



July 11, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

NCCI Item B-1406-Revisions to
***Basic Manual for Workers Compensation and
Employers Liability Insurance***

The North Carolina Rate Bureau has adopted and the North Carolina Commissioner of Insurance has approved the adoption of changes to NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance***. The approval is effective April 1, 2009, and will impact all new and renewal business written in class codes for specific industries.

The four industries impacted are shown in the table below:

Title	Fact Sheet	Exhibit	Page
Horticulture	1	1	1
Fruit Farms	2	2	7
Sugar Manufacturing	3	3	13
Tobacco Manufacturing	4	4	21

The attached exhibits explain in more detail the changes.

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

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dg

C-08-11

FILING MEMORANDUM

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

PURPOSE

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

Title	Fact Sheet	Exhibit
Horticulture	1	1
Fruit Farms	2	2
Sugar Manufacturing	3	3
Tobacco Manufacturing	4	4
Basic Manual Appendix E—Table of Classifications by Hazard Group		5
State-Special Exhibits		

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. This process also ensures that the system reflects the responses that industries and their operations make to technological, competitive, and regulatory changes.

Classifications and industry-grouped classifications are analyzed to determine which, if any, should be considered for modernization, consolidation, discontinuation, and/or clarification. This item 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.

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 are also incorporated within this filing.

PROPOSAL

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

This item is broken out in sections as enumerated in the table shown above. Each section contains a fact sheet outlining the proposals relating to the section, as well as the background and basis for the proposed

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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 will foster the uniform and equitable treatment of risks within each industry addressed herein. 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 2010 filing cycle. For example, this item will be effective January 1, 2010 for approved rate/loss cost filings that have a January 1, 2010 effective date. Similarly, this item will be effective July 1, 2010 for approved rate/loss cost filings that have a July 1, 2010 effective date. If there is no rate/loss cost filing for a state in a given year, this item will take effect on that state's "normal" rate effective date. (The "normal" rate effective date is the anniversary date of the state's previous year's rate effective date.)

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

State	Anticipated Effective Date*
Alabama	01-Mar-2010
Alaska	01-Jan-2010
Arizona	01-Oct-2010
Arkansas	01-Jul-2010
Colorado	01-Jan-2010
Connecticut	01-Jan-2010
District of Columbia	01-Nov-2010
Florida	01-Jan-2010
Georgia	01-May-2010

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State	Anticipated Effective Date*
Hawaii**	Effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	01-Jan-2010
Illinois	01-Jan-2010
Indiana	01-Jan-2010
Iowa	01-Jan-2010
Kansas	01-Jan-2010
Kentucky	01-Oct-2010
Louisiana	01-May-2010
Maine	01-Jan-2010
Maryland	01-Jan-2010
Mississippi	01-Mar-2010
Missouri	01-Jan-2010
Montana	01-Jul-2010
Nebraska	01-Feb-2010
Nevada	01-Mar-2010
New Hampshire	01-Jan-2010
New Mexico	01-Jan-2010
North Carolina	01-Apr-2009
Oklahoma	01-Jan-2010
Oregon	01-Jan-2010
Rhode Island	01-Jun-2010
South Carolina	01-Dec-2010
South Dakota	01-Jul-2010

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State	Anticipated Effective Date*
Tennessee	01-Mar-2010
Utah	01-Dec-2010
Vermont	01-Apr-2010
Virginia**	01-Apr-2009
West Virginia	01-Jul-2010

*Subject to change.

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

**In Virginia, this item will be implemented for voluntary and assigned risk policies effective on or after 12:01 a.m. on April 1, 2009. Wording, loss cost, or rate changes will be implemented on this date.

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ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 1—FACT SHEET
HORTICULTURE****PROPOSAL**

The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

NCCI recommends the following national treatment for classifications:

1. Revise the phraseology of Code 0005—Farm—Nursery Employees & Drivers to further clarify the proper assignment of the propagation of trees, shrubs, plants, and flowering shrubs or plants that are not included in Code 0035—Farm—Florist & Drivers. Wording will also be added to clarify the inclusion of sod dealers and retail or wholesale sales from the nursery location.
2. Revise the phraseology of Code 0035—Farm—Florist & Drivers to further clarify the proper assignment of acreage or facilities devoted to the raising and cultivating of potted house plants, fresh-cut flowers, and flower bulbs; and raising and harvesting annuals, perennials, or other bedding plants. Wording will also be added to clarify the inclusion of algae growing, harvesting, and processing; mushroom farming; and retail or wholesale sales from the farm location.
3. Discontinue the cross-reference phraseology of Code 0035—Farm—Vegetable Growing—Hydroponic & Drivers. The assignment of Code 0035 for hydroponic vegetable growing will be referenced in the phraseology note of Code 0035—Farm—Florist & Drivers.

