

October 24, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Item B-1408-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 October 21, 2008, and will impact all new and renewal business written on or after April 1, 2010 in class codes for specific industries.

The three industries impacted are shown in the table below:

Title	Fact Sheet	Exhibit	Page
Child Day Care	1	1	1
Two – Year Transition Program ,Rules, and Examples		1	9
Engineering and Research	2	2	14
Inventory Counters	3	3	53
Basic Manual Appendix E – Table of Classifications by Hazard Group		4	71

The attached exhibits explain in more detail the changes.

Contact the Information Center at 919-582-1056 or via email at [winfo@ncrb.org](mailto:winfo@ncrb.org), if you require additional information.

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dg  
C-08-19

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 1—FACT SHEET**

**CHILD DAY CARE**

**PROPOSAL**

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

**NCCI recommends the following national treatment for classifications:**

1. Discontinue Code 9059—Child Day Care Center—All Other Employees and Drivers and cross references phraseologies: Child Day Camp—All Other Employees & Drivers; Day Nurseries—All Other Employees and Nursery—All Other Employees & Drivers.
2. Reassign all experience from Code 9059 to Code 8869—Child Day Care Center—Professional Employees and Clerical, Salespersons and adopt Code 8869 as an all-inclusive treatment for the child care industry.
3. Revise the phraseology and cross-reference phraseology of Code 8869:
  - Child Day Care Center—Professional Employees and Clerical, Salespersons to Child Care Center—All Employees Including Clerical, Salespersons & Drivers;
  - Child Day Camp—Professional Employees and Clerical, Salespersons to Child Day Camp—All Employees Including Clerical, Salespersons & Driver;
  - Day Nurseries—Professional Employees & Clerical to Day Nurseries—All Employees Including Clerical, Salespersons & Drivers.
4. Discontinue the cross-reference phraseologies for Code 8869: Nursery—Day—Professional Employees & Clerical; Nursery—Day—All Other Employees & Drivers.

**Alaska Specific:**

NCCI recommends that Alaska adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Alaska state-specific exhibits.

**Idaho Specific:**

NCCI recommends that Idaho adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Idaho state-specific exhibits.

**Montana Specific:**

NCCI recommends that Montana adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Montana state-specific exhibits.

**Oregon Specific:**

NCCI recommends that Oregon adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Oregon state-specific exhibits.

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

**EXHIBIT 1—FACT SHEET (CONT'D)**

**BACKGROUND AND BASIS FOR CHANGE**

The definitions of “professional” and “all other” employees can be problematic in the child care industry. For example, teachers in child care centers may perform cooking and driving duties periodically. Classifying a religious organization or YMCA-type institution that operates a child care center or day camp can be confusing. Some traditional schools may also have a child care facility, or provide before- and after-school supervision. Clarification may be needed for properly classifying various other situations and organizations such as employer-operated child care centers, Cub Scout organizations, Head Start programs, and specialty camps.

Classification Code 8869—Child Day Care Center—Professional Employees and Clerical, Salespersons is a national code that became effective in July 1996. There is a cross-reference, Child Day Camp, that is considered the same type of enterprise for purposes of the scope. Employees assigned to this classification include, but are not limited to, teachers, salespersons, teachers’ aides, administrators, and clerical employees.

Classification Code 9059—Child Day Care Center—All Other Employees and Drivers is a national code that became effective in July 1996. There is a cross-reference, Child Day Camp, that is considered the same type of enterprise for purposes of the scope. Employees assigned to this classification include, but are not limited to, drivers, cooks, and maintenance personnel.

Codes 8869 and 9059 were created in Item Filing B-1330, effective July 1, 1996. The expectation was that the rates and/or loss costs and rating values for these industries would be more accurately reflected by removing child care from the school classifications Code 8868 and Code 9101. Two classification codes were created as they were split out from Codes 8868 and 9101 accordingly.

Classification Code 9064 is a state special code that became effective in July 1996 in Montana and became effective in January 1997 in Alaska, Idaho, and Oregon. Code 9064 encompasses all employees and their duties related to child care. The applicable phraseologies are:

Phraseology	State
Child Day Camp—All Employees Including Clerical, Salespersons & Drivers	Alaska, Idaho, Oregon
Child Day Care Center and Day Camps & Drivers—Nursery—Day	Montana
Child Day Care Center—All Employees Including Clerical, Salespersons & Drivers	Alaska, Idaho, Oregon
Nursery & Day, All Employees Including Clerical, Salespersons and Drivers	Alaska, Idaho

Code 9064 is an all-inclusive code for the child care industry in these four states.

All classification codes apply to centers serving both preschool and school-age children. Most of these centers provide all-day care for children, along with care for school-age children before and after attendance at traditional schools. Centers providing overnight accommodations, orphanages, or child care medical providers are separately rated. Employer-operated child care services are considered general exclusions.

Most child care workers perform a combination of basic care and teaching duties, depending on the age of the children. The schedule of activities is both daily and long-term in nature. The activities balance individual versus group play, and quiet versus active time. Overnight accommodations for children are not provided. The workers serve snacks and meals and teach good eating habits and personal hygiene. They also feed infants and change diapers. If the facility has a van, the workers may drive it to transport children to and

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**EXHIBIT 1—FACT SHEET (CONT'D)**

from the facility. The interior of the facility is generally kept clean and tidy by the child care workers as well. Building and grounds maintenance are usually contracted out.

**IMPACT**

This item proposes that Code 9059 be discontinued and operations currently assigned to Code 9059 be reassigned to Code 8869. Code 8869 will become an all-inclusive single classification for the child care industry. A review has been conducted using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program. Based upon the result of that review, a national two-year transition program is being proposed in all states that currently have both Codes 8869 and 9059. Using a transition program will help minimize the impact to both individual risk premium charges and overall statewide premium.

This item also proposes to revise the wording of Code 8869 so that overnight accommodations provided by a child care center are no longer separately rated. It is possible that some payroll from Code 9015 or Code 9063 could be transferred to newly defined Code 8869 because of this change. No modification or adjustment to filed loss costs or rates is proposed for these codes due to this change. The amount of payroll transferred cannot be identified using current industry data sources. The impact to individual risks will depend upon the amount of payroll (if any) that transfers from Code 9015 or Code 9063 into newly defined Code 8869. Each class codes' loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to these classifications.

**Alaska Specific:**

It is proposed that Alaska adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8868 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Alaska.

