BULLETIN

August 1, 2013

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R.C. 2340

To: The Members of the Board

Discontinued Classification Codes and Revised Loss Cost Transition Program
Effective Date: October 1, 2013

In accordance with the authorization of the NYCIRB Underwriting Committee, and approval by the New York State Department of Financial Services, we are announcing the discontinuation of certain classification codes following a low credibility review. Accompanying these code discontinuations is a revision to the Loss Cost Transition Program, contained in the New York Workers Compensation and Employers Liability manual. These changes are effective for new and renewal business with effective dates on or after October 1, 2013.

The low credibility review conducted by the Board staff resulted in the selection of fifteen classification codes for discontinuation. Along with these discontinued codes, there is an assigned combination or transition into other related codes. The combinations are defined and noted in the attachment which summarizes the listing of discontinued codes. Please note that transition periods may vary depending on the classification code to be eliminated.

The Loss Cost Transition Program applies to insureds that are subject to discontinued classifications. With the release of this set of discontinued codes, the Rating Board is introducing a modified Loss Cost Transition Program. This version of the program is a departure from the approach previously taken, when rates, as opposed to loss costs, were in effect. Previously the approach utilized a methodology whereby a transition rate was calculated for the risks under the affected code and the code was immediately eliminated. The new approach will utilize a 'sunsetting' methodology instead of discontinuing the code immediately. This method will allow for continued use of the discontinued code during the transition period. The Board will publish transitional loss costs for these codes on the Loss Cost pages of the Manual, until such time when the target date is reached. When the transition period has been completed, the code will be expired and substituted by the code to which it is transitioning.
To support the new approach for a Loss Cost Transition, the Loss Cost Table in the Manual will reflect new footnote(s) which are used to support the concept of ‘sunsetting’ the codes for discontinuation. The footnotes to be used for this set of discontinued codes are as follows:

\[ T \quad \text{To be discontinued effective October 1, 2017} \]

\[ TT \quad \text{To be discontinued effective October 1 2022} \]

This methodology retains the use of the code until the official date of discontinuation, but also promulgates a Loss Cost based upon the Transitional Loss Cost formula. There are inherent benefits with this approach, namely it: 1) removes confusion as to when to officially stop using the discontinued code; 2) provides a Transitional Loss Cost, without the need to apply a formula, during the transition period; and 3) provides clarity that the code remains valid for all risks, whether new or renewal, until the actual discontinuation date.

The following attachments are included with this Bulletin:

- A summary listing of the fifteen codes that will be discontinued under the transition program with the respective transition period duration.
- Revised Manual Page R-67 regarding the Loss Cost Transition Program.

In addition to the pages mentioned above, the changes are also included in an updated version of the New York Workers Compensation & Employers Liability Manual which is available via the Board’s website at: [www.nycirb.org](http://www.nycirb.org).