Florida Specific:

NCCI recommends that Florida not adopt the newly proposed national phraseology for nursery farms but instead revise their state special phraseology for Code 0005—Farm—Nursery Employees & Drivers to more closely align with the national proposal for Code 0005. It is also proposed that Florida not adopt the newly proposed national phraseology for florists but instead revise their state special phraseology for Code 0035—Farm—Florist & Drivers to remove a dated reference.

Missouri Specific:

NCCI recommends that Missouri discontinue their state-special phraseology for Code 0005—Farm—Sod & Drivers since the “inclusion of sod dealers” will be added to the national phraseology of Code 0005—Farm—Nursery Employees & Drivers.

Montana Specific:

NCCI recommends that Montana not adopt the newly proposed national phraseology for nursery farms but instead revise their state special phraseology for Code 0005—Nursery Employees & Drivers to more closely align with the national proposal for Code 0005. NCCI also recommends that Montana discontinue their state special Classification Code 0131—Farm—Christmas Tree & Drivers and combine these exposures into Code 0005.

Nevada Specific:

NCCI recommends that Nevada discontinue state special Classification Code 0100—Christmas Tree Planting, Cultivating and Harvesting—Elective Coverage and combine these exposures into Code 0005.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET (CONT'D)**Oregon Specific:**

NCCI recommends that Oregon not adopt the newly proposed national phraseology for nursery farms but instead revise state special phraseologies for Code 0005—Farm—Nursery Stock & Drivers; Greenhouse—Nursery Employees & Drivers to more closely align with the national proposal for Code 0005.

Virginia Specific:

NCCI recommends that Virginia update the Scope descriptions for Code 0008, Code 0034, Code 0036, Code 0037, Code 0083, and Code 0113 to remove the farm Note: removed from the Scope description of Code 0005.

BACKGROUND AND BASIS FOR CHANGE

Code 0005—Farm: Nursery Employees & Drivers is a national code that applies to insureds that plant, fertilize, water, trim, pot, and repot plants (shrubs, trees, and plants) as well as wholesale and retail sales conducted from the nursery location. Incidental delivery and installation is included under Code 0005.

Code 0035—Farm: Florist & Drivers is a national code that applies to insureds that plant, fertilize, water, trim, pot, and repot house plants, fresh-cut flowers, and flower bulbs. Grading, sorting, packing, and shipping of harvested products, as well as retail or wholesale operations conducted from the farm location, are included under Code 0035.

Nurseries are places where plants are grown for transplanting, for use as stocks for budding and grafting, or for sale. The nursery industry sells trees, plants, shrubs, and flowers wholesale, retail, or through mail-order operations. The initial grower starts with seeds or cuttings in flats. The grower may sell plants to another wholesaler while the plants are small. This wholesaler then transplants them into larger pots or plants trees and shrubs in the ground for further maturing. The plants may then be sold to another wholesaler or retailer while they are still growing or once they have reached their desired maturity. The third seller may deal with a retail outlet or directly with the consumer. Retail nurseries may do some growing, but their main function is the selling of plants/stock.

A nursery may have a greenhouse, storage buildings, and holding buildings. The holding buildings may be refrigerated, or a storage shed that is kept dark and well insulated may be used instead. Carbon dioxide may be pumped into the greenhouse to promote plant growth. This may be done with natural gas or kerosene burners that hang from the ceiling, or carbon dioxide may be pumped into the greenhouse from an outside tank. Several different chemicals or pesticides may be used to control plant disease and insects, and various fertilizers are used to promote healthy stock. These chemicals are often applied with handheld or backpack-type sprayers; however, large operations use mobile equipment, or even aircraft, to apply these chemicals/pesticides/fertilizers.

Christmas tree farms work in the same manner as nurseries. The majority of these farms are wholesalers that sell large volumes of cut trees to retail outlets or to brokers, who then sell the trees to retailers. Some Christmas tree farms allow customers to choose and cut their own trees or will cut down the trees chosen by the customers.

