



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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BILL HASLAM
GOVERNOR

JULIE MIX McPEAK
COMMISSIONER

January 14, 2014

Honorable David Lillard, Jr., Chair
Tennessee Workers' Compensation Advisory Council
Treasurer, State of Tennessee
State Capitol, First Floor
Nashville, TN 37243-0225

Dear Chairman Lillard:

Tenn. Code Ann. §50-6-402(d) requires that the Commissioner of Commerce and Insurance report to the Workers' Compensation Advisory Council regarding all workers' compensation filings made by the designated rate service organization and received by this Department.

Attached to this letter, please find a summary of all NCCI filings made in Tennessee for the period October 1, 2013 through December 31, 2013. This Department appreciates the role that the Workers' Compensation Advisory Council provides in the area of workers' compensation regulation.

Should you or any member have questions or comments concerning this report, please do not hesitate in contacting me or a member of my staff.

Sincerely,

Julie Mix McPeak
Commissioner

JMM/ms

NCCI Filing Activity Report:

Summary as of December 31, 2013

(includes filings received October 1, 2013 and later)

1. Item U-1399 Revisions to Statistical Plan for Workers' Compensation and Employers Liability Insurance —

Filed: October 14, 2013

Proposed Effective Date: October 1, 2014

Status: Approved October 21, 2013

Summary of Filing (see copy of Filing Memorandum for more details)

The purpose of this item was to update Pension Tables in NCCI's Statistical Plan for Workers' Compensation and Employers Liability Insurance (Statistical Plan) using updated data for life expectancies and remarriage rates. Additionally, this item included several reporting clarifications and maintenance updates to enhance the rules of NCCI's Statistical Plan.

2. Item B-1427 Revisions to Basic Manual Classifications and Appendix E – Classifications by Hazard Group

Filed: December 19, 2013

Proposed Effective Date: March 1, 2015

Status: Approved December 20, 2013

Summary of Filing (see copy of Filing Memorandum and Exhibits for more details)

This item proposed to make classification changes involving the scrap metal dealer and sheet metal industries.

With respects to **sheet metal dealers**, the phraseology note of Code 8263 – Junk Dealer & Dealers - is being revised to add a reference to Code 8500 pertaining to the sale of nonferrous scrap metals, and revision is being made to the reference to Code 8265 for primary sales of ferrous scrap metals. In addition, the phraseology note for Code 8500 – Metal Scrap Dealer & Drivers - is being revised to remove constricting language pertaining to the collection or handling of scrap iron or steel.

Impact

Modifications were not proposed in the loss costs for Code 8263 or 8500. Employing current industry data sources, a determination could not be made as to the amount of payroll transferred from Code 8263 to newly defined Code 8500. The impact to individual policyholders is dependent upon the amount of payroll, if any, that transfers to redefined code 8263 into redefined code 8500, coupled with the new class code's associated loss cost.

With respects to **sheet metal shops**, this filing:

1. discontinues Code 3069 – Sheet Metal Products Manufacturing, in addition to related phraseologies and reassigns such operations to Code 3076.
2. the crossed reference phraseology under Code 3069 is being replaced by a new cross-reference phraseology for Awning Manufacturing – Metal under Code 3076.
3. further revises the phraseology of Code 3076 – Sheet Metal Products Manufacturing to drop the reference to “Shop Only” and stipulate that erection, installation, or repair is to be separately rated.
4. amends the phraseology note of Code 5535 to stipulate that the manufacturing of sheet metal products in shop is to be separately rated and eliminates the reference to Code 3069.
5. revises Appendix E (Table of Classifications by Hazard Group) showing that Code 3069 is discontinued, while amending the assignment of Code 3076 from Hazard Group B to Hazard Group C.

Impact

Data from discontinued Code 3069 will be reallocated to Code 3076, and the loss cost for Code 3076 will be constructed on the combined historical data of Code 3069 and Code 3076. Based upon the latest experience filing, NCCI tested the filing to determine if there was a need for a transition program. Their review revealed that no transition program was required.

FILING MEMORANDUM

ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

PURPOSE

The purpose of this item is to update the Pension Tables in NCCI's *Statistical Plan for Workers Compensation and Employers Liability Insurance (Statistical Plan)* using updated data for life expectancies and remarriage rates.

