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Montana Workers Compensation Classification Review Committee

Meeting Agenda

Agenda Tracking No.: MT-01-2019

Prepared by: Michael Craddock, NCCI, Inc.

Date of Meeting: August 13, 2019

Schedule Release Date: July 29, 2019

Meeting information: The Montana Workers Compensation Classification Review Committee (Committee) will conduct its next meeting at 10:00 am. Mountain Daylight Time, on August 13, 2019. The meeting will be held at the following location:

**Best Western Premier,
Helena Great Northern Hotel,
835 Great Northern Blvd.,
Helena, Montana, 59601**

Teleconference Information: To participate by telephone, dial 1-800-525-8529 and enter Conference ID 737 288 699.

Members:

Name	Representing	Voting? Y/N	Present? Y/N	Substitute
Jay Duce	Montana State Fund	Y		
Greg Roadifer	Associated Employers	Y		
Linsey Lockner	Employers Insurance	Y		
Brenda Miller	Liberty Mutual	Y		
David Seitz	Seitz Insurance	Y		

Agenda

Time	Issue	Resolution
10:00 a.m.	Committee Orientation	
10:20 a.m.	Election of Committee Chair and Vice Chair	
10:30 a.m.	Approval of the Draft Minutes for the Montana Workers Compensation Classification Review Committee meeting held on July 23, 2018.	
10:45 a.m.	Approval of the Draft Minutes for the Montana Workers Compensation Classification Review Committee meeting held on October 23, 2018.	
11:00 a.m.	<p>Presentation of ITEM B-1437—Revisions to Basic Manual Classifications and Appendix E—Classifications by Hazard Group, Including Aircraft Maintenance, with a proposed effective date of XXXX, 20XX</p> <p>Administrative Rules- Rulemaking- Proposed supplements to NCCI’s <i>Basic Manual for Workers Compensation and Employers Liability Insurance</i> incorporated by reference in ARM 6.6.8301 Establishment of Classification for Compensation Plan No.2 and Plan No. 3</p> <p style="margin-left: 40px;">a. Public Comment b. Committee Action/Vote</p>	
11:45 a.m.	New Business, if any.	
12:00 p.m.	Public Comment Period	

Distribution:

Committee Members

Montana Classification Review Committee Interested Parties

NCCI

Office of the Montana State Auditor, Commissioner of Securities and Insurance

July 2018 Minutes



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Montana Workers Compensation Classification Review Committee

Draft Meeting Minutes

Agenda Tracking No.: MT-01-2018

Prepared by Michael Craddock, NCCI,

Date of Meeting: July 23, 2018

Meeting information: The Montana Workers Compensation Classification Review Committee (Committee) met on July 23, 2018 at the Best Western Great Northern Hotel, Helena, Montana.

Members:

Name	Representing	Voting? Y/N	Present? Y/N	Substitute
Christy Weikart	Montana State Fund	Y	Y	
Greg Roadifer*	Associated Employers	Y	Y	
Keith Brownfield*	Victory Insurance	Y	Y	
Meegan Williams	Liberty Mutual	Y	N	
Rich Deming*	First West, Inc.	Y	Y	

Other in attendance

Name	Representing
Bruce Spencer	Law Offices of Bruce M. Spencer, PLLC
Nancy Butler	Office of the Montana State Auditor, Commissioner of Securities and Insurance
Michael Craddock	National Council on Compensation Insurance
Todd Johnson	National Council on Compensation Insurance
Bill Dodds*	National Council on Compensation Insurance
Lesley O'Brien*	National Council on Compensation Insurance
Adam Levell*	National Council on Compensation Insurance

*participated via teleconference

Agenda

Time	Issue	Resolution
1:30 p.m.	Approval of the Draft Minutes for the Montana Workers Compensation Classification Review Committee meeting held on June 14, 2017.	Minutes were approved as presented.
1:45 p.m.	Approval of the Draft Minutes for the Montana Workers Compensation Classification Review Committee meeting held on October 30, 2017.	Minutes were approved as presented.
2:00 p.m.	<p>ITEM B-1436—Revisions to Basic Manual Classifications and Appendix E—Classifications by Hazard Group</p> <p>NCCI staff presented this nationally proposed item filing for the Committee’s review and action. This item includes proposals for the individual classifications identified in each exhibit, including format and consistency-only changes, if applicable. The background information is contained in each exhibit’s fact sheet. Classifications identified include the following:</p> <ul style="list-style-type: none"> • Retirement Living Centers and Nursing Homes • Limousine Companies • Photography and Document Scanning • Unmanned Aircraft System or Drone Aircraft • Automobile Body Repair and Mechanical Repair <p>The first item included the elimination of national Code 8829 – Convalescent or Nursing Home – All Employees. Code 8829 is not applicable in Montana. There was discussion regarding Drone Aircraft and the use of the FAA rules for small commercial drone operations. Specifically, the weight limit of 55 pounds. Any drone that weighs 55 pounds or more including payload will be considered as a general exclusion and separately rated to the appropriate aviation classification.</p> <p>There was general agreement that the change to allow Codes 8380 and 8393 to be assigned to a single business operation was a positive change.</p> <p>There was no discussion regarding the changes for Limousine Companies or Photography and Document Scanning.</p> <p>Public Comment:</p>	<p>A motion was made, seconded and passed by majority vote, and it was</p> <p>RESOLVED, that Item B-1436 is accepted by the Committee as presented by NCCI and further the Committee approves proceeding to rulemaking.</p>

	None	
3:00 p.m.	<p>Formal request from an Oregon Insurance Agency regarding Classification Code 0124 – Reforestation & Drivers.</p> <p>NCCI, on behalf of the Committee, received a formal request from an Oregon Insurance Agency that the Committee consider additional language to the State Addendum for Montana, as it currently reads for Oregon regarding Code 0124 – Reforestation & Drivers. The Oregon language includes 10 specific operations that are assigned to Code 0124. Committee members discussed the request. As far as the Committee members were aware of, this was not an issue for Montana employers and the current Montana specific language was sufficient.</p>	<p>Following review and discussion, upon motion duly made, seconded and passed by a majority vote, it was</p> <p>RESOLVED, that the Committee does not at this time wish to take further action on the request.</p>
3:30 p.m.	<p>New Business, if any.</p> <p>No new business was brought before the Committee.</p>	
	<p>Public Comment Period</p> <p>None</p>	

Distribution:
Committee Members
Office of the Montana State Auditor, Commissioner of Securities and Insurance

October 2018 Minutes



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Montana Workers Compensation Classification Review Committee

Draft Meeting Minutes

Agenda Tracking No.: MT-02-2018

Prepared by: Michael Craddock

Date of Meeting: October 23, 2018

Meeting information: The Montana Workers Compensation Classification Review Committee (Committee) met on Tuesday, October 23, 2018 at the Office of the Montana State Auditor, 2nd floor conference room, 840 Helena Ave., Helena, Montana 59601.

