

FILING MEMORANDUM

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

PURPOSE

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

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BACKGROUND

NCCI has an ongoing process dedicated to the systematic research, analysis, and maintenance of NCCI's class system. This is done to ensure that the class system remains healthy, viable, and responsive to the needs of various industry stakeholders, and to evolve the system to stay in step with the constantly changing way that various industries and their operations respond to technological, competitive, and regulatory changes.

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Classifications, and industry-grouped classifications, are analyzed to determine which, if any, should be considered for modernization, consolidation, elimination, or clarification. This item filing includes proposals for the individual classifications identified in each exhibit.

As part of this process, we are also simplifying the classification section of NCCI's *Basic Manual*. In many instances, NCCI is proposing the elimination of redundant phraseologies.

NCCI's analysis of the class system is national in scope and the recommendations within this item are being proposed in all NCCI states. We recognize, however, the occasional need for state-specific classification treatments to reflect geographical differences, and such treatments are also incorporated within this filing.

PROPOSAL

It is proposed that the classifications indicated in the attached exhibits be modernized, consolidated, created, eliminated, or clarified as shown. It is also proposed that the corresponding NCCI's *Basic Manual* rules indicated in the exhibits be revised to be consistent with the proposed classification changes.

This item filing is broken out in sections as enumerated in the table shown on Page 1. Each section contains a fact sheet outlining the proposals relating to the section, as well as the background and basis for the proposed changes, the estimated impact of the proposals, and the details of implementation. Each section also contains exhibits detailing the changes being proposed to NCCI's *Basic Manual*.

IMPACT

This item filing will foster the uniform and equitable treatment of risks within each industry. NCCI recognizes that some of our recommendations, such as moving a specific operation from one classification to another, may have a premium impact for particular risks. Additionally, some of the changes proposed will have a loss cost or rate impact. The industry fact sheets outline the potential impacts specific to each of the proposed changes.

IMPLEMENTATION

In order to implement this item filing, the attached exhibits detail the changes required in NCCI's *Basic Manual*.

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal voluntary and assigned risk policies. Loss cost, rate, and wording changes that do not need a transition program will be implemented on this date. Some fact sheets propose a transition program for particular states. In those instances, each fact sheet will identify the applicable states as well as give details corresponding to the final implementation date due to that transition program.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

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ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET

AMBULANCE AND EMERGENCY MEDICAL SERVICES

PROPOSAL

The focus of the proposed change for this industry is to establish a new classification code for the ambulance and emergency medical services industry.

NCCI recommends the following national treatment for classifications and rules:

1. Discontinue the cross-reference phraseology for Code 7370—Ambulance Service Companies: All Other Employees & Drivers and establish a new national classification for the industry—Code 7705—Ambulance Service and EMS (Emergency Medical Service) Providers & Drivers. Initially the loss cost or rate for the new code will be the existing rate for Code 7370, the code from which this industry is being removed. This method of establishing the loss cost or rate for the new code will allow for minimal rate/premium impact on policyholders.
2. The new code will include “door-through-door” nonemergency medical transportation of patients between medical facilities. Such medical transportation must be “door through door,” where the patient is taken inside the medical facility through the door, not merely dropped off in front of the location. All other noncertified, nonemergency transports to be separately rated as Code 7370 or Code 7382—Bus Co.—All Other Employees & Drivers. These other types of transports generally do not share the two primary hazards unique to this industry—the emergency nature of the service and the medical treatment provided to customers.
3. The new code will include volunteers along with wording that clearly indicates how to deal with the remuneration aspect of volunteers in this industry. This classification treatment of volunteers is proposed for the following two reasons:
 - Issues relating to volunteers in this industry rarely arose when researching this industry. These issues do not appear to be a cause of concern, unlike in the firefighting industry.
 - It is likely that in many areas, especially the rural ones, the EMS volunteers work in conjunction with the firefighting volunteers. They may already be classified to the firefighting codes.
4. Continue to classify the garage operations of ambulance companies, EMS providers, and rescue squads to Code 8385—Ambulance Service Companies—Garage Employees, and update wording accordingly.

Arkansas Specific:

NCCI recommends that Arkansas adopt the proposed national classification, Code 7705, for this industry. The new classification, Code 7705, would replace the Arkansas state special cross-reference wording for Code 7720—Emergency Medical Technicians, Paramedics, Ambulance or Rescue Workers & Drivers. Since the new classification is being created specifically for the ambulance and EMS industry, it is a better fit for the exposures and hazards than Code 7720, which is also the police classification. NCCI also proposes an exception for the loss cost assigned initially to the new code in Arkansas. The loss cost from Code 7720 will be used as the initial loss cost for Code 7705 instead of the loss cost from Code 7370.

Connecticut Specific:

NCCI recommends that Connecticut eliminate the state special phraseology that currently assigns volunteer ambulance service companies to Code 7382 and adopt the proposed state exception wording for the new national Code 7705, which will now include both volunteer and nonvolunteer ambulance service companies. This wording continues to specify that the premium basis for volunteers is shown under the Miscellaneous Values of the state rate page per ambulance per year.

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EXHIBIT 1—FACT SHEET (CONT'D)

Illinois Specific:

NCCI recommends that Illinois discontinue the state exceptions for Code 7370 and Code 8385 and instead adopt state exception wording for new Code 7705 and newly defined Code 8385. The proposed state exception wording extends \$300 per year minimum payroll to volunteers classified to a standard exception code.

Iowa Specific:

NCCI recommends that Iowa discontinue the state exception use of Code 7370—Volunteer Ambulance Drivers and Attendants and instead adopt the proposed national treatment.

Louisiana Specific:

In Louisiana, Code 7705 is already used as a state exception. NCCI recommends that the proposed new national wording for Code 7705 replace the existing state special wording.

Maine Specific:

NCCI recommends that Maine adopt the proposed state exception wording for Code 7705. This wording specifies that the premium basis for volunteers is shown under the Miscellaneous Values of the state rate pages per ambulance per year.

Nebraska Specific:

NCCI recommends that Nebraska discontinue the state exception use of Code 7370—Voluntary Ambulance Drivers & Attendants and instead adopt the proposed national treatment.

Oklahoma Specific:

NCCI recommends that Oklahoma adopt the proposed national classification, Code 7705, for this industry. The new classification, Code 7705, would replace the Oklahoma state special cross-reference wording for Code 7382—Ambulance Service Companies: All Other Employees & Drivers. Since the new classification is being created specifically for the ambulance and EMS industry, it is a better fit for the exposures and hazards than Code 7382, which is also the bus company classification. NCCI also proposes an exception for the rate assigned initially to the new code in Oklahoma. The loss cost from Code 7382 will be used as the initial loss cost for Code 7705 instead of the loss cost from Code 7370.

South Dakota Specific:

NCCI recommends that South Dakota adopt the proposed national classification, Code 7705, for this industry. The new classification, Code 7705, would replace the South Dakota state special cross-reference wording for Code 7704—Ambulance or Rescue Workers & Drivers. Since the new classification is being created specifically for the ambulance and EMS industry, it is a better fit for the exposures and hazards than Code 7704, which is also the firefighting classification. NCCI also proposes an exception for the loss cost assigned initially to the new code in South Dakota. The loss cost from Code 7704 will be used as the initial loss cost for Code 7705 instead of the loss cost from Code 7370.

Vermont Specific:

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EXHIBIT 1—FACT SHEET (CONT'D)

In Vermont, Code 7705 is already used as a state exception. NCCI recommends that the proposed new national wording for Code 7705 replace the existing state special wording. This will change the \$275 minimum payroll per volunteer per year in Vermont to the \$300 minimum payroll per volunteer per year that is used nationally.

BACKGROUND AND BASIS FOR CHANGE

Ambulance services, emergency medical services, and rescue squad members respond to emergency calls to help the ill and injured, extricate victims when necessary, administer first aid and/or more advanced medical treatment, and provide transportation to a medical facility. They often treat patients in life-or-death situations. The principal responsibilities of these services have remained basically unchanged since the first horse-drawn ambulance carriage clattered down the streets of New York City in 1869, and the first rescue squad, the Roanoke Life Saving Crew, pulled its first victim out of the ruins of a collapsed house in Virginia in 1928.

Generally, the national classification treatment of this industry is to assign two codes for its operations: Code 7370—Ambulance Service Companies—All Other Employees & Drivers, which is a cross-reference phraseology under Code 7370—Taxicab Co.: All Other Employees & Drivers, and a companion code for related automotive repair, Code 8385—Ambulance Service Companies—Garage Employees.

Four states have different state special treatment. Additionally, eight states have state special treatment dealing with the volunteer segment of the industry. In two of these states, the code for volunteer ambulance/EMS workers also includes volunteer firefighters.

There were three items that came up during the research of this industry:

1. Ambulance medical service providers do not appear to be a good fit in Code 7370. The medical operations and frequent emergency nature of this industry are exposures not shared by the taxicab and unscheduled limousine companies also classified in this code.
2. The classification treatment for hospital ambulance services will be reviewed to ensure clarity and consistency with the nonhospital ambulance providers.
3. The duties of an ambulance driver will be researched further to determine whether they also include medical duties.

Item 1 is addressed in the recommendations to filed wording. Item 2 will be addressed via changes to nonfiled wording in NCCI's *Scopes[®] of Basic Manual Classifications*. Regarding item 3, it appears there has been a change in how ambulance/EMS crews operate. Ambulance/EMS crew members must be certified to provide some level of medical assistance. These crew members take turns as drivers of the ambulance. It is very rare that an employee would function solely as a driver, as has happened in the past.

Ambulance and emergency medical service can be provided by different types of organizational entities, such as private ambulance services (for profit and nonprofit), hospitals, county or government-based services, fire departments, or a combination of the above. According to industry feedback, the type of organizational entity makes very little difference in the actual work done by the ambulance or EMS crew. The primary responsibility of an ambulance worker is patient care.

Formal training and certification is needed to become an EMT or paramedic. All 50 states have a certification procedure. There are four recognized levels of training:

1. First Responder
2. Emergency Medical Technician (EMT)—Basic
3. EMT—Intermediate

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EXHIBIT 1—FACT SHEET (CONT'D)

4. Paramedic or EMT—Paramedic

Every community has the responsibility to provide EMS/first responder services. Often, this is done at the county level. The choices a community has for providing these services are:

- Contract exclusively with a private entity or a hospital
- Contract with a fire service or public entity
- Use a volunteer system
- Contract with a combination of providers

It is common for fire protection services to provide some level of emergency medical services, and firefighters are often cross-trained as EMTs. It is also common for an ambulance company or EMS provider/rescue squad to respond to fire calls. However, it is rare that an ambulance or EMS worker is cross-trained as a firefighter. The main differences between emergency medical services when provided by the fire protection entity and an ambulance company or an EMS provider/rescue squad appear to be (1) the degree of medical experience or training, and (2) the issue of who transports the injured party to the hospital. It is common for the ambulance, EMS, and rescue crews to have more training and experience in medical treatment than the firefighters who are cross-trained EMTs. Also, it appears standard that the ambulance service gets the job of transporting the patients if it is a responder. The EMS provider, rescue squad, or fire crew would provide the transport only if there were no ambulance service.

Crew members of an EMS provider may be paid or may be volunteers in the community. A national EMS survey conducted in 2003 indicates that volunteerism accounts for 47% of the EMS workforce in the United States. Rural areas typically have more volunteer EMS personnel than areas of higher populations, as is the situation in the fire service. The national EMS survey further indicates that in rural states, the median percentage of volunteerism is higher at 73%.

In the ambulance industry, “paratransit” means the nonemergency transport of a stable patient. Such transport can be made in the typical ambulance vehicle, although a van customized to meet special mobility needs is often used. Such vans are usually wheelchair and stretcher accessible, equipped with lifts, and possibly outfitted to accommodate oxygen users. They rarely have the extent of medical equipment standard to an ambulance.

Whether or not ambulance or EMS providers service their own vehicles is mainly a function of size. Generally a fleet of 10 to 12 ambulances is enough to justify a full-time mechanic.

The work done by employees in this industry is not only physically strenuous but also stressful. The exposures expected for workers in this industry matched the types of claims reflected in the claims data that was reviewed.

National claims information for Code 7370 was reviewed by separating data between the ambulance/EMS providers and the taxicab and limousine companies via a name sort. Data for insureds whose names contained the words “ambulance,” “emergency,” “medical,” “paratransit,” “paramedic,” and “rescue” was separated from the other data in Code 7370. Data for the state of Vermont was also reviewed since it has a state special code for the ambulance/EMS industry and the data was easily accessible. In this comparison of claims data between the two industries, there were some significant differences. Strain or injury by lifting was a top cause of injury in both industries, but for the ambulance/EMS industry, the percentages relating to these claim causes were much higher than those for the taxicab industry. This makes sense due to the significant lifting and carrying of patients by ambulance/EMS workers. The ambulance/EMS industry had a much lower proportion of motor vehicle-related injuries compared to the taxicab industry. Also, for the ambulance industry,

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EXHIBIT 1—FACT SHEET (CONT'D)

the injury cause: struck or injured by: fellow worker, patient, represented a much higher proportion of injuries compared to the taxicab industry. This also makes sense based on the nature of job duties.

These differences support the fact that the ambulance/EMS industry is its own unique industry with homogeneous operations, processes, and related exposures and hazards. Data from NCCI, as well as outside sources, also indicates that there are enough employees and payroll in the industry to support its own separate, credible class code.

IMPACT

This item proposes to establish a new national Code 7705—Ambulance Service and EMS (Emergency Medical Service) Providers & Drivers, specifically for ambulance and EMS providers. Except for the states of Arkansas, Oklahoma, South Dakota, and Vermont, which currently have state-special treatment, it is proposed that the initial loss cost or rate and experience rating values be that of Code 7370 until Code 7705 establishes sufficient experience to determine its own loss cost or rate. The new code's loss cost or rate will eventually reflect the underlying experience of all risks with payroll and loss experience assigned to that classification. With the exception of the states mentioned above, it is expected that all the experience generated for the new code will come from Code 7370. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium for these states.

Arkansas Specific:

This item proposes to establish a new national Code 7705—Ambulance Service and EMS (Emergency Medical Service) Providers & Drivers, specifically for ambulance and EMS providers in Arkansas. It is proposed that the initial loss cost and experience rating values be that of Code 7720 until Code 7705 establishes sufficient experience to determine its own loss cost. The new code's loss cost will eventually reflect the underlying experience of all risks with payroll and loss experience assigned to that classification. It is expected that all the experience generated for the new code will come from Code 7720. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

Connecticut Specific:

This item proposes to eliminate the state special phraseology that currently assigns volunteer ambulance service companies to Code 7382 and to adopt state exception wording for new national Code 7705, which will now include both volunteer and nonvolunteer ambulance services companies. The state special wording regarding the basis of premium for volunteer ambulance services will remain in the newly proposed state exception. This change will result in the reassignment of the volunteer ambulance companies from Code 7382 to new Code 7705. The loss cost for Code 7705 will be taken from Code 7370. The amount of volunteer data reported under Code 7382 is not identified in current data sources. The impact to individual risk premium will depend on the amount of volunteer exposure that transfers from Code 7382 to Code 7705 and the difference in loss costs or rates between these two codes.

Illinois Specific:

This item proposes to eliminate state special phraseology that currently assigns volunteer ambulance service companies to Code 7380 and to adopt the state special wording for the new Code 7705 and Code 8385. The exception wording maintains the current \$300 per volunteer minimum payroll for Code 7705 and Code 8385. This change is not expected to result in a change in individual risk or statewide premium.

Iowa Specific:

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EXHIBIT 1—FACT SHEET (CONT'D)

This item proposes to adopt new national Code 7705 and to remove state special classification wording regarding volunteer ambulance drivers and attendants from Code 7370. The current national wording for new national Code 7705 will specify the same \$300 minimum payroll for volunteers, so this wording is no longer needed. This should not result in a change in individual risk or statewide premium.

Louisiana Specific:

This item proposes to replace the Louisiana state special classification wording for Code 7705 and to adopt the newly proposed national treatment. This change is not expected to result in a change in individual risk or statewide premium.

Maine Specific:

This item proposes that the state special wording regarding the basis of premium for volunteer ambulance services be removed from Code 7370 and added as state special wording for the new national Code 7705. Since Code 7705's loss cost or rate will be initially that of Code 7370, this should not result in change in individual risk or statewide premium.

Nebraska Specific:

This item proposes that the state special wording regarding the basis of premium for volunteer ambulance services be removed from Code 7370 since similar wording is already included in the new national Code 7705. This should not result in a change in individual risk or statewide premium.

Oklahoma Specific:

This item proposes to establish a new national Code 7705—Ambulance Service and EMS (Emergency Medical Service) Providers & Drivers, specifically for ambulance and EMS providers in Oklahoma. It is proposed that the initial loss cost and experience rating values be that of Code 7382 until Code 7705 establishes sufficient experience to determine its own loss cost. The new code's loss cost will eventually reflect the underlying experience of all risks with payroll and loss experience assigned to that classification. It is expected that all the experience generated for the new code will come from Code 7382. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

South Dakota Specific:

This item proposes to establish a new national Code 7705—Ambulance Service and EMS (Emergency Medical Service) Providers & Drivers, specifically for ambulance and EMS providers in South Dakota. It is proposed that the initial loss cost and experience rating values be that of Code 7704 until Code 7705 establishes sufficient experience to determine its own loss cost. The new code's loss cost will eventually reflect the underlying experience of all risks with payroll and loss experience assigned to that classification. It is expected that all the experience generated for the new code will come from Code 7704. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

Vermont Specific:

This item proposes to change the phraseology of the currently existing Vermont state special Code 7705—Ambulance or Rescue Workers & Drivers to the newly proposed national Code 7705—Ambulance Service and EMS (Emergency Medical Service) Providers & Drivers. This will increase the minimum payroll per volunteer per year by \$25—from \$275 to \$300. The extent of risks using this minimum payroll cannot be determined since it is not identified in the reported classification data. The absolute change in dollar

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EXHIBIT 1—FACT SHEET (CONT'D)

charge for each employee subject to the new minimum will be one-fourth the rate charge [= (\$25/\$100) x rate] of Code 7705.