Additionally, this item includes several reporting clarifications and maintenance updates to enhance the rules of NCCI's *Statistical Plan*.

BACKGROUND

Pension Tables

The *Statistical Plan* requires the reporting of incurred indemnity amounts on claims with lifetime benefits that reflect a case reserve based on the annuity values contained in the Pension Tables. These tables are used to determine the present value of expected lifetime benefit payments associated with death and permanent total injuries.

All of the tables use a 3.5% interest rate. The lifetime benefits pension tables (e.g., permanent total injuries) allow for a selection of the gender of the injured worker, because the life expectancy for males is different than that for females. The surviving spouse pension tables (fatal injuries) assume the survivor is female and includes the probability of remarriage. Both the lifetime benefits and surviving spouse pension tables provide annuity values for different benefit escalation rates.

The Pension Tables currently in the *Statistical Plan* are based on two sources to reflect life expectancies and remarriage rates. The source used for the life expectancies is the 1999 United States Life Tables from the National Center for Health Statistics (US Department of Health & Human Services). These tables are unabridged (no grouping of ages) and provide values up to age 100. The source for the remarriage rates is the 1980 US Railroad Retirement Board Remarriage Table.

To keep the Pension Tables reflective of changing conditions with respect to life expectancies and remarriage rates, NCCI periodically evaluates the Pension Tables for updates.

Reporting Clarifications and Maintenance Items

NCCI's *Statistical Plan* provides rules for reporting unit statistical data in NCCI states. On an ongoing basis, NCCI identifies opportunities for improvements and the implementation of reporting rule enhancements. This process ensures that the manual provides clear data reporting instructions. As a result of this process, national and state-specific rules need to be updated.

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FILING MEMORANDUM

ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

PROPOSAL

Pension Tables

NCCI proposes to replace the current Pension Tables with revised Pension Tables (Exhibit 29) that contain updated data for life expectancies and remarriage rates. These replacement tables incorporate updated mortality figures, differences in mortality due to gender, and likelihood of remarriage. These changes are proposed to be effective for all claims valued as of October 2014 and subsequent.

The revised Pension Tables utilize updated source data as follows:

- Life expectancies from the 2007 United States Life Tables, produced by the US Department of Health & Human Services. The 2007 United States Life Tables are based on the US Census Tables, currently the most comprehensive source of life expectancies data.
- Remarriage rates from the 1997 US Railroad Retirement Board Remarriage Table. This source is based on countrywide data and reflects the most current data available.

Additionally, NCCI proposes the following revisions related to the Pension Tables:

- Pension Tables references in Part 4 (Exhibit 8)
- Table usage and reporting rules in Part 7 (Exhibit 29)
- Pension Table examples in Part 7 (Exhibit 29)
- Nevada Tables reflecting a 2.3% Cost of Living Adjustment (Exhibit 29—Tables III-M-E and III-F-E)

Reporting Clarifications and Maintenance Items

NCCI proposes the following manual revisions for policies effective October 1, 2014, and subsequent:

Topic	Part
Single and Multistate Policies	Part 1-H-2
Statistical Code 9077F Exposure Act and Loss Conditions Act	Part 1-S
Statistical Codes That Require Both Exposure and Any Losses	<ul style="list-style-type: none">• Part 3-F• Part 4-E-1-f(2)(b)
Increased Limits Statistical Code Usage	Part 3-X
Portion of a Claim That Is Fraudulent	Part 4-A-1-c(1)(b)
Portion of a Claim That Is Noncompensable	Part 4-A-1-d(3)

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ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND
 EMPLOYERS LIABILITY INSURANCE

Topic	Part
Claimant Attorney Fees	<ul style="list-style-type: none"> • Part 4-D-1-a • Part 4-D-1-b • Part 4-E-3-b
Accident Date	Part 4-E-1-d
Claims With Multiple Coverages or Benefits	Part 4-F
Volunteer Firefighter—Head Count	Part 3-F-2-d
Correction Reports	<ul style="list-style-type: none"> • Part 5-A-3 • Part 5-A-4 • Part 5-A-5
Grouped Claims	<ul style="list-style-type: none"> • Part 4-E-1-h • Part 4-E-1-j • Part 6-J • Part 6-O
New Hampshire Lump-Sum Amounts	<ul style="list-style-type: none"> • Part 4-E-1-i(1) • Part 5-A-1
Oregon Reporting of Incidental Foundry Abrasive or Sandblasting Data	Part 1-P

Revisions to state-specific rules are described in the Exhibit Comments and Implementation Summary section of this item.