IMPACT

The changes in the national phraseology for Code 0005 and Code 0035 are for clarification only and are not anticipated to result in any reclassification of risk payroll or result in a change in the loss cost, rate, or premium generated for these two codes.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET (CONT'D)**Florida Specific:**

The proposal recommends that Florida not adopt the newly proposed national phraseology for Code 0005 but instead revise their state special phraseology for Code 0005—Farm—Nursery Employees & Drivers to more closely align with the national changes. It is also proposed that Florida not adopt the new national phraseology for Code 0035 but instead revise their state special phraseology for Code 0035—Farm—Florist & Drivers to remove a dated reference. These changes are not anticipated to result in any reclassification of risk payroll or result in a change in rate or premium generated for these two codes.

Missouri Specific:

The proposal recommends that Missouri discontinue their state special phraseology for Code 0005—Farm—Sod & Drivers since the “inclusion of sod dealers” will be added to the national phraseology note of Code 0005. These changes are not anticipated to result in any reclassification of risk payroll or result in a change in loss cost, rate, or premium generated from this code.

Montana Specific:

The proposal recommends that Montana not adopt the newly proposed national phraseology for Code 0005 but instead revise their state special phraseology to more closely align with the national proposal for Code 0005. This portion of the proposal is not anticipated to result in any reclassification of risk payroll or have a premium impact.

The proposal also recommends that Montana discontinue state special Classification Code 0131—Farm—Christmas Tree & Drivers and combine these operations into Code 0005. Future assignment of risks will be based on the newly defined state special phraseology for Code 0005.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Missouri would not need a transition program. Therefore, the initial loss cost or rate for Code 0005 will be determined as the payroll-weighted loss cost or rate for Code 0131 and Code 0005. Subsequently, the historical data for Code 0131 will be combined with Code 0005 to determine the combined loss cost or rate. Using the experience of both Code 0005 and Code 0131 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 0005.

Nevada Specific:

The proposal recommends that Nevada discontinue state special Classification Code 0100—Christmas Tree Planting, Cultivating and Harvesting—Elective Coverage and combine these operations into Code 0005.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program when combining these two codes. Based on the result of this review, Nevada would not need a transition program. Therefore, the initial loss cost or rate for Code 0005 will be determined as the payroll-weighted loss cost or rate for Code 0100 and Code 0005. Subsequently, the historical data for Code 0100 will be combined with Code 0005 to determine the loss cost or rate. Using the experience of both Code 0005 and Code 0100 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 0005.

Oregon Specific:

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET (CONT'D)

The proposal recommends that Oregon not adopt the newly proposed national phraseology for Code 0005 but instead revise their state special phraseologies for this code to align with the national changes. These changes are not anticipated to result in any reclassification of risk payroll or result in a change in loss cost, rate, or premium.

Virginia Specific:

NCCI recommends that Virginia update the Scope descriptions for Code 0008, Code 0034, Code 0036, Code 0037, Code 0083, and Code 0113 to remove the farm Note: removed from the Scope description of Code 0005. These changes are not anticipated to result in any reclassification of risk payroll or result in a change in loss cost, rate, or premium.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
HORTICULTURE
CLASSIFICATIONS**

0005■ FARM—Nursery Employees & Drivers—

Applies to all acreage or facilities devoted to the propagation of trees, shrubs, plants, or flowering shrubs or plants not included under Code 0035. Operations involve planting, fertilizing, watering, trimming, potting and repotting plants, and transplanting at the nursery location. Additionally, these insureds may deliver their products to customers and also plant these products at their customers' location(s). Wholesale or retail sales conducted from the nursery location and sod dealers, who do not grow sod, are also assigned to Code 0005. Refer to Code 0037 for sod growing and harvesting operations. ~~Includes incidental landscape gardening.~~

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
HORTICULTURE
CLASSIFICATIONS**

0035■ FARM—Florist & Drivers—

~~Applies to Cultivating or gardening.~~ Applies to all acreage or facilities devoted to the raising and cultivating of potted houseplants, fresh-cut flowers, and flower bulbs; raising and harvesting of annuals, perennials, or other bedding plants used in garden beds or as ground covers; growing, harvesting, and processing of algae; hydroponic vegetable growing and mushroom farming. Wholesale or retail sales conducted from the farm location are also assigned to Code 0035.

