



NOVEMBER 1, 2019

CIF-2019-36

## ITEM FILING ANNOUNCEMENT

### Countrywide—Announcement of Item B-1439—Revisions to Basic Manual Classifications and Appendix E, Including Construction Salespersons and Estimators

#### ACTION NEEDED

Please review the changes outlined in the attachment to this circular for impact on your company’s systems and procedures. Also, review the weekly *Status of Item Filings* circular for state approval of this item.

**Note:** Arkansas law does not permit NCCI to file rules and rates on its members’ behalf. Therefore, insurance carriers must make an independent filing with the Arkansas Insurance Department electing to adopt, or not adopt, an item filing filed by NCCI and subsequently approved by the Department. When such a filing is made with the Department, make sure that the NCCI item filing number (not the NCCI circular number) is referenced.

**Caution:** At the time of distribution of this circular, this filing has been filed with the regulator but is **not yet approved**. This information is provided for your convenience and analysis. Please do not use this information until the regulator has approved the filing.

#### BACKGROUND

NCCI has submitted Item B-1439—Revisions to Basic Manual Classifications and Appendix E, Including Construction Salespersons and Estimators to the appropriate state regulatory authority. This item is applicable to new and renewal policies, and is proposed to become effective concurrently with each state’s approved loss cost/rate filing effective on and after October 1, 2020.

Additionally, this item has been submitted to the independent bureaus for their consideration.

The item proposes to:

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

The following industries and codes are impacted by this item:

Industries	Codes
National Classifications With Low Credibility	2501, 2683, 3240, 3257
Soda Water Fountain or Apparatus Mfg. (IL)	3076, 4940
Construction Job Site Salespersons and Estimators	8720, 8742

Refer to the attachment for details on this item, including all state-specific treatments.

#### 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.

#### NCCI ACTION

NCCI will take the following actions for Item B-1439:

- Issue a circular notifying you when the item is approved as filed, approved with changes, disapproved, or withdrawn

- Update the weekly *Status of Item Filings* circular on **ncci.com** with the latest state status
- Publish updated pages for NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance* prior to the effective date, if approved

If you would like to subscribe to any of our manuals, please call our Customer Service Center at 800-NCCI-123 (800-622-4123).

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**PERSON TO CONTACT**

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## FILING MEMORANDUM

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

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#### **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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- 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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**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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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.

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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.

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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 2**

**ILLINOIS SPECIAL CLASSIFICATION WITH LOW CREDIBILITY TO BE  
ELIMINATED—THREE-PHASE TRANSITION PROGRAM**

**PURPOSE**

The proposed change in this fact sheet eliminates an Illinois special classification that has low credibility.

**BACKGROUND**

NCCI has identified an Illinois special classification that has low credibility. Low credibility refers to a classification with insufficient premium to develop meaningful data for ratemaking purposes.

This Illinois special classification must be eliminated and reassigned to another classification with similar operations. The reassignment of the classification to an existing, analogous classification will result in the use of more credible data from which to calculate loss costs and rates.

The Illinois special classification to be eliminated is listed in the Proposal section of this fact sheet.

**PROPOSAL**

This item proposes to:

1. Eliminate an Illinois special classification and assign the operations to a national classification as indicated in the following table and exhibits.

State	Illinois Special Classification to Be Eliminated	Proposed National Classification
IL	4940—Soda Water Fountain or Apparatus Mfg.	3076—Soda Water Fountain or Apparatus Mfg.

2. Revise Appendix E—Table of Classifications by Hazard Group for Code 4940 as appropriate. Refer to Exhibit 4.

**IMPACT**

NCCI conducted a review using the latest approved 2018 rate filing to determine the need for a transition program to minimize the impact of the proposed change. Based on the result of this review, a three-phase transition program is being proposed. Details of the transition program are provided in Exhibit 7. Historical experience from the discontinued Illinois special code will be reassigned to the corresponding national code when the transition program is complete.

The rate and rating values for the national code will be based on the combined historical data of the Illinois discontinued code and the corresponding national code. Negligible impact to overall statewide premium is expected as a result of the change.

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**EXHIBIT 2-A  
BASIC MANUAL—2001 EDITION  
FACT SHEET 2—ILLINOIS SPECIAL CLASSIFICATION WITH LOW CREDIBILITY TO BE  
ELIMINATED—THREE-PHASE TRANSITION PROGRAM  
PART TWO—CLASSIFICATIONS  
NATIONAL CLASSIFICATION TO BE APPLICABLE  
(Applies in: IL)**

**3076      Soda Water Fountain or Apparatus Mfg.**

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EXHIBIT 2-B  
BASIC MANUAL—2001 EDITION  
FACT SHEET 2—ILLINOIS SPECIAL CLASSIFICATION WITH LOW CREDIBILITY TO BE  
ELIMINATED—THREE-PHASE TRANSITION PROGRAM  
SPECIAL CLASSIFICATIONS  
(Applies in: IL)

4940      ~~Soda Water Fountain or Apparatus Mfg.~~

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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,  
INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

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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,  
INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

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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.