Members:

Name	Representing	Voting? Y/N	Present? Y/N	Substitute
Jay Duce*	Montana State Fund	Y	Y	
Greg Roadifer, Chair*	Associated Employers	Y	Y	
Keith Brownfield*	Victory Insurance	Y	Y	
Meegan Williams	Liberty Mutual Insurance	Y	N	
Rich Deming, Vice Chair*	First West, Inc.	Y	Y	

Others in attendance:

Name	Representing
Bruce Spencer	Law Offices of Bruce M. Spencer, PLLC
Nancy Butler	Office of the Montana State Auditor, Commissioner of Securities and Insurance
Adam Levell*	National Council on Compensation Insurance
Michael Craddock*	National Council on Compensation Insurance
Todd Johnson*	National Council on Compensation Insurance

*Participated via teleconference.

Agenda

Time	Issue	Resolution
10:30 a.m.	<p>Proposed Adoption of Amendments to the below Administrative Rules of Montana, as set forth in the Notice of Public Hearing on Proposed Amendment, MAR Notice No. 6-246:</p> <p style="text-align: center;"><i>ARM 6.6.8301 - Establishment of Classification for Compensation Plan No. 2.</i></p> <p>The Notice of Public Hearing on Proposed Amendment, MAR Notice No. 6-246, published on September 7, 2018, at page 1762 of the 2018 Montana Administrative Register, Issue Number 17, the Notice of Amendment, published on November 2, 2018 at page 2208 of the Montana Administrative Register, Issue No. 21, and the Adoption Order dated October 23, 2018 are attached and incorporated in these minutes by reference.</p> <p>Public Comments: None.</p>	<p>A motion was made, seconded and passed by majority vote, and it was</p> <p>RESOLVED, that the Committee approved supplementing the Basic Manual with Item Filing B-1436 Revisions to Basic Manual Classifications and Appendix E – Classifications by Hazard Group including Retirement Living Centers and Nursing Homes, Limousine Companies, Photography and Document Scanning, Unmanned Aircraft System or Drone Aircraft and Automobile body Repair and Mechanical Repair, with an effective date of July 1, 2019.</p> <p>The Committee further approves proceeding with the Notice of Amendment and the Adoption Order.</p>
	<p>New Business, if any</p> <p>None</p>	<p>No action required by the Committee.</p>

Distribution:
Committee Members
Montana Classification Review Committee Interested Parties
NCCI

**Executive Summary for Item B-1437 and
Proposed Draft Motion and Resolution**

Montana Workers Compensation Classification and Review Committee

Executive Summary

ITEM B-1437—Revisions to Basic Manual Classifications and Appendix E—Classifications by Hazard Group, Including Aircraft Maintenance, contains revisions to classifications for the aircraft maintenance and repair industry, proposed to become effective for new and renewal policies only, effective on and after 12:01 a.m. on July 1, 2020.

Background on Item B-1437

CLASSIFICATION RESEARCH FINDINGS

Low Credibility Classifications

A recent comprehensive review of NCCI's classification system indicated that 212 classification codes had either zero credibility or low credibility. NCCI has taken a multiple step approach to eliminate as many of these classifications as possible.

In the first step, 22 state special zero credibility codes were proposed for elimination in 2014 as part of national Item B-1428—Revisions to Basic Manual Classifications and Appendix E—Classifications by Hazard Group. In that item, even though the zero credibility codes represented operations and industries that had not developed payroll for an extended period of time, they were reassigned to existing codes. This ensures that if a policy is written in the future for such operations, a suitable classification assignment is available. The elimination and reassignment of the zero credibility classifications in Item B-1428 represented the first stage in a multiple step approach to deal with this issue.

ITEM B-1437—Revisions to Basic Manual Classifications and Appendix E—Classifications by Hazard Group, Including Aircraft Maintenance

In this Item B-1437, five national and two state special classifications are proposed for elimination.

Aircraft Maintenance and Repair

This item contains revisions to the aircraft maintenance and repair industry. Maintenance and repair services may be performed by airline employees, airport employees, or contracted firms. Contractors may operate as a fixed-base operator in which they are permitted to operate on airport grounds, or they may be based elsewhere and visit the airport on an as-needed basis.

Due to the size and nature of aircraft, most maintenance and repair is conducted on airport grounds or property located adjacent to an airport. However, some aircraft parts may be removed from the aircraft and taken to an independent facility located away from the airport.

Currently, there are no classifications specifically assigned to aircraft maintenance when performed by contractors. There are several classifications that may apply, and the most commonly used codes are listed below:

- Code 3826—Aircraft Engine Mfg.
- Code 3830—Airplane Mfg.
- Code 7403—Aviation—All Other Employees & Drivers

Codes 3826 and 3830 do not address work associated with these codes that is performed on airport property or if services performed by contractors are included. Code 7403 does not define the types of maintenance or service that are included, nor does it address whether contractors performing services at the airport are included.

NCCI is proposing to:

- Revise the phraseology of Codes 3826 and 3830 to address operations performed by manufacturers, fixed-base operators, or contractors at an airport or off-site facility
- Establish a new phraseology Code 7403—Aviation—Ramp Operations & Drivers to address employees assigned to work performed on the aircraft at the ramp or on the flight line
- Eliminate the phraseology for Code 3826—Engine Mfg.—Aircraft because it is redundant to the above-mentioned phraseology Code 3826—Aircraft Engine Mfg.
- Revise the phraseology note of Code 5037—Painting—Metal Structures—Over Two Stories in Height & Drivers to indicate the painting of aircraft of all sizes and types is not included in the classification
- Establish a new phraseology Code 5474—Painting Aircraft & Shop Operations, Drivers
- Establish a new phraseology Code 9516—Aircraft Avionics and Instrumentation-Installation, Service, or Repair—Shop and Outside & Drivers to address these services performed on all types of fixed- and rotary-wing aircraft

Additionally, certain classifications in Part Two—Classifications of NCCI’s ***Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*** must be reformatted to simplify their display and to improve online search results on **ncci.com** including the class look-up function.

Transition Programs

The classifications to be eliminated in Item B-1437 have payroll that must be reassigned to a new classification. In some instances, the difference between the existing and new loss cost or rate may exceed the state-specific limit for an increase or decrease. This is referred to as the swing limit. The swing limit constrains the percentage change, up or down, that the loss cost or rate for a classification

may vary from the existing loss cost or rate for that classification. The purpose of the swing limit is to avoid extreme fluctuations in loss costs or rates from year to year. Most states set the swing limit at +/-25%.

NCCI will propose a transition program to adjust the loss cost or rate difference for certain classifications in increments, which minimizes the premium impact of the proposed change. When a transition program is initiated, the codes affected by the transition program are still used as appropriate until the last phase of the program, at which time one or more codes are eliminated. A transition program may take two or more phases to complete.

Suggested Motion/Resolution

Following review and discussion, upon motion duly made, seconded and approved by a majority vote, it is **Resolved**, that Item B-1437 is accepted by the Committee as presented by NCCI and further the Committee approves proceeding to rulemaking.