IMPACT

Pension Tables

The impact of updating the Pension Tables varies by age and gender for the new life expectancies and remarriage rates.

- **Life Expectancies**—The data indicates that people are living slightly longer than they did in the past.
- **Remarriage Rates**—The updated remarriage rates are generally lower than those used previously. The net impact of these changes on total losses is negligible.

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ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE

Reporting Clarifications and Maintenance

There will be minimum premium impact as a result of the changes made by this item. As part of NCCI's continuing effort to simplify and clarify manual rules, it is anticipated that these changes will enhance the understanding of the rules in the *Statistical Plan* and provide further direction for reporting unit statistical data.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

In order to implement this item, the attached exhibits detail the changes required in NCCI's *Statistical Plan*.

In all states, except Hawaii, this item is to be effective at 12:01 a.m. on October 1, 2014, for new and renewal voluntary and assigned risk policies, except for Exhibit 29. Exhibit 29 is to be effective for all claims valued as of October 2014 and subsequent.

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

Exhibit	Exhibit Comments
1	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 1-H-2 • Refer to Exhibit 30 for the proposed discontinuation of the FL State Exception
2	<ul style="list-style-type: none"> • Includes the proposed national addition of Part 1-S • Refer to Exhibit 30 for the proposed revision to the VA State Exception
3	Includes the proposed national revisions to Parts 3-F and 3-F-1
4	Includes the proposed national revisions to Part 3-F-2-a
5	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 3-F-2-c (N/A OR) • Refer to Exhibit 31 for the proposed addition of the OR State Exceptions for Parts 3-F-2-c(1) and 3-F-2-c(3)
6	<ul style="list-style-type: none"> • Includes the proposed national discontinuation of Part 3-F-2-d • Refer to Exhibit 30 for the proposed discontinuation of the AZ State Exception • Refer to Exhibit 30 for the proposed revisions to the CT State Exception • Refer to Exhibit 31 for the proposed discontinuation of the FL State Exception • Refer to Exhibit 30 for the proposed revisions to the KS State Exception • Refer to Exhibit 30 for the proposed revisions to the MT State Exception • Refer to Exhibit 30 for the proposed revisions to the NH State Exception • Refer to Exhibit 32 for the proposed discontinuation of the OR State Exception

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**ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND
 EMPLOYERS LIABILITY INSURANCE**

Exhibit	Exhibit Comments
7	<ul style="list-style-type: none"> • Includes the proposed national addition of Part 3-X (N/A FL) • Refer to Exhibit 32 for the proposed addition of the FL State Exception
8	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 4-A-1 • Refer to Exhibits 33 and 34 for the proposed revisions to the FL State Exception for Parts 4-A-1-c and 4-A-1-d • Refer to Exhibit 30 for the proposed revisions to the MO State Exception for Part 4-A-1-d
9	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 4-B-1 • Includes the proposed national revisions to Part 4-B-2
10	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 4-C-1 • Includes the proposed national revisions to Part 4-C-2
11	Includes the proposed national revisions to Part 4-D-1-a
12	Includes the proposed national revisions to Part 4-D-1-b
13	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 4-E-1-d • Refer to Exhibit 35 for the proposed discontinuation of the FL State Exception
14	Includes the proposed national revisions to Part 4-E-1-f(2)(b)
15	Includes the proposed national revisions to Part 4-E-1-g(3)(a)
16	Includes the proposed national revisions to Part 4-E-1-g(3)(b)
17	Includes the proposed national revisions to Part 4-E-1-g(3)(j)3
18	Includes the proposed national revisions to Part 4-E-1-h
19	Includes the proposed national revisions to Part 4-E-1-j
20	<ul style="list-style-type: none"> • Includes the proposed national revisions to Part 4-E-3-b (N/A FL) • Refer to Exhibit 39 for the proposed revisions to the FL State Exception
21	Includes the proposed national revisions to Part 4-F
22	Includes the proposed national discontinuation of Part 5-A-3

