



Minnesota Workers' Compensation
Insurers Association, Inc.
7701 France Avenue South ▪ Suite 450
Minneapolis, MN 55435-3200

April 11, 2011

ALL ASSOCIATION MEMBERS

Circular Letter No. 11-1593

RE: NCCI Item B-1412 – Revisions to Basic Manual Classifications and Rules

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., January 1, 2012, for new and renewal business.

The purpose of the above filing item is to modify certain classifications, classification phraseologies, cross-references, and/or classification rules in the ***Minnesota Basic Manual***.

Here is a list of the industries that will incur Manual changes as a result of Filing Item B-1412:

EXHIBIT I – FILM EXCHANGE

EXHIBIT II – LACQUER OR SPIRIT VARNISH MFG, OLEO-RESINOUS VARNISH MFG, PAINT MFG

EXHIBIT III – SUPERSTORES & WAREHOUSE CLUBS

EXHIBIT IV – MINNESOTA BASIC MANUAL APPENDIX D

BELOW IS A SUMMARY OF ITEMS THAT HAVE BEEN APPROVED AND ARE BEING ADOPTED AS PART OF THIS FILING AND ALSO THE ITEMS THAT HAVE NOT BEEN APPROVED AND ARE NOT PART OF THIS FILING:

EXHIBIT I – FILM EXCHANGE

THE FOLLOWING ITEM HAS BEEN APPROVED AS PART OF THIS FILING:

- Amend the paragraph description under code 7610 to incorporate new language regarding digital media processing.

ITEMS NOT APPROVED AS PART OF THIS FILING:

- Discontinuing Code 4362—Motion Picture—Film Exchange & Projection Rooms, Clerical and cross-reference phraseology Film Exchange & Clerical, as Code 4362 is N/A in MN.
- Revise the note under Code 4360—Motion Picture—Development of Negatives, Printing and All Subsequent Operations, as Code 4360 is N/A in MN.

EXHIBIT II – LACQUER OR SPIRIT VARNISH MFG, OLEO-RESINOUS VARNISH MFG, PAINT MFG

ITEMS NOT APPROVED AS PART OF THIS FILING:

- Discontinuing Code 4561—Varnish Mfg.—Oleo-Resinous and assigning these operations to Code 4439—Lacquer or Spirit Varnish Mfg., as Codes 4561 & 4439 are N/A in MN.
- Amending the phraseology of Code 4439 from Lacquer or Spirit Varnish Mfg. to Lacquer or Varnish Manufacturing, as Code 4439 is N/A in MN.

EXHIBIT III – SUPERSTORES & WAREHOUSE CLUBS

ITEM NOT APPROVED AS PART OF THIS FILING:

- Establishing new national Code 8037—Store—Superstores and Warehouse Clubs.

EXHIBIT IV – MINNESOTA BASIC MANUAL APPENDIX D

ITEM NOT APPROVED AS PART OF THIS FILING:

- No changes to Appendix D.

Exhibit I illustrates all changes necessary to the *Minnesota Basic Manual* to implement the applicable sections of Item B-1412 in Minnesota. Please note that strikethroughs indicate deleted text while underlining indicates new or added text. A copy of National Council's original filing memorandum along with NCCI's *Fact Sheets* for items 1, 2, 3, and 4 are also included to provide additional background information regarding Item B-1412.

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

A NOTICE TO MEMBERSHIP:

MWCIA would like to remind our membership who have filed a Limited Power of Attorney with the Minnesota Department of Commerce that no materials referenced in this Circular Letter are required to be independently filed with the Department.

**EXHIBIT I
BASIC MANUAL**

PART TWO – CLASSIFICATIONS

Effective **January 1, 2012**

| CURRENT PHRASEOLOGY: | | PROPOSED PHRASEOLOGY: | | COMMENTS: |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Class Code | Classification | Class Code | Classification | |
| | MOTION PICTURE | | MOTION PICTURE | |
| 7610 | DEVELOPMENT OF NEGATIVES, PRINTING, AND ALL SUBSEQUENT OPERATIONS. Marketing of the product through film exchanges at locations other than the studio to be separately rated as Code 8017— Motion picture— film exchange. | 7610 | DEVELOPMENT OF NEGATIVES, PRINTING, AND ALL SUBSEQUENT OPERATIONS. <u>Digital media processing and editing, as well as marketing through film exchanges, are included under Code 7610, whether performed by a contractor or the production company.</u> | ADDS DIGITAL MEDIA PROCESSING AND EDITING TO CODE 7610. |



Terri Robinson
State Relations Executive
Regulatory Service Division

October 10, 2008

Mr. Bruce Tollefson, President
Minnesota Workers' Compensation Insurers Association
7701 France Avenue South, Suite 450
Minneapolis, Minnesota 55435

**Re: Item B-1412—Revisions to Basic Manual Classifications and
Appendix E—Classifications by Hazard Group**

Dear Mr. Tollefson:

We are filing the above captioned item in a number of NCCI jurisdictions. The attached filing memorandum describes the proposed changes.

This filing memorandum is proprietary and copyrighted by NCCI. NCCI grants your organization permission to copy, use and modify the filing memorandum as necessary for filing in your jurisdiction on the condition that the materials are reprinted for distribution or sale only to members of your organization and only for use in your state. In addition, the modified pages must bear the following copyright legend:

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NCCI maintains a report for use by our common members that contains the approval status of national and state item filings (*Status of Item Filings Circular*). Please notify Joe Volman by phone (561-893-3046) or e-mail (joe_volman@ncci.com) if your organization files and receives approval of this item. This information will be reflected in the *Status of Item Filings Circular*, which is located on our web site and to which you have been given access.

Sincerely,

A handwritten signature in black ink that reads "Terri Robinson". The signature is written in a cursive, flowing style.

Terri Robinson
State Relations Executive

TR:ah

FILING MEMORANDUM

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

PURPOSE

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

| Title | Fact Sheet | Exhibit |
|------------------------------------------------------------------------------------------------------|------------|---------|
| Film Exchange | 1 | 1 |
| Two-Year Transition Program Rules and Examples | | 1 |
| Three-Year Transition Program Rules and Examples (Applies in: VA) | | 1 |
| Lacquer or Spirit Varnish Manufacturing, Oleoresinous Varnish Manufacturing, and Paint Manufacturing | 2 | 2 |
| Three-Year Transition Program Rules and Examples (Applies in: VA) | | 2 |
| Superstores and Warehouse Clubs | 3 | 3 |
| Basic Manual Appendix E—Table of Classifications by Hazard Group | | 4 |

BACKGROUND

NCCI has an ongoing process dedicated to the systematic research, analysis, and maintenance of NCCI's classification system. This process ensures that the classification system remains healthy, viable, and responsive to the needs of various industry stakeholders. This process ensures that the system reflects the responses that industries and their operations make to technological, competitive, and regulatory changes.

