NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

NORTH CAROLINA RATE BUREAU

March 23, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Item B-1413 –
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 March 16, 2009, and will impact all new and renewal business written on or after April 1, 2011 in class codes for specific industries.

The industries impacted are shown in the table below:

Title	Fact Sheet	Exhibit
Fiber Optics and Semiconductors	1	1
Telecommunications	2	2

The attached exhibits explain these changes in more detail.

This filing was made with the Department of Insurance on behalf of all member companies, and no additional filing is needed by the carrier.

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-09-9

FILING MEMORANDUM

ITEM B-1413—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E–CLASSIFICATIONS BY HAZARD GROUP

PURPOSE

The purpose of this item filing is to clarify, discontinue, or create certain classifications and classification rules in NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance*** (***Basic Manual***) to reflect current business and industry needs. The two industries impacted are shown in the table of contents below:

Title	Fact Sheet	Exhibit
Fiber Optics and Semiconductors	**1**	**1**
Telecommunications	**2**	**2**
Three-Year Transition Program Rules and Examples (Not Applicable in: FL)		2
Three-Year Transition Program Rules and Examples (Applies in: VA)		2
Assigned Carrier Performance Standards		3
Basic Manual Appendix E—Table of Classifications by Hazard Group		4
CCPAP Exhibits		5
State Special Exhibits		6

BACKGROUND

NCCI has an ongoing process dedicated to the systematic research, analysis, and maintenance of NCCI's class system. This process ensures that the class system remains, healthy, viable, and responsive to the needs of various industry stakeholders. It also ensures that the system stays in step with the way that industries and their operations respond to technological, competitive, and regulatory changes.

Classifications and industry-grouped classifications are analyzed to determine which, if any, should be considered for modernization, consolidation, elimination, or clarification. This item filing includes proposals for the individual classifications identified in each exhibit.

Another objective of the classification project is to simplify the classification section of NCCI's ***Basic Manual*** by discontinuing redundant phraseologies or streamlining current phraseologies with **format-only** changes. For example, in this filing, section headings are removed and added to the underlying code-specific phraseologies such as Telephone or Telegraph in Exhibit 2.

NCCI's analysis of the class system is national in scope, and the recommendations within this item are being proposed in all NCCI states. NCCI recognizes the occasional need for state-specific classification treatments to reflect geographical differences, and such treatments, if necessary, are also incorporated within this filing.

FILING MEMORANDUM

ITEM B-1413—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E–CLASSIFICATIONS BY HAZARD GROUP

PROPOSAL

It is proposed that the classifications indicated in the attached exhibits be modernized, consolidated, created, eliminated, or clarified as shown.

This item filing is broken out in sections as enumerated in the table shown on Page 1. Each section contains a fact sheet outlining the proposals relating to the section, as well as the background and basis for the proposed changes, the estimated impact of the proposals, and the details of implementation. Each section also contains exhibits detailing the changes being proposed to NCCI's ***Basic Manual***.

IMPACT

This item filing will foster the uniform and equitable treatment of risks within each industry. NCCI recognizes that some of our recommendations, such as moving a specific operation from one classification to another, may have a premium impact for particular risks. Additionally, some of the changes proposed will have a loss cost or rate impact. The industry fact sheets outline the potential impacts specific to each of the proposed changes.

IMPLEMENTATION

In order to implement this item, the attached exhibits detail the changes required in NCCI's ***Basic Manual***.

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 2011[1] filing cycle. For example, this item will be effective January 1, 2011 for approved rate/loss cost filings that have a January 1, 2011 effective date. Similarly, this item will be effective July 1, 2011 for approved rate/loss cost filings that have a July 1, 2011 effective date. A complete list of the proposed effective dates is provided below.

A fact sheet may include a transition program for one or more of the included proposals. In that instance, the fact sheet will include the actual transition program rules and give the details corresponding to the initiation and final implementation date associated with the transition program.

Some fact sheets propose a transition program for particular states. In those instances, each fact sheet identifies the applicable states and contains the details corresponding to the initiation and final implementation date associated with that transition program.

The following chart shows the proposed effective dates for each state:

1 Except in Virginia, where it is the 2010 filing cycle.

FILING MEMORANDUM

ITEM B-1413—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E–CLASSIFICATIONS BY HAZARD GROUP

State	Anticipated* Effective Date
Alabama	March 1, 2011
Alaska	January 1, 2011
Arizona	October 1, 2011
Arkansas	July 1, 2011
Colorado	January 1, 2011
Connecticut	January 1, 2011
District of Columbia	November 1, 2011
Florida	The effective date of this item will depend on the date regulatory approval is granted. If the item is approved on or before July 1, 2009, it will become effective January 1, 2010. If it is approved after July 1, 2009, it will become effective January 1, 2011.
Georgia	July 1, 2011
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed effective January 1, 2011. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2011
Illinois	January 1, 2011
Indiana	January 1, 2011
Iowa	January 1, 2011
Kansas	January 1, 2011
Kentucky	October 1, 2011
Louisiana	May 1, 2011
Maine	January 1, 2011
Maryland	January 1, 2011

FILING MEMORANDUM

ITEM B-1413—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E–CLASSIFICATIONS BY HAZARD GROUP

State	Anticipated* Effective Date
Mississippi	March 1, 2011
Missouri	All rate changes related to this filing are proposed to be effective January 1, 2011 for the voluntary and assigned risk market.
Montana	July 1, 2011
Nebraska	February 1, 2011
Nevada	March 1, 2011
New Hampshire	January 1, 2011
New Mexico	January 1, 2011
North Carolina	April 1, 2011
Oklahoma	January 1, 2011
Oregon	January 1, 2011
Rhode Island	June 1, 2011
South Carolina	If there is no rate/loss cost filing for South Carolina in a given year, this item will take effect on South Carolina's "normal" rate effective date. (The "normal" rate effective date is the anniversary date of the state's previously approved rate/loss cost filing).
South Dakota	July 1, 2011
Tennessee	March 1, 2011
Utah	December 1, 2011
Vermont	April 1, 2011
Virginia	April 1, 2010
West Virginia	July 1, 2011

* Subject to change.

ITEM B-1413—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E–CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—FACT SHEET

FIBER OPTICS AND SEMICONDUCTORS

PROPOSAL

The focus of the proposed changes for this industry is to establish new national codes for the integrated circuit industry, incandescent bulb and fiber optics industry, and optical goods industry by reassigning exposures from Code 4112 and Code 4150 to three new classifications to clearly differentiate these industries nationwide.

NCCI recommends the following national treatment for classifications:

1. Discontinue Code 4112—Incandescent Lamp Mfg. and reassign exposure to newly created Code 4110—Electric Bulb Mfg.
2. Create cross-reference phraseology for Fiber Optic Cable Mfg. under Code 4110.
3. Discontinue Code 4150—Optical Goods Mfg. NOC and Lens Mfg.—Ground and reassign exposures to newly created Code 4149—Optical Goods Mfg. NOC.
4. Discontinue cross-reference phraseology for Code 4150—Computer Chip Mfg. and reassign exposure to newly created Code 4109—Integrated Circuit Mfg. This change will ensure the industry is being classified consistently on a national basis. The phraseology note will include a more up-to-date description of the manufacturing process.
5. Revise the phraseology note for Code 8013—Optical Stores to reference the Code 4150 with Code 4149.

