

April 9, 2009

ALL ASSOCIATION MEMBERS

Circular Letter No. 09-1553

RE: NCCI Item B-1408 – Revision to Basic Manual Classifications & Rules

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., January 1, 2010, for new and renewal business.

The purpose of the above filing item is to eliminate, clarify, and/or modernize certain classification code phraseologies, cross-references, and/or classification rules in the *Minnesota Basic Manual* to better reflect current business operations within the following industries:

- ◆ **CHILD DAY CARE**
- ◆ **ENGINEERING & RESEARCH**
- ◆ **MN BASIC MANUAL APPENDIX D**

Minnesota Exhibits I, II, IV, and V illustrate all changes necessary to the *Minnesota Basic Manual* to implement Item B-1408 in Minnesota. As you review these exhibits, please note that strikethroughs indicate deleted text while underlining indicates new or revised text. Additionally, Column 1 represents the current language from the *Minnesota Basic Manual* while Column 2 reflects the newly revised language that has been approved for use in Minnesota as of January 1st of next year. For members who are familiar with NCCI's Item B-1408, please keep in mind that only the portions that are acceptable in Minnesota have been incorporated into our exhibits. As such, members will want to note that NCCI Exhibit 3 for Item B-1408 was not filed in Minnesota and is, therefore, not applicable in this State. A copy of National Council prepared *Fact Sheets* for their Exhibits 1, 2, 4, and 5 are also included to provide membership with additional background information regarding Item B-1408.

Please note that the transition program proposed by NCCI will not apply in Minnesota.

Please direct any questions you may have regarding this filing item to MWCIA's Member & Customer Services' staff at 952.897.1737 (Option 1) or via email at info@mwcia.org.

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.

BASIC MANUAL

PART TWO — CLASSIFICATIONS

Effective **January 1, 2010**

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
Code No.	Classification	Code No.	Classification	
	CHILD DAY CAMP	<u>8869</u>	<u>CHILD DAY CAMP — ALL EMPLOYEES INCLUDING CLERICAL, SALESPERSONS & DRIVERS</u>	AMENDS PHRASEOLOGY TO COMBINE/MERGE CODES 8869 & 9059. CODE 8869 IS THE SURVIVING CLASSIFICATION CODE.
8869	PROFESSIONAL EMPLOYEES AND CLERICAL, SALESPERSONS	NONE	This classification includes centers serving both preschool and school-age children. Code 8869 is not applicable to traditional schools providing before- and after-care programs for school-age children. Orphanages or child care medical providers to be separately rated.	
9059	ALL OTHER EMPLOYEES & DRIVERS. These classifications include day camps serving both preschool and school-age children. Camps or centers providing overnight accommodations, specialty day camps otherwise classified or orphanages or child care medical providers to be separately rated.	NONE	NONE	

BASIC MANUAL

PART TWO — CLASSIFICATIONS

Effective **January 1, 2010**

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
Code No.	Classification	Code No.	Classification	
	CHILD DAY CARE CENTER	<u>8869</u>	<u>CHILD DAY CARE CENTER — ALL EMPLOYEES INCLUDING CLERICAL, SALESPERSONS & DRIVERS</u>	AMENDS PHRASEOLOGY TO COMBINE/MERGE CODES 8869 & 9059. CODE 8869 IS THE SURVIVING CLASSIFICATION CODE.
8869	PROFESSIONAL EMPLOYEES AND CLERICAL, SALESPERSONS	NONE	This classification includes centers serving both preschool and school-age children. Code 8869 is not applicable to traditional schools providing before- and after-care programs for school-age children. Orphanages or child care medical providers to be separately rated.	
9059	ALL OTHER EMPLOYEES & DRIVERS. These classifications include centers serving both preschool and school-age children. Centers providing overnight accommodations, orphanages or child care medical providers to be separately rated.	NONE	NONE	
	DAY NURSERIES	<u>8869</u>	<u>DAY NURSERIES — ALL EMPLOYEES INCLUDING CLERICAL, SALESPERSONS & DRIVERS</u>	AMENDS PHRASEOLOGY TO COMBINE/MERGE CODES 8869 & 9059. CODE 8869 IS THE SURVIVING CLASSIFICATION CODE.
8869	PROFESSIONAL EMPLOYEES AND CLERICAL	NONE	NONE	
9059	ALL OTHER EMPLOYEES	NONE	NONE	
	NURSERY—DAY	<u>8869</u>	<u>NURSERY—DAY — ALL EMPLOYEES INCLUDING CLERICAL, SALESPERSONS & DRIVERS</u>	AMENDS PHRASEOLOGY TO COMBINE/MERGE CODES 8869 & 9059. CODE 8869 IS THE SURVIVING CLASSIFICATION CODE.
8869	PROFESSIONAL EMPLOYEES AND CLERICAL	NONE	NONE	
9059	ALL OTHER EMPLOYEES	NONE	NONE	