Classifications and industry-grouped classifications are analyzed to determine which, if any, should be considered for modernization, consolidation, elimination, 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 eliminating 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 Store—Retail NOC in Exhibit 3.

NCCI's analysis of the classification 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, if necessary, are also incorporated within this filing.

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FILING MEMORANDUM

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

PROPOSAL

It is proposed that the classifications indicated in the attached exhibits be modernized, consolidated, created, eliminated, 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 2011¹ filing cycle. For example, this item will be effective January 1, 2011 for approved rate/loss cost filings that have a January 1, 2011 effective date. Similarly, this item will be effective July 1, 2011 for approved rate/loss cost filings that have a July 1, 2011 effective date. A complete list of the proposed effective dates is provided below.

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.

Some fact sheets propose a transition program for particular states. In those instances, each fact sheet identifies the applicable states and contains the details corresponding to the initiation and final implementation date associated with that transition program.

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

| State | Anticipated** Effective Date |
|---------|------------------------------|
| Alabama | March 1, 2011 |
| Alaska | January 1, 2011 |

¹ Except in Virginia, where it is the 2010 filing cycle

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FILING MEMORANDUM

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

| State | Anticipated** Effective Date |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Arizona | October 1, 2011 |
| Arkansas | July 1, 2011 |
| Colorado | January 1, 2011 |
| Connecticut | January 1, 2011 |
| District of Columbia | November 1, 2011 |
| Florida | January 1, 2011 |
| Georgia | May 1, 2011 |
| Hawaii | This item will be implemented in Hawaii's loss cost filing proposed effective January 1, 2011. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change. |
| Idaho | January 1, 2011 |
| Illinois | January 1, 2011 |
| Indiana | January 1, 2011 |
| Iowa | January 1, 2011 |
| Kansas | January 1, 2011 |
| Kentucky | October 1, 2011 |
| Louisiana | May 1, 2011 |
| Maine | January 1, 2011 |
| Maryland | January 1, 2011 |
| Mississippi | March 1, 2011 |
| Missouri | All rate changes related to this filing are proposed to be effective January 1, 2011 for the voluntary and assigned risk market. |
| Montana | July 1, 2011 |

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FILING MEMORANDUM

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

| State | Anticipated** Effective Date |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nebraska | February 1, 2011 |
| Nevada | March 1, 2011 |
| New Hampshire | January 1, 2011 |
| New Mexico | January 1, 2011 |
| North Carolina | April 1, 2011 |
| Oklahoma | January 1, 2011 |
| Oregon | January 1, 2011 |
| Rhode Island | June 1, 2011 |
| 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, 2011 |
| Tennessee | March 1, 2011 |
| Utah | December 1, 2011 |
| Vermont | April 1, 2011 |
| Virginia | April 1, 2010 |
| West Virginia | July 1, 2011 |

** Subject to change

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**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

EXHIBIT 1—FACT SHEET

FILM EXCHANGE

PROPOSAL

The focus of the proposed changes for this industry is to consolidate film exchanges under one classification code.

NCCI recommends the following national treatment for classifications:

1. Discontinue Code 4362—Motion Picture—Film Exchange & Projection Rooms, Clerical and cross-reference phraseology Film Exchange & Clerical and assign these operations to Code 4360—Motion Picture—Development of Negatives, Printing and All Subsequent Operations.
2. Revise the note under Code 4360—Motion Picture—Development of Negatives, Printing and All Subsequent Operations to clarify that digital media processing and editing, as well as marketing through film exchanges, are included under Code 4360, whether performed by a contractor or the production company.

Virginia Specific:

NCCI recommends that Virginia update the *Scopes® Manual* descriptions for Code 4362 and Code 4360 to reflect the changes being made.

BACKGROUND AND BASIS FOR CHANGE

Film exchange is the exchange and rental of fully processed movie films. After films have been produced, they must be distributed. This is accomplished through distributors, who lease motion pictures from the producer or production company. The film exchange distributor then pays for the making of prints; arranges screenings so theaters can bid on the rights to show the film; promotes and advertises the film; distributes copies of the film to the theaters; arranges for release on cable and broadcast television; coordinates distribution of videotapes, laser discs, and digital video discs to stores; and keeps records of the income and expenses for all aspects of film distribution.

When booking orders are received from movie theaters, television networks, individuals, groups, or associations, the films are removed from the vaults and prepared for shipment. Some exchanges deliver and pick up films. After each booking or rental, the returned film is inspected on editing machines, repaired if necessary, rewound on reels, replaced in film cans, and returned to the vaults.

Digital technology also makes it possible to distribute movies to theaters through the use of satellites or fiber-optic cable, although relatively few theaters are currently capable of receiving them in that manner. In the future, however, more theaters will be capable of receiving films digitally, and the costly process of producing and distributing films will be sharply reduced. The cost of distributing films, which often is handled by film production companies or their subsidiaries, has risen over the last several years, especially the costs of making prints of films and advertising. The use of digitally transferred films may have an adverse effect on the film exchange industry.

Sometimes films are not leased, but instead the distribution tasks are subcontracted by the producer to a distributor. The producer then pays for the services by giving the distributor a percentage of the revenue, ranging from 10% to 50% of the motion picture's net income. Additionally, the distributor deducts the cost for supplying prints of the film and for advertising and promotion from the producer's share of the net profits. Distributors bill theaters at the end of engagements, upon receipt of attendance reports.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

EXHIBIT 1—FACT SHEET (CONT'D)

Film exchange operations performed in the studio are no different than film exchange operations outside of the studio, further supporting the above recommendations.

IMPACT

This item proposes that Code 4362—Motion Picture—Film Exchange & Projection Rooms, Clerical be discontinued with its experience combined into newly defined national Code 4360. NCCI conducted a review using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program to minimize the impact of this proposed change. Based on the result of this review, a two-year transition is being proposed. Using a transition will help minimize the impact to both individual risk premium charges and overall statewide premium.

Virginia Specific:

NCCI recommends that Virginia update the *Scopes® Manual* descriptions for Code 4362 and Code 4360 to reflect the changes being made.

A three-year transition program is being proposed in Virginia for the recommendation to discontinue and combine Code 4362 into redefined Code 4360. 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 2011 filing cycle as outlined on the state effective date table in the filing memorandum. For example, this item will be effective January 1, 2011 for approved rate/loss cost filings that have a January 1, 2011 effective date. Similarly, this item will be effective July 1, 2011 for approved rate/loss cost filings that have a July 1, 2011 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-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FILM EXCHANGE
CLASSIFICATIONS

CURRENT NATIONAL PHRASEOLOGY TO REMAIN EFFECTIVE UNTIL THE COMPLETION DATE OF
THE TRANSITION PROGRAM * OF THIS ITEM

4362 **FILM EXCHANGE & CLERICAL.**

Includes projection rooms. Film exchanges located at motion picture studios to be separately rated as Code 4360—Motion picture.