Once approved, Code 8869 will be added to the Alaska state specific classification pages of NCCI's **Basic Manual**. Upon completion of the two year national transition program, Code 8869 will be removed from the Alaska specific classification pages as Code 8869 will then be a national code.

**Idaho Specific:**

It is proposed that Idaho adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8868 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Idaho.

Once approved, Code 8869 will be added to the Idaho state specific classification pages of NCCI's **Basic Manual**. Upon completion of the two year national transition program, Code 8869 will be removed from the Idaho specific classification pages as Code 8869 will then be a national code.

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

It is proposed that Montana adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8868 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Montana.

Once approved, Code 8869 will be added to the Montana state specific classification pages of NCCI's *Basic Manual*. Upon completion of the two year national transition program, Code 8869 will be removed from the Montana specific classification pages as Code 8869 will then be a national code.

**Oregon Specific:**

It is proposed that Oregon adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8869 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Oregon.

Once approved, Code 8869 will be added to the Oregon state specific classification pages of NCCI's *Basic Manual*. Upon completion of the two year national transition program, Code 8869 will be removed from the Oregon specific classification pages as Code 8869 will then be a national code.

**Virginia Specific:**

It is proposed that Virginia adopt the new all-inclusive national Code 8869 for the child care industry and discontinue national Code 9059. A review has been conducted using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program. Based upon the result of that review, a two-year transition program is being proposed in Virginia. Using a transition program will help minimize the impact to both individual risk premium charges and overall statewide premium.

**IMPLEMENTATION**

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 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.

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

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**EXHIBIT 1—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
CHILD DAY CARE  
CLASSIFICATIONS**

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

**CHILD DAY CARE CENTER**

**8869 Professional Employees and Clerical, Salespersons**

**9059 All Other Employees & Drivers.** These classifications include centers serving both preschool and school-age children. Centers providing overnight accommodations, orphanages or child care medical providers to be separately rated.

**IMPLEMENTED ON THE COMPLETION DATE OF THE TRANSITION PROGRAM**

~~**CHILD DAY CARE CENTER**~~

**8869 CHILD CARE CENTER—ALL EMPLOYEES INCLUDING PROFESSIONAL  
EMPLOYEES AND CLERICAL, SALESPERSONS & DRIVERS**

This classification includes centers serving both preschool and school-age children. Code 8869 is not applicable to traditional schools providing before- and after-care programs for school-age children. Orphanages or child care medical providers to be separately rated.

~~**9059 All Other Employees & Drivers.** These classifications include centers serving both preschool and school-age children. Centers providing overnight accommodations, orphanages or child care medical providers to be separately rated.~~

\* For all applicable states, the two year transition program will be initiated concurrent with each state's approved rate/loss cost filing effective date for 2010 filing cycle. Refer to the state chart in the implementation section of the Memorandum.

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**EXHIBIT 1—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
CHILD DAY CARE  
CLASSIFICATIONS**

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

**CHILD DAY CAMP**

**8869 Professional Employees And Clerical, Salespersons**

**9059 All Other Employees & Drivers.** These classifications include day camps serving both preschool and school-age children. Camps or centers providing overnight accommodations, specialty day camps otherwise classified or orphanages or child care medical providers to be separately rated.

**IMPLEMENTED ON THE COMPLETION DATE OF THE TRANSITION PROGRAM**

~~**CHILD DAY CAMP**~~

**8869 CHILD DAY CAMP—ALL EMPLOYEES INCLUDING PROFESSIONAL  
EMPLOYEES AND CLERICAL, SALESPERSONS & DRIVERS**

This classification includes day camps serving both preschool and school-age children. Camps providing overnight accommodations, specialty day camps otherwise classified, orphanages, or child care medical providers to be separately rated.

~~**9059 All Other Employees & Drivers.** These classifications include day camps serving both preschool and school age children. Camps or centers providing overnight accommodations, specialty day camps otherwise classified or orphanages or child care medical providers to be separately rated.~~

\* For all applicable states, the two year transition program will be initiated concurrent with each state's approved rate/loss cost filing effective date for 2010 filing cycle. Refer to the state chart in the implementation section of the Memorandum.

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**EXHIBIT 1—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
CHILD DAY CARE  
CLASSIFICATIONS**

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

**DAY NURSERIES**

**8869**      **PROFESSIONAL EMPLOYEES & CLERICAL**  
**9059**      **All Other Employees**

**IMPLEMENTED ON THE COMPLETION DATE OF THE TRANSITION PROGRAM**

**8869**      **DAY NURSERIES—ALL EMPLOYEES INCLUDING PROFESSIONAL EMPLOYEES &  
CLERICAL, SALESPERSONS & DRIVERS**  
~~**9059**      **All Other Employees**~~

\* For all applicable states, the two year transition program will be initiated concurrent with each state's approved rate/loss cost filing effective date for 2010 filing cycle. Refer to the state chart in the implementation section of the Memorandum.



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**EXHIBIT 1—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
CHILD DAY CARE  
CLASSIFICATIONS**

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

**NURSERY—DAY**

**8869 Professional Employees & Clerical**  
**9059 All Other Employees & Drivers**

**IMPLEMENTED ON THE COMPLETION DATE OF THE TRANSITION PROGRAM**

**~~NURSERY—DAY~~**

**8869 ~~Professional Employees & Clerical~~**  
**~~9059 All Other Employees & Drivers~~**

\* For all applicable states, the two year transition program will be initiated concurrent with each state's approved rate/loss cost filing effective date for 2010 filing cycle. Refer to the state chart in the implementation section of the Memorandum.

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**EXHIBIT 1—CHILD DAY CARE**

**TWO-YEAR TRANSITION PROGRAM RULES**

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

The following are the rules of the two-year transition program implementing the rates/loss costs and rating values for Codes 8869 and 9059. NCCI will administer this program through each state's specific rate/loss cost classification experience filing revision process.

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

If a state skips an annual rate/loss cost classification experience filing revision, with plans to initiate a filing on the next anniversary rate/loss cost date, NCCI will implement a step of the transition on that normal rate/loss cost revision date even when the standard rate/loss cost revision is not made. This is to keep the state on the intended two-year transition timeframe schedule.

The following outlines the steps needed to implement the rates/loss costs and rating values for Codes 8869 and 9059 within each of the classification rate/loss cost filings. An example of the two-year transition program calculation, including the weight value calculation, is shown in subsequent pages of this exhibit.

A. Risks will continue to be classified to either Code 8869 or 9059 as appropriate until the elimination of Code 9059 in the second state rate/loss cost annual experience filing revision from which this transition program was initiated.

