

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

The Commissioner of Insurance (Commissioner) will hold a public hearing under Docket No. 2721 on November 10, 2010, at 9:30 a.m., in Room 100 of the William P. Hobby Building, 333 Guadalupe Street, in Austin, Texas, to consider a petition by the staff of the Texas Department of Insurance (Department) proposing the adoption of amendments to Rule XIX of the Texas Basic Manual of Rules, Classifications and Experience Rating Plan for Workers' Compensation and Employers' Liability Insurance (Basic Manual) and Part Four – E of the Texas Retrospective Rating Plan Manual for Workers' Compensation and Employers' Liability Insurance (Retro Manual) concerning changes in the number of hazard groups. Staff's petition (Reference No. W-1010-11-I) was filed on October 11, 2010.

Staff requests that the proposed revisions to Rule XIX of the Basic Manual and Part Four – E of the Retro Manual be made effective for workers' compensation policies with an effective date on or after May 1, 2011.

Section 2053.051 and Articles 5.77 and 5.96 of the Texas Insurance Code authorize the filing of the petition and the requested Commissioner's action. Section 2053.051 requires the Department to determine hazards by class. Article 5.77 authorizes the Department to make or approve and promulgate premium rating plans that may be approved on an optional basis to apply prospectively or retrospectively and may include premium discount plans, retrospective rating plans or other systems, plans or formulas. Article 5.96 authorizes the Department 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 insurance.

Staff's petition proposes to add new Section J to Basic Manual Rule XIX, which is the expanded version of the Table of Classifications by Hazard Group. The revised Table of Classifications by Hazard Group expands the number of hazard groups from four to seven and updates the hazard group assignments to Texas classification codes. The proposed revision is necessary to provide a more precise classification of risks into more homogeneous groups, improve the ability to differentiate between classes, obtain optimal pricing accuracy, and distinguish more accurately between risks with high large-loss potential and risks with low large-loss potential.

The petition also proposes an amendment to Section E of Basic Manual Rule XIX, specifying that the Table of Classifications by Hazard Group is located in Basic Manual Rule XIX, Section J.

Additionally, the petition proposes to replace the current Table of Classification by Hazard Group in Part Four – E of the Retro Manual with a revised, expanded Table of Classifications by Hazard Group. The proposed Table of Classifications by Hazard Group in the Retro Manual expands the number of hazard groups from four to seven and updates the hazard group assignments to Texas classification codes. The proposed revision is necessary for the same reasons as the addition of the proposed Table of Classification by Hazard Groups as Section J of Rule XIX in the Basic Manual. The addition of the proposed revised Table of Classification by Hazard Groups to both the Basic and the Retro Manuals is necessary to facilitate the ease of use of both Manuals.

Copies of the full text of the staff petition and the proposed exhibits are available for review in the Office of the Chief Clerk of the Texas Department of Insurance, 333 Guadalupe Street, Austin, Texas, 78714-9104. For further information or to request copies of the petition and proposed exhibits, please contact Sylvia Gutierrez at ChiefClerk@tdi.state.tx.us, (512) 463-6327 (Reference No. W-1010-11-I).

Comments on the proposed amendments may be submitted in writing by 5:00 PM on November 22, 2010, to Gene Jarmon, General Counsel and Chief Clerk, Texas Department of Insurance, P.O. Box 149104, Mail Code 113-2A, Austin, Texas, 78714-9104. An additional copy of the comments should be simultaneously submitted to Nancy Moore, Deputy Commissioner, Workers' Compensation Classification and Premium Calculation Division, Texas Department of Insurance, P.O. Box 149104, Mail Code 105-2A, Austin, Texas, 78714-9104. Interested persons may also submit oral and/or written comments at the hearing.

This notification is made pursuant to Article 5.96 of the Texas Insurance Code, which exempts action taken under this article from the requirements of the Administrative Procedure Act (Government Code, Title 10, Chapter 2001).