New Hampshire Specific:

NCCI recommends that New Hampshire update Code 8013—Optical Stores and Code 8832—Ophthalmologist or Optometrist & Clerical's reference to surface grinding of lenses from discontinued Code 4150 to newly created Code 4149—Optical Goods Mfg.

Virginia Specific:

NCCI recommends that Virginia also update the description for Code 8013 to reflect the changes being proposed.

BACKGROUND AND BASIS FOR CHANGE

Fiber Optics

Code 4112—Incandescent Lamp Mfg. is assigned to insureds that manufacture electric light bulbs. This industry touches a significant amount of products that we use in everyday life.

Fiber optics is the transmission of light signals via very fine glass or plastic fibers. The following technologies occurred prior to fiber optics being developed:

In the 1960s—laser technology

In the 1970s—the manufacture of pure glass in the semiconductor business

In the 1980s—parallel developments in fiber optics and semiconductors, which improved light sources and detectors (sending and receiving components)

EXHIBIT 1—FACT SHEET (CONT'D)

After fiber optics were developed, fiber optic communication systems were installed worldwide. Fiber optics is used in a variety of applications such as telecommunications, local area networks (LANs), cable television, closed-circuit television (security systems for a building), and optical fiber sensors (to detect gas or chemical concentration, pressure, temperature, etc.).

The manufacturing process consists of two stages: making the preform and extruding the preform. A bait tube is heated and fed a mixture of gases that reacts to the heat, making soot in the tube. Once enough soot accumulates, the gas mixture is stopped, and the heat is increased to melt the soot into sintered glass that makes up the core. The bait tube is heated more and collapses to form a solid rod of glass—the outer cladding around the core.

The main issue with the fiber optics industry is that there is no mention of the manufacturing process of fiber optics in the ***Basic Manual***. The manufacturing process is most analogous to electric bulb manufacturing and should be included in this code.

Semiconductors

Code 4150—Optical Goods Mfg. NOC lists Computer Chip Manufacturing and Lens Manufacturing—Ground as cross-reference phraseologies. This code is assigned to the complete process of assembling lenses into frames to obtain eyeglasses, opera glasses, field glasses, and industrial goggles. Semiconductor manufacturing is assigned to Code 4150 based on the manufacturing process. This process includes thinly cutting quartz, which is analogous to the process of making optical goods.

The production of semiconductors is highly automated. It occurs in clean rooms, with each workstation having its own filtration system to reduce contamination from dust, smoke, and other contaminants. The material used to produce semiconductors is constantly changing, with silicon germanium (SiGe) replacing purified silicon for the wafers. Additive copper is replacing aluminum for connecting the circuits, and there are other material advancements.

Once the chip is completed, it goes through a metallization (solderable coating) process, and then each chip on the wafer is electrically tested. Those that pass are cut from the base (wafer) and mounted onto metal or plastic modules. The chip is then retested before being shipped. In the current automated environment, a human hand never touches the computer chip.

Expected exposures for this industry are significantly different from 10 or 15 years ago when the process was more hands-on. With automation minimizing exposures to hazardous chemicals, the expected injuries that tracked with the claims information reviewed were strains, lifting, and repetitive motion.

Code 4150 was the most analogous placement for the semiconductor manufacturing industry when it was small. Today, the industry has grown in size to the point where it is the primary industry of this code and no longer secondary to the optical goods manufacturing industry. A review of reported data showed that the primary payroll source for Code 4150 was for semiconductor manufacturers. However, a review of reported data for Code 4112 showed that there was two to three times more semiconductor payroll being reported to Code 4112 than Code 4150.

EXHIBIT 1—FACT SHEET (CONT'D)

IMPACT

This item proposes to create three new national classifications: Code 4110—Electric Bulb Manufacturing, Code 4109—Integrated Circuit Manufacturing, and Code 4149—Optical Goods Manufacturing. These three codes will replace existing national classifications: Code 4112 and Code 4150.

The loss cost/rate and rating values for new Code 4110 will be based on the historical data reported in discontinued Code 4112 until new Code 4110 develops data to determine its own loss cost/rate. No historical data from Code 4112 will be directly reassigned into new Code 4110. While experience may be transferred from other class codes, it is expected that most operations applicable to the new Code 4110 are currently being assigned to Code 4112. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 4112, and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

The loss cost/rate and rating values for new Code 4149 will be based on the historical data reported in discontinued Code 4150 until new Code 4149 develops data to determine its own loss cost/rate. No historical data from Code 4150 will be directly reassigned into new Code 4149. While experience may be transferred from other class codes, it is expected that most operations applicable to the new Code 4149 are currently being assigned to Code 4150. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 4150, and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

With the exception of the states of Indiana, Kansas, Kentucky, and New Hampshire, the initial loss cost or rate for new Code 4109 will be based on the payroll weighting of discontinued Codes 4112 and 4150, and will use the latest available year of payroll from these two codes until Code 4109 develops data to determine its own loss cost or rate. The experience rating values will be determined in a similar manner. To minimize any possible market disruption, the initial loss cost or rate value for Code 4109 will also be subject to the upper swing limit change resulting from the currently existing lowest loss cost or rating value of either Code 4112 or Code 4150. No historical data will be reassigned into Code 4109. Most of the new class code experience is expected to come from Codes 4112 and 4150. Therefore, this proposal is not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned codes and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

EXHIBIT 1—FACT SHEET (CONT'D)

For the states of Indiana, Kansas, Kentucky, and New Hampshire, which have a significant volume of Incandescent Lamp Manufacturing in Code 4112, the initial loss cost/rate and rating values for new Code 4109 will be completely based on the historical data of discontinued Code 4150 until new Code 4109 develops data to determine its own loss cost or rate. No historical data will be reassigned into Code 4109. Most of this code's experience is expected to come from Code 4150 in these three states. Therefore, this proposal is not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned codes and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

New Hampshire Specific:

This item proposes that New Hampshire update Code 8013—Optical Stores and Code 8832—Ophthalmologist or Optometrist & Clerical's reference to surface grinding of lenses from discontinued Code 4150 to newly created Code 4149—Optical Goods Mfg. This portion of the proposal is not anticipated to result in a reclassification of risk payroll or change in loss cost, rate, or premium.

Virginia Specific:

This item proposes that Virginia also update the description for Code 8013 to reflect the changes being proposed. This portion of the proposal is not anticipated to result in a reclassification of risk payroll or change in loss cost, rate, or premium.

IMPLEMENTATION

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 2011[1] filing cycle as outlined on the state effective date table in the filing memorandum. For example, this item will be effective January 1, 2011 for approved rate/loss cost filings that have a January 1, 2011 effective date. Similarly, this item will be effective July 1, 2011 for approved rate/loss cost filings that have a July 1, 2011 effective date.

[1]Unless otherwise noted.

