



June 27, 2019

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

NCCI Item B-1437 - Revisions to North Carolina Basic Manual Classifications and Appendix E - Classifications by Hazard Group, Including Aircraft Maintenance

The North Carolina Rate Bureau has filed and the North Carolina Commissioner of Insurance has approved revisions to the North Carolina Basic Manual for Workers Compensation and Employers Liability (NC Basic Manual). The approved revisions are related to NCCI Item B-1437 – *Revisions to Basic Manual Classifications and Appendix E – Classifications by Hazard Group, Including Aircraft Maintenance*. The approved changes will be applicable to all new and renewal policies effective on or after April 1, 2020.

NCCI Item B-1437 – *Revisions to Basic Manual Classifications and Appendix E – Classifications by Hazard Group, Including Aircraft Maintenance* revises treatment of classifications in the NC Basic Manual to Aircraft Maintenance and Repair.

NCCI Item B-1437 also eliminates national and state-specific classifications from the NC Basic Manual with low credibility. The elimination of low-credibility classifications whose reassignments will result in a rate reduction will transition in one phase. The elimination of low-credibility classifications whose reassignments will result in a significant rate change will transition in two phases.

A copy of NCCI's Item Filing B-1437 as applicable to North Carolina and exhibits outlining all NC Basic Manual changes are included for your review.

If you have any questions, contact the NCRB Information Center at 919-582-1056 or via email at [support@ncrb.org](mailto:support@ncrb.org).

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:ko  
Attachment  
C-19-7

## FILING MEMORANDUM

### ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

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#### PURPOSE

The item:

- Eliminates national and state special classifications with low credibility
- Revises the classification treatment of the aircraft maintenance and repair industry
- Revises and eliminates certain classifications in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)* and *Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)*
- Revises audit and/or loss prevention survey tables for certain states in NCCI's *Assigned Carrier Performance Standards*

#### BACKGROUND

An analysis of NCCI's classification system identified certain classifications with low credibility that are recommended to be eliminated and reassigned to other national or state special classifications with similar operations. NCCI uses the term "low credibility" to identify classifications that are too small to develop meaningful data for ratemaking purposes.

Finally, this item revises the classification treatment of the aircraft maintenance and repair industry.

This item also includes proposals for the individual classifications identified in each exhibit, including **format changes and consistency-only changes**, where applicable.

#### Classifications With Low Credibility to Be Eliminated

The workers compensation classification system groups employers with similar operations by classification so that loss costs and rates may be calculated to reflect overall employee exposure to injury. NCCI periodically reviews individual classifications, on a statewide and national basis, to determine which, if any, should be considered for elimination because of low credibility.

Credibility is the degree of reliance assigned to a certain body of data, expressed as a weight ranging from 0 to 1. NCCI applies credibility in its classification ratemaking methodology. A classification with low credibility has limited premium volume; therefore, it is too small to develop meaningful data for ratemaking purposes, even with the use of national experience in the ratemaking process. Because of the limited premium volume, a large loss in a classification with low credibility adversely affects the volatility of the loss cost or rate for the classification. Classifications with a high degree of credibility are more stable from a ratemaking perspective.

NCCI reviewed the credibility for all classifications based on the latest policy periods used for ratemaking in NCCI's 2017 loss cost and rate filing cycle. As a result of this review, NCCI identified a number of classifications that have state credibility of 25% or less in a majority of NCCI states. NCCI considers these classifications to have low credibility.

When determining whether a classification with low credibility should be eliminated and reassigned to another classification with similar operations, NCCI considered:

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## FILING MEMORANDUM

### ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

- The amount of payroll in the classifications.
- The swing limits used for classification ratemaking within a particular state. (The swing limit constrains the percentage change, up or down, that the loss cost or rate for a classification may vary from the existing loss cost or rate for that classification. The purpose of the swing limit is to avoid extreme fluctuations in loss costs or rates from year to year.)

In general, the use and length of a transition program is determined in such a manner as to avoid having the rates/loss costs for codes exceed state swing limits to the extent possible while ensuring that the rates/loss costs are fully transitioned within a maximum of three phases.

NCCI categorized the classifications with low credibility into the following groups, as provided in each fact sheet:

**Fact Sheet 1:** National classifications where most states have little to no payroll in the classifications. For states with payroll in the classifications, some states require either a two- or three-phase transition program.

**Fact Sheet 2:** Connecticut special classification with low credibility, to be eliminated without a transition program.

**Fact Sheet 3:** Oregon special classification with low credibility, to be eliminated with a three-phase transition program.

Low-credibility classifications are recommended for elimination because very few employers are assigned to the code. In all cases, alternate codes in the classification system include the same or similar exposure as the classification being eliminated.

