



Minnesota Workers' Compensation  
Insurers Association, Inc.  
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Minneapolis, MN 55435-3200

June 20, 2000

**To: ALL ASSOCIATION MEMBERS**

Circular Letter No. 00-1345

**RE: NCCI ITEM B-1364—Basic Manual Rule IV.D.4 – Assignment of Additional Basic Classifications**

The Minnesota Department of Commerce has approved the above filing effective 12:01 a.m., July 1, 2000, applicable to new and renewal business only. The purpose of this filing is to clarify the intent of *Basic Manual* Rule IV.D.4 — Assignment of Additional Basic Classifications.

One of the objectives of the workers' compensation classification system is to group employers with the same or similar operations into classification(s) that reflect each group's operations. National Council periodically reviews *Basic Manual* rules that impact classification procedures to determine if any of them should be considered for elimination, modernization, or clarification. Based upon their review, NCCI proposed a clarifying change to *Basic Manual* Rule IV.D.4 which describes the circumstances under which more than one basic classification code may be assigned to a single employer. In reviewing this item, it should be noted that Minnesota already allows the division of a single employer's operations for premium purposes in accordance with M.S. 79.211.

The attached exhibit illustrates the changes necessary to the *Basic Manual* to implement the above filing. In as much as these changes are intended merely as a clarification and have no real affect on the classification system in Minnesota, Association staff anticipate no significant impact on current premium levels as a result of this filing. Please note that the proposed language on the attached exhibit pages contain underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text.

Please direct any questions you may have concerning this item to one of our underwriters at 952.897.1737, or by emailing our office at [underwriting@mwcia.org](mailto:underwriting@mwcia.org).

Very truly yours,

M. A. Johnson  
Director of Underwriting Services

**A NOTICE TO MEMBERSHIP:**

The Minnesota Department of Commerce requests that MWCIA remind its members that the above filing only applies automatically to insurance companies who have filed a Limited Power of Attorney agreement with our Commerce Department. A properly executed Limited Power of Attorney authorizes MWCIA to make filings on behalf of individual insurance companies. Any insurance company who has not filed a Limited Power of Attorney must independently submit the changes represented in each filing item to the Minnesota Department of Commerce for their approval.

EXHIBIT I

BASIC MANUAL

RULE IV-D.4.: ASSIGNMENT OF ADDITIONAL BASIC CLASSIFICATIONS

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
<del>4. Assignment of Additional Basic Classifications</del>	<b>Rule IV –D.4. Assignment of Additional Basic Classifications</b>
	The word “operation” used within this rule also means <i>activity, enterprise, process, secondary business</i> or <i>undertaking</i> in either the singular or plural form.
a. <del>The following conditions under which more than one basic classification may be assigned to an individual insured:</del>	a. More than basic classification may be assigned to an insured who meets conditions (1), (2) or (3):
(1) <del>The insured’s business is described by a basic classification that requires certain operations or employees to be separately rated.</del>	(1) The insured’s principal business is described by a basic classification that requires certain operations or employees to be separately rated. (Refer to Rule IV-B.6. for the definition of “principal business” and Rule IV-C.3.k. for the definition of “to be separately rated.”)
(2) <del>The insured engages in construction or erection operations, farm operations, repair operations, or operates a mercantile business. (See Rule IV D.8., 9., 10., and 11. for conditions under which additional basic classifications may be assigned for these operations.)</del>	(2) The insured conducts one or more of the following operations: <ul style="list-style-type: none"> <li>• construction or erection</li> <li>• farming</li> <li>• employee leasing</li> <li>• labor contracting</li> <li>• temporary labor services</li> <li>• mercantile business</li> </ul> (Refer to Rule IV-D.8., 9., 10., and 11. For conditions under which additional basic classifications may be assigned for these operations.
(3) <del>The insured operates more than one business in a state.</del>	(3) The insured conducts more than one operation in a state.
b. <del>For purposes of this rule, an insured is operating more than one business in a state if portions of the insured’s total business operations in a state are separate undertaking or enterprises. To qualify as a separate undertaking or enterprise, the portion of the insured’s business to be separately rated must be:</del>	a. For purposes of this rule, an insured is conducting more than one operation in a state if portions of the insured’s operations in that state are not contemplated by the classification applicable to the insured’s principal business. To qualify for a separate classification the insured’s additional operation must:
(1) <del>An operation that is ordinarily not within the scope of the insured’s principal business.</del>	(1) be able to exist as a separate business if the insured’s principal business in the state ceased to exist.
(2) <del>An operation that could still exist as a separate business if the insured’s other operations in a state ceased to exist.</del>	(2) be located in separate building or on a separate floor in the same building or on the same floor physically separated from the principal business by structural partitions.

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PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
	Employees engaged in the principal business must be protected from the operating hazards of the separate additional operation.
<del>(3) An operation that meets all of the following three criteria:</del>	(3) maintain proper payroll records. (Refer to Rule IV-E.2.b. for the description of proper payroll records)
<del>(a) Separate financial records, including but not limited to, general ledger, cash receipts and cash disbursement records and payroll records are maintained for each business.</del>	b. If the separate additional operation is not contemplated by the classification applicable to the insured's principal business and meets all the conditions listed above in (3)a., the insured is considered to be engaged in an additional operation and a separate basic classification may be assigned to each operation so qualified.
<del>(b) Each business is physically separated by structural partitions.</del>	(c) If the additional operation does not meet all conditions listed above in (3)a. and is not contemplated by the classification applicable to the insured's principal business and has a rate :
<del>(c) The assignment of the separate classification is not prohibited by wording of that classification or any other classifications assigned to the policy.</del>	(1) <i>lower</i> than the insured's principal business, assign this operation to the same classification as the insured's principal business.
<del>If conditions (1), (2), and all portions of (3) above are met, the insured is considered to be operating more than one business for classification purposes and a separated basic classification may be assigned to each operation qualified as a separate business.</del>	(2) <i>higher</i> than or equal to the insured's principal business, assign this operation to the classification that describes the additional operation.
<del>c. If all of the above conditions do not exist:</del>	[Examples from the manual will be added here]
<del>(1) All employees shall be assigned to the classification applicable to the principal business if the classification for the principal business carries a rate which is same or higher than that for the classification for the secondary business.</del>	d. Policies with more than one classification may include employees working under several classifications. Payroll assignment for such employees is subject to Rule IV-E.
<del>(2) The secondary business shall be assigned to the classification which describes that business if such classification carries a rate higher than that applicable to the principal business.</del>	
<del>d. Policies with more than one classification may involve employees working in connection with the several classifications. Payroll assignment for such employees is subject to Rule IV E.</del>	