

Report on the Hardware Stores and Dealers Study

Excerpt from the WCIRB Classification and Rating Committee Minutes
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Hardware Stores and Dealers Study

8017(7), Stores – hardware – retail
8111(1), Plumbers’ Supplies Dealers – wholesale or retail – gas, steam or hot water equipment – no manufacturing
8111(2), Oil or Gas Well Supplies or Equipment Dealers – store or yard only
8110, Stores – welding supplies – wholesale or retail – including the charging of welding cylinders
8018, Stores – wholesale – N.O.C.
8057, Boat Dealers – all operations
8116, Farm Machinery Dealers or Repair Facilities – shop or outside – including demonstration
8107, Machinery Dealers – N.O.C. – including demonstration and repair
8232(1), Lumberyards – commercial – including counterpersons
8232(2), Building Material Dealers – commercial – including counterpersons
3570, Electric Appliance Mfg. – N.O.C.

Executive Summary

Objective

At the direction of the Classification and Rating Committee, the WCIRB performed a comprehensive review of Classification 8017(7), *Stores – hardware – retail*, including the efficacy of the current classification procedure relative to lumberyards and building material dealers (Classification 8232), electric appliance manufacturing operations (Classification 3570), and display and parts departments at select dealer operations, such as boat dealers (Classification 8057), farm machinery dealers (Classification 8116) and machinery dealers (Classification 8107), as well as the possibility of combining hardware store operations with Classifications 8111(1), *Plumbers’ Supplies Dealers – wholesale or retail*, and 8110, *Stores – welding supplies – wholesale or retail*. The objective of this study is to improve the clarity and accuracy of the existing classification procedures related to hardware stores, dealers and other associated operations, simplify their administration and provide direction as to their application.

Findings

Based on its review, the WCIRB determined:

Part I

1. Employers engaged in the wholesale or retail sale of hardware constitute a distinct and homogenous group that engage in a relatively homogeneous set of operations, and a combined hardware wholesale and retail classification is statistically credible with two years of experience.
2. There is no clear line of demarcation between the operations of employers assigned to Classifications 8017(7), *Stores – hardware – retail*, 8111(1), *Plumbers’ Supplies Dealers – wholesale or retail*, and hardware wholesale operations currently assigned to Classification 8018, *Stores – wholesale*.
3. The loss to payroll ratio of employers assigned to 8017(7) is less than that of all of Classification 8017 and the data is fully credible with two years of experience.
4. The loss to payroll ratio of employers engaged in the sale of hardware and assigned to Classification 8018 is relatively similar to that of employers assigned to Classification 8017(7) and significantly less than that of all employers assigned to Classification 8018.
5. The loss to payroll ratio for Classification 8111(1) is similar to that of employers assigned to Classification 8017(7).
6. There is no clear line of demarcation between the operations of employers engaged in the sale of

hardware that are assigned to Classification 8017(7) and those assigned to Classification 8110, *Stores – welding supplies – wholesale or retail*.

7. The loss to payroll ratio for Classification 8110 is somewhat lower than those for employers assigned to Classification 8017(7), but the experience of Classification 8110 has relatively low statistical credibility.

Part II

1. Classifications 8057, *Boat Dealers*, 8116, *Farm Machinery Dealers or Repair Facilities*, and 8107, *Machinery Dealers*, each direct that parts and display departments that are physically separated from the repair shop be separately classified as 8017(7), *Stores – hardware – retail*. This divided payroll approach has resulted in significant payroll, and in some cases the majority of payroll, being reported in Classification 8017(7). There is no apparent advantage in continuing to bifurcate these industries by separately classifying integral dealership operations as stores.
2. The loss to payroll ratio for the boat dealer parts and display department component of Classification 8017(7) is significantly lower than that for all of Classification 8057, but the statistical credibility of both groups are relatively low. Combining the two segments of boat dealer experience increases the statistical credibility of the experience.
3. The loss to payroll ratio for the farm machinery dealer parts and display department component of Classification 8017(7) is generally comparable to that of all of Classification 8116 and the statistical credibility of both segments are relatively low. Combining both segments of the experience of farm machinery dealers increases the statistical credibility of the experience.
4. The loss to payroll ratio for the parts and display department segment of machinery dealers reported in Classification 8017(7) is generally comparable to that of all of Classification 8107 and combining the two segments of machinery dealer experience increases the statistical credibility.