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**ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND
 EMPLOYERS LIABILITY INSURANCE**

Exhibit	Exhibit Comments
23	<ul style="list-style-type: none"> • Includes the proposed national discontinuation of Part 5-A-4 • Refer to Exhibit 41 for the proposed discontinuation of the FL State Exception • Refer to Exhibit 30 for the proposed discontinuation of the GA State Exception • Refer to Exhibit 30 for the proposed discontinuation of the LA State Exception • Refer to Exhibit 33 for the proposed discontinuation of the NH State Exception • Refer to Exhibit 33 for the proposed discontinuation of the OR State Exception • Refer to Exhibit 30 for the proposed discontinuation of the SC State Exception
24	<ul style="list-style-type: none"> • Includes the proposed national discontinuation of Part 5-A-5 • Refer to Exhibit 42 for the proposed discontinuation of the FL State Exception • Refer to Exhibit 31 for the proposed discontinuation of the GA State Exception • Refer to Exhibit 30 for the proposed discontinuation of the NV State Exception • Refer to Exhibit 34 for the proposed discontinuation of the OR State Exception • Refer to Exhibit 30 for the proposed discontinuation of the WV State Exception
25	Includes the proposed national revisions to Part 6-H-1
26	Includes the proposed national revisions to Part 6-H-3
27	Includes the proposed national revisions to Part 6-J
28	Includes the proposed national revisions to Part 6-O
29	Includes the proposed national revisions to Part 7
30	<ul style="list-style-type: none"> • Includes the proposed discontinuation of the AZ State Exception for Part 3-F-2-d • Includes the proposed revision to the CT State Exception for Part 3-F-2 • Includes the proposed discontinuation of the FL State Exception for Part 1-H-2 • Includes the proposed discontinuation of the GA State Exceptions for Parts 5-A-4-a and 5-A-4-b • Includes the proposed discontinuation of the IL State Exception for Part 3-F-2-e • Includes the proposed discontinuation of the IN State Exception for Part 3-F-2-e • Includes the proposed revisions to the KS State Exception for Part 3-F-2-d

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**ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND
 EMPLOYERS LIABILITY INSURANCE**

Exhibit	Exhibit Comments
	<ul style="list-style-type: none"> • Includes the proposed discontinuation of the LA State Exceptions for Parts 5-A-4-a and 5-A-4-b • Includes the proposed revisions to the MO State Exception for Part 4-A-1-d • Includes the proposed revisions to the MT State Exception for Part 3-F-2 • Includes the proposed discontinuation of the NV State Exception for Part 5-A-5 • Includes the proposed revisions to the NH State Exception for Part 3-F-2 • Includes the proposed discontinuation of the OK State Exception for Part 3-F-2-e • Includes the proposed addition of the OR State Exception for Part 1-P • Includes the proposed discontinuation of the SC State Exception for Part 5-A-4-a • Includes the proposed discontinuation of the TN State Exception for Part 3-F-2-e • Includes the proposed discontinuation of the UT State Exception for Part 3-F-2-e • Includes the proposed revision to the VA State Exception for Part 1-S • Includes the proposed discontinuation of the WV State Exception for Part 5-A-5
31	<ul style="list-style-type: none"> • Includes the proposed discontinuation of the FL State Exception for Part 3-F-2-d • Includes the proposed discontinuation of the GA State Exception for Part 5-A-5 • Includes the proposed addition of the NH State Exception for Part 4-E-1-i(1) • Includes the proposed addition of the OR State Exceptions for Parts 3-F-2-c(1) and 3-F-2-c(3)
32	<ul style="list-style-type: none"> • Includes the proposed addition of the FL State Exception for Part 3-X • Includes the proposed addition of the NH State Exception for Part 5-A-1 • Includes the proposed discontinuation of the OR State Exception for Part 3-F-2-d
33	<ul style="list-style-type: none"> • Includes the proposed revisions to the FL State Exception for Part 4-A-1-c • Includes the proposed discontinuation of the NH State Exceptions for Parts 5-A-4-a and 5-A-4-b • Includes the proposed discontinuation of the OR State Exceptions for Parts 5-A-4-b and 5-A-4-c