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

~~4112~~ ~~INCANDESCENT LAMP MFG.~~

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

4110 **ELECTRIC BULB MFG.**

Applies to insureds that manufacture electric light bulbs of all types including, but not limited to, incandescent, fluorescent, and halogen bulbs; compact fluorescent lamps (CFLs); light emitting diodes (LEDs); and neon tubes. Code 4110 applies regardless of the size or wattage of the bulb.

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

4110 FIBER OPTIC CABLE MFG.

The manufacture of fiber optic strands or cables is also included in Code 4110. There are three distinct types of fiber optic strands: multimode, single mode, and graded index.

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

~~4150~~ ~~OPTICAL GOODS MFG. NOC~~

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

~~4150~~ ~~LENS MFG.—GROUND~~

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

4149 OPTICAL GOODS MFG. NOC

Includes ground lens manufacturing, opera and field glasses manufacturing, goggle manufacturing, and telescope manufacturing.

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

~~4150~~ ~~COMPUTER CHIP MFG.~~

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

4109 INTEGRATED CIRCUIT MFG.

Includes silicon processes, compound semiconductor manufacturing, or semiconductor manufacturing. Includes refining or growing of the base (wafer) material through adding layer upon layer of the circuit, etching, adding connecting materials for the circuits, testing, quality assurance (QA), and mounting onto modules. This classification also includes adding programming to the chips by the manufacturer or outside contractor.

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIBER OPTICS AND SEMICONDUCTOR CLASSIFICATIONS

8013♦ OPTICAL STORES

Surface grinding of lens to be separately rated as Code ~~4150—Optical goods mfg. NOC~~4149.

EXHIBIT 2—FACT SHEET

TELECOMMUNICATIONS, BURGLAR AND FIRE ALARM AND ELECTRONICS INSTALLATION, SERVICE, AND REPAIR

PROPOSAL

The focus of the proposed changes for this industry is to combine operations into classifications that reflect the exposures common to those operations.

NCCI recommends the following national treatment for classifications:

1. Revise the phraseology of Code 7600 from Telephone or Telegraph Co.: All Other Employees & Drivers to Telecommunications Co.—Cable TV, or Satellite—All Other Employees & Drivers.
2. Revise the phraseology of Code 8901 from Telephone or Telegraph Co.: Office or Exchange Employees & Clerical to Telecommunications Co.—Office or Exchange Employees & Clerical.
3. Discontinue:

   Code 7601—Telephone, Telegraph or Fire Alarm Line Construction & Drivers

   Code 7611—Telephone or Cable TV Line Installation—Contractors, Underground & Drivers

   Code 7612—Telephone or Cable TV Line Installation—Contractors, Overhead & Drivers

   Code 7613—Telephone or Cable TV Line Installation—Contractors, Service Lines and Connections & Drivers

   All experience will be reassigned to newly defined Code 7600.
4. Revise the phraseology of Code 9516 from Radio, Television, Video and Audio Equipment Installation, Service, or Repair & Drivers to Electronic Equipment—Installation, Service, or Repair—Shop and Outside & Drivers.
5. Discontinue the cross-reference phraseologies of Code 9516—Automobile: Radio, Television, Video and Audio Equipment Installation, Service, or Repair & Drivers; Television, Radio, Video and Audio Equipment Installation, Service, or Repair & Drivers; and Video, Television, Radio, and Audio Equipment Installation, Service, or Repair & Drivers. A reference to the installation, service, or repair of automobile electronic equipment will be referenced in the phraseology note of Code 9516. The other cross-reference phraseologies are being discontinued due to redundancy.
6. Revise the phraseology note of Code 9519—Household and Commercial Appliances—Electrical—Installation, Service or Repair & Drivers to update the reference to Code 9516.
7. Revise the phraseology of Code 7605 from Burglar Alarm Installation or Repair & Drivers to Burglar and Fire Alarm Installation or Repair & Drivers.
8. Discontinue the cross-reference phraseology of Code 7605—Fire Alarm Installation or Repair & Drivers. The assignment of fire alarm installation or repair will be referenced in the phraseology of Code 7605.
9. Discontinue the cross-reference phraseologies of Code 7605—Intercommunication Systems Installation or Repair & Drivers and Sound Systems Installation or Repair & Drivers and transfer these exposures to Code 9516.

Arizona Specific:

NCCI recommends that Arizona discontinue their state special phraseology for Code 7605—Intercommunication Systems Installation or Repair and adopt the national treatment.

Florida Specific:

Items 1 through 3 in the national proposal have already been adopted by Florida per Item 02-FL-2007-A. NCCI recommends that Florida discontinue their state exceptions for Codes 7600 and 8901 once the revised codes are implemented as national classifications. It is also recommended that Florida adopt items 4 through 9 as part of the national proprosal.

EXHIBIT 2—FACT SHEET (CONT'D)

Montana Specific:

NCCI recommends that Montana discontinue their state special phraseology for Code 7605—Telephone or Cable Television Line—Inside & Drivers and adopt the national treatment.

NCCI recommends that Montana adopt the newly defined national Codes 7600 and 8901 for the telecommunications industry and discontinue state special phraseologies for Codes 7600, 7601, 7611, 7612, and 7613 indicated in the Montana state-specific exhibits.

Oregon Specific:

NCCI recommends that Oregon discontinue their state special phraseology for Code 7605—Telephone or Cable Television Line—Inside & Drivers and adopt the national treatment. It is also proposed that Oregon revise their state-specific cross-reference phraseology for Code 9519—Household Appliances—Electrical—Installation, Service or Repair & Drivers to update the reference to Code 9516. NCCI recommends that Oregon adopt the newly defined national Codes 7600 and 8901 for the telecommunications industry and discontinue state special phraseologies for Codes 7600, 8901, and 7601 indicated in the Oregon state-specific exhibits.

Changes to Code 7611—Telephone or Cable TV Line Installation—Contractors, Underground & Drivers, Code 7612—Telephone or Cable TV Line Installation—Contractors, Overhead & Drivers, and Code 7613—Telephone or Cable TV Line Installation—Contractors, Service Lines and Connections & Drivers are not proposed in Oregon because these codes are not applicable.

Virginia Specific:

NCCI recommends that Virginia also update the descriptions for Codes 3179, 3681, 3724, 5190, 6325, 7539 and 8017, to reflect the changes being proposed.

BACKGROUND AND BASIS FOR CHANGE

NCCI has reviewed the classification treatment of telephone company operations. The installation and repair of low voltage lines is currently included in the following national codes:

- Code 7600—Telephone or Telegraph Co.: All Other Employees & Drivers
- Code 7601—Telephone, Telegraph or Fire Alarm Line Construction & Drivers
- Code 7611—Telephone or Cable TV Line Installation—Contractors, Underground & Drivers
- Code 7612—Telephone or Cable TV Line Installation—Contractors, Overhead & Drivers
- Code 7613—Telephone or Cable TV Line Installation—Contractors, Service Lines and Connections & Drivers

The telecommunications industry delivers voice, data, graphics, and video at increasing speeds and in a variety of ways. Wireline telephone communication was once the primary service of the industry, but now wireless communication services and cable and satellite program distribution make up an increasing share of the industry. However, the largest sector of the industry continues to be made up of wired telecommunications carriers. They provide telephone service via wires and cables that connect customers to central offices maintained by telecommunications companies. The central offices contain switching equipment that routes content to its final destination or to another switching center that determines the most efficient route for the content to take.