BASIC MANUAL

PART TWO — CLASSIFICATIONS

Effective **January 1, 2010**

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
Code No.	Classification	Code No.	Classification	
4511	ANALYTICAL CHEMIST. Includes laboratory and outside employees. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 4511 are conducted as a separate and distinct business.	4511	<u>ANALYTICAL LABORATORIES OR ASSAYING—INCLUDING LABORATORY, OUTSIDE EMPLOYEES, COLLECTORS OF SAMPLES, & DRIVERS</u>	TITLE AMENDED FOR CLARIFICATION INCLUDING THE ADDITION OF PREVIOUS XREF LANGUAGE WITHIN NEW CODE TITLE.
NONE	NONE		<p><u>The collection of samples away from the lab and the testing of samples at any location are included. Operations beyond the collection or testing of samples and preparation of a report must be assigned to Code 8601. Assaying is the qualitative and quantitative analysis of a substance such as an ore or a drug.</u></p> <p><u>Operations must be conducted as a separate and distinct business and not in support of an entity's principal business. If the operation is in support of an entity's principal business, such as pharmaceutical research, the operation must be separately rated with the principal business.</u></p> <p><u>Independent medical testing labs that analyze medical specimens are assigned to Code 4511. Testing labs that are not independent but part of a hospital, medical facility, or physician's office must be classified to the codes applicable to these risks.</u></p>	LANGUAGE ADDED TO CLARIFY TYPES OF BUSINESS OPERATIONS CONTEMPLATED UNDER CODE 4511.

BASIC MANUAL

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Effective **January 1, 2010**

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
Code No.	Classification	Code No.	Classification	
8601	ARCHITECT OR ENGINEER—CONSULTING.	8601	<u>ARCHITECTURAL OR ENGINEERING FIRM—CONSULTING</u>	
	Does not apply when engaged in actual construction. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8601 are conducted as a separate and distinct business.		Does not apply when performing actual construction. <u>Code 8601 is applicable to insureds engaged in the architectural or engineering profession as a separate and distinct business and not in support of an entity's principal business. Architectural and engineering personnel in support of an entity's principal business, including but not limited to, vehicle manufacturers, chemical manufacturers, or power and light companies, must be separately rated to the governing classification of that business. Drafting performed by architects and engineers, licensed or unlicensed, is considered incidental to the overall job function when performed in conjunction with other duties outside the office.</u>	ADDITIONAL LANGUAGE ADDED TO CLARIFY TYPES OF BUSINESS OPERATIONS CONTEMPLATED UNDER CODE 8601.
8601	ENGINEER OR ARCHITECT—CONSULTING.	8601	<u>ENGINEERING OR ARCHITECTURAL FIRM—CONSULTING</u>	
	Does not apply when engaged in actual construction. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8601 are conducted as a separate and distinct business.		Does not apply when performing actual construction. <u>Code 8601 is applicable to insureds engaged in the architectural or engineering profession as a separate and distinct business and not in support of an entity's principal business. Architectural and engineering personnel in support of an entity's principal business, including but not limited to, vehicle manufacturers, chemical manufacturers, or power and light</u>	ADDITIONAL LANGUAGE ADDED TO CLARIFY TYPES OF BUSINESS OPERATIONS CONTEMPLATED UNDER CODE 8601.

