



September 17, 2010

CIRCULAR LETTER TO ALL MEMBER COMPANIESRe: Workers Compensation InsuranceNCCI Item B-1421-Revisions to Basic Manual Part Two-
Classifications and Part Four-Classifications Pending

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***. These changes have been approved with an effective date of January 1, 2011.

The approved changes clarify and enhance ***NCCI's Basic Manual for Workers Compensation and Employers Liability Insurance*** by creating a section to display classifications affected by transition programs.

Sections of the Basic Manual impacted for North Carolina are shown in the table below:

Title	Exhibit	Page
Preface – A. Organization of Manual	1	3
Part Two – Classifications - A. National Classifications	2	4
Part Four – Classifications Pending - A. Classifications Pending Discontinuation	3	5
Part Four – Classifications Pending – B. Classifications Pending Completion of Transition Program	4	6
Informational Exhibit of Basic Manual User Guide		

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:dms

Attachments

C-10-17

FILING MEMORANDUM

ITEM B-1421—REVISIONS TO BASIC MANUAL PART TWO—CLASSIFICATIONS AND PART FOUR—CLASSIFICATIONS PENDING

PURPOSE

The purpose of this item is to clarify and enhance NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* by creating a section to display classifications affected by transition programs.

BACKGROUND

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. These item filings are proposed to be effective concurrently with each state's rate/loss cost filing and may include transition programs.

Prior to the earliest effective date of these item filings, NCCI displays the filing-related classification change in Part Two—Classifications of the *Basic Manual*. Data tables are provided to show the effective date of the filing-related classification change by state. The former classification treatment, which continues to apply in states where the effective date of the item filing has not yet occurred, is displayed in Part Four-A—Classifications Pending Discontinuation of the *Basic Manual*. When the latest effective date of an item filing has passed, the former classification treatment is removed from Part Four-A because that treatment is no longer applicable in any state.

When an item filing becomes effective and a transition program has been initiated, the codes affected by the transition program are still used as appropriate until the last phase of the program, at which time one or more codes are eliminated. A transition program may take more than two phases to complete. Currently, the new classification treatment for codes in transition is the earliest effective date of the year in which the transition program ends. Based on customer feedback, we have determined that the pending classification treatment should be displayed in the *Basic Manual* sooner. As a result, NCCI is adding a new section to Part Four of the *Basic Manual* entitled, "B—Classifications Pending Completion of Transition Program." This section will display the pending classification treatment for codes in transition until the time that new classification treatment is scheduled to be displayed in Part Two of the manual.

PROPOSAL

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

1. Revise Preface-A—Organization of Manual—to reference Part Four.
2. Revise Part Two—Classifications—to clarify how this section is used.
3. Revise Part Four-A—Classifications Pending Discontinuation—to remove the reference to transition programs and clarify how this section is used.
4. Create a new section in Part Four-B—Classifications Pending Completion of Transition Program—to display classification changes pending the completion of transition programs.

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FILING MEMORANDUM

ITEM B-1421—REVISIONS TO BASIC MANUAL PART TWO—CLASSIFICATIONS AND PART FOUR—CLASSIFICATIONS PENDING

IMPACT

There will be no premium impact as a result of this item because the proposals are only intended to assist customers with future classification changes.

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:

- **Exhibit 1** details the changes required to the Preface (N/A Virginia)
- **Exhibit 2** details the changes required to Part Two—Classifications (N/A Virginia)
- **Exhibit 3** details the changes required to Part Four—Classifications Pending, A—Classifications Pending Discontinuation (N/A Virginia)
- **Exhibit 4** details newly created Part Four—Classifications Pending, B—Classifications Pending Completion of Transition Program (N/A Virginia)
- **Exhibit 5** details the rule exception required for Virginia

In all states, except Hawaii and Virginia, this item will be implemented effective 12:01 a.m. on January 1, 2011, 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 January 1, 2011.

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**ITEM B-1421—REVISIONS TO BASIC MANUAL PART TWO—CLASSIFICATIONS AND PART
FOUR—CLASSIFICATIONS PENDING**

**EXHIBIT 1
BASIC MANUAL—2001 EDITION
PREFACE TO THE BASIC MANUAL FOR WORKERS COMPENSATION AND EMPLOYERS
LIABILITY INSURANCE**

A. ORGANIZATION OF MANUAL

This manual has 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~~, and Four in a specific state.

Part Four—Classifications Pending

**ITEM B-1421—REVISIONS TO BASIC MANUAL PART TWO—CLASSIFICATIONS AND PART
FOUR—CLASSIFICATIONS PENDING**

**EXHIBIT 2
BASIC MANUAL—2001 EDITION
PART TWO—CLASSIFICATIONS**

A. NATIONAL CLASSIFICATIONS

Data tables are ~~listed for each class entry~~ included to assist with determining the effective dates, exceptions, and applicability.