**ITEM B-1437—REVISIONS TO BASIC
MANUAL CLASSIFICATIONS AND
APPENDIX E—CLASSIFICATIONS BY
HAZARD GROUP, INCLUDING AIRCRAFT
MAINTENANCE**

FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

PURPOSE

The item:

- Eliminates national and state special classifications with low credibility
- Revises the classification treatment of the aircraft maintenance and repair industry
- Revises and eliminates certain classifications in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)* and *Forms Manual of Workers Compensation and Employers Liability Insurance (Forms Manual)*
- Revises audit and/or loss prevention survey tables for certain states in NCCI's *Assigned Carrier Performance Standards*

BACKGROUND

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

Finally, this item revises the classification treatment of the aircraft maintenance and repair industry.

This item also includes proposals for the individual classifications identified in each exhibit, including **format changes and consistency-only changes**, where applicable.

Classifications With Low Credibility to Be Eliminated

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

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

NCCI reviewed the credibility for all classifications based on the latest policy periods used for ratemaking in NCCI's 2017 loss cost and rate filing cycle. As a result of this review, NCCI identified a number of classifications that have state credibility of 25% or less in a majority of NCCI states. NCCI considers these classifications to have low credibility.

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

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

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

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

NCCI categorized the classifications with low credibility into the following groups, as provided in each fact sheet:

Fact Sheet 1: National classifications where most states have little to no payroll in the classifications. For states with payroll in the classifications, some states require either a two- or three-phase transition program.

Fact Sheet 2: Connecticut special classification with low credibility, to be eliminated without a transition program.

Fact Sheet 3: Oregon special classification with low credibility, to be eliminated with a three-phase transition program.

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

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

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

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

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

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

Fact Sheets 1, 2, and 3, related to low-credibility code elimination, include a table that displays the code mapping. These tables are provided for informational purposes only. The corresponding exhibits display the classification proposed for each state.

Aircraft Maintenance and Repair

Aircraft maintenance and repair operations are critical to the safe operation of all types of aircraft. These services include, but are not limited to, engine inspections, parts replacement, avionics repair, and painting. NCCI's current classification treatment for the aircraft maintenance and repair industry assigns several codes. The primary codes used are:

- Code 3826—Aircraft Engine Mfg.
- Code 3830—Airplane Mfg.
- Code 7403—Aviation—All Other Employees & Drivers

Codes 3826 and 3830 are silent regarding whether work performed on airport property is included, and whether services performed by contractors are included. Code 7403 does not define the types of maintenance or service that are included, nor does it address whether contractors performing services at the airport are included. NCCI's analysis of the aircraft maintenance and repair industry has determined that the classification treatment of these activities needs to be addressed.

Fact Sheet 4: Aircraft Maintenance and Repair explains the establishment of and revisions to classifications that address the various types of services performed and the locations at which they are performed.

PROPOSAL

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

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

IMPACT

The fact sheet for each exhibit details the potential impacts specific to each of the proposed changes. NCCI recognizes that some recommendations, such as moving a specific operation from one classification to another, may have a premium impact for particular employers. Additionally, some of the changes proposed may have a loss cost/rate impact.

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

IMPLEMENTATION

This item is applicable to new and renewal policies only, and will become effective concurrent with each state's approved loss cost/rate filing effective on and after October 1, 2019, unless otherwise noted. For example, this item will become effective January 1, 2020, for approved loss cost/rate filings that have a January 1, 2020 effective date. If there is no loss cost/rate filing for a state in a given year, this item will take effect on that state's regular loss cost/rate effective date. The regular loss cost/rate effective date is the date of the state's previous year's loss cost/rate effective date.

Transition Programs

Some proposals related to Fact Sheet 1, National Classifications With Low Credibility to Be Eliminated, include a transition program, subject to a maximum of three phases. The details corresponding to the initiation and final implementation dates of the transition programs are provided in Exhibits 8-Rule and 9-Rule for the following states:

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

For state special classifications with low credibility to be eliminated:

- No transition program is proposed for Fact Sheet 2
- A three-phase transition program is proposed for Fact Sheet 3

Anticipated Effective Dates by State

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

State	Anticipated* Effective Date
Alabama	March 1, 2020
Alaska	January 1, 2020
Arizona	January 1, 2020
Arkansas	July 1, 2020
Colorado	January 1, 2020
Connecticut	January 1, 2020
District of Columbia	November 1, 2019

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

Florida	The effective date of this item depends on the date that regulatory approval is granted. If the item is approved on or before July 1, 2019, it will become effective on January 1, 2020. If it is approved after July 1, 2019, it will become effective on January 1, 2021.
Georgia	March 1, 2020
Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective on January 1, 2020. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2020
Illinois	January 1, 2020
Indiana	January 1, 2020
Iowa	January 1, 2020
Kansas	January 1, 2020
Kentucky	October 1, 2019
Louisiana	May 1, 2020
Maine	April 1, 2020
Maryland	January 1, 2020
Mississippi	March 1, 2020
Missouri	January 1, 2020
Montana	July 1, 2020
Nebraska	February 1, 2020
Nevada	March 1, 2020
New Hampshire	January 1, 2020
New Mexico	January 1, 2020
Oklahoma	January 1, 2020
Oregon	January 1, 2020
Rhode Island	August 1, 2020
South Carolina	April 1, 2020

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ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

South Dakota	July 1, 2020
Tennessee	March 1, 2020
Texas	July 1, 2020
Utah	January 1, 2020
Vermont	April 1, 2020
Virginia	April 1, 2020
West Virginia	November 1, 2019

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

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

Exhibits		Fact Sheet	Exhibit #	Proposal Applicable in:
NCCI's Basic Manual	National Classifications With Low Credibility to Be Eliminated	1	1A-Rule	All States Except VA
			1B-Rule	All States Except TX, VA
			1C-Rule	All States Except VA
			1D-Rule	All States Except FL, TX, VA
			1E-Rule	All States except FL, HI, ME, MT, NV, TX, VA
			1F-Rule	All States Except HI, MT, NV, VA
			1G-Rule	All States Except TX, VA
			1H-Rule	All States Except LA, TX, VA
			1I-Rule	All States Except VA
			1J-Rule	All States Except TX, VA

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

Exhibits		Fact Sheet	Exhibit #	Proposal Applicable in:	
NCCI's Basic Manual			1K-Rule	All States Except AK, TX, UT, VA	
			7-Rule	FL, HI, LA, ME, MO, MT, NV, TX, VA	
	Connecticut Special Classification With Low Credibility to Be Eliminated—No Transition Program	2	2A-Rule	CT	
			2B-Rule	CT	
	Oregon Special Classification With Low Credibility to Be Eliminated—Three-Phase Transition Program	3	3A-Rule	OR	
			3B-Rule	OR	
	Aircraft Maintenance and Repair		4	4A-Rule	All States Except AK, TX, VA
				4B-Rule	All States Except OR, TX, VA
				4C-Rule	All States Except TX, VA
				4D-Rule	All States Except AK, TX, VA
				4E-Rule	All States Except AK, SC, TX, VA
				7-Rule	AK, SC, TX, VA
	Appendix E—Table of Classifications by Hazard Group	1, 2, 3	5-Rule	All States	
	CCPAP Exhibits	1	6-Rule	CT, FL, HI, IL, MD, MO, MT, NE, NM, OK, OR, VA	
	Two-Phase Transition Program Details	1	8-Rule	All States	
Three-Phase Transition Program Details	1, 3	9-Rule	OK, OR, SC		

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FILING MEMORANDUM

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

Exhibits		Fact Sheet	Exhibit #	Proposal Applicable in:
<i>NCCI's Assigned Carrier Performance Standards</i>		1	10-Rule	AK, AR, GA, IN, KS, MS, NH, OR, SD, VT
<i>NCCI's Forms Manual</i>	Contracting Classification Premium Adjustment Program (CCPAP) Workers Compensation Premium Credit Application	1	11-Form	FL, VA

Note: Form and rule filings must be filed separately in several states. For filing purposes, this memorandum and applicable fact sheets are being provided for both the rule and form exhibits. The rule exhibits are filed with the regulatory authority as Item B-1437-R. The form exhibit is filed with the regulatory authority as Item B-1437-F.