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PART TWO — CLASSIFICATIONS

Effective **January 1, 2010**

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
Code No.	Classification	Code No.	Classification	
			<u>companies, must be separately rated to the governing classification of that business. Drafting performed by architects and engineers, licensed or unlicensed, is considered incidental to the overall job function when performed in conjunction with other duties outside the office.</u>	
4511	ASSAYING. Includes laboratory and outside employees. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 4511 are conducted as a separate and distinct business.	NONE	NONE	DELETES XREF BUT KEEPS CLASS CODE. 'ASSAYING' ADDED TO MAIN CLASSIFICATION DESCRIPTION FOR CODE 4511 UNDER ANALYTICAL LABORATORIES.
8833	HOSPITAL	8833	HOSPITAL	
	PROFESSIONAL EMPLOYEES		PROFESSIONAL EMPLOYEES	
	NONE		<u>Independent medical testing labs that analyze medical specimens are assigned to Code 4511. Testing labs that are not independent but part of a hospital must be also classified to Code 8833.</u>	PARAGRAPH ADDED TO CLARIFY DIFFERENCE BETWEEN CODE 8833 LAB WORKERS AND CODE 4511.
9040	ALL OTHER EMPLOYEES	9040	SAME	
8832	PHYSICIAN & CLERICAL	8832	PHYSICIAN & CLERICAL	
	Employees engaged in any type of service in or about premises, other than premises used for professional purposes, are to be separately rated. Does not apply where inpatient overnight care is provided. See Classification Interpretations Section.		Employees engaged in any type of service in or about premises, other than premises used for professional purposes, are to be separately rated. Does not apply where inpatient overnight care is provided. See Classification Interpretations Section.	PARAGRAPH ADDED TO CLARIFY DIFFERENCE BETWEEN CODE 8832 LAB WORKERS AND CODE 4511.

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Effective **January 1, 2010**

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
Code No.	Classification	Code No.	Classification	
			Independent medical testing labs that analyze medical specimens are assigned to Code 4511. Testing labs that are not independent but part of a medical facility or physician's office must be also classified to Code 8832.	
8601	SURVEYOR. Applies to land surveying. Not applicable when engaged in actual construction. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8601 are conducted as a separate and distinct business.	NONE	NONE	

MINNESOTA BASIC MANUAL

USER'S GUIDE

Effective **January 1, 2010**

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
G. EXAMPLES		G. EXAMPLES		
MINNESOTA BASIC MANUAL RULES— EXAMPLES		MINNESOTA BASIC MANUAL RULES—EXAMPLES		
Rule 1-D-6		Rule 1-D-6		
Classifications Limited to Separate Businesses		SAME		
Example of assignment of a classification limited by a note:		SAME		
Code		Code		
4511	<p>Analytical Chemist. Includes laboratory and outside employees.</p> <p>Cannot be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 4511 are conducted as a separate and distinct business.</p>	4511	<p><u>Analytical Laboratories or Assaying—Including Laboratory, Outside Employees, Collectors of Samples, & Drivers.</u></p> <p><u>The collection of samples away from the lab and the testing of samples at any location are included. Operations beyond the collection or testing of samples and preparation of a report must be assigned to Code 8601. Assaying is the qualitative and quantitative analysis of a substance such as an ore or a drug.</u></p> <p><u>Operations must be conducted as a separate and distinct business and not in support of an entity's principal business. If the operation is in support of an entity's principal business, such as pharmaceutical research, the operation must be separately rated with the principal business.</u></p> <p><u>Independent medical testing labs that analyze medical specimens are assigned to Code 4511. Testing labs that are not independent but part of a hospital, medical facility, or physician's office must be classified to the codes applicable to these risks.</u></p>	<p>AMENDING CLASSIFICATION DESCRIPTION TO CORRESPOND WITH CLASSIFICATION SECTION CHANGES AS WELL AS INCLUDING THE ADDITION OF 'DRIVERS' TO EXISTING MN X CODE DESCRIPTION.</p>

Minnesota Basic Manual—2006 Edition

2nd Reprint

APPENDIX

AD2

Effective **January 1, 2010**

Table of Classifications by Hazard Group – 7 Group Option (Cont'd)

Class Code	Hazard Group A-G
9059	D

Minnesota Basic Manual—2006 Edition

2nd Reprint

APPENDIX

AD4

Effective **January 1, 2010**

Table of Classifications by Hazard Group – 4 Group Option (Cont'd)

Class Code	Hazard Group 1-4
9059	2

FILING MEMORANDUM

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

PURPOSE

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

Title	Fact Sheet	Exhibit
Child Day Care	1	1
Two-Year Transition Program, Rules, and Examples		1
Two-Year Transition Program, Rules, and Examples (Applies in: VA)		
Engineering and Research	2	2
Two-Year Transition Program, Rules, and Examples (Applies in: OK)		2
Inventory Counters	3	3
Basic Manual Appendix E—Table of Classifications by Hazard Group		4
State Special Exhibits		5

BACKGROUND

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

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

Another objective of the classification project is to simplify the classification section of NCCI's *Basic Manual* by discontinuing redundant phraseologies or streamlining current phraseologies with **format only** changes. For example, in this filing, section headings are removed and added to the underlying code-specific phraseologies such as Air Conditioning Systems in Exhibit 2.

