

State: Indiana **Filing Company:** Indiana Compensation Rating Bureau
TOI/Sub-TOI: 16.0 Workers Compensation/16.0002 Employers Liability WC
Product Name: B-1439
Project Name/Number: Revisions to Basic Manual Classifications & Appendix E including Construction Salespersons & Estimators/B-1439

Filing at a Glance

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State: Indiana
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Author(s): Robin Eleson
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Disposition Date: 11/27/2019
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State: Indiana **Filing Company:** Indiana Compensation Rating Bureau
TOI/Sub-TOI: 16.0 Workers Compensation/16.0002 Employers Liability WC
Product Name: B-1439
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General Information

Project Name: Revisions to Basic Manual Classifications & Appendix E including Construction Salespersons & Estimators
 Project Number: B-1439
 Reference Organization:
 Reference Title:
 Filing Status Changed: 11/27/2019
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 Created By: Robin Eleson
 Corresponding Filing Tracking Number:

Status of Filing in Domicile: Pending
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 Reference Number:
 Advisory Org. Circular: NCCI Circular CIF-2019-36
 Company Status Changed:
 Deemer Date:
 Submitted By: Robin Eleson

Filing Description:

The item proposes the following for NCCI's Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual):

- Eliminate national and state special classifications with low credibility
- Establish a classification treatment for construction job site salespersons and estimators

Company and Contact

Filing Contact Information

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Filing Company Information

Indiana Compensation Rating Bureau	CoCode:	State of Domicile: Indiana
5920 Castleway W Dr	Group Code:	Company Type: Rating Organization
Indianapolis, IN 46250	Group Name: ICRB	State ID Number:
(317) 842-2800 ext. 301[Phone]	FEIN Number: 35-0837318	

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 Fee Amount: \$35.00
 Retaliatory? No
 Fee Explanation:
 Per Company: Yes

Company	Amount	Date Processed	Transaction #
Indiana Compensation Rating Bureau	\$35.00	11/26/2019	170426482

State: Indiana Filing Company: Indiana Compensation Rating Bureau
TOI/Sub-TOI: 16.0 Workers Compensation/16.0002 Employers Liability WC
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Jene' Bastian	11/27/2019	11/27/2019

State: Indiana Filing Company: Indiana Compensation Rating Bureau
TOI/Sub-TOI: 16.0 Workers Compensation/16.0002 Employers Liability WC
Product Name: B-1439
Project Name/Number: Revisions to Basic Manual Classifications & Appendix E including Construction Salespersons & Estimators/B-1439

Disposition

Disposition Date: 11/27/2019

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	80 Filing Description/Cover Letter/NAIC Transmittal		Yes
Supporting Document	Third Party Filers		Yes
Supporting Document	B-1439 Filing Memorandum		Yes

SERFF Tracking #:

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State Tracking #:

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B-1439

State:

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16.0 Workers Compensation/16.0002 Employers Liability WC

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Revisions to Basic Manual Classifications & Appendix E including Construction Salespersons & Estimators/B-1439

Supporting Document Schedules

Satisfied - Item:	80 Filing Description/Cover Letter/NAIC Transmittal
Comments:	Item B-1439 - Revisions to Basic Manual Classification & Appendix E, including Construction Salespersons & Estimators
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Third Party Filers
Comments:	Per IC 27-7-2-3 through IC 27-7-2-4, the Bureau has Statutory Authority to file rates, rules, plans and forms on behalf of all workers compensation insurance companies in Indiana.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	B-1439 Filing Memorandum
Comments:	
Attachment(s):	B-1439.pdf
Item Status:	
Status Date:	

FILING MEMORANDUM

ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E, INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS

PURPOSE

The item proposes the following for NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*:

- Eliminate national and state special classifications with low credibility
- Establish a classification treatment for construction job site salespersons and estimators

BACKGROUND

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

This item also revises the classification treatment of construction job site salespersons and estimators.

In addition, this item includes proposals for the individual classifications identified in each exhibit, including format changes and consistency-only changes, where applicable.