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ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 1—FACT SHEET

NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED

PURPOSE

The purpose of the proposed changes for this industry is to eliminate certain national classifications that have low credibility.

BACKGROUND

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

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

The national classifications to be eliminated are listed in the Proposal section of this fact sheet. For those states where the difference between the loss costs or rates for the eliminated classification and the proposed classification exceeds the swing limits used for ratemaking within the state, a transition program, subject to a three-phase maximum, is proposed. States with a transition program are indicated in the following table. Details of the transition programs are provided in Exhibits 8-Rule and 9-Rule.

PROPOSAL

This item proposes to:

1. Eliminate and revise national classifications as indicated in the following table and exhibits. Refer to the following table and Exhibits 7-Rule, 8-Rule, and 9-Rule for state-specific information.
2. Revise Appendix E—Table of Classifications by Hazard Group for applicable states to update the codes being eliminated or established. Refer to Exhibit 5-Rule.
3. Revise state-specific contracting classification credit programs for Connecticut, Florida, Hawaii, Illinois, Maryland, Missouri, Montana, Nebraska, New Mexico, Oklahoma, Oregon, and Virginia to remove the classifications being eliminated. Refer to Exhibit 6-Rule.
4. Revise **Assigned Carrier Performance Standards** to remove the being eliminated. Refer to Exhibit 10-Rule.

National Classification to Be Eliminated	Proposed National Classification (Unless Otherwise Noted)	States With Two-Phase Transition Program*	States With Three-Phase Transition Program**
2286—Wool Spinning and Weaving 2286—Yarn Mfg.—Wool	2220—Wool Spinning and Weaving 2220—Yarn Mfg.—Wool	All States	None
2670—Glove Mfg.—Leather or Textile	2688—Glove Mfg.—Leather or Textile	All States	None

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 1—FACT SHEET (CONT'D)

National Classification to Be Eliminated	Proposed National Classification (Unless Otherwise Noted)	States With Two-Phase Transition Program*	States With Three-Phase Transition Program**
4360—Motion Picture—Development of Negatives, Printing, and All Subsequent Operations 4360—Duplication and Replication Service of Prerecorded Audio, Video or Data	7610—Motion Picture—Production—In Studios or Outside—All Operations & Clerical, Drivers 7610—Duplication and Replication Service of Prerecorded Audio, Video or Data	NM, TX	None
4670—Cottonseed Oil Mfg.—Mechanical & Drivers 4670—Cottonseed Oil Mfg.—Solvent & Drivers	4683—Cottonseed Oil Mfg.—Mechanical 4683—Cottonseed Oil Mfg.—Solvent 7380—Drivers, Chauffeurs, Messengers, and Their Helpers NOC—Commercial***	None	OK, SC
5508—Street or Road Construction—Rock Excavation & Drivers	5507—Street or Road Construction—Rock Excavation & Drivers	None	None

* The listed states have a two-phase transition program; refer to Exhibit 8-Rule for details.

** The listed states have a three-phase transition program; refer to Exhibit 9-Rule for details.

***The proposed national phraseology currently applies in all states, except AZ and NV because drivers are a general inclusion. Therefore, no national exhibit is proposed for approval in AZ and NV.

IMPACT

NCCI conducted a review of the latest policy periods used for ratemaking in NCCI's 2017 loss cost and rate filing cycle to determine if a transition program was needed to minimize the impact of these proposed changes. Based on the results of this review:

- Code 5508 does not need a transition program
- Codes 2286 and 2670 have a two-phase transition program in all states
- Codes 4360 and 4670 have a two-phase or three-phase transition program in some states

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

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

STATE-SPECIFIC PROPOSALS AND IMPACTS

Alaska Proposal:

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 1—FACT SHEET (CONT'D)

NCCI is proposing all exhibits in Alaska except Exhibit 1K-Rule. Exhibit 1K-Rule is not being proposed because Codes 5507 and 5508 do not apply in Alaska.

Alaska Impact:

Because NCCI is proposing all exhibits in Alaska except Exhibit 1K-Rule, the national impact detailed above applies in Alaska.

Florida Proposal:

NCCI is proposing all exhibits in Florida except Exhibits 1D-Rule and 1E-Rule. Exhibit 1D-Rule is not being proposed because Code 4360 does not apply in Florida. Exhibit 1E-Rule is not being proposed because the current national phraseology does not apply in Florida.

NCCI is proposing that Florida adopt the national treatments for Code 7610 and, as a result, eliminate the state exception phraseologies for Code 7610. Refer to Exhibit 7-Rule.

NCCI proposes to revise state special Code 5509 to eliminate a reference to Code 5508. Refer to Exhibit 7-Rule.

NCCI also proposes to revise Florida's exception to **Basic Manual** Rule 3-A-7-a(3) to change a Code 5508 reference to Code 5507. Refer to Exhibit 7-Rule.

In addition, Form 04-4E—Florida Contracting Classification Premium Adjustment Program Workers Compensation Premium Credit Application (Exhibit 11-Form) must be updated to reflect the elimination of Code 5508 (Exhibit 6-Rule).

Florida Impact:

Because NCCI is proposing all exhibits in Florida except Exhibits 1D-Rule and 1E-Rule, the national impact detailed above applies in Florida.

Hawaii Proposal:

NCCI is proposing all exhibits in Hawaii except Exhibits 1E-Rule and 1F-Rule. Exhibits 1E-Rule and 1F-Rule are not being proposed because the phraseology for Code 7610 is not applicable in Hawaii. Hawaii has state special Code 9610 which will remain unchanged. The current national treatments for Code 4360 will become state specials for Hawaii. Refer to Exhibit 7-Rule.

Hawaii Impact:

Because NCCI is proposing all exhibits in Hawaii except Exhibits 1E-Rule and 1F-Rule, the national impact detailed above applies in Hawaii.

Louisiana Proposal:

NCCI is proposing all exhibits in Louisiana except Exhibit 1H-Rule. Exhibit 1H-Rule is not being proposed because the national phraseology of Code 4670—Cottonseed Oil Mfg.—Solvent & Drivers does not apply in Louisiana.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 1—FACT SHEET (CONT'D)

NCCI is proposing that Louisiana adopt the national treatments for Code 4683 (Exhibit 1I-Rule) and, as a result, eliminate the state exception phraseology of Code 4670—Cottonseed Oil Mfg. & Drivers (Exhibit 7-Rule).