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

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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,  
INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

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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.

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

EXHIBIT 4

BASIC MANUAL—2001 EDITION  
APPENDIX E  
CLASSIFICATIONS BY HAZARD GROUP

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

Class Code	Applies in: <sup>±</sup>	Discontinued in: <sup>±</sup>	Hazard Group A–G
2683	National, IN <del>10/01/2007: WV</del> <del>06/01/2014: TX</del>	<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 <del>10/01/2007: WV</del>	<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	<del>IL</del>	<u>01/01/2017: MO, OK</u> <u>01/01/2023: IL</u>	E

<sup>±</sup> 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**

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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS  
SPECIAL CLASSIFICATIONS  
(Applies in: AZ)**

**8742 Estimators**

Class 8742 applies to all types of estimators, including but not limited to estimators performing measurements of inspections in crawl spaces, on ladders, or on roofs of structures in order to complete the estimation. It does not apply where the estimator has concurrent construction duties or is engaged in supervision of construction workers at the same site, in which case the appropriate construction classification applies. Also applies to employees making estimates for contractors or others, including but not limited to construction, remodeling, repair, pest control, landscaping or tree removal from residential or commercial property.



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

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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS  
FLORIDA RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
B. EXPLANATION OF CLASSIFICATIONS  
2. Standard Exception Classifications  
(Applies in: FL)**

**c. Salespersons or Collectors—Outside (Code 8742)**

Change Rule 1-B-2-c as follows:

This classification is assigned to employees who perform these duties away from the employer's premises.

This code excludes employees who:

- Deliver merchandise.
- 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.
- 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.

Code 8742 does not apply when the basic classification wording includes outside salespersons and/or collectors.

- Perform job site measurements or inspections to prepare bids for a job for a construction contractor.

**ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,  
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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS  
NEW MEXICO RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
(Applies in: NM)**

**D. CLASSIFICATION PROCEDURES**

**3. Assignment of More Than One Basic Classification**

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

Add the following to Rule 1-D-3-d:

**(3) ~~Estimators—Construction~~**

~~Construction estimators to be 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 estimator also performs construction duties at the same job site or is engaged in supervision of construction workers at the same job site, the employee's payroll at that job site must be assigned to the appropriate construction classification.~~

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

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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS  
SPECIAL CLASSIFICATIONS  
(Applies in: NM)**

**8720 Estimators—Construction**

Code 8720 applies to construction estimators who perform measurements or inspections for a construction contractor to prepare bids for a job. The estimator may perform these measurements or inspections at the job site on the ground, in crawl spaces, on ladders, or on roofs. Code 8720 does not apply where the estimator also performs construction duties at the same job site or is engaged in supervision of 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.

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

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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS  
OKLAHOMA RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
(Applies in: OK)**

**D. CLASSIFICATION PROCEDURES**

**3. Assignment of More Than One Basic Classification**

**d. Construction or Erection Operations**

Add the following to Rule 1-D-3-d:

**(3) Estimators—Roofing**

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

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

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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS  
SPECIAL CLASSIFICATIONS  
(Applies in: OK)**

**8720 Estimators—Roofing**

Code 8720 applies to roofing estimators who perform measurements or inspections for a roofing or construction contractor to prepare bids for a job. At the job site, the estimator may perform these measurements or inspections from the ground, in crawl spaces, from ladders, or on roofs. Code 8720 does not apply where the estimator also performs roofing or any other construction duties at the same job site or supervises roofing or any other 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.

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

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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION JOB SITE SALESPERSONS AND ESTIMATORS  
SPECIAL CLASSIFICATIONS  
(Applies in: OR)**

**8742 Estimators**

Code 8742 applies to all types of estimators, including but not limited to estimators performing measurements of inspections in crawl spaces, on ladders, or on roofs of structures in order to complete the estimation. It does not apply where the estimator has concurrent construction duties or is engaged in supervision of construction workers at the same site in which case the appropriate construction classification applies. Also applies to employees making estimates for contractors or others, including but not limited to construction, remodeling, repair, pest control, landscaping or tree removal from residential or commercial property.

ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,  
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EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE  
ELIMINATED—TWO-PHASE TRANSITION PROGRAM  
SPECIAL CLASSIFICATIONS  
(Applies in: TX)

~~2683~~ ~~Luggage Mfg.—Cloth or Leather~~

2501 Luggage Mfg.—Cloth or Leather

~~2683~~ ~~Handbags, Purses, Tote Bags Mfg.~~

~~2683~~ ~~Purses, Handbags, Tote Bags Mfg.~~

~~2683~~ ~~Tote Bags, Handbags, Purses Mfg.~~

2501 Handbag, Purse, and Tote Bag Mfg.

~~2683~~ ~~Fur Mfg.—From Tanned Hides~~

2501 Fur Mfg.—From Tanned Hides

~~2683~~ ~~Bag Mfg.—Cloth or Leather~~

~~Applicable to purses, handbags, tote bags, and luggage.~~

2501 Bag Mfg.—Cloth or Leather

Applies to purses, handbags, tote bags, and luggage.

~~2683~~ ~~Bag Mfg.—Luggage~~

~~Applies to the mfr. of traveling bags and hand luggage. Trunk mfg. to be separately rated as 2881.~~

2501 Bag Mfg.—Luggage

Applies to the manufacture of travel bags and hand luggage. Trunk manufacturing is separately rated to Code 2881.

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

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**EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
FACT SHEET 3—CONSTRUCTION SALES AND ON-SITE ESTIMATORS  
SPECIAL CLASSIFICATIONS  
(Applies in: TX)**

- 8742 Collectors, Messengers, or Salesperson—Outside**  
Subject to the standard exception manual rule.
- 8742 Messengers, Collectors, or Salespersons—Outside**  
Subject to the standard exception manual rule.
- 8742 Salespersons, Collectors, or Messengers—Outside**  
Subject to the standard exception manual rule. Refer to Code 8720 for assignment of construction job site salespersons and estimators.



ITEM B-1439—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E,  
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EXHIBIT 5  
BASIC MANUAL—2001 EDITION—VIRGINIA  
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE  
ELIMINATED—TWO-PHASE TRANSITION PROGRAM  
SPECIAL CLASSIFICATIONS  
(Applies in: VA)

2501

<b>Established:</b> Date Unknown	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 7, Group 070

**PHRASEOLOGY**

Clothing Manufacturing

**Description:**

Code 2501 is applied applies to employers that manufacture of a wide variety of clothing on a mass production or quantity basis. The operations involve cutting to size or pattern using hand or electric cutters, hand or machine sewing, finishing, labeling, pressing, inspecting, and packaging. The articles are produced from all types of cloth (bolts or piece goods), dressed furs, material for linings and interlinings, fasteners, belts, and trimmings manufactured by others. Fur clothing manufacturing and quilted cloth manufacturing fall within the scope of this classification.

The operations of eEmployers that manufacture silk or synthetic fabric parachutes, plastic film parachutes, and inflatable balloons have been are assigned to this classification. Plastic film, adhesive or thermoplastic tape and metal parts are received from outside sources. Parachute manufacturing encompasses sewing the fabric envelopes and shroud lines to the envelopes including the harness risers and sewing the parachute pack. In producing plastic film balloons or parachutes, the seams are sealed by applying heat to the plastic film and thermoplastic tape.

The manufacture of automobile convertible tops and seat covers is assigned to Code 2501. In the event an employer manufactures tops and seat covers or performs upholstering operations along with the manufacture of tops and/or seat covers, *Basic Manual* rules regarding the assignment of more than one classification to an employer will apply.

**Related Operations Not Classified to Code 2501:**

Certain Code 2501 operations are designated as “not otherwise classified” (NOC). These NOC operations apply to an employer only when no other classification more specifically describes the employer’s operations. The following is a representative list of operations somewhat related in nature to Code 2501 operations that are not assigned to Code 2501:

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

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**EXHIBIT 5 (CONT'D)  
BASIC MANUAL—2001 EDITION—VIRGINIA  
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE  
ELIMINATED—TWO-PHASE TRANSITION PROGRAM  
SPECIAL CLASSIFICATIONS  
(Applies in: VA)**

- 2402 Carpet or Rug Mfg. NOC
- 2503 Dressmaking or Tailoring—Custom Exclusively
- 2361 Hosiery Mfg.
- 2362 Knit Goods Mfg. NOC

**CROSS-REF.**

Cloth Printing—Silk Screen Process—Hand Printing

**Note:** Includes drying.

**Description:**

Code 2501 applies to the silk screening of individual garments, caps, etc., done by hand. This code applies to operations done by hand or through the use of a machine of a multipoint nature where a number of garments may be loaded onto the machine at the same time. This type of machine resembles an octopus or carousel and usually applies a different color at each of a number of ports around the machine to create a multicolor picture or pattern.

**Related Operations Not Classified to Code 2501:**

Code 2417 applies to the silk screening of rolls of cloth using machinery. This machinery is somewhat akin to commercial printing presses found in print shops. This code must not be assigned to an employer that performs operations described by another classification.

Code 2413 applies to the silk screening of rolls of cloth when an employer processes crude cloth into finished cloth and, as part of this process silk screens the cloth by machine. In the event an employer processes cloth but silk screens individual garments by hand, this hand silk screening operation is assigned to Code 2501, with the remainder of the cloth processing operation assigned to Code 2413.