PROPOSAL

Classifications With Low Credibility to Be Eliminated

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

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

NCCI reviewed the credibility for all classifications based on the latest policy periods used for ratemaking in NCCI's 2018 loss cost and rate filing cycle. As a result of this review, NCCI identified some classifications that have state credibility of 25% or less in a majority of NCCI states. NCCI considers these classifications to have low credibility.

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

- The amount of payroll in the classifications.

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ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E, INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS

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

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

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

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

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

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

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

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

Construction Job Site Salespersons and Estimators

Job site salespersons and estimators for construction operations such as roofing, carpentry, electrical wiring, and insulation may be exposed to some of the hazards of these construction operations. This would include accessing confined spaces, using ladders, and inspecting electrical circuits and circuit-breaker boxes. In some cases, such as roofing, the construction job site salesperson or estimator is currently assigned to the roofing code if they access the roof as part of their sales assessment. This recommended item will provide a consistent and clear assignment of these employees.

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Fact Sheet 3 explains the establishment of and revisions to classifications that address construction job site salespersons and estimators.

PROPOSAL

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

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

IMPACT

This item will support the uniform and equitable treatment of employers 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 employers. Additionally, some of the proposed changes will have a loss cost/rate impact. The fact sheet for each exhibit details 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 concurrent with each state's approved loss cost/rate filing effective on and after October 1, 2020, unless otherwise noted. For example, this item will become effective **January 1, 2021**, for approved loss cost/rate filings that have a **January 1, 2021** effective date. If there is no loss cost/rate filing for a state in a given year, this item will take effect on that state's regular loss cost/rate effective date. The regular loss cost/rate effective date is the anniversary date of the state's previous year's loss cost/rate effective date.

Transition Programs

The proposals related to Fact Sheet 1, National Classifications With Low Credibility to Be Eliminated, include a transition program, subject to a maximum of two phases. The details corresponding to the initiation and final implementation dates of the transition programs are provided in Exhibit 6 for the following states:

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

For the Illinois special classification with low credibility to be eliminated (Fact Sheet 2), a three-phase transition program is proposed (Exhibit 7).

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**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
 INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

Anticipated Effective Dates by State

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

State	Anticipated* Effective Date
Alabama	March 1, 2021
Alaska	January 1, 2021
Arizona	January 1, 2021
Arkansas	July 1, 2021
Colorado	January 1, 2021
Connecticut	January 1, 2021
District of Columbia	November 1, 2020
Florida	The effective date of this item will depend on the date that regulatory approval is granted. If the item is approved on or before July 1, 2020, it will become effective January 1, 2021. If it is approved after July 1, 2020, it will become effective January 1, 2022.
Georgia	March 1, 2021
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective January 1, 2021. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2021
Illinois	January 1, 2021
Indiana	January 1, 2021
Iowa	January 1, 2021
Kansas	January 1, 2021
Kentucky	October 1, 2020
Louisiana	May 1, 2021
Maine	April 1, 2021
Maryland	January 1, 2021
Mississippi	March 1, 2021

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Missouri	January 1, 2021
Montana	July 1, 2021
Nebraska	February 1, 2021
Nevada	March 1, 2021
New Hampshire	January 1, 2021
New Mexico	January 1, 2021
Oklahoma	January 1, 2021
Oregon	January 1, 2021
Rhode Island	August 1, 2021
South Carolina	April 1, 2021
South Dakota	July 1, 2021
Tennessee	March 1, 2021
Texas	July 1, 2021
Utah	January 1, 2021
Vermont	April 1, 2021
Virginia	April 1, 2021
West Virginia	November 1, 2020

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

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

Exhibits		Fact Sheet	Exhibit #	Proposal Applicable in:
NCCI's <i>Basic Manual</i>	National Classifications With Low Credibility to Be Eliminated—Two-Phase Transition Program	1	1-A	All states except TX, VA
			1-B	All states except TX, VA
			5	TX, VA
	Illinois Special Classification With Low Credibility to Be Eliminated—Three-Phase Transition Program	2	2-A	IL
2-B			IL	