While voice used to be the main type of data transmitted over the wires, wired telecommunications service now transmits all types of graphic, video, and electronic data mainly over the Internet. These new services have been made possible through the use of digital technologies that make telecommunication networks much more efficient.

Workers in the telecommunications industry are exposed to a variety of hazards. Line installers and repairers will face such exposures as shocks from malfunctioning equipment and power lines, falls from utility poles and

EXHIBIT 2—FACT SHEET (CONT'D)

transmission towers, being struck by passing cars while working along roadways, and heat-related illnesses. Service technicians who inspect or service telephone lines on utility poles and telecommunications towers often must scale these structures to work on the equipment at the top of them. Since telecommunication towers and utility poles are often several stories tall, a fall from such a height could cause serious or fatal injuries. Work on such structures can be even more dangerous during inclement or winter weather. Ice and snow may form on these structures, making them slippery and impeding safe ascension.

Telephone line technicians often will park along the sides of roadways when performing maintenance work on telephone lines, utility poles, underground lines, and other telephone communication apparatus. Working along roadways is dangerous, and many injuries and fatalities occur every year involving work crews. They use different types of machinery, such as backhoes and dump trucks, when excavating for underground utility lines. Such machinery is large and is typically operated by one employee. Employees can be hit and crushed by such machinery; they may also be cut, bruised, or break a bone. Employees working in laboratories may be exposed to a number of hazards, such as electrical shocks, burns, or fires. Office personnel will contend with such common hazards as cumulative trauma disorders (CTDs) and slips, trips, and falls.

Currently, telephone company employees, classified under Code 7600, perform the same variety of tasks performed by employees assigned to Code 7601 and contractors assigned to Codes 7611, 7612, and 7613. Research shows great similarity in the nature of the work performed by the risks and exposure assigned to the reviewed codes. The similarity is so great that it points to the feasibility of combining these codes. Additionally, replacing the words "telephone," "telegraph," and "cable" with a more encompassing term, "telecommunications," helps to modernize the phraseology and describe the various businesses within this industry.

Code 9516 is assigned to the installation, service, and repair of various types of electronic equipment. Home entertainment equipment includes televisions, DVD players and recorders, digital video recorders, satellite and digital cable, speakers, iPods and MP3 players, and satellite radio. Service technicians are employed by electronic service companies, retail and wholesale distributors, independent television and stereo repair shops, major department stores, manufacturers and manfacturers' repair facilities as well as authorized manufacturers' repair outlets. They install, test, repair, and calibrate equipment to ensure it functions properly. They check for common causes of trouble, such as loose connections or defective components. To fix equipment, repairers may replace defective components, circuit boards, or wiring, or adjust and calibrate equipment using test equipment—small hand tools such as pliers, screwdrivers, and soldering irons.

Automobile and marine electronic equipment ranges from a simple installation such as replacing a radio with a new CD player, which requires the removal of a few screws and the connection of a few wires, to a more complicated install such as a new sound system with a subwoofer, amplifier, and fuses. Mobile electronic equipment includes DVD players, satellite navigation equipment, security systems, satellite radios, VHF radios, radar detectors and systems, remote starters, speakers, amplifiers, cb radios, subwoofers, iPods and MP3 players, and depth and fish finders. Technicians will use simple tools, such as wire cutters, soldering irons, multi-testers, drills, and common fasteners to install, diagnose, and repair communication, sound, security, and navigation equipment in motor vehicles and boats.

IMPACT

This item proposes that Code 7601, Code 7611, Code 7612, and Code 7613 all be discontinued with their experience combined into redefined existing national Code 7600. NCCI conducted a review using the latest approved rate filing experience to determine the need for a loss cost or rate transition program to minimize the impact of this proposed change. Based on the result of this review, NCCI recommends that a three-year transition program be implemented in all states. Using a transition program will help minimize the impact to both individual risk's premium charges and overall statewide premium.

This item also proposes to discontinue the cross-reference phraseologies of Code 7605—Intercommunication Systems Installation or Repair & Drivers and Sound Systems Installation or Repair & Drivers and transfer these operations to Code 9516. No modification or adjustment to filed loss costs or rates is proposed for

EXHIBIT 2—FACT SHEET (CONT'D)

these codes. The amount of payroll transferred cannot be obtained using current industry data sources. It is estimated that the amount of payroll transferred and/or the differences in loss cost or rate is not large enough to result in a significant change in overall statewide premium. The impact to individual risks will vary depending on their current code payroll assignments in Code 7605 and the amount of payroll transferred from Code 7605 to Code 9516. The class codes' loss costs or rates will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to these classifications.

The other phraseology changes primarily consolidate cross-reference phraseology into the actual classification wording or are for clarification only and are generally not anticipated to result in a reclassification of risk payroll or change in loss cost, rate, or premium.

Arizona Specific:

This item proposes that Arizona discontinue their state special phraseology for Code 7605—Intercommunication Systems Installation or Repair and adopt the national treatment. Similar to the national change for this code, this part of the proposal may result in a transfer of payroll from Code 7605 into Code 9516. No modification or adjustment to filed loss costs or rates is proposed for these codes. The amount of payroll transferred cannot be obtained using current industry data sources. It is estimated that the amount of payroll transferred and/or the differences in loss cost or rate are not large enough to result in a significant change in overall statewide premium. The impact to individual risks will vary depending on their current code payroll assignments in Code 7605 and the amount of payroll transferred from Code 7605 to Code 9516. The class code's loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to this classification.

Florida Specific:

This item proposes that Florida adopt the newly defined national Codes 7600 and 8901 for the telecommunications industry and discontinue state special phraseologies for Codes 7600 and 8901 indicated in the Florida state-specific exhibits. This portion of the proposal is not anticipated to result in any reclassification of risks' payroll or change in loss cost, rate, or premium.

Montana Specific:

This item proposes that Montana discontinue their state special phraseology for Code 7605—Telephone or Cable Television Line—Inside & Drivers and adopt the national treatment. This part of the proposal may result in a transfer of payroll from Code 7605 into redefined Code 7600. No modification or adjustment to filed loss costs or rates is proposed as a result of this change for these codes. The amount of payroll transferred cannot be obtained using current industry data sources. It is estimated that the amount of payroll transferred and/or the differences in loss cost or rate are not large enough to result in a significant change in overall statewide premium. The impact to individual risks will vary depending on their current code payroll assignments in Code 7605 and the amount of payroll transferred from Code 7605 to Code 7600. The class code's loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to this classification.