TO BE IMPLEMENTED ON THE COMPLETION DATE OF THE TRANSITION PROGRAM FOR EACH
STATE

~~**4362** **FILM EXCHANGE & CLERICAL.**~~

~~Includes projection rooms. Film exchanges located at motion picture studios to be separately rated as Code 4360—Motion picture.~~

* For all applicable states, the two-year transition program will be initiated concurrently with each state's approved rate/loss cost filing effective date for 2011 filing cycle. Refer to the state chart in the implementation section of the memorandum.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FILM EXCHANGE
CLASSIFICATIONS

~~MOTION PICTURE~~

- 4360 ~~Development of Negatives, Printing, and All Subsequent Operations.~~ Marketing of the product through film exchanges at locations other than the studio to be separately rated as Code 4362 Motion picture film exchange.
- ~~4362~~ ~~Film Exchange & Projection Rooms, Clerical.~~ Applies to film exchanges not located at motion picture studios.
- 7610 ~~Production In Studios or Outside All Operations Up to the Development of Negatives & Clerical, Drivers~~

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FILM EXCHANGE
CLASSIFICATIONS**

**CURRENT NATIONAL PHRASEOLOGY TO REMAIN EFFECTIVE UNTIL THE COMPLETION DATE OF
THE TRANSITION PROGRAM * OF THIS ITEM**

**4360 MOTION PICTURE—DEVELOPMENT OF NEGATIVES, PRINTING, AND ALL SUBSEQUENT
OPERATIONS.**

Marketing of the product through film exchanges at locations other than the studio to be separately rated as Code 4362—Motion picture—film exchange.

**TO BE IMPLEMENTED ON THE COMPLETION DATE OF THE
TRANSITION PROGRAM FOR EACH STATE**

**4360 MOTION PICTURE—DEVELOPMENT OF NEGATIVES, PRINTING, AND ALL SUBSEQUENT
OPERATIONS.**

~~Marketing of the product through film exchanges at locations other than the studio to be separately rated as Code 4362—Motion picture—film exchange.~~ Digital media processing and editing, as well as marketing through film exchanges, are included under Code 4360, whether performed by a contractor or the production company.

* For all applicable states, the two-year transition program will be initiated concurrently with each state's approved rate/loss cost filing effective date for 2011 filing cycle. Refer to the state chart in the implementation section of the memorandum.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FILM EXCHANGE
CLASSIFICATIONS

CURRENT NATIONAL PHRASEOLOGY TO REMAIN EFFECTIVE UNTIL THE COMPLETION DATE OF
THE TRANSITION PROGRAM * OF THIS ITEM

4362◆ **MOTION PICTURE—FILM EXCHANGE & PROJECTION ROOMS, CLERICAL.**

Applies to film exchanges not located at motion picture studios.

TO BE IMPLEMENTED ON THE COMPLETION DATE OF THE
TRANSITION PROGRAM FOR EACH STATE

~~**4362◆** **MOTION PICTURE—FILM EXCHANGE & PROJECTION ROOMS, CLERICAL.**~~

~~Applies to film exchanges not located at motion picture studios.~~

* For all applicable states, the two-year transition program will be initiated concurrently with each state's approved rate/loss cost filing effective date for 2011 filing cycle. Refer to the state chart in the implementation section of the memorandum.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
FILM EXCHANGE
CLASSIFICATIONS

7610 MOTION PICTURE—PRODUCTION—IN STUDIOS OR OUTSIDE—ALL OPERATIONS UP TO
THE DEVELOPMENT OF NEGATIVES & CLERICAL, DRIVERS

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

EXHIBIT 1—FILM EXCHANGE

TWO-YEAR TRANSITION PROGRAM RULES

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME,
MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)**

The following are the rules of the two-year transition program implementing the rates/loss costs and rating values for Codes 4362 and 4360. NCCI will administer this program through each state's specific rate/loss cost classification experience filing revision process.

The state rate/loss cost filing revision where this transition program will initiate will be the first filing made with an effective date on or after the state approved effective date of this item filing. If a state rate/loss cost revision filing is made prior to the approval of this item, then that state's experience filing revision will not reflect the first year transition values. Instead, the first year transition will be made to coincide with the next experience filing revision after the item is approved. The proposed effective date for the experience filing revision must be on or after the approved item's effective date.

The following outlines the steps needed to implement the rates/loss costs and rating values for Codes 4362 and 4360 within each of the classification rate/loss cost filings. An example of the two-year transition program calculation, including the weight value calculation, is shown in subsequent pages of this exhibit.

- A. Risks will continue to be classified to either Code 4362 or 4360 as appropriate until the elimination of Code 4362 in the second state rate/loss cost annual experience filing revision from which this transition program was initiated.

- B. As part of the first NCCI state rate/loss cost experience filing revision where this transition program is initiated, the payroll-weighted rate/loss cost of Codes 4362 and 4360 will be calculated using the latest available year's payroll and the standard calculated rate/loss cost of the two individual codes. If the payroll-weighted rate/loss cost is within the swing limits determined for Codes 4362 and 4360, then each of these codes will take on the payroll-weighted rate/loss cost. Rating values will be determined by the same payroll weighting.

If the payroll-weighted rate/loss cost is outside of the filing's swing limits for any of the codes, then the rate/loss cost for each of the codes will be determined by a methodology weighting together (1) the payroll-weighted rate/loss cost and (2) the standard calculated rate/loss cost for each code. The ratio used in this methodology will be first determined by calculating the maximum weighting value given to the payroll-weighted rate/loss cost in order to keep the rates for Codes 4362 and 4360 within the swing limits of the filing. However, a 50% minimum weighting value must be used, regardless of the swing limits to execute the transition program within two years. Rating values will be calculated in a similar manner.

- C. As part of the second NCCI state rate/loss cost classification experience filing revision, Code 4362 will be eliminated. All insured operations previously assigned to Code 4362 will then be assigned to Code 4360. The rate/loss cost for newly defined Code 4360 will be the payroll-weighted rate/loss cost of Code 4362 and Code 4360 using this filing's latest available year of payroll and the standard calculated rate/loss cost of the two individual codes. Rating values will be determined by the same payroll weighting.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—FILM EXCHANGE

EXAMPLE OF TWO-YEAR TRANSITION PROGRAM CALCULATION

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

Note: The rates/loss costs used in the following example are for illustration purposes only and are not the actual rates/loss costs in use, nor do they represent expected actual rates/loss costs for the codes indicated.

In the following example, the “Payroll-Weighted Rate/Loss Cost” for each year can be calculated by using the “NCCI Initially Calculated Rate/Loss Cost” and the payroll for the latest available year.