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ITEM U-1399—REVISIONS TO STATISTICAL PLAN FOR WORKERS COMPENSATION AND
EMPLOYERS LIABILITY INSURANCE

Exhibit	Exhibit Comments
34	<ul style="list-style-type: none">• Includes the proposed revisions to the FL State Exception for Part 4-A-1-d• Includes the proposed discontinuation of the OR State Exception for Parts 5-A-5
35	Includes the proposed discontinuation of the FL State Exception for Part 4-E-1-d
36	Includes the proposed discontinuation of the FL State Exception for Part 4-E-1-m
37	Includes the proposed revisions to the FL State Exception for Part 4-E-1-n
38	Includes the proposed addition of the FL State Exception for Part 4-E-1-o
39	Includes the proposed revisions to the FL State Exception for Part 4-E-3-b
40	Includes the proposed revisions to the FL State Exception for Part 4-E-3-c
41	Includes the proposed discontinuation of the FL State Exception for Part 5-A-4-c
42	Includes the proposed discontinuation of the FL State Exception for Part 5-A-5

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ITEM B-1427—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
 E—CLASSIFICATIONS BY HAZARD GROUP

PURPOSE

The purpose of this item is to clarify and discontinue certain classifications in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)* to reflect current business and industry needs. The industries, manuals, and states impacted by this item and the applicable exhibits are shown in the table below:

Exhibits	Fact Sheet	Exhibit #	Proposal Applicable in:
Metal Scrap Dealers	1	1	All States Except IN, VA
Sheet Metal	2	2A	All States Except FL, NE, NM, OR, VA
		2B	All States Except FL, NM, VA
		2C	All States Except FL, NE, NM, OR, VA
		2D	All States Except FL, NE, NM, VA
		2E	All States Except FL, HI, NE, NM, OR, VA
Basic Manual Appendix E—Table of Classifications by Hazard Group	2	3	All States Except FL, NE
State-Specific Exhibits	1 & 2	4	HI, IN, NE, NM, OR, VA
Two-Phase Transition Program (Applies in NM)	2	5	NM

BACKGROUND

This item includes proposals for the individual classifications identified in each exhibit, including **format and consistency-only** changes. The background information is contained in each exhibit's fact sheet, as shown in the above table.

The proposed changes have been consolidated onto single pages for display purposes only. Exhibits may display several discontinued or revised phraseologies on a single page. These phraseologies should each be viewed as individual entries or individual pieces of *Basic Manual* content.

NCCI's analysis of the classification 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 included in this item.

PROPOSAL

This item is presented in exhibits as shown in the above table. Each exhibit contains a fact sheet outlining the proposals relating to the industry in that exhibit, as well as the background and basis for the proposed

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**ITEM B-1427—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

changes, the estimated impact of the proposals, and the details of implementation. Each exhibit also contains details of the changes being proposed to the *Basic Manual*.

IMPACT

This item will foster the uniform and equitable treatment of risks within each industry. NCCI recognizes that some 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 fact sheets for each exhibit outline the potential impacts specific to each of the proposed changes.

IMPLEMENTATION

This item is applicable to new and renewal policies, and it will become effective concurrently with each state's approved rate/loss cost filing effective on and after October 1, 2014 unless otherwise noted. For example, this item will become effective October 1, 2014 for approved rate/loss cost filings that have an October 1, 2014 effective date. Similarly, this item will become effective January 1, 2015 for approved rate/loss cost filings that have a January 1, 2015 effective date, and July 1, 2015 for approved rate/loss cost filings that have a July 1, 2015 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 years' rate effective date.

Fact Sheet 2, related to sheet metal, includes a transition program for New Mexico. The details corresponding to the initiation and final implementation date of the transition program are provided in the New Mexico State-Specific Exhibits, Exhibits 4 and 5.

