

**Minnesota Workers' Compensation Insurers Association, Inc.**

7760 France Avenue South, Suite 640, Minneapolis MN 55435 * 612/897-1737 (Voice) * 612/897-6495 (Fax)

J.P. Hildebrandt, President

MWCIA

October 28, 1996

ALL ASSOCIATION MEMBERS

Circular Letter No. 96-1265

RE: NCCI Item B-1333 Revisions of Basic Manual Classifications and Related Rules

The Minnesota Department of Commerce has approved the above filing effective January 1, 1997 applicable to new and renewal business only.

The first item will reduce the number of admiralty codes currently available for classification purposes. NCCI reports that there are little or no exposures currently for many of the admiralty classifications in most of their jurisdictions. They proposed that several of the admiralty classifications be eliminated and their phraseologies be reassigned to one of the remaining admiralty classifications. NCCI advises that this proposal will have no impact on premium as each admiralty classification being reassigned will be absorbed by an admiralty classification carrying the same pure premium base rate and rating values as the admiralty classification being eliminated. The attached Exhibits I - IV outline the changes required in the Basic Manual and Retrospective Rating Plan Manual necessary to implement this proposal.

The second item proposes a new manual rule be established to clarify classification procedures for the manufacturing of new products out of recycled materials. Currently, references exist in the Basic Manual indicating the use of Codes 8263, 8264, 8265, and 8500 for the collection and sorting of recycled materials. Additionally, Code 8861 now exists for stores involved in the collection, reconditioning, and resale of used merchandise by charitable organizations. While the reprocessing of used materials into recycled products has historically been classified under the appropriate manufacturing classification which describes the end product, there currently are no specific entries in the Basic Manual to clarify this classification procedure. NCCI proposed that Basic Manual Rule IV-D-13 be established to clarify the classification procedure of employers engaged in the reuse of such materials for the production of new products. In reviewing this particular item, it should be noted that all of the classification codes mentioned above are considered mercantile codes for classifying purposes. Exhibit V outlining the change to Basic Manual Rule IV-D is attached for your review.

The proposed language on the exhibit pages contain underlined and strikethrough text. Please note that the underlining represents new or added text while the strikethroughs indicate deleted text. We have also attached a copy of the National Council's original filing memorandum for your further review.

Very truly yours,

JOHN P. HILDEBRANDT

President