B. As part of the first NCCI state rate/loss cost experience filing revision where this transition program is initiated, the payroll-weighted rate/loss cost of Codes 8869 and 9059 will be calculated using the latest available year's payroll and the standard calculated rate/loss cost of the two individual codes. If the payroll-weighted rate/loss cost is within the swing limits determined for Codes 8869 and 9059, then each of these codes will take on the rate/loss cost of the payroll-weighted rate/loss cost. Rating values will be determined by the same payroll weighting.

If the payroll-weighted rate/loss cost is outside of the filing's swing limits for any of the codes, then the rate/loss cost for each of the codes will be determined by a methodology weighting together (1) the payroll weighted rate/loss cost and (2) the standard calculated rate/loss cost for each code. The ratio used in this methodology will be first determined by calculating the maximum weighting value given to the payroll weighted rate/loss cost in order to keep the rates for Codes 8869 and 9059 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. Rating values will be calculated in a similar manner.

C. As part of the second NCCI state rate/loss cost classification experience filing revision, Code 9059 will be eliminated. All insured operations previously assigned to Code 9059 will then be assigned to Code 8869. The rate/loss cost for newly defined Code 8869 will be the payroll weighted rate/loss cost of Code 9059 and Code 8869 using this filing's latest available year of payroll and the standard calculated rate/loss cost of the two individual codes. Rating values will be determined by the same payroll weighting.

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**EXHIBIT 1—CHILD DAY CARE**

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

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

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

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

The following assumptions are made for this example:

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

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

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

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of .50 for the first year and 1.00 for the second year without regard to swing limits in order to transition the rates/loss costs within two years.

	Weight Value	Class Code	Payroll-Weighted Rate/Loss Cost		NCCI Initially Calculated Rate/Loss Cost		Final NCCI Rate/Loss Cost
<b>Filing Effective in First Year</b>	.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
<b>Filing Effective in Second Year</b>	1.00	XXX1	(1.00 x 12.48)	+	(0.00 x 19.78)	=	12.48
		XXX2	(1.00 x 12.48)	+	(0.00 x 12.25)	=	12.48
		XXX3	(1.00 x 12.48)	+	(0.00 x 11.57)	=	12.48

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

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

**EXHIBIT 1—CHILD DAY CARE (CONT'D)**

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

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

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

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

The following assumptions are made for this example:

	Code XXX1	Code XXX2	Code XXX3
<b>Payroll \$</b>	400,000	700,000	3,000,000
<b>ELR</b>	7.00	3.50	3.94

The “Payroll-Weighted ELR” is calculated as follows:

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

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of .50 for the first year and 1.00 for the second year without regard to swing limits in order to transition the rates/loss costs within two years.

	Weight Value	Class Code	Payroll-Weighted ELR		NCCI Initially Calculated ELR		Final NCCI ELR
<b>Filing Effective in First Year</b>	.57*	XXX1	(0.57 x 4.16)	+	(0.43 x 7.00)	=	5.38
		XXX2	(0.57 x 4.16)	+	(0.43 x 3.50)	=	3.88
		XXX3	(0.57 x 4.16)	+	(0.43 x 3.94)	=	4.07
<b>Filing Effective in Second Year</b>	1.00	XXX1	(1.00 x 4.16)	+	(0.00 x 6.59)	=	4.16
		XXX2	(1.00 x 4.16)	+	(0.00 x 4.08)	=	4.16
		XXX3	(1.00 x 4.16)	+	(0.00 x 3.86)	=	4.16

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

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**EXHIBIT 1—CHILD DAY CARE (CONT'D)**

**EXAMPLE OF TWO-YEAR TRANSITION PROGRAM D RATIOS**

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

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

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

The following assumptions are made for this example:

	Code XXX1	Code XXX2	Code XXX3
<b>Payroll \$</b>	400,000	700,000	3,000,000
<b>D Ratios</b>	0.23	0.20	0.24

The “Payroll-Weighted D Ratio” is calculated as follows:

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

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of .50 for the first year and 1.00 for the second year without regard to swing limits in order to transition the rates/loss costs within two years.

	Weight Value	Class Code	Payroll-Weighted D Ratio		NCCI Initially Calculated D Ratio		Final NCCI D Ratio
<b>Filing Effective in First Year</b>	.57*	XXX1	(0.57 x 0.23)	+	(0.43 x 0.23)	=	0.23
		XXX2	(0.57 x 0.23)	+	(0.43 x 0.20)	=	0.22
		XXX3	(0.57 x 0.23)	+	(0.43 x 0.24)	=	0.23
<b>Filing Effective in Second Year</b>	1.00	XXX1	(1.00 x 0.23)	+	(0.00 x 0.22)	=	0.23
		XXX2	(1.00 x 0.23)	+	(0.00 x 0.22)	=	0.23
		XXX3	(1.00 x 0.23)	+	(0.00 x 0.24)	=	0.23

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

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

**EXHIBIT 1—CHILD DAY CARE (CONT'D)**

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

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

In the following example, the rates/loss costs are calculated for each class code by utilizing successively higher weight values until the largest weight value is found that keeps the rates/loss costs within swing limits. However, depending on which year of the transition the filing is effective, this weight value is subject to minimums **without regard to swing limits**. These minimums are 0.50 for the first year and 1.00 for the second year. For the purposes of illustration, the codes are represented as XXX1, XXX2, and XXX3.

**Note:** The Weight Value Calculation in the following example are for illustration purposes only and are not the actual Weight Value Calculation in use, nor do they represent expected actual Weight Value Calculation for the codes indicated.

The following assumptions are made for this example:

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

	Rate/Loss Cost for Code XXX1	Rate/Loss Cost for Code XXX2	Rate/Loss Cost for Code XXX3
<b>Current Approved Filing</b>	21.49	11.32	11.05
<b>First Transition Year</b>	16.14	11.63	12.19

Weight Calculation Table						
Year 1	Code XXX1		Code XXX2		Code XXX3	
Weight Value	Calculated Rate/Loss Cost Given Weight Value	Rate/Loss Cost Change %	Calculated Rate/Loss Cost Given Weight Value	Rate/Loss Cost Change %	Calculated Rate/Loss Cost Given Weight Value	Rate/Loss Cost Change %
0.50	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						

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—FACT SHEET  
ENGINEERING AND RESEARCH****PROPOSAL**

The focus of the proposed changes for this industry is to add salespersons to the architect and engineer code and create a new code for surveyors, timber cruisers, geologists, and scouts, which is being separated from architects and engineers.