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

PROPOSED EFFECTIVE DATE TABLE

State	Proposed* Effective Date
Alabama	March 1, 2015
Alaska	January 1, 2015
Arizona	January 1, 2015
Arkansas	July 1, 2015
Colorado	January 1, 2015
Connecticut	January 1, 2015
District of Columbia	November 1, 2014

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ITEM B-1427—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
 E—CLASSIFICATIONS BY HAZARD GROUP

State	Proposed* Effective Date
Florida	The effective date of this item will depend on the date regulatory approval is granted. If the item is approved on or before July 1, 2014, it will become effective January 1, 2015. If it is approved after July 1, 2014, it will become effective January 1, 2016.
Georgia	March 1, 2015
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective January 1, 2015. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2015
Illinois	January 1, 2015
Indiana	January 1, 2015
Iowa	January 1, 2015
Kansas	January 1, 2015
Kentucky	October 1, 2014
Louisiana	May 1, 2015
Maine	April 1, 2015
Maryland	January 1, 2015
Mississippi	March 1, 2015
Missouri	January 1, 2015
Montana	July 1, 2015
Nebraska	February 1, 2015
Nevada	March 1, 2015
New Hampshire	January 1, 2015
New Mexico	January 1, 2015
North Carolina	April 1, 2015
Oklahoma	January 1, 2015
Oregon	January 1, 2015
Rhode Island	August 1, 2015
South Carolina	September 1, 2015

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FILING MEMORANDUM

ITEM B-1427—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
 E—CLASSIFICATIONS BY HAZARD GROUP

State	Proposed* Effective Date
South Dakota	July 1, 2015
Tennessee	March 1, 2015
Utah	December 1, 2014
Vermont	April 1, 2015
Virginia	April 1, 2015
West Virginia	November 1, 2014

* Subject to change

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

In order to implement this item, the attached exhibits detail the required changes.

Exhibit	Exhibit Comments	Implementation Summary
1	Details the proposed revisions to national phraseologies for Metal Scrap Dealers. Refer to Fact Sheet 1 for background, proposal, and impact.	Revises the <i>Basic Manual</i> .
2A — 2E	Details the proposed revisions to national phraseologies for Sheet Metal. Refer to Fact Sheet 2 for background, proposal, and impact.	
3	Details the proposed revisions to Appendix E. Refer to Fact Sheet 2 for background, proposal, and impact.	
4	Details the proposed revisions to state special phraseologies for HI, IN, NE, NM, OR, and VA. Refer to Fact Sheets 1 and 2, as applicable, for background, proposal, and impact.	
5	Details the proposed two-phase transition program applicable in New Mexico.	Outlines the implementation of the loss costs/rates and rating values for Code 3069 and Code 3076 in New Mexico.

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**ITEM B-1427—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

EXHIBIT 1—FACT SHEET

METAL SCRAP DEALERS

PURPOSE

The focus of the proposed changes for this industry is to discontinue the “no collecting or handling of scrap iron or steel” restriction in Code 8500—Metal Scrap Dealer & Drivers.

BACKGROUND

Code 8500—Metal Scrap Dealer & Drivers is assigned to businesses primarily engaged in the collection and reduction of nonferrous scrap metals; the collection or handling of scrap iron or steel, also known as ferrous metals, is not currently permitted under this code. Under current classification procedures, a business that primarily collects or handles ferrous scrap metals is assigned to Code 8265—Iron or Steel—Scrap Dealer & Drivers, and a business that collects or handles a miscellaneous line of secondhand materials, including nonferrous and ferrous scrap metals, is appropriately assigned to Code 8263—Junk Dealer & Drivers.

Under the current classification treatment, businesses primarily engaged in the collection and reduction of nonferrous scrap metals but handling some scrap iron or steel are classified to Code 8263. Such businesses do not qualify for Code 8265 because they do not primarily collect or handle ferrous scrap metal. Despite primarily handling nonferrous scrap metals, these businesses do not qualify for Code 8500 because they handle some scrap iron or steel, which is not uncommon for metal scrap dealers. Code 8263 is applicable because they are handling a miscellaneous line of materials including both nonferrous and ferrous scrap metals.

PROPOSAL

1. Revise the phraseology note of Code 8263—Junk Dealer & Drivers to add a reference to Code 8500 for operations whose principal type of merchandise sold is nonferrous scrap metals and revise the reference to Code 8265 for operations whose principal type of merchandise sold is ferrous scrap metals.
2. Revise the phraseology note of Code 8500—Metal Scrap Dealer & Drivers to remove the restrictive language regarding the collection or handling of scrap iron or steel.