It is also proposed that Montana adopt the newly defined national Codes 7600 and 8901 for the telecommunications industry and discontinue state special phraseologies for Codes 7600, 7601, 7611, 7612, and 7613, as indicated in the Montana state-specific exhibits. This portion of the proposal is not anticipated to result in an additional change in premium beyond the national proposal to consolidate Code 7601, Code 7611, Code 7612, and Code 7613 into newly defined national Code 7600.

Oregon Specific:

This item proposes that Oregon discontinue their state special phraseology for Code 7605—Telephone or Cable Television Line—Inside & Drivers and adopt the national treatment. This part of the proposal may result in a transfer of payroll from Code 7605 into redefined Code 7600. No modification or adjustment to filed loss costs or rates is proposed as a result of this change for these codes. The amount of payroll

EXHIBIT 2—FACT SHEET (CONT'D)

transferred cannot be obtained using current industry data sources. It is estimated that the amount of payroll transferred and/or the differences in loss cost or rate are not large enough to result in a significant change in overall statewide premium. The impact to individual risks will vary depending on their current code payroll assignments in Code 7605 and the amount of payroll transferred from Code 7605 to Code 7600. The class code's loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to this classification.

It is also proposed that Oregon revise their state-specific cross-reference phraseology for Code 9519—Household Appliances—Electrical—Installation, Service or Repair & Drivers to update the reference to Code 9516. This portion of the proposal is not anticipated to result in any reclassification of risks' payroll or change in loss cost, rate, or premium.

It is also proposed that Oregon adopt the newly defined national Codes 7600 and 8901 for the telecommunications industry and discontinue state special phraseologies for Codes 7600, 8901, and 7601 indicated in the Oregon state-specific exhibits. This portion of the proposal is not anticipated to result in an additional change in premium beyond the national proposal to consolidate Code 7601, Code 7611, Code 7612, and Code 7613 into newly defined national Code 7600.

Virginia Specific:

This item proposes that Virginia update the descriptions for Codes 3179, 3681, 3724, 5190, 6325, 7539, and 8017 to reflect the changes being proposed. This portion of the proposal is not anticipated to result in a reclassification of risk payroll or change in loss cost, rate, or premium.

IMPLEMENTATION

This item is applicable to new and renewal voluntary and assigned risk policies, and it will become effective concurrently with each state's approved rate/loss cost filing for the 2011[1] filing cycle as outlined on the state effective date table in the filing memorandum. For example, this item will be effective January 1, 2011 for approved rate/loss cost filings that have a January 1, 2011 effective date. Similarly, this item will be effective July 1, 2011 for approved rate/loss cost filings that have a July 1, 2011 effective date.

This fact sheet includes a three-year transition program. The following pages include the actual transition program rules along with an example of the transition program calculations. The rules give additional detail to the initiation and final implementation dates associated with this transition program.

[1]Unless otherwise noted.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

~~**TELEPHONE OR TELEGRAPH**~~

3681 ~~**Apparatus Mfg.**~~

~~**Co.:**~~

8901 ~~**Office or Exchange Employees & Clerical**~~

7600 ~~**All Other Employees & Drivers.** Includes operation, maintenance, extension of lines, and making of service connection. Not applicable to contractors.~~

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

3681 TELEPHONE OR TELEGRAPH—APPARATUS MFG.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

7600 **TELECOMMUNICATIONS CO.—CABLE TV, OR SATELLITE—ALL OTHER EMPLOYEES & DRIVERS**

Includes operation, installation, maintenance, and extension of overhead and underground lines and service connections, including line installation within a building. The installation of fiber optic lines requiring specialized connection skills is included in Code 7600. It also includes the clearing of right-of-ways, the erection of poles, cross-arms, and insulators when performed in conjunction with installing telecommunication lines. Applicable to contractors performing work for telecommunications companies. Conduit construction is to be separately rated. Applies to laying of telephone cable by specialist contractor under contract with a telephone company.

The mechanical of fusion splicing of fiber optics strands is also assigned to this code.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

8901 TELECOMMUNICATIONS CO.: OFFICE OR EXCHANGE EMPLOYEES & CLERICAL

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

CURRENT NATIONAL PHRASEOLOGY TO REMAIN EFFECTIVE UNTIL THE COMPLETION DATE OF THE TRANSITION PROGRAM* OF THIS ITEM

7601● **TELEPHONE, TELEGRAPH OR FIRE ALARM LINE CONSTRUCTION & DRIVERS.**

Code 7600—Telephone or telegraph company shall not be assigned at the same job or location to which Code 7601 applies.

TO BE IMPLEMENTED ON THE COMPLETION DATE OF THE TRANSITION PROGRAM FOR EACH STATE

~~**7601●**~~ ~~**TELEPHONE, TELEGRAPH OR FIRE ALARM LINE CONSTRUCTION & DRIVERS.**~~

Code ~~7600—Telephone or telegraph company shall not be assigned at the same job or location to which Code 7601 applies.~~

* For all applicable states, the three-year transition program will be initiated concurrently with each state's approved rate/loss cost filing effective date for the 2011 filing cycle. Refer to the state chart in the implementation section of the memorandum.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

CURRENT NATIONAL PHRASEOLOGY TO REMAIN EFFECTIVE UNTIL THE COMPLETION DATE OF THE TRANSITION PROGRAM* OF THIS ITEM

TELEPHONE OR CABLE TV LINE INSTALLATION

7612● **Contractors, Overhead & Drivers.** Applies to the installation, replacement, removal and maintenance of overhead telephone and cable TV main lines.

7613● **Contractors, Service Lines and Connections & Drivers.** Applies to the installation, replacement, removal and maintenance of telephone and cable TV service connection lines. It also includes incidental line installation within a building. Conduit construction is to be separately rated.

7611● **Contractors, Underground & Drivers.** Applies to the installation, replacement, removal and maintenance of underground telephone and cable TV main lines. Conduit construction is to be separately rated.

TO BE IMPLEMENTED ON THE COMPLETION DATE OF THE TRANSITION PROGRAM FOR EACH STATE

~~**TELEPHONE OR CABLE TV LINE INSTALLATION**~~

~~**7612●**~~ ~~**Contractors, Overhead & Drivers.** Applies to the installation, replacement, removal and maintenance of overhead telephone and cable TV main lines.~~

~~**7613●**~~ ~~**Contractors, Service Lines and Connections & Drivers.** Applies to the installation, replacement, removal and maintenance of telephone and cable TV service connection lines. It also includes incidental line installation within a building. Conduit construction is to be separately rated.~~

~~**7611●**~~ ~~**Contractors, Underground & Drivers.** Applies to the installation, replacement, removal and maintenance of underground telephone and cable TV main lines. Conduit construction is to be separately rated.~~

* For all applicable states, the three-year transition program will be initiated concurrently with each state's approved rate/loss cost filing effective date for the 2011 filing cycle. Refer to the state chart in the implementation section of the memorandum.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

~~FIRE ALARM~~

7605 **~~Installation or Repair & Drivers~~**

7601● **~~Telephone or Telegraph Line Construction & Drivers.~~** ~~Code 7600—Telephone or telegraph company shall not be assigned at the same job or location to which Code 7601 applies.~~