The following assumptions are made for this example:

| | Code XXX1 | Code XXX2 | Code XXX3 |
|-----------------------|-----------|-----------|-----------|
| Payroll \$ | 400,000 | 700,000 | 3,000,000 |
| Rate/Loss Cost | 21.00 | 10.50 | 11.81 |

The “Payroll-Weighted Rate/Loss Cost” is calculated as follows:

$$\frac{[(400,000 \times 21.00) + (700,000 \times 10.50) + (3,000,000 \times 11.81)]}{(400,000 + 700,000 + 3,000,000)} = 12.48$$

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of 0.50 for the first year and 1.00 for the second year without regard to swing limits in order to transition the rates/loss costs within two years.

| | Weight Value | Class Code | Payroll-Weighted Rate/Loss Cost | | NCCI Initially Calculated Rate/Loss Cost | | Final NCCI Rate/Loss Cost |
|----------------------------------------|--------------|------------|---------------------------------|---|------------------------------------------|---|---------------------------|
| Filing Effective in First Year | 0.57* | XXX1 | (0.57 x 12.48) | + | (0.43 x 21.00) | = | 16.14 |
| | | XXX2 | (0.57 x 12.48) | + | (0.43 x 10.50) | = | 11.63 |
| | | XXX3 | (0.57 x 12.48) | + | (0.43 x 11.81) | = | 12.19 |
| Filing Effective in Second Year | 1.00 | XXX1 | (1.00 x 12.48) | + | (0.00 x 19.78) | = | 12.48 |
| | | XXX2 | (1.00 x 12.48) | + | (0.00 x 12.25) | = | 12.48 |
| | | XXX3 | (1.00 x 12.48) | + | (0.00 x 11.57) | = | 12.48 |

* See “Example of Two-Year Weight Value Calculation” for more details.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—FILM EXCHANGE (CONT'D)

EXAMPLE OF TWO-YEAR TRANSITION PROGRAM EXPECTED LOSS RATE (ELR)

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

Note: The ELRs in the following example are for illustration purposes only and are not the actual ELRs in use, nor do they represent expected actual ELRs for the codes indicated.

In the following example, the “Payroll-Weighted ELR” for each year can be calculated by using the “NCCI Initially Calculated ELR” and the payroll for the latest available year.

The following assumptions are made for this example:

| | Code XXX1 | Code XXX2 | Code XXX3 |
|-------------------|-----------|-----------|-----------|
| Payroll \$ | 400,000 | 700,000 | 3,000,000 |
| ELR | 7.00 | 3.50 | 3.94 |

The “Payroll-Weighted ELR” is calculated as follows:

$$\frac{[(400,000 \times 7.00) + (700,000 \times 3.50) + (3,000,000 \times 3.94)]}{(400,000 + 700,000 + 3,000,000)} = 4.16$$

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of 0.50 for the first year and 1.00 for the second year without regard to swing limits in order to transition the rates/loss costs within two years.

| | Weight Value | Class Code | Payroll-Weighted ELR | | NCCI Initially Calculated ELR | | Final NCCI ELR |
|----------------------------------------|--------------|------------|----------------------|---|-------------------------------|---|----------------|
| Filing Effective in First Year | 0.57* | XXX1 | (0.57 x 4.16) | + | (0.43 x 7.00) | = | 5.38 |
| | | XXX2 | (0.57 x 4.16) | + | (0.43 x 3.50) | = | 3.88 |
| | | XXX3 | (0.57 x 4.16) | + | (0.43 x 3.94) | = | 4.07 |
| Filing Effective in Second Year | 1.00 | XXX1 | (1.00 x 4.16) | + | (0.00 x 6.59) | = | 4.16 |
| | | XXX2 | (1.00 x 4.16) | + | (0.00 x 4.08) | = | 4.16 |
| | | XXX3 | (1.00 x 4.16) | + | (0.00 x 3.86) | = | 4.16 |

* See “Example of Two-Year Weight Value Calculation” for more details.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—FILM EXCHANGE (CONT'D)

EXAMPLE OF TWO-YEAR TRANSITION PROGRAM D RATIOS

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

Note: The D ratios in the following example are for illustration purposes only and are not the actual D ratios in use, nor do they represent expected actual D ratios for the indicated.

In the following example, the “Payroll-Weighted D Ratios” for each year can be calculated by using the “NCCI Initially Calculated D Ratios” and the payroll for the latest available year.

The following assumptions are made for this example:

| | Code XXX1 | Code XXX2 | Code XXX3 |
|-------------------|-----------|-----------|-----------|
| Payroll \$ | 400,000 | 700,000 | 3,000,000 |
| D Ratios | 0.23 | 0.20 | 0.24 |

The “Payroll-Weighted D Ratio” is calculated as follows:

$$\frac{[(400,000 \times 0.23) + (700,000 \times 0.20) + (3,000,000 \times 0.24)]}{(400,000 + 700,000 + 3,000,000)} = .23$$

Additionally, the swing limits are assumed to be plus or minus 25%. **Please note:** The weight value used represents the largest possible value keeping the rate/loss cost changes within the swing limits. The weight value below is subject to a minimum of 0.50 for the first year and 1.00 for the second year without regard to swing limits in order to transition the rates/loss costs within two years.

| | Weight Value | Class Code | Payroll-Weighted D Ratio | | NCCI Initially Calculated D Ratio | | Final NCCI D Ratio |
|----------------------------------------|--------------|------------|--------------------------|---|-----------------------------------|---|--------------------|
| Filing Effective in First Year | .57* | XXX1 | (0.57 x 0.23) | + | (0.43 x 0.23) | = | 0.23 |
| | | XXX2 | (0.57 x 0.23) | + | (0.43 x 0.20) | = | 0.22 |
| | | XXX3 | (0.57 x 0.23) | + | (0.43 x 0.24) | = | 0.23 |
| Filing Effective in Second Year | 1.00 | XXX1 | (1.00 x 0.23) | + | (0.00 x 0.22) | = | 0.23 |
| | | XXX2 | (1.00 x 0.23) | + | (0.00 x 0.22) | = | 0.23 |
| | | XXX3 | (1.00 x 0.23) | + | (0.00 x 0.24) | = | 0.23 |

* See “Example of Two-Year Weight Value Calculation” for more details.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 1—FILM EXCHANGE (CONT'D)

EXAMPLE OF TWO-YEAR WEIGHT VALUE CALCULATION

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

In the following example, the rates/loss costs are calculated for each class code by utilizing successively higher weight values until the largest weight value is found that keeps the rates/loss costs within swing limits. However, depending on which year of the transition the filing is effective, this weight value is subject to minimums **without regard to swing limits**. These minimums are 0.50 for the first year and 1.00 for the second year. For the purposes of illustration, the codes are represented as XXX1, XXX2, and XXX3.

Note: The Weight Value Calculations in the following example are for illustration purposes only and are not the actual Weight Value Calculations in use, nor do they represent expected actual Weight Value Calculations for the codes indicated.