Classifications that are proposed for elimination are not unique to a single industry group. These classifications represent varied groups including, but not limited to, construction, farming, and manufacturing. The decline in payroll and credibility in these classifications may be due to a number of economic factors. For example, in the manufacturing industry, some products may have simply diminished in popularity, technology has changed over the years, or production has moved overseas—resulting in classifications that are unstable for ratemaking purposes.

Eliminated classifications may have a small amount of remaining exposure or the possibility of generating exposure in the future. Anticipating these situations, NCCI has assigned alternate classifications to ensure the proper transition from the eliminated code to an existing code. This is referred to as code mapping.

Below are the guidelines used by NCCI when determining code mapping:

- The proposed classification to be eliminated has an identical match to an existing classification. The only difference is the code number under which the data will be reported.
- In cases where the proposed classification to be eliminated does not map directly to an existing classification, NCCI has identified an alternate classification that most closely describes the business.

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## FILING MEMORANDUM

### **ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

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Fact Sheets 1, 2, and 3, related to low-credibility code elimination, include a table that displays the code mapping. These tables are provided for informational purposes only. The corresponding exhibits display the classification proposed for each state.

#### **Aircraft Maintenance and Repair**

Aircraft maintenance and repair operations are critical to the safe operation of all types of aircraft. These services include, but are not limited to, engine inspections, parts replacement, avionics repair, and painting. NCCI's current classification treatment for the aircraft maintenance and repair industry assigns several codes. The primary codes used are:

- Code 3826—Aircraft Engine Mfg.
- Code 3830—Airplane Mfg.
- Code 7403—Aviation—All Other Employees & Drivers

Codes 3826 and 3830 are silent regarding whether work performed on airport property is included, and whether services performed by contractors are included. Code 7403 does not define the types of maintenance or service that are included, nor does it address whether contractors performing services at the airport are included. NCCI's analysis of the aircraft maintenance and repair industry has determined that the classification treatment of these activities needs to be addressed.

**Fact Sheet 4:** Aircraft Maintenance and Repair explains the establishment of and revisions to classifications that address the various types of services performed and the locations at which they are performed.

#### **PROPOSAL**

This item is presented with fact sheets and exhibits as shown in the Exhibit Comments and Implementation Summary table. The fact sheet for each exhibit details the proposals relating to that exhibit, as well as the background and basis for the proposed changes, the estimated impact of the proposals, and the details of implementation.

The proposed changes have been consolidated for display purposes only. Exhibits may display several revised, established, and eliminated phraseologies. These phraseologies should each be viewed as individual changes to **Basic Manual** content. The exhibit will show only the proposed changes for the classification impacted by this item.

#### **IMPACT**

The fact sheet for each exhibit details the potential impacts specific to each of the proposed changes. NCCI recognizes that some recommendations, such as moving a specific operation from one classification to another, may have a premium impact for particular employers. Additionally, some of the changes proposed may have a loss cost/rate impact.

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**FILING MEMORANDUM**

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

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**IMPLEMENTATION**

This item is applicable to new and renewal policies only, and will become effective concurrent with each state’s approved loss cost/rate filing effective on and after October 1, 2019, unless otherwise noted. For example, this item will become effective January 1, 2020, for approved loss cost/rate filings that have a January 1, 2020 effective date. If there is no loss cost/rate filing for a state in a given year, this item will take effect on that state’s regular loss cost/rate effective date. The regular loss cost/rate effective date is the date of the state’s previous year’s loss cost/rate effective date.

**Transition Programs**

Some proposals related to Fact Sheet 1, National Classifications With Low Credibility to Be Eliminated, include a transition program, subject to a maximum of three phases. The details corresponding to the initiation and final implementation dates of the transition programs are provided in Exhibits 8-Rule and 9-Rule for the following states:

AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV

For state special classifications with low credibility to be eliminated:

- No transition program is proposed for Fact Sheet 2
- A three-phase transition program is proposed for Fact Sheet 3

**Anticipated Effective Dates by State**

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

<b>State</b>	<b>Anticipated* Effective Date</b>
Alabama	March 1, 2020
Alaska	January 1, 2020
Arizona	January 1, 2020
Arkansas	July 1, 2020
Colorado	January 1, 2020
Connecticut	January 1, 2020
District of Columbia	November 1, 2019

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX  
 E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