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

9516 ~~**RADIO, TELEVISION, VIDEO, AND AUDIO EQUIPMENT INSTALLATION, SERVICE, OR REPAIR & DRIVERS.**~~

~~Includes shop or outside employees, incidental parts department employees, and erection of antennae. Electrical wiring or tower erection to be separately rated. Intercommunication system installation to be separately classified to Code 7605.~~

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

9516 **ELECTRONIC EQUIPMENT—INSTALLATION, SERVICE, OR REPAIR—SHOP AND OUTSIDE & DRIVERS**

Electronic equipment can be installed in homes, automobiles, and boats. Electrical wiring or tower erection to be separately rated. Applies to the installation, service, or repair of electronic equipment by retail store employees. Store operations to be separately rated. Refer to Code 9519 for the installation, service, and repair of household and commercial appliances. The installation of visual and sound equipment for stadiums and theaters is assigned to Code 9154. Refer to Code 5191 for the installation, service, or repair of office machine equipment. Refer to Code 7600 for insureds under contract with a telecommunications company.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

9516 ~~**AUTOMOBILE—RADIO, TELEVISION, VIDEO, AND AUDIO EQUIPMENT INSTALLATION SERVICE OR REPAIR & DRIVERS**~~

~~Includes shop or outside employees, incidental parts department employees, erection of antennae.~~

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

9516 ~~**TELEVISION, RADIO, VIDEO, AND AUDIO EQUIPMENT INSTALLATION, SERVICE, OR REPAIR & DRIVERS.**~~

~~Includes shop or outside employees, incidental parts department employees, and erection of antennae. Electrical wiring or tower erection to be separately rated. Intercommunication system installation to be separately classified to Code 7605.~~

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

9516 ~~**VIDEO, TELEVISION, RADIO, AND AUDIO EQUIPMENT INSTALLATION, SERVICE, OR REPAIR & DRIVERS.**~~

~~Includes shop or outside employees, incidental parts department employees, and erection of antennae. Electrical wiring or tower erection to be separately rated. Intercommunication system installation to be separately classified to Code 7605.~~

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

9519 HOUSEHOLD AND COMMERCIAL APPLIANCES—ELECTRICAL—INSTALLATION, SERVICE OR REPAIR & DRIVERS

Includes shop or outside employees and incidental parts department employees. Electrical wiring to be separately classified to Code 5190. ~~Television, radio, video, and audio~~ Electronic equipment installation, service, or repair to be separately classified to Code 9516.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

7605● **BURGLAR AND FIRE ALARM INSTALLATION OR REPAIR & DRIVERS**

Includes the installation of security cameras.

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

7605● ~~INTERCOMMUNICATION SYSTEMS INSTALLATION OR REPAIR & DRIVERS~~

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TELECOMMUNICATIONS
CLASSIFICATIONS

7605● ~~**SOUND SYSTEMS INSTALLATION OR REPAIR & DRIVERS**~~

EXHIBIT 2—TELECOMMUNICATIONS

THREE-YEAR TRANSITION PROGRAM RULES

(Applies in: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

The following are the rules of the three-year transition program implementing the rates/loss costs and rating values for Codes 7601, 7611, 7612, 7613, and 7600. NCCI will administer this program through each applicable state's rate/loss cost classification experience filing revision process.

The state rate/loss cost filing revision where this transition program will initiate will be the first filing made with an effective date on or after the state approved effective date of this item filing. If a state rate/loss cost revision filing is made prior to the approval of this item, then that state's experience filing revision will not reflect the first year transition values. Instead, the first year transition will be made to coincide with the next experience filing revision after the item is approved. The proposed effective date for the experience filing revision must be on or after the approved item's effective date.

The following outlines the steps needed to implement the rates/loss costs and rating values for Codes 7601, 7611, 7612, 7613, and 7600 within each of the classification rate/loss cost filings. An example of the three-year transition program calculation, including the weight value calculation, is shown in subsequent pages of this exhibit.

A. Risks will continue to be classified to either Code 7601, 7611, 7612, 7613, and 7600 as appropriate until the elimination of Code 7601, 7611, 7612, and 7613 in the third annual state rate/loss cost filing experience revision from which this transition program was initiated in the state.

B. As part of the first NCCI state rate/loss cost experience filing revision in which this transition program is initiated, the payroll-weighted rate/loss cost of Codes 7601, 7611, 7612, 7613, and 7600 will be calculated using the latest available year's payroll and the standard calculated rate/loss cost of the two individual codes. If the payroll-weighted rate/loss cost is within the swing limits determined for Codes 7601, 7611, 7612, 7613, and 7600, then each of these codes will take on the rate/loss cost of the payroll-weighted rate/loss cost. Rating values will be determined by the same payroll weighting.

   If the payroll-weighted rate/loss cost is outside of the filing's swing limits for any of the codes, then the rate/loss cost for each of the codes will be determined by a methodology weighting together (1) the payroll-weighted rate/loss cost and (2) the standard calculated rate/loss cost for each code. The ratio used in this methodology will be first determined by calculating the maximum weighting value given to the payroll-weighted rate/loss cost in order to keep the rates for Codes 7601, 7611, 7612, 7613, and 7600 within the swing limits of the filing. However, a 33% minimum weighting value must be used regardless of the swing limits to execute the transition program within three years. Rating values will be calculated in a similar manner.

C. As part of the second state annual rate/loss cost experience filing, after which this transition program is initiated, the payroll-weighted rate/loss cost of Codes 7601, 7611, 7612, 7613, and 7600 will be calculated using the latest available year's payroll and the standard calculated rates/loss costs of the two individual codes. If the payroll-weighted rate/loss cost is within the swing limits determined for Codes 7601, 7611, 7612, 7613, and 7600, then each of the codes will take on the rate/loss cost of the payroll-weighted rate/loss cost. Rating values will be determined by the same payroll weighting.

EXHIBIT 2—TELECOMMUNICATIONS (CONT'D)

If the payroll-weighted rate/loss cost is outside of the filing's swing limits for any of the codes, then the rate/loss cost for each of the codes will be determined by a methodology weighting together (1) the payroll-weighted rate/loss cost and (2) the standard calculated rate/loss cost for each code. The ratio used in this methodology will be first determined by calculating the maximum weighting value given to the payroll-weighted rate/loss cost in order to keep the rates for Codes 7601, 7611, 7612, 7613, and 7600 within the swing limits of the filing. However, a 67% minimum weighting value must be used regardless of the swing limits to execute the transition program within three years. Rating values will be calculated in a similar manner.

D. As part of the third annual NCCI state rate/loss cost experience filing revision, Codes 7601, 7611, 7612, and 7613 will be eliminated. All insured operations previously assigned to Codes 7601, 7611, 7612, and 7613 will be assigned to Code 7600. The rate/loss cost for newly defined Code 7600 will be the payroll-weighted rate/loss cost of Code 7601, 7611, 7612, 7613, and 7600 using this filing's latest available year of payroll and the standard calculated rate/loss cost of the five individual codes. Rating values will be determined by the same payroll weighting.