**NCCI recommends the following national treatment for classifications:**

1. Create a new classification Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers.
2. Revise the phraseology of Code 4511—Analytical Chemist to Analytical Laboratories or Assaying—Including Laboratory, Outside Employees, Collectors of Samples, & Drivers and make the distinction between independent medical testing labs, and those labs that are part of a hospital, medical facility, or physician's office.
3. Discontinue the cross-reference phraseology of Code 4511—Assaying and incorporate assaying into the phraseology of Code 4511.
4. Revise the phraseology of Code 8832—Physician & Clerical to make the distinction between independent medical testing labs, and those labs that are part of a hospital, medical facility, or physician's office.
5. Revise the phraseology of Code 8833—Hospital—Professional Employees to make the distinction between independent medical testing labs, and those labs that are part of a hospital, medical facility, or physician's office.
6. Revise the phraseology and cross-reference phraseology of Code 8601:
  - Revise Architect or Engineer—Consulting to Code 8601—Architect or Engineer—Including Salespersons & Drivers;
  - Discontinue the cross-reference phraseology Engineer or Architect—Consulting;
  - Discontinue the cross-reference phraseology Oil or Gas—Geologist or Scout, and Surveyor, and incorporate it into the phraseology of a new classification Code 8602;
  - Discontinue the cross-references phraseology Air Conditioning Systems Non-Portable: Airflow Testing and Balancing Exclusively. This incidental operations is being done by several different specialist contractors (HVAC, electrical, and mechanical) and will now be included in the construction trades governing classification performing the work.
7. Create a new classification Code 8603—Architectural or Engineering Firm—Clerical Staff and cross-reference phraseology Drafting Company—Clerical Staff.
8. Discontinue cross-reference phraseology for Code 8810—Drafting Employees.
9. Revise Basic Manual Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

**Colorado Specific:**

NCCI recommends that Colorado adopt the new national Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers and discontinue the state special phraseology for Code 8601—Surveyor.

The national recommendations with regard to phraseology changes for Code 4511, Code 8601, Code 8832, and Code 8833 are proposed for use in Colorado.

**Florida Specific:**

NCCI recommends that Florida revise state special Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—FACT SHEET (CONT'D)**

**Oklahoma Specific:**

NCCI recommends that Oklahoma adopt the new national Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers and discontinue state special Code 8605—Oil or Gas Geologists or Scout & Drivers. A two-year transition program is recommended to first combine Code 8605 into Code 8601. After the transition program is completed, Code 8605 will be discontinued and the newly defined national Code 8601 and new Code 8602 will be established.

The national recommendations with regard to phraseology changes for 4511, Code 8601, Code 8832, and Code 8833 are proposed for use in Oklahoma.

**Montana Specific:**

NCCI recommends that Montana revise state special Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

**Oregon Specific:**

NCCI recommends that Oregon discontinue state special phraseology for Code 7380—Archaeological Contractors Excavation & Drivers and Code 8601—Archaeological Contractors Survey or Evaluation Work Only and adopt the new national treatment of Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers. Code 8602 contemplates the survey work and driving exposure of the two Oregon state special codes being discontinued. NCCI also recommends that Oregon revise state special Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

The national recommendations with regard to phraseology changes for 4511, Code 8601, Code 8832, and Code 8833 are proposed for use in Oregon.

**Virginia Specific:**

NCCI recommends that Virginia update the Scope descriptions for Code 4828 and Code 4829 to reflect the update to the phraseology of Code 4511.

**BACKGROUND AND BASIS FOR CHANGE**

Code 4511 includes research, development, or testing laboratories in the areas of medicine, pharmacology, toxicology, microbiology, geophysical research, metallurgy, and other scientific fields. It includes soil testing laboratories and building material (concrete, asphalt) testing laboratories as well as assaying—the qualitative and quantitative analysis of a substance such as an ore or a drug to determine its components. Consulting engineers and others with similar titles that perform similar analyses for clients are also included in Code 4511.

Code 8601 includes airflow testing for air-conditioning systems exclusively, oil or gas geologists or scouts, land surveyors, and energy efficiency auditing firms. It also includes engineers and architects who work on mechanical, civil, electrical, chemical, mining, metallurgical, marine, and industrial projects. These operations must be conducted as a separate and distinct business.

Several issues were raised concerning the interaction between Code 4511 and Code 8601 and the possibility of misclassifying consulting engineers. Engineers are known by different names, and the phraseology does not clearly indicate when to apply Code 4511 or Code 8601.

The collection of samples by a technician raises another issue. If the samples are just picked up by a driver, does Code 7380—Drivers, Chauffeurs & Their Helpers NOC apply? Should the phraseology of Code 4511—Analytical Chemist be expanded to include outside operations such as collecting samples and conducting their analysis at the collection site or in the lab?

Also, there appears to be overlap and confusion between Code 8601 and the Standard Exception Codes: Code 8810—Clerical Employees, Code 8742—Salespersons Outside, and Code 7380. If the draftsperson



**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—FACT SHEET (CONT'D)**

makes a presentation to a zoning board, is it considered outside sales or Code 8601? If the draftsman visits a job site to view the project site, does the employee retain Code 8810 or Code 8601?

The proposed recommendations will clarify the distinction between and the intent of Codes 4511 and 8601:

- It is not the title of the consulting engineer, but the duties that will determine if Code 4511 or 8601 is applicable
- The collection and testing of samples in the field or the laboratory is clarified
- The inclusion of standard exceptions in Code 8601 and proposed Code 8603 will clarify employees' duties away from the office

**IMPACT**

This Item proposes to change the phraseology of Code 8601 to include Salespersons & Drivers. No modification or adjustment to the filed loss cost or rate and experience rating values is proposed for Code 8601. The class codes' loss costs or rates will eventually reflect the new phraseology and underlying experience of the entire payroll and loss experience assigned to this newly defined classification. It is estimated that the amount of payroll transferred and/or the differences in loss costs or rates are not large enough to result in a significant change in overall statewide premium.

The impact to individual risks premium will vary depending on the amount of payroll exposure that gets redistributed from Code 8742—Salespersons Or Collectors-Outside and Code 7380—Drivers, Chauffeurs, Messengers And Their Helpers NOC, into newly defined Code 8601.