**CROSS-REF.**

Collar Mfg.

**CROSS-REF.**

Cushion, Pillow, or Quilt Mfg.

**Note:** No mattress or box spring mfg.

**CROSS-REF.**

Doll Clothing or Cloth Dolls or Cloth Parts Mfg.

**Note:** Includes dressing of dolls.

**CROSS-REF.**

Draperies or Curtains Mfg.—From Cloth, Paper, or Plastic—Cutting and Sewing

**CROSS-REF.**

Feather or Flower Mfg.—Artificial

**Description:**

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

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**EXHIBIT 5 (CONT'D)**  
**BASIC MANUAL—2001 EDITION—VIRGINIA**  
**FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE**  
**ELIMINATED—TWO-PHASE TRANSITION PROGRAM**  
**SPECIAL CLASSIFICATIONS**  
**(Applies in: VA)**

Code 2501 is assigned to employers that manufacture artificial flowers or feathers. Crepe paper, covered paper stakes, glue, wire, silk, and synthetic yard goods are received from outside sources. Paper or fabric is cut, hand rolled, and assembled with wire to form the product. The operations generally involve a great amount of hand assembling. Employers that produce aluminum Christmas trees made from received strip aluminum are assigned to this classification.

**CROSS-REF.**

Feather Pillow Mfg.

**Note:** No mattress or box spring mfg.

**CROSS-REF.**

Fur Clothing Mfg.

**Note:** Preparation of skins to be separately rated.

**CROSS-REF.**

Furnishing Goods Mfg. NOC

**Note:** Includes wearing apparel, draperies or household furnishings from textile fabrics.

**Description:**

Code 2501 ~~is also applied~~ applies to employers that manufacture furnishing goods produced from received textile fabrics. This classification also includes the cutting and sewing of draperies or curtains made of paper or plastic, window shade manufacturing, and the manufacture of lamp shades made from parchment.

**CROSS-REF.**

Hat Mfg.

**Description:**

Code 2501 ~~is also applied~~ applies to three types of hat manufacturers. The first type of manufacturer produces men's straw hats made from braided straw stripping and Panama hat bodies received from others along with ribbons and sweatbands. The stripping is roughly sewn into crowns and brims and stitched together. The Panama hat bodies do not require sewing because they are received in semi-blocked condition. Finishing operations involve sizing, hand blocking, ironing and machine blocking in a hydraulic press. The hats are then fitted with ribbons and bands prior to packing for shipment. The second type of hat manufacturer produces men's felt hats from felt hat bodies received from others along with ribbons, sweatbands and linings. The bodies are processed by steaming, sizing, ironing, crown pouncing, curling and finally press blocking under hydraulic presses. Ribbons, sweatbands and linings are then attached, usually by hand. The third type of hat manufacturer turns out fur or wool felt bodies for millinery manufacturers or other hat finishers or finishes the hat using the same operations performed by the second type of hat manufacturer. Dressed fur (usually rabbit) is received. Different grades of fur are mixed by machine and blown through another machine similar to a picker for cleaning. A cone-forming machine produces an enlarged hat shape that is rolled, shrunk, dyed, shellacked, stiffened, stretched, blocked and dried.

Code 2501 ~~is assigned~~ applies to employers that manufacture of women's hats made from felt bodies or straw bodies along with trimmings received from others. The operations are in the nature of a finishing process. Milliners will block the felt or straw bodies to obtain the desired size and style. Then the necessary trimming

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

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**EXHIBIT 5 (CONT'D)**  
**BASIC MANUAL—2001 EDITION—VIRGINIA**  
**FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE**  
**ELIMINATED—TWO-PHASE TRANSITION PROGRAM**  
**SPECIAL CLASSIFICATIONS**  
**(Applies in: VA)**

is sewn on the hats, usually by hand. This classification ~~is also applied~~ applies to employers that turn out finished hats from textile fabrics of all types received from others in bolts or piece goods. The fabrics are cut to standard hat sizes, sewn, steamed on molds or blocked in hydraulic presses and trimmed with flowers, fur, feathers, braid, etc., to form the completed hats.

**CROSS-REF.**

Hat Mfg.—Other Than Straw or Cloth NOC—Includes Blowing, Starting or Forming of Felt Hat Shapes. Hatter's Fur Mfg. to Be Separately Rated as 2623

**CROSS-REF.**

Hat Mfg.—Other Than Straw or Cloth NOC—No Blowing, Starting or Forming of Felt Hat Shapes. No Hatter's Fur Mfg.

**CROSS-REF.**

Hat Mfg.—Straw

**CROSS-REF.**

Lingerie Mfg.

**CROSS-REF.**

Luggage Mfg.

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

**CROSS-REF.**

Millinery Mfg.