IMPLEMENTATION

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal voluntary and assigned risk policies. Both wording and rate changes will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

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**EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
AMBULANCE AND EMERGENCY MEDICAL SERVICES
CLASSIFICATIONS**

~~AMBULANCE SERVICE COMPANIES~~

8385 **AMBULANCE SERVICE COMPANIES—GARAGE EMPLOYEES.** Includes the garage employees of volunteer ambulance service and EMS providers.

~~7370~~7705 **AMBULANCE SERVICE COMPANIES AND EMS (EMERGENCY MEDICAL SERVICE) PROVIDERS ~~All Other Employees &~~ DRIVERS.** Garage employees separately rated to Code 8385. Ambulance service also includes “door through door” nonemergency medical transportation of patients between medical facilities. All other noncertified, nonemergency transports to be separately rated as Code 7370 or Code 7382.

Applies to volunteer ambulance or EMS personnel serving with or without payroll. Unless state statutes, regulations and/ or rules specify otherwise, premium for such volunteers must be determined on the basis of the payroll normally received by nonvolunteer ambulance or EMS personnel doing the same or similar work; however, in no case should the payroll of any such volunteer be less than \$300 per volunteer per year.

Separately rate firefighters who also perform EMS to Code 7710 or 7711.

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EXHIBIT 2—FACT SHEET

ATHLETIC TEAM SPORTS AND PARKS

PROPOSAL

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

NCCI recommends the following national treatment for classifications:

1. Revise and update the phraseology for Code 9178—Athletic Team or Park—Noncontact Sports. The word “Team” will be replaced with “Sports” in the title. Wording will be added to clarify the classification of various employees. A reference to Code 9063—YMCA, YWCA, YMHA, or YWHA, Institution—All Employees & Clerical for amateur sports is also added.
2. Revise and update the phraseology for Code 9179—Athletic Team or Park—Contact Sports. The word “Team” will be replaced with “Sports” in the title. Wording will be added to clarify the classification of various employees. A reference to Code 9063 for amateur sports is also added.
3. Revise and update the phraseology for Code 9182—Athletic Team or Park—Operation & Drivers. The word “Team” will be replaced with “Sports” in the title. Wording will be added to clarify the classification of various employees.
4. Revise and update the phraseology for Code 9063. Wording will be added to clarify the classification of amateur sports. A reference to Codes 9178 and 9179 for professional and semiprofessional sports will also be added.

Arizona Specific:

Revise and update the phraseology for Code 9178. The word “Team” will be replaced with “Sports” in the title. Wording will be added to clarify the classification of various employees. A reference to Code 9063 for amateur sports will also be added. State special maximum and minimum payroll rules will be maintained.

Revise and update the phraseology for Code 9179. The word “Team” will be replaced with “Sports” in the title. Wording will be added to clarify the classification of various employees. A reference to Code 9063 for amateur sports will also be added. State special maximum and minimum payroll rules will be maintained.

Colorado Specific:

NCCI recommends that Colorado discontinue its state special treatments for Codes 9063, 9178, and 9179 and adopt the national treatment of athletes, coaches, managers, and sports officials.

Hawaii Specific:

Revise and update the phraseology for Code 9063. Wording will be added to clarify the classification of amateur sports. A reference to Codes 9178 and 9179 for professional and semiprofessional sports will also be added.

Kansas Specific:

NCCI recommends that Kansas discontinue its state special treatments for Codes 9063, 9178, and 9179 and adopt the national treatment of athletes, coaches, managers, and sports officials.

Missouri Specific:

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EXHIBIT 2—FACT SHEET (CONT'D)

NCCI recommends that Missouri discontinue state special Code 9181 and adopt the national Codes 9178 and 9179. Historical experience from Code 9181 will be used to determine the loss cost and rating values of both Codes 9178 and 9179 until they develop enough data to be rated on their own experience.

Vermont Specific:

Revise and update the phraseology for Code 9063. Wording will be added to clarify the classification of amateur sports. A reference to Codes 9178 and 9179 for professional and semiprofessional sports will also be added.

Virginia Specific:

Revise and update the phraseology for Code 9178. The word “Team” will be replaced with “Sports” in the title. Wording will be added to clarify the classification of various employees. A reference to Code 9063 for amateur sports will also be added, and the scopes description for Code 9102 will be amended.

Revise and update the phraseology for Code 9179. The word “Team” will be replaced with “Sports” in the title. Wording will be added to clarify the classification of various employees. A reference to Code 9063 for amateur sports will also be added, and the scopes description for Code 9102 will be amended.

BACKGROUND AND BASIS FOR CHANGE

The type of sport an athlete can participate in varies greatly, as does the level of play. Athletes spend a great deal of time practicing skills and teamwork under the guidance of a coach. The coach instructs the athletes during practice and manages the team during competition with another team. An athletic trainer assists the athletes in attaining peak fitness through weight training and exercise. The trainer also helps in the recovery from injury. Sports officials officiate competitive events, observing play and imposing penalties established by the sports’ rules.

The risk of injury accompanies participation in almost all sporting activities. The type of injuries that athletes may be at risk for depends largely on the chosen sport. Injuries caused by being struck or injured by another athlete are more common in contact sports. Injuries caused by strain, which are generally self-inflicted, are the most common in noncontact sports. It is reasonable to assume that the vast majority of injury claims driving the rates for Code 9178 and Code 9179 involve mostly athletes rather than the coaches, trainers, and sports officials also included in the classifications.

The term “nonprofessional” should be replaced with “semiprofessional” in the phraseologies of Code 9178—Athletic Team or Park—Noncontact Sports and Code 9179—Athletic Team or Park—Contact Sports. Language should be added to indicate that amateur, youth, and recreational sports are to be classified under Code 9063—YMCA, YWCA, YMHA or YWHA, Institution—All Employees & Clerical. The focus of these classifications should be on whether or not the athletes are compensated, since the vast majority of claims will come from compensated athletes. Currently, the coaches and sports officials of a youth sports club are classified the same way as the athletes of a professional sports team, which is not the intent of these class codes.

The titles of Codes 9178, 9179, and 9182 should be changed from “Athletic Team or Park” to “Athletic Sports or Park.” The intent here is to include individual professional athletes the same way as instructors under contract. Wording should be added to expand the scope of these instructors beyond golf or tennis.

IMPACT

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET (CONT'D)

This item proposes that language be added to indicate that amateur, youth, and recreational sports are to be classified under Code 9063—YMCA, YWCA, YMHA or YWHA, Institution—All Employees & Clerical. Currently, the coaches and sports officials of a youth sports club may be classified as either Code 9178—Athletic Team or Park: Noncontact Sports, or Code 9179—Athletic Team or Park: Contact Sports, the same way as the athletes of a professional sports team. This will likely result in some reclassification of payroll from Codes 9178 and 9179 to Code 9063. No modification or adjustment to these codes' filed loss costs or rates is being proposed. The premium impact for each individual risk will vary depending on the amount of payroll redistribution that occurs. NCCI is not able to determine the amount of payroll transferred due to this change using current industry data sources.

This item also proposes that the titles of Codes 9178, 9179, and 9182 be changed from "Athletic Team or Park" to "Athletic Sports or Park." Wording is also added to expand the scope of these codes to include instructors beyond golf or tennis. This will clarify the intent of these codes to include individual professional athletes the same way as instructors under contract. This change is proposed to specifically address these operations so they will be consistently assigned to the proper code. No modification or adjustment to these codes' filed loss costs or rates is being proposed. The premium impact to each individual risk will vary depending on the amount of payroll redistribution that occurs. NCCI is not able to determine the amount of payroll transferred due to this change by using current industry data sources.

The other phraseology changes proposed are primarily for clarification only and should not result in any reclassification of risk payroll or change in loss cost, rate, or premium.

Arizona Specific:

The proposal recommends that Arizona continue the state special phraseology in regard to the payroll minimum of \$5,000 per employee per season and the maximum average weekly wage per employee shown in the state pages of the Miscellaneous Values for both Codes 9178 and 9179. Maintaining these same payroll rules will minimize any impact to individual risk or statewide premium.

Colorado Specific:

The proposal recommends that Colorado discontinue the state special phraseologies for Codes 9063, 9178, and 9179 and adopt the national treatment. The current state special wording is similar to current national wording. Removing state special treatment and adopting the national treatment is not expected to result in an additional change in individual risk or statewide premium.

Hawaii Specific:

The proposal recommends that Hawaii continue the state special phraseology, which does not include clerical in Code 9063, while clarifying the classification of amateur sports and professional sports similar to the national classification's proposal. Continuing with this state special wording will minimize any impact to individual risk or statewide premium.

Kansas Specific:

The proposal recommends that Kansas discontinue the state special phraseologies for Codes 9063, 9178, and 9179 and adopt the national treatment. The current state special wording is similar to current national wording. Removing state special treatment and adopting the national treatment is not expected to result in an additional change in individual risk or statewide premium.

Missouri Specific

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET (CONT'D)

The proposal recommends that Missouri adopt the national Codes 9178 and 9179 and discontinue state special Code 9181—Athletic Team or Park: Players and Umpires. Future assignment of risks will be based on the new phraseology for the two national codes. It is proposed that Code 9181 be discontinued and that initial loss cost for Codes 9178 and 9179 be determined using historical data reported in Code 9181, until both codes establish sufficient experience to determine their own loss cost or rate. This proposal is not expected to immediately cause a change in individual risk or statewide premium. The two codes' loss costs will eventually reflect the new phraseology wording and experience of all risks with payroll and loss experience assigned.

Vermont Specific:

The proposal recommends that Vermont continue the state special phraseology, which does not include clerical in Code 9063, while clarifying the classification of amateur sports and professional sports similar to the national classifications proposal. Continuing with this state special wording will minimize any impact to individual risk or statewide premium.

Virginia Specific:

The phraseology changes proposed for Virginia coincide with the national proposal for Codes 9063, 9178, and 9179. This should not result in an additional change in premium from what is stated for the national proposal.

IMPLEMENTATION

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal voluntary and assigned risk policies. Both wording and rate changes will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
ATHLETIC TEAM SPORTS AND PARKS
CLASSIFICATIONS****~~ATHLETIC TEAM OR PARK~~**

- 9179** **ATHLETIC SPORTS OR PARK: CONTACT SPORTS.** Applies to players, coaches, managers, trainers, equipment managers or ~~umpires~~ sports officials and includes all players on the salary list of the insured, whether regularly played or not. Contact sports include, but are not limited to, football, hockey, and roller ~~derby~~ ~~derby~~. The entire payroll of all employee ~~is~~ must be included in ~~calculating~~ computing premium, subject, however, to a minimum of \$500 per employee per season and the maximum average weekly wage per employee shown in the state rate pages under Miscellaneous Values as “Maximum Payroll.” This classification is not applicable for amateur, youth, or recreational sports, in which the athletes are generally not paid. Refer to Code 9063 for these risks.
- 9178** **ATHLETIC SPORTS OR PARK: NONCONTACT SPORTS.** Applies to players, coaches, managers, trainers, equipment managers, or ~~umpires~~ sports officials and includes all players on the salary list of the insured, whether regularly played or not. Noncontact sports include, but are not limited to, baseball, ~~and~~ basketball, and soccer. The entire payroll of all employee ~~is~~ must be included in ~~calculating~~ computing premium, ~~and~~ subject, however, to a minimum of \$500 per employee per season and the maximum average weekly wage per employee shown in the state rate pages under Miscellaneous Values as “Maximum Payroll.” This classification is not applicable for amateur, youth, or recreational sports, in which the athletes are generally not paid. Refer to Code 9063 for these risks.
- 9182** **ATHLETIC SPORTS OR PARK: OPERATIONS & DRIVERS.** Applies to all employees other than players, coaches, managers, ~~trainers, equipment managers or umpires~~ sports officials.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
ATHLETIC TEAM SPORTS AND PARKS
CLASSIFICATIONS**

9063 YMCA, YWCA, YMHA OR YWHA, INSTITUTION—ALL EMPLOYEES & CLERICAL.

Includes teachers and instructors. Camp operation to be separately rated as Code 9015. This classification is applicable to amateur, youth, or recreational sports in which the athletes are generally not paid. It is assigned to coaches, managers, trainers, equipment managers, and sports officials. For professional and semiprofessional sports, refer to Code 9178 or Code 9179.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 3—FACT SHEET

CLEANING SERVICES AND PET SITTING

PROPOSAL

The focus of the proposed changes is to introduce a new classification and phraseologies to better define the industry.

NCCI recommends the following national treatment for classifications:

1. Amend the phraseology for Code 0917—Domestic Service Contractor—Inside to clarify the type of operations assigned to this code.
2. Create a cross-reference phraseology for Pet Sitting Services and Drivers to clarify the current assignment of pet sitters to Code 0917.
3. Amend the phraseology and all cross-reference phraseologies for Code 9014—Building Operation by Contractors. The revised classification will be applicable to operations performed from the ground and will include drivers.
4. Create a cross-reference phraseology for pressure cleaning services to assign all pressure cleaning operations to Code 9014 or Code 9170 instead of classifying by what is being cleaned.
5. Create a new classification Code 9170 for operations performed above the ground. This code will include drivers.

Arizona Specific:

NCCI recommends that Arizona discontinue the state special phraseology for Code 9014 and adopt the national phraseology for mobile power cleaning services. There are no substantive differences between Arizona's state special phraseology and the newly defined national phraseology.

Colorado Specific:

NCCI recommends that Colorado discontinue state special phraseologies for Codes 9014 and 9170 and adopt the national phraseologies for janitorial services. There are no substantive differences between Colorado's state special phraseologies and the newly defined national phraseologies.

Florida Specific:

NCCI recommends that Florida discontinue state special Code 9000—Janitorial Service by Contractor—No Window Cleaning and state special Code 9001—Janitorial Service by Contractor—Includes Window Cleaning and adopt the national treatment of janitorial services to be consistent with the changes proposed nationally. It is also recommended that Florida eliminate the classification entry for Buildings—Operation By Contractors since the industry name is being changed to Janitorial Services By Contractor.

Indiana Specific:

NCCI recommends that Indiana amend the state special phraseology for Code 9014 to more closely align with the national proposal.

New Hampshire Specific:

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 3—FACT SHEET (CONT'D)

NCCI recommends that New Hampshire not adopt the newly proposed cross-reference phraseology for Code 0917 but amend Code 8831 to align with the national proposal.

Oregon Specific:

NCCI recommends that Oregon adopt the new national wording changes for both Codes 0917 and 9014. This in effect removes a state special phraseology for Code 9014 regarding Building Operations by Contractors and Drivers. It also requires changes to current state special wording for Codes 0917 and 9014 so that they will reflect the national proposal while continuing to include Oregon specific domestic code notes. There are no substantive differences between Oregon's state special phraseologies and the newly defined national phraseologies. It is also recommended that Oregon eliminate the classification entry for Janitorial Service—Building Maintenance—Special Contractor since the industry name is being changed to Janitorial Services By Contractor.

BACKGROUND AND BASIS FOR CHANGE

A review of the cleaning services industry was conducted to clarify and address existing items. Residential cleaning services are classified to Code 0917—Domestic Service Contractor—Inside, which has been in effect since October 1, 1985. This code was implemented for the purpose of classifying businesses that provide interior cleaning services to residential customers on a contract basis. Pet sitting is also a service that is provided in a customer's home where the pets are in their familiar environment, and it is included in Code 0917.

Janitorial services are classified to Code 9014—Buildings—Operation by Contractors, which has been in effect since 1920. Code 9014 is also assigned to other specialty cleaning services such as chimney cleaning, furnace cleaning, cleaning of vacant residential homes, and window cleaning. Currently, there is no restriction to height for window cleaners.

Pressure washing is a specialty cleaning service that is currently referenced in Code 5221—Concrete or Cement Work—Floors, Driveways, Yards or Sidewalks—& Drivers, Code 5474—Painting or Paperhanging NOC & Shop Operations, Drivers, and Code 5551—Roofing—All Kinds & Drivers.

A review of claims, payroll, and industries was conducted to determine if changes were warranted in the classification treatment of this industry.

Five-year loss history was reviewed for state-specific companion codes assigned to janitorial services doing no or limited window cleaning. The loss history shows far greater frequency and severity claims for contractors performing window cleaning. Window cleaning, other than from the ground, subjects workers to unique injury causes such as being struck or injured by animals or insects, and slips and falls from ladders or scaffolding.

The proper classification for pressure cleaning specialists is Code 9014 because the service provided is a type of cleaning service. A state-specific phraseology exists for mobile power cleaning services, and adopting this treatment would clarify the proper assignment of these businesses.

Pet sitting is a service provided in the customer's home where the pets are in their familiar environment. No anomalies were found to support removing pet sitters from Code 0917.