0035■ ~~FARM—VEGETABLE GROWING—HYDROPONIC & DRIVERS~~

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET

FRUIT FARMS

PROPOSAL

The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

NCCI recommends the following national treatment for classifications:

1. Revise the phraseology of Code 0016—Farm—Orchard & Drivers to include “or Grove” in the phraseology and to further clarify the assignment of fruits, nuts, or avocados and other crops to Code 0016.
2. Revise the phraseology of Code 0079—Farm—Berry or Vineyard & Drivers to further clarify the assignment of acreage devoted to the raising of berries, grapes, or hops to Code 0079, and discontinue the cross-reference phraseology of Code 0079—Farm—Vineyard or Berry & Drivers.
3. Revise the cross-reference phraseology of Code 0050—Clearing of Right-of-Way—Electric, Power, Telephone, Burglar, or Fire Alarm Lines: Brush or Weed Control—Chemical & Drivers to further clarify the assignment of brush or weed control using chemicals on existing right-of-ways for electric, power, telephone, burglar or fire alarm lines.

Florida Specific:

NCCI recommends that Florida not adopt the newly proposed national phraseology for orchard or grove farms but instead revise the phraseology for state special Code 0052—Orchard and Grove Owners and Operators—All Operations & Drivers to clarify the assignment of harvesting and picking contractors and grove maintenance and cultivation contractors to Codes 0016 and 0050. NCCI proposes that Florida revise the phraseology notes for state special Code 0050—Grove Caretaking by Contractor & Drivers and state special phraseology for Code 0016—Fruit Picking by Contractors & Drivers. NCCI also recommends that Florida revise their state special Code 0173—Farm—Berry & Drivers and state special phraseology for Code 0079—Vineyard & Drivers. Wording will be added to clarify the assignment of berry farms and vineyards.

Hawaii Specific:

NCCI recommends that Hawaii adopt the all the proposed national changes and continue the use of their state special phraseologies for Code 0016—Coffee Grower & Drivers and Macadamia Nut Grower & Drivers.

Nevada Specific:

NCCI recommends that Nevada discontinue state special Code 0094—Orchards—Elective Coverage and combine these exposures into Code 0016. NCCI also proposes that Nevada discontinue state special Code 0092—Truck Farms—Elective Coverage and combine these exposures into the following codes: Code 0079 for berry farms and vineyards; Code 0037—Farm—Field Crops & Drivers for melons, onions, and potatoes; and Code 0008—Farm—Gardening—Marketing or Truck—& Drivers for vegetables, lettuce, and radishes.

Oregon Specific:

NCCI recommends that Oregon not adopt the newly proposed national phraseology for Code 0079 and continue to use their state special phraseologies for Code 0079 and Code 0117. NCCI also recommends that Oregon continue to use their state special phraseologies for Code 0016—Farm—Fruit Growing Orchard & Drivers; Farm—Packing—Orchard & Drivers; and Farm—Orchard & Drivers.

Virginia Specific:

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET (CONT'D)

NCCI recommends that Virginia discontinue state special Classification Code 0301—Turpentine Farms & Drivers and combine these exposures into Code 0016.

BACKGROUND AND BASIS FOR CHANGE

Code 0016—Farm: Orchard & Drivers is a national code that applies to risks that raise fruit, nuts, or avocados. It includes planting, maintaining, harvesting, packing, storing, and shipping operations. Code 0079—Farm: Berry or Vineyard & Drivers is a national code that applies to risks that raise berries, grapes, or hops. Code 0050—Clearing of Right-of-Way—Electric, Power, Telephone, Burglar, or Fire Alarm Lines: Brush or Weed Control—Chemical & Drivers is a national code that applies to brush or weed control using chemicals dispensed from portable or mechanical ground spraying equipment on existing right-of-ways.

Crops are planted and tended to or cultivated. This includes fertilization, irrigation, fumigation, and pruning. Surrounding grounds are also maintained with pesticides and mowed or disked. Once the crop has been harvested, it is crated or boxed in the field or in packing sheds. From there, it may be shipped to stores or processing plants or it may be shipped to a packinghouse where it is repacked for commercial distribution or sale. Various types of equipment used include, but are not limited to, pruning equipment, mowers, graders, handsaws, and chain saws.

IMPACT

The change in national phraseologies for Code 0016, Code 0079, and Code 0050 consists primarily of the consolidation of cross-reference phraseology into the actual classification wording or are made to add clarification to current operation assignments. These changes are not anticipated to result in any reclassification of risk payroll or have a statewide premium impact.