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**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
 INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

Exhibits	Fact Sheet	Exhibit #	Proposal Applicable in:
Construction Job Site Salespersons and Estimators	3	3-A	All states except FL
		3-B	All states
		3-C	All states except VA
		3-D	All states except TX, VA
		5	AZ, FL, NM, OK, OR, TX, VA
Appendix E—Table of Classifications by Hazard Group	1, 2	4	All states
Two-Phase Transition Program Rules	1	6	All states
Three-Phase Transition Program Rules	2	7	IL

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**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

EXHIBIT FACT SHEET 1

**NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED—TWO-PHASE
TRANSITION PROGRAM**

PURPOSE

The proposed changes in this fact sheet eliminate certain national classifications that have low credibility.

BACKGROUND

NCCI has identified some national classifications that have low credibility. Low credibility refers to classifications with insufficient premium to develop meaningful data for ratemaking purposes.

These national classifications must be eliminated and reassigned to other classifications with similar operations. The reassignment of these classifications to existing, analogous classifications will result in the use of more credible data from which to calculate loss costs and rates.

The national classifications to be eliminated are listed in the Proposal section of this fact sheet. For all states, the difference between the loss costs or rates for the eliminated classification and the proposed classification exceeds the swing limits used for ratemaking within each state. As a result, a two-phase transition program is proposed. Details of the transition program are provided in Exhibit 6.

PROPOSAL

This item proposes to:

1. Eliminate and revise national classifications as indicated in the following table and exhibits. Refer to the following table and Exhibits 5 and 6 for state-specific information.
2. Revise Appendix E—Table of Classifications by Hazard Group for applicable states to update the codes being eliminated. Refer to Exhibit 4.

National Classification to Be Eliminated	Proposed National Classification (Unless Otherwise Noted)
2683—Luggage Mfg.	2501—Luggage Mfg.
3240—Cable or Wire Rope Mfg.—Iron or Steel 3240—Wire or Cable Rope Mfg.—Iron or Steel	3257—Wire Rope or Cable Mfg.—Iron or Steel

IMPACT

NCCI conducted a review of the latest policy periods used for ratemaking in NCCI's 2018 loss cost and rate filing cycle to determine whether a transition program was needed to minimize the impact of these proposed changes. Based on the results of this review:

- Code 2683 has a two-phase transition program in all states
- Code 3240 has a two-phase transition program in all states

Where applicable, using a transition program will help minimize the impact to individual employer premium charges. Historical experience from the discontinued national codes will be reassigned to the corresponding national codes when the eliminated code maps primarily to one corresponding national code. The loss costs/rates and rating values for the national codes will be based on the combined historical data of the discontinued codes and the corresponding national codes.

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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EXHIBIT FACT SHEET 1 (CONT'D)

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

STATE-SPECIFIC PROPOSALS AND IMPACTS

Texas Proposal:

NCCI is not proposing Exhibit 1-A in Texas because the national treatment for Code 2683 does not apply in Texas.

Texas has the following state special phraseologies for Code 2683 that will be reassigned to Code 2501:

- Luggage Mfg.—Cloth or Leather
- Handbags, Purses, Tote Bags Mfg.*
- Purses, Handbags, Tote Bags Mfg.*
- Tote Bags, Handbags, Purses Mfg.*
- Fur Mfg.—From Tanned Hides
- Bag Mfg.—Luggage
- Bag Mfg.—Cloth or Leather

** To eliminate redundancy, only the first of these three phraseologies will be retained and reassigned.*

NCCI is not proposing Exhibit 1-B in Texas because Code 3240 does not apply in Texas.

Texas Impact:

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

Virginia Proposal:

NCCI recommends that Virginia adopt the treatments detailed in Exhibit 5. Refer to the table shown in the Proposal section of Fact Sheet 1 for a list of the classifications revised in Exhibit 5.