Florida	The effective date of this item depends on the date that regulatory approval is granted. If the item is approved on or before July 1, 2019, it will become effective on January 1, 2020. If it is approved after July 1, 2019, it will become effective on January 1, 2021.
Georgia	March 1, 2020
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective on January 1, 2020. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2020
Illinois	January 1, 2020
Indiana	January 1, 2020
Iowa	January 1, 2020
Kansas	January 1, 2020
Kentucky	October 1, 2019
Louisiana	May 1, 2020
Maine	April 1, 2020
Maryland	January 1, 2020
Mississippi	March 1, 2020
Missouri	January 1, 2020
Montana	July 1, 2020
Nebraska	February 1, 2020
Nevada	March 1, 2020
New Hampshire	January 1, 2020
New Mexico	January 1, 2020
Oklahoma	January 1, 2020
Oregon	January 1, 2020
Rhode Island	August 1, 2020
South Carolina	April 1, 2020

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**FILING MEMORANDUM**

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

South Dakota	July 1, 2020
Tennessee	March 1, 2020
Texas	July 1, 2020
Utah	January 1, 2020
Vermont	April 1, 2020
Virginia	April 1, 2020
West Virginia	November 1, 2019

\* Subject to change, depending on the approved effective date of the loss cost/rate filing if a loss cost/rate filing has been submitted for a state.

**EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY**

Exhibits		Fact Sheet	Exhibit #	Proposal Applicable in:
<b>NCCI's Basic Manual</b>	<b>National Classifications With Low Credibility to Be Eliminated</b>	1	1A-Rule	All States Except VA
			1B-Rule	All States Except TX, VA
			1C-Rule	All States Except VA
			1D-Rule	All States Except FL, TX, VA
			1E-Rule	All States except FL, HI, ME, MT, NV, TX, VA
			1F-Rule	All States Except HI, MT, NV, VA
			1G-Rule	All States Except TX, VA
			1H-Rule	All States Except LA, TX, VA
			1I-Rule	All States Except VA
			1J-Rule	All States Except TX, VA

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FILING MEMORANDUM

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 E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

Exhibits		Fact Sheet	Exhibit #	Proposal Applicable in:	
			1K-Rule	All States Except AK, TX, UT, VA	
			7-Rule	FL, HI, LA, ME, MO, MT, NV, TX, VA	
<b>NCCI's Basic Manual</b>	<b>Connecticut Special Classification With Low Credibility to Be Eliminated—No Transition Program</b>	2	2A-Rule	CT	
			2B-Rule	CT	
	<b>Oregon Special Classification With Low Credibility to Be Eliminated—Three-Phase Transition Program</b>	3	3A-Rule	OR	
			3B-Rule	OR	
	<b>Aircraft Maintenance and Repair</b>		4	4A-Rule	All States Except AK, TX, VA
				4B-Rule	All States Except OR, TX, VA
				4C-Rule	All States Except TX, VA
				4D-Rule	All States Except AK, TX, VA
				4E-Rule	All States Except AK, SC, TX, VA
			7-Rule	AK, SC, TX, VA	
<b>Appendix E—Table of Classifications by Hazard Group</b>	1, 2, 3	5-Rule	All States		
<b>CCPAP Exhibits</b>	1	6-Rule	CT, FL, HI, IL, MD, MO, MT, NE, NM, OK, OR, VA		
<b>Two-Phase Transition Program Details</b>	1	8-Rule	All States		
<b>Three-Phase Transition Program Details</b>	1, 3	9-Rule	OK, OR, SC		

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX  
 E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

Exhibits		Fact Sheet	Exhibit #	Proposal Applicable in:
<i>NCCI's Assigned Carrier Performance Standards</i>		1	10-Rule	AK, AR, GA, IN, KS, MS, NH, OR, SD, VT
<i>NCCI's Forms Manual</i>	<b>Contracting Classification Premium Adjustment Program (CCPAP) Workers Compensation Premium Credit Application</b>	1	11-Form	FL, VA

**Note:** Form and rule filings must be filed separately in several states. For filing purposes, this memorandum and applicable fact sheets are being provided for both the rule and form exhibits. The rule exhibits are filed with the regulatory authority as Item B-1437-R. The form exhibit is filed with the regulatory authority as Item B-1437-F.

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**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX  
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

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**EXHIBIT 4—FACT SHEET**

**AIRCRAFT MAINTENANCE AND REPAIR**

**PURPOSE**

The purpose of the proposed changes for this industry is to revise the classification treatment for aircraft maintenance and repair operations.

**BACKGROUND**

Aircraft maintenance and repair operations are critical to the safe operation of all types of aircraft. Some maintenance and repair services include:

- Diagnosing mechanical and electrical problems
- Routine engine inspections
- Testing electronic instruments
- Inspecting or repairing aircraft systems such as wings, brakes, electrical, power plant, life support, and other aircraft systems
- Routine parts replacement
- Corrosion prevention
- Avionics installation, maintenance, and repair
- Airworthiness inspections
- Cleaning an aircraft's interior
- Painting

These operations may be performed by airline employees, airport employees, or contracted firms. Contractors may operate as a fixed-base operator in which they are permitted to operate on airport grounds, or they may be based elsewhere and visit the airport on an as-needed basis.