IMPACT

No modification is proposed to the loss cost/rate for Code 8263 or Code 8500. It is possible that some payroll from Code 8263 could be transferred to newly defined Code 8500 because of 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 redefined Code 8263 into redefined Code 8500 as well as the associated loss cost/rate as compared to the new class code's proposed loss cost/rate.

STATE-SPECIFIC PROPOSALS AND IMPACTS

Indiana Proposal:

NCCI recommends that Indiana discontinue the following state special phraseologies for Code 8263 and Code 8500 because the proposed national treatment is consistent with the current Indiana treatment:

- Code 8263—Junk Dealer and Drivers
- Code 8500—Metal Scrap Dealer & Drivers

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EXHIBIT 1—FACT SHEET (CONT'D)

Indiana Impact:

The proposed national treatment for Code 8263 and Code 8500 is consistent with the current Indiana state special treatment. Therefore, no premium impact is expected for these changes in Indiana.

Virginia Proposal:

NCCI recommends that Virginia adopt the proposed national treatment for Code 8263 and Code 8500. Accordingly, the Virginia Special Classifications in NCCI's *Basic Manual* will be reformatted and updated for the following codes:

- Code 8263—Junk Dealer & Drivers
- Code 8265—Iron or Steel Scrap Dealer & Drivers
- Code 8500—Metal Scrap Dealer & Drivers

Virginia Impact:

The premium impact in Virginia is equivalent to the impact determined by the proposed national treatment of Code 8263 and Code 8500. The proposed updates to the Virginia Special Classifications in NCCI's *Basic Manual* descriptions are not expected to have an additional premium impact.

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EXHIBIT 2—FACT SHEET

SHEET METAL

PURPOSE

The focus of the proposed changes for this industry is to update the classification treatment for sheet metal shops that also perform installation operations.

BACKGROUND

Item B-1397—Revisions to Basic Manual Classifications and Rules, revised the classification treatment for sheet metal manufacturing and installation operations based on NCCI's review of the sheet metal industry. Prior to the effective date of Item B-1397, there were three classification codes assigned to the industry:

- Code 3066—Sheet Metal Work—Shop
- Code 3076—Fireproof Equipment Mfg.
- Code 5538—Sheet Metal Work—Shop and Outside—NOC & Drivers

As a result of Item B-1397:

- NCCI discontinued Code 3066 and reassigned this exposure to newly defined Code 3076—Sheet Metal Products Mfg.—Shop Only.
- The new loss cost for Code 3076 was determined from the combined data of both Code 3066 and Code 3076.
- Code 5538 was discontinued and risks in this code were reassigned to two new national codes: Code 3069—Sheet Metal Products Mfg. and Code 5535—Sheet Metal Work—Installation & Drivers.
- Code 3069 is assigned to the manufacturing of sheet metal products previously assigned to Code 5538.
- Code 5535 is assigned to the installation of sheet metal products previously assigned to Code 5538.
- The loss costs for both Code 3069 and Code 5535 were based on the historical data reported under Code 5538 until the new codes developed their own experience. This method of establishing the loss costs for these new codes allowed for minimal impact on policyholders and assisted in determining the proper loss costs based on experience of all risks with payroll and loss experience assigned to Code 3069 and Code 5535.

Therefore, risks that manufacture and/or install sheet metal products are classified as follows:

- A risk that both manufactures and installs sheet metal products is classified to national Code 3069—Sheet Metal Products Mfg. and national Code 5535—Sheet Metal Work—Installation & Drivers. A division of payroll is permitted between both codes.
- A risk that only manufactures sheet metal products is classified to national Code 3076—Sheet Metal Products Mfg.—Shop Only.
- A risk that only erects, installs, or repairs sheet metal products is classified to Code 5535.

Recently, NCCI conducted a follow-up review of the sheet metal industry and determined that the following proposal is now appropriate.

PROPOSAL

1. Discontinue Code 3069—Sheet Metal Products Mfg. and all associated phraseologies and reassign these operations to Code 3076.
2. Create a new cross-reference phraseology for Awning Mfg.—Metal under Code 3076 to replace the one being discontinued under Code 3069.
3. Revise the phraseology of Code 3076—Sheet Metal Products Mfg. to remove the reference to "Shop Only" and specify that erection, installation, or repair is to be separately rated.

