

No. 2021-6717

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

Date: 03/09/2021

Subject considered:

**National Council on Compensation Insurance Filing
*Item B-1442—Revisions to Basic Manual Appendix E – Classifications by Hazard
Group***

The subject of this order is the adoption of amendments to the National Council on Compensation Insurance (NCCI) *Basic Manual for Workers Compensation and Employers Liability Insurance* (Basic Manual), as proposed in *Item B-1442—Revisions to Basic Manual Appendix E – Classifications by Hazard Group* (TDI ECase No. 25778; SERFF Tracking No. NCCI-132508545).

Background

The amendments revise the current classification hazard group assignments in the Basic Manual Appendix E – Classifications by Hazard Group. This filing also adds a hazard group for Code 4686.

Classifications that use the same excess loss factors are grouped together to form hazard groups. Excess loss factors reflect the expected percentage of losses above a given loss limit. Classifications with the highest tendency for large losses—the most hazardous—are assigned to hazard group G, and those with the lowest are assigned to hazard group A. Hazard groups are a key part of retrospective rating, loss cost development, and deductible programs.

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

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Findings of Fact

1. NCCI filed *Item B-1442* with TDI on August 28, 2020, under the workers' compensation manual rule filing procedure adopted in Commissioner's Order No. 3142, dated March 21, 2014.
2. *Item B-1442* amends the Basic Manual to revise the current classification hazard groups.
3. NCCI performed a statistical analysis of hazard group assignments, along with an underwriting review, to determine whether each classification is in the appropriate hazard group. As a result of this review, 54% of the hazard group assignments will be unchanged, with most of the ones that do change moving by only one hazard group. The number of hazard groups will remain at seven (A through G).
4. NCCI proposed that the changes in *Item B-1442* apply to new and renewal policies that are effective on or after 12:01 a.m. on July 1, 2021.
5. *Item B-1442* has been available for public inspection in SERFF and at TDI since the filing date.
6. On November 13, 2020, TDI published notice of the filing on the TDI website at www.tdi.texas.gov/rules/2020/nccimannual.html and distributed notice of the filing to electronic news subscribers.
7. TDI received no comments or hearing requests on the filing by the December 14, 2020, deadline.
8. NCCI submitted an amendment to the filing on January 19, 2021, to add a hazard group for Code 4686. Code 4686 is the classification for vegetable oil manufacturers. NCCI inadvertently omitted this hazard group assignment in *Item B-1437—Revisions to Basic Manual Classifications and Appendix E – Classifications by Hazard Group, including Aircraft Maintenance*, as approved in Commissioner's Order No. 2019-6043. Because Code 4686 was a previously approved code and this filing is related to hazard groups, TDI is adding the missing hazard group assignment for Code 4686 in this order.
9. The filing, including exhibits, is incorporated by reference into this order.

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Conclusions of Law

1. TDI has jurisdiction over this matter under Insurance Code Article 5.96 and Insurance Code §§ 2051.002, 2051.201, 2052.002, 2053.002, 2053.011, 2053.051, and 2053.052.
2. TDI gave notice in compliance with Commissioner's Order No. 3142.
3. The amendments to the NCCI Basic Manual are consistent with Insurance Code Article 5.96 and Insurance Code Chapters 2051, 2052, and 2053.
4. Applying the changes in *Item B-1442* to new and renewal policies that are effective on or after 12:01 a.m. on July 1, 2021, is reasonable.

Order

It is ordered that NCCI's filing, *Item B-1442—Revisions to Basic Manual Appendix E – Classifications by Hazard Group*, is approved. The changes in *Item B-1442* apply to new and renewal policies that are effective on or after 12:01 a.m. on July 1, 2021.

Commissioner of Insurance

By:  _____
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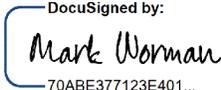
Doug Slape

Chief Deputy Commissioner

Tex. Gov't Code § 601.002

Commissioner's Order No. 2018-5528

Recommended by:

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Mark Worman, Deputy Commissioner

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Reviewed by:

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Richard Gober, Staff Attorney