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December 23, 1998

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance  
Item B-1347 - Consolidation of Selected Explosives  
Manufacturing Codes

The Bureau has adopted and the North Carolina Commissioner of Insurance has approved a proposal to combine the explosive manufacturing classification codes and the corresponding non-ratable element codes into a single classification code and non-ratable element code.

The following introductory loss costs, rates and rating values have been approved:

Class Code	Loss Cost	Residual Market		ELR	D Ratio	Ex-Med Ratio
		Rate	Min Prem			
4771	3.90	5.96	850	1.57	.23	.32
0771	.69	1.05	B	B	B	B

The attached Filing Memorandum describes the changes which have been approved to become effective April 1, 1999, applicable to new and renewal business only.

Very truly yours,

Jerry G. Hamrick

Workers Compensation Manager

JGH:lm

Enclosure

C-98-12

**FILING MEMORANDUM**

**ITEM B-1347 - CONSOLIDATION OF SELECTED EXPLOSIVES MANUFACTURING CODES**

**(To be effective 12:01 a.m. on April 1, 1999, applicable to new and renewal business only.)**

**PURPOSE**

The purpose of this filing is to combine the explosive manufacturing classification codes listed below into classification Code 4771 and the nonratable element (NRE) codes listed below into Statistical Code 0771.

	NRE	
Class	Code	Phraseology
Code		

		Explosives or Ammunition Mfg.: Bag loading - propellant charges & drivers.
4770	0770	Explosives or Ammunition Mfg.: High explosives mfg. & drivers.
4773	0773	Explosives or Ammunition Mfg.: Smokeless powder mfg. - single base & drivers
4774	0774	
4775	0775	Explosives or Ammunition Mfg.: Cartridge charging or loading & drivers.
		Explosives or Ammunition Mfg.: Shell case loading & drivers
4776	0776	Explosives or Ammunition Mfg.: Projectile, bomb, mine, or grenade loading & drivers.
4779	0779	
		Explosives or Ammunition Mfg.: Cap, primer, fuse booster, or detonator assembly & drivers.
4799	0799	Explosives or Ammunition Mfg.: Fireworks mfg. & drivers.
		Explosives or Ammunition Mfg.: Black powder mfg. & drivers.

**BACKGROUND**

It has been determined that there are approximately 60 risks in NCCI jurisdictions that are assigned to the listed explosive manufacturing codes. The review indicates that there are 11 states with no risks assigned to these codes; 11 states with one risk assigned to only one of these codes with the remainder of NCCI states having risks assigned to two or more of these codes. During the latest year for which data is available, only Code 4774 reported any exposure (a payroll of only \$8,682) in North Carolina. Therefore, it has been concluded that due to a paucity of data for these explosive manufacturing codes, combining the classification listed above into one new classification code and one new nonratable element code will provide more meaningful data for rating risks engaged in the explosives manufacturing industry.

**ITEM B-1347 - CONSOLIDATION OF SELECTED EXPLOSIVES MANUFACTURING CODES**

**PROPOSAL**

It is proposed that the explosives manufacturing and nonratable element codes listed above be eliminated and that these codes be replaced by Code 4771 and 0771, respectively.

For Code 4771, the loss costs/rates and rating values will be adjusted in future rate filings based on the combined reported experience for explosives manufacturing codes that are being eliminated and experience for Code 4771 until sufficient ratemaking data is available to allow for the use of conventional ratemaking methodology based on the individual experience of Cod 4771. For Code 0771, the loss cost/rate is based on 15% of the applicable loss cost/rate for Code 4771. Its loss cost/rate will be adjusted in future filings based on the adjusted loss cost/rate for Code 4771 and the 15% non-ratable percentage.

**IMPACT**

Due to the limited exposure and number of employers subject to the class code changes, it is anticipated that there will be no premium level impact.

**IMPLEMENTATION**

In order to implement this item, the attached exhibits outline the changes required in the *Basic Manual for Workers Compensation and Employers Liability Insurance* and the *Retrospective Rating Plan Manual*.

**ITEM B-1347C CONSOLIDATION OF SELECTED EXPLOSIVES MANUFACTURING CODES**

## Explosives or Ammunition mfg.:

**4770 Bag loading** ~~Cpropellant charges & drivers~~. Code 0770 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0770 is not subject to experience rating or retrospective rating.

**4790 Black powder mfg. & drivers**. Includes mixtures in which black powder is the principal ingredient. Code 0790 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0790 is not subject to experience rating or retrospective rating.

**4779 Cap, primer, fuse, booster, or detonator assembly & drivers**. Includes mixing of charges or loading. Explosive mfg. to be separately rated. Code 0779 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0779 is not subject to experience rating or retrospective rating.

**4775 Cartridge charging or loading & drivers**. Includes all operations involving the handling of explosives or mixing of fulminate. Explosive or fulminate mfg. to be separately rated. Code 0775 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0775 is not subject to experience rating or retrospective rating.

**4779 Fireworks mfg. & drivers**. Fireworks exhibitions to be separately rated as Code 9180. Code 0779 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0779 is not subject to experience rating or retrospective rating.

**4773 High explosives mfg. & drivers**. Includes the manufacture of explosives recognized by the Bureau of Explosives as ~~A~~High Explosives ~~@~~ such as dinitrotoluol, double base powders, dynamite, fulminates, nitroglycerine, nitrostarch, pierates, picric acid, tetryl, and trinitrotoluol. Code 0773 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0773 is not subject to experience rating or retrospective rating.

**4776 Projectile, bomb, mine, or grenade loading & drivers**. Cap, primer, fuse, booster, or detonator assembly to be separately rated as Code 4779. Code 0776 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0776 is not subject to experience rating or retrospective rating.

## ITEM B-1347C CONSOLIDATION OF SELECTED EXPLOSIVES MANUFACTURING CODES

### EXHIBIT I (Page 2 of 2))

#### BASIC MANUAL

#### CLASSIFICATIONS

**4775 Shell case loading & drivers**. Applies to 20 mm. and over and includes assembling with loaded projectile. Projectile or primer loading to be separately rated. Code 0775 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0775 is not subject to experience rating or retrospective rating.

**4774 Smokeless powder mfg. Csingle base & drivers**. Includes the mfg. of pyro or nitrocotton. High explosives mfg. to be separately rated as Code 4773. Code 0774 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0774 is not subject to experience rating or retrospective rating.

**4771 NOC & drivers**. Includes the following operations whether conducted by individual enterprises or as combined multiple enterprises: bag loading Cpropellant charges; black powder mfg.; cap, primer, fuse, booster, or detonator assembly; cartridge charging or loading; fireworks mfg.; high explosives mfg.; projectile, bomb, mine, or grenade loading; projectile or shell mfg.; shell case loading and smokeless powder mfg. Csingle base. Code 0771 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0771 is not subject to experience rating or retrospective rating.

EXHIBIT II

BASIC MANUAL

DEDUCTIBLE INSURANCE

Table of Classifications by Hazard Group

Code No.	Hazard Group
4770	IV
4771	IV
4773	IV
4774	IV
4775	IV
4776	IV
4779	IV
4799	IV

RETROSPECTIVE RATING PLAN MANUAL

PART FOUR - F

Table of Classifications by Hazard Group

Code No.	Hazard Group
4770	IV
4771	IV
4773	IV
4774	IV
4775	IV
4776	IV

4779

IV

4799

IV