IMPACT

This item proposes a new national Classification Code 9170—Janitorial Services by Contractor—Includes Window Cleaning Above Ground Level & Drivers, which includes above-ground-level chimney cleaning,

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 3—FACT SHEET (CONT'D)

above-ground-level janitorial window cleaning, and above-ground-level power/pressure cleaning. It is proposed that the initial loss cost or rate values will be that of Code 9014 until the new classification establishes its own experience. While experience may be transferred from numerous other class codes, it is expected that the majority of this new code's experience will come from Code 9014. Therefore, this proposal is not expected to cause a significant change in statewide premium. The impact to individual risk premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 9014, and the differences from the previously assigned codes' loss cost or rate.

This item also proposes that pressure cleaning specialist cross-references be added to Code 9014. Similar type cross-references already exist in the states of Arizona and Oregon. This item proposes that these two states remove their individual cross-references and adopt the newly proposed national phraseology on pressure cleaning. This change is proposed to specifically address these operations so that they will be consistently assigned to the same code. No modification or adjustment to filed loss cost or rate is proposed for this code due to the phraseology change. The premium impact to each individual risk will vary depending on the amount of payroll redistribution that occurs. The class code's loss cost or rate will eventually reflect the new phraseology and the underlying experience of all risks' payroll and loss experience assigned to that classification.

New phraseology will include "& Drivers" in both new national Code 9170 and currently existing national Code 9014 so as to clarify that the exposure of getting any needed equipment to the job site is to be included in the class experience. The amount of payroll reclassification is not expected to be large, so the impact to individual risk and statewide premium is expected to be small.

Classification review shows that pet sitting will remain in Code 0917. This will result in no change in that code's loss cost, rate, or statewide premium.

Arizona Specific:

This item proposes to discontinue the state special phraseology for Code 9014 and adopt the new national treatment. It is believed that the state special wording and the new national wording differences are not significant enough to result in a reclassification of payroll. Therefore, this portion of the change is not expected to result in a change in individual risk or statewide premium.

Colorado Specific:

This item proposes that Colorado discontinue its state special wording and accept the newly proposed national treatment for Code 9170. All of Colorado's historical experience for this code will remain in this code. Future assignment of risks will be based on the new national phraseology. The extent of payroll redistribution cannot be determined definitively, but the change in wording is not expected to be significant enough to cause a large impact to individual risk or statewide premium.

This item also proposes that Colorado remove the state special phraseology for Code 9014 and accept the newly proposed national wording. Future assignment of risks will be based on the new national phraseology. The extent of payroll redistribution cannot be determined definitively, but the change in wording is not expected to be significant enough to cause a large impact to individual risk or statewide premium.

Florida Specific:

This item proposes that Florida eliminate state special Classification Code 9000—Janitorial Service by Contractor: No Window Cleaning, and state special Classification Code 9001—Janitorial Service by Contractor: Includes Window Cleaning, and accept the new national treatment for Code 9014. Future

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 3—FACT SHEET (CONT'D)

assignment of risks will be based on the newly defined Code 9014 national phraseology. Using the combined experience of Codes 9000, 9001, and 9014 to determine the rate for newly defined Code 9014 will minimize the overall statewide premium impact. The impact to individual risks will vary depending on their current code payroll assignments and the resulting combined rate of Code 9014.

This item also proposes to establish the newly defined national Code 9170 in Florida. This new code's rate and rating values will be that of newly defined Code 9014 until it develops its own experience. While payroll may be transferred from numerous other class codes, it is expected that the majority of Code 9170 experience will come from the combined data in newly defined Code 9014. Therefore, this proposal is not expected to cause a significant change in statewide premium. The impact to individual risk premium will vary depending on the current payroll distribution between the previously assigned codes and the differences in rates to the newly defined Code 9170.

New Hampshire Specific:

This item proposes that New Hampshire continue and amend the state-special cross-reference wording for Code 8831, regarding day visit pet sitters, so as to align with new national wording. This New Hampshire specific change is not expected to result in a reassignment of payroll or cause an impact to individual risk or statewide premium.

Oregon Specific:

This item proposes that Oregon adopt the new national wording for Code 9014, adopt new national Code 9170, and amend currently existing state special phraseologies for Codes 0917 and 9014 to more closely align them with the national changes while continuing state special note references to Domestic codes. It is believed that there are no substantive differences between the national proposal and the state specific proposed change.

IMPLEMENTATION

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal voluntary and assigned risk policies. Both wording and rate changes will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES AND PET SITTING
CLASSIFICATIONS**

0917 ~~DOMESTIC SERVICE CONTRACTOR—INSIDE—~~

~~Applicable to employers furnishing employees under contract for domestic service performed inside customer's residence and includes operation of training schools.~~

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES AND PET SITTING
CLASSIFICATIONS**

0917 RESIDENTIAL CLEANING SERVICES BY CONTRACTOR—INSIDE

Applicable to businesses engaged in providing residential services performed inside a customer's residence. Refer to Code 9014 for commercial cleaning services and cleaning service contractors who provide clean-up crews to prepare residential properties for future occupants. Domestic workers employed by a business, other than a business described by Code 0917, are classified to the appropriate domestic code.

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

0917 **PET SITTING SERVICES & DRIVERS**

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES
CLASSIFICATIONS**

~~BUILDINGS—OPERATION~~

- 9014 ~~By Contractors. Includes window cleaning, painting, maintenance, or repair at any location where such contractor does not also perform janitorial services to be separately rated.~~
- 9012 **BUILDINGS—OPERATION BY OWNER, LESSEE, OR REAL ESTATE MANAGEMENT FIRM: PROFESSIONAL EMPLOYEES, PROPERTY MANAGERS AND LEASING AGENTS & CLERICAL, SALESPERSONS.** The professional employments included are property managers, leasing agents, model home hosts, clerical staff, and outside salespersons; no actual maintenance performed. Not applicable to an owner or lessee of a building who occupies the entire or principal portion of the premises for mfg. or mercantile purposes or to a business described by a standard exception classification. Shall not be assigned to an employee engaged in operations described by another classification.
- 9015 **BUILDINGS—OPERATION BY OWNER, LESSEE OR REAL ESTATE MANAGEMENT FIRM: ALL OTHER EMPLOYEES.** Not applicable to an owner or lessee of a building who occupies the entire or principal portion of the premises for mfg. or mercantile purposes. Maintenance or repair work at any location where such owner or lessee does not also perform janitorial services, operation, or maintenance of amusement devices to be separately rated.

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

9014 JANITORIAL SERVICES BY CONTRACTORS—NO WINDOW CLEANING ABOVE GROUND LEVEL & DRIVERS

Includes inside and outside cleaning of windows from ground level. Window cleaning when performed above ground level to be separately rated as Code 9170. If verifiable records are not maintained, the entire payroll is assigned to the highest-rated classification that applies to the job or location where the window cleaning is performed. Painting, maintenance, or repair at any location where such contractor does not also perform janitorial services to be separately rated. Cleaning service contractors who provide clean-up crews to prepare residential properties for future occupants are classified to Code 9014. Code 9014 does not include debris removal; refer to Code 5610.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES AND PET SITTING
CLASSIFICATIONS**

~~CHIMNEY~~

- 9014** **CHIMNEY CLEANING—RESIDENTIAL—NO CHIMNEY CLEANING ABOVE GROUND LEVEL & DRIVERS** Applies to the cleaning of chimneys by the vacuum suction method from ground level. Chimney cleaning when performed above ground level to be separately rated as Code 9170. If verifiable records are not maintained, the entire payroll is assigned to the highest-rated classification that applies to the job or location where the chimney cleaning is performed.
- 5222●** **CHIMNEY CONSTRUCTION—NOT METAL.** Includes foundation and applies to stone, brick, or concrete chimneys. Also includes guniting and lining operations.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES AND PET SITTING
CLASSIFICATIONS**

9014 EXTERMINATOR & DRIVERS

Includes termite control. Carpentry repair or use of poisonous gases to be separately rated.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
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9014 FURNACE CLEANING—VACUUM SUCTION METHOD & DRIVERS

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

**9014 MOBILE POWER OR PRESSURE CLEANING SERVICE—NO POWER OR PRESSURE
CLEANING ABOVE GROUND LEVEL & DRIVERS.**

Applies to the cleaning of building exteriors, sidewalks, vehicles, and equipment using portable water or steam power cleaning systems. Power or pressure cleaning when performed above ground level to be separately rated as Code 9170. If verifiable records are not maintained, the entire payroll is assigned to the highest-rated classification that applies to the job or location where the power or pressure cleaning is performed. Power or pressure cleaning of roofs is separately rated to Code 5551.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES AND PET SITTING
CLASSIFICATIONS**

**9170 JANITORIAL SERVICES BY CONTRACTORS—INCLUDES WINDOW CLEANING ABOVE
GROUND LEVEL & DRIVERS**

Includes inside and outside cleaning of windows above ground level. Window cleaning when performed at ground level to be separately rated as Code 9014. If verifiable records are not maintained, the entire payroll is assigned to the highest-rated classification that applies to the job or location where the window cleaning is performed. Painting, maintenance, or repair at any location where such contractor does not also perform janitorial services to be separately rated. Cleaning service contractors who provide clean-up crews to prepare residential properties for future occupants are classified to Code 9014.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES AND PET SITTING
CLASSIFICATIONS**

9170 CHIMNEY CLEANING—RESIDENTIAL—INCLUDES CHIMNEY CLEANING ABOVE GROUND LEVEL & DRIVERS

Applies to the cleaning of chimneys by the vacuum suction method above ground level. Chimney cleaning when performed at ground level to be separately rated as Code 9014. If verifiable records are not maintained, the entire payroll is assigned to the highest-rated classification that applies to the job or location where the chimney cleaning is performed.

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**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
CLEANING SERVICES AND PET SITTING
CLASSIFICATIONS**

9170 MOBILE POWER OR PRESSURE CLEANING SERVICES—INCLUDES POWER OR PRESSURE CLEANING ABOVE GROUND LEVEL & DRIVERS.

Applies to the cleaning of building exteriors and equipment using portable water or steam power cleaning systems. Power or pressure cleaning when performed at ground level to be separately rated as Code 9014. If verifiable records are not maintained, the entire payroll is assigned to the highest-rated classification that applies to the job or location where the power or pressure cleaning is performed. Power or pressure cleaning of roofs to be separately rated as Code 5551.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—FACT SHEET**DOMESTICS****PROPOSAL**

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

NCCI recommends the following national treatment for classifications and rules:

1. Discontinue Code 0909—Domestic Workers—Residences—Domestic Workers—Outside—Occasional—Including Occasional Private Chauffeurs and reassign these businesses to redefined Code 0908. The revised classification, Code 0908, will be applicable to part-time domestic workers, both inside and outside. Code 0908 will be determined on combined data of both Code 0908 and Code 0909. Initially, the new loss cost or rate for Code 0908 will be calculated as a per capita exposure weighted average of the loss cost or rate of Code 0908 and Code 0909. Thereafter, the data for Code 0908 will be combined with the data for Code 0909 prior to deriving the loss cost or rate.
2. Discontinue Code 0912—Domestic Workers—Residences—Domestic Workers—Outside—Including Private Chauffeurs and reassign these businesses to redefined Code 0913. The revised classification, Code 0913, will be applicable to full-time domestic workers, both inside and outside. The new loss cost or rate and rating values for Code 0913 will be determined on combined data of both Code 0912 and Code 0913. Initially, the new loss cost or rate for Code 0913 will be calculated as a per capita exposure weighted average of the loss cost or rate of Code 0912 and Code 0913. Thereafter, the data for Code 0913 will be combined with the data for Code 0912 prior to deriving the loss cost or rate.
3. Change NCCI's *Basic Manual* rule exception (Rule 3.C) for Domestic Workers—Residences to incorporate proposed changes to phraseologies found in the Classifications section of the manual.

Florida Specific:

NCCI recommends that Florida discontinue the state rule exception for Domestic Workers—Residences and adopt the national rule to be consistent with the changes proposed nationally.

Nevada Specific:

NCCI recommends that Nevada discontinue state special Code 0001—Domestics and Domestic Maintenance—Elective Coverage and Code 0002—Domestics and Domestic Maintenance—Occasional—Elective Coverage and adopt the national treatment of domestics. It is also recommended that Nevada discontinue the state rule exception for Domestic Workers Residences and adopt the national rule to be consistent with the changes proposed nationally.

New Hampshire Specific:

NCCI recommends that New Hampshire discontinue the state rule exception for Domestic Workers—Residences and adopt the national rule to be consistent with the changes proposed nationally.

Oregon Specific:

NCCI recommends that Oregon not adopt the newly defined national Codes 0908 and 0912 for domestic workers and instead continue the use of their state special Code 8989—Domestics.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—FACT SHEET (CONT'D)**BACKGROUND AND BASIS FOR CHANGE**

Domestic workers are employees engaged in duties in or around the residence and are employed by the resident owner. Classification Code 0908—Domestic Workers—Inside—Occasional and Code 0913—Domestic Workers—Inside are applicable to domestic workers performing household duties inside the residence. Classification Code 0909—Domestic Workers—Outside—Occasional—Including Occasional Private Chauffeurs and Code 0912—Domestic Workers—Outside—Including Private Chauffeurs are applicable to domestic workers performing household duties outside the insured's residence, including gardeners and private chauffeurs. Domestic workers are hired based on the customers' needs. Butlers, personal assistants, chefs, housekeepers, nannies, laundry specialists, and drivers are examples of these workers. Depending on the size of the household, these domestic workers may be responsible for numerous duties outside of their specialty. For example, nannies may drive the children to school, shop for food, and clean the house. Exposures will vary, but injuries such as slips and falls and cuts and burns will be common. A review of claims data reported for all codes showed similarities in injury causes. Domestic workers performing duties inside the house experience the same type of losses as those performing duties outside of the house.

IMPACT

This item proposes to combine both inside and outside occasional domestics, by discontinuing Code 0909—Domestic Workers—Residences—Domestic Workers—Outside—Occasional—Including Occasional Private Chauffeurs, and reassigning its experience to newly defined Code 0908—Domestic Workers—Residences—Part-Time. A review has been conducted using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program. Based on the result of this review, no states loss cost/rate change or estimated premium impact warranted the need for a transition program. Using the combined experience from the two codes to calculate the loss cost or rate will minimize the change in overall premium. The impact to individual risk will vary depending on their current code per capita assignments and the resulting combined loss cost or rate.

This item also proposes to combine inside and outside full-time domestics, by discontinuing Code 0912—Domestic Workers—Residences—Domestic Workers—Outside—Including Private Chauffeurs and reassigning its experience to newly defined Code 0913—Domestic Workers—Residences—Full-Time. A review has been conducted using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program. Based on the result of this review, no state's loss cost/rate change or estimated premium impact warranted a transition program. Using the combined experience from the two codes to calculate the loss cost or rate will minimize the change in overall premium. The impact to individual risk will vary depending on their current code per capita assignments and the resulting combined loss cost or rate.

The other changes in phraseologies for Code 0908 and Code 0913 are for clarification only and are not expected to result in any change in loss cost, rate, or premium.

Florida Specific:

This item proposes that Florida discontinue state rule exception wording for Domestic Workers—Residences and adopt the national rule to be consistent with the national proposal. The elimination of state special exceptions regarding domestic workers is not expected to result in additional changes in premium beyond the national proposals to combine Code 0908 and Code 0909, and Code 0912 and Code 0913.

Nevada Specific:

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—FACT SHEET (CONT'D)

This item proposes that Nevada discontinue state special Code 0001—Domestics and Domestic Maintenance—Elective and reassign its experience to the comparable nationally established and redefined Code 0913 Domestic Workers—Residences—Full-Time. All experience will be removed from Code 0001 and assigned to the national Code 0913. It is proposed that the initial loss cost or rate and experience rating values be that of Code 0001. It is expected that most experience generated for the new code will come from Code 0001. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium. Future assignment of risks will be based on the new national phraseology.

This item also proposes that Nevada discontinue state special Code 0002—Domestics—Occasional and reassign its experience to a comparable nationally established and redefined Code 0908—Domestic Workers—Residences—Part-Time. All experience will be removed from Code 0002 and assigned to the national Code 0908. It is proposed that the initial loss cost or rate and experience rating values be that of Code 0002. It is expected that most experience generated for the new code will come from Code 0002. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium. Future assignment of risks will be based on the new national phraseology.

New Hampshire Specific:

This item proposes that New Hampshire discontinue state rule exception wording for Domestic Workers—Residences and adopt the national rule to be consistent with the national proposal. The elimination of state special wording regarding minimum premiums for domestic workers may result in additional minimum premium charges for some full-time domestic workers. The amount of risks subject to the minimum premium rule is not expected to be large, so this portion of the change is not expected to cause a significant change in statewide premium.

Oregon Specific:

The item proposes that Oregon not adopt the revised national Codes 0908 and 0913 and instead continue to use Oregon state special Code 8989 for domestics. Since there are no proposed changes for Oregon, there will be no impact to individual risk or statewide premium.

IMPLEMENTATION

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal—voluntary and assigned risk policies. Both wording and rate changes will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
DOMESTICS
CLASSIFICATIONS

~~DOMESTIC WORKERS—RESIDENCES.~~

~~See Rule 3-C.~~

0913 ~~Domestic Workers—Inside~~

0908 ~~Domestic Workers—Inside—Occasional~~

~~0912 Domestic Workers—Outside—Including Private Chauffeurs.~~ Not applicable to operations
at any location where commercial farm operations are conducted.