Due to the size and nature of aircraft, most maintenance and repair is conducted on airport grounds or property located adjacent to an airport. However, some aircraft parts may be removed from the aircraft and taken to an independent facility located away from the airport.

Currently, there are no classifications specifically assigned to aircraft maintenance when performed by contractors. There are several classifications that may apply, and the most commonly used codes are listed below:

- 3826—Aircraft Engine Mfg.
- 3830—Airplane Mfg.
- 7403—Aviation—All Other Employees & Drivers

Codes 3826 and 3830 do not address work associated with these codes that is performed on airport property or if services performed by contractors are included. Code 7403 does not define the types of maintenance or service that are included, nor does it address whether contractors performing services at the airport are included.

**PROPOSAL**

This item proposes to:

1. Revise the following classifications with the addition of a phraseology note that addresses operations performed by manufacturers, fixed-base operators, or contractors at an airport or off-site facility (Exhibit 4A-Rule):
  - Code 3826—Aircraft Engine Mfg.
  - Code 3830—Airplane Mfg.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX  
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

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**EXHIBIT 4—FACT SHEET (CONT'D)**

2. Eliminate the phraseology for Code 3826—Engine Mfg.—Aircraft because it is redundant with the above-mentioned phraseology Code 3826—Aircraft Engine Mfg. (Exhibit 4A-Rule)
3. Revise the phraseology note of Code 5037—Painting—Metal Structures—Over Two Stories in Height & Drivers to indicate the painting of aircraft of all sizes and types is not assigned to Code 5474 (Exhibit 4B-Rule)
4. Establish a new phraseology Code 5474—Painting Aircraft & Shop Operations, Drivers (Exhibit 4C-Rule)
5. Establish a new phraseology Code 7403—Aviation—Ramp Operations & Drivers to be assigned to work performed on the aircraft at the ramp or on the flight line (Exhibit 4D-Rule)
6. Establish a new phraseology Code 9516—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers to be assigned to the performance of these services on all types of fixed- and rotary-wing aircraft (Exhibit 4E-Rule)

**IMPACT**

The proposed changes revise the classification treatment for aircraft maintenance and repair operations. It is possible that some payroll may transfer between the codes included in the proposal. The amount of payroll transferred cannot be identified using current industry data sources. The impact to individual employers will depend on the amount of payroll (if any) that transfers from code to code as well as their associated loss cost/rates.

Negligible impact to overall statewide premium is expected as a result of these changes.

**STATE-SPECIFIC PROPOSALS AND IMPACTS**

**Alaska Proposal:**

NCCI is proposing all exhibits in Alaska except for Exhibits 4A-Rule, 4D-Rule, and 4E-Rule.

NCCI proposes that Alaska adopt the state special phraseology Code 7414—Aviation—Ramp Operations & Drivers because Code 7403 (Exhibit 4A-Rule) is not applicable in Alaska. Refer to Exhibit 7-Rule.

NCCI proposes that Alaska adopt the following state special phraseologies, which will contain references to Code 7414 (Exhibit 7-Rule) instead of Code 7403 (Exhibit 4D-Rule):

- Code 3826—Aircraft Engine Mfg.
- Code 3830—Airplane Mfg.
- Code 9516—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers

**Alaska Impact:**

The premium impact in Alaska is expected to be the same as the proposed national treatment.

**Oregon Proposal:**

NCCI is proposing all exhibits in Oregon except for Exhibit 4B-Rule because Code 5037 is not applicable in Oregon.

**Oregon Impact:**

The premium impact in Oregon is expected to be the same as the proposed national treatment.

**South Carolina Proposal:**

NCCI is proposing all exhibits in South Carolina except for Exhibit 4E-Rule.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX  
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

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**EXHIBIT 4—FACT SHEET (CONT'D)**

NCCI proposes that South Carolina adopt the state special phraseology Code 9519—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers because Code 9516 (Exhibit 4E-Rule) is not applicable in South Carolina. Refer to Exhibit 7-Rule.

**South Carolina Impact:**

The premium impact in South Carolina is expected to be the same as the proposed national treatment.

**Texas Proposal:**

NCCI is not proposing the national Exhibits 4A-Rule thru 4E-Rule in Texas. Refer to Exhibit 7-Rule for the state exceptions.