The following assumptions are made for this example:

1. The swing limits are plus or minus 25%.
2. The rates/loss costs are as follows:

| | Rate/Loss Cost for Code XXX1 | Rate/Loss Cost for Code XXX2 | Rate/Loss Cost for Code XXX3 |
|--------------------------------|------------------------------|------------------------------|------------------------------|
| Current Approved Filing | 21.49 | 11.32 | 11.05 |
| First Transition Year | 16.14 | 11.63 | 12.19 |

| Weight Calculation Table | | | | | | |
|--------------------------|----------------------------------------------|-------------------------|----------------------------------------------|-------------------------|----------------------------------------------|-------------------------|
| Year 1 | Code XXX1 | | Code XXX2 | | Code XXX3 | |
| Weight Value | Calculated Rate/Loss Cost Given Weight Value | Rate/Loss Cost Change % | Calculated Rate/Loss Cost Given Weight Value | Rate/Loss Cost Change % | Calculated Rate/Loss Cost Given Weight Value | Rate/Loss Cost Change % |
| 0.50 | 16.74 | -22.1% | 11.49 | 1.5% | 12.15 | 10.0% |
| 0.51 | 16.65 | -22.5% | 11.51 | 1.7% | 12.15 | 10.0% |
| 0.52 | 16.57 | -22.9% | 11.53 | 1.9% | 12.16 | 10.0% |
| 0.53 | 16.48 | -23.3% | 11.55 | 2.0% | 12.17 | 10.1% |
| 0.54 | 16.40 | -23.7% | 11.57 | 2.2% | 12.17 | 10.1% |
| 0.55 | 16.31 | -24.1% | 11.59 | 2.4% | 12.18 | 10.2% |
| 0.56 | 16.23 | -24.5% | 11.61 | 2.6% | 12.19 | 10.3% |
| 0.57 | 16.14 | -24.9% | 11.63 | 2.7% | 12.19 | 10.3% |
| 0.58 | 16.06 | -25.3% | 11.65 | 2.9% | 12.20 | 10.4% |
| 0.59 | 15.97 | -25.7% | 11.67 | 3.1% | 12.21 | 10.5% |
| 0.60 | 15.89 | -26.1% | 11.69 | 3.3% | 12.21 | 10.5% |
| 0.61 | 15.80 | -26.5% | 11.71 | 3.4% | 12.22 | 10.6% |
| continues | | | | | | |

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

EXHIBIT 2—FACT SHEET**LACQUER OR SPIRIT VARNISH MANUFACTURING, OLEORESINOUS VARNISH
MANUFACTURING, AND PAINT MANUFACTURING****PROPOSAL**

The focus of the proposed changes for this industry is to consolidate varnish manufacturing under one classification code and update or clarify language.

NCCI recommends the following national treatment for classifications:

1. Discontinue Code 4561—Varnish Mfg.—Oleo-Resinous and assign these operations to Code 4439—Lacquer or Spirit Varnish Mfg.
2. Amend the phraseology of Code 4439 from Lacquer or Spirit Varnish Mfg. to Lacquer or Varnish Manufacturing.
3. Delete the cross-reference phraseology for Code 4439—Spirit Varnish or Lacquer Mfg. because it is a redundant phraseology.
4. Delete Varnish Mfg.—Mfg. Spirit—See Lacquer or Spirit Varnish Mfg. refer to comment.

Virginia Specific:

NCCI recommends that Virginia update the *Scopes® Manual* descriptions for Code 4561 and Code 4439 to reflect the changes being made.

BACKGROUND AND BASIS FOR CHANGE

NCCI conducted a review of lacquer or spirit varnish manufacturing, varnish manufacturing, and paint manufacturing to determine if a consolidation of all manufacturing processes was warranted. Code 4439—Lacquer or Spirit Varnish Mfg., Code 4561—Varnish Mfg.—Oleo-Resinous, and Code 4558—Paint Mfg. are all national codes. Their origination dates were not found.

Lacquer, spirit, and oleoresinous varnishes are made using a heating method in an open or closed container. The manufacturing of varnish is generally a sub-operation of a larger paint manufacturer.

Paint manufacturing is a physical process that rarely uses chemical changes or a heating process. Paints may be either water- or oil-based, depending on whether the thinner is water or an organic liquid such as turpentine.

IMPACT

This item proposes that Code 4561—Varnish Mfg.—Oleo-Resinous be discontinued, with its experience combined into newly defined national Code 4439. NCCI conducted a review using the latest approved loss cost or rate filing experience to determine the need for a loss cost or rate transition program to minimize the impact of this proposed change. Based on the result of this review, it is recommended that no transition program be proposed.

Initially, the new loss cost or rate for Code 4439 will be calculated as a payroll-weighted average of the loss costs or rates of Code 4561 and Code 4439. Thereafter, the data for Code 4561 will be combined with the data for Code 4439 prior to deriving the loss cost or rate. Using the combined experience from the two codes to calculate the loss cost or rate will minimize any change in overall statewide premium. The impact to individual risk will vary depending on their current payroll distribution between the codes and the resulting combined experience loss cost or rate.

The other changes to this industry primarily consists of the consolidation of cross-references into the actual classification wording, and this consolidation is not expected to result in a reclassification of risk payroll or change in loss costs, rates, or premium.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

EXHIBIT 2—FACT SHEET (CONT'D)

Virginia Specific:

NCCI recommends that Virginia update the *Scopes® Manual* descriptions for Code 4561 and Code 4439 to reflect the changes being made.

A three-year transition program is being proposed in Virginia for the recommendation to discontinue and combine Code 4561 into newly defined Code 4439. 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 2011 filing cycle as outlined on the state effective date table in the filing memorandum. For example, this item will be effective January 1, 2011 for approved rate/loss cost filings that have a January 1, 2011 effective date. Similarly, this item will be effective July 1, 2011 for approved rate/loss cost filings that have a July 1, 2011 effective date.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LACQUER OR SPIRIT VARNISH MANUFACTURING, OLEORESINOUS VARNISH
MANUFACTURING, AND PAINT MANUFACTURING
CLASSIFICATIONS

~~VARNISH MFG.~~

~~4561~~ ~~Oleoresinous. Mfg. of solvents, spirit varnishes, lacquers, or dopes to be separately rated.~~
~~Mfg. Spirit. See Lacquer or Spirit Varnish Mfg.~~

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LACQUER OR SPIRIT VARNISH MANUFACTURING, OLEORESINOUS VARNISH
MANUFACTURING, AND PAINT MANUFACTURING
CLASSIFICATIONS

4439 ~~SPIRIT VARNISH OR LACQUER MFG.~~

~~Includes mixing of thinners or solvents but not nitrocellulose mfg. Assign risks engaged in the
mfg. of nitrocellulose to the appropriate chemical Code 4828 or 4829.~~

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 2—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
LACQUER OR SPIRIT VARNISH MANUFACTURING, OLEORESINOUS VARNISH
MANUFACTURING, AND PAINT MANUFACTURING
CLASSIFICATIONS

- 4439 ~~LACQUER OR VARNISH MANUFACTURING OR SPIRIT VARNISH MFG.~~
Includes mixing of thinners or solvents but not nitrocellulose manufacturing. ~~mfg.~~ Assign risks that engaged in the mfg. manufacture of nitrocellulose, thinners, or solvents to the appropriate chemical classification, Code 4828 or Code 4829.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 3—FACT SHEET
SUPERSTORES AND WAREHOUSE CLUBS****PROPOSAL**

The focus of the proposed changes for this industry is to create a new classification code for superstores and warehouse clubs.