~~0909 Domestic Workers—Outside—Occasional—Including occasional private chauffeurs.~~
Not applicable to operations at any location where commercial farm operations are conducted.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 4—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
DOMESTICS
CLASSIFICATIONS**

0908 DOMESTIC WORKERS—RESIDENCES—PART-TIME

Refer to the *Basic Manual* for additional information on the treatment of domestic workers. Applies to part-time domestic workers employed inside or outside a private residence who are employed directly by the resident owner, the estate of the owner, or family of the resident. Refer to Code 8835 for companions or personal assistants who also provide physical and personal assistance in the activities of daily living and/or nursing care. "Part-time" applies to any domestic worker who is employed 20 hours or less per workweek. Au pairs or domestic workers who are compensated by room and board are considered to be full-time; refer to Code 0913. Not applicable to outside domestic workers at any location where commercial farm operations are conducted; refer to the appropriate farming classification. Domestic workers employed by a business, other than a business described by Code 0917, are classified to Code 0908 or Code 0913.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 4—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
DOMESTICS
CLASSIFICATIONS**

0913 DOMESTIC WORKERS—RESIDENCES—FULL-TIME

Refer to the *Basic Manual* for additional information on the treatment of domestic workers. Applies to full-time domestic workers employed inside or outside a private residence who are employed directly by the resident owner, the estate of the owner, or family of the resident. Refer to Code 8835 for companions or personal assistants who also provide physical and personal assistance in the activities of daily living and/or nursing care. "Full-time" applies to any domestic worker who is employed more than 20 hours per workweek. Au pairs or domestic workers who are compensated by room and board are considered to be full-time. Not applicable to outside domestic workers at any location where commercial farm operations are conducted; refer to the appropriate farming classification. Domestic workers employed by a business, other than a business described by Code 0917, are classified to Code 0908 or Code 0913.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**EXHIBIT 4—NATIONAL RULES
BASIC MANUAL—2001 EDITION
DOMESTICS****RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS****C. DOMESTIC WORKERS—RESIDENCES**

1. Explanation

Domestic workers ~~can be defined as either Outside, Inside, or Occasional depending on their duties and the number of hours worked~~ are hired to perform duties inside or outside a private residence. The domestic worker must be employed directly by the resident owner, the estate of the owner, or family of the resident.

- ~~Code 0913—Domestic Workers—Inside Residences—Full-Time are full-time employees who are engaged exclusively in household or domestic work performed principally inside the residence~~ domestic workers, inside or outside, who are employed full-time. “Full-time” applies to any domestic worker who is employed more than 20 hours per workweek. Au pairs or domestic workers who are compensated by room and board are considered to be full-time.
~~Use Code 0913—Domestic Workers—Inside.~~
- ~~Domestic Workers—Outside are full-time employees engaged exclusively in household or domestic work performed principally outside the residence. This includes private chauffeur and gardener.~~
~~Use Code 0912—Domestic Workers—Outside—including private chauffeurs.~~
- ~~Code 0908—Domestic Workers—Occasional Residences—Part-Time~~ are domestic workers, inside or outside, who are employed part-time.
In this instance, “part-time” applies to any domestic worker who is employed half or less than half of the customary full-time 20 hours or less per workweek.
~~Use Code 0908—Domestic Workers—Inside—Occasional or Code 0909—Domestic Workers—Outside—Occasional—including private chauffeurs.~~

These codes include cooks, housekeepers, laundry workers, maids, butlers, companions, nannies, private chauffeurs, and gardeners.

Exception:

If commercial farm operations are conducted, Codes ~~0909-0908~~ and ~~0912-~~ 0913 do not apply to any operations at the farm location. Any outside domestic workers at a commercial farm location are assigned to the appropriate farm classification.

2. Other Classifications—Maintenance, Repair, or Construction Operations

Codes 0908, 0909, 0912 and 0913 include ordinary repair or maintenance of the insured's premises or equipment by domestic workers.

Building maintenance or repair by employees hired for only that purpose must be assigned to Code 9015—Buildings—Operation by Owner or Lessee.

Extraordinary repairs, alterations, new construction, erection, or demolition of structures must be assigned to construction or erection classifications.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 4—NATIONAL RULES (CONT'D)
BASIC MANUAL—2001 EDITION
DOMESTICS**

RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS

3. Coverages

a. **Workers Compensation and Employers Liability Insurance**

Statutory workers compensation obligations of an employer with regard to domestic workers may be insured as follows:

- By the Standard Policy, or
 - By attaching the Standard Workers Compensation and Employers Liability Coverage for Residence Employees Endorsement (WC 00 03 14) to a homeowners policy, a comprehensive personal liability policy, or to any policy that provides similar coverage
- Statutory coverage is the minimum extent of insurance protection required in an insurance contract in accordance with applicable state laws or statutes.

- b. In states where domestic workers are not included and cannot be covered under the workers compensation law, Voluntary Compensation Insurance may be provided by attaching a Voluntary Compensation and Employers Liability Coverage for Residence Employees Endorsement (WC 00 03 12) to a homeowners policy, comprehensive personal liability policy, or any policy that provides similar coverage.

4. Name of Insured

One or more members of the same residence may be named as the insured, but only in connection with the employment of domestic workers in thIn Virginia, this item will be implemented for policies effective on or at

5. Advisory Loss Costs, Rates and Premium

Advisory loss costs and rates for Codes 0908, 0909, 0912 and 0913 are per capita premium charges.

A per capita classification is one that uses number of workers rather than payroll to measure exposure.

a. Requirements for Maintenance of Records

The insured must maintain a record of the names, duties and period of service of each domestic worker.

b. Premium Determination

• **Full-Time Domestic Workers—Codes 0912 and Code 0913**

Estimated premium must be calculated based on the estimated number of such domestic workers during the policy period.

If additional domestic workers under Codes 0912 and 0913 are employed during the policy period or if some domestic workers are no longer employed and are not replaced, then the per capita premium charges must be prorated.

Each pro rata charge must be based on the period of employment, but cannot be less than 25% of the per capita charge.

• **Occasional Part-Time Domestic Workers—Codes 0908 and 0909**

Estimated premium must be calculated based on the estimated aggregate (total) time of all occasional domestic workers who are to be employed during the policy period.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 4—NATIONAL RULES (CONT'D)
BASIC MANUAL—2001 EDITION
DOMESTICS**

RULE 3—RATING DEFINITIONS AND APPLICATION OF PREMIUM ELEMENTS

Regardless of concurrent employment, a single per capita charge applies for each aggregate of employed time ~~that is 1/2 of the customary full time of each such domestic worker~~ 20 hours or less per workweek. An additional per capita charge applies to any remainder less than ~~1/2 of the customary full time hours~~ 20 hours or less per workweek.

c. Minimum Premium

For a policy with two or more classifications, whether per capita rated or payroll rated, apply the highest minimum premium for any classification on the policy.

d. Catastrophe Provisions

Premium for catastrophe provisions as detailed in Rule 3-A-24 does not apply to per capita classifications.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 5—FACT SHEET**FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS****PROPOSAL**

The focus of the proposed changes for this industry is to assign separate classifications for paid and for volunteer firefighters. It is also proposed that head-count data be collected for these two firefighting codes.

NCCI recommends the following national treatment of classifications and rules:

1. Establish two new codes: Code 7710—Firefighters & Drivers, and Code 7711— Firefighters & Drivers—Volunteer. Combination fire departments with both paid and volunteer firefighters would be allowed to use both codes. Code 7704—Firefighters & Drivers will be discontinued on a national level. By implementing Code 7710 for paid firefighters on a national basis instead of using Code 7704, which contains mixed data, NCCI will be able to maintain data integrity between paid and volunteer firefighters. Code 7711, which is currently a state special code, will become a national code.

The rate or loss cost for both codes initially will be the rate or loss cost for Code 7704. As experience for the new codes comes in, that experience will be blended with Code 7704 experience to develop a single rate or loss cost that will apply to both proposed Codes 7710 and 7711. Handling the rates for the two codes in this way generally should result in minimal potential premium impact.

2. The minimum payroll per volunteer per year will remain unchanged, including any state-specific minimum payroll amounts. The phraseology for Code 7711 will be amended to promote the use of more adequate payrolls for premium determination.

Wording will be added to clarify that the minimum payrolls apply to all volunteers including volunteer officers and volunteers subject to standard exception codes.

3. Collect data providing a head count of volunteer firefighters. Carriers will need to submit the head-count data as per the North Carolina Rate Bureau's Statistical Plan. The head count data will be reported under statistical code 9219.

With the creation of the two new class codes, NCCI will have separate data for the two categories of firefighters, but the payroll data for the volunteers may continue to be based on a minimum payroll amount as used by carriers in determining premium. It is unlikely that hours worked will ever be captured for the volunteer due to the difficulty of acquiring this information. Collecting a simple head count of volunteers will at least provide a standard measure of the volunteer's actual exposure.

When the next review of this industry is conducted, NCCI will be able to evaluate the separate data and develop revised recommendations for charging premium for the industry overall. To do this, the same data is needed for both segments, which is why a head count for the paid firefighters is also recommended.

This recommendation will have minimal premium impact. It will, however, have administrative impact on carriers. For this reason, feedback was solicited from NCCI's Data Collection Procedures (DCP) Subcommittee on the recommendation to collect head-count data on the two types of firefighters. The DCP Subcommittee is made up of insurance data managers and professionals from various carrier representatives. The main goal of the committee is to support the data collection process.

4. Part-time firefighters will no longer be classified with volunteer firefighters. If a firefighter is not a volunteer, they will be classified to Code 7710. A volunteer firefighter may or may not receive some type of compensation or gratuity for responding to an emergency or performing service, but their status is still that of a volunteer, not an employee.

Alaska Specific:

NCCI recommends that Alaska adopt proposed state exception wording for new national Code 7711. This wording continues the existing state special minimum payroll of \$2,000 per volunteer per year.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 5—FACT SHEET (CONT'D)

Arizona Specific:

The new national Code 7711 for volunteer firefighters is not proposed for use in Arizona. Instead it is recommended they keep their existing state special Code 8411 for volunteer fighters. NCCI recommends that Arizona adopt proposed state exception wording for new national Code 7710. This wording mirrors the national wording, except it specifies to separately rate volunteer firefighters to existing state special Code 8411.

Colorado Specific:

NCCI recommends that Colorado adopt revised wording for existing state special Code 7719. This revised wording ties in the same treatment being proposed nationally for the volunteer segment of this industry, while leaving the state special statutory code for volunteer teams or groups.

Connecticut Specific:

In Connecticut, Codes 7710 and 7711 are already used as state specials. NCCI recommends that Connecticut discontinue these state specials and adopt the proposed new national wording for both codes.

Florida Specific:

NCCI recommends that Florida adopt the proposed state exception wording for new national Code 7711. This wording continues the existing state special minimum payroll of \$1,000 per volunteer per year.

Georgia Specific:

NCCI recommends that Georgia discontinue the state exception wording for Code 7704 and adopt the proposed new national wording for Codes 7710 and 7711. The new national wording for Code 7711 incorporates wording dealing with volunteers assigned to a standard exception classification, so there is no longer a need for a Georgia exception.

Idaho Specific:

The proposal eliminates national Code 7704 and establishes national Codes 7710 and 7711 for use for all Idaho carriers as well as maintaining the similarly defined Idaho State Fund Special Codes 7710 and 7711. The historical data for Code 7704 will be combined with Code 7710 to establish a future loss cost and rate for Codes 7710 and 7711, as well as the Idaho State Fund special-defined Codes 7710, 7711, and 7719. This is similar to the current loss cost derivation process. This should not result in a change in individual risk or statewide premium for this industry.

Illinois Specific:

NCCI recommends that Illinois discontinue the state exception wording for Code 7704 and adopt the proposed new national wording for both Codes 7710 and 7711. The new national wording for Code 7711 incorporates wording dealing with volunteer officers and volunteers assigned to a standard exception classification, as does the existing Illinois exception.

Indiana Specific:

NCCI recommends that Indiana adopt revised wording for existing state special Code 7699. NCCI also recommends that Indiana adopt new state exception wording for Codes 7710 and 7711. The proposed Indiana

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 5—FACT SHEET (CONT'D)

wording modifies the national wording to tie it in with the application of statutory Indiana state special Code 7699. This results in three Indiana classifications with clear instruction on when to apply each of the codes.

Nevada Specific:

Code 7711 is already in use in Nevada. NCCI recommends that Nevada adopt revised state exception wording for Code 7711. This wording continues the existing state special minimum payroll of \$2,000 per volunteer per month.

New Mexico Specific:

NCCI recommends that New Mexico discontinue state exception wording for Code 7704 and adopt the proposed new national wording for both Codes 7710 and 7711.

Oregon Specific:

NCCI recommends that Oregon adopt proposed state exception wording for new national Code 7710. This wording mirrors the national wording, except it specifies to separately rate volunteer firefighters to existing state special Code 8411. It also has a reference to the Oregon state special code for wildland or forest firefighting by contractor.

NCCI also recommends that the wording for state special Code 8411 be updated to reflect references to new Codes 7710 and 7711 (plus Code 7705 from the ambulance industry proposals).

South Carolina Specific:

NCCI recommends that South Carolina adopt proposed state exception wording for new national Code 7711. This wording continues the existing state special minimum payroll of \$1,000 per volunteer per year.

Vermont Specific:

NCCI recommends that Vermont adopt proposed state exception wording for Code 7711. This wording incorporates existing state special criteria for the rating of the volunteer segment of this industry along with most aspects of the national wording.

Virginia Specific:

In Virginia, Code 7711 already exists as a state special. NCCI recommends that this state special be made a state exception. Wording will continue to apply, specifying that in no case should the payroll of any volunteer be less than the "Average Monthly Wage" value appearing on the Virginia state rate sheet. The state exception code will also use most of the new national wording for Code 7711.

NCCI also recommends that the proposed new national wording for Code 7710 be adopted in Virginia.

BACKGROUND AND BASIS FOR CHANGE

The firefighting industry's traditional role of fire suppression has expanded greatly over the past few decades. A fire department today must respond to a wide variety of hazards and emergencies.

Exposure information from NCCI's database, as reported by carriers, shows over \$5 billion in reported payroll for Code 7704 over five years. Payroll and policy count data has been relatively stable. Many of the

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 5—FACT SHEET (CONT'D)

policies written for this industry are smaller in premium size (unrated), and more than an average number are in the assigned risk pool.

Emergency medical service (EMS) has become a major sector in the industry. EMS calls represent 50% to 80% of the annual call volume for the firefighting industry, and 55% of fire departments provide some level of EMS.

The volunteer component of firefighting is significant, with 74% of the nation's fire service made up of volunteer firefighters. State statutes govern both coverage and benefits for volunteers, and there is significant variance among states.

From a national perspective, there is currently one basic or governing class code assigned for the firefighting industry, Code 7704. This code applies to both paid firefighters and unpaid or volunteer firefighters. Seven NCCI states have state special treatments separating paid firefighters and volunteer firefighters.

NCCI's research on this industry compared and contrasted data for the two segments of firefighters on three levels:

- Premium or exposure base-related
- Operational-related
- Claims-related

The information reviewed was a combination of data from NCCI's database as reported by carriers and data obtained from the industry. The research indicates that, while there were some similarities, there are significant differences between paid firefighters and volunteer firefighters.

Some differences in risk characteristics are normal in any code and represent the high and low spectrum of risks within a class, yet all the risks within a class should be of a homogeneous nature. The significant operational differences between paid and volunteer firefighters, together with differences identified in claims data—and the major difference in their exposure base or basis of premium—leads to the conclusion that these two segments of the firefighting industry are not homogeneous. Various state statutes that deal differently with the volunteer segment of the industry, as well as numerous states that have already separated the two segments for workers compensation classification, support this conclusion.

A question arising from the analysis of this industry is, what is the best way to charge premium for the volunteer portion of the industry so that it correctly reflects their exposure? When considering this question, there are two considerations. One is that NCCI does not have credible separate data for the two segments—regular paid firefighters and volunteer firefighters—because the bulk of the data is combined under a single firefighting code. The other is in measuring the volunteer firefighter's exposure or time spent doing their job since they usually are not compensated for their efforts.

The current situation with a single class code covering all firefighters, paid or volunteer, means the rate for the entire industry is developed to cover the losses for the entire industry. In effect, this potentially means that one segment is probably subsidizing the other.

Generally, carriers are charging premium for volunteer firefighters based on an established minimum payroll amount per volunteer per year. Of 34 NCCI states, 68% of them, or 23 states, have filed wording to use actual payroll subject to the \$300 minimum per volunteer per year. This national \$300 minimum payroll per annum per volunteer has not been updated since 1942. There are indications that the premiums resulting from application of these minimums are inadequate to cover volunteer firefighter losses.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 5—FACT SHEET (CONT'D)

The alternative to using a minimum payroll is for carriers to arrive at some measure of the volunteer's actual exposure instead. This can be difficult to determine. Also, it is not common practice for fire departments to track a volunteer firefighter's time on the job. A head count is usually the only information maintained, and that is not data currently tracked by NCCI.

In summary, the conclusions produced by the review of this industry point to the need for changes in how the firefighting industry is classified and rated. This is a challenging topic in that it deals with protection services for the public, where funding is tight. Three quarters of this industry is made up of volunteer firefighters who generally do not receive compensation for their efforts. They do, however, get injured, and it must be determined how to best charge premium to cover those claims. From a classification system perspective, NCCI's objective is to ensure that homogeneous risks are accurately identified and classified accordingly so their rate is commensurate with their own exposures.

IMPACT

This item proposes to establish two new national codes, one for paid firefighters, Code 7710, and one for volunteer firefighters, Code 7711, and discontinue national Code 7704—Firefighters & Drivers. Future assignment of firefighter payroll will be based on the proposed phraseology of the two new codes. This item also proposes that the future loss cost or rate be based on the combined experience of both the paid and the volunteer codes, which, in effect, will keep the loss costs or rates the same for both codes. Using combined data to establish a single loss cost or rate for both new codes will result in no change in a risk's or a state's premium had the codes remained as currently defined.