Accordingly, the Virginia Special Classifications in NCCI's **Basic Manual** must be updated to reflect the approved revisions.

Virginia Impact:

The premium impact in Virginia is expected to be the same as the proposed national treatment. The proposed updates to the Virginia Special Classifications in NCCI's **Basic Manual** descriptions are not expected to have an additional premium impact.

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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**EXHIBIT 1-A
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE
ELIMINATED—TWO-PHASE TRANSITION PROGRAM
PART TWO—CLASSIFICATIONS**

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

2683 Luggage Mfg.

Applies to the mfg. of traveling bags and hand luggage. Trunk mfg. to be separately rated as Code 2883.

2501 Luggage Mfg.

Applies to the manufacture of travel bags and hand luggage. Trunk manufacturing is separately rated to Code 2883.

ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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EXHIBIT 1-B
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE
ELIMINATED—TWO-PHASE TRANSITION PROGRAM
PART TWO—CLASSIFICATIONS

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

- 3240** ~~Gable or Wire Rope Mfg.—Iron or Steel.~~
No wire drawing. Mfg. of insulated electrical cable to be separately rated as Code 4470—Cable mfg.
- 3240** ~~Wire Rope or Cable Mfg.—Iron or Steel~~
No wire drawing.
- 3257** Wire Rope or Cable Mfg.—Iron or Steel
No wire drawing.

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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EXHIBIT FACT SHEET 3**CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS****PURPOSE**

The proposed changes in this fact sheet revise the classification treatment for construction job site salespersons and estimators.

BACKGROUND

For construction projects, a job site salesperson or estimator must determine the nature of the operations and provide a cost estimate to the client. For residential and commercial construction projects, a job site salesperson or estimator visits the actual location to inspect the property or structure, take measurements and photos, discuss the proposed work, and provide an estimate or work proposal to the property owner.

The job site estimating process exposes the salesperson or estimator to a variety of hazards, depending on the type of project. These employees may need to go onto a roof, crawl into small spaces like attics, or inspect electrical wiring panels. Different types of ladders, measuring devices, cameras, and computer tablets or laptops are used while visiting the site and completing the estimate.

The employee may complete the entire estimate while on the job site, or they may need to return to the office to do further research. They may also revisit the client to review the final estimate. In addition to job site estimating, time may be spent in an office, making appointments with prospective clients, doing territory sales research, and performing other office-related tasks.

PROPOSAL

Code 8720—Inspection of Risks for Insurance or Valuation Purposes NOC currently includes inspections on roofs and other areas of a building. NCCI views this classification as also appropriate for job site salespersons and estimators for roofing and other construction operations.

This item proposes to:

1. Revise NCCI's *Basic Manual* Rule 1-B-2-c to indicate that Code 8742 is not applicable to employees who perform job site measurements or inspections to prepare bids for a job for a construction contractor.
2. Revise NCCI's *Basic Manual* Rule 1-D-3-d to include Construction—Job Site Salespersons and Estimators. This addition to the rule will address employees who are separately rated to Code 8720, and it will indicate that a division of payroll is not permitted between Code 8720 and a construction classification at any single job site.
3. Establish a new phraseology: Code 8720—Construction—Job Site Salespersons and Estimators.
4. Revise the phraseology of Code 8742—Salespersons or Collectors—Outside to refer to Code 8720 for the assignment of construction job site salespersons and estimators.

IMPACT

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

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

STATE-SPECIFIC PROPOSALS AND IMPACTS**Arizona Proposal:**

NCCI is proposing all exhibits in Arizona.

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EXHIBIT FACT SHEET 3 (CONT'D)

NCCI proposes that Arizona eliminate its state special phraseology Code 8742—Estimators and adopt the proposed national treatment Code 8720—Construction—Job Site Salespersons and Estimators because it is a more appropriate classification for the operations and hazards involved.

Arizona Impact:

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

Florida Proposal:

NCCI is proposing all exhibits in Florida except Exhibit 3-A because Florida has an exception to Rule 1-B-2-c. NCCI proposes to revise Florida's rule exception to reflect the proposed revision to national Rule 1-B-2-c.

