A-2 for more information.*
6. The National Council on Compensation Insurance, Inc. has the right to conduct inspections of operations, assign classifications, and determine ~~may determine~~ the propriety of classification assignments and applicability of all **Basic Manual** rules. ~~NCCI has the right to conduct inspections of operations, assign classifications, and determine the propriety of classification assignments.~~
7. NCCI has authority to conduct test audits and to require corrections in accordance with the results of the test audit.
8. Appeals involving the application of the rules or classifications of this manual may be resolved through the applicable administrative appeals process. *Refer to **User's Guide** for more information.*
9. Interpretation of state or federal laws pertaining to coverage issues is not within the jurisdiction of NCCI.
- ~~10. Additions will be indicated by shading of the revised text; deletions will be indicated by shading and surrounded by brackets in the text, i.e. Changes in loss costs or rates will be reflected on Update Pages.~~
10. 11. Some **Basic Manual** rules may have special assigned risk rules, notes or exceptions. In states where assigned risk markets do not exist, these rules, notes and exceptions do not apply.

ITEM B-1411—REVISION TO BASIC MANUAL INTRODUCTION—APPLICATION OF MANUAL
RULES AND PART TWO—CLASSIFICATIONS

EXHIBIT 2
BASIC MANUAL—2001 EDITION
PART TWO—CLASSIFICATIONS

NATIONAL CLASSIFICATIONS

Data tables are listed for each class entry to assist with determining the effective dates, exceptions, and applicability. Refer to *User's Guide* for an example.

**ITEM B-1411—REVISION TO BASIC MANUAL INTRODUCTION—APPLICATION OF MANUAL
RULES AND PART TWO—CLASSIFICATIONS**

**EXHIBIT 3
BASIC MANUAL—2001 EDITION
PREFACE TO THE BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS
LIABILITY INSURANCE**

A. ORGANIZATION OF MANUAL

This manual has ~~three~~ four parts:

Part One—Rules

Part Two—Classifications

Part Three—Loss Costs, Rates and State Exceptions

Refer to Part Three for Rates, State Special Rules, and Special Classifications in conjunction with applying Parts One and Two in a specific state.

Part Four—Classifications Pending

**ITEM B-1411—REVISION TO BASIC MANUAL INTRODUCTION—APPLICATION OF MANUAL
RULES AND PART TWO—CLASSIFICATIONS**

**EXHIBIT 4
BASIC MANUAL—2001 EDITION
PART FOUR—CLASSIFICATIONS PENDING**

CLASSIFICATION PENDING DISCONTINUATION

The classifications listed below are the previous national classification treatments that will remain in effect until either the state's effective date or the completion of the transition program. Refer to Part Two—National Classifications to determine the effective date, applicability, and/or any state exceptions for a given state.