- NCCI proposes that Texas revise the note of the following state special phraseologies for Code 3805 because Code 3826 (Exhibit 4A-Rule) is not applicable in Texas:
  - Aircraft Engine Mfg.
  - Aircraft Propeller Repair Shop—No Aircraft Exposure
  - Engine Mfg.—Aircraft or Automobile
  - Propeller Repair—Aircraft
- NCCI is not proposing Exhibit 4B-Rule because Code 5037 is not applicable in Texas.
- NCCI is not proposing Exhibit 4C-Rule because painting of aircraft is assigned to Code 8391—Aircraft Painting & Drivers in Texas.
- NCCI proposes that Texas adopt the state special phraseology Code 7423—Aviation—Ramp Operations & Drivers because Code 7403 (Exhibit 4D-Rule) is not applicable in Texas.
- NCCI is not proposing Exhibit 4E-Rule because Code 9516 is not applicable in Texas. The installation, service, or repair of aircraft avionics and instrumentation is included in Code 3830—Airplane Mfg.

**Texas Impact:**

The premium impact in Texas is expected to be the same as the proposed national treatment.

**Virginia Proposal:**

NCCI proposes that Virginia adopt the proposed national treatment for Codes 3826, 3830, 5037, 5474, 7403, and 9516. Refer to Exhibit 7-Rule. Accordingly, the Virginia Special Classifications in NCCI's **Basic Manual** will be reformatted and updated for the following codes:

- 3826—Aircraft Engine Mfg.
- 3830—Airplane Mfg.
- 5037—Painting—Metal Structures—Over Two Stories in Height—& Drivers
- 5474—Painting Aircraft & Shop Operations, Drivers
- 7403—Aviation—Ramp Operations & Drivers
- 9516—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers

**Virginia Impact:**

The premium impact in Virginia is equivalent to the impact determined by the proposed national treatment for Codes 3826, 3830, 5037, 5474, 7403, and 9516. The proposed updates to the Virginia Special Classifications in NCCI's **Basic Manual** descriptions are not expected to have an additional premium impact.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX  
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

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**EXHIBIT 8-RULE**

**TWO-PHASE TRANSITION PROGRAM**

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

The following details the two-phase transition program implementing the loss costs/rates and rating values for the code being discontinued and the acquiring code. NCCI will administer this program through each state's specific loss cost/rate classification experience filing revision process.

Phase 1 of the transition program will be made effective with each state's approved loss cost/rate filing effective on and after October 1, 2019 unless otherwise noted. For example, Phase 1 will become effective January 1, 2020 for approved loss cost/rate filings that have a January 1, 2020 effective date. If there is no loss cost/rate filing for a state in a given approved implementation year, Phase 1 will take effect on that state's regular loss cost/rate effective date. The regular loss cost/rate effective date is the date of the state's previous years' loss cost/rate effective date. The same rule applies to Phase 2 in the following year.

The following details the steps needed to implement the loss costs/rates and rating values for the code being discontinued and the acquiring code, within each of the classification's loss cost/rate filings. An example of the two-phase transition program calculation, including the weight value calculation, is shown in subsequent pages of this exhibit. Rating values, which will be based on the final NCCI proposed loss costs/rates, will be calculated according to the standard procedure.

- A. Employers will continue to be classified to either the code being discontinued or the acquiring code as appropriate until the second phase of the transition program.
- B. As part of Phase 1 of the two-phase transition program, the payroll-weighted loss cost/rate of the code being discontinued and the acquiring code will be calculated using the latest available year's payroll and the standard calculated loss cost/rate of the two individual codes. If the payroll-weighted loss cost/rate is within the swing limits determined for the code being discontinued and the acquiring code, then each of these codes will assume the payroll-weighted loss cost/rate.

If the payroll-weighted loss cost/rate is outside of the filing's swing limits for any of the codes, then the loss cost/rate for each of the codes will be determined by a methodology weighting together (1) the payroll-weighted loss cost/rate and (2) the standard calculated loss cost/rate for each code. The ratio used in this methodology will be first determined by calculating the maximum weighting value given to the payroll-weighted loss cost/rate in order to keep the loss costs/rates for the code being discontinued and the acquiring code within the swing limits of the filing. However, a 50% minimum weighting value must be used regardless of the swing limits to execute the transition program within two years.