This Item also proposes to create a new Code 8602 for Surveyors, Timber Cruisers, Oil or Gas Geologist or Scouts & Drivers. The loss cost or rate and experience rating values for this new classification will be obtained from Code 8601 until Code 8602 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8601. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

This Item also proposed to create a new Code 8603 for Architectural or Engineering Firm—Clerical Staff and cross-reference phraseology Drafting Company—Clerical Staff. The loss cost or rate and experience rating values for this new classification will be obtained from Code 8810 until Code 8603 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8810. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

The other phraseology changes mentioned in the proposal section, which primarily include the consolidation of multiple cross reference wording into the actual Code phraseology, are for clarification only and are not expected to result in a change in statewide or individual risk premium.

**Colorado Specific:**

It is proposed that Colorado adopt the newly proposed national treatment. This would require the removal of the state-special reference phraseology under Code 8601—Surveyor. This specific exposure in the future will be assigned to new national Code 8602. Like the national treatment, new Code 8602 will take on the loss cost or rate and experience rating values from Code 8601 until Code 8602 can use its own experience. It is expected that most exposure generated for this new code will come from Code 8601. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

**Oklahoma Specific:**

It is proposed that Oklahoma adopt the national treatment for this industry. This would require the elimination of Oklahoma state-special Code 8605—Oil Or Gas Geologists Or Scout & Drivers. A two-year transition program is proposed to first combine Code 8605 into Code 8601. After the transition program is completed, Code 8605 will be eliminated and the newly defined national Code 8601 and new Code 8602 would be established. At that time the new national Code 8602 loss cost or rate and experience rating values will be

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—FACT SHEET (CONT'D)**

that of Code 8601 (with the historical data from Code 8605 rolled in) until Code 8602 can be rated using its own experience.

**Oregon Specific:**

It is proposed that Oregon adopt the national treatment. This would require the removal of the state-special reference phraseology for Code 7380—Archaeological Contractors Excavation & Drivers, Code 8601—Archaeological Contractors Survey or Evaluation Work Only, and Code 8601—Reforestation Surveying. This specific exposure in the future will be assigned to new national Code 8602. Like the national treatment, this new code will take on the loss cost or rate and experience rating values from Code 8601 until Code 8602 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8601. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

**Virginia Specific:**

NCCI recommends that Virginia update the Scope descriptions for Code 4828 and Code 4829 to reflect the update to the phraseology of Code 4511. This change is not anticipated to result in any reclassification of risk payroll or result in a change in loss cost, rate, or premium.

**IMPLEMENTATION**

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 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.

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

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

**8602 SURVEYORS, TIMBER CRUISERS, OIL OR GAS GEOLOGISTS OR SCOUTS, & DRIVERS**

Operations must be conducted as a separate and distinct business and not in support of an entity's principal business. If the operation is in support of an entity's principal business, such as schools, timber, chemical, power or light, and oil and gas companies, the operation must be separately rated to the principal business.

Archeological contractors who survey or evaluate sites are also contemplated by Code 8602.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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4511

~~**ASSAYING.**~~

~~Includes laboratory and outside employees. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 4511 are conducted as a separate and distinct business.~~

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

**4511 ANALYTICAL CHEMIST, LABORATORIES OR ASSAYING—INCLUDING LABORATORY,  
OUTSIDE EMPLOYEES, COLLECTORS OF SAMPLES, & DRIVERS**

~~Includes laboratory and outside employees. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 4511 are conducted as a separate and distinct business.~~ The collection of samples away from the lab and the testing of samples at any location are included. Operations beyond the collection or testing of samples and preparation of a report must be assigned to Code 8601. Assaying is the qualitative and quantitative analysis of a substance such as an ore or a drug.

Operations must be conducted as a separate and distinct business and not in support of an entity's principal business. If the operation is in support of an entity's principal business, such as pharmaceutical research, the operation must be separately rated with the principal business.

Independent medical testing labs that analyze medical specimens are assigned to Code 4511. Testing labs that are not independent but part of a hospital, medical facility, or physician's office must be classified to the codes applicable to these risks.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
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**8832      PHYSICIAN & CLERICAL.**

Employees engaged in any type of service in or about premises, other than premises used for professional purposes, are to be separately rated. Does not apply where inpatient overnight care is provided.

Independent medical testing labs that analyze medical specimens are assigned to Code 4511. Testing labs that are not independent but part of a medical facility or physician's office must be also classified to Code 8832.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

~~HOSPITAL~~

8833      ~~Professional Employees~~

9040      ~~All Other Employees~~

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
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**8833 HOSPITAL—Professional Employees**

Independent medical testing labs that analyze medical specimens are assigned to Code 4511.  
Testing labs that are not independent but part of a hospital must be also classified to Code 8833.



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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**9040      HOSPITAL—ALL OTHER EMPLOYEES**

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**8601 ARCHITECTURAL OR ENGINEERING FIRM—~~CONSULTING~~ INCLUDING SALESPERSONS & DRIVERS**

Does not apply when engaged in performing actual construction. ~~Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8601 are conducted as a separate and distinct business.~~ Code 8601 is applicable to insureds engaged in the architectural or engineering profession as a separate and distinct business and not in support of an entity's principal business. Architectural and engineering personnel in support of an entity's principal business, including but not limited to vehicle manufacturers, chemical manufacturers, or power and light companies, must be separately rated to the governing classification of that business. Drafting performed by architects and engineers, licensed or unlicensed, is considered incidental to the overall job function when performed in conjunction with other duties outside the office. Division of payroll between Code 8601 and 8603 is not permitted. Refer to Code 8603 for those employees solely performing drafting and clerical work confined to an office setting. Code 8601 is differentiated from Code 4511 because Code 8601 includes operations beyond the collection or testing of samples and the preparation of a report.

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—FACT SHEET**

**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
ENGINEERING AND RESEARCH  
CLASSIFICATIONS**

**8603 ARCHITECTURAL OR ENGINEERING FIRM—CLERICAL**

Drafting performed by personnel of these firms confined to an office setting are classified to Code 8603. Refer to Code 8601 when drafting is performed by architects and engineers, licensed or unlicensed, in conjunction with other duties outside the office. Division of payroll between Code 8601 and 8603 is not permitted.

**8603 DRAFTING COMPANY—CLERICAL**

Drafting performed by personnel of these firms confined to an office setting are classified to Code 8603. Refer to Code 8601 when drafting is performed by architects and engineers, licensed or unlicensed, in conjunction with other duties outside the office. Division of payroll between Code 8601 and 8603 is not permitted.