EXHIBIT 2—TELECOMMUNICATIONS

EXAMPLE OF THREE-YEAR TRANSITION PROGRAM CALCULATION

(Applies in: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

The rates/loss costs used in the following example are for illustration purposes only and are not the actual rates/loss costs in use, nor do they represent expected actual rates/loss costs for the codes indicated.

In the following example, the “Payroll-Weighted Rate/Loss Cost” for each year can be calculated by using the “NCCI Initially Calculated Rate/Loss Cost” and the payroll for the latest available year.

The following assumptions are made for this example:

	Code XXX1	Code XXX2	Code XXX3
Payroll $	400,000	700,000	3,000,000
Rate/Loss Cost	21.00	10.50	11.81

The “Payroll-Weighted Rate/Loss Cost” is calculated as follows:

$$\frac{[(400{,}000 \times 21.00) + (700{,}000 \times 10.50) + (3{,}000{,}000 \times 11.81)]}{(400{,}000 + 700{,}000 + 3{,}000{,}000)} = 12.48$$

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of 0.33, 0.67, and 1.00 for each year without regard to swing limits in order to transition the rates/loss costs within three years.

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY							
	Weight Value	**Class Code**	**Payroll-Weighted Rate/Loss Cost**		**NCCI Initially Calculated Rate/Loss Cost**		**Final NCCI Rate/Loss Cost**
Filing Effective in First Year	.44*	XXX1	(0.44 x 12.48)	+	(0.56 x 21.00)	=	17.25
		XXX2	(0.44 x 12.48)	+	(0.56 x 10.50)	=	11.37
		XXX3	(0.44 x 12.48)	+	(0.56 x 11.81)	=	12.10
Filing Effective in Second Year	.93*	XXX1	(0.93 x 12.52)	+	(0.07 x 18.50)	=	12.94
		XXX2	(0.93 x 12.52)	+	(0.07 x 9.85)	=	12.33
		XXX3	(0.93 x 12.52)	+	(0.07 x 12.35)	=	12.51
Filing Effective in Third Year	1.00	XXX1	(1.00 x 12.49)	+	(0.00 x 19.78)	=	12.49
		XXX2	(1.00 x 12.49)	+	(0.00 x 12.25)	=	12.49
		XXX3	(1.00 x 12.49)	+	(0.00 x 11.57)	=	12.49

* See “Example of Three-Year Weight Value Calculation” for more details.

EXHIBIT 2—TELECOMMUNICATIONS (CONT'D)

EXAMPLE OF THREE-YEAR TRANSITION PROGRAM EXPECTED LOSS RATE (ELR)

The ELRs in the following example are for illustration purposes only and are not the actual ELRs in use, nor do they represent expected actual ELRs for the codes indicated.

In the following example, the "Payroll-Weighted ELR" for each year can be calculated by using the "NCCI Initially Calculated ELR" and the payroll for the latest available year.

The following assumptions are made for this example:

	Code XXX1	Code XXX2	Code XXX3
Payroll $	400,000	700,000	3,000,000
ELR	7.00	3.50	3.94

The "Payroll-Weighted ELR" is calculated as follows:

$$\frac{[(400,000 \times 7.00) + (700,000 \times 3.50) + (3,000,000 \times 3.94)]}{(400,000 + 700,000 + 3,000,000)} = 4.16$$

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of 0.33, 0.67, and 1.00 for each year without regard to swing limits in order to transition the rates/loss costs within three years.

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY							
	Weight Value	**Class Code**	**Payroll-Weighted ELR**		**NCCI Initially Calculated ELR**		**Final NCCI ELR**
Filing Effective in First Year	.44*	XXX1	(0.44 x 4.16)	+	(0.56 x 7.00)	=	5.75
		XXX2	(0.44 x 4.16)	+	(0.56 x 3.50)	=	3.79
		XXX3	(0.44 x 4.16)	+	(0.56 x 3.94)	=	4.04
Filing Effective in Second Year	.93*	XXX1	(0.93 x 4.18)	+	(0.07 x 6.17)	=	4.32
		XXX2	(0.93 x 4.18)	+	(0.07 x 3.28)	=	4.12
		XXX3	(0.93 x 4.18)	+	(0.07 x 4.12)	=	4.18
Filing Effective in Third Year	1.00	XXX1	(1.00 x 4.16)	+	(0.00 x 6.59)	=	4.16
		XXX2	(1.00 x 4.16)	+	(0.00 x 4.08)	=	4.16
		XXX3	(1.00 x 4.16)	+	(0.00 x 3.86)	=	4.16

* See "Example of Three-Year Weight Value Calculation" for more details.

EXHIBIT 2—TELECOMMUNICATIONS (CONT'D)

EXAMPLE OF THREE-YEAR TRANSITION PROGRAM D RATIOS

The D ratios in the following example are for illustration purposes only and are not the actual D ratios in use, nor do they represent expected actual D ratios for the codes indicated.

In the following example, the "Payroll-Weighted D Ratios" for each year can be calculated by using the "NCCI Initially Calculated D Ratios" and the payroll for the latest available year.

The following assumptions are made for this example:

	Code XXX1	Code XXX2	Code XXX3
Payroll $	400,000	700,000	3,000,000
D Ratios	0.23	0.20	0.24

The "Payroll-Weighted D Ratio" is calculated as follows:

$$\frac{[(400{,}000 \times .23) + (700{,}000 \times .20) + (3{,}000{,}000 \times .24)]}{(400{,}000 + 700{,}000 + 3{,}000{,}000)} = .23$$

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of 0.33, 0.67, and 1.00 for each year without regard to swing limits in order to transition the rates/loss costs within three years.

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY							
	Weight Value	**Class Code**	**Payroll-Weighted D Ratio**		**NCCI Initially Calculated D Ratio**		**Final NCCI D Ratio**
Filing Effective in First Year	.44*	XXX1	(0.44 x 0.23)	+	(0.56 x 0.23)	=	0.23
		XXX2	(0.44 x 0.23)	+	(0.56 x 0.20)	=	0.21
		XXX3	(0.44 x 0.23)	+	(0.56 x 0.24)	=	0.24
Filing Effective in Second Year	.93*	XXX1	(0.93 x 0.24)	+	(0.07 x 0.23)	=	0.24
		XXX2	(0.93 x 0.24)	+	(0.07 x 0.22)	=	0.24
		XXX3	(0.93 x 0.24)	+	(0.07 x 0.25)	=	0.24
Filing Effective in Third Year	1.00	XXX1	(1.00 x 0.23)	+	(0.00 x 0.22)	=	0.23
		XXX2	(1.00 x 0.23)	+	(0.00 x 0.22)	=	0.23
		XXX3	(1.00 x 0.23)	+	(0.00 x 0.24)	=	0.23

* See "Example of Three-Year Weight Value Calculation" for more details.

EXHIBIT 2—TELECOMMUNICATIONS (CONT'D)

EXAMPLE OF THREE-YEAR WEIGHT VALUE CALCULATION

The weight value calculation in the following example is for illustration purposes only and is not the actual weight value calculation in use, nor does it represent the expected actual weight value calculation for the codes indicated.