- C. As part of Phase 2 of the two-phase transition program, the applicable code will be discontinued. All insured operations previously assigned to the code being discontinued will be assigned to the acquiring code. The loss cost/rate for the acquiring code will be the payroll-weighted loss cost/rate of the code being discontinued and the acquiring code, using the latest available year's payroll and the standard calculated loss cost/rate of the two individual codes.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 8-RULE**

**EXAMPLE OF TWO-PHASE TRANSITION PROGRAM CALCULATION**

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

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

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

The following assumptions are made for this example:

	Code XXX1	Code XXX2	Code XXX3
<b>Payroll \$</b>	400,000	700,000	3,000,000
<b>Phase 1 Loss Cost/Rate</b>	21.00	10.50	11.81
<b>Phase 2 Loss Cost/Rate</b>	19.78	12.25	11.57

(Payroll is assumed to remain constant throughout the transition period.)

The “Payroll-Weighted Loss Cost/Rate” 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%. **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 0.50 for Phase 1 and 1.00 for Phase 2 without regard to swing limits in order to transition the loss costs/rates within two years.

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY							
	Weight Value	Code	Payroll-Weighted Loss Cost/Rate		NCCI Initially Calculated Loss Cost/Rate		Final NCCI Loss Cost/Rate
Filing Effective in Phase 1	0.57*	XXX1	(0.57 x 12.48)	+	(0.43 x 21.00)	=	16.14
		XXX2	(0.57 x 12.48)	+	(0.43 x 10.50)	=	11.63
		XXX3	(0.57 x 12.48)	+	(0.43 x 11.81)	=	12.19
Filing Effective in Phase 2	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

\* Refer to “Example of Two-Phase Weight Value Calculation” for more details.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 8-RULE (CONT'D)**

**EXAMPLE OF TWO-PHASE WEIGHT VALUE CALCULATION**

**Note:** 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 loss costs/rates are calculated for each class code by using successively higher weight values until the largest weight value is found that keeps the rates/loss costs within swing limits. However, depending on which phase of the transition the filing is effective, this weight value is subject to minimums **without regard to swing limits**. These minimums are 0.50 for Phase 1 and 1.00 for Phase 2. 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 loss costs/rates are as follows:

	Loss Cost/Rate for Code XXX1	Loss Cost/Rate for Code XXX2	Loss Cost/Rate for Code XXX3
Current Approved Filing	21.49	11.32	11.05
Phase 1	16.14	11.63	12.19

Weight Calculation Table						
Phase 1	Code XXX1		Code XXX2		Code XXX3	
Weight Value	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %
0.50	16.74	-22.1%	11.49	1.5%	12.15	10.0%
0.51	16.65	-22.5%	11.51	1.7%	12.15	10.0%
0.52	16.57	-22.9%	11.53	1.9%	12.16	10.0%
0.53	16.48	-23.3%	11.55	2.0%	12.17	10.1%
0.54	16.40	-23.7%	11.57	2.2%	12.17	10.1%
0.55	16.31	-24.1%	11.59	2.4%	12.18	10.2%
0.56	16.23	-24.5%	11.61	2.6%	12.19	10.3%
<b>0.57</b>	<b>16.14</b>	<b>-24.9%</b>	11.63	2.7%	12.19	10.3%
0.58	16.06	-25.3%	11.65	2.9%	12.20	10.4%
0.59	15.97	-25.7%	11.67	3.1%	12.21	10.5%
0.60	15.89	-26.1%	11.69	3.3%	12.21	10.5%
0.61	15.80	-26.5%	11.71	3.4%	12.22	10.6%
continues						

**National Classifications With Low Credibility – Proposed National Classifications  
No Transition Program**

**Effective April 1, 2020**

<b>No Transition Program</b>	
<b>National Classifications to Be Eliminated</b>	<b>Proposed National Classification</b>
4360—Motion Picture—Development of Negatives, Printing, and All Subsequent Operations 4360—Duplication and Replication Service of Prerecorded Audio, Video or Data	7610—Motion Picture—Production—In Studios or Outside—All Operations & Clerical, Drivers 7610—Duplication and Replication Service of Prerecorded Audio, Video or Data
4670—Cottonseed Oil Mfg.--Mechanical & Drivers 4670—Cottonseed Oil Mfg.—Solvent & Drivers	4683—Cottonseed Oil Mfg.—Mechanical 4683—Cottonseed Oil Mfg.—Solvent 7380—Drivers, Chauffeurs, Messengers, and Their Helpers NOC—Commercial
5508—Street or Road Construction—Rock Excavation & Drivers	5507—Street or Road Construction—Rock Excavation & Drivers

**National Classifications With Low Credibility – Proposed National Classifications  
Two-Phase Transition Program**

**Effective April 1, 2021**

<b>National Classifications to Be Eliminated</b>	<b>Proposed National Classification</b>
2286—Wool Spinning and Weaving	2220—Wool Spinning and Weaving
2286—Yarn Mfg.—Wool	2220—Yarn Mfg.—Wool
2670—Glove Mfg.—Leather or Textile	2688—Glove Mfg.—Leather or Textile