**Note:** Applies to ladies' trimmed hats.

**CROSS-REF.**

Shirt Mfg.

**CROSS-REF.**

Sign Manufacturing—Silk Screen Printing—Cloth

**Note:** Codes 2501, 3064 and 4299 must not be assigned to the same employer unless the operations described by these classifications are conducted as separate and distinct businesses. Sign installation, maintenance, repair, removal, or replacement away from shop to be separately rated as Code 9521 or Code 9554.

**CROSS-REF.**

Suspender Mfg.

**Note:** Buckle, webbing or leather parts mfg. to be separately rated.

**CROSS-REF.**

Textile—Mending

**Note:** Applies to invisible textile weaving of wearing apparel.

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EXHIBIT 5 (CONT'D)  
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**CROSS-REF.**

Toy Mfg.—Cloth Stuffed Animals or Toys

**Description:**

Code 2501 includes the manufacture of cloth stuffed animals or toys. The repair of wearing apparel using invisible textile weaving methods is additionally included in Code 2501.

**CROSS-REF.**

Umbrella Mfg.

**Note:** Mfg. of frames, handles, or hardware to be separately rated.

**Description:**

Code 2501 is assigned to employers that manufacture umbrellas. Frames, handles, or other hardware and silk or synthetic fabrics are received from others. The operations involve cutting, sewing, and assembling.

**CROSS-REF.**

Window—Shade Mfg.

**Note:** Roller manufacturing to be separately rated.

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**2683**

**PHRASEOLOGY**

Luggage Mfg.

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

**CROSS-REF.**

**State Special: California**—*Bag Mfg.*—*Traveling Bags or Hand Luggage*—molded plastic operations shall be separately classified;

**New Jersey**—*Luggage Mfg.*—applies to the mfg. of traveling bags and hand luggage. Trunk mfg. to be separately rated as Code 2763;

**New York**—*Luggage Mfg.*—applies to the mfg. of traveling bags, luggage and trunk mfg. The mfg. of metal frames and hardware to be separately rated as Code 3146—Hardware Mfg. NOC;

**New York**—*Trunk Mfg.*—the mfg. of metal frames or fittings to be separately rated as Code 3146—Hardware Mfg. NOC;

**SCOPE**

Code 2683 contemplates the use of raw materials such as wood, metal, etc., which are cut to pattern and assembled into a frame to which leather, vinyl or cloth is sewn, forming the bag. Hardware, handles, grips, hinges, etc., are affixed to the suitcase, usually by riveting. Linings are cut to size and sewn or glued to the inside of the bag. The term "hand luggage" refers to all kinds of hand luggage, including traveling bags, suitcases, matched bag sets and any other kind of luggage that may be carried by hand.

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**3240**

~~N/A—MA, MN, NJ, NY~~

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**PHRASEOLOGY**

Wire Rope or Cable Mfg.—Iron or Steel.

No wire drawing.

**SCOPE**

Code 3240 is assigned to insureds engaged exclusively in stranding iron or steel wire rope or cable of various sizes depending upon its ultimate use. This classification does not contemplate wire drawing or the manufacture of insulated electrical cable. Reeled iron or steel wire or coils of drawn wire and core material are received from others. Wires are laid into strands in one or more layers around a core wire of each strand in a stranding machine, which also winds the strands onto large bobbins that are placed in a closing machine. The strands are helically bent around the core, of whatever type, at the entrance of a compression die; the finished rope or cable is pulled through, measured by power-driven drums and stored on shipping reels.

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3257

<b>Established:</b> December 1915	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 17, Group 177

**PHRASEOLOGY**

Wire Goods Mfg. NOC

**Note:** Wire drawing to be separately rated as Code 1924 or Code 3241.

**GROSS-REF.** ~~Chain Mfg.: Formed or Welded~~—applies to risks manufacturing chains from wire; ~~Fence Mfg.—Wire.~~

**Description:**

Code 3257 ~~is applied~~ applies to employers that manufacture wire goods which are not otherwise classified in the **Basic Manual**. As indicated by Code 3257’s phraseology, a division of payroll is permitted between wire goods manufacturing and wire drawing operations.

Operations classified to Code 3257 may use soldering and welding equipment, automatic weaving or spiral machines, and punch presses as well as traditional machine shop equipment. However, the processes included in Code 3257 are substantially automatic and usually involve very few assembly operations. Various coating materials may be applied to the completed wire products.

Code 3257 includes the manufacture of products such as, but not limited to, wire springs, light gauge poultry fencing, heavier gauge cattle fencing, chain link fencing, wire conveyor belts, filter screens used in mills to process flour and grain, wire cages, trays, soap dishes and coat hangers.