Florida Impact:

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

New Mexico Proposal:

NCCI is proposing all exhibits in New Mexico.

NCCI proposes that New Mexico eliminate its exception to NCCI's *Basic Manual* Rule 1-D-3-d—Construction, Erection, or Oil and Gas Field Operations and adopt the proposed national treatment because it will reflect the current New Mexico treatment.

NCCI proposes that New Mexico eliminate its state special phraseology Code 8720—Estimators—Construction and adopt the proposed national treatment Code 8720—Construction—Job Site Salespersons and Estimators because it will reflect the current New Mexico treatment.

New Mexico Impact:

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

Oklahoma Proposal:

NCCI is proposing all exhibits in Oklahoma.

NCCI proposes that Oklahoma eliminate its exception to NCCI's *Basic Manual* Rule 1-D-3-d—Construction or Erection Operations and adopt the proposed national treatment because it will reflect the current Oklahoma treatment.

NCCI proposes that Oklahoma eliminate its state special phraseology Code 8720—Estimators—Roofing and adopt the proposed national treatment Code 8720—Construction—Job Site Salespersons and Estimators because it will reflect the current Oklahoma treatment.

Oklahoma Impact:

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

Oregon Proposal:

NCCI is proposing all exhibits in Oregon.

NCCI proposes that Oregon eliminate its state special phraseology Code 8742—Estimators and adopt the proposed national treatment Code 8720—Construction—Job Site Salespersons and Estimators because it is a more appropriate classification for the operations and hazards involved.

Oregon Impact:

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

Texas Proposal:

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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EXHIBIT FACT SHEET 3 (CONT'D)

NCCI is proposing all exhibits in Texas except Exhibit 3-D because the national treatment for Code 8742 does not apply in Texas.

NCCI proposes that Texas adopt a revision to its state special phraseology 8742—Salespersons, Collectors, or Messengers—Outside for consistency with the national proposal. To eliminate redundancy, the other two phraseologies for Code 8742 will be eliminated.

Texas Impact:

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

Virginia Proposal:

NCCI recommends that Virginia adopt the proposed national treatment for Codes 8720 and 8742. Accordingly, the Virginia Special Classifications in NCCI's **Basic Manual** will be updated for the following codes:

- Code 8720—Construction—Job Site Salespersons and Estimators
- Code 8742—Salespersons or Collectors—Outside

Virginia Impact:

The premium impact in Virginia is equivalent to the impact determined by the proposed national treatment Codes 8720 and 8742. The proposed updates to the Virginia Special Classifications in NCCI's **Basic Manual** descriptions are not expected to have an additional premium impact.

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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**EXHIBIT 3-A
BASIC MANUAL—2001 EDITION
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS
RULE 1—CLASSIFICATION ASSIGNMENT
B. EXPLANATION OF CLASSIFICATIONS**

2. Standard Exception Classifications

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

c. Salespersons or Collectors—Outside (Code 8742)

- (1) This classification is assigned to employees who perform these duties away from the employer's premises.
- (2) This classification is not assigned to employees who:
 - (a) Deliver merchandise.
 - (b) Use vehicles to deliver or pick up goods, even if they collect or sell. These employees must be assigned to the classification applicable to the business for drivers.
 - (c) Use public transportation or walk to deliver goods even if they collect or sell. These employees must be assigned to the governing classification applicable to the business.
 - (d) Travel between locations of the employer as district or regional managers to perform various duties not involving outside sales or collection. *Refer to Rule 2-G—Interchange of Labor.*
 - (e) Perform job site measurements or inspections to prepare bids for a job for a construction contractor.
- (3) Code 8742 does not apply when the basic classification wording includes outside salespersons and/or collectors.

