

# 12-0876

**TEXAS DEPARTMENT OF INSURANCE  
EXEMPT FILING NOTIFICATION PURSUANT TO TEXAS INSURANCE CODE  
CHAPTER 5, SUBCHAPTER L, ARTICLE 5.96**

**ADOPTION OF AMENDMENTS TO THE TEXAS BASIC MANUAL OF RULES,  
CLASSIFICATIONS AND EXPERIENCE RATING PLAN FOR WORKERS'  
COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE**

The commissioner of insurance adopts the amendments proposed by the August 16, 2012, TDI staff petition (Reference No. W-0812-06-I). TDI staff proposed to amend Rule IV A. and Appendix B. of the Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance. The commissioner adopts the amendments without changes to the proposed text.

TDI published notice of the proposal in the August 31, 2012, issue of the *Texas Register* (37 TexReg 6941). TDI received no comments and no requests for a hearing on the proposal.

The commissioner adopts the following amendments to the manual:

Rule IV A. is amended to clarify that a carrier may select classification codes to use when issuing a quote or when issuing a new or renewal workers' compensation policy; and a carrier may change, add, and delete classification codes on a workers' compensation policy. When selecting, changing, or adding classification codes for a workers' compensation policy, a carrier may only use classification codes contained in the manual.

Appendix B.1. is amended to delete the provision that requires current policies to show the classifications approved for the expiring policy with payrolls updated to reflect current conditions.

Appendix B.2. is amended to clarify that a carrier may change, add, and delete classification codes on a workers' compensation policy, as long as the carrier uses classification codes contained in the manual.

Appendix B.3. is amended to delete the provision that classification codes assigned by an insurance company to a policy covering an employer who previously was a non-subscriber to the workers' compensation law may be subject to change by TDI. Appendix B.3. is also amended to clarify that a carrier may select classification codes to use when issuing a quote or when issuing a new or renewal workers' compensation policy, as long as the carrier uses classification codes contained in the manual.

Appendix B.4. is deleted.

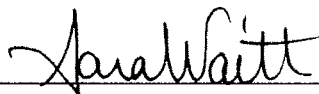
The commissioner has determined that the amendments to the manual are necessary to better conform the manual's instructions to the statutory requirements for workers' compensation classification codes.

A copy of the full text of the staff petition and related exhibits has been on file with the TDI Office of the Chief Clerk since August 16, 2012, and are incorporated by reference into this commissioner's order.

The commissioner adopts the amendments pursuant to Article 5.96 of the Texas Insurance Code. Article 5.96 exempts action taken under this article from the requirements of the Administrative Procedure Act (Government Code, Title 10, Chapter 2001), and authorizes TDI to prescribe, promulgate, adopt, approve, amend, or repeal standard and uniform manual rules, rating plans, classification plans, statistical plans, and policy and endorsement forms for various lines of insurance, including workers' compensation.

TDI certifies that the amendments to the manual have been reviewed by legal counsel and found to be a valid exercise of TDI's authority.

Issued in Austin, Texas, on November 6, 2012.



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Sara Waitt, General Counsel  
Texas Department of Insurance

The commissioner orders that the amendments to the Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance proposed by the staff petition (Reference No. W-0812-06-I) and exhibits attached to and incorporated into this order by reference be effective 15 days after notice of their adoption is published in the *Texas Register*.

**12-0876**

Adoption of Amendments to the Basic Manual  
Workers' Compensation Classification Changes  
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Eleanor Kitzman  
Commissioner of Insurance

Recommended by:



Nancy Moore, Director  
WC Classification and Premium Calculation Office

Commissioner's Order No. **12-0876**  
NOV 06 2012

Current Phraseology

New Phraseology

### RULES

#### RULE IV - CLASSIFICATIONS Item 4 of the Information Page

##### A. GENERAL EXPLANATION

The object of the classification system is to group employers into classifications so that each classification reflects the exposure common to those employers. Subject to certain exceptions described later in this rule, it is the business of the employer within Texas that is classified and not the separate occupations or duties of individual employees within the business.

Changes in classifications of current or expired policies require the approval of the Texas Department of Insurance. The approval will be contingent upon receipt of reliable information from the insurance carrier, the insured, or agent of record. A written description of the insured's operations must accompany all requests for changes in classification. (Refer to Procedures Section of the Appendix)

Schedule rating plans, negotiated modifiers and selective placement of an insured with an insurance company within a company group may be factors used to compensate an employer having employees working under more than one classification.

#### RULE IV - CLASSIFICATIONS Item 4 of the Information Page

##### A. GENERAL EXPLANATION

No change

~~[Changes in classifications of current or expired policies require the approval of the Texas Department of Insurance. The approval will be contingent upon receipt of reliable information from the insurance carrier, the insured, or agent of record. A written description of the insured's operations must accompany all requests for changes in classification. (Refer to Procedures Section of the Appendix)]~~

A carrier may select classification codes to use when issuing a quote or when issuing a new or renewal workers' compensation policy. A carrier may change, add, and delete classification codes on a workers' compensation policy. A carrier may only use classification codes contained in this manual. (Refer to the Procedures Section of the Appendix.)

No change

Current Phraseology

New Phraseology

PROCEDURES

B. CLASSIFICATIONS

1. Policies shall show classifications approved for the expiring insurance and payrolls updated to reflect current conditions.
2. Changes in classifications of current insurance may be made only after approval by this Department. The approval will be conditioned upon receipt by this Department of reliable information from the insurance carrier, the insured, or inspection. A memorandum briefly describing the operations must accompany any classification change or addition. This Department may require the insurance carrier or the insured to submit sworn statements. The effective date of the change in classifications, if any, shall be clearly shown on the reclassification endorsement.
3. Classifications applicable to a policy covering an employer not previously a subscriber to the Workers' Compensation Law may be selected in accordance with the best judgment of the carrier. Classifications may be subject to change by this Department.
4. Where the insurance carrier is in doubt as to the classifications applicable to any given operation which is not described by a classification appearing on the policy, this Department will determine the classification.
5. For risks involving more than one specific location, each classification other than the Standard Exceptions shall be designated against the location to which it applies. Likewise, when a policy covers more than one entity, each entity with corresponding classifications shall be separately scheduled.

B. CLASSIFICATIONS

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1. A carrier may change, add, and delete classification codes on a workers' compensation policy. A carrier may only use classification codes contained in this manual.
- ~~[3. Classifications applicable to a policy covering an employer not previously a subscriber to the Workers' Compensation Law may be selected in accordance with the best judgment of the carrier. Classifications may be subject to change by this Department.]~~
2. A carrier may select classification codes to use when issuing a quote or when issuing a new or renewal workers' compensation policy. A carrier may only use classification codes contained in this manual.
- ~~[4. Where the insurance carrier is in doubt as to the classifications applicable to any given operation which is not described by a classification appearing on the policy, this Department will determine the classification.]~~
- 3[5]. For risks involving more than one specific location, each classification other than the Standard Exceptions shall be designated against the location to which it applies. Likewise, when a policy covers more than one entity, each entity with corresponding classifications shall be separately scheduled.