Louisiana Impact:

Because NCCI is proposing all exhibits in Louisiana except Exhibit 1H-Rule, the national impact detailed above applies in Louisiana.

Maine Proposal:

NCCI is proposing all exhibits in Maine except Exhibit 1E-Rule, because Maine has a state exception to Code 7610. Refer to Exhibit 7-Rule.

Maine Impact:

Because NCCI is proposing all exhibits in Maine except Exhibit 1E-Rule, the national impact detailed above applies in Maine.

Missouri Proposal:

NCCI is proposing all exhibits in Missouri. In addition, NCCI proposes to revise state special Codes 5505 and 5213 to eliminate references to Code 5508. Refer to Exhibit 7-Rule.

Missouri Impact:

The national impact detailed above applies in Missouri.

Montana Proposal:

NCCI is proposing all exhibits in Montana except Exhibits 1E-Rule and 1F-Rule. Exhibits 1E-Rule and 1F-Rule are not being proposed because the phraseology for Code 7610 is not applicable in Montana. Montana has state special Code 9610 which will remain unchanged. The current national treatments for Code 4360 will become state specials for Montana. Refer to Exhibit 7-Rule.

Montana Impact:

Because NCCI is proposing all exhibits in Montana except Exhibits 1E-Rule and 1F-Rule, the national impact detailed above applies in Montana.

Nevada Proposal:

NCCI is proposing all exhibits in Nevada except Exhibits 1E-Rule and 1F-Rule. Exhibits 1E-Rule and 1F-Rule are not being proposed because Code 7610 is not applicable in Nevada. Nevada has a state special Code 9609 which will be revised. Refer to Exhibit 7-Rule.

Nevada Impact:

Because NCCI is proposing all exhibits in Nevada except Exhibits 1E-Rule and 1F-Rule, the national impact detailed above applies in Nevada.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 1—FACT SHEET (CONT'D)

Texas Proposal:

NCCI is proposing all exhibits in Texas except Exhibits 1B-Rule, 1D-Rule, 1E-Rule, 1G-Rule, and 1H-Rule. These five exhibits are not being proposed because the national phraseologies do not apply in Texas. However, NCCI is still proposing to eliminate Codes 2286, 4360 and 4670 in Texas. Refer to Exhibit 7-Rule.

NCCI is also not proposing Exhibit 1K-Rule in Texas because Codes 5507 and 5508 do not apply in Texas.

NCCI is proposing that Texas adopt the national treatments for Code 7610 and, as a result, eliminate the state exception phraseology for Code 4360. The national Code 7610 also includes clerical employees. Refer to Exhibit 7-Rule.

NCCI is proposing that Texas adopt the national treatment for Code 4683 and, as a result, eliminate the state exception phraseologies for Code 4670. The national Code 4683 does not include drivers. Refer to Exhibit 7-Rule.

Texas Impact:

Because NCCI is proposing all exhibits in Texas except Exhibits 1B-Rule, 1D-Rule, 1E-Rule, 1G-Rule, 1H-Rule, and 1K-Rule, the national impact detailed above applies in Texas.

Utah Proposal:

NCCI is proposing all exhibits in Utah except Exhibit 1K-Rule. Exhibit 1K-Rule is not being proposed because Codes 5507 and 5508 do not apply in Utah.

Utah Impact:

Because NCCI is proposing all exhibits in Utah except Exhibit 1K-Rule, the national impact detailed above applies in Utah.

Virginia Proposal:

NCCI proposes that Virginia adopt the treatments detailed in Exhibit 7-Rule. Refer to the table shown in the Proposal section of Fact Sheet 1 for a list of the classifications revised in Exhibit 7-Rule.

The following codes must also be revised in Exhibit 7-Rule because they refer to the codes shown in the table in the proposal section of Fact Sheet 1:

- 2362—Knit Goods Mfg. NOC
- 4431—Magnetic and Optical Recording Media Mfg.
- 4452—Plastics Mfg.—Fabricated Products NOC
- 4484—Plastics Manufacturing—Molded Products NOC
- 4686—Oil Mfg.—Vegetable—Solvent Extraction Process
- 4902—Sporting Goods Mfg. NOC
- 4923—Photographic Supplies Mfg.
- 6217—Excavation & Drivers

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

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 1—FACT SHEET (CONT'D)

In addition, Form 45-3E—Virginia Contracting Classification Premium Adjustment Program (CCPAP) Workers Compensation Premium Credit Application (Exhibit 11-Form) must be updated to reflect the elimination of Code 5508 (Exhibit 6-Rule).

Virginia Impact:

The national impact detailed above applies in Virginia. The proposed updates to the Virginia Special Classifications in NCCI's *Basic Manual* descriptions are not expected to have an additional premium impact.

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 1A-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VT, WV)

2286 **WOOL SPINNING AND WEAVING**

2220 **WOOL SPINNING AND WEAVING**

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 1B-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

2286 YARN MFG.—WOOL.

Codes 2286 and 2220—Yarn or thread mfg.—cotton shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.

2220 YARN MFG.—WOOL

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 1C-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VT, WV)

- 2670** **GLOVE MFG.—LEATHER OR TEXTILE—**
Tanning of leather or mfg. of textile fabric to be separately rated.
- 2688** **GLOVE MFG.—LEATHER OR TEXTILE**
Tanning of leather or mfg. of textile fabric to be separately rated.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 1D-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS**

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

**4360 MOTION PICTURE—DEVELOPMENT OF NEGATIVES, PRINTING, AND ALL SUBSEQUENT
OPERATIONS**

Digital media processing and editing, as well as marketing through film exchanges, are included under Code 4360, whether performed by a contractor or the production company.

4360 DUPLICATION AND REPLICATION SERVICE OF PREREGORDED AUDIO, VIDEO OR DATA

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 1G-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

4670 COTTONSEED OIL MFG.—MECHANICAL & DRIVERS

Applies during both active and dormant seasons. Includes installation or repair of equipment,
yard workers, weighers, seed or fuel haulers.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 1H-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, MD, ME, MO, MS,
MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

4670 COTTONSEED OIL MFG.—SOLVENT & DRIVERS

Applies during both active and dormant seasons. Includes installation or repair of equipment, yard workers, weighers, seed or fuel haulers.

4686 OIL MFG.—VEGETABLE—SOLVENT EXTRACTION PROCESS

Mfg. of cottonseed oil to be is separately rated as to Code 4670 4683.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 1I-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VT, WV)**

4683 COTTONSEED OIL MFG.—MECHANICAL

Applies during both active and dormant seasons. Includes installation or repair of equipment, yard workers, and weighers.

4683 COTTONSEED OIL MFG.—SOLVENT

Applies during both active and dormant seasons. Includes installation or repair of equipment, yard workers, and weighers.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 1J-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO,
MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

4683 COTTONSEED OIL REFINING
Cottonseed oil mfg. to be separately rated as Code 4670-

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 1K-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
PART TWO—CLASSIFICATIONS
(Applies in: AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS,
MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, VT, WV)**

5508• ~~STREET OR ROAD CONSTRUCTION—ROCK EXCAVATION & DRIVERS~~

~~Includes incidental quarrying or stone crushing. No tunneling.~~

5507• STREET OR ROAD CONSTRUCTION—ROCK EXCAVATION & DRIVERS

Includes incidental quarrying or stone crushing. No tunneling.