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

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FILING MEMORANDUM

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

PROPOSAL

It is proposed that the classifications indicated in the attached exhibits be modernized, consolidated, created, discontinued, or clarified as shown.

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

IMPACT

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

IMPLEMENTATION

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

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 2010 filing cycle. For example, this item will be effective January 1, 2010 for approved rate/loss cost filings that have a January 1, 2010 effective date. Similarly, this item will be effective July 1, 2010 for approved rate/loss cost filings that have a July 1, 2010 effective date.

A fact sheet may include a transition program for one or more of the included proposals. In that instance, the fact sheet will include the actual transition program rules and give the details corresponding to the initiation and final implementation date associated with the transition program.

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

State	Anticipated* Effective Date
Alabama	March 1, 2010
Alaska	January 1, 2010
Arizona	October 1, 2010
Arkansas	July 1, 2010
Colorado	January 1, 2010

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FILING MEMORANDUM

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

State	Anticipated* Effective Date
Connecticut	January 1, 2010
District of Columbia	November 1, 2010
Florida	January 1, 2010
Georgia	May 1, 2010
Hawaii	Effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2010
Illinois	January 1, 2010
Indiana	January 1, 2010
Iowa	January 1, 2010
Kansas	January 1, 2010
Kentucky	October 1, 2010
Louisiana	May 1, 2010
Maine	January 1, 2010
Maryland	January 1, 2010
Mississippi	March 1, 2010
Missouri	All rate changes related to this filing are proposed to be effective January 1, 2010 for the voluntary and assigned risk market.
Montana	July 1, 2010
Nebraska	February 1, 2010
Nevada	March 1, 2010
New Hampshire	January 1, 2010
New Mexico	January 1, 2010
North Carolina	April 1, 2010

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FILING MEMORANDUM

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

State	Anticipated* Effective Date
Oklahoma	January 1, 2010
Oregon	January 1, 2010
Rhode Island	February 1, 2010
South Carolina	If there is no rate/loss cost filing for South Carolina in a given year, this item will take effect on South Carolina's "normal" rate effective date. (The "normal" rate effective date is the anniversary date of the state's previous approved rate/loss cost filing).
South Dakota	July 1, 2010
Tennessee	March 1, 2010
Utah	December 1, 2010
Vermont	April 1, 2010
Virginia	April 1, 2010
West Virginia	July 1, 2010

* Subject to change

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ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET

CHILD DAY CARE

PROPOSAL

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

NCCI recommends the following national treatment for classifications:

1. Discontinue Code 9059—Child Day Care Center—All Other Employees and Drivers and cross references phraseologies: Child Day Camp—All Other Employees & Drivers; Day Nurseries—All Other Employees and Nursery—All Other Employees & Drivers.
2. Reassign all experience from Code 9059 to Code 8869—Child Day Care Center—Professional Employees and Clerical, Salespersons and adopt Code 8869 as an all-inclusive treatment for the child care industry.
3. Revise the phraseology and cross-reference phraseology of Code 8869:
 - Child Day Care Center—Professional Employees and Clerical, Salespersons to Child Care Center—All Employees Including Clerical, Salespersons & Drivers;
 - Child Day Camp—Professional Employees and Clerical, Salespersons to Child Day Camp—All Employees Including Clerical, Salespersons & Driver;
 - Day Nurseries—Professional Employees & Clerical to Day Nurseries—All Employees Including Clerical, Salespersons & Drivers.
4. Discontinue the cross-reference phraseologies for Code 8869: Nursery—Day—Professional Employees & Clerical; Nursery—Day—All Other Employees & Drivers.

Alaska Specific:

NCCI recommends that Alaska adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Alaska state-specific exhibits.