Very truly yours,

Monte Almer

President

WVT:tg
Encl.
<table>
<thead>
<tr>
<th>Current Code</th>
<th>Current Phraseology</th>
<th>Future Code</th>
<th>Combined Code Phraseology</th>
<th>Transition Period (Yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4491</td>
<td>Linoleum Mfg.</td>
<td>4493</td>
<td>4493 &quot;Fabric Coating or Impregnating NOC&quot;</td>
<td>5</td>
</tr>
<tr>
<td>4767</td>
<td>Explosives or Ammunition Mfg. - Cartridge Charging or Loading-&amp; Drivers</td>
<td>4771</td>
<td>4771 &quot;Explosives or Ammunition Mfg.- Explosives or Ammunition Mfg. NOC-&amp; Drivers&quot;</td>
<td>5</td>
</tr>
<tr>
<td>3300</td>
<td>Bed Spring or Wire Mattress Spring Mfg.</td>
<td>3257</td>
<td>3257 &quot;Wire Goods Mfg.&quot;</td>
<td>5</td>
</tr>
<tr>
<td>3303</td>
<td>Spring Mfg.</td>
<td>3257</td>
<td>3257 &quot;Wire Goods Mfg.&quot;</td>
<td>5</td>
</tr>
<tr>
<td>3255</td>
<td>Wire Cloth Mfg.</td>
<td>3257</td>
<td>3257 &quot;Wire Goods Mfg.&quot;</td>
<td>5</td>
</tr>
<tr>
<td>4561</td>
<td>Varnish Mfg.-Oleo-Resinous</td>
<td>4558</td>
<td>4558 &quot;Paint Mfg.&quot;</td>
<td>5</td>
</tr>
<tr>
<td>4439</td>
<td>Lacquer or Spirit Varnish Mfg.</td>
<td>4558</td>
<td>4558 &quot;Paint Mfg.&quot;</td>
<td>10</td>
</tr>
<tr>
<td>2211</td>
<td>Cotton Batting, Wadding or Waste Mfg.</td>
<td>2302</td>
<td>2302 &quot;Silk Thread or Yarn Mfg.&quot;</td>
<td>5</td>
</tr>
<tr>
<td>2286</td>
<td>Wool Spinning and Weaving</td>
<td>2302</td>
<td>2302 &quot;Silk Thread or Yarn Mfg.&quot;</td>
<td>5</td>
</tr>
<tr>
<td>2303</td>
<td>Silk Throwing and Weaving</td>
<td>2302</td>
<td>2302 &quot;Silk Thread or Yarn Mfg.&quot;</td>
<td>5</td>
</tr>
<tr>
<td>2305</td>
<td>Textile Fiber-Mfg.-Synthetic</td>
<td>2302</td>
<td>2302 &quot;Silk Thread or Yarn Mfg.&quot;</td>
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<tr>
<td>2942</td>
<td>Crayon, Pencil or Penholder Mfg.</td>
<td>4710 2841</td>
<td>4710 &quot;Candle Mfg.&quot; and 2841 &quot;Woodenware Mfg. NOC.&quot;</td>
<td>10</td>
</tr>
<tr>
<td>7570</td>
<td>Steam Heating or Power Co.- All Employees-&amp; Drivers</td>
<td>7539</td>
<td>7539 &quot;Electric Light or Power Co.- All Employees-&amp; Drivers&quot;</td>
<td>5</td>
</tr>
<tr>
<td>2383</td>
<td>Carbon Paper or Typewriter Ribbon Mfg.</td>
<td>4251</td>
<td>4251 &quot;Stationery Mfg.&quot;</td>
<td>5</td>
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<tr>
<td>2735</td>
<td>Furniture Stock Mfg.</td>
<td>2883 2841</td>
<td>2883 &quot;Furniture Mfg. NOC-Wood&quot; and 2841 &quot;Woodenware Mfg. NOC.&quot;</td>
<td>5</td>
</tr>
</tbody>
</table>

Non-Reviewed Code
Eliminations/Combinations
5. Audit
   a. The carrier shall, upon audit, verify the information that was submitted by the insured and used in the calculation of the credit. If the carrier discovers an error in the original request for policy credit, the revised information must be submitted to the Rating Board for recalculation.
   b. If the insured does not furnish records to verify the payrolls and hours worked originally submitted and used in the calculation of the credit, there shall be no credit applied to the policy.

6. Information Page
   The credit, authorized by the Rating Board, shall appear on Item 4 of the Information Page.
   If a credit has not been authorized for the insured, the value of ".00" is to be shown on the Information Page.

7. Form of Endorsement
   The New York Construction Classification Premium Adjustment Program Explanatory Endorsement (WC 31 03 19F) shall be attached to each policy.

8. Notification to Insured
   Carriers are required to use a standardized text letter to notify all their insureds that have one or more construction classifications on their policy that they may be eligible for a premium adjustment credit. A copy of this form must be filed, by each carrier, with the Rating Board prior to the carrier's implementation of the program.

9. Statistical Code

J. LOSS COST TRANSITION PROGRAM
   This program applies to insureds previously written under certain classifications that are scheduled to be discontinued. The carrier will continue to use this code during the transition period. The Board will publish a transitional loss cost on the Loss Cost pages of the Manual for the codes that will be discontinued. The transitional loss costs will be provided over the defined period of time, based upon the target date of the actual discontinuation of the code. When the transition period is complete, the code will no longer be available for use and will be replaced by the code to which it is transitioning to.

   For example, for classifications which are scheduled to be discontinued after five years, the transitional loss cost is calculated as follows: 1) for the first year after the announcement of the elimination of a code, the transition loss cost will be equal to a 4-1 weighting of the loss cost used prior to the announcement and the newly developed loss cost for the code it is being transitioned to; 2) for the second year, a 3-2 weighting is used; 3) in the third year, a 2-3 weighting is used; and 4) for the fourth year a 1-4 weighting is applied. In this case, the transition program does not apply after the fourth year when the code is then considered to be discontinued.