Florida Specific:

NCCI proposes that Florida not adopt the newly proposed national phraseology for orchard or grove farms for Code 0016 but instead revise the state special phraseology for Code 0016—Fruit Picking by Contractors & Drivers to cross-reference their state special Code 0050.

NCCI also proposes that Florida revise the phraseology notes for state special Code 0050—Grove Caretaking by Contractor & Drivers, and state special Code 0052—Orchard and Grove Owners and Operators—All Operations & Drivers. These changes are for clarification only and are not anticipated to result in any reclassification of risk payroll or have a statewide premium impact.

NCCI also recommends that Florida revise their state special Code 0173—Farm—Berry & Drivers and state special phraseology for national Code 0079 to clarify the assignment of berry farms to Code 0173 and vineyards to Code 0079. These changes are for clarification only and are not anticipated to result in any reclassification of risk payroll or have a statewide premium impact.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET (CONT'D)

Nevada Specific:

NCCI proposes that Nevada discontinue state special Classification Code 0094—Orchards—Elective Coverage and combine these operations into Code 0016. Future assignment of risks will be based on the national phraseology of Code 0016.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Nevada would not need a transition program. Therefore, the initial loss cost or rate for Code 0016 will be determined as the payroll-weighted loss cost or rate for Code 0094 and Code 0016. Subsequently, the historical data for Code 0094 will be combined with Code 0016 to determine the combined loss cost or rate. Using the experience of both Code 0094 and Code 0016 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 0016.

NCCI also proposes that Nevada discontinue state special Code 0092—Truck Farms—Elective Coverage and combine these exposures into Code 0079 for berry farms and vineyards; Code 0037—Farm—Field Crops & Drivers for melons, onions, and potatoes; and Code 0008—Farm—Gardening—Marketing or Truck—& Drivers for vegetables, lettuce, and radishes. No modification or adjustment to filed loss costs or rates are 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 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 0092 and the amount of payroll transferred from Code 0092 to Code 0079, Code 0037, and Code 0008. 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.

Oregon Specific:

NCCI proposes that Oregon not adopt the newly proposed national phraseology for Code 0079 and continue to use their state special phraseologies for both Code 0079 and Code 0117. NCCI also proposes that Oregon continue to use their state special phraseologies for Code 0016. There will be no change in current treatment; therefore, it is not anticipated to have a premium impact.

Virginia Specific:

NCCI proposes that Virginia discontinue state special Classification Code 0301—Turpentine Farms & Drivers and combine these operations into Code 0016.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Virginia would not need a transition program. Therefore, the initial loss cost or rate for Code 0016 will be determined as the payroll-weighted loss cost or rate for Code 0301 and Code 0016. Subsequently, the historical data for Code 0301 will be combined with Code 0016 to determine the combined loss cost or rate. Using the experience of both Code 0301 and Code 0016 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 0016.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FRUIT FARMS
CLASSIFICATIONS**

0016■ FARM—Orchard or Grove & Drivers

Applies to all acreage or facilities devoted to the raising of fruit, nuts, or avocados. Crops including, but not limited to, apples, apricots, bananas, black walnuts, cherries, coffee, English walnuts, figs, filberts, macadamia nuts, nectarines, nuts, papaya, peaches, pears, plums, prunes, walnuts, and other orchard-grown crops are also assigned to Code 0016.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 2-NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FRUIT FARMS
CLASSIFICATIONS**

0079■ FARM—Berry or Vineyard & Drivers

Applies to all acreage devoted to the raising of all berries, grapes (all types), or hops.

0079■ ~~FARM—VINEYARD OR BERRY & DRIVERS~~

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FRUIT FARMS
CLASSIFICATIONS**

- 0050● ~~CLEARING OF RIGHT OF WAY—ELECTRIC, POWER, TELEPHONE, BURGLAR, OR FIRE-
ALARM LINES~~ BRUSH OR WEED CONTROL BY CONTRACTOR—Chemical & Drivers
For existing right-of-ways—electric, power, telephone, burglar, or fire alarm lines.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 3—FACT SHEET

SUGAR MANUFACTURING

PROPOSAL

The focus of the proposed changes for this industry is to amend existing classification wording for clarification and plain language.