NCCI recommends the following national treatment for classifications:

1. Establish new national Code 8037—Store—Superstores and Warehouse Clubs.
2. Amend Code 8039—Store—Department—Retail—to raise the minimum annual payroll required from \$400,000 to \$650,000 to adjust for inflation according to the consumer price index.

Virginia Specific:

NCCI recommends that Virginia establish Code 8037 and update the *Scopes® Manual* description for Code 8039 to reflect the changes being made.

BACKGROUND AND BASIS FOR CHANGE

Superstores and warehouse clubs became popular in the mid-to-late 1980s. The larger superstores belong to a national chain of stores, though the chain may be only regional in scope. As an industry, superstores have experienced a compound yearly growth rate of 28% since 1986. The future growth in superstores will come from grocery items and corporate self-distributed products.

Warehouse stores sell items in bulk quantities for reduced prices. They often display merchandise in original shipping cartons or boxes and stacked on wooden pallets rather than on shelves. In the future, warehouse clubs will focus on business members for their growth, and these clubs will concentrate on offering a larger selection at a lower price.

Superstores and warehouse clubs are becoming more popular as “one-stop shopping” establishments. This is an identifiable, growing industry that is not currently addressed by the classification system. In addition, the principal type of merchandise sold based on gross receipts may vary from year to year for these establishments, warranting a new national code.

IMPACT

This item proposes to create Code 8037—Store—Superstores and Warehouse Clubs. A review of the reported data shows that most large superstores and warehouse clubs are currently being assigned to Code 8017—Store—Retail NOC. Some of these store entities may also have been previously assigned to Code 8039—Store—Department—Retail.

It is proposed that the initial loss cost or rate and experience rating values for new Code 8037 will be that of Code 8017 until the new code establishes sufficient experience to determine its own loss cost or rate. It is expected that the majority of risk experience generated for the new code will come from Code 8017. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification. The impact to individual risks manual loss cost/rate charge will depend on their previous class code assignment and its associated loss cost or rate as compared to the new class code's proposed loss cost or rate.

This item also proposes to raise the minimum annual payroll required to qualify for using Code 8039 from \$400,000 to \$650,000. This is expected to result in some insured operation's payroll being transferred from Code 8039 to Code 8017. The impact to individual risk's manual loss cost or rate charge will depend on their previous code's associated loss cost or rate as compared to their new class code's loss cost or rate. Only those risks with operation payroll amount between \$400,000 and \$650,000 in payroll will be impacted.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

EXHIBIT 3—FACT SHEET (CONT'D)

The newly defined class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

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 2011 filing cycle as outlined on the state effective date table in the filing memorandum. For example, this item will be effective January 1, 2011 for approved rate/loss cost filings that have a January 1, 2011 effective date. Similarly, this item will be effective July 1, 2011 for approved rate/loss cost filings that have a July 1, 2011 effective date.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS**

8037◆ STORE—SUPERSTORES AND WAREHOUSE CLUBS

Superstores and warehouse clubs are large retail establishments with multiple departments, with each department selling a specific type of merchandise. Warehouse clubs may have a large percentage of business memberships. This does not preclude them from assignment to this classification. Due to the nature of these operations, the principal type of merchandise sold (i.e., more than 50% of gross receipts) may vary from year to year; therefore, superstores and warehouse clubs will not be classified based on the principal type of merchandise sold. A key distinction between superstores and department stores, discount department stores, or other retail operations is that superstores sell groceries such as milk, juices, cereals, crackers, cookies, frozen dinners, frozen deserts, etc., in addition to clothing and their other types of merchandise. Many superstores have full grocery operations with fresh produce, meat, seafood, and baked goods in addition to clothing and their other types of merchandise.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8039◆ ~~STORE—Department—Retail—~~

Includes installation of house furnishings and ~~shall apply~~ applies to each location of a risk at which all of the following conditions ~~exist~~ obtain:

1. The ~~annual~~ payroll subject to this classification is at least ~~\$400,000~~ ~~\$650,000~~ ~~per annum~~.
2. The merchandise handled must include:
 - a. Wearing apparel
 - b. Linens/domestics
 - c. House furnishings (other than furniture)
 - d. Two or more of the following: ~~Cosmetics, Furniture, Giftware, Hardware, Jewelry, Luggage, Sporting goods, Stationery/greeting cards, and Toys.~~
3. The total annual sales of ~~Items~~ items (a), (b), and (c) ~~a., b., and c.~~ above must exceed 50% of the total annual sales. Also, the total annual sales of wearing apparel, jewelry, and cosmetics must not exceed 80% of the total annual sales.

Not applicable to ~~five and ten cent stores or dollar stores~~ store locations that are properly classified as Code ~~80508017—Store—five and ten cent.~~

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUPEXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS~~STORE~~

- 8010◆ ~~Agriculture Implement—Not Farm Machinery.~~ Shall not be assigned to a risk engaged in the rental or sale of farm machinery.
- 8072◆ ~~Audio or Video Cassette, Book, Record, Compact Disc, Software—Retail.~~ Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.
- 8010◆ ~~Audio or Video Parts and Accessories~~
- 8046◆ ~~Automobile Parts and Accessories NOC & Drivers.~~ Applies to wholesale or retail stores.
- 8072◆ ~~Book, Record, Compact Disc, Software, Video or Audio Cassette—Retail.~~ Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.
- 8008◆ ~~Clothing, Wearing Apparel, or Dry Goods—Retail~~
- 8032◆ ~~Clothing, Wearing Apparel, or Dry Goods—Wholesale~~
- 8006◆ ~~Coffee, Tea, or Spice—Retail~~
- 8072◆ ~~Compact Disc, Book, Record, Software, Video or Audio Cassette—Retail.~~ Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.
- 8006◆ ~~Convenience—Retail.~~ Applies to each separate store location meeting all of the following conditions:-
1. Selling a variety of items such as, but not limited to, snack foods, cereal, processed packaged foods, canned or frozen foods, fruits, vegetables, dairy products, health or beauty products, canned or bottled beverages, tobacco, publications, videos, flowers, bakery products, candy, coffee, tea, ice, delicatessen foods, flour, condiments, toiletries, sundries, automobile accessories, money orders, check cashing service, and the service of food or beverages.
 2. No handling of fresh meats.
 3. Receipts from the service of food or beverages constitute less than 50% of total receipts and receipts from gasoline sales constitute less than 90% of total receipts (total receipts exclude receipts from sales of lottery tickets).
- ~~Code 8006 and the appropriate restaurant code shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses. Separately classify automobile service or full service operations.~~
- 8006◆ ~~Dairy Products—Retail~~
- 8006◆ ~~Delicatessen—Retail.~~ No selling of uncooked fresh meats.
- 8039◆ ~~Department—Retail.~~ Includes installation of house furnishings and shall apply to each location of a risk at which all of the following conditions obtain:-
1. The payroll subject to this classification is at least \$400,000 per annum.
 2. The merchandise handled must include:-
 - a. Wearing apparel
 - b. Linens/domestics
 - c. House furnishings (other than furniture)
 - d. Two or more of the following:-