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**EXHIBIT 3-B
BASIC MANUAL—2001 EDITION
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS
RULE 1—CLASSIFICATION ASSIGNMENT
D. CLASSIFICATION PROCEDURES**

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

3. Assignment of More Than One Basic Classification

More than one basic classification may be assigned to an employer that meets conditions a, b, or c below. Operation means activities, enterprises, processes, secondary businesses or undertakings.

d. Construction, Erection, or Oil and Gas Field Operations

These operations are identified by a ● immediately following the code number.

Each distinct type of construction, erection, or oil and gas field operation must be assigned to the class that specifically describes the operation only if separate payroll records are maintained for each operation.

If separate payroll records are not maintained for any construction, erection, or oil and gas field operation, the highest rated classification that applies to the job or location where the operation is performed must be assigned.

If a construction, erection, or oil and gas field operation is included in the scope of another classification, a separate code must not be assigned.

(1) Insured Subcontractors

An insured subcontractor who performs a single type of work on a construction project or job must be classified based on the classification that describes the particular type of work involved.

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

Exception to 1-D-3-d(1) above:

All operations in conjunction with concrete construction including making and erecting forms, placing reinforcing steel and stripping forms, when done by subcontractors, must be assigned to the appropriate concrete construction classification.

(2) Uninsured Subcontractors

Uninsured subcontractors covered under the principal or general contractor's policy are classified on the basis of the classifications that would apply if the work were performed by the principal's or general contractor's own employees.

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

(3) Construction—Job Site Salespersons and Estimators

Construction job site salespersons and estimators are separately rated to Code 8720, a nonconstruction code. A division of payroll is not permitted between Code 8720 and a construction classification at any single job site. If the construction job site salesperson or estimator also performs construction duties at the same job site or supervises construction workers at the same job site, the employee's payroll at that job site must be assigned to the appropriate construction classification.

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

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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**EXHIBIT 3-C
BASIC MANUAL—2001 EDITION
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS
PART TWO—CLASSIFICATIONS**

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

8720 Construction—Job Site Salespersons and Estimators

Applies to employees who perform job site measurements or inspections to prepare bids for a job for a construction contractor. Employees who work for contractors and provide sales estimates, but do not conduct the actual construction, are also assigned to Code 8720. Employees may perform these measurements or inspections from ground level, in crawl spaces, on ladders, or on roofs. Code 8720 does not apply when the employee also performs construction duties or supervises construction workers at the same job site. In those cases, the employee's payroll at that job site must be assigned to the appropriate construction classification. A division of payroll is not permitted between Code 8720 and a construction classification at any single job site.

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
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**EXHIBIT 3-D
BASIC MANUAL—2001 EDITION
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS
PART TWO—CLASSIFICATIONS**

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

8742 Salespersons or Collectors—Outside

Subject to **Basic Manual** rules. Refer to Code 8720 for assignment of construction job site salespersons and estimators.

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EXHIBIT 4

BASIC MANUAL—2001 EDITION
APPENDIX E
CLASSIFICATIONS BY HAZARD GROUP

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

Class Code	Applies in: [±]	Discontinued in: [±]	Hazard Group A–G
2683	National, IN 10/01/2007: WV 06/01/2014: TX	<u>10/01/2021: KY</u> <u>11/01/2021: DC, WV</u> <u>01/01/2022: AK, AZ, CO, CT, FL, HI, IA, ID, IL, IN, KS, MD, MO, NH, NM, OK, OR, UT</u> <u>02/01/2022: NE</u> <u>03/01/2022: AL, GA, MS, NV, TN</u> <u>04/01/2022: ME, SC, VA, VT</u> <u>05/01/2022: LA</u> <u>07/01/2022: AR, MT, SD, TX</u> <u>08/01/2022: RI</u>	B
3240	National, IN 10/01/2007: WV	<u>TX</u> <u>10/01/2021: KY</u> <u>11/01/2021: DC, WV</u> <u>01/01/2022: AK, AZ, CO, CT, FL, HI, IA, ID, IL, IN, KS, MD, MO, NH, NM, OK, OR, UT</u> <u>02/01/2022: NE</u> <u>03/01/2022: AL, GA, MS, NV, TN</u> <u>04/01/2022: ME, SC, VA, VT</u> <u>05/01/2022: LA</u> <u>07/01/2022: AR, MT, SD</u> <u>08/01/2022: RI</u>	B
4940	IL	<u>01/01/2017: MO, OK</u> <u>01/01/2023: IL</u>	E

[±] Upon approval of this item, each state will have its state-specific effective date indicated.