In the following example, the rates/loss costs are calculated for each class code by utilizing successively higher weight values until the largest weight value is found that keeps the rates/loss costs within swing limits. However, depending on which year of the transition the filing is effective, this weight value is subject to minimums **without regard to swing limits**. These minimums are 0.33, 0.67, and 1.00, respectively, for years 1, 2, and 3. For the purposes of illustration, the codes are represented as XXX1, XXX2, and XXX3.

The following assumptions are made for this example:

1. The swing limits are plus or minus 25%
2. The rates/loss costs are as follows:

	Rate/Loss Cost for Code XXX1	Rate/Loss Cost for Code XXX2	Rate/Loss Cost for Code XXX3
Current Approved Filing	23.00	11.00	12.00
First Transition Year	17.25	11.37	12.10

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY						
Weight Calculation Table						
Year 1	**Code XXX1**		**Code XXX2**		**Code XXX3**	
Weight Value	**Calculated Rate/Loss Cost Given Weight Value**	**Rate/Loss Cost Change %**	**Calculated Rate/Loss Cost Given Weight Value**	**Rate/Loss Cost Change %**	**Calculated Rate/Loss Cost Given Weight Value**	**Rate/Loss Cost Change %**
0.33	18.19	–20.9	11.15	+1.4	12.03	+0.2
0.34	18.10	–21.3	11.17	+1.5	12.04	+0.3
0.35	18.02	–21.7	11.19	+1.7	12.04	+0.3
0.36	17.93	–22.0	11.21	+1.9	12.05	+0.4
0.37	17.85	–22.4	11.23	+2.1	12.06	+0.5
0.38	17.76	–22.8	11.25	+2.3	12.06	+0.5
0.39	17.68	–23.1	11.27	+2.5	12.07	+0.6
0.40	17.59	–23.5	11.29	+2.6	12.08	+0.7
0.41	17.51	–23.9	11.31	+2.8	12.08	+0.7
0.42	17.42	–24.3	11.33	+3.0	12.09	+0.8
0.43	17.34	–24.6	11.35	+3.2	12.10	+0.8
0.44	**17.25**	**–25.0**	11.37	+3.4	12.10	+0.8
0.45	17.17	–25.3	11.39	+3.5	12.11	+0.9

EXHIBIT 2—TELECOMMUNICATIONS (CONT'D)

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY						
Weight Calculation Table						
Year 2	Code XXX1		Code XXX2		Code XXX3	
Weight Value	Calculated Rate/Loss Cost Given Weight Value	Rate/Loss Cost Change %	Calculated Rate/Loss Cost Given Weight Value	Rate/Loss Cost Change %	Calculated Rate/Loss Cost Given Weight Value	Rate/Loss Cost Change %
0.67	14.49	–16.0	11.64	+2.4	12.46	+3.0
0.68	14.43	–16.3	11.67	+2.6	12.47	+3.1
0.69	14.37	–16.7	11.69	+2.8	12.47	+3.1
continues						
0.93	**12.94**	**–25.0**	12.33	+8.4	12.51	+3.4

EXHIBIT 3

ASSIGNED CARRIER PERFORMANCE STANDARDS

PERFORMANCE STANDARD 6—AUDITS

C. QUALIFYING EMPLOYERS

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NJ, NV, OR, SC, SD, VA, VT, WV)

Approval required in: AK, AR, GA, IN, KS, MS, NC, NH, OR, SD

Revise the Preliminary Physical Audits (PPA)—New Business Table as follows:

PPA—New Business Table

Premium Range	Governing Classification Codes
$5,000 to $9,999	7600 ~~7612~~
$10,000 to $49,999	~~7613~~

EXHIBIT 3

ASSIGNED CARRIER PERFORMANCE STANDARDS

PERFORMANCE STANDARD 6—AUDITS

C. QUALIFYING EMPLOYERS

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NJ, NV, OR, SC, SD, VA, VT, WV)

Approval required in: AK, AR, DE, GA, IN, KS, MS, NC, NH, OR, SD

Revise the Final Physical Audit—New Business Table as follows:

Final Physical Audit—New Business Table

Premium Range	Governing Classification Codes
$1,000 to $4,999	7600
	~~7613~~

EXHIBIT 3

ASSIGNED CARRIER PERFORMANCE STANDARDS

PERFORMANCE STANDARD 6—AUDITS

C. QUALIFYING EMPLOYERS

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NJ, NV, OR, SC, SD, VA, VT, WV)

Approval required in: AK, AR, GA, IN, KS, MS, NC, NH, OR, SD

Delete the following from the Final Physical Audit—New Business Table:

Final Physical Audit—Renewal Business Table

Premium Range	Governing Classification Codes
$1,000 to $19,999	~~7613~~

EXHIBIT 3

ASSIGNED CARRIER PERFORMANCE STANDARDS

PERFORMANCE STANDARD 6—AUDITS

C. QUALIFYING EMPLOYERS

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NJ, NV, OR, SC, SD, VA, VT, WV)

Approval required in: AK, AR, GA, IN, KS, MS, NC, NH, OR, SD

Revise the Final Physical Audit—New Business Table as follows:

Final Physical Audit—New Business Table

Premium Range	Governing Classification Codes
$5,000 to $49,999	7600
	~~7612~~
	~~7613~~

EXHIBIT 3

ASSIGNED CARRIER PERFORMANCE STANDARDS

PERFORMANCE STANDARD 6—AUDITS

C. QUALIFYING EMPLOYERS

(Applies in: AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NC, NH, NJ, NV, OR, SC, SD, VA, VT, WV)

Approval required in: AK, AR, GA, IN, KS, MS, NC, NH, OR, SD

Revise the Final Physical Audit—Renewal Business Table as follows:

Final Physical Audit—Renewal Business Table

Premium Range	Governing Classification Codes
$1,000 to $19,999	7600
	~~7613~~

EXHIBIT 4

BASIC MANUAL—2001 EDITION

APPENDIX E

CLASSIFICATIONS BY HAZARD GROUP

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

Class Code	Applies In:†	Discontinued In:†	Hazard Group A–G	Hazard Group 1–4*
4109	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV		B	1
4110	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV		C	2
4112	~~AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV~~	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV	C	2
4149	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV		A	1
4150	~~AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV~~	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV	A	1
7601	~~AL, AZ, AR, CO, CT, DC, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV~~	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV	F	3
7611	~~AL, AZ, AR, CO, CT, DC, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV~~	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV	E	3

EXHIBIT 4 (CONT'D)

Class Code	Applies In:†	Discontinued In:†	Hazard Group A–G	Hazard Group 1–4*
7612	~~AL, AZ, AR, CO, CT, DC, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV~~	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV	E	3
7613	~~AL, AZ, AR, CO, CT, DC, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV~~	AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, ME, MO, MS, NC, NE, NH, NM, NV, OK, RI, SC, SD, TN, UT, VA, VT, WV	E	3

† Upon approval of this item, each state will have its state-specific effective date indicated.

* Carriers that elect to use NCCI's four hazard groups must make a filing in each state to adopt the four hazard groups referenced in this item.