Idaho Specific:

NCCI recommends that Idaho adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Idaho state-specific exhibits.

Montana Specific:

NCCI recommends that Montana adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Montana state-specific exhibits.

Oregon Specific:

NCCI recommends that Oregon adopt the newly defined all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064 and all cross reference phraseologies indicated in the Oregon state-specific exhibits.

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET (CONT'D)

BACKGROUND AND BASIS FOR CHANGE

The definitions of “professional” and “all other” employees can be problematic in the child care industry. For example, teachers in child care centers may perform cooking and driving duties periodically. Classifying a religious organization or YMCA-type institution that operates a child care center or day camp can be confusing. Some traditional schools may also have a child care facility, or provide before- and after-school supervision. Clarification may be needed for properly classifying various other situations and organizations such as employer-operated child care centers, Cub Scout organizations, Head Start programs, and specialty camps.

Classification Code 8869—Child Day Care Center—Professional Employees and Clerical, Salespersons is a national code that became effective in July 1996. There is a cross-reference, Child Day Camp, that is considered the same type of enterprise for purposes of the scope. Employees assigned to this classification include, but are not limited to, teachers, salespersons, teachers’ aides, administrators, and clerical employees.

Classification Code 9059—Child Day Care Center—All Other Employees and Drivers is a national code that became effective in July 1996. There is a cross-reference, Child Day Camp, that is considered the same type of enterprise for purposes of the scope. Employees assigned to this classification include, but are not limited to, drivers, cooks, and maintenance personnel.

Codes 8869 and 9059 were created in Item Filing B-1330, effective July 1, 1996. The expectation was that the rates and/or loss costs and rating values for these industries would be more accurately reflected by removing child care from the school classifications Code 8868 and Code 9101. Two classification codes were created as they were split out from Codes 8868 and 9101 accordingly.

Classification Code 9064 is a state special code that became effective in July 1996 in Montana and became effective in January 1997 in Alaska, Idaho, and Oregon. Code 9064 encompasses all employees and their duties related to child care. The applicable phraseologies are:

Phraseology	State
Child Day Camp—All Employees Including Clerical, Salespersons & Drivers	Alaska, Idaho, Oregon
Child Day Care Center and Day Camps & Drivers—Nursery—Day	Montana
Child Day Care Center—All Employees Including Clerical, Salespersons & Drivers	Alaska, Idaho, Oregon
Nursery & Day, All Employees Including Clerical, Salespersons and Drivers	Alaska, Idaho

Code 9064 is an all-inclusive code for the child care industry in these four states.

All classification codes apply to centers serving both preschool and school-age children. Most of these centers provide all-day care for children, along with care for school-age children before and after attendance at traditional schools. Centers providing overnight accommodations, orphanages, or child care medical providers are separately rated. Employer-operated child care services are considered general exclusions.

Most child care workers perform a combination of basic care and teaching duties, depending on the age of the children. The schedule of activities is both daily and long-term in nature. The activities balance individual versus group play, and quiet versus active time. Overnight accommodations for children are not provided. The workers serve snacks and meals and teach good eating habits and personal hygiene. They also feed infants and change diapers. If the facility has a van, the workers may drive it to transport children to and

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET (CONT'D)

from the facility. The interior of the facility is generally kept clean and tidy by the child care workers as well. Building and grounds maintenance are usually contracted out.

IMPACT

This item proposes that Code 9059 be discontinued and operations currently assigned to Code 9059 be reassigned to Code 8869. Code 8869 will become an all-inclusive single classification for the child care industry. A review has been conducted using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program. Based upon the result of that review, a national two-year transition program is being proposed in all states that currently have both Codes 8869 and 9059. Using a transition program will help minimize the impact to both individual risk premium charges and overall statewide premium.

This item also proposes to revise the wording of Code 8869 so that overnight accommodations provided by a child care center are no longer separately rated. It is possible that some payroll from Code 9015 or Code 9063 could be transferred to newly defined Code 8869 because of this change. No modification or adjustment to filed loss costs or rates is proposed for these codes due to this change. The amount of payroll transferred cannot be identified using current industry data sources. The impact to individual risks will depend upon the amount of payroll (if any) that transfers from Code 9015 or Code 9063 into newly defined Code 8869. Each class codes' loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to these classifications.