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,
INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

EXHIBIT 6**TWO-PHASE TRANSITION PROGRAM RULES**

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

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

Phase 1 of the transition program will be made effective with each state's approved loss cost/rate filing effective on and after October 1, 2020, unless otherwise noted. For example, Phase 1 will become effective January 1, 2021, for approved loss cost/rate filings that have a January 1, 2021 effective date. If there is no loss cost/rate filing for a state in a given approved implementation year, Phase 1 will take effect on that state's regular loss cost/rate effective date. The regular loss cost/rate effective date is the anniversary date of the state's previous year's loss cost/rate effective date. The same rule would apply to Phase 2 in the following year.

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

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

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

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

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EXHIBIT 6

EXAMPLE OF TWO-PHASE TRANSITION PROGRAM CALCULATION

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

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

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

The following assumptions are made for this example:

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

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

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

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

Additionally, the swing limits are assumed to be plus or minus 25%. **Note:** The weight value used represents the largest possible value keeping the loss cost/rate changes within the swing limits. The weight value below is subject to a minimum of 0.50 for Phase 1 and 1.00 for Phase 2 without regard to swing limits to transition the loss costs/rates within two years.

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY						
	Weight Value	Class Code	Payroll-Weighted Loss Cost/Rate		NCCI Initially Calculated Loss Cost/Rate	Final NCCI Loss Cost/Rate
Filing Effective in Phase 1	0.57*	XXX1	(0.57 x 12.48)	+	(0.43 x 21.00)	= 16.14
		XXX2	(0.57 x 12.48)	+	(0.43 x 10.50)	= 11.63
		XXX3	(0.57 x 12.48)	+	(0.43 x 11.81)	= 12.19
Filing Effective in Phase 2	1.00	XXX1	(1.00 x 12.49)	+	(0.00 x 19.78)	= 12.49
		XXX2	(1.00 x 12.49)	+	(0.00 x 12.25)	= 12.49
		XXX3	(1.00 x 12.49)	+	(0.00 x 11.57)	= 12.49

* Refer to “Example of Two-Phase Weight Value Calculation” on the following page.

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EXHIBIT 6 (CONT'D)

EXAMPLE OF TWO-PHASE WEIGHT VALUE CALCULATION

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

Note: The weight value calculation in the following example is for illustration purposes only and is not the actual weight value calculation in use, nor does it represent the expected actual weight value calculation for the codes indicated.

In the following example, the loss costs/rates are calculated for each class code by using successively higher weight values until the largest weight value is found that keeps the loss costs/rates within the swing limits. However, depending on which phase of the transition the filing is effective, this weight value is subject to minimums **without regard to swing limits**. These minimums are 0.50 for Phase 1 and 1.00 for Phase 2. For the purposes of illustration, the codes are represented as XXX1, XXX2, and XXX3.

The following assumptions are made for this example:

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

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

Phase 1	Code XXX1		Code XXX2		Code XXX3	
Weight Value	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %
0.50	16.74	-22.1%	11.49	1.5%	12.15	10.0%
0.51	16.65	-22.5%	11.51	1.7%	12.15	10.0%
0.52	16.57	-22.9%	11.53	1.9%	12.16	10.0%
0.53	16.48	-23.3%	11.55	2.0%	12.17	10.1%
0.54	16.40	-23.7%	11.57	2.2%	12.17	10.1%
0.55	16.31	-24.1%	11.59	2.4%	12.18	10.2%
0.56	16.23	-24.5%	11.61	2.6%	12.19	10.3%
0.57	16.14	-24.9%	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						