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—NATIONAL RULES  
BASIC MANUAL—2001 EDITION  
ENGINEERING AND RESEARCH  
Rule 1 B 2—Standard Exception Classifications**

**a. Clerical Office ~~or Drafting~~ Employees NOC (Code 8810)  
Clerical Office ~~or Drafting~~ Telecommuter Employees (Code 8871)**

The above classifications are assigned when all the following conditions are met:

- The basic classification(s) wording applicable to the business does not include clerical office, ~~drafting~~ or telecommuting employees
- Other rules do not prohibit the assignment of Code 8810 or Code 8871
- The employee meets the duties, site and other requirements listed below:

(1) Duties

Duties must be limited to one or more of the following work activities:

- Creation or maintenance of:
  - Employer records
  - Correspondence
  - Computer programs
  - Files
- ~~Drafting~~
- Telephone duties, including telephone sales
- Data entry or word processing
- Copy or fax machine operations, unless the insured is in the business of making copies or faxing for the public
- General office work similar in nature to the above

(2) Site

(a) Code 8810—The duties above must take place in a work station that is separated from the operative hazards:

- Factories
- Stores
- Shops
- Construction sites
- Warehouses
- Yards
- Any other work areas such as:
  - Work or service areas
  - Areas where inventory is located
  - Areas where products are displayed for sale
  - Areas to which the purchaser customarily brings the product from another area for payment

(b) Work stations or service areas as described in Rule 1-B-2-a(2) above must be physically separated by:

- Floors

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—NATIONAL RULES (CONT'D)  
BASIC MANUAL—2001 EDITION  
ENGINEERING AND RESEARCH  
Rule 1 B 2—Standard Exception Classifications**

- Walls
  - Partitions
  - Counters
  - Other physical barriers that protect the clerical employee from the operating hazards of a business
- (c) Code 8871—The duties above must take place in a clerical work area located within the home of the clerical employee. It must be separate and distinct from the location of the employer.
- (3) Other Requirements
- (a) Employees who otherwise meet the requirements for Code 8810 or Code 8871 will not be disqualified from assignment to this classification if they perform certain incidental nonclerical duties directly related to that employee's duties in the office. These duties include:
- Depositing of funds in a bank
  - Pickup or delivery of mail
  - Purchase of office supplies
  - Entering an area exposed to the operative hazards of the business for clerical purposes, such as delivering paychecks
- (b) Employees who otherwise meet the requirements for Code 8810 or Code 8871 will be disqualified from assignment to this classification if their duties involve:
- Outside sales or outside representatives
  - Direct supervision of nonclerical employees not performed in an eligible site according to Rule 1-B-2-a(2) above
  - Physical labor
  - Any work exposed to the operative hazards of the business, such as a stock or tally clerk, that is necessary, incidental, or related to any operations of the business other than a clerical office

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

~~AIR CONDITIONING SYSTEMS~~

- 8380 ~~Automobile—Installation, Service or Repair & Drivers  
Non-Portable-~~
- 8601 ~~Airflow Testing and Balancing Exclusively~~
- 9519 ~~Portable Units—Installation, Service or Repair & Drivers~~

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**8380 AIR CONDITIONING SYSTEMS—AUTOMOBILE—INSTALLATION, SERVICE OR REPAIR &  
DRIVERS**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**9519 AIR CONDITIONING SYSTEMS— PORTABLE UNITS—INSTALLATION, SERVICE OR  
REPAIR & DRIVERS**



**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
BASIC MANUAL—2001 EDITION  
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CLASSIFICATONS**

**8601 ~~ENGINEER OR ARCHITECT—CONSULTING.~~**

~~Does not apply when engaged in actual construction. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8601 are conducted as a separate and distinct business.~~

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**8810**     ~~**DRAFTING EMPLOYEES.**~~  
~~Subject to Rule 1 B 2.~~

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**~~OIL OR GAS~~**

- 5183● ~~Burner Installation Domestic & Drivers~~
- 3724● ~~Burner Installation NOG & Drivers~~
- 8601 ~~Geologist or Scout~~. Includes lease buyers who, as any part of their duty, perform work similar to that undertaken by oil or gas geologists or scouts.
- 1320 ~~Lease Operator All Operations & Drivers~~. Separately rate: erecting or dismantling of derricks, drilling, installation or recovery of casing, well shooting, cementing, tank building, topping operations, or gasoline recovery.
- 6216● ~~Lease Work NOG by Contractor & Drivers~~. Includes the clearing of land, building of lease roads, slush pits, levees or fire walls; the laying or taking up of flow lines and water lines; installing of central pumping units; and lease beautification work. Separately rate: pipeline construction, tank building, rig or derrick erecting or dismantling, installation, or recovery of casing; drilling, cementing, cleaning and swabbing of wells, or well shooting. Not lease operation.
- 6233● ~~Pipeline Construction & Drivers~~. Pile driving, dredging, or tunneling to be separately rated.
- 7515 ~~Pipeline Operation & Drivers~~. Construction, operation of wells, or oil refining to be separately rated.
- ~~Well:~~
- 
- 6206● ~~Acidizing All Employees & Drivers~~. Code 6235—Oil or gas well drilling or redrilling shall not be assigned at the same job or location to which Code 6206 applies.
- 6206● ~~Cementing & Drivers~~. Code 6235—Oil or gas well drilling or redrilling shall not be assigned at the same job or location to which Code 6206 applies.
- 1322● ~~Cleaning or Swabbing of Old Wells Having Previously Produced Gas or Oil by Contractor No Drilling & Drivers~~. Not available to a concern or contractor doing work in connection with a new well that has not yet been completed. Such concern or contractor shall be assigned to Code 6235—Oil or gas well drilling or redrilling.
- 6235● ~~Drilling or Redrilling & Drivers~~. Includes installation of casing.
- 6236● ~~Installation or Recovery of Casing & Drivers~~
- 6237● ~~Instrument Logging or Survey Work & Drivers~~
- 6214● ~~Perforating of Casing All Employees & Drivers~~
- 6235● ~~Shooting & Drivers~~
- 6213● ~~Specialty Tool Operation NOG by Contractor All Employees & Drivers~~. Applicable to concerns or contractors who lease to drilling contractors, with supervisory employees, special drilling, baling, fishing or casing cutting tools. Specialty well tool concerns or contractors that furnish complete operating crews with such equipment shall be assigned to Code 6235—Oil or gas well drilling or redrilling.
- 8107◆ ~~Supplies or Equipment Dealer New Store or Yard Only & Drivers~~
- 8204◆ ~~Supplies or Equipment Dealer Used & Local Managers, Drivers~~. Includes incidental reconditioning or repairing. Installation, erection, dismantling, or salvage operations to be separately rated.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

