



Minnesota Workers' Compensation Insurers Association, Inc.

7701 France Avenue South, Suite 450, Minneapolis MN 55435 * 612/897-1737 (Voice) * 612/897-6495 (Fax)

Bruce A. Tollefson, President

MWCIA

January 28, 1998

ALL ASSOCIATION MEMBERS

Circular Letter No. 98-1292

RE: ITEM B-1347 CONSOLIDATION OF SELECTED EXPLOSIVES MFG. CODES

The Minnesota Department of Commerce has approved the above filing effective 12:01 a.m., January 1, 1999, applicable to new and renewal business only.

The purpose of Item B-1347 is to eliminate several of the explosives manufacturing classification codes and reassign their exposure to a newly established classification, namely Code 4771 - Explosives or Ammunition Manufacturing: NOC & drivers. In addition, NCCI proposed a one year transition program to minimize the impact of the consolidation of the explosives manufacturing classifications. Currently, there is a Minnesota exception for cartridge charging and loading operations, Code 4767 - Cartridge charging or loading & drivers. It should be noted that we will continue to retain Code 4767 as a classification exception in Minnesota. Item B-1347 also eliminates several nonratable element codes and establishes Code 0771 for the statistical filing of nonratable catastrophe loading. Please be advised, however, that nonratable catastrophe element codes do not apply in Minnesota.

The introductory pure premium base rate and rating value associated with Code 4771 will be developed using the transition program outlined in Exhibit III for the one year period defined by the program. In addition, this program provides that employers previously classified by one of the withdrawn codes receive a rate for Code 4771 which is developed by taking the average of the expiring code and the indicated renewal pure premium base rate for Code 4771. It should be noted that a Minnesota exception has been created for Exhibit III as Code 0771 does not apply in Minnesota.

The attached exhibits outline the changes to the Basic Manual and Retrospective Rating Plan Manual necessary to implement this filing. Please note that the exhibits contain underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text. The National Council's original filing memorandum is also attached for your review.

Very truly yours,
MINNESOTA WORKERS' COMPENSATION
INSURERS ASSOCIATION, INC.

M. A. Johnson
Director of Und. Services

EXHIBIT I

BASIC MANUAL

CLASSIFICATIONS

PRESENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

Explosives or Ammunition mfg:
Bag loading - propellant charges &
drivers.....4770
Code 0770 shall be assigned in conjunction
with this code to reflect the nonratable
catastrophe loading. Premium generated by
Code 0770 is not subject to experience rating
or retrospective rating.

Black powder mfg. & drivers.....4799
Includes mixtures in which black powder is the
principal ingredient. Code 0799 shall be
assigned in conjunction with this code to reflect
the nonratable catastrophe loading. Premium
generated by Code 0799 is not subject to
experience rating or retrospective rating.

Cap, primer, fuse, booster, or detonator
assembly & drivers.....4779
Includes mixing of charges or loading.
Explosive mfg. to be separately rated. Code
0779 shall be assigned in conjunction with this
code to reflect the nonratable catastrophe
loading. Premium generated by Code 0779 is
not subject to experience rating or
retrospective rating.

Cartridge charging or loading & drivers.....4775
Includes all operation involving the handling of
explosives or mixing of fulminate. Explosive
or fulminate mfg. to be separately rated. Code
0775 shall be assigned in conjunction with this
code to reflect the nonratable catastrophe
loading. Premium generated by Code 0775 is
not subject to experience rating or
retrospective rating.

MN EXCEPTION:

Cartridge charging or loading & drivers.....4767
Includes all operation involving the handling of
explosives or mixing of fulminate. Explosive
or fulminate mfg. to be separately rated.

KEEP MN EXCEPTION:

Cartridge charging or loading & drivers.....4767
Includes all operation involving the handling of
explosives or mixing of fulminate. Explosive
or fulminate mfg. to be separately rated.

EXHIBIT I
BASIC MANUAL
CLASSIFICATIONS

PRESENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

Fireworks mfg. & drivers.....4779
Fireworks exhibitions to be separately rated as Code 9180. Code 0779 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0779 is not subject to experience rating or retrospective rating.

High explosives mfg. & drivers.....4773
Includes the manufacture of explosives recognized by the Bureau of Explosives as "High Explosives" such as dinitrotoluol, double base powders, dynamite, fulminates, nitroglycerine, nitrostarch, picrates, picric acid, tetryl, and trinitrotoluol. Code 0773 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0773 is not subject to experience rating or retrospective rating.

Projectile, bomb, mine, or grenade loading & drivers.....4776
Cap, primer, fuse, booster, or detonator assembly to be separately rated as Code 4779. Code 0776 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0776 is not subject to experience rating or retrospective rating.

Shell case loading & drivers.....4775
Applies to 20 mm. and over and includes assembling with loaded projectile. Projectile or primer loading to be separately rated. Code 0775 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0775 is not subject to experience rating or retrospective rating.

EXHIBIT I

BASIC MANUAL

CLASSIFICATIONS

PRESENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

Smokeless powder mfg. - single base & drivers.....4774
Includes the mfg. of pyro or nitrocotton. High explosives mfg. to be separately rated as Code 4773. Code 0774 shall be assigned in conjunction with this code to reflect the nonratable catastrophe loading. Premium generated by Code 0774 is not subject to experience rating or retrospective rating.

NONE

NOC & drivers.....4771
Includes the following operations whether conducted by individual enterprises or as combined multiple enterprises: bag loading - propellant charges; black powder mfg.; cap, primer, fuse, booster, or detonator assembly; cartridge charging or loading; fireworks mfg.; high explosives mfg.; projectile, bomb, mine, or grenade loading; projectile or shell mfg.; shell case loading and smokeless powder mfg. - single base.