In Connecticut, Idaho State Fund, Nevada, and Virginia, where nonvolunteer and volunteer firefighters are currently split into Codes 7704 and 7711, respectively, this item proposes to reassign all current experience from Code 7704 to the new national Code 7710. This is not expected to result in a change in individual risk premium or overall statewide premium for nonvolunteer firefighters. The four states mentioned will continue to keep the data separated between these two codes and, therefore, continue to calculate two different loss costs or rates based on the experience reported in both the voluntary and nonvoluntary firefighter codes.

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

Alaska Specific:

The proposal recommends that Alaska adopt state special wording for Code 7711 that continues the existing state special minimum payroll of \$2,000 per volunteer per year. Since the payroll basis is the same, this portion of the proposal is not expected to change individual risk or statewide premium.

Arizona Specific:

The new national Code 7711 for volunteer firefighters is not proposed for use in Arizona. The proposal recommends that Arizona adopt state special wording for new national Code 7710 to continue to reference state special Code 8411 for volunteer firefighters in Arizona. This portion of the proposal is not expected to change individual risk or statewide premium.

Colorado Specific:

The proposal recommends that Colorado modify state special Code 7719 for Volunteer Rescue Team or Group & Drivers to reference the new national Code 7711 for Volunteer Firefighters & Drivers. This portion of the recommendation is not expected to result in individual risks or a statewide premium change.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 5—FACT SHEET (CONT'D)

Connecticut Specific:

The proposal recommends that Connecticut discontinue state special wording for Codes for 7710 and 7711 and accept the new similar national phraseologies for these two codes. This portion of the proposal is not expected to result in a change in individual or statewide premium.

Florida Specific:

The proposal recommends that Florida adopt state special wording for new national Code 7711 that continues the existing state special minimum payroll of \$1,000 per volunteer per year. Since the payroll basis remains the same, this portion of the proposal is not expected to change individual risk or statewide premium.

Georgia Specific:

The proposal recommends that Georgia discontinue the state special wording for Code 7704 and adopt the new national wording for Codes 7710 and 7711. The new national wording for Code 7711 includes the current \$300 payroll per person, per year minimum requirement. Since the voluntary payroll basis is the same, this portion of the recommendation is not expected to change individual risk or statewide premium.

Idaho Specific:

The proposal eliminates national Code 7704 and establishes national Codes 7710 and 7711 for use for all Idaho carriers as well as maintaining the similarly defined Idaho State Fund Special Classifications Codes 7710 and 7711. The historical data for Code 7704 will be combined with Code 7710 to establish a future loss cost and rate for Codes 7710 and 7711, as well as the Idaho State Fund special-defined Codes 7710, 7711, and 7719. This is similar to the current loss cost derivation process. This should not result in a change in individual risk or statewide premium for this industry.

Illinois Specific:

The proposal recommends that Illinois discontinue the state special wording for Code 7704 and adopt the new national wording for Codes 7710 and 7711. The proposed national wording for Code 7711 incorporates wording from the Illinois state special, so exception wording is no longer needed. This is not expected to result in a change in individual risk or statewide premium for this industry.

Indiana Specific:

The proposal recommends that Indiana adopt state special wording for the new national Codes 7710 and 7711 and also adopt the proposed changes to Indiana state special Code 7699. The state special changes to national Codes 7710 and 7711 incorporate the usage of state special medical-only Code 7699 as well as continue the current \$300 payroll per person, per year minimum requirement for volunteers. This portion of the recommendation is not expected to change individual risk or statewide premium.

Nevada Specific:

The proposal recommends that Nevada adopt state special wording for currently existing Code 7711. This change is consistent with the new national code wording while continuing the Nevada-specific \$2,000 payroll minimum, per volunteer, per month rule. This portion of the proposal is not expected to result in a change in individual risk or statewide premium.

New Mexico Specific:

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 5—FACT SHEET (CONT'D)

The proposal recommends that New Mexico discontinue state special wording for Code 7704 and adopt the two new national Codes 7710 and 7711. The national wording establishes a \$300 payroll per person per year minimum, which is not currently included in Code 7704. The extent of volunteers subject to this minimum cannot be determined since it is not identified in the reported classification data, but the number is expected to be small, so the impact on both individual risks and statewide premium is expected to be small.

Oregon Specific:

The proposal recommends that Oregon adopt new national Code 7711 and adopt state exception wording for new national Code 7710. This item also proposes to modify state special wording for Code 8411 to address changes made to new Codes 7710 and 7711 from the firefighter industry proposal and new Code 7705 from the ambulance industry proposal. These state-specific proposals are not expected to result in a change to individual risk or statewide premium.

South Carolina Specific:

The proposal recommends that South Carolina adopt state special wording for new national Code 7711 that continues the existing state special minimum payroll of \$1,000 per volunteer per year. Since the payroll basis is the same, this portion of the proposal is not expected to change individual risk or statewide premium.

Vermont Specific:

The proposal recommends that Vermont adopt state special wording for Code 7711 that continues the existing state special criteria for the rating of the volunteer segment of the industry along with most aspects of the new national Code 7711. Maintaining this state special portion of the phraseology is expected to minimize any change to individual risk or statewide premium.

Virginia Specific:

The proposal recommends that Virginia adopt state special wording for its currently existing Code 7711 along with adopting new national Code 7710 in place of Code 7704. These changes are consistent with the newly proposed national code wording while continuing the Virginia-specific wording where in no case should the payroll of any volunteer be less than the average monthly wage value appearing on the Virginia state rate sheet. This portion of the proposal is not expected to result in a change in individual risk or statewide premium.

IMPLEMENTATION

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal—voluntary and assigned risk policies. Both wording and rate changes will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

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**EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS**

~~7704~~ ~~**FIREFIGHTERS & DRIVERS.**~~

~~When part time or volunteer firefighters are employed, the actual payroll of all such persons shall be included with the payroll of regular firefighters in computing the premium. In no case, however, shall the payroll of any such firefighters be taken at less than \$300 per person per annum.~~

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EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS

~~7704 FIRE PATROL OR PROTECTIVE CORPS & DRIVERS.~~
~~Not salvage operations.~~

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EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS

~~7704~~ ~~PROTECTIVE CORPS OR FIRE PATROL & DRIVERS.~~
~~Not salvage operations.~~

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 5—NATIONAL CLASSIFICATION
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS**

7710 FIREFIGHTERS & DRIVERS

Applies to organizations serving the public through firefighting and related fire protection services. Includes firefighters who also perform emergency medical services. Separately rate employees who perform only EMS duties and no firefighting to Code 7705. Separately rate volunteer firefighters & drivers to Code 7711.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS**

7710 FIRE PATROL OR PROTECTIVE CORPS & DRIVERS—NO SALVAGE OPERATIONS

Applies to organizations serving the public through firefighting and related fire protection services. Includes firefighters who also perform emergency medical services. Separately rate employees who perform only EMS duties and no firefighting to Code 7705. Separately rate volunteer firefighters & drivers to Code 7711.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS**

7710 FOREST OR WILDLAND FIREFIGHTING & DRIVERS

Applies to organizations serving the public through firefighting and related fire protection services. Includes firefighters who also perform emergency medical services. Separately rate employees who perform only EMS duties and no firefighting to Code 7705. Separately rate volunteer firefighters & drivers to Code 7711.

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**EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS**

7711 FIREFIGHTERS & DRIVERS—VOLUNTEER

Applies when coverage is provided to volunteer firefighters in states where such workers are entitled to benefits under the workers compensation law. Applies to volunteer firefighters serving with or without payroll. Unless state statutes, regulations and/or rules specify otherwise, premium for volunteer firefighters must be determined on the basis of the payroll normally received by nonvolunteer firefighters doing the same or similar work; however, in no case should the remuneration of any such firefighters, including volunteer officers, be less than \$300 annually per person. The minimum payroll of \$300 annually per person also applies to fire department volunteers that are assigned to a standard exception classification. Applies to organizations serving the public through firefighting and related fire protection services.

Includes volunteer firefighters who also perform emergency medical services. Separately rate employees who perform only EMS duties and no firefighting to Code 7705.

Separately rate nonvolunteer firefighters and drivers to Code 7710.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS**

7711 FIRE PATROL OR PROTECTIVE CORPS & DRIVERS—VOLUNTEER

Applies to organizations serving the public through firefighting and related fire protection services.

Includes firefighters who also perform emergency medical services. Separately rate employees who perform only EMS duties and no firefighting to Code 7705.

Separately rate nonvolunteer firefighters & drivers to Code 7710

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 5—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FIREFIGHTING INCLUDING VOLUNTEER FIREFIGHTERS
CLASSIFICATIONS**

7711 FOREST OR WILDLAND FIREFIGHTING & DRIVERS—VOLUNTEER

Applies to organizations serving the public through firefighting and related fire protection services.

Includes firefighters who also perform medical services. Separately rate employees who perform only EMS duties and no firefighting to Code 7705.

Separately nonvolunteer firefighters & drivers to Code 7710.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET

LOGGING

PROPOSAL

The focus of the proposed changes is to introduce new classifications for log hauling and logging performed using mechanized logging equipment.

NCCI recommends the following national classification treatment:

1. The industry name, which is used to link the related classification wording, will be changed from Logging or Lumbering to Logging and Tree Removal.
2. Amend the phraseology of Code 2702—Logging or Lumbering and Drivers. Code 2702 will remain applicable to nonmechanized logging operations.
3. Create a new classification, Code 2709, specifically for operators engaged in the mechanized harvesting of logs.
4. Create a new classification, Code 2701, for log hauling performed by employees of logging firms and independent contractors.
5. Amend cross-reference phraseology of Code 0005—Farm: Tree or Shrub to clarify the assignment of reforestation activities.

Alaska Specific:

NCCI recommends that Alaska not adopt the newly proposed national Code 2709 for mechanized harvesting of logs and instead amend the state-special phraseologies for Code 2703—Logging Equipment Maintenance and Repair and Code 2725—Logging or Lumbering—Mechanized Equipment Operations & Drivers to more closely align with the national proposal. It is also recommended that Alaska create a state special phraseology for Code 2702, replacing the national phraseology for Code 2702 since the national phraseology references treatment not applicable in Alaska.

The national recommendations in regard to establishing new national Code 2701 for log hauling and revising the national description for Code 0005 are proposed for use in Alaska.

Arkansas Specific:

NCCI recommends that Arkansas not adopt the newly proposed national phraseology for Code 2702 and instead amend the state special phraseologies for Code 2702 and Code 2719—Logging or Lumbering—Mechanized Harvesting Exclusively & Drivers to more closely align with the national proposal. The state special phraseology of Code 2702 is used in place of the national phraseology of Code 2702.

The national recommendations in regard to establishing new national Code 2709 and Code 2701 and revising the national description for Code 0005 are proposed for use in Arkansas.

Georgia Specific:

NCCI recommends that Georgia discontinue state special wording for Code 2702 and adopt the national treatment for newly defined national Code 2702 to be applicable to nonmechanized logging and establishing new national Code 2709 for mechanized logging. There are no substantive differences between Georgia's state special phraseology and the newly defined national phraseology for Code 2702.

Georgia state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

The national recommendations in regard to establishing new national Code 2701 for log hauling and revising the national description for Code 0005 are proposed for use in Georgia.

Idaho Specific:

NCCI recommends that Idaho not adopt the newly proposed national classification Code 2701 for log hauling and Code 0005 for reforestation activities. Instead, Idaho will continue the use of its state special Code 2727—Log Hauling & Drivers and Code 0124—Reforestation & Drivers.

The national recommendations in regard to amending national Code 2702 and establishing a new national Code 2709 for mechanized logging are proposed for Idaho.

Kentucky Specific:

NCCI recommends that Kentucky not adopt the newly proposed national classification Code 2709 for mechanized harvesting of logs and instead amend the state special phraseology for Code 2719—Logging or Lumbering—Mechanized Harvesting Exclusively & Drivers to more closely align with the national proposal.

The national recommendations in regard to amending national Code 2702, establishing new national Code 2701 for log hauling, and amending national Code 0005 are proposed for use in Kentucky.

Louisiana Specific:

NCCI recommends that Louisiana not adopt the newly proposed national Code 2709 for mechanized harvesting of logs and instead amend the state special phraseology for Code 2702 and state special Code 2719—Logging or Lumbering—Mechanized Harvesting Exclusively & Drivers to more closely align with the national proposal. The state special phraseology of Code 2702 is to be used in place of the national phraseology of Code 2702.

Louisiana state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes.

The national recommendations in regard to establishing national Code 2701 for log hauling and revising the national description of Code 0005 are proposed for use in Louisiana.

Maine Specific:

NCCI recommends that Maine not adopt the newly proposed national phraseology for Code 2702 and instead amend state-specific phraseologies for Code 2702, Code 2721—Logging or Lumbering: Conventional Loggers & Supervisors, and Code 2722—Logging or Lumbering: Certified Mechanical Loggers to more closely align with the national proposal. The state special phraseology of Code 2702 is used in place of the national phraseology of Code 2702. It is also recommended that Maine discontinue the state-special phraseology for Code 2709—Logging or Tree Removal—Mechanized Equipment Operators and adopt the national treatment of logging by using the newly defined national Code 2709.

The national recommendations in regard to establishing national Code 2701 for log hauling and revising the national description of Code 0005 for reforestation are proposed for use in Maine.

Mississippi Specific:

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

NCCI recommends that Mississippi not adopt the newly proposed national classification for Code 2709 for mechanized harvesting and instead amend the state special phraseologies for Code 2702 and Code 2719—Logging or Lumbering—Mechanized Harvesting Exclusively to more closely align with the national changes. The state special phraseology of Code 2702 is to be used in place of the national phraseology of Code 2702.

Mississippi state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes.

The national recommendations in regard to establishing the national Code 2701 for log hauling and revising the national description of Code 0005 for reforestation are proposed for use in Mississippi.

Montana Specific:

NCCI recommends that Montana not adopt the newly proposed national Code 2701 for log hauling and phraseology for Code 0005 for reforestation activities and instead continue the use of state special Code 2727—Log Hauling & Drivers and Code 0124—Reforestation & Drivers. It is also recommended that the state special phraseology for Code 2702 be amended to more closely align with the national changes. The state special phraseology of Code 2702 is to be used in place of the national phraseology of Code 2702.

The national recommendation in regard to establishing a new national Code 2709 for mechanized logging is proposed for use in Montana.

Nevada Specific:

NCCI recommends that Nevada not adopt the newly proposed national Code 2701 for log hauling and instead continue the use of state special Code 2727—Log Hauling.

The national recommendations in regard to amending national Code 2702, establishing new national Code 2709 for mechanized logging, and amending national Code 0005 are proposed for use in Nevada.

New Hampshire Specific:

NCCI recommends that New Hampshire not adopt the newly proposed national phraseology for Code 2702 and instead amend state-specific phraseologies for Code 2702, Code 2721—Logging or Lumbering: Certified Loggers & Drivers, and Code 2722—Logging or Lumbering: Certified Mechanical Loggers to more closely align with the national proposal. The state special phraseology of Code 2702 is used in place of the national phraseology of Code 2702. It is also recommended that New Hampshire discontinue the state special phraseology for Code 2709—Logging or Tree Removal—Mechanized Equipment Operators and adopt the national treatment of logging by using the newly defined national Code 2709.

The national recommendations in regard to establishing national Code 2701 for log hauling and revising the national description of Code 0005 are proposed for use in New Hampshire.

New Mexico Specific:

NCCI recommends that New Mexico continue and amend state-specific phraseology for Code 2721—Logging or Lumbering—Certified Loggers to more closely align with the national proposal.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

The national recommendations in regard to amending national Code 2702, establishing new national Code 2709 for mechanized logging, establishing new national Code 2701, and amending national Code 0005 are proposed for use in New Mexico.

North Carolina Specific:

NCCI recommends that North Carolina not adopt the newly proposed national classification Code 2701 for log hauling and instead continue the use of state special Code 2727—Log Hauling & Drivers.

It is also recommended that North Carolina discontinue state special Code 2706—Logging or Lumbering—All Operations—& Drivers and adopt the national treatment of logging, Codes 2702 and 2709.

North Carolina state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes.

The national recommendation in regard to revising the national description of Code 0005 is proposed for use in North Carolina.

Oklahoma Specific:

It is proposed that Oklahoma remove state special wording for Codes 2701, 2702, and 2709 and adopt the national treatment. There is no substantial difference between the new national and the current state special treatment for these codes.

The national recommendation in regard to revising the national description of Code 0005 for reforestation is proposed for use in Oklahoma.

Oregon Specific:

NCCI recommends that Oregon not adopt the newly proposed national Code 2701 for log hauling and Code 0005 for reforestation activities and instead continue the use of Code 9310—Logging or Lumbering: Log Hauling & Drivers and Code 0124—Tree or Shrub: Tree Planting—Reforestation—Drivers. NCCI also recommends that Oregon not adopt the newly proposed national classification Code 2709 and instead amend state special phraseologies for Code 2702 and Code 2725—Logging Operations—Mechanized Equipment Operations & Drivers to more closely align with national changes. The state special phraseology of Code 2702 is to be used in place of the national phraseology of Code 2702.

South Dakota Specific:

NCCI recommends that South Dakota discontinue state-specific phraseology for Code 2709—Logging or Lumbering—Mechanized Equipment Operators and adopt the new proposed national treatment of logging. There are no substantive differences between South Dakota's state special phraseology and the newly defined national phraseology. It is also recommended that South Dakota not adopt the newly proposed national classification description for Code 2702 and instead amend the state special phraseologies for Code 2702 and Code 2703—Logging or Lumbering—Logging Equipment Maintenance and Repair to more closely align with the national change. The state special phraseology of Code 2702 is to be used in place of the national phraseology of Code 2702.