5183• **OIL OR GAS—BURNER INSTALLATION DOMESTIC & DRIVERS**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

3724• **OIL OR GAS—BURNER INSTALLATION NOC & DRIVERS**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**1320 OIL OR GAS—LEASE OPERATOR—ALL OPERATIONS & DRIVERS**

Separately rate: erecting or dismantling of derricks, drilling, installation or recovery of casing, well shooting, cementing, tank building, topping operations, or gasoline recovery.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**6216• OIL OR GAS—LEASE WORK NOC—BY CONTRACTOR & DRIVERS**

Includes the clearing of land, building of lease roads, slush pits, levees or fire walls; the laying or taking up of flow lines and water lines; installing of central pumping units; and lease beautification work. Separately rate: pipeline construction, tank building, rig or derrick erecting or dismantling, installation, or recovery of casing; drilling, cementing, cleaning and swabbing of wells, or well shooting. Not lease operation.

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

- 6233• OIL OR GAS—PIPELINE CONSTRUCTION & DRIVERS**  
Pile driving, dredging, or tunneling to be separately rated.



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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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- 7515 OIL OR GAS—PIPELINE OPERATION & DRIVERS**  
Construction, operation of wells, or oil refining to be separately rated.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**6206 OIL OR GAS—WELL—ACIDIZING—ALL EMPLOYEES & DRIVERS**

Code 6235—Oil or gas well drilling or re-drilling shall not be assigned at the same job or location to which Code 6206 applies.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**6206• OIL OR GAS—WELL—CEMENTING & DRIVERS**

Code 6235—Oil or gas well drilling or re-drilling shall not be assigned at the same job or location to which Code 6206 applies.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**1322• OIL OR GAS—WELL—CLEANING OR SWABBING OF OLD WELLS HAVING PREVIOUSLY PRODUCED GAS OR OIL—BY CONTRACTOR—NO DRILLING & DRIVERS**

Not available to a concern or contractor doing work in connection with a new well that has not yet been completed. Such concern or contractor shall be assigned to Code 6235—Oil or gas well drilling or redrilling.

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- 6235• OIL OR GAS—WELL—DRILLING OR REDRILLING & DRIVERS**  
Includes installation of casing.

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6236• **OIL OR GAS—WELL—INSTALLATION OR RECOVERY OF CASING & DRIVERS**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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6237• **OIL OR GAS—WELL—INSTRUMENT LOGGING OR SURVEY WORK & DRIVERS**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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6214• **OIL OR GAS—WELL—PERFORATING OF CASING—ALL EMPLOYEES & DRIVERS**



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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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6235• **OIL OR GAS—WELL—SHOOTING & DRIVERS**

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**6213• OIL OR GAS—WELL—SPECIALTY TOOL OPERATION NOC—BY CONTRACTOR—ALL  
EMPLOYEES & DRIVERS**

Applicable to concerns or contractors who lease to drilling contractors, with supervisory employees, special drilling, baling, fishing or casing—cutting tools. Specialty well tool concerns or contractors that furnish complete operating crews with such equipment shall be assigned to Code 6235—Oil or gas well drilling or re-drilling.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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8107◆ OIL OR GAS—WELL—SUPPLIES OR EQUIPMENT DEALER—NEW—STORE OR YARD  
ONLY & DRIVERS

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**8204◆ OIL OR GAS—WELL—SUPPLIES OR EQUIPMENT DEALER—USED & LOCAL MANAGERS,  
DRIVERS**

Includes incidental reconditioning or repairing. Installation, erection, dismantling, or salvage operations to be separately rated.

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**EXHIBIT 2—NATIONAL CLASSIFICATIONS  
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**8601 ~~SURVEYOR.~~**

~~Applies to land surveying. Not applicable when engaged in actual construction. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8601 are conducted as a separate and distinct business.~~

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—FACT SHEET****INVENTORY COUNTERS****PROPOSAL**

The focus of the proposed changes for this industry is to establish a new code for the inventory counter industry and to clarify what risks are included in auditing, accounting, surveying, and inspecting and under what conditions.

**NCCI recommends the following national treatment for classifications:**

1. Create a new classification Code 8725—Inventory Counters—Traveling—Including Salespersons & Clerical.
2. Revise the phraseology of Code 8803: Auditor, Accountant, or Factory Cost or Office Systematizer—Traveling to Auditor, Accountant, or Computer System Designer or Programmer.
3. Discontinue the cross-reference phraseologies for Code 8803:
  - Accountant, Auditor or Factory Cost or Office Systematizer—Traveling;
  - Computer—System Designers or Programmers—Traveling, Factory Cost or Office Systematizer;
  - Accountant or Auditor—Traveling, and Office or Factory Cost Systematizer;
  - Accountant or Auditor—Traveling.
4. Discontinue cross-reference phraseologies for Code 8720:
  - Boiler Inspection,
  - Elevator Inspection, and
  - Marine Appraiser or Surveyorand incorporate them into the phraseology note of Code 8720.

**Virginia Specific:**

NCCI recommends that Virginia update the Scope descriptions for Codes 3726, 8709, and 8719 to reflect the update to the phraseology of Code 8720.

**BACKGROUND AND BASIS FOR CHANGE**

Inventory counters are currently classified in the following two codes:

- Code 8720—Inspection of Risks for Insurance or Valuation Purposes NOC
- Code 8803—Auditor, Accountant, or Factory Cost or Office Systematizer—Traveling

Much has changed in the industry, and technology has had a big impact on the recording equipment and types of information gathered and reported to customers. It is common for the customer to receive the completed results when the inventory counters leave the customer's premises or within 24 hours. Moreover, the exposures contemplated by the above two codes are not representative of the inventory counting industry.

Code 8720 currently applies to inventory counters who perform their work in a warehouse, store, or nonoffice environment. The phraseology includes boiler inspecting, elevator inspecting, marine appraising, or surveying; exposures which are substantially more hazardous than the exposures characteristic of this industry.

Code 8803 currently includes the activity of traveling to various sites and making counts of inventory in conjunction with accounting functions at these locations within an office-type setting. Inventory counting exceeds the physical separation of clerical or office employees when done in a warehouse or store. The exposure of an inventory-counting firm that performs its services in a store, warehouse, or nonoffice environment is not contemplated within the scope of this code.