Refer to Part Two—Classifications, Part Three—Special Classifications, and Part Four—Classifications Pending when applying classifications in a specific state.

Refer to the **User's Guide** for an example.

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FOUR—CLASSIFICATIONS PENDING**

**EXHIBIT 3
BASIC MANUAL—2001 EDITION
PART FOUR—CLASSIFICATIONS PENDING**

A. CLASSIFICATIONS PENDING DISCONTINUATION

The classifications listed below are the previous national classification treatments that will remain in effect until ~~either the each state's effective date or the completion of the transition program.~~

Refer to Part Two—~~National~~ Classifications, Part Three—~~Special~~ Classifications, and Part Four—~~Classifications Pending~~ when applying classifications to determine the effective date, applicability, ~~and/or any state exceptions for in a given specific state.~~

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FOUR—CLASSIFICATIONS PENDING**

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

B. CLASSIFICATIONS PENDING COMPLETION OF TRANSITION PROGRAM

The classifications listed below are the pending national classification changes that will become effective in the last phase of each state's transition program.

Refer to Part Two—Classifications, Part Three—Special Classifications, and Part Four—Classifications Pending when applying classifications in a specific state.

Refer to the **User's Guide** for an example.

**EXHIBIT FOR INFORMATIONAL PURPOSES ONLY
BASIC MANUAL USER'S GUIDE**

Classifications Pending Completion of Transition Program

When an item filing becomes effective and a transition program has been initiated, risks that are assigned to the codes continue to use those codes as appropriate until one of the codes has been eliminated within the final rate/loss cost filing revision from which the transition program was initiated. **Example:** For a two-phase transition program involving two codes, both codes remain applicable during the first phase and one of the codes is eliminated at the second rate/loss cost filing, which is considered the second year.

This section will display the pending classification treatment for codes in transition until the time that new classification treatment is scheduled to be displayed in Part Two of the manual.

Example 1:

In this example, Code 5645 will be revised and Code 5651 will be discontinued upon the completion of the transition program and effective concurrently with each state's approved loss cost/rate filing in 2013. The user should refer to Part Four—B. Classifications Pending Completion of Transition Program to see these pending changes.

Code No. Classification

5645• CARPENTRY—CONSTRUCTION OF RESIDENTIAL DWELLINGS NOT EXCEEDING THREE STORIES IN HEIGHT Updated 01 Jan 2011

Includes all carpentry work in connection with the construction of residential dwellings when performed by employees of the same carpentry contractor or general contractor responsible for the entire construction project. Carpentry work includes the construction of the sill, rough framework, rough floor, wood or light-gauge steel studs, wood or light-gauge steel joists, rafters, roof deck, all types of roofing materials, sidewall sheathing, siding, doors, wallboard installation, lathing, windows, stairs, finished flooring, cabinet installation, fencing, decking, detached structures, and all interior wood trim. Residential dwellings include detached, semi-detached, and attached multi-unit residential buildings. The construction of multi-unit residential buildings exceeding three stories in height and the construction of commercial buildings or structures, including mixed-use buildings, with no height restriction must be separately rated to Code 5403.

Code and Phraseology	Effective Date	State Exception(s)	State(s) Not Applicable
5645—Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories In Height	1/1/13: AK, AZ, CO, CT, HI, IA, ID, IL, IN, KS, MD, ME, MO, NH, NM, OK 2/1/13: NE 3/1/13: AL, MS, NV, TN 4/1/13: NC, , VT 5/1/13: LA 6/1/13: RI	FL, OR, VA	None

**EXHIBIT FOR INFORMATIONAL PURPOSES ONLY (CONT'D)
BASIC MANUAL USER'S GUIDE**

<u>Code No.</u>	<u>Classification</u>
	<p>7/1/13: AR, MT, SC, SD, WV</p> <p>10/1/13: KY</p> <p>11/1/13: DC</p> <p>12/1/13: UT</p> <p>3/1/14: GA</p>

~~5651-~~ ~~CARPENTRY—Dwellings—Three Stories or Less~~ *Updated 01 Jan 2011*

<u>Code and Phraseology</u>	<u>Effective Date</u>	<u>State Exception(s)</u>	<u>State(s) Not Applicable</u>
5651—Carpentry— Dwellings—Three Stories or Less	<p>1/1/13: AK, AZ, CO, CT, HI, IA, ID, IL, IN, KS, MD, ME, MO, NH, NM, OK, OR</p> <p>2/1/13: NE</p> <p>3/1/13: AL, MS, NV, TN</p> <p>4/1/13: NC, , VT</p> <p>5/1/13: LA</p> <p>6/1/13: RI</p> <p>7/1/13: AR, MT, SC, SD, WV</p> <p>10/1/13: KY</p> <p>11/1/13: DC</p> <p>12/1/13: UT</p> <p>3/1/14: GA</p>	None	None