The national recommendations in regard to establishing new national Code 2701 and amending national Code 0005 are proposed for use in South Dakota.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

Tennessee Specific:

NCCI recommends that Tennessee discontinue state special wording for Code 2702 and adopt the national treatment for newly defined national Code 2702 applicable to nonmechanized logging and establishing new Code 2709 for mechanized logging.

Tennessee state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes.

The national recommendations in regard to establishing new national Code 2701 and amending national Code 0005 are proposed for use in Tennessee.

Vermont Specific:

NCCI recommends that Vermont discontinue state special phraseology for Code 2709—Logging or Lumbering—Mechanized Equipment Operators and adopt the national phraseology for this code. There are no substantive differences between Vermont's state special phraseology and the newly defined national phraseology.

The national recommendations in regard to amending national Code 2702, establishing new national Code 2701, and amending national Code 0005 are proposed for use in Vermont.

Virginia Specific:

NCCI recommends that Virginia not adopt the newly proposed national Code 2709 for mechanized harvesting of logs and instead amend the Virginia state special phraseology for Code 2725—Logging or Lumbering—Mechanized Equipment Operations & Drivers to more closely align with the national changes.

The national recommendations in regard to amending national Code 2702, establishing new national Code 2701, and amending national Code 0005 are proposed for use in Virginia.

BACKGROUND AND BASIS FOR CHANGE

Classification Code 2702—Logging or Lumbering & Drivers is a national code. The transportation of logs to the mill and the construction, operation, maintenance, or extension of logging roads or railroads is also included in this code. Tree removal for the purpose of clearing right-of-ways or for dam or lock construction is also classified to Code 2702.

There are numerous state special logging codes written for mechanized logging or certified loggers. A review of the logging industry was initiated to determine (1) if a national code should be developed for mechanized logging operations, (2) if a national code should be developed for log hauling operations, and (3) the proper classification of two new and emerging industries: wildfire mitigation and tree thinning. Code 2702 is a national code applicable to both manual and mechanical logging including all operations of logging such as log hauling. Logging can be defined as an operation associated with felling and removing timber from forestlands and transporting it to an end market, usually a sawmill or pulping plant. Trees are logged to make paper and lumber products, and to control forest vegetation.

The conventional method of cutting down trees consists of cutting down (felling) the trees, delimiting the trees, cutting (bucking) the logs into merchantable sizes, hauling the logs to the landing, and loading the logs onto trucks. The felling, delimiting, and bucking of trees is done with the use of a chain saw. Felling the tree

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

is recognized as the most hazardous job in logging. These workers are also likely to experience lacerations from chain saws and severe injury from the use of chipping equipment.

The evolution of mechanical logging has made it safer for workers, and it is more efficient because machinery can be used to harvest, delimb, buck, load, and transport logs from within an enclosed cab. A “harvester” is an example of an all-inclusive machine that performs all operations. Other specialized logging equipment common in mechanical logging are feller bunchers, delimiters, and log loaders. Mechanical logging decreases the number of workers on the ground, reducing the exposure to manual chain saw felling, delimiting, and bucking.

A comparison of approved rates and loss costs among Code 2702 and state-specific mechanized logging codes revealed that mechanized logging had lower rates.

A review of reported losses for Code 2702 revealed injuries such as struck or injured by falling or flying object; cut, puncture, or scrape injury by powered hand tool; and fall or slip injury from different levels. A comparison of injury causes reported for Code 2702 and state-specific mechanical logging codes supports that mechanical logging operations experience lower exposure to a tree or tree limb injury or to chain saw lacerations. In addition, a significantly lower amount of fatalities was reported for the state-specific mechanical logging codes.

Loggers may perform both manual and mechanical logging at different locations depending on the site and the conditions of the terrain. It is common for some ground crews in mechanical logging operations to help back up machines and delimb or fell trees that cannot be delimited or felled by machines while machine operators remain in their enclosed cab.

Logging or tree removal for the purpose of wildfire mitigation and tree thinning consists of removing thin, weak, dead, diseased, or overcrowded trees and “ladder fuel” trees. Ladder fuel trees are trees that can transport a ground fire to treetops. Wildfire mitigators create firebreaks and defensible space around homes and properties located in forested areas to prevent catastrophic wildfire events and to control forest vegetation. Chain saws and clearing saws are used to remove undergrowth and brush. Pruners are used to cut dead limbs from trees. Debris is fed into a wood chipper or hauled off to another site. Wildfire mitigation or tree thinning businesses may also be contracted to thin trees in the forest and on private forestland.

Businesses offering wildfire mitigation services and tree thinning services can be loggers, arborists, and landscapers. In addition to these services, they may also provide tree maintenance, lawn maintenance, landscaping, and miscellaneous reforestation services. The size of trees removed can vary depending on the need. The tree to be removed is determined by the wildfire mitigation business, the private landowner, and/or the government agency. NCCI currently classifies tree removal for wildfire mitigation and tree thinning purposes to Code 2702—Logging or Lumbering & Drivers, which is consistent with tree removal for the purpose of clearing right-of-ways or for dam or lock construction. The felling of a tree using a chain saw or mechanized equipment; working in remote locations; and the exposure of lodged trees, rough terrain, and inclement weather are additional reasons Code 2702 is appropriate for tree felling.

IMPACT

This item proposes to amend the national phraseology for Code 2702 so it will be only applicable to nonmechanized logging operations and establish new national Code 2709 specifically for mechanized logging operations. Except for those states that have state special treatment addressed in the state-specific impacts, the new loss cost or rate for Code 2709 will be that of Code 2702 until new national Code 2709 develops experience. This will initially result in no change in statewide premium or individual risk premium. Eventually, the loss cost or rates will be based on the data reported under these two separately defined codes.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

This item also proposes to establish new national Code 2701 exclusively for log hauling performed by both employees of logging firms and independent contractors. This new national code will apply only to those states that do not already have an existing state special code for log hauling. In states where this new national code is proposed, the starting loss cost or rate will be that of the nationally established Code 7228—Trucking—Local Hauling Only. If national Code 7228 does not exist in the state, the state special Code 7219—Trucking—NOC is the proposed loss cost or rate source. The loss cost or rate will be continued to be calculated in this manner until that time in which it develops data. After Code 2701 develops data, standard ratemaking procedures will be used. In most circumstances, contractors that were involved in hauling logs were assigned to the trucking code; these risks' premium should not immediately change. In other circumstances where the log haulers were not considered log hauling contractors, but rather employees of logging firms, they were assigned to the existing logging codes. The impact to these individual risks will depend on the difference between the current proposed log hauling Code 2701 loss cost or rate and the currently applied logging code loss cost or rate.

The proposal to amend national Code 0005 is for clarification only and is not expected to result in a change in employer payroll classification or change in premium.

The other phraseology changes to the national logging industry codes are primarily for clarification only and are not expected to result in any reclassification of risk payroll or change in loss cost, rate, or premium.

Alaska Specific:

It is proposed that Alaska not adopt the new national classification Code 2709 for mechanized harvesting, but instead amend the state special phraseologies for Code 2703 and Code 2725 to more closely align with the national changes. It is also proposed that Alaska not accept the national treatment for Code 2702, and instead, add state special phraseology so it is consistent with national Code 2702 while taking into account that Alaska still has a state special code for mechanized logging operations. These recommendations are not expected to result in payroll reclassification and, therefore, not expected to cause a change in individual risk or statewide premium.

Arkansas Specific:

It is proposed that Arkansas not adopt the newly proposed national phraseology for Code 2702, but instead amend the state special phraseologies for Codes 2702 and 2719 to more closely align with the national changes. This portion of the recommendation is not expected to result in payroll reclassification and, therefore, not expected to cause a change in individual risk or statewide premium.

Georgia Specific:

It is proposed that Georgia discontinue state special wording for Code 2702 and adopt the national treatment for newly defined national Code 2702 to be applicable to nonmechanized logging and establishing new Code 2709 for mechanized logging. The new loss cost or rate for both Code 2702 and Code 2709 will initially be that of Code 2702 until both codes develop their own experience. This will result in no initial change in statewide premium or individual risk premium. Eventually the loss cost or rates will be based on the data reported under these two separately defined codes.

Georgia state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes. No change in upset payroll factor is proposed. This portion of the recommendation is not expected to result in a change in risk or statewide premium.

Idaho Specific:

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES**EXHIBIT 6—FACT SHEET (CONT'D)**

It is proposed that Idaho not adopt the new national Code 2701 and continue to use its state special Code 2727 for log hauling. This portion of the recommendation is not expected to result in any reassignment of payroll or change in risk or statewide premium. It is also proposed that Idaho not adopt the national treatment on reforestation in Code 0005 and continue to use state special Code 0124 for reforestation activities. This is also not expected to cause a change in individual risk or statewide premium.

Kentucky Specific:

It is proposed that Kentucky not adopt the newly proposed national classification Code 2709 for mechanized harvesting, but instead amend the state special phraseologies for Code 2719 to more closely align with the national proposal for Code 2709. This portion of the recommendation is not expected to result in payroll reclassification and, therefore, not expected to cause a change in individual risk or statewide premium.

Louisiana Specific:

It is proposed that Louisiana not adopt the newly proposed national Code 2709 for mechanized logging and instead amend the state special phraseology for Code 2702 and state special Code 2719 to more closely align the phraseology with new national Code 2709. This portion of the recommendation is not expected to result in a change in individual risk or statewide premium in Louisiana.

Louisiana state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes. No change in upset payroll factor is proposed. This portion of the recommendation is not expected to result in a change in risk or statewide premium.

Maine Specific:

It is proposed that Maine not adopt the newly proposed national phraseology for Code 2702 and instead amend the state special phraseology of Codes 2702, 2721, and 2722 to align them with the changes made to the national logging codes. It is also proposed that the state special phraseology for Code 2709 be removed from the Maine state special classification pages and that Maine adopt the new national phraseology for Code 2709. These specific changes are not expected to cause any reclassification of payroll or change to individual risk premium.

This item also proposes to establish new national Code 2701 exclusively for log hauling performed by both employees of logging firms and independent contractors. An exception is also proposed for the loss cost assigned initially to Code 2701 in Maine. The loss cost from Code 7380 will be used as the initial loss cost for Code 2701 instead of the loss cost from Code 7228. In most circumstances, contractors that were involved in hauling logs were assigned to Code 7380; these risks' premium should not immediately change. In other circumstances where the log haulers were not considered log hauling contractors, but rather employees of logging firms, they were assigned to the existing logging codes. The impact to these individual risks will depend on the difference between the current proposed log hauling Code 2701 loss cost and the currently applied logging code loss cost.

Mississippi Specific:

It is proposed that Mississippi not adopt the newly proposed national Code 2709 for mechanized logging and instead amend the state special phraseology for Code 2702 and state special Code 2719 to more closely align the phraseology with the national changes. This portion of the recommendation is not expected to result in a change in individual risk or statewide premium in Mississippi.

Mississippi state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes. No change in upset payroll factor is proposed. This portion of the recommendation should not result in a change in risk or statewide premium.

Montana Specific:

It is proposed that Montana not adopt the newly proposed national Code 2701 and continue to use its state special Code 2727 for log hauling. This portion of the recommendation is not expected to result in any reassignment of payroll or change in risk or statewide premium.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

It is also proposed that Montana not adopt the national treatment of reforestation in Code 0005 and continue to use state special Code 0124 for reforestation activities. This is also not expected to cause a change in individual risk or statewide premium.

It is also proposed that Montana not accept the revised national wording for Code 2702 and instead align the Montana state special classification treatment of this code with the national treatment. This is also not expected to cause a change in individual risk or statewide premium.

Nevada Specific:

It is proposed that Nevada not adopt the newly proposed national Code 2701 for log hauling and instead continuing to use its state special Code 2727 for log hauling. This state special recommendation is not expected to result in any reassignment of payroll or change in risk or statewide premium.

New Hampshire Specific:

It is proposed that New Hampshire not adopt the newly proposed national phraseology for Code 2702 and instead amend the state special phraseology of Codes 2702, 2721, and 2722 to align them with the changes made to the national logging codes. It is also proposed that the state special phraseology for Code 2709 be removed from the New Hampshire state special classification pages and that New Hampshire adopt the new national phraseology for Code 2709. These specific changes are not expected to cause any reclassification of payroll or change to individual risk premium.

New Mexico Specific:

It is proposed that New Mexico continue and amend the state-specific phraseology for Code 2721—Logging or Lumbering—Certified Loggers to more closely align with the national proposal. This state special portion of the proposal is not expected to result in any reassignment of payroll or change in risk or statewide premium.

North Carolina Specific:

It is proposed that North Carolina not adopt the newly proposed national Code 2701 for log hauling and instead continue to use state special Code 2727 for log hauling. This state special recommendation should not result in any reassignments of payroll or change in risk or statewide premium. It is also proposed to discontinue state special Code 2706 and adopt the two newly proposed national Codes 2702 and 2709. The new loss cost or rate for Codes 2702 and 2709 will initially be that of eliminated state special Code 2706 until both codes develop their own experience. This will result in no initial change in statewide premium or individual risk premium. Eventually the loss cost or rates will be based on the data reported under these two separately defined codes.

North Carolina state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes. This portion of the recommendation is not expected to result in a change in risk or statewide premium.

Oklahoma Specific:

It is proposed that Oklahoma remove state special wording for Codes 2701, 2702, and 2709 and adopt the national treatment. There is no substantial difference between the new national and the current state special treatment for these codes. This portion of the recommendation is not expected to result in a change in individual risk or statewide premium.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

Oregon Specific:

It is proposed that Oregon not adopt the newly proposed national Code 2701 and continue to use its state special Code 9310 for log hauling. This portion of the recommendation is not expected to result in any reassignment of payroll or change in risk or statewide premium.

It is also proposed that Oregon not adopt the national treatment on reforestation for Code 0005 and continue to use state special Code 0124 for reforestation activities. This is also not expected to cause a change in individual risk or statewide premium.

It is also proposed that Oregon not adopt the revised national wording for Code 2702 and instead align the Oregon state special classification treatment of this code with the national treatment. This is also not expected to cause a change in individual risk or statewide premium.

It is also proposed that Oregon not adopt the new national Code 2709 for mechanized logging and instead amend the phraseology of state special Code 2725 to more closely align the phraseology with new national Code 2709. This is also not expected to result in a change in individual risk or statewide premium.

South Dakota Specific:

It is proposed that South Dakota eliminate state special wording in regard to Code 2709 and adopt the phraseology of the newly established national Code 2709. This portion of the recommendation is not expected to result in a change in individual risk or statewide premium.

It is also proposed that South Dakota not adopt the new national phraseology for Code 2702 and continue to use its state special phraseology for Code 2702 as well as state special Code 2703. The two state special codes will only include modifications in phraseology to align them with the national wording used for logging. This is also not expected to result in a change in individual risk or statewide premium.

Tennessee Specific:

It is proposed that Tennessee discontinue state special wording for Code 2702 and adopt the national treatment for newly defined national Code 2702 applicable to nonmechanized logging and establishing new national Code 2709 for mechanized logging. The new loss cost or rate for both Codes 2702 and 2709 will initially be that of Code 2702 until both codes develop their own experience under their new phraseologies. This will result in no initial change in statewide premium or individual risk premium. Eventually the loss costs or rates will be based on the data reported under these two separately defined codes.

Tennessee state special Code 2705, which is assigned to the harvesting of pulpwood, will be modified to make the wording consistent with the other logging codes. No changes in payroll upset factor are proposed for Codes 2702 and 2705. This portion of the recommendation is not expected to result in a change in individual risk or statewide premium.

Vermont Specific:

It is proposed that Vermont eliminate the state special phraseology for Code 2709. This portion of the recommendation is not expected to impact individual risk or statewide premium.

Virginia Specific:

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—FACT SHEET (CONT'D)

It is proposed that Virginia not adopt the new national Code 2709 for mechanized logging and instead amend the phraseology for state special Code 2725 to more closely align the phraseology with new national Code 2709. This portion of the recommendation is not expected to result in a change in individual risk or statewide premium.