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—FACT SHEET (CONT'D)**

Since there is not a fit for this industry within the phraseology of each of the above two codes, it is necessary to create a new code for this industry. The operation clearly lies between the two codes (8720 and 8803) and not entirely in either code. Today's inventory-counting companies seldom use pen and paper, tape recorders, or a clipboard. Instead, companies use highly specialized inventory-counting computers that hang from a belt loop and rest against the thigh of the user for easy data entry.

Inventory-counting firms are now a vital service to retailers, wholesalers, and companies of all types and sizes. When working at your computer in the office, you will most likely see a bar code on the monitor and computer. This is part of an asset inventory program that is done by this industry to help companies monitor their fixed assets.

Services provided today include counting stock that is located on the shelves or in the warehouse, replenishment trends, shelf price audits (versus set computer price), bar codes types and cross-references (UPC versus SKU codes), asset inventories, site surveys, and relabeling of bar codes. The inventory-counting company also provides the equipment that is used, training, and a supervisor to help a client company conduct its own inventory counts.

The final proposed change is to clarify that the scope of Code 8803 includes any work of a clerical nature done by an employee who travels to another location. However, the work at the other location must be clerical only in nature and physically separated from the main operation.

**IMPACT**

This Item proposes that entities/operations which perform inventory counting be reassigned from Code 8720 to newly established Code 8725—Inventory Counters—Traveling—Including Salespersons & Clerical. It is also proposed that the initial loss cost or rate and experience rating values be that of Code 8720 until Code 8725 establishes sufficient state experience to determine its own loss cost or rate and experience rating values. It is expected that most experience generated for the new code will come from Code 8720. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

This Item also proposes to consolidate and clarify the phraseology for Code 8803, so that any operations assigned to this classification must be of a clerical nature, and the employee must travel to an office setting that is physically separated from the main operation. This change is proposed to specifically address these operations so they will be appropriately assigned to the correct code. NCCI is not able to determine the amount of payroll transferred due to this change from current industry data sources. Therefore, the impact to statewide premium for this cannot be determined.

This Item also proposes that in the detail phraseology for Code 8720—Inspection Of Risks For Insurance Or Valuation Purposes NOC, that, "frequently exposed to manufacturing or mercantile hazards", is referring to the exposure of walking through a manufacturing or mercantile area as part of the inspection process. It is not referring to working in a manufacturing or mercantile area. This change is being made to specifically clarify these operations so they will be appropriately assigned to the correct code. The extent of payroll redistribution and the impact to statewide premium cannot be determined, but is expected to be small.

The other phraseology changes mentioned in the proposal section are for clarification only and are not expected to result in any reclassification of risk payroll or change in loss cost, rate, or premium.

**Virginia Specific:**

NCCI recommends that Virginia update the Scope descriptions for Codes 3726, 8709, and 8719 to reflect the update to the phraseology of Code 8720. This change is not anticipated to result in any reclassification of risk payroll or result in a change in loss cost, rate, or premium.

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—FACT SHEET (CONT'D)**

**IMPLEMENTATION**

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 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.



**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**8725 INVENTORY COUNTERS—TRAVELING—INCLUDING SALESPERSONS & CLERICAL**

Code 8725 is assigned to insureds conducting inventory counts for others. When conducting inventory counts of a company's own stock (store, warehouse, etc.), the governing code for the company must be applied.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**8803 AUDITOR, ACCOUNTANT, OR COMPUTER SYSTEM DESIGNER OR PROGRAMMER  
~~FACTORY COST OR OFFICE SYSTEMATIZER—TRAVELING.~~**

Includes insurance company premium auditors-, traveling computer system designers or programmers.

Code 8803 is applicable to traveling clerical-type employees who augment the staff of risks that provide accounting, auditing, computer programming, or related clerical services for their clients. Employees assigned to Code 8803 perform clerical work when they arrive at a client's location, but because of the combined exposure of traveling and clerical work, Code 8803 is assigned to their payrolls in lieu of the available clerical classifications. Once at the location, their work must be of a clerical nature and be physically separated from the main operation of the site visited. Employees not meeting these criteria must be separately rated.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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8803     ~~ACCOUNTANT, AUDITOR OR FACTORY COST OR OFFICE SYSTEMATIZER—TRAVELING~~

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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8803 ~~FACTORY COST OR OFFICE SYSTEMATIZER, ACCOUNTANT OR AUDITOR—TRAVELING—~~  
~~Includes insurance company premium auditors.~~

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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8803     ~~OFFICE OR FACTORY COST SYSTEMATIZER, ACCOUNTANT OR AUDITOR—TRAVELING~~

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

~~COMPUTER~~

- 4150 ~~Chip Mfg.~~
- 5191 ~~Device Installation, Inspection, Service, or Repair. Includes shop operations. Computer mfg. to be separately rated.~~
- ~~System Designers or Programmers:~~
  - 8810 ~~Exclusively Office~~
  - 8803 ~~Traveling~~

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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4150      **COMPUTER—CHIP MFG.**

**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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**5191**    **COMPUTER—DEVICE INSTALLATION, INSPECTION, SERVICE, OR REPAIR**  
Includes shop operations. Computer mfg. to be separately rated.



**ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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**8810      COMPUTER—SYSTEM DESIGNERS OR PROGRAMMERS—EXCLUSIVELY OFFICE**

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**~~BOILER~~**

- 8720     ~~Inspection~~
- 3726●   ~~Installation or Repair—Steam.~~ Includes the construction or repair of foundations.
- 3726●   ~~Sealing.~~ Shall not be assigned at a single job or location to a risk engaged in operations described by another classification.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

- 3726• BOILER—INSTALLATION OR REPAIR—STEAM**  
Includes the construction or repair of foundations.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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**3726• BOILER—SCALING**

Shall not be assigned at a single job or location to a risk engaged in operations described by another classification.

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~~ELEVATOR~~

5160• ~~ELEVATOR~~—ERECTION OR REPAIR

8720 ~~Inspecting~~

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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CLASSIFICATIONS**

**8720 INSPECTION OF RISKS FOR INSURANCE OR VALUATION PURPOSES NOC**  
Includes boiler or elevator inspecting and, marine appraiser or surveyor.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS  
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8720     ~~MARINE APPRAISER OR SURVEYOR~~

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EXHIBIT 4

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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**
9059	<del>AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA</del>	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA	D	2
8602	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV		D	2
8603	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV		C	2
8725	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV		E	3
8605	<del>OK</del>	OK	E	3
9064	<del>AK, ID, MT, OR</del>	AK, ID, MT, OR	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.