Alaska Specific:

It is proposed that Alaska adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8868 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Alaska.

Once approved, Code 8869 will be added to the Alaska state specific classification pages of NCCI's **Basic Manual**. Upon completion of the two year national transition program, Code 8869 will be removed from the Alaska specific classification pages as Code 8869 will then be a national code.

Idaho Specific:

It is proposed that Idaho adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8868 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Idaho.

Once approved, Code 8869 will be added to the Idaho state specific classification pages of NCCI's **Basic Manual**. Upon completion of the two year national transition program, Code 8869 will be removed from the Idaho specific classification pages as Code 8869 will then be a national code.

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 1—FACT SHEET (CONT'D)**Montana Specific:**

It is proposed that Montana adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8868 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Montana.

Once approved, Code 8869 will be added to the Montana state specific classification pages of NCCI's *Basic Manual*. Upon completion of the two year national transition program, Code 8869 will be removed from the Montana specific classification pages as Code 8869 will then be a national code.

Oregon Specific:

It is proposed that Oregon adopt the new all-inclusive national Code 8869 for the child care industry and discontinue state special Code 9064. The initial starting loss cost or rate for Code 8869 will be that of state special Code 9064. Thereafter, all historical data reported under Code 9064 will be reassigned to Code 8869, and this data will be combined with any future data reported under Code 8869 when calculating the loss cost or rate and experience rating values. This is expected to result in no change in statewide or individual risk premium in Oregon.

Once approved, Code 8869 will be added to the Oregon state specific classification pages of NCCI's *Basic Manual*. Upon completion of the two year national transition program, Code 8869 will be removed from the Oregon specific classification pages as Code 8869 will then be a national code.

Virginia Specific:

It is proposed that Virginia adopt the new all-inclusive national Code 8869 for the child care industry and discontinue national Code 9059. A review has been conducted using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program. Based upon the result of that review, a two-year transition program is being proposed in Virginia. Using a transition program will help minimize the impact to both individual risk premium charges and overall statewide premium.

IMPLEMENTATION

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 2010 filing cycle. For example, this item will be effective January 1, 2010 for approved rate/loss cost filings that have a January 1, 2010 effective date. Similarly, this item will be effective July 1, 2010 for approved rate/loss cost filings that have a July 1, 2010 effective date.

This fact sheet includes a two-year transition program. The following pages include the actual transition program rules along with an example of the transition program calculations. The rules give additional detail to the initiation and final implementation dates associated with this transition program.

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

**EXHIBIT 2—FACT SHEET
ENGINEERING AND RESEARCH****PROPOSAL**

The focus of the proposed changes for this industry is to add salespersons to the architect and engineer code and create a new code for surveyors, timber cruisers, geologists, and scouts, which is being separated from architects and engineers.

NCCI recommends the following national treatment for classifications:

1. Create a new classification Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers.
2. Revise the phraseology of Code 4511—Analytical Chemist to Analytical Laboratories or Assaying—Including Laboratory, Outside Employees, Collectors of Samples, & Drivers and make the distinction between independent medical testing labs, and those labs that are part of a hospital, medical facility, or physician's office.
3. Discontinue the cross-reference phraseology of Code 4511—Assaying and incorporate assaying into the phraseology of Code 4511.
4. Revise the phraseology of Code 8832—Physician & Clerical to make the distinction between independent medical testing labs, and those labs that are part of a hospital, medical facility, or physician's office.
5. Revise the phraseology of Code 8833—Hospital—Professional Employees to make the distinction between independent medical testing labs, and those labs that are part of a hospital, medical facility, or physician's office.
6. Revise the phraseology and cross-reference phraseology of Code 8601:
 - Revise Architect or Engineer—Consulting to Code 8601—Architect or Engineer—Including Salespersons & Drivers;
 - Discontinue the cross-reference phraseology Engineer or Architect—Consulting;
 - Discontinue the cross-reference phraseology Oil or Gas—Geologist or Scout, and Surveyor, and incorporate it into the phraseology of a new classification Code 8602;
 - Discontinue the cross-references phraseology Air Conditioning Systems Non-Portable: Airflow Testing and Balancing Exclusively. This incidental operations is being done by several different specialist contractors (HVAC, electrical, and mechanical) and will now be included in the construction trades governing classification performing the work.
7. Create a new classification Code 8603—Architectural or Engineering Firm—Clerical Staff and cross-reference phraseology Drafting Company—Clerical Staff.
8. Discontinue cross-reference phraseology for Code 8810—Drafting Employees.
9. Revise Basic Manual Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

Colorado Specific:

NCCI recommends that Colorado adopt the new national Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers and discontinue the state special phraseology for Code 8601—Surveyor.

