

September 2, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Transition of Workers Compensation
Classification Code 8837 (Charitable or
Welfare Organizations)

In our Circular C-07-04 dated, February 6, 2007, we informed you that the Bureau had adopted changes to several class codes relating to charitable or welfare organizations.

On October 1, 2007, a two-year transition period began for the retirement of Class Code 8837. The first year of the transition, the loss cost or rate, as applicable, for each policy was calculated using the following formula: $\frac{2}{3} \times \text{Current A-Rate} + \frac{1}{3} \times \text{Approved Transition Period Loss Cost or Rate}$. The second year, the loss cost or rate, as applicable, is being calculated using the following formula: $\frac{1}{3} \times \text{Current A-Rate} + \frac{2}{3} \times \text{Approved Transition Period Loss Cost or Rate}$. Through the transition period new business continues to be assigned Class Code 8837 and the applicable approved transition loss cost or rate is applied.

As we prepare for the October 1, 2009, retirement of Class Code 8837 the Bureau will begin evaluating all insureds that are currently using this classification. It is believed that most insureds currently classified as 8837 will transition into one of the following classifications: 8864 (Social Services Organization), 8842 (Group Homes) or 7720 (Juvenile Detention Center). In order for the Bureau to determine the appropriate classification, we will be asking each insured to complete a Classification Survey. Quarterly, based on the renewal date of the policy, a letter and a Classification Survey will be sent to each insured whose business operations are currently classed as 8837. The completed survey should include a detailed description of the business operation. Using this information the Bureau will assign the most appropriate class code. Once we have made a determination regarding the appropriate classification, both the carrier and the insured will be notified of the results of our review.

To ensure that there is agreement on the class code that has been assigned by the Bureau you may want to consider performing a preliminary audit on the insureds that are being reviewed. Should you disagree with our findings, please follow the normal procedures as outlined in the NCCI Basic Manual Rule 1 F for making changes to class codes on a North Carolina policy.

If you are called upon by the insured or agent for assistance in completing the Classification Survey, we ask that you emphasize to them the importance of returning these forms to the Bureau as promptly as possible in order to complete the rating prior to the renewal.

Please feel free to refer the insured or the agent to our Information Center at 919-582-1056 or wcinfo@ncrb.org for answers to questions regarding the completion of the Classification Survey.

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dg

C-08-17