NCCI recommends the following national treatment for classifications:

1. Amend the phraseology of Code—2021—Sugar Refining to include “manufacturing” and to clarify the assignment of sugar manufacturing or refining from sugar cane and sugar beets.
2. Discontinue the cross-reference phraseologies of Code—2021—Beet Sugar Mfg.; Molasses or Syrup Refining, Blending or Mfg.; Sugar Mfg.—Beet; and Syrup or Molasses Refining, Blending, or Mfg. The assignment of Code 2021 for these operations will be referenced in the phraseology and note of Code 2021—Farm—Sugar Manufacturing or Refining From Sugar Cane or Sugar Beets.

Colorado Specific:

NCCI recommends that Colorado discontinue state special Code 2030—Sugar Mfg.—Beet and combine these exposures into Code 2021.

Hawaii Specific:

NCCI recommends that Hawaii amend the phraseology for state special Code 0078—Plantation—Sugar or Pineapple & Drivers to clarify the assignment of sugarcane milling and refining operations.

Louisiana Specific:

NCCI recommends that Louisiana discontinue the state special phraseology for Code 2021—Sugar Refining, discontinue state special Classification Code 2022—Sugarcane Milling—All Operations, and combine these exposures into Code 2021. NCCI also recommends that Louisiana amend the state special phraseology for Code 0030—Sugarcane Plantation & Drivers to clarify the assignment of Code 2021 for sugar manufacturing and refining.

Nebraska Specific:

NCCI recommends that Nebraska discontinue state special Classification Code 2030—Beet Sugar Mfg. and combine these exposures into Code 2021.

Virginia Specific:

NCCI recommends that Virginia update the Scope description for Code 6504 to reflect the update to the phraseology of Code 2021.

BACKGROUND AND BASIS FOR CHANGE

Code 2021—Sugar Refining is applicable to insureds that manufacture sugar from sugarcane and sugar beets. Both milling and refining operations are included in the scope of Code 2021. This code also applies to insureds that refine molasses or syrup and process honey. In order to produce sugar, the natural sugar stored in the cane stalk or beet root is separated from the rest of the plant material. More than half of the sugar produced in the United States is derived from sugar beets, with the balance being derived from

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EXHIBIT 3—FACT SHEET (CONT'D)

sugarcane. Sugarcane is grown mainly in Florida, Louisiana, Texas, and Hawaii. The process involves (1) milling—separating raw sugar from the cane, which is generally done near the sugarcane fields, and (2) refining—transforming raw sugar into granulated sugar, brown sugar, and other consumer products. Refining is generally performed at another plant. Unlike sugarcane, sugar beets flourish in temperate climates such as California, Michigan, and Nebraska. Sugar beets are grown and harvested seasonally, with milling and refining processes generally performed at one location. There appears to be redundancy in the operations covered by the various class codes assigned to this industry.

IMPACT

The changes in national phraseology for Code 2021 consist of the consolidation of cross-reference phraseologies into the actual classification wording or are made for the purpose of clarification only. These changes are not anticipated to result in any reclassification of risk payroll. Therefore, it is not expected to have impact on the loss cost, rate, or premium generated from this code.

Colorado Specific:

NCCI proposes that Colorado discontinue state special Code 2030—Sugar Mfg.—Beet and combine these operations into newly defined national Code 2021. Future assignment of risks will be based on the national phraseology of Code 2021.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Colorado would not need a transition program. Therefore, the initial loss cost or rate for Code 2021 will be determined as the payroll-weighted loss cost or rate for Code 2021 and Code 2030. Subsequently, the historical data for Code 2030 will be combined with Code 2021 to determine the combined loss cost or rate. Using the experience of both Code 2021 and Code 2030 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 2021.

Hawaii Specific:

NCCI proposes that Hawaii amend the phraseology for state special Code 0078—Plantation—Sugar or Pineapple & Drivers to clarify the assignment of sugarcane milling and refining operations to Code 2021. This change is not anticipated to result in any reclassification of risk payroll. Therefore, it is not expected to have any impact on the loss cost, rate, or premium generated from either Code 0078 or Code 2021.

Louisiana Specific:

NCCI proposes that Louisiana discontinue state special phraseology for national Code 2021—Sugar Refining, discontinue state special Classification Code 2022—Sugarcane Milling—All Operations, and combine these operations into Code 2021.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Louisiana would not need a transition program. Therefore, the initial loss cost or rate for Code 2021 will be determined as the payroll-weighted loss cost or rate for Code 2021 and Code 2022. Subsequently, the historical data for Code 2022 will be combined with Code 2021 to determine the combined loss cost or rate. Using the experience of both Code 2021 and Code 2022 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 2021.