5507• STREET OR ROAD CONSTRUCTION—SUBSURFACE WORK & DRIVERS

Applies to clearing of right-of-way, earth excavation, filling or grading. Separately rate ~~rock excavation, tunneling, and~~ bridge or culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet; ~~quarrying, and stone crushing.~~

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 4—FACT SHEET

AIRCRAFT MAINTENANCE AND REPAIR

PURPOSE

The purpose of the proposed changes for this industry is to revise the classification treatment for aircraft maintenance and repair operations.

BACKGROUND

Aircraft maintenance and repair operations are critical to the safe operation of all types of aircraft. Some maintenance and repair services include:

- Diagnosing mechanical and electrical problems
- Routine engine inspections
- Testing electronic instruments
- Inspecting or repairing aircraft systems such as wings, brakes, electrical, power plant, life support, and other aircraft systems
- Routine parts replacement
- Corrosion prevention
- Avionics installation, maintenance, and repair
- Airworthiness inspections
- Cleaning an aircraft's interior
- Painting

These operations may be performed by airline employees, airport employees, or contracted firms. Contractors may operate as a fixed-base operator in which they are permitted to operate on airport grounds, or they may be based elsewhere and visit the airport on an as-needed basis.

Due to the size and nature of aircraft, most maintenance and repair is conducted on airport grounds or property located adjacent to an airport. However, some aircraft parts may be removed from the aircraft and taken to an independent facility located away from the airport.

Currently, there are no classifications specifically assigned to aircraft maintenance when performed by contractors. There are several classifications that may apply, and the most commonly used codes are listed below:

- 3826—Aircraft Engine Mfg.
- 3830—Airplane Mfg.
- 7403—Aviation—All Other Employees & Drivers

Codes 3826 and 3830 do not address work associated with these codes that is performed on airport property or if services performed by contractors are included. Code 7403 does not define the types of maintenance or service that are included, nor does it address whether contractors performing services at the airport are included.

PROPOSAL

This item proposes to:

1. Revise the following classifications with the addition of a phraseology note that addresses operations performed by manufacturers, fixed-base operators, or contractors at an airport or off-site facility (Exhibit 4A-Rule):
 - Code 3826—Aircraft Engine Mfg.
 - Code 3830—Airplane Mfg.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 4—FACT SHEET (CONT'D)

2. Eliminate the phraseology for Code 3826—Engine Mfg.—Aircraft because it is redundant with the above-mentioned phraseology Code 3826—Aircraft Engine Mfg. (Exhibit 4A-Rule)
3. Revise the phraseology note of Code 5037—Painting—Metal Structures—Over Two Stories in Height & Drivers to indicate the painting of aircraft of all sizes and types is not assigned to Code 5474 (Exhibit 4B-Rule)
4. Establish a new phraseology Code 5474—Painting Aircraft & Shop Operations, Drivers (Exhibit 4C-Rule)
5. Establish a new phraseology Code 7403—Aviation—Ramp Operations & Drivers to be assigned to work performed on the aircraft at the ramp or on the flight line (Exhibit 4D-Rule)
6. Establish a new phraseology Code 9516—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers to be assigned to the performance of these services on all types of fixed- and rotary-wing aircraft (Exhibit 4E-Rule)

IMPACT

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

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

STATE-SPECIFIC PROPOSALS AND IMPACTS

Alaska Proposal:

NCCI is proposing all exhibits in Alaska except for Exhibits 4A-Rule, 4D-Rule, and 4E-Rule.

NCCI proposes that Alaska adopt the state special phraseology Code 7414—Aviation—Ramp Operations & Drivers because Code 7403 (Exhibit 4A-Rule) is not applicable in Alaska. Refer to Exhibit 7-Rule.

NCCI proposes that Alaska adopt the following state special phraseologies, which will contain references to Code 7414 (Exhibit 7-Rule) instead of Code 7403 (Exhibit 4D-Rule):

- Code 3826—Aircraft Engine Mfg.
- Code 3830—Airplane Mfg.
- Code 9516—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers

Alaska Impact:

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

Oregon Proposal:

NCCI is proposing all exhibits in Oregon except for Exhibit 4B-Rule because Code 5037 is not applicable in Oregon.

Oregon Impact:

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

South Carolina Proposal:

NCCI is proposing all exhibits in South Carolina except for Exhibit 4E-Rule.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 4—FACT SHEET (CONT'D)

NCCI proposes that South Carolina adopt the state special phraseology Code 9519—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers because Code 9516 (Exhibit 4E-Rule) is not applicable in South Carolina. Refer to Exhibit 7-Rule.

South Carolina Impact:

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

Texas Proposal:

NCCI is not proposing the national Exhibits 4A-Rule thru 4E-Rule in Texas. Refer to Exhibit 7-Rule for the state exceptions.

- NCCI proposes that Texas revise the note of the following state special phraseologies for Code 3805 because Code 3826 (Exhibit 4A-Rule) is not applicable in Texas:
 - Aircraft Engine Mfg.
 - Aircraft Propeller Repair Shop—No Aircraft Exposure
 - Engine Mfg.—Aircraft or Automobile
 - Propeller Repair—Aircraft
- NCCI is not proposing Exhibit 4B-Rule because Code 5037 is not applicable in Texas.
- NCCI is not proposing Exhibit 4C-Rule because painting of aircraft is assigned to Code 8391—Aircraft Painting & Drivers in Texas.
- NCCI proposes that Texas adopt the state special phraseology Code 7423—Aviation—Ramp Operations & Drivers because Code 7403 (Exhibit 4D-Rule) is not applicable in Texas.
- NCCI is not proposing Exhibit 4E-Rule because Code 9516 is not applicable in Texas. The installation, service, or repair of aircraft avionics and instrumentation is included in Code 3830—Airplane Mfg.

Texas Impact:

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

Virginia Proposal:

NCCI proposes that Virginia adopt the proposed national treatment for Codes 3826, 3830, 5037, 5474, 7403, and 9516. Refer to Exhibit 7-Rule. Accordingly, the Virginia Special Classifications in NCCI's **Basic Manual** will be reformatted and updated for the following codes:

- 3826—Aircraft Engine Mfg.
- 3830—Airplane Mfg.
- 5037—Painting—Metal Structures—Over Two Stories in Height—& Drivers
- 5474—Painting Aircraft & Shop Operations, Drivers
- 7403—Aviation—Ramp Operations & Drivers
- 9516—Aircraft Avionics and Instrumentation Installation, Service, or Repair—Shop and Outside & Drivers

Virginia Impact:

The premium impact in Virginia is equivalent to the impact determined by the proposed national treatment for Codes 3826, 3830, 5037, 5474, 7403, and 9516. The proposed updates to the Virginia Special Classifications in NCCI's **Basic Manual** descriptions are not expected to have an additional premium impact.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 4A-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 4—AIRCRAFT MAINTENANCE AND REPAIR
PART TWO—CLASSIFICATIONS**

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

3826 AIRCRAFT ENGINE MFG.

Aircraft engine repair work, including rebuilding, when performed by a manufacturer, fixed-base operator, or contractor at an airport or off-site facility, away from airport ramp or flight line areas, is assigned to Code 3826. Refer to Code 7403 for ground support services performed at airports.