The national recommendations with regard to phraseology changes for Code 4511, Code 8601, Code 8832, and Code 8833 are proposed for use in Colorado.

Florida Specific:

NCCI recommends that Florida revise state special Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET (CONT'D)

Oklahoma Specific:

NCCI recommends that Oklahoma adopt the new national Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers and discontinue state special Code 8605—Oil or Gas Geologists or Scout & Drivers. A two-year transition program is recommended to first combine Code 8605 into Code 8601. After the transition program is completed, Code 8605 will be discontinued and the newly defined national Code 8601 and new Code 8602 will be established.

The national recommendations with regard to phraseology changes for 4511, Code 8601, Code 8832, and Code 8833 are proposed for use in Oklahoma.

Montana Specific:

NCCI recommends that Montana revise state special Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

Oregon Specific:

NCCI recommends that Oregon discontinue state special phraseology for Code 7380—Archaeological Contractors Excavation & Drivers and Code 8601—Archaeological Contractors Survey or Evaluation Work Only and adopt the new national treatment of Code 8602—Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts, & Drivers. Code 8602 contemplates the survey work and driving exposure of the two Oregon state special codes being discontinued. NCCI also recommends that Oregon revise state special Rule 1 B 2—Standard Exception Classifications to remove drafting as a standard exception.

The national recommendations with regard to phraseology changes for 4511, Code 8601, Code 8832, and Code 8833 are proposed for use in Oregon.

Virginia Specific:

NCCI recommends that Virginia update the Scope descriptions for Code 4828 and Code 4829 to reflect the update to the phraseology of Code 4511.

BACKGROUND AND BASIS FOR CHANGE

Code 4511 includes research, development, or testing laboratories in the areas of medicine, pharmacology, toxicology, microbiology, geophysical research, metallurgy, and other scientific fields. It includes soil testing laboratories and building material (concrete, asphalt) testing laboratories as well as assaying—the qualitative and quantitative analysis of a substance such as an ore or a drug to determine its components. Consulting engineers and others with similar titles that perform similar analyses for clients are also included in Code 4511.

Code 8601 includes airflow testing for air-conditioning systems exclusively, oil or gas geologists or scouts, land surveyors, and energy efficiency auditing firms. It also includes engineers and architects who work on mechanical, civil, electrical, chemical, mining, metallurgical, marine, and industrial projects. These operations must be conducted as a separate and distinct business.

Several issues were raised concerning the interaction between Code 4511 and Code 8601 and the possibility of misclassifying consulting engineers. Engineers are known by different names, and the phraseology does not clearly indicate when to apply Code 4511 or Code 8601.

The collection of samples by a technician raises another issue. If the samples are just picked up by a driver, does Code 7380—Drivers, Chauffeurs & Their Helpers NOC apply? Should the phraseology of Code 4511—Analytical Chemist be expanded to include outside operations such as collecting samples and conducting their analysis at the collection site or in the lab?

Also, there appears to be overlap and confusion between Code 8601 and the Standard Exception Codes: Code 8810—Clerical Employees, Code 8742—Salespersons Outside, and Code 7380. If the draftsperson

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET (CONT'D)

makes a presentation to a zoning board, is it considered outside sales or Code 8601? If the draftsman visits a job site to view the project site, does the employee retain Code 8810 or Code 8601?

The proposed recommendations will clarify the distinction between and the intent of Codes 4511 and 8601:

- It is not the title of the consulting engineer, but the duties that will determine if Code 4511 or 8601 is applicable
- The collection and testing of samples in the field or the laboratory is clarified
- The inclusion of standard exceptions in Code 8601 and proposed Code 8603 will clarify employees' duties away from the office

IMPACT

This Item proposes to change the phraseology of Code 8601 to include Salespersons & Drivers. No modification or adjustment to the filed loss cost or rate and experience rating values is proposed for Code 8601. The class codes' loss costs or rates will eventually reflect the new phraseology and underlying experience of the entire payroll and loss experience assigned to this newly defined classification. It is estimated that the amount of payroll transferred and/or the differences in loss costs or rates are not large enough to result in a significant change in overall statewide premium.