**National Classifications With Low Credibility to Be Eliminated – North Carolina Basic Manual  
No Transition Program**

**Part II - Classifications  
Effective April 1, 2020**

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
4360	<del>Motion Picture—Development of Negatives, Printing, and All Subsequent Operations</del>		B	1	<del>Digital media processing and editing, as well as marketing through film exchanges, are included under Code 4360, whether performed by a contractor or the production company.</del>
4360	<del>Duplication and Replication Service of Prerecorded Audio, Video or Data</del>		B	1	
4670	<del>Cottonseed Oil Mfg.—Mechanical &amp; Drivers</del>		E	1	<del>Applies during both active and dormant seasons. Includes installation or repair of equipment, yard workers, weighers, seed or fuel haulers.</del>
4670	<del>Cottonseed Oil Mfg.—Solvent &amp; Drivers</del>		E	1	<del>Applies during both active and dormant seasons. Includes installation or repair of equipment, yard workers, weighers, seed or fuel haulers.</del>
5508	<del>Street or Road Construction—Rock Excavation &amp; Drivers</del>	●	E	2	<del>Includes incidental quarrying or stone crushing. No tunneling.</del>

● – Construction Classification

National Classifications With Low Credibility to Be Eliminated – North Carolina Basic Manual  
Two-Phase Transition Program

Part II - Classifications  
Effective April 1, 2020

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
<del>2286</del>	<del>Wool Spinning and Weaving</del>		<del>B</del>	<del>1</del>	
<del>2286</del>	<del>Yarn Mfg.—Wool</del>		<del>B</del>	<del>1</del>	<del>Codes 2286 and 2220—Yarn or Thread Mfg.—Cotton shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.</del>
<del>2670</del>	<del>Glove Mfg.—Leather or Textile</del>		<del>A</del>	<del>1</del>	<del>Tanning of leather or mfg. of textile fabric to be separately rated.</del>

**National Classification Revisions and Additions – North Carolina Basic Manual**  
**Part II - Classifications**  
**Effective April 1, 2020**

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
7610	MOTION PICTURE—PRODUCTION— IN STUDIOS OR OUTSIDE—ALL OPERATIONS UP TO THE <del>DEVELOPMENT OF NEGATIVES &amp;</del> CLERICAL, DRIVERS		D	3	<u>Digital medial processing and editing, as well as marketing through film exchanges, are included in Code 7610, whether performed by a contractor or the production company.</u>
<u>7610</u>	<u>DUPLICATION AND REPLICATION SERVICE OF PRERECORDED AUDIO, VIDEO OR DATA</u>		D	3	
4686	OIL MFG.—VEGETABLE—SOLVENT EXTRACTION PROCESS		E	1	Mfg .of cottonseed oil <del>to be</del> is separately rated to 4670-4683.
<u>4683</u>	<u>COTTONSEED OIL MFG.— MECHANICAL</u>		C	1	<u>Applies during both active and dormant seasons. Includes installation or repair of equipment, yard workers, and weighers.</u>
<u>4683</u>	<u>COTTONSEED OIL MFG.—SOLVENT</u>		C	1	<u>Applies during both active and dormant seasons. Includes installation or repair of equipment, yard workers, and weighers.</u>
4683	COTTONSEED OIL REFINING		C	1	<del>Cottonsee oil mfg. to be separately rated as Code 4670.</del>
<u>5507</u>	<u>STREET OR ROAD CONSTRUCTION— ROCK EXCAVATION &amp; DRIVERS</u>		F	2	<u>Includes incidental quarrying or stone crushing. No tunneling.</u>
5507	STREET OR ROAD CONSTRUCTION— ROCK EXCAVATION & DRIVERS		F	2	Applies to clearing of right-of-way, earth excavation, filling or grading. Separately rate <del>rock excavation</del> , tunneling, and bridge or culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet; <del>quarrying, and stone crushing.</del>

National Classification Revisions and Additions – North Carolina Basic Manual  
Part II - Classifications  
Effective April 1, 2021

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
<u>2220</u>	<u>WOOL SPINNING AND WEAVING</u>		C	1	
<u>2220</u>	<u>YARN MFG.--WOOL</u>		C	1	
<u>2688</u>	<u>GLOVE MFG.—LEATHER OR TEXTILE</u>		B	1	<u>Tanning of leather or mfg. of textile fabric to be separately rated.</u>

Aircraft Maintenance Industry National Classification to be Eliminated – North Carolina Basic Manual  
 Part II - Classifications  
 Effective April 1, 2020

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
3826	<del>ENGINE MFG.—AIRCRAFT</del>		€	1	