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EXHIBIT 2—FACT SHEET (CONT'D)

4. Revise the phraseology note of Code 5535 to specify that the manufacturing of sheet metal products at a shop is to be separately rated and remove the reference to Code 3069.
5. Revise Appendix E—Table of Classifications by Hazard Group to show Code 3069 being discontinued and to revise the assignment of Code 3076 from Hazard Group B to C.

IMPACT

Experience from Code 3069 will be reassigned to Code 3076, and the loss cost/rate for Code 3076 will be based on the combined historical data of Code 3069 and Code 3076. NCCI conducted a review using the latest approved experience filing to determine the need for a transition program to minimize the premium impact of this proposed change. Based on the result of this review, no transition is being proposed nationally. Rating values will be calculated according to the standard procedure.

STATE-SPECIFIC PROPOSALS AND IMPACTS

Hawaii Proposal:

Hawaii has a state special for the following phraseology under Code 5535:

- Sheet Metal Work—Installation & Drivers

The note for this phraseology specifically includes sheet metal roofing. NCCI recommends that Hawaii maintain this state special but revise it to stipulate that the manufacturing of sheet metal products at a shop is to be separately rated.

NCCI recommends that Hawaii adopt all other national proposals.

Hawaii Impact:

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

Nebraska Proposal:

NCCI recommends that Nebraska discontinue the following state special phraseologies for Code 3076 and Code 5535 because the proposed national treatment is consistent with the current Nebraska treatment:

- Code 3076—Sheet Metal Products Mfg.
- Code 5535—Awning Erection—Metal—Erection of Metal Awnings Exclusively & Drivers
- Code 5535—Metal Ceiling or Wall Covering Installation & Drivers
- Code 5535—Sheet Metal Work—Installation & Drivers

Nebraska Impact:

The proposed national treatment for Code 3076 and Code 5535 is consistent with the current Nebraska state special treatment. Therefore, no premium impact is expected for these changes in Nebraska.

New Mexico Proposal:

NCCI recommends that New Mexico adopt the national proposal, and that New Mexico implement a two-phase transition program.

New Mexico Impact:

NCCI conducted a review using the latest approved experience filing to determine the need for a loss cost transition program to minimize the impact of this proposed change. Based on the result of this review, a two-phase transition is being proposed for New Mexico. Using a transition program will help minimize the impact to individual risk premium charges. Rating values will be calculated according to the standard procedure. The overall statewide impact of this change is expected to be negligible.

**ITEM B-1427—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
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EXHIBIT 2—FACT SHEET (CONT'D)

Oregon Proposal:

NCCI recommends that Oregon discontinue the following state special phraseology under Code 3076 because the proposed national revisions are consistent with the current Oregon treatment:

- Code 3076—Sheet Metal Products Mfg.

In addition, NCCI recommends that Oregon maintain the following state special phraseology: Code 5535—Sheet Metal Work—Installation & Drivers. This Oregon state special is consistent with the proposed national changes regarding the use of Code 5535 and Code 3076; however, the Oregon state special also includes language regarding Code 5102 and sheet metal awnings that is not included in the national treatment.

NCCI recommends that Oregon adopt all other national proposals.

Oregon Impact:

The proposed national treatment for Code 3076 is consistent with the current Oregon state special treatment. Therefore, no premium impact is expected for this change in Oregon.

Virginia Proposal:

NCCI recommends that Virginia adopt the proposed national treatment. Accordingly, the Virginia Special Classifications in NCCI's *Basic Manual* will be reformatted and updated for these codes:

- Code 3069—Sheet Metal Products Mfg.
- Code 3076—Sheet Metal Products Mfg.—Shop Only
- Code 3400—Metal Stamped Goods Mfg. NOC
- Code 5146—Furniture or Fixtures Installation—Portable—NOC
- Code 5535—Sheet Metal Work—Installation & Drivers
- Code 5537—Heating, Ventilation, Air-Conditioning, and Refrigeration Systems—Installation, Service and Repair, Shop, Yard & Drivers

Virginia Impact:

The premium impact in Virginia is equivalent to the impact determined by the proposed national treatment of this item. The proposed updates to the Virginia Special Classifications in NCCI's *Basic Manual* descriptions are not expected to have an additional premium impact.