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS (CONT'D)
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

~~Cosmetics~~
~~Furniture~~
~~Giftware~~
~~Hardware~~
~~Jewelry~~
~~Luggage~~
~~Sporting goods~~
~~Stationery/greeting cards~~
~~Toys~~

~~3. The total annual sales of items a., b., and c. above must exceed 50% of the total annual sales. Also, the total annual sales of wearing apparel, jewelry, and cosmetics must not exceed 80% of the total annual sales.~~

~~Not applicable to store locations that are properly classified as Code 8050 Store five and ten cent.~~

8045◆ ~~**Drug Retail.** Applicable to store locations where the employer's books of accounts reflect at least 40% gross receipts in prescription sales and less than 50% gross receipts in the service of food.~~

8047◆ ~~**Drug Wholesale**~~

8008◆ ~~**Dry Goods Retail**~~

8032◆ ~~**Dry Goods wholesale**~~

8031◆ ~~**Fish, Meat or Poultry Retail**~~

8021◆ ~~**Fish, Meat or Poultry Dealer Wholesale.** Codes 8021 and 2089 Packing house shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.~~

8017◆ ~~**Floor Covering Retail**~~

8018◆ ~~**Floor Covering Wholesale**~~

8001◆ ~~**Florist & Drivers.** Includes service away from store premises. Cultivating or gardening to be separately rated as Code 0035 Farm florist.~~

8006◆ ~~**Frozen or Frosted Food Retail**~~

8006◆ ~~**Fruit or Vegetable Retail.** No handling of fresh meats.~~

8018◆ ~~**Fruit or Vegetable Wholesale**~~

8044◆ ~~**Furniture & Drivers.** Applies to wholesale or retail stores and includes installation of house furnishings.~~

8006◆ ~~**Grocery Retail.** Applies to each separate store location meeting all of the following conditions:~~

~~1. Selling a variety of items such as, but not limited to, snack foods, cereal, processed packaged foods, canned or frozen foods, fruits, vegetables, dairy products, health or beauty products, canned or bottled beverages, tobacco, publications, videos, flowers, bakery products, candy, coffee, tea, ice, delicatessen foods, flour, condiments, toiletries,~~

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUPEXHIBIT 3—NATIONAL CLASSIFICATIONS (CONT'D)
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

~~sundries, automobile accessories, money orders, check cashing service, and the service of food or beverages.~~

2. ~~No handling of fresh meats.~~

3. ~~Receipts from the service of food or beverages constitute less than 50% of total receipts and receipts from gasoline sales constitute less than 90% of total receipts (total receipts exclude receipts from sales of lottery tickets).~~

~~Code 8006 and the appropriate restaurant code shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses. Separately classify automobile service or full service operations.~~

8018◆ ~~Grocery Wholesale~~

8010◆ ~~Hardware.~~ Applies to wholesale or retail stores.

8013◆ ~~Hearing Aid~~

8105◆ ~~Hide or Leather Dealer~~

8044◆ ~~Household Appliance Electrical & Drivers~~

8013◆ ~~Jewelry.~~ Applies to wholesale or retail stores.

8105◆ ~~Leather or Hide Dealer~~

8017◆ ~~Luggage Retail~~

~~Mail Order House.~~ Operations other than mfg. or retail store shall be assigned to the classification that would be used for a wholesale store dealing in the commodities handled.

8021◆ ~~Meat, Fish or Poultry Dealer Wholesale.~~ Codes 8021 and 2089 Packing house shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.

8031◆ ~~Meat, Fish or Poultry Retail~~

8033◆ ~~Meat, Grocery and Provision Combined Retail NOC.~~ Applicable to a store where the employer's books of accounts show that the cost of fresh and cured meats, poultry, or fish did not exceed 65% of the total cost of all merchandise purchased during the policy period. Where the insured cannot satisfactorily establish that the cost of fresh and cured meats, poultry, or fish constituted less than 65% of the total cost of all merchandise purchased during the policy period, the store shall be assigned to Code 8031 Store meat, fish or poultry retail.

8017◆ ~~Paint or Wallpaper Retail~~

8018◆ ~~Paint or Wallpaper Wholesale~~

8044◆ ~~Piano or Organ & Drivers~~

8072◆ ~~Record, Book, Compact Disc, Software, Video or Audio Cassette Retail.~~ Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.

8017◆ ~~Retail NOC~~

8010◆ ~~Ship Chandler.~~ No mfg. operations.

8008◆ ~~Shoe Retail~~

8032◆ ~~Shoe Wholesale~~

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS (CONT'D)
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

- 8072◆ ~~Software, Book, Record, Compact Disc, Video or Audio Cassette—Retail.~~ Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.
- 8017◆ ~~Sporting Goods—Retail~~
- 8033◆ ~~Supermarket.~~ Applicable to a store where the employer's books of accounts show that the cost of fresh and cured meats, poultry or fish did not exceed 65% of the total cost of all merchandise purchased during the policy period. Where the insured cannot satisfactorily establish that the cost of fresh and cured meats, poultry or fish constituted less than 65% of the total cost of all merchandise purchased during the policy period, the store shall be assigned to Code 8031—Store meat, fish or poultry retail.
- 8006◆ ~~Vegetable or Fruit—Retail.~~ No handling of fresh meats.
- 8018◆ ~~Vegetable or Fruit—Wholesale~~
- 8072◆ ~~Video or Audio Cassette, Book, Record, Compact Disc, Software—Retail.~~ Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.
- 8018◆ ~~Wholesale—NOC~~

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8001◆ STORE—Florist & Drivers.

Includes service away from store premises. Cultivating or gardening to be separately rated as Code 0035—Farm—florist.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ **STORE**—Coffee, Tea, or Spice—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ STORE—Convenience—Retail.

Applies to each separate store location meeting all of the following conditions:

1. Selling a variety of items such as, but not limited to, snack foods, cereal, processed packaged foods, canned or frozen foods, fruits, vegetables, dairy products, health or beauty products, canned or bottled beverages, tobacco, publications, videos, flowers, bakery products, candy, coffee, tea, ice, delicatessen foods, flour, condiments, toiletries, sundries, automobile accessories, money orders, check cashing service, and the service of food or beverages.
2. No handling of fresh meats.
3. Receipts from the service of food or beverages constitute less than 50% of total receipts and receipts from gasoline sales constitute less than 90% of total receipts (total receipts exclude receipts from sales of lottery tickets).

