

TEXAS DEPARTMENT OF INSURANCE
NOTIFICATION OF WORKERS COMPENSATION FILINGS BY
THE NATIONAL COUNCIL ON COMPENSATION INSURANCE
ITEM B-1431 AND ITEM 01-TX-2016

The National Council on Compensation Insurance (NCCI) filed the following items with the Texas Department of Insurance under the workers compensation manual rule filing procedure adopted in Commissioner's Order No. 3142, dated March 21, 2014:

- *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), and
- *Item 01-TX-2016—Elimination of A-Rating Process for Classification and Statistical Codes in NCCI's Manuals* (TDI ECase No. 10765; SERFF Tracking No. NCCI-130468058; February 29, 2016).

The filings propose that the changes in *Item B-1431* and *Item 01-TX-2016* apply to new and renewal policies with effective dates on or after July 1, 2017.

Item B-1431

Item B-1431 is a national filing that revises, establishes, and eliminates certain national and state special classifications. In Texas, the filing proposes to eliminate some state special classifications with low credibility and reassign 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.

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.

Item B-1431 affects the NCCI *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*. NCCI proposes to eliminate the following classifications, which have low credibility statewide, and reassign any associated exposures to classifications with similar operations. Reassigning the classifications to existing, analogous classifications will give NCCI more credible data to calculate loss costs.

Current		Proposed	
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

There were no policies with Texas payroll reported in codes 2560 and 2705 for the latest policy period evaluated (2012). There was some Texas payroll in codes 4716, 8295, and 2576, but there were only 81 associated Texas policies.

Item 01-TX-2016

An A-rated classification code is a code for which a carrier evaluates an individual employer (policyholder) to produce rates for that employer, instead of calculating rates based on NCCI's loss costs or TDI's classification relativities. In an A-rated classification code, the rates for the classification code are specific to each employer. A-rates are useful where there is insufficient data to produce advisory loss costs for a classification. However, for some A-rated classification and statistical codes, NCCI has determined that there is now sufficient data reported to allow NCCI to produce advisory loss costs.

Item 01-TX-2016 eliminates the A-rating process for certain national and state special classification and statistical codes in Texas. *Item 01-TX-2016* also eliminates the A-rated Texas special classifications for chemical manufacturing operations and domestic workers in NCCI's *Basic Manual*.

Beginning with the 2017 advisory loss cost filing, NCCI will produce advisory loss costs for the following classification and statistical codes. Because advisory loss costs will be available to calculate rates, *Item 01-TX-2016* eliminates the A-rating process for these codes.

- Classification Codes:
 - 0913—Domestic Workers—Residences—Per Capita Basis
 - 1165—Coal Mining & Drivers
 - 4766—Dynamite Mfg. & Drivers
 - 4777—Blasting Agents—Preparation or Distribution & Drivers
 - 6205—Sulphur Producing—All Employees & Drivers
- Statistical Codes:
 - 0059—Disease Experience—Abrasive/Sandblasting
 - 0065—Disease Experience of Incidental Foundries—Steel
 - 0066—Disease Experience of Incidental Foundries—Nonferrous Metals
 - 0067—Disease Experience of Incidental Foundries—Iron

Item 01-TX-2016 eliminates the following 24 A-rated chemical manufacturing classification codes and reassigns them to two national codes, to be consistent with the way those classifications are handled nationally; and the following seven classification wordings:

- Chemical Manufacturing Classification Codes 4800, 4801, 4802, 4803, 4804, 4805, 4806, 4807, 4808, 4809, 4810, 4811, 4812, 4813, 4814, 4815, 4816, 4817, 4818, 4819, 4820, 4821, 4822, and 4823; and
- All associated classification wordings for Codes 4805, 4807, 4811, 4814, 4815, 4819, and 4823.

Item 01-TX-2016 reassigns the eliminated codes to the following national classification codes, and establishes these codes for use in Texas:

- 4828—Chemical Blending or Mixing NOC—All Operations & Drivers; or
- 4829—Chemical Mfg. NOC—All Operations & Drivers—Includes Blending or Mixing

Item 01-TX-2016 eliminates A-rated classification code 0923—Domestic Workers—Residences—Payroll Basis and the associated classification wording, and reclassifies all domestic workers in Texas to Texas special code 0913 and expands the classification wording for code 0913 to incorporate the definition of domestic workers.

To be consistent with the changes, *Item 01-TX-2016* also:

- revises Texas' exception to Rule 3-A-7-b(1) to remove references to A-rates;
- revises Texas' exception to Rule 3-C to remove references to code 0923; and
- revises national Appendix E to establish or eliminate certain national and state special classifications.

To maintain a uniform classification system, as Insurance Code §2053.053 requires, staff will analyze whether to revise the classification relativities to correspond with the proposed changes in *Item B-1431* and *Item 01-TX-2016*. Staff anticipates some impact on premiums as a result of the proposed changes.

TDI prepared the above description of the proposed changes. You may review copies of NCCI's filings in the Office of the Chief Clerk of the Texas Department of Insurance, 333 Guadalupe Street, Austin, Texas 78701; or on the TDI website at www.tdi.texas.gov/rules/2015/nccimanual.html.

Public Comment: To comment on the filings or to request a hearing, please submit two copies of your comments or hearing requests by 5 p.m., Central time, on July 28, 2016. Refer to TDI ECase No. 10479. Send one copy to ChiefClerk@tdi.texas.gov or to the Office of the Chief Clerk, Mail Code 113-2A, Texas Department of Insurance, P.O. Box 149104, Austin, Texas 78714-9104. Send the other copy to Marilyn Hamilton at Marilyn.Hamilton@tdi.texas.gov, or to the Property and Casualty Lines Office, Mail Code 104-PC, Texas Department of Insurance, P.O. Box 149104, Austin, Texas 78714-9104.

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