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EXHIBIT 3—FACT SHEET (CONT'D)

NCCI also proposes that Louisiana amend the state special phraseology note for Code 0030—Sugarcane Plantation & Drivers to clarify the assignment of Code 2021 for sugar manufacturing and refining. This portion of the proposal is not anticipated to result in any reclassification of risk payroll. Therefore, it is not expected to have impact on the loss cost, rate, or premium generated from either Code 0030 or Code 2021.

Nebraska Specific:

NCCI proposes that Nebraska discontinue state special Code 2030—Beet Sugar Mfg. and combine these operations into newly defined national Code 2021. Future assignment of risks will be based on the national phraseology of Code 2021.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Nebraska would not need a transition program. Therefore, the initial loss cost or rate for Code 2021 will be determined as the payroll-weighted loss cost or rate for Code 2021 and Code 2030. Subsequently, the historical data for Code 2030 will be combined with Code 2021 to determine the combined loss cost or rate. Using the experience of both Code 2021 and Code 2030 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 2021.

Virginia Specific:

NCCI recommends that Virginia update the Scope description for Code 6504 to reflect the update to the phraseology of Code 2021. This change is not anticipated to result in any reclassification of risk payroll or result in a change in loss cost, rate, or premium.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUGAR MANUFACTURING
CLASSIFICATIONS**

2021 SUGAR MANUFACTURING OR REFINING FROM SUGAR CANE OR SUGAR BEETS

Includes the manufacturing or blending of molasses or syrup refining and honey processing.
Receiving station employees to be separately rated as Code 8209 when performed by others.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUGAR MANUFACTURING
CLASSIFICATIONS**

2021 ~~BEET SUGAR MFG.~~

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUGAR MANUFACTURING
CLASSIFICATIONS**

2021 ~~MOLASSES OR SYRUP REFINING, BLENDING OR MFG.~~
~~Not glucose.~~

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUGAR MANUFACTURING
CLASSIFICATIONS**

2021 ~~SUGAR MFG.—BEET~~

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUGAR MANUFACTURING
CLASSIFICATIONS**

2021 ~~SYRUP OR MOLASSES REFINING, BLENDING, OR MFG.~~
~~Not glucose.~~

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 4—FACT SHEET
TOBACCO MANUFACTURING**

PROPOSAL

The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

NCCI recommends the following national treatment for classifications:

1. Revise the phraseology of Code—2172—Cigarette Mfg. to clarify the assignment of cigar and tobacco manufacturing to Code 2172. Can manufacturing will continue to be separately rated.
2. Discontinue the cross-reference phraseologies of Code—2172—Cigar Mfg., and Tobacco Mfg. NOC.
3. Revise the phraseology of Code 2174—Tobacco Rehandling or Warehousing to clarify the assignment of tobacco auction houses.

Alabama Specific:

NCCI recommends that Alabama discontinue state special Code 2177—Cigar Mfg. and combine these exposures into Code 2172.

Georgia Specific:

NCCI recommends that Georgia discontinue state special Code 2177—Cigar Mfg. and combine these exposures into Code 2172.

Kentucky Specific:

NCCI recommends that Kentucky discontinue state special Code 2173—Tobacco Mfg. NOC and combine these exposures into Code 2172.

BACKGROUND AND BASIS FOR CHANGE

Code 2172—Cigarette Mfg. applies to cigarette, cigar, and nonsmoking tobacco product manufacturers. This code was established in June 1923. In 1936, NCCI allowed can manufacturing to be separately classified to Code 3220. It was reasoned that despite container manufacturing being a general inclusion, can manufacturing was not being performed uniformly, causing inequity in premium collection across states. Code 2174—Tobacco Rehandling or Warehousing applies to entities that receive and warehouse tobacco from growers. It includes stemming, stripping, and bunching as well as packing or compressing tobacco into bales. Code 2174 also applies to entities that warehouse tobacco without performing any sorting, grading, or packing operations.

