

No. **2016-4752**

**Official Order
of the
Texas Commissioner of Insurance**

Date: October 27, 2016

Subject Considered:

**Amendments to the
National Council on Compensation Insurance Manual
NCCI Filing *Item B-1431***

The commissioner of insurance considered amendments to the National Council on Compensation Insurance *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*, proposed in *Item B-1431—Revisions to Basic Manual Classifications and Appendix E—Classifications by Hazard Group* (TDI ECase No. 10479; SERFF Tracking No. NCCI-130283119; October 28, 2015).

After considering the filing, the commissioner adopts the following findings of fact and conclusions of law.

Findings of Fact

1. NCCI filed *Item B-1431* on October 28, 2015, using the procedure adopted in Commissioner's Order No. 3142 for revisions to NCCI's workers compensation manuals.
2. *Item B-1431* is a national filing that revises, establishes, and eliminates certain national and state special classifications. In Texas, the filing eliminates some state special classifications with low credibility and reassigns the exposures to other national or Texas classifications. To accomplish this, the filing establishes some national classifications for use in Texas and revises some Texas classifications.
3. NCCI applies credibility when calculating loss costs by classification. Credibility reflects the degree of reliance assigned to a given body of data. Even when supplemented with national experience data, NCCI cannot develop meaningful data for ratemaking purposes for a classification with low credibility. A classification with limited premium has low credibility, and the loss cost for the classification can be volatile. Classifications with high credibility are more stable for ratemaking purposes.
4. *Item B-1431* eliminates the classifications listed in the following table, which have low credibility statewide, and reassigns any associated exposures to classifications with similar operations.

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Reassigning the classifications to existing, analogous classifications will give NCCI more credible data to calculate loss costs.

Current		New	
2560	Parachute Mfg. and Servicing; Umbrella Mfg.	2501	Cloth, Canvas, and Related Products Mfg. NOC; Umbrella Mfg.
2705	Logging or Lumbering—Pulpwood Only & Drivers	2702	Logging or Lumbering & Drivers
		2719	Logging or Lumbering—Mechanized Felling Machines (Includes the Use of Chain Saws for Delimiting & Bucking) & Drivers
4716	Grease Processing Plant—For Restaurant Grease Exclusively; Lard Refining	4683	Grease Processing Plant—For Restaurant Grease Exclusively; Lard Refining
8295	Cotton Compressing & Drivers; Cotton Merchant & Drivers; Cotton Storage & Drivers	8103	Cotton Compressing; Cotton Merchant; Cotton Storage
		7380	Drivers, Chauffeurs, and their Helpers NOC—Commercial
2576	Awning or Tent Mfg.—Fabric—Shop; Tent or Awning Mfg.—Shop; Sail Making; Canvas Goods Mfg. NOC — Shop	2501	Awning or Tent Mfg.—Shop; Sail Making; Cloth, Canvas, and Related Products Mfg. NOC

5. For the latest policy period evaluated (2013), there were no policies with Texas payroll reported in code 2705, and there was a negligible amount of Texas payroll reported in code 2560. There was some Texas payroll in codes 4716, 8295, and 2576, but there were only 87 associated Texas policies.
6. Insurance Code §2053.051 requires TDI to determine hazards by classification and establish classification relativities. Insurance Code §2053.053 requires that insurers use the classifications TDI establishes. Staff will need to revise the classification relativities to correspond with the changes in *Item B-1431*. Staff anticipates some impact on premiums as a result of the changes.
7. The TDI chief clerk has had copies of the full text of the filing and related exhibits since the filing date. The filing and exhibits are incorporated by reference into this order.
8. The changes in *Item B-1431* apply to new and renewal policies with effective dates on or after July 1, 2017.

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9. On June 24, 2016, TDI published notice of the filing on the TDI website at www.tdi.texas.gov/rules/2015/nccimanual.html, and distributed notice of the filing to electronic news subscribers.
10. TDI received no comments on the filing by the July 28, 2016, deadline.

Conclusions of Law

1. The commissioner has jurisdiction over this matter under Insurance Code Article 5.96 and Sections 2051.201, 2053.051, 2053.053, and 36.001.
2. Commissioner's Order No. 3142, dated March 21, 2014, established a procedure for the commissioner to consider changes to NCCI's manuals:
 - a) NCCI makes a filing,
 - b) TDI publishes notice of the filing on the TDI website and distributes notice of the filing to subscribers to TDI's electronic news, with at least a 30-day period for interested persons to submit comments or request a hearing, and
 - c) the commissioner issues an order approving the filing, approving the filing with changes, or rejecting the filing.
3. TDI gave proper and timely notice in compliance with Commissioner's Order No. 3142.
4. The amendments to the NCCI *Basic Manual* are reasonable and consistent with Texas workers compensation statutes and rules.
5. Applying the changes in *Item B-1431* to new and renewal policies with effective dates on or after July 1, 2017, is reasonable.

The commissioner approves NCCI's filing, *Item B-1431—Revisions to Basic Manual Classifications and Appendix E—Classifications by Hazard Group*, for new and renewal policies with effective dates on or after July 1, 2017.



David C. Mattax
Commissioner of Insurance