The following operations are additionally assigned to Code 3257: ~~Chain Mfg.—formed or welded from wire; Fence Mfg.—wire; Lamp Shade Frame Mfg.—wire; Welding Rod Mfg.~~

Certain Code 3257 operations are designated as “not otherwise classified” (NOC). These NOC operations apply to an employer only when no other classification more specifically describes the employer’s operations. The following is a representative list of operations somewhat related in nature to Code 3257 operations that are not assigned to Code 3257.

- 3300 Bedspring or Wire Mattress Mfg.
- 4470 Cable Mfg.—Insulated Electrical
- 3515 Loom Harness or Reed Mfg.



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- 3255 Wire Cloth Mfg.
- 3241 Wire Drawing—Iron or Steel
- 1924 Wire Drawing or Cable Mfg.
- ~~3240 Wire Rope or Cable Mfg.—Iron or Steel~~

**CROSS-REF.**

Chain Mfg.—Formed or Welded

**Note:** Applies to risks manufacturing chains from wire.

**CROSS-REF.**

Fence Mfg.—Wire

**CROSS-REF.**

Wire Rope or Cable Mfg.—Iron or Steel

**Note:** No wire drawing.

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**8720**

<b>Established:</b> Date Unavailable	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 35, Group 353

**PHRASEOLOGY**

Inspection of Risks for Insurance or Valuation Purposes NOC

**Note:** includes boiler or elevator inspecting and, marine appraiser or surveyor.

**Description:**

Applies to insurance inspectors and/or safety engineers; appraisers of fire companies that estimate the salvage value of property, including the amount of damage caused by fire; and employments of a similar character.

Code 8720 includes employers that perform in-depth or hazardous physical inspections of property. The phrase “in-depth physical or hazardous inspection” includes but is not limited to activities such as inspection of roofs or attic crawl spaces; subbasement inspections; or inspection of equipment such as boilers, furnaces, or electrical systems. Refer to Code 8721 for firms that evaluate real estate to determine the market value of same, but as part of their appraisal efforts, do not perform the types of inspections described above.

Code 8720 includes employers that investigate the credit, character, health, and habits of applicants through banks and personal contact for purposes of providing this information to insurance companies, credit agencies, and similar enterprises.

Employees classified to Code 8720 are frequently exposed to manufacturing or mercantile hazards when walking through a site during an inspection, which includes the hazards of damaged buildings. They are not exposed to hazards to the degree of a worker, superintendent, or supervisor employed by a mercantile or manufacturing employer. While this classification includes extensive traveling, it is not intended to apply to employers that work primarily in outside sales occupations such as a real estate agency noted above.

Code 8720 also applies to specialist contractors who test or inspect pipelines or conduits not under construction.

Testing or inspection operations conducted by employees of employers that perform construction operations must be assigned to the appropriate construction classification.

Code 8720 also includes the boiler inspection or elevator inspection staffs of insurance companies, boiler or elevator manufacturers, and specialists that install and repair boilers or elevators in those instances where separate crews are maintained.

Racing officials other than starters or their assistants are additionally classified to Code 8720.

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**Related Operations Not Classified to Code 8720:**

Certain Code 8720 operations are designated as “not otherwise classified” (NOC). These NOC operations must apply to an employer only when no other classification more specifically describes the employer’s operations. The following is a representative list of operations somewhat related in nature to Code 8720 operations that are not assigned to Code 8720.

- 8725 Inventory Counters—Traveling—Including Salespersons & Clerical
- 9410 Municipal Employees—Various Types of Inspectors
- 8721 Real Estate Appraisal Company

**CROSS-REF.**

Construction—Job Site Salespersons and Estimators

**Note:** 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.

**CROSS-REF.**

Racetrack Operation: Horse or Dog: Racing Officials Other Than Starters or Their Assistants

**CROSS-REF.**

Unmanned Aircraft System or Drone Aircraft Operations NOC—Aircraft Weighing Less Than 55 Pounds

**Note:** Applies to employers that operate drone aircraft weighing less than 55 pounds for other businesses.

The operation of drone aircraft weighing 55 pounds or more for other businesses must be separately rated to the applicable aviation classification.

The manufacture, service, or repair of drone aircraft must be separately rated to Code 3685 or 3830.

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**8742**

<b>Established:</b> Date Unknown	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 35, Group 354

**PHRASEOLOGY**

Salespersons or Collectors—Outside

**Note:** Subject to *Basic Manual* Rule 1-B-2. Refer to Code 8720 for assignment of construction job site salespersons and estimators.

**Description:**

Code 8742 ~~is applied~~ applies to outside salespersons or collectors. Since these employees are common to many businesses, they are considered to be Standard Exceptions. As such, they are classified to Code 8742 unless the classification applicable to their employment includes salespersons. Under the latter circumstance the outside salespersons or collectors are assigned to the classification that includes salespersons, not Code 8742.