Tobacco manufacturing today has evolved into a highly mechanized, high-volume process. Even high-quality, hand-rolled cigars include a certain level of automation in the preparation of filler. Products included under Code 2172 include cigarettes, cigars, moist snuff, dry snuff, loose-leaf chewing tobacco, and plug. Some areas reviewed regarding the classification of the tobacco manufacturing industry include redundancy in classification codes, manual versus mechanized production, the treatment of tobacco auction houses, and the treatment of can manufacturing.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—FACT SHEET (CONT'D)**IMPACT**

The changes in national phraseology for Code 2172 consist of the consolidation of cross-reference phraseology into the actual classification wording or are made for clarification only. These changes are not anticipated to result in any reclassification of risk payroll or have a premium impact.

The changes in national phraseology for Code 2174 are made for clarification only. These changes are not anticipated to result in any reclassification of risk payroll or have a premium impact.

Alabama Specific:

NCCI proposes that Alabama discontinue state special Code 2177—Cigar Mfg. and combine these operations into newly defined national Code 2172. Future assignment of risks will be based on the national phraseology of Code 2172.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Alabama would not need a transition program. Therefore, the initial loss cost or rate for Code 2172 will be determined as the payroll-weighted loss cost or rate for Code 2172 and Code 2177. Subsequently, the historical data for Code 2177 will be combined with Code 2172 to determine the combined loss cost or rate. Using the experience of both Code 2172 and Code 2177 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 2172.

Georgia Specific:

NCCI proposes that Georgia discontinue state special Code 2177—Cigar Mfg. and combine these operations into newly defined national Code 2172. Future assignment of risks will be based on the national phraseology of Code 2172.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Georgia would not need a transition program. Therefore, the initial loss cost or rate for Code 2172 will be determined as the payroll-weighted loss cost or rate for Code 2172 and Code 2177. Subsequently, the historical data for Code 2177 will be combined with Code 2172 to determine the combined loss cost or rate. Using the experience of both Code 2172 and Code 2177 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 2172.

Kentucky Specific:

NCCI proposes that Kentucky discontinue state special Code 2173—Tobacco Mfg. and combine these operations into newly defined national Code 2172. Future assignment of risks will be based on the national phraseology of Code 2172.

NCCI conducted a review using the latest approved loss cost and rate filing experience to determine the need for a loss cost or rate transition program for combining these two codes. Based on the result of this review, Kentucky would not need a transition program. Therefore, the initial loss cost or rate for Code 2172 will be determined as the payroll-weighted loss cost or rate for Code 2172 and Code 2173. Subsequently, the historical data for Code 2173 will be combined with Code 2172 to determine the combined loss cost or rate. Using the experience of both Code 2172 and Code 2173 will minimize the overall statewide premium

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—FACT SHEET (CONT'D)

impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined loss cost or rate of Code 2172.

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**EXHIBIT 4—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TOBACCO MANUFACTURING
CLASSIFICATIONS**

2172 ~~CIGARETTE MFG.~~ TOBACCO PRODUCTS MFG. NOC

Includes the manufacture of cigarette, cigar, and smokeless tobacco products. Can manufacturing to be separately rated as Code 3220.

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TOBACCO MANUFACTURING
CLASSIFICATIONS

2172 ~~CIGAR MFG.~~

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TOBACCO MANUFACTURING
CLASSIFICATIONS

~~TOBACCO~~

- 2172 ~~Mfg. NOC. Can mfg. to be separately rated as Code 3220.~~
- 2174 ~~Rehandling or Warehousing~~

ITEM B-1406—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 4—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
TOBACCO MANUFACTURING
CLASSIFICATIONS**

2174 TOBACCO—Rehandling or Warehousing

Applies to tobacco auction houses. Includes the stemming, stripping, bunching, packing, and compressing of green leaf tobacco and the treatment of black leaf tobacco with certain oils and flavoring preparations. Code 2174 also applies to exclusive tobacco warehouses absent of any processing, sorting, grading, or packing operations.

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EXHIBIT 5

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**
0092		(3/1/10: NV)	B	1
0094		(3/1/10: NV)	B	1
0100		(3/1/10: NV)	B	1
0131		(7/1/10: MT)	B	1
0301		(4/1/09: VA)	E	3
2030		(1/1/10: CO) (2/1/10: NE)	E	3
2173		(10/1/10: KY)	B	1
2177		(3/1/10: AL) (5/1/10: GA)	B	1

* The term "National" means that the classification code applies in all jurisdictions that follow the NCCI classification system.

** 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.