3830 AIRPLANE MFG.

Includes airplane modification, repair, or maintenance work performed by a manufacturer, fixed-base operator, or contractor. These operations may be performed at an airport or off-site facility, away from airport ramp or flight line areas. Refer to Code 7403 for ground support services performed at airports.

~~3826 ENGINE MFG.—AIRCRAFT~~

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 4B-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 4—AIRCRAFT MAINTENANCE AND REPAIR
PART TWO—CLASSIFICATIONS**

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

- 5037• PAINTING—METAL STRUCTURES—OVER TWO STORIES IN HEIGHT & DRIVERS**
Includes shop operations. The painting of aircraft of all sizes and types, metal storage tanks, fire escapes, staircases, balconies, shutters, window frames, or sashes is to be separately rated as to Code 5474.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 4C-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 4—AIRCRAFT MAINTENANCE AND REPAIR
PART TWO—CLASSIFICATIONS**

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

5474• PAINTING AIRCRAFT & SHOP OPERATIONS, DRIVERS

Includes the painting of all sizes and types of fixed- and rotary-wing aircraft by contractor or fixed-base operator.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 4D-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 4—AIRCRAFT MAINTENANCE AND REPAIR
PART TWO—CLASSIFICATIONS**

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

7403 AVIATION—RAMP OPERATIONS & DRIVERS

Applies to operations located at airports. Includes all types of fixed- and rotary-wing aircraft. Ramp operations are defined as work performed on the aircraft at the ramp or on the flight line. Operations include, but are not limited to, normal aircraft turnaround operations, luggage service operations, interior and exterior cleaning of aircraft, fluid checking and filling, tire changing, deicing, lightbulb replacement, stocking of supplies (including food) in the aircraft, and ramp fueling and de-fueling of the aircraft. Independent service contractors and fixed-base operators performing these services are assigned to Code 7403.

Painting of aircraft is separately rated to Code 5474. Members of flying crews are separately rated to the appropriate aviation classification.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 4E-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 4—AIRCRAFT MAINTENANCE AND REPAIR
PART TWO—CLASSIFICATIONS**

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

**9516 AIRCRAFT AVIONICS AND INSTRUMENTATION INSTALLATION, SERVICE, OR
REPAIR—SHOP AND OUTSIDE & DRIVERS**

Includes the installation, service, or repair of aircraft avionics and instrumentation on all types of fixed- and rotary-wing aircraft. These operations may be performed at a plant or shop facility away from an airport, or may be performed within a hangar or similar structure at an airport. Independent service contractors and fixed-base operators performing these services are assigned to Code 9516.

Refer to Code 7403 for ground support services performed at airports.

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 5-RULE
BASIC MANUAL—2001 EDITION
APPENDIX E
CLASSIFICATIONS BY HAZARD GROUP

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

Class Code	Applies In: [±]	Discontinued In: [±]	Hazard Group A–G
0169	OR 3/1/09: NV	12/1/16: UT 1/1/17: NM <u>1/1/22: OR</u>	C
2286	National, IN 10/1/07: WV 6/1/14: TX	<u>10/1/20: KY</u> <u>11/1/20: DC, WV</u> <u>1/1/21: AK, AZ, CO, CT, FL, HI, IA, ID, IL, IN, KS, MD, MO, NH, NM, OK, OR, UT</u> <u>2/1/21: NE</u> <u>3/1/21: AL, GA, MS, NV, TN</u> <u>4/1/21: ME, SC, VA, VT</u> <u>5/1/21: LA</u> <u>7/1/21: AR, MT, SD, TX</u> <u>8/1/21: RI</u>	B
2670	National, IN 10/1/07: WV 6/1/14: TX	<u>10/1/20: KY</u> <u>11/1/20: DC, WV</u> <u>1/1/21: AK, AZ, CO, CT, FL, HI, IA, ID, IL, IN, KS, MD, MO, NH, NM, OK, OR, UT</u> <u>2/1/21: NE</u> <u>3/1/21: AL, GA, MS, NV, TN</u> <u>4/1/21: ME, SC, VA, VT</u> <u>5/1/21: LA</u> <u>7/1/21: AR, MT, SD, TX</u> <u>8/1/21: RI</u>	A

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 5-RULE (CONT'D)

Class Code	Applies In: [±]	Discontinued In: [±]	Hazard Group A–G
4360	AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT 40/4/07: WV 6/1/14: TX	<u>1/1/10: FL</u> <u>10/1/19: KY</u> <u>11/1/19: DC, WV</u> <u>1/1/20: AK, AZ, CO, CT, HI, IA, ID, IL, IN, KS, MD, MO, NH, OK, OR, UT</u> <u>2/1/20: NE</u> <u>3/1/20: AL, GA, MS, NV, TN</u> <u>4/1/20: ME, SC, VA, VT</u> <u>5/1/20: LA</u> <u>7/1/20: AR, MT, SD</u> <u>8/1/20: RI</u> <u>1/1/21: NM</u> <u>7/1/21: TX</u>	B
4670	National, IN 40/4/07: WV 6/1/14: TX	<u>10/1/19: KY</u> <u>11/1/19: DC, WV</u> <u>1/1/20: AK, AZ, CO, CT, FL, HI, IA, ID, IL, IN, KS, MD, MO, NH, NM, OR, UT</u> <u>2/1/20: NE</u> <u>3/1/20: AL, GA, MS, NV, TN</u> <u>4/1/20: ME, VA, VT</u> <u>5/1/20: LA</u> <u>7/1/20: AR, MT, SD, TX</u> <u>8/1/20: RI</u> <u>1/1/22: OK</u> <u>4/1/22: SC</u>	E
5508	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, ME, MD, MS, MT, NE, NV, NH, NM, OK, OR, RI, SC, SD, TN, VA, VT 40/4/07: WV 6/1/14: TX	<u>10/1/19: KY</u> <u>11/1/19: DC, WV</u> <u>1/1/20: AZ, CO, CT, FL, HI, IA, ID, IL, IN, KS, MD, MO, NH, NM, OK, OR</u> <u>2/1/20: NE</u> <u>3/1/20: AL, GA, MS, NV, TN</u> <u>4/1/20: ME, SC, VA, VT</u> <u>5/1/20: LA</u> <u>7/1/20: AR, MT, SD</u> <u>8/1/20: RI</u>	E
7097	CT	<u>1/1/20: CT</u>	G

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

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 6-RULE

BASIC MANUAL—2001 EDITION

MONTANA MISCELLANEOUS RULES

MONTANA CONSTRUCTION PREMIUM CREDIT PROGRAM¹

Applicable Contracting Classifications

“Contracting Classifications” are those classifications subject to the following code numbers:

5508

¹ The content in this exhibit proposes to remove Code 5508 from the Construction Premium Credit Program Table. The content is not a complete replacement of the existing Construction Premium Credit Program Table content previously approved.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

**EXHIBIT 7-RULE
BASIC MANUAL—2001 EDITION
FACT SHEET 1—NATIONAL CLASSIFICATIONS WITH LOW CREDIBILITY TO BE ELIMINATED
SPECIAL CLASSIFICATIONS
(Applies in: MT)**

4360 DUPLICATION AND REPLICATION SERVICE OF PRERECORDED AUDIO, VIDEO OR DATA

**4360 MOTION PICTURE—DEVELOPMENT OF NEGATIVES, PRINTING, AND ALL SUBSEQUENT
OPERATIONS**

Digital media processing and editing, as well as marketing through film exchanges, are included
in Code 4360, whether performed by a contractor or the production company.

**ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE**

EXHIBIT 8-RULE

TWO-PHASE TRANSITION PROGRAM

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

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

Phase 1 of the transition program will be made effective with each state's approved loss cost/rate filing effective on and after October 1, 2019 unless otherwise noted. For example, Phase 1 will become effective January 1, 2020 for approved loss cost/rate filings that have a January 1, 2020 effective date. If there is no loss cost/rate filing for a state in a given approved implementation year, Phase 1 will take effect on that state's regular loss cost/rate effective date. The regular loss cost/rate effective date is the date of the state's previous years' loss cost/rate effective date. The same rule applies to Phase 2 in the following year.

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

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

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

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

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 8-RULE

EXAMPLE OF TWO-PHASE TRANSITION PROGRAM CALCULATION

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

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

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

The following assumptions are made for this example:

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

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

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

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

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

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

* Refer to “Example of Two-Phase Weight Value Calculation” for more details.

ITEM B-1437—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP, INCLUDING AIRCRAFT MAINTENANCE

EXHIBIT 8-RULE (CONT'D)

EXAMPLE OF TWO-PHASE WEIGHT VALUE CALCULATION

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

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

The following assumptions are made for this example:

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

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

Weight Calculation Table						
Phase 1	Code XXX1		Code XXX2		Code XXX3	
Weight Value	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %	Calculated Loss Cost/Rate Given Weight Value	Loss Cost/Rate Change %
0.50	16.74	-22.1%	11.49	1.5%	12.15	10.0%
0.51	16.65	-22.5%	11.51	1.7%	12.15	10.0%
0.52	16.57	-22.9%	11.53	1.9%	12.16	10.0%
0.53	16.48	-23.3%	11.55	2.0%	12.17	10.1%
0.54	16.40	-23.7%	11.57	2.2%	12.17	10.1%
0.55	16.31	-24.1%	11.59	2.4%	12.18	10.2%
0.56	16.23	-24.5%	11.61	2.6%	12.19	10.3%
0.57	16.14	-24.9%	11.63	2.7%	12.19	10.3%
0.58	16.06	-25.3%	11.65	2.9%	12.20	10.4%
0.59	15.97	-25.7%	11.67	3.1%	12.21	10.5%
0.60	15.89	-26.1%	11.69	3.3%	12.21	10.5%
0.61	15.80	-26.5%	11.71	3.4%	12.22	10.6%
continues						

DRAFT

BEFORE THE CLASSIFICATION REVIEW COMMITTEE

In the matter of the amendment of) NOTICE OF PUBLIC HEARING ON
 ARM 6.6.8301 pertaining to) PROPOSED AMENDMENT
 establishment, deletion, or revision of)
 classifications for various industries)
 for supplementing the NCCI Basic)
 Manual for Workers' Compensation)
 and Employers Liability)

TO: All Concerned Persons

1. On August 13, 2019 at 10:00 a.m., the Classification Review Committee will hold a public hearing in the 2nd Floor Conference Room of Montana Commissioner of Securities and Insurance, at Helena, Montana, to consider the proposed amendment of the above-stated rule.

2. The Classification Review Committee will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact the Classification Review Committee no later than 10:00 a.m. on August 11, 2019, to advise us of the nature of the accommodation that you need. Please contact Ramona Bidon or Lisa Monroe, CSI, 840 Helena Avenue, Helena, Montana, 59601; telephone (406) 444-2726; (406) 444-1942; TDD (406) 444-3246; fax (406) 444-3499; or e-mail rbidon@mt.gov or lmonroe@mt.gov.

3. The rule shown below was recently amended, and no changes will be made to that rule. However, the Basic Manual for Workers' Compensation and Employers Liability (Basic Manual) incorporated by reference in this rule is supplemented by classification codes that are established, deleted, or revised in accordance with (2) of the rule and 33-16-1023 (3), MCA.

6.6.8301 ESTABLISHMENT OF CLASSIFICATION FOR COMPENSATION PLAN NO.2 AND PLAN NO.3 (1) and (2) remain the same.

AUTH: 33-16-1012, MCA
 IMP: 2-4-103, 33-16-1012, MCA

REASON: It is necessary to supplement the NCCI Basic Manual incorporated by reference in ARM 6.6.8301 by establishing, deleting or revising classification codes in the Basic Manual that apply to various industries,

MAR Notice No. [assigned by each agency]

through rulemaking procedures. The Classification Review Committee approved proceeding to rulemaking to supplement the Basic Manual with Item Filing B-1437- Revisions to Basic Manual Classifications and Appendix E– Classifications by Hazard Group, including Aircraft Maintenance, proposed to be effective July 1, 2020.

For additional details, see the classifications to be established, deleted, or revised in the filing at: [\(linked to CSI website\)](#)

4. Concerned persons may submit their data, views, or arguments either orally or in writing at the hearing. Written data, views, or arguments may also be submitted to the CR Committee attention of Michael Craddock, Regulatory Dispute Consultant, NCCI, c/o Regulatory Operations Department, 901 Peninsula Corporate Circle, Boca Raton FL 33487-1362; telephone (561) 893-3820; fax (561) 893-5365; or e-mail Michael_Craddock@NCCI.com and must be received no later than 5:00 p.m. MDT August 9, 2019.

5. Mike Windsor, State Auditor's Office, has been designated to preside over and conduct this hearing.

6. The Classification Review Committee maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this committee. Persons who wish to have their name added to the list shall make a written request that includes the name, e-mail, and mailing address of the person to receive notices and specifies for which program the person wishes to receive notices. Notices will be sent by e-mail unless a mailing preference is noted in the request. Such written request may be mailed or delivered to the contact person in 4 above or may be made by completing a request form at any rules hearing held by the committee.

7. An electronic copy of this proposal notice is available through the Secretary of State's web site at <http://sos.mt.gov/ARM/Register>. The Secretary of State strives to make the electronic copy of the notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered. In addition, although the Secretary of State works to keep its web site accessible at all times, concerned persons should be aware that the web site may be unavailable during some periods, due to system maintenance or technical problems.

8. The bill sponsor contact requirements of [2-4-302](#), MCA do not apply.

9. With regard to the requirements of 2-4-111, MCA, the Classification Review Committee has determined that the amendment of the above-referenced rules will not significantly and directly impact small businesses.

MAR Notice No. [assigned by each agency]

/s/ Mike Windsor

/s/

Mike Windsor

Rule Reviewer

Committee Chair

Certified to the Secretary of State [Month Day, 2019].

MAR Notice No. [assigned by each agency]