The impact to individual risks premium will vary depending on the amount of payroll exposure that gets redistributed from Code 8742—Salespersons Or Collectors-Outside and Code 7380—Drivers, Chauffeurs, Messengers And Their Helpers NOC, into newly defined Code 8601.

This Item also proposes to create a new Code 8602 for Surveyors, Timber Cruisers, Oil or Gas Geologist or Scouts & Drivers. The loss cost or rate and experience rating values for this new classification will be obtained from Code 8601 until Code 8602 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8601. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

This Item also proposed to create a new Code 8603 for Architectural or Engineering Firm—Clerical Staff and cross-reference phraseology Drafting Company—Clerical Staff. The loss cost or rate and experience rating values for this new classification will be obtained from Code 8810 until Code 8603 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8810. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

The other phraseology changes mentioned in the proposal section, which primarily include the consolidation of multiple cross reference wording into the actual Code phraseology, are for clarification only and are not expected to result in a change in statewide or individual risk premium.

Colorado Specific:

It is proposed that Colorado adopt the newly proposed national treatment. This would require the removal of the state-special reference phraseology under Code 8601—Surveyor. This specific exposure in the future will be assigned to new national Code 8602. Like the national treatment, new Code 8602 will take on the loss cost or rate and experience rating values from Code 8601 until Code 8602 can use its own experience. It is expected that most exposure generated for this new code will come from Code 8601. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

Oklahoma Specific:

It is proposed that Oklahoma adopt the national treatment for this industry. This would require the elimination of Oklahoma state-special Code 8605—Oil Or Gas Geologists Or Scout & Drivers. A two-year transition program is proposed to first combine Code 8605 into Code 8601. After the transition program is completed, Code 8605 will be eliminated and the newly defined national Code 8601 and new Code 8602 would be established. At that time the new national Code 8602 loss cost or rate and experience rating values will be

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 2—FACT SHEET (CONT'D)

that of Code 8601 (with the historical data from Code 8605 rolled in) until Code 8602 can be rated using its own experience.

Oregon Specific:

It is proposed that Oregon adopt the national treatment. This would require the removal of the state-special reference phraseology for Code 7380—Archaeological Contractors Excavation & Drivers, Code 8601—Archaeological Contractors Survey or Evaluation Work Only, and Code 8601—Reforestation Surveying. This specific exposure in the future will be assigned to new national Code 8602. Like the national treatment, this new code will take on the loss cost or rate and experience rating values from Code 8601 until Code 8602 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8601. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

Virginia Specific:

NCCI recommends that Virginia update the Scope descriptions for Code 4828 and Code 4829 to reflect the update to the phraseology of Code 4511. This change is not anticipated to result in any reclassification of risk payroll or result in a change in loss cost, rate, or premium.

IMPLEMENTATION

This item is applicable to new and renewal voluntary and assigned risk policies, and will become effective concurrently with each state's approved rate/loss cost filing for the 2010 filing cycle. For example, this item will be effective January 1, 2010 for approved rate/loss cost filings that have a January 1, 2010 effective date. Similarly, this item will be effective July 1, 2010 for approved rate/loss cost filings that have a July 1, 2010 effective date.

This fact sheet includes a two-year transition program for the Oklahoma state-special proposal. The following pages include the actual transition program rules along with an example of the transition program calculations. The rules give additional detail to the initiation and final implementation dates associated with this transition program.

ITEM B-1408—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND RULES

EXHIBIT 4

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	Hazard Group 1–4**
9059	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA	D	2
8602	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV		D	2
8603	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV		C	2
8725	AL, AZ, AR, CO, CT, DC, FL, GA, HI, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, NE, NV, NH, NM, NC, OK, RI, SC, SD, TN, UT, VT, VA, WV		E	3
8605	OK	OK	E	3
9064	AK, ID, MT, OR	AK, ID, MT, OR	B	1

* The term "National" means that the classification code applies in all jurisdictions that follow the NCCI classification system.

** Carriers that elect to use NCCI's four hazard groups must make a filing in each state to adopt the four hazard groups referenced in this item.