MN EXCEPTION:

ADD MN EXCEPTION:

NONE
NONE

NOC & drivers.....4771
Includes the following operations whether conducted by individual enterprises or as combined multiple enterprises: bag loading - propellant charges; black powder mfg.; cap, primer, fuse, booster, or detonator assembly; fireworks mfg.; high explosives mfg.; projectile, bomb, mine, or grenade loading; projectile or shell mfg.; shell case loading and smokeless powder mfg. - single base. Cartridge charging or loading to be separately rated as Code 4767.

EXHIBIT II

BASIC MANUAL

DEDUCTIBLE INSURANCE

Table of Classifications by Hazard Group

<u>Code No.</u>	<u>Hazard Group</u>
4770	IV
4771	IV
4773	IV
4774	IV
4775	IV
4776	IV
4779	IV
4799	IV

RETROSPECTIVE RATING PLAN MANUAL

Part Four - F

Table of Classifications by Hazard Group

<u>Code No.</u>	<u>Hazard Group</u>
4770	IV
4771	IV
4773	IV
4774	IV
4775	IV
4776	IV
4779	IV
4799	IV

EXHIBIT III

BASIC MANUAL

STATE SPECIAL RATING PLANS AND PROGRAMS
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PRESENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

NONE

<p><u>Transition Program Applicable to Risks Previously Classified Under Codes 4770, 4773, 4774, 4775, 4776, 4779, and 4799</u></p>
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NONE

Codes affected by this program are explosives manufacturing Codes 4770, 4773, 4774, 4775, 4776, 4779, 4799, which are proposed for deletion, and Code 4771, which is proposed to replace those codes designated for deletion.

NONE

When a policy is written with Code 4771, the applicable loss cost/rate will be determined by taking the average of a) the expiring loss cost/rate (of Codes 4770, 4773, 4774, 4775, 4776, 4779 and 4799) and b) the indicated renewal loss cost/rate for Code 4771. The expiring loss cost/rate will be the loss cost/rate applicable to the explosives manufacturing classification that has the highest estimated annual payroll of all explosives manufacturing classes listed on the expiring policy. This loss cost/rate will not be subject to change based on exposures determined at final audit. The renewal loss cost/rate for Code 4771 will be determined based on standard Basic Manual rules applicable to the rating of renewal policies. The applicable loss cost/rate for nonratable element Code 0771 will be 15% of the loss cost/rate that was developed for Code 4771.

NONE

This transition program is not applicable to the Expected Loss Rate (ELR) or Discount ("D") ratios.

NONE

This transition program will expire within one year from the effective date Code 4771 was approved in a particular jurisdiction.

EXHIBIT III

BASIC MANUAL

STATE SPECIAL RATING PLANS AND PROGRAMS

PRESENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

NONE

Example: State X approves Code 4771 to be effective on 7/1/98. To qualify for this transition program, in addition to having exposure under one or more explosives manufacturing codes listed above, a policy's normal anniversary rating date must be effective on 7/1/98 or effective on 6/30/99 or effective on any date that falls between these two dates.

NONE

Any business previously not rated under an explosives manufacturing code that has been designated for elimination shall not be eligible for rating under this transition program. Under these circumstances, Code 4771's and Code 0771's published loss costs/rates will apply.

MN EXCEPTION:

ADD MN EXCEPTION:

NONE

Transition Program Applicable to Risks Previously Classified Under Codes 4770, 4773, 4774, 4775, 4776, 4779, and 4799

NONE

Codes affected by this program are explosives manufacturing Codes 4770, 4773, 4774, 4775, 4776, 4779, 4799, which are proposed for deletion, and Code 4771, which is proposed to replace those codes designated for deletion.

EXHIBIT III

BASIC MANUAL

STATE SPECIAL RATING PLANS AND PROGRAMS
--

PRESENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

NONE

When a policy is written with Code 4771, the applicable loss cost/rate will be determined by taking the average of a) the expiring loss cost/rate (of Codes 4770, 4773, 4774, 4775, 4776, 4779 and 4799) and b) the indicated renewal loss cost/rate for Code 4771. The expiring loss cost/rate will be the loss cost/rate applicable to the explosives manufacturing classification that has the highest estimated annual payroll of all explosives manufacturing classes listed on the expiring policy. This loss cost/rate will not be subject to change based on exposures determined at final audit. The renewal loss cost/rate for Code 4771 will be determined based on standard Basic Manual rules applicable to the rating of renewal policies.

NONE

This transition program is not applicable to the Expected Loss Rate (ELR) or Discount ("D") ratios.

NONE

This transition program will expire within one year from the effective date Code 4771 was approved in a particular jurisdiction.

NONE

Example: State X approves Code 4771 to be effective on 1/1/99. To qualify for this transition program, in addition to having exposure under one or more explosives manufacturing codes listed above, a policy's normal anniversary rating date must be effective on 1/1/99 or effective on 12/31/99 or effective on any date that falls between these two dates.

NONE

Any business previously not rated under an explosives manufacturing code that has been designated for elimination shall not be eligible for rating under this transition program. Under these circumstances, Code 4771's published

EXHIBIT III
BASIC MANUAL

STATE SPECIAL RATING PLANS AND PROGRAMS
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PRESENT PHRASEOLOGY:

PROPOSED PHRASEOLOGY:

loss costs/rates will apply.