IMPLEMENTATION

Except for Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal—voluntary and assigned risk policies. Both wording and rate changes will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 6—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LOGGING
CLASSIFICATIONS**

- 2702 LOGGING OR LUMBERING & DRIVERS—TREE REMOVAL—NONMECHANIZED OPERATIONS**
Includes ~~transportation of logs to mill, construction, operation, maintenance, or extension of logging roads or logging railroads. Mill operations to be separately rated as Code 2710—Sawmill.~~
Mechanized equipment operators and drivers can be separately rated to Code 2709 or Code 2701. These additional classifications may only be assigned when verifiable payroll records are maintained.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 6—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LOGGING
CLASSIFICATIONS**

~~CLEARING OF RIGHT-OF-WAY—ELECTRIC, POWER, TELEPHONE, BURGLAR, OR FIRE
ALARM LINES~~

- 6217● ~~CLEARING OF RIGHT-OF-WAY—ELECTRIC, POWER, TELEPHONE, BURGLAR, OR FIRE
ALARM LINES BRUSH CLEARING OR REMOVAL—NEW OR EXISTING RIGHT-OF-WAY &
DRIVERS.~~ Applies to the clearing or removal of brush using mechanical equipment.
- 0050● ~~CLEARING OF RIGHT-OF-WAY—ELECTRIC, POWER, TELEPHONE, BURGLAR, OR FIRE
ALARM LINES BRUSH OR WEED CONTROL—CHEMICAL & DRIVERS~~
- 2702 ~~Tree Removal—New Right of Way & Drivers~~

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 6—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LOGGING
CLASSIFICATIONS**

2702 **TREE REMOVAL FOR NEW RIGHT-OF-WAY—ELECTRIC, POWER, TELEPHONE, BURGLAR,
OR FIRE ALARM LINES**

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 6—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LOGGING
CLASSIFICATIONS**

2701 LOGGING OR TREE REMOVAL—LOG HAULING & DRIVERS

Applies to independent contractors who haul logs to mills or other sites. Code 2701 also applies to employees of logging firms, provided verifiable payroll records are maintained. The payroll of employees, who perform various duties of the logging operation, including driving, is assigned to the highest-rated classification that applies to those duties. Logging and road building operations are separately rated. Refer to Code 2702 for nonmechanized logging operations and Code 2709 for mechanized equipment operators.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 6—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LOGGING
CLASSIFICATIONS**

2709 LOGGING OR TREE REMOVAL—MECHANIZED EQUIPMENT OPERATORS

The felling, removal, trimming, and loading of trees must be with the use of mechanized equipment in which the operator does not leave the enclosed cab of the machine in the performance of their logging operation duties. The equipment must provide appropriate structural protection from rollover and falling objects. Code 2709 may be assigned with Code 2702 or Code 2701. These additional classifications may only be assigned when verifiable payroll records are maintained. All other employees that do not qualify for Code 2709, such as chipper operators, loader operators, and truck drivers, are to be separately rated to Code 2702 or Code 2701.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 6—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LOGGING
CLASSIFICATIONS

FARM

- 0170■ **FARM—ANIMAL RAISING & DRIVERS.** Applies to fur-bearing animals.
- 0034■ **FARM—APIARY & DRIVERS**
- 0079■ **FARM—BERRY OR VINEYARD & DRIVERS**
- 0083■ **FARM—CATTLE OR LIVESTOCK RAISING NOC & DRIVERS**
- 0036■ **FARM—DAIRY & DRIVERS.** Processing of raw milk received from others and manufacturing of butter, cheese, and ice cream to be separately rated.
- 0034■ **FARM—EGG OR POULTRY PRODUCER & DRIVERS**
- 0037■ **FARM—FIELD CROPS & DRIVERS**
- 0113■ **FARM—FISH HATCHERY & DRIVERS**
- 0035■ **FARM—FLORIST & DRIVERS.** Applies to cultivating or gardening.
- 0008■ **FARM—GARDENING—MARKET OR TRUCK & DRIVERS**
- 0083■ **FARM—GOAT OR SHEEP RAISING & DRIVERS**
- 0083■ **FARM—LIVESTOCK OR CATTLE RAISING NOC & DRIVERS**
- 0005■ **FARM—NURSERY EMPLOYEES & DRIVERS.** Includes incidental landscape gardening.
- 0016■ **ORCHARD & DRIVERS**
- 0034■ **FARM—POULTRY OR EGG PRODUCER & DRIVERS**
- 0083■ **FARM—SHEEP OR GOAT RAISING & DRIVERS**
- 0005■ **FARM—TREE PLANTING—REFORESTATION OR SHRUB—& DRIVERS** Applicable to contractors planting trees in forests. Often this operation is performed after a logging operation and under contract with the US Forest Service. This classification includes any site preparation necessary for tree planting operations, whether performed by hand or machine, as well as the actual planting of the seedlings, which is usually performed by hand. Refer to Code 2702 for tree harvesting and maintenance operations.
- 0008■ **FARM—VEGETABLE & DRIVERS**
- 0035■ **FARM—VEGETABLE GROWING—HYDROPONIC & DRIVERS**
- 0079■ **FARM—VINEYARD OR BERRY & DRIVERS**
- 0037■ **FARM—NOC & DRIVERS**

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 7—FACT SHEET

MAILING COMPANIES

PROPOSAL

The focus of the proposed changes for this industry is to allow clerical employees for mailing companies to be rated separately from Code 8800—Mailing or Addressing Company or Letter Service Shop.

NCCI recommends the following national treatment for classifications:

1. Remove clerical employees from Code 8800—Mailing or Addressing Company or Letter Service Shop. This industry has become much more automated, with a more defined separation of duties between production employees and clerical employees, and less interchange of labor.
2. Create Code 8799—Mailing or Addressing Company or Letter Service Shop: Clerical Staff for mailing company clerical employees. This code will be used in conjunction with Code 8800. This will allow the industry to separate clerical staff while enabling NCCI to collect and review industry-specific data to confirm that employees are being classified appropriately.
3. Discontinue two phraseologies for Code 8800 and consolidate the wording into a single phraseology for the code.

BACKGROUND AND BASIS FOR CHANGE

The primary reason for the inclusion of clerical in Code 8800 is that a division of payroll for clerical office employees is usually impractical because of the overlapping of the clerical and production employees. The research of the mailing industry has revealed that the industry has evolved over the years. There is much more automation and more specialization. Interchange of labor between production workers and clerical employees is rare and there is physical separation between departments. With the increased automation in this industry, there should be an improvement in safety and reduction in losses, which will eventually lower the rates over time.

The claims data reveals that Codes 8800 and 8810 have the same top body-part injury and nature of injury. However, the top cause of injury is different. In reviewing the actual claims data for Code 8800, the most frequent and severe claims appear to be the result of working with machinery. These are not injuries normally associated with clerical operations.

IMPACT

No modification or adjustment to the filed loss cost or rate is proposed for Code 8800. This item proposes changing the phraseology for Code 8800 to exclude clerical-only employees, when these operations are physically separate and payroll records are maintained. Code 8799—Mailing or Addressing Company or Letter Service Shop—Clerical Staff—will be established for mailing companies clerical employees. It is proposed that the initial loss cost or rate and experience rating values be that of Code 8800 until Code 8799 establishes sufficient experience to determine its own loss cost or rate. Using the same loss cost or rate for both codes ensures that the overall statewide premium will remain unchanged had Code 8800 continued to include clerical operations.

The extent of payroll redistribution from Code 8800 to Code 8799 cannot be determined using current data sources, but due to the loss cost or rate being the same initially, the impact to individual risks and statewide premium levels will not change. Future assignment of risks will be based on the new national phraseology. After experience develops, the new code's loss cost or rate will reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 7—FACT SHEET (CONT'D)

The other changes are to phraseology for clarification only and are not expected to result in any reclassification of risks or change in loss cost or premium.

IMPLEMENTATION

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal voluntary and assigned risk policies. Both wording and rate changes will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 7—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
MAILING COMPANIES
CLASSIFICATIONS**

8800 ~~ADDRESSING OR MAILING CO. & CLERICAL.~~

~~Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8800 are conducted as a separate and distinct business.~~

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 7—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
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CLASSIFICATIONS**

8800 ~~LETTER SERVICE SHOP & CLERICAL~~

~~Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8800 are conducted as a separate and distinct business.~~

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 7—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
MAILING COMPANIES
CLASSIFICATIONS**

8800 MAILING OR ADDRESSING CO.-COMPANY OR LETTER SERVICE SHOP & CLERICAL
~~Shall~~ Will not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8800 are conducted as a separate and distinct business. Code 8810 will not be used in conjunction with Code 8800. Refer to Code 8799 for employees who meet the definition of clerical according to the ***Basic Manual***.

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**EXHIBIT 7—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
MAILING COMPANIES
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8799 MAILING OR ADDRESSING COMPANY OR LETTER SERVICE SHOP—CLERICAL STAFF

Applicable to employees who meet the definition of clerical according to the *Basic Manual*. Code 8799 is to be used only in conjunction with Code 8800.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 8—FACT SHEET

SHEET METAL

PROPOSAL

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

NCCI recommends the following national treatment for classifications:

1. Discontinue Code 3066—Sheet Metal Work—Shop and reassign all businesses to Code 3076—Fireproof Equipment Mfg. The phraseologies and cross-reference phraseologies for Code 3076 will be discontinued and/or amended.

The new loss cost or rate and rating values for Code 3076 will be determined from combined data of both Code 3066 and Code 3076. Initially, for states without a transition program, the new loss cost or rate of Code 3076 will be calculated as a payroll weighted average of the loss cost or rate of Code 3066 and Code 3076. Thereafter, the data for Code 3066 will be combined with the data for Code 3076 prior to deriving the loss cost or rate. For those states with a transition program, Exhibits 8BY and 8CA specifically describe the transition program loss cost or rate and rating value calculations.

2. Discontinue Code 5538—Sheet Metal Work—Shop and Outside—NOC & Drivers and reassign all business to two newly created codes. Code 5535 will be applicable to the installation of sheet metal products and Code 3069 will be applicable to the manufacturing of sheet metal products by installers of sheet metal products.
3. Amend phraseology for Code 5537—Heating, Ventilation, Air-Conditioning and Refrigeration Systems—Installation, Service, and Repair, & Drivers to clarify current assignment of shop operations and yard work in connection with HVAC to Code 5537.

Florida Specific:

NCCI recommends that Florida not adopt the amended national phraseology for Code 5537 and instead continue the use of their state-special wording.

Maryland Specific:

NCCI recommends that Maryland discontinue state special Code 3075—Coppersmith—Shop, and adopt the amended national phraseology for Code 3076.

Oregon Specific:

NCCI recommends that Oregon adopt the state special phraseology instead of the national phraseology for Code 5535. This phraseology continues the cross-reference to Code 5102 previously included in discontinued Code 5537.

Virginia Specific:

NCCI recommends that Virginia not adopt the amended national phraseology for Code 5537 and instead continue the current classification treatment for Heating, Ventilation, Air-Conditioning, and Refrigeration Systems. It is also recommended to amend phraseology for Code 2881 to be consistent with the proposed national treatment.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 8—FACT SHEET (CONT'D)**BACKGROUND AND BASIS FOR CHANGE**

Code 3066—Sheet Metal Work—Shop is assigned to sheet metal shops that have little or no stamping or forming presses. Extensive assembling and finishing work is not included under Code 3066. Code 3076—Fireproof Equipment Mfg. includes extensive assembling and finishing of some products with paint, enamel, porcelain, or similar baked finishes. Code 5538—Sheet Metal Work—Shop and Outside—NOC & Drivers is applicable to sheet metal shops that also install the sheet metal products they manufacture.

The major change in the sheet metal fabrication industry is increased mechanization and modernization in the manufacturing process. Much of the machinery is now operated via computer technology rather than manually. Modern air-driven and hydraulic tools have replaced many of the hand processes requiring skill and technique. Sheet metal is formed into flat pieces, and thickness can vary significantly. Sheet metal ranges from 30 gauge to about 8 gauge. Aluminum, brass, copper, cold-rolled steel, mild steel, nickel, and titanium are examples of metal that can be made into sheet metal.

Sheet metal workers may specialize in fabrication, installation, or maintenance of sheet metal products and equipment. It is common for sheet metal workers to perform all three specialties. Examples of sheet metal products fabricated are heating/ventilation/air-conditioning (HVAC) duct systems, roofs, siding, rain gutters, restaurant equipment, and railroad cars. Sheet metal shops make components specifically designed and manufactured to meet the unique specifications of the customer such as construction-related products. Although some of the fabrication techniques used in large-scale manufacturing are similar to those used in smaller shops, the work may be highly automated and repetitive.

A comparison of claims data produced results indicating similarities between Code 3066 and Code 3076. Of the top 25 frequency claims, there were 24 out of 25 matches between the codes. This indication supports that the exposures to the worker are almost identical between the two codes. A comparison of severity claims produced similar results between Code 3066 and Code 3076. A review of processes classified to both codes further supports the similarity in operations. It is common for sheet metal shops to receive materials such as stainless steel, sheet metal, aluminum sheet metal, etc. Shears, punch presses, power brakes, deburring machines, welding equipment, and computer numerical control (CNC) machines are the types of equipment found in a sheet metal shop as well as various hand tools.

The shop exposure is unique in that it doesn't have the same inherent risks associated with processes requiring the worker to travel to the site and work in possibly unknown and unsafe conditions. A review of claims reported for Code 5538 resulted in losses attributable to falls from scaffolding and different levels of elevation. Injuries due to motor vehicle collisions or sideswipes were also reported.

IMPACT

This item proposes that Code 3066—Sheet Metal Work—Shop be discontinued with its experience combined into Code 3076. A review has been conducted using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program to minimize the impact of these proposed changes. Based on the result of this review, it is recommended that the four states of Louisiana, Maryland, Montana, and New Hampshire implement a two-year transition program. The two states of Kentucky and Virginia implement a three-year transition program. The other states' filed loss cost or rate changes or estimated premium impacts did not warrant a transition program. Using the combined experience from the two codes to calculate the loss costs or rates, implemented either with or without a transition program, will minimize any change in overall statewide premium. The impact to individual risk will vary depending on their current code payroll distribution between the codes and the resulting combined experience loss cost or rate.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 8—FACT SHEET (CONT'D)

This item also proposes to discontinue national Code 5537 and split the operations previously applicable to Code 5537 into two new national codes. New Code 3069 will be for the manufacturing of sheet metal products previously assigned to Code 5537 while new Code 5535 will be applicable to the installation of sheet metal products previously assigned to Code 5537. The loss cost or rate for both codes will be based on the historical data reported under Code 5538 until the new codes develop their own experience. Each class code's loss cost or rate will eventually reflect their own new phraseologies and the experience of all risks with payroll and loss experience assigned to the new classifications. This method of establishing the loss costs or rates for the new codes will allow for minimal impact on policy holders that currently use Code 5537.

The other phraseology changes to this industry are primarily for clarification only and are not expected to result in any additional reclassification of risk payroll or change in loss costs, rates, or premium.

Florida Specific:

This item proposes that Florida not adopt the amended national phraseology for Code 5537 and instead continue the use of their state-special wording. Since there are no proposed changes to Code 5537, there will be no impact to individual risk or statewide premium.

Maryland Specific:

NCCI recommends that Maryland discontinue state special Code 3075—Coppersmith—Shop, and adopt the amended national phraseology for Code 3076. The impact to statewide or individual risk premium will depend on the amount of exposure that transfers from Code 3075 to Code 3076 and the difference in loss costs between these codes.

Oregon Specific:

This item proposes that Oregon adopt the state special phraseology instead of the national phraseology for Code 5535. This phraseology continues the cross-reference to Code 5102 previously included in discontinued Code 5537. This portion of the proposal is not expected to result in an impact to individual risk on statewide premium.

Virginia Specific:

This item proposes that Virginia not adopt the amended national phraseology for Code 5537 and instead continue the current classification treatment for Heating, Ventilation, Air-Conditioning, and Refrigeration Systems. It is also recommended to amend the phraseology for Code 2881 to be consistent with the proposed national treatment. This portion of the proposal is not expected to result in an impact to individual risk on statewide premium.

IMPLEMENTATION

In all states, except Hawaii, this item will be implemented effective 12:01 a.m. on July 1, 2007, applicable to new and renewal—voluntary and assigned risk policies. Wording, loss cost or rate, and any applicable transition programs will be implemented on this date.

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

In Virginia, this item will be implemented for policies effective on or after 12:01 a.m. July 1, 2007, voluntary and assigned risk policies.

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EXHIBIT 8—NATIONAL CLASSIFICATIONS
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~~30663076~~ COPPERSMITH—SHOP

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
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3076 ~~FIREPROOF EQUIPMENT MFG.~~

~~Includes metal furniture, filing equipment, and incidental woodworking. Separately rate: mfg. of fireproof doors or shutters that are wood, covered with metal, or structural or reinforcing materials.~~

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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3076 SHEET METAL PRODUCTS MFG.—SHOP ONLY

Applies only to insureds engaged exclusively in shop operations. This code is assigned to the manufacture of various products made from sheet metal, aluminum sheet stock, copper or brass sheet stock, Monel metal, and stainless steel. Includes door, door frame or sash manufacturing—metal; cabinet, enclosure, or furniture manufacturing—metal; metal bedsteads; and metal caskets or coffins. Products manufactured from extruded aluminum are classified to Code 3227. Code 3076 must not be assigned to insureds engaged in installation work; refer to Code 5535. Separately rate manufacturing of fireproof doors or shutters that are wood covered with metal, or structural or reinforcing materials. Refer to Code 3400 for insureds whose operations involve extensive stamping, punching, or blanking of sheet metal.

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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~~AIRPLANE~~

3830

AIRPLANE MFG.

3076

SUBASSEMBLIES MFG.—METAL. Includes the manufacture of cowling, wing components—wings, tabs, and ailerons. Codes 3076 and 3830—~~Airplane mfg.~~ shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

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3076 ~~BEDSTEAD MFG. OR ASSEMBLY—METAL~~

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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~~CASKET OR COFFIN~~

3076 ~~Mfg. or Assembly—Metal~~

2881 **CASKET OR COFFIN MFG. OR ASSEMBLY—WOOD.** Includes the manufacturing of metal fittings.

9522 **CASKET OR COFFIN UPHOLSTERING AND BURIAL GARMENT MFG.**

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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SHEET METAL
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~~COFFIN and CASKET~~

- 4034 **COFFIN AND CASKET MFG. AND INSTALLATION—CONCRETE & DRIVERS**
- 3076 ~~Mfg. or Assembly—Metal~~
- 2881 **COFFIN AND CASKET MFG. OR ASSEMBLY—WOOD.** Includes the manufacturing of metal fittings.
- 9522 **COFFIN AND CASKET UPHOLSTERING AND BURIAL GARMENT MFG.**

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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CLASSIFICATIONS**

~~DOOR, DOOR FRAME, OR SASH~~

5102● DOOR, DOOR FRAME, OR SASH ERECTION—METAL OR METAL COVERED. Installation of storm doors or storm sash to be separately rated as Code 5645—Carpentry. Overhead door installation to be separately rated as Code 3724—Millwright work.