Code 8006 and the appropriate restaurant code shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses. Separately classify automobile service or full-service operations.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ **STORE—Dairy Products—Retail**

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ **STORE—Delicatessen—Retail**
No selling of uncooked fresh meats.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ **STORE**—Frozen or Frosted Food—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ **STORE—Fruit or Vegetable—Retail.**
No handling of fresh meats.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ STORE—Grocery—Retail.

Applies to each separate store location meeting all of the following conditions:

1. Selling a variety of items such as, but not limited to, snack foods, cereal, processed packaged foods, canned or frozen foods, fruits, vegetables, dairy products, health or beauty products, canned or bottled beverages, tobacco, publications, videos, flowers, bakery products, candy, coffee, tea, ice, delicatessen foods, flour, condiments, toiletries, sundries, automobile accessories, money orders, check cashing service, and the service of food or beverages.
2. No handling of fresh meats.
3. Receipts from the service of food or beverages constitute less than 50% of total receipts and receipts from gasoline sales constitute less than 90% of total receipts (total receipts exclude receipts from sales of lottery tickets).

Code 8006 and the appropriate restaurant code shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses. Separately classify automobile service or full-service operations.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8006◆ **STORE—Vegetable or Fruit—Retail.**
No handling of fresh meats.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8008◆ **STORE**—Clothing, Wearing Apparel, or Dry Goods—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8008◆ **STORE**—Dry Goods—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8008◆ STORE—Shoe—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

- 8010◆ **STORE—Agriculture Implement—Not Farm Machinery.**
Shall not be assigned to a risk engaged in the rental or sale of farm machinery.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8010◆ **STORE**—Audio or Video Parts and Accessories

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

- 8010◆ **STORE—Hardware.**
Applies to wholesale or retail stores.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8010◆ **STORE**—Ship Chandler.
No mfg. operations.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8013◆ STORE—Hearing Aid

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

- 8013◆ **STORE—Jewelry.**
Applies to wholesale or retail stores.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8017◆ **STORE**—Floor Covering—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8017◆ **STORE—Luggage—Retail**

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS**

STORE—Mail Order House.

Operations other than mfg. or retail store shall be assigned to the classification that would be used for a wholesale store dealing in the commodities handled.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8017◆ **STORE**—Paint or Wallpaper—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8017◆ STORE—Retail NOC

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8017◆ **STORE**—Sporting Goods—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8018◆ **STORE**—Floor Covering—Wholesale

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8018◆ **STORE**—Fruit or Vegetable—Wholesale

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8018◆ **STORE—Grocery—Wholesale**

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8018◆ **STORE**—Paint or Wallpaper—Wholesale

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8018◆ STORE—Vegetable or Fruit—Wholesale

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8018◆ STORE—Wholesale—NOC

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8021◆ STORE—Fish, Meat or Poultry Dealer—Wholesale.

Codes 8021 and 2089—Packing house shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8021◆ STORE—Meat, Fish or Poultry Dealer—Wholesale.

Codes 8021 and 2089—Packing house shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8031◆ **STORE**—Fish, Meat or Poultry—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8031◆ STORE—Meat, Fish or Poultry—Retail

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8032◆ **STORE**—Clothing, Wearing Apparel, or Dry Goods—Wholesale

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8032◆ **STORE**—Dry Goods—Wholesale

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8032◆ STORE—Shoe—Wholesale

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS**

8033◆ STORE—Meat, Grocery and Provision—Combined—Retail NOC.

Applicable to a store where the employer's books of accounts show that the cost of fresh and cured meats, poultry, or fish did not exceed 65% of the total cost of all merchandise purchased during the policy period. Where the insured cannot satisfactorily establish that the cost of fresh and cured meats, poultry, or fish constituted less than 65% of the total cost of all merchandise purchased during the policy period, the store shall be assigned to Code 8031—Store—meat, fish or poultry—retail.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS**

8033◆ STORE—Supermarket.

Applicable to a store where the employer's books of accounts show that the cost of fresh and cured meats, poultry or fish did not exceed 65% of the total cost of all merchandise purchased during the policy period. Where the insured cannot satisfactorily establish that the cost of fresh and cured meats, poultry or fish constituted less than 65% of the total cost of all merchandise purchased during the policy period, the store shall be assigned to Code 8031—Store—meat, fish or poultry—retail.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8044◆ **STORE—Furniture & Drivers.**

Applies to wholesale or retail stores and includes installation of house furnishings.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8044◆ **STORE**—Household Appliance—Electrical & Drivers

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8044◆ **STORE**—Piano or Organ & Drivers

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8045◆ STORE—Drug—Retail.

Applicable to store locations where the employer's books of accounts reflect at least 40% gross receipts in prescription sales and less than 50% gross receipts in the service of food.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8046◆ **STORE**—Automobile Parts and Accessories NOC & Drivers.
Applies to wholesale or retail stores.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8047◆ STORE—Drug—Wholesale

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

- 8072 ♦ **STORE—Audio or Video Cassette, Book, Record, Compact Disc, Software—Retail.**
Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS**

8072◆ STORE—Book, Record, Compact Disc, Software, Video or Audio Cassette—Retail.

Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8072◆ STORE—Compact Disc, Book, Record, Software, Video or Audio Cassette—Retail.

Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.

**ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP**

**EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS**

8072◆ STORE—Record, Book, Compact Disc, Software, Video or Audio Cassette—Retail.

Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

- 8072◆ **STORE—Software, Book, Record, Compact Disc, Video or Audio Cassette—Retail.**
Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8072◆ STORE—Video or Audio Cassette, Book, Record, Compact Disc, Software—Retail.

Not applicable to store locations where more than 50% gross receipts is in the service of food or the sale of musical instruments, computers or other hardware, or household or electronic equipment.

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8105◆ **STORE**—Hide or Leather Dealer

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX
E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 3—NATIONAL CLASSIFICATIONS
BASIC MANUAL—2001 EDITION
SUPERSTORES AND WAREHOUSE CLUBS
CLASSIFICATIONS

8105◆ **STORE**—Leather or Hide Dealer

ITEM B-1412—REVISIONS TO BASIC MANUAL CLASSIFICATIONS AND APPENDIX E—CLASSIFICATIONS BY HAZARD GROUP

EXHIBIT 4
BASIC MANUAL—2001 EDITION
APPENDIX E
CLASSIFICATIONS BY HAZARD GROUP

REFERENCE TABLE OF CLASSIFICATIONS BY HAZARD GROUP

| Class Code | Applies In:† | Discontinued In:† | Hazard Group A-G | Hazard Group 1-4* |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|
| 4362 | AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV, VA | AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV | C | 2 |
| 4439 | National, IN, NC 10/1/07: WV | | E D | 3 2 |
| 4561 | AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV, VA | AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV | C | 2 |
| 8037 | AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, VA, WV | | B | 1 |

† Upon approval of this item, each state will have its state-specific effective date indicated.

* 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.