Salespersons or collectors as defined in *Basic Manual* Rule 1-B-2-c are employees ~~engaged in~~ who perform such duties away from the employer's premises. Code 8742 is not available for employees who deliver merchandise. These employees are assigned to the driver's classification applicable to the ~~risk~~ employer even though these employees may also collect or sell. If they deliver merchandise by walking or using public transportation, they are assigned to the governing classification. Judgment is necessary in assessing these employees' duties for classification purposes since occasional courtesy deliveries of a nominal quantity of merchandise would not preclude them from being classified to Code 8742.

**Analogy Assignments:**

Employees or operations assigned by analogy to Code 8742 include:

- Cotton classifiers ~~who exclusively engaged in inspecting and testing~~ cotton samples at employers' sampling rooms or away from the premises
- Executive secretaries of Boy or Girl Scout councils who work in the office and travel
- Fundraising campaign managers or directors who travel
- Process servers
- Reporters and photographers employed by newspapers
- Advertising or circulation solicitors employed by newspaper and magazine publishers
- Scouts who recruit players for professional sports teams

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**Additional Applications and Information:**

- Code 8742 includes demonstration of products being sold when performed by salespersons included within the scope of Code 8742. However, the governing classification must be assigned to demonstrating salespersons when these operations are specifically included within the phraseology of a basic classification.
- Businesses operating as escort services are additionally assigned to Code 8742. These employers furnish their clients with individuals who accompany the clients as escorts or dates on social outings.
- Employees of firms that are in the business of performing meter reading services for entities such as utilities are classified to Code 8742. As evidenced by the individual classification footnote, meter readers employed by utilities are classified to the risk's employer's governing code. For example, the footnote to Code 7539—Electric Light or Power Co. specifically references that this classification includes meter readers.

**Special Conditions:**

- When outside salespersons or collectors regularly and frequently perform duties at the premises of their employers, their total payroll is assigned to the highest rated classification representing any part of their work. This is in accordance with *Basic Manual* Rule 2-G. Again, judgment is required because outside employees will normally spend some time at the premises of their employers attending sales meetings, telephoning clients for appointments, turning in collections, and making out reports or occasionally performing emergency inside work, all of which are included within the scope of Code 8742.

## Extra-Territorial Classification Guidelines:

The following material was developed by NCCI to be used as a guide by auditors and underwriters in the determination of premium for risks with extra-territorial employments where no carrier guidelines have been established for this purpose. Employees included in the following interpretation are employees who travel from state to state such as executives, salespersons, sales engineers, service representatives, supervisors, and other employees who travel for administrative purposes:

1. If the employee lives in the same state as the headquarters from which business travel is conducted, the employee's payroll should be assigned to the headquarters' state.
2. If the employee lives in a state different from that in which the headquarters is located, but business travel is conducted from the headquarters, the employee should be assigned to the headquarters' state.
3. If the employee is stationed in a state where there is no headquarters, and the employee conducts business travel from home for an out-of-state employer, the employee's payroll ~~shall~~ must be assigned to the employee's state of domicile.

When a portion of the operations of an risk employer is insured in a monopolistic state fund, consideration must be given to the special rules and requirements that may exist in such cases.

**Related Operations Not Classified to Code 8742:**

- Refer to Code 8748 for automobile salespersons.
- Refer to Code 9410 for outside welfare workers employed by political bodies.
- Refer to Code 5403 for extra-territorial classification guidelines for contracting employers.
- Refer to Code 8720 for assignment of construction job site salespersons and estimators.

**CROSS-REF.**

Banks and Trust Companies—Special Officers and Armed and Unarmed Attendants, Ushers, Door Attendants, Appraisers, or Field Auditors

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**Note:** Subject to Rule 1-B-2.

**Analogy Assignments:**

- Other employees or operations assigned by analogy to Code 8742 include bank or trust company employees such as special officers and armed or unarmed attendants, ushers, door attendants, appraisers, field auditors, or runners.

**CROSS-REF.**

Claim Adjusters or Special Agents—Insurance Co.

**Description:**

Code 8742 is applied to claim adjusters or special agents of insurance companies. The duties of claim adjusters away from the employer's premises involve the investigation of claims. The duties of special agents involve the appointment of new agents, closing out the accounts of existing agents or the discussion of other business matters as necessary. Additionally, these claim adjusters or special agents spend some time at the premises of their employers making out reports and attending meetings.

**Related Operations Not Classified to Code 8742:**

- Refer to Code 8720 for the classification of insurance company inspectors.
- Refer to Code 8803 for the classification of insurance company premium auditors.

**CROSS-REF.**

U.S.O. Operations: Travelers Aid Society

**Description:**

U.S.O. activities performed by the Travelers' Aid Society are classified to Code 8742.