~~3066 Mfg.—Wood—Metal Covered~~

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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~~FURNITURE~~

- 2881** **FURNITURE ASSEMBLY—WOOD—FROM MANUFACTURED PARTS.** Includes finishing. Codes 2881, 2883—~~Furniture mfg.~~, and 2735—~~Furniture stock mfg.~~ shall ~~not~~ must not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.
- 3076** **~~MFG.—METAL~~**
- 2883** **~~MFG.—WOOD—NOC.~~** Includes assembling or finishing.
- 8293** **FURNITURE MOVING & STORAGE, DRIVERS**
- 8044◆** **FURNITURE RENTAL—CHAIRS, COAT RACKS, DISHES & DRIVERS**
- 2735** **FURNITURE STOCK MFG.**
- 9522** **FURNITURE UPHOLSTERING**

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

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~~AWNING MFG. AND ERECTION—METAL~~

- 5102● ~~AWNING ERECTION—METAL—ERECTION BY AN INSURED ENGAGED IN THE ERECTION OF CANVAS PRODUCTS.~~
- ~~5538● ERECTION OF METAL AWNINGS EXCLUSIVELY & DRIVERS~~
- ~~5538● Manufacture and Erection of Metal Awnings Exclusively & Drivers~~
- 3076 ~~Manufacture by an Insured Engaged in the Manufacture of Canvas Products~~
- 3076 **AWNING MFG.—METAL—MFG. OF CANVAS PRODUCTS OR MFG. MANUFACTURE OF METAL AWNINGS EXCLUSIVELY.** Installation, erection, and repair to be separately rated to Code 5535.

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
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CLASSIFICATIONS**

5535● AWNING ERECTION—METAL—ERECTION OF METAL AWNINGS EXCLUSIVELY & DRIVERS

Division of payroll is permitted between Code 5535 and Code 3069 for shops that fabricate sheet metal products and perform the installation of these products.

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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3069 AWNING MFG.—METAL

Division of payroll is permitted between Code 5535 and Code 3069 for shops that fabricate sheet metal products and perform the installation of these products.

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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~~METAL~~

~~5538● CEILING OR WALL COVERING INSTALLATION & SHOP, DRIVERS.~~

3372 **METAL FINISHING**

8500◆ **METAL SCRAP DEALER & DRIVERS.** Includes the collection and reduction of nonferrous scrap metals. No collecting or handling of scrap iron or steel. Must not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8500 are conducted as a separate and distinct business.

3400 **METAL STAMPED GOODS MFG. NOC**

3400 **METAL STAMPING MFG. NOC.** Applicable to mass production manufacturing of stamped metal articles including, but not limited to, license plates, tags, toys, pie plates, buckets, and wastebaskets.

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
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CLASSIFICATIONS**

5535● METAL CEILING OR WALL COVERING INSTALLATION & DRIVERS

Division of payroll is permitted between Code 5535 and Code 3069 for shops that fabricate sheet metal products and perform the installation of these products.

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~~SHEET METAL WORK~~

~~3066 Shop~~
~~5538● Shop and Outside NOC & Drivers.~~

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
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5535● SHEET METAL WORK—INSTALLATION & DRIVERS

Applies to erection, installation, or repair operations. Division of payroll is permitted between Code 5535 and Code 3069 for shops that fabricate sheet metal products and perform the installation of these products. The installation of sheet metal roofing to be separately rated as Code 5551. Refer to Code 5537 for insureds that install, service, and repair heating, ventilation, air-conditioning, and refrigeration systems.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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3069 SHEET METAL PRODUCTS MFG.

To be used in connection with Code 5535 if applicable. Applicable to the various products made from sheet metal, aluminum sheet stock, copper or brass sheet stock, Monel metal, and stainless steel. Includes door, door frame, or sash manufacturing—metal; cabinet, enclosure, or furniture manufacturing—metal; metal bedsteads; and metal caskets or coffins. Products manufactured from extruded aluminum are classified to Code 3227, installation or repair to be separately rated to Code 5535. Division of payroll is permitted between Code 5535 and Code 3069 for shops that fabricate sheet metal products and perform the installation of these products. Separately rate manufacturing of fireproof doors or shutters that are wood covered with metal, or structural or reinforcing materials. Refer to Code 3400 for insureds whose operations involve extensive stamping, punching, or blanking of sheet metal.

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~~SILO ERECTION~~

- 5213● SILO ERECTION—CONCRETE
- ~~5538● Glass Fused to Steel & Drivers~~
- 5022● SILO ERECTION—MASONRY OR TILE
- ~~5538● METAL & DRIVERS~~
- 5213● PRECAST CONCRETE STAVES
- 5403● SILO ERECTION—WOOD

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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5535● SILO ERECTION—METAL OR GLASS FUSED TO STEEL & DRIVERS

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~~5538● WALL COVERING OR METAL CEILING INSTALLATION & SHOP, DRIVERS~~

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**EXHIBIT 8—NATIONAL CLASSIFICATIONS
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CLASSIFICATIONS**

**5537● HEATING, VENTILATION, AIR-CONDITIONING, AND REFRIGERATION
SYSTEMS—INSTALLATION, SERVICE AND REPAIR, SHOP, YARD & DRIVERS**

Applicable to installation, service, and repair, including residential and commercial, shop and yard work. Division of payroll between Code 5537 and any other contracting classification is not permitted when all or a majority portion of the work for an HVAC contract is performed by a single contractor. Specialist subcontractors performing a portion of the HVAC contract (i.e. electrical, plumbing, sheet metal) must be separately rated to the classification applicable to their work. Separately rate portable air-conditioning units to Code 9519.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES - AMENDMENT

EXHIBIT 9

BASIC MANUAL—2001 EDITION

APPENDIX E

REFERENCE TABLE OF CLASSIFICATIONS BY HAZARD GROUP

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

Effective 12:01 a.m., July 1, 2007*

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

<u>Code No.</u>	<u>A-G</u>	<u>1-4</u>
0909	B	4
0912	B	4
2701	E	3
2709	E	3
3066**	G	2
3069	E	3
5535	E	3
5538	E	3
7704	F	3
7705	D	2
7710	F	3
7711	F	3
8799	C	2
9170	G	4

*B-1397 is effective January 1, 2008 in MO and NH and March 1, 2008 in TN.

**Code 3066 will be discontinued effective July 1, 2009 in LA, MD, and NH and July 1, 2010 in KY.

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES - AMENDMENT

**EXHIBIT 10—APPLYING IN NORTH CAROLINA
E. PERFORMANCE STANDARDS**

Change Part Two-E-5—a(1) as follows:

(a) Activities

North Carolina New Business	
Preliminary Audit	Final Audit
(a) \$50,000 and over: A preliminary physical audit must be completed for all risks, regardless of code.	A final physical audit must be completed on all risks, regardless of class code.
(b) \$10,000 to \$49,999: A preliminary physical audit must be completed on all risks with the following governing class codes:	
Special Category*	Applicable Class Codes
Auto Sales/Service	8380, 8393
Coal Mine†	1005, 1016
Construction, Carpentry, and Masonry	
	3719, 3724, 3726, 5020, 5022, 5037, 5040, 5057, 5059, 5067, 5069, 5102, 5146, 5160, 5183, 5188, 5190, 5213, 5215, 5221, 5222, 5223, 5348, 5402, 5403, 5437, 5443, 5445, 5462, 5472, 5473, 5474, 5479, 5480, 5491, 5506, 5507, 5508, 5509, 5511, 5516, 5535, 5537, 5538 , 5551, 5606, 5610, 5645, 5650, 5651, 5703, 5705, 6003, 6005, 6017, 6018, 6045, 6204, 6206, 6213, 6214, 6216, 6217, 6229, 6233, 6235, 6236, 6237, 6251, 6252, 6260, 6306, 6319, 6325, 6400, 6702, 6703, 6704, 7538, 7601, 7605, 7611, 7612, 7613, 7855, 8227, 9529, 9534, 9545, 9549, 9553
Convalescent Home	8829
Farm Related	0016, 0036, 0037, 0050
Food Service/Restaurant	9079, 9082, 9083, 9084
Fuel Related/Oil/Gas/Energy	1320, 1322, 4635, 4740, 4741, 4743, 7500, 7502, 7515, 8350
Landscaping	0042
Logging/Lumbering	2702, 2703, 2709, 2710
Millwright Work	3724
Plumbing	5183

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**EXHIBIT 10—APPLYING IN NORTH CAROLINA (CONT'D)
E. PERFORMANCE STANDARDS**

North Carolina New Business	
Preliminary Audit	Final Audit
Roofing	5551
Security Services	7720
Sheetmetal Work	5535-5538
Stores—Wholesale	8018
Trucking	7219, 7222, 7228, 7229, 7230, 7231, 7232, 7250, 7380, 7390
Welding or Cutting	3365
* Includes state specials where applicable.	
† Combined coal mine and occupational disease premium on Class Codes 1005, 1009, 1016.	
(c) \$5,000 to \$9,999: A preliminary physical audit must be completed on all risks with a governing class code as defined below:	
Special Category*	Applicable Class Codes
Carpentry	5645, 5403, 5437
Contractors—Project Manager, Construction Executive, Construction Manager, or Construction Superintendent Executive Supervisor	5606
Convalescent Home	8829
Excavation	6217
Logging or Lumbering	2702, 2709 , 2710
Masonry	5022
Painting or Paperhanging	5474
Roofing	5551
Trucking	7219, 7228, 7229
Wallboard Installation	5445

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**EXHIBIT 10—APPLYING IN NORTH CAROLINA (CONT'D)
E. PERFORMANCE STANDARDS**

North Carolina New Business	
Preliminary Audit	Final Audit
* Includes state specials where applicable.	
(d) All premium ranges: A preliminary physical audit must be completed on all risks engaged in leasing employees to others or in providing temporary help to others.	

North Carolina Renewals							
Preliminary Audit	Final Audit						
The carrier should conduct preliminary physical audits whenever warranted based upon sound underwriting judgment.	<p>(a) A final physical audit must be completed on all risks producing annual premium of \$5,000 or more.</p> <p>(b) The following special category governing class codes must continue to receive an annual final physical audit regardless of premium size:</p> <table border="1"> <thead> <tr> <th>Special Category*</th> <th>Applicable Governing Class Codes</th> </tr> </thead> <tbody> <tr> <td>Construction, Carpentry, and Masonry</td> <td>All Classes</td> </tr> <tr> <td>Trucking</td> <td>All Classes</td> </tr> </tbody> </table> <p>(c) \$1 to \$4,999: Except as proved in (e) below, a final physical audit must be completed the first year a risk is written by a particular assigned carrier, and at least once every three years thereafter. In each year when such a risk is not audited, a signed payroll statement must be obtained from the employer.</p> <p>(d) All premium ranges: A final physical audit must be completed on all risks engaged in leasing employees to others or in providing temporary help to others. A final mail or telephone audit must be completed on all risks that are not receiving a physical audit.</p> <p>(e) In instances where an audit is clearly impracticable, such as private residences or building operations risks served by one or two employees, an actual audit may be waived and a signed payroll statement from the employer may be accepted.</p>	Special Category*	Applicable Governing Class Codes	Construction, Carpentry, and Masonry	All Classes	Trucking	All Classes
Special Category*	Applicable Governing Class Codes						
Construction, Carpentry, and Masonry	All Classes						
Trucking	All Classes						

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES - AMENDMENT

**EXHIBIT 10—APPLYING IN NORTH CAROLINA (CONT'D)
E. PERFORMANCE STANDARDS**

Exceptions to Audit Activities	
<p>For those risks requiring a preliminary physical audit, if the preliminary physical audit agrees with the information submitted on the application, the risk is not seasonal or variable in nature, the risk does not have a trucking or construction governing class code, and the risk is not a business in its first year of operation, a final mail audit may be substituted for the final physical audit.</p> <p>Preliminary and final physical audits are not required for the following special categories:</p>	
Special Category*	Applicable Class Codes
Attorney & Clerical	8820
Physicians & Clerical	8832
Schools/Churches—Professional	8868
Office Clerical	8810*
Engineer/Architect	8601
Auditors, Accountants—Traveling	8803
* Except when Trucking and Buildings—Operations by Owner	

ITEM B-1397—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES - AMENDMENT

EXHIBIT 11

7. 2002 SERVICING CARRIER PERFORMANCE STANDARDS

g. Loss Prevention (Non-Coal Mine Risks)

Applies In: GA, IN, MS, NC, NH, OR, SD

(1) Loss Prevention Services to Be Provided

- (a) The carrier must notify the policyholder and producer of record in writing, at time of policy issuance of available loss prevention services and safety information, including carrier contacts and instructions for obtaining services and information.
- (b) Each assigned risk policyholder may request reasonable loss prevention services from the servicing carrier regardless of its size or operations.
- (c) The carrier will provide appropriate consultation regarding accident prevention programs, accident trends, safety seminars, safety literature, and other administrative aids that will support the loss prevention efforts of the policyholder.
- (d) A minimum of one consulting survey for each single and multiple location policyholder, subject to g. (2) (d), 1), 2), and 3) below, with estimated annual premium greater than \$25,000. If no critical or important recommendations are made and the risk does not qualify for loss prevention services for any other reason other than premium, then a follow-up consulting survey for both single and multiple locations must be performed once every three years, unless the carrier, in its professional judgment, deems it otherwise necessary.
- (e) A minimum of one consulting survey for each single and multiple location policyholder, subject to g. (2) (d), 1), 2), and 3) below, with estimated annual premium between \$15,000 and \$25,000, and a governing class code represented by the following list. If no critical or important recommendations are made and the risk does not qualify for loss prevention services for any other reason other than premium, then a follow-up consulting survey for both single and multiple locations must be performed once every three years, unless the carrier, in its professional judgment, deems it otherwise necessary.

List of Governing Codes

0008, 0034, 0037, 0042, 0050, 0083, 0106, 0401, 1005, 1164, 1165, 1320, 1322, 1430, 1438, 1452, 1470, 1472, 1624, 1642, 1654, 1655, 1699, 1701, 1741, 1747, 1748, 1803, 1852, 1860, 1925, 2014, 2081, 2089, 2095, 2130, 2211, 2220, 2288, 2305, 2501, 2623, 2688, 2702, 2709, 2710, 2714, 2759, 2802, 2881, 2883, 2915, 2916, 2923, 2942, 2960, 3004, 3018, 3022, 3027, 3028, 3042, 3060, ~~3066~~, 3075, 3076, 3081, 3082, 3085, 3110, 3114, 3146, 3180, 3188, 3227, 3069, 3241, 3257, 3270, 3307, 3365, 3372, 3373, 3381, 3383, 3400, 3507, 3612, 3620, 3632, 3634, 3642, 3647, 3685, 3726, 3803, 3821, 3824, 3881, 4021, 4034, 4038, 4053, 4062, 4101, 4113, 4130, 4150, 4206, 4207, 4239, 4250, 4251, 4283, 4301, 4307, 4350, 4360, 4410, 4420, 4439, 4459, 4470, 4484, 4493, 4511, 4557, 4558, 4568, 4581, 4583, 4635, 4653, 4665, 4683, 4703, 4720, 4740, 4741, 4770, 4773, 4774, 4775, 4776, 4779, 4799, 4800, 4815, 4819, 4828, 4829, 5022, 5037, 5040, 5057, 5059, 5069, 5160, 5183, 5190, 5213, 5222, 5223, 5348, 5403, 5473, 5474, 5479, 5506, 5551, 5645, 5651, 5703, 5705, 6003, 6005, 6204, 6206, 6216, 6217, 6229, 6235, 6236, 6251, 6252, 6260, 6319, 6504, 6702, 6703, 6704, 6801F,6824F,6826F,6828F,6834, 6836, 6843F,6845F,6854, 6872F,6874F,6882, 6884, 7016, 7020, 7024, 7028, 7038, 7039, 7046, 7047, 7050, 7051, 7090, 7091, 7098, 7099, 7309F,7313F,7317F,7323F,7350F,7360, 7403, 7405,

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EXHIBIT 11 (CONT'D)

7. 2002 SERVICING CARRIER PERFORMANCE STANDARDS

g. Loss Prevention (Non-Coal Mine Risks)

Applies In: GA, IN, MS, NC, NH, OR, SD

List of Governing Codes (Cont'd)

7420, 7422, 7425, 7431, 7502, 7538, 7539, 7515, 7540, 7610, ~~7704~~, 7710, 7711, 7855, 8018,
8021, 8031, 8106, 8107, 8203, 8215, 8227, 8263, 8265, 8279, ⁷⁷⁰⁵8288, 8293, 8304, 8500, 8709F,
8829, 8831, 8833, 8835, 9014, 9016, 9019, 9088, 9156, 9178, 9179, 9180, 9186, 9403, 9410,
9501, 9505, 9529, 9534, 9549

- (f) For any policyholder not meeting the above criteria, the carrier must develop written procedures to compare claim frequency with policy premium size during the course of the policy period. If the carrier determines a survey is necessary, the survey must be completed within one hundred fifty (150) days of the determination.
- (g) Provide at least one on-site loss prevention survey to any risk with a final experience modification of 1.40 or greater for any risk with an estimated annual premium of \$5,000 or greater. The on-site loss prevention survey must be provided the first year a risk qualifies. Subsequent surveys for experience modifications must be provided only once every three (3) years.