## Aircraft Maintenance Industry National Classification to be Revised – North Carolina Basic Manual

## Part II - Classifications

Effective April 1, 2020

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
3826	AIRCRAFT ENGINE MFG.		C	1	<u>Aircraft engine repair work, including rebuilding, when performed by a manufacturer, fixed-base operator, or contractor at an airport or off-site facility, away from airport ramp or flight line areas, is assigned to Code 3826. Refer to Code 7403 for ground support services performed at airports.</u>
3830	AIRPLANE MFG.		D	1	<u>Includes airplane modification, repair, maintenance work performed by a manufacturer, fixed-base operator, or contractor. These operations may be performed at an airport or off-site facility, away from airport ramp or flight line areas. Refer to Code 7403 for ground support services performed at airports.</u>
5037	PAINTING—METAL STRUCTURES— OVER TWO STORIES IN HEIGHT & DRIVERS	●	G	2	Includes shop operations. The painting of <u>aircraft of all sizes and types</u> , metal storage tanks, fire escapes, staircases, balconies, shutters, window frames, or sashes is <del>to be</del> separately rated as <u>to</u> Code 5474.

## Aircraft Maintenance Industry National Classification to be Established – North Carolina Basic Manual

## Part II - Classifications

Effective April 1, 2020

CLASS CODE	PHRASEOLOGY	FN ID	HAZARD GROUP	INDUSTRY GROUP	NOTES
<u>5474</u>	<u>PAINTING AIRCRAFT &amp; SHOP OPERATIONS, DRIVERS</u>	●	F	2	<u>Includes the painting of all sizes and types of fixed- and rotary-wing aircraft by contractor or fixed-base operator.</u>
<u>7403</u>	<u>AVIATION—RAMP OPERATIONS &amp; DRIVERS</u>		E	5	<p><u>Applies to operations located at airports. Includes all types of fixed- and rotary-wing aircraft. Ramp operations are defined as work performed on the aircraft at the ramp or on the flight line. Operations include, but are not limited to, normal aircraft turnaround operations, luggage service operations, interior and exterior cleaning of aircraft, fluid checking and filling, tire changing, deicing, lightbulb replacement, stocking of supplies (including food) in the aircraft, and ramp fueling and de-fueling of the aircraft. Independent service contractors and fixed-base operators performing these services are assigned to Code 7403.</u></p> <p><u>Painting of aircraft is separately rated to Cod4 5474. Members of flying crews are separately rated to the appropriate aviation classification.</u></p>
<u>9516</u>	<u>AIRCRAFT AVIONICS AND INSTRUMENTATION INSTALLATION, SERVICE, OR REPAIR—SHOP AND OUTSIDE &amp; DRIVERS</u>		E	4	<p><u>Includes the installation, service, or repair of aircraft avionics and instrumentation on all types of fixed- and rotary-wing aircraft. These operations may be performed at a plant or shop facility away from an airport, or may be performed within a hangar or similar structure at an airport. Independent service contractors and fixed-base operators performing these services are assigned to Code 9516.</u></p> <p><u>Refer to Code 7403 for ground support services performed at airports.</u></p>

**Assigned Carrier Performance Standards (ACPS)  
Changes Impacting North Carolina  
Effective April 1, 2020**

**Performance Standard 4 – Loss Prevention**

D. Qualifying Employers and Survey Location Determination

Premium Range  
\$20,000 to \$49,999  
Add Code: 4683  
~~Delete Codes: 4670 & 5508~~

**Performance Standard 6 – Audits**

C. Qualifying Employers  
1. Preliminary Physical Audits  
a. New Business

Premium Range  
\$5,000 to \$9,999  
Add Code: 5507  
~~Delete Code: 5508~~

Premium Range  
\$10,000 to \$49,999  
Add Code: 5507  
~~Delete Code: 5508~~

**Performance Standard 6 – Audits**

C. Qualifying Employers  
2. Final Physical Audits  
a. New Business

Premium Range  
\$1,000 to \$4,999  
Add Code: 5507  
~~Delete Code: 5508~~

Premium Range  
\$5,000 to \$49,999  
Add Code: 5507  
~~Delete Code: 5508~~

**Performance Standard 6 – Audits**

C. Qualifying Employers  
2. Final Physical Audits  
a. Renewal Business

Premium Range  
\$1,000 to \$19,999  
Add Code: 5507  
~~Delete Code: 5508~~

Phraseology	Class	Notes	FN ID	Industry Group	Hazard Code
OIL MFG – VEGETABLE – SOLVENT EXTRACTION PROCESS	4686	Mfg. of cottonseed oil to be separately rated as Code <u>4683</u> .		1	E