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

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

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

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

Additionally, the swing limits are assumed to be plus or minus 25%. **Note:** The weight value used represents the largest possible value keeping the 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						

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**EXHIBIT 7****THREE-PHASE TRANSITION PROGRAM RULES****(Applies in: IL)**

The following details the three-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 applicable state's 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 and Phase 3 in the subsequent years.

The following details the steps needed to implement the loss costs/rates for the code being eliminated and the acquiring code within each of the classification's loss cost/rate filings. An example of the three-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 until the third phase of the transition program.
- B. As part of Phase 1 of the three-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 33% minimum weighting value must be used regardless of the swing limits to execute the transition program within three years.

- C. As part of Phase 2 of the three-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 the codes will take on the payroll-weighted loss cost/rate.

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INCLUDING CONSTRUCTION SALESPERSONS AND ESTIMATORS**

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**EXHIBIT 7 (CONT'D)**

**THREE-PHASE TRANSITION PROGRAM RULES**

**(Applies in: IL)**

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 67% minimum weighting value must be used regardless of the swing limits to execute the transition program within three years.

- D. As part of Phase 3 of the three-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 7**

**EXAMPLE OF THREE-PHASE TRANSITION PROGRAM CALCULATION  
(Applies in: IL)**

**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:**

	<b>Code XXX1</b>	<b>Code XXX2</b>	<b>Code XXX3</b>
<b>Payroll \$</b>	635,000	713,000	35,000
<b>Phase 1 Loss Cost/Rate</b>	3.00	1.50	1.83
<b>Phase 2 Loss Cost/Rate</b>	2.80	1.90	1.87
<b>Phase 3 Loss Cost/Rate</b>	2.50	2.00	1.95

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

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

$$\frac{[(635,000 \times 3.00) + (713,000 \times 1.50) + (35,000 \times 1.83)]}{(635,000 + 713,000 + 35,000)} = 2.20$$

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 third phase (final phase) weight value is assumed to be 1.00. The weight value below is subject to a minimum of 0.33 for Phase 1, 0.67 for Phase 2 and 1.00 for Phase 3 without regard to swing limits to transition the loss costs/rates within three years.

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EXHIBIT 7 (CONT'D)

EXAMPLE OF THREE-PHASE TRANSITION PROGRAM CALCULATION  
(Applies in: IL)

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	0.36*	XXX1	(0.36 x 2.20)	+	(0.64 x 3.00)	=	2.71
		XXX2	(0.36 x 2.20)	+	(0.64 x 1.50)	=	1.75
		XXX3	(0.36 x 2.20)	+	(0.64 x 1.83)	=	1.96
Filing Effective in Phase 2	0.69*	XXX1	(0.69 x 2.31)	+	(0.31 x 2.80)	=	2.46
		XXX2	(0.69 x 2.31)	+	(0.31 x 1.90)	=	2.18
		XXX3	(0.69 x 2.31)	+	(0.31 x 1.87)	=	2.17
Filing Effective in Phase 3	1.00	XXX1	(1.00 x 2.23)	+	(0.00 x 2.50)	=	2.23
		XXX2	(1.00 x 2.23)		(0.00 x 2.00)		2.23
		XXX3	(1.00 x 2.23)		(0.00 x 1.95)		2.23

\* Refer to "Example of Three-Phase Weight Value Calculation" on the following page.

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**EXHIBIT 7 (CONT'D)**

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

(Applies in: IL)

**Note:** The weight value calculations in the following example are for illustration purposes only and are not the actual weight values in use, nor do they represent expected actual weight values 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 0.33 for Phase 1, 0.67 for Phase 2 and 1.00 for Phase 3. 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
<b>Last Approved Filing</b>	3.05	1.40	1.80
<b>Phase 1</b>	2.71	1.75	1.96
<b>Phase 2</b>	2.46	2.18	2.17

**EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY**

**Weight Calculation Table**

Weight Value	Code XXX1		Code XXX2		Code XXX3	
	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 %
<b>Phase 1</b>						
...						
0.33	2.74	-10.2%	1.73	23.6%	1.95	8.3%
0.34	2.73	-10.5%	1.74	24.3%	1.96	8.9%
0.35	2.72	-10.8%	1.75	25.0%	1.96	8.9%
0.36	2.71	-11.1%	1.75	25.0%	1.96	8.9%
0.37	2.70	-11.5%	1.76	25.7%	1.97	9.4%
<b>Phase 2</b>						
...						
0.66	2.48	-8.5%	2.17	24.0%	2.16	10.2%
0.67	2.47	-8.9%	2.17	24.0%	2.16	10.2%
0.68	2.47	-8.9%	2.18	24.6%	2.17	10.7%

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EXHIBIT 7 (CONT'D)

EXAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY						
Weight Calculation Table						
	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 %
0.69	2.46	-9.2%	2.18	24.6%	2.17	10.7%
0.70	2.46	-9.2%	2.18	25.1%	2.18	11.2%