Part III

1. The data shows that current classification procedures appropriately segregate hardware store experience from building material dealer operation experience; however, the directive in Classification 8232 to separately classify store operations using the Multiple Enterprises Rule can be simplified.
2. Some hardware stores, commercial lumberyards and building material dealers also engage in construction, erection or installation operations. These operations are separately classified based on the *Multiple Enterprises* rule, and in the case of construction, the *General Exclusions* rule; amending the General Exclusions rule to clarify that new construction, remodeling, erection or installation operations shall be separately classified will promote clarity and consistency.

Part IV

1. Employers assigned to Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*, are not a distinct and homogenous group and can be reassigned to one or more existing classifications that best describe the operations performed.

Part V

1. A review of the employers assigned to Classification 3570, *Electric Appliance Mfg.*, found that no operations had been assigned to and no payroll had been reported in Classification 8017(7), *Stores – hardware – retail*, based on the instructions contained in the footnote to Classification 3570.

Recommendations

Based on these findings, the WCIRB recommends:

Part I

1. Establishing Classification 8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail*, to apply to hardware retail and wholesale operations.
2. Eliminating Classification 8017(7), *Stores – hardware – retail*, and assigning the constituents to Classification 8010.
3. Assigning hardware wholesalers currently assigned to Classification 8018, *Stores – wholesale*, to Classification 8010.
4. Eliminating Classification 8111(1), *Plumbers' Supplies Dealers – wholesale or retail*, and assigning the constituents to Classification 8010.
5. Combining Classification 8110, *Stores – welding supplies – wholesale or retail*, with Classification 8010 for ratemaking purposes and limiting the increase in its relativity to 25% per year. Once the classification relativities for Classifications 8110 and 8010 are better aligned, eliminate Classification 8110 and assign the constituents to Classification 8010.

Part II

1. Amending Classifications 8057, *Boat Dealers*, 8116, *Farm Machinery Dealers or Repair Facilities*, and 8107, *Machinery Dealers – N.O.C.*, to include parts and display operations that are currently assigned to Classification 8017(7), *Stores – hardware – retail*.

Part III

1. Removing the directive applying the Multiple Enterprises Rule to the operation of a retail store selling hardware-related items in Classifications 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, and instead directing that these operations, including cashiers who handle transactions for both the building material and hardware operations, be separately classified as 8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail*, and clarifying that drivers who deliver lumber or building materials (as opposed to hardware-related items) are assignable to Classification 8232.
2. Amending Part 3, Section III, *General Classification Procedures*, Rule 6, *General Exclusions*, to direct that new construction, remodeling, erection or installation operations shall be separately classified.

Part IV

1. Eliminating Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*, and assigning its constituents to applicable classifications based on the operations performed by each employer, specifically (1) assigning the employers currently in 8111(2) that sell pipe, tubing or tools to Classification 8010, *Stores – hardware, electrical or plumbing supplies*, (2) assigning the employers currently in 8111(2) that sell new machinery to Classification 8107, *Machinery Dealers*, (3) assigning the employers currently in 8111(2) that sell used oil, gas or water well machinery or equipment, including incidental cleaning operations to prepare items for sale, to Classification 8267, *Machinery and Equipment Dealers – secondhand*, and (4) assigning employers currently in 8111(2) that sell materials such as sand, cement or drilling mud to Classification 8232(2), *Building Material Dealers*, with the potential of also assigning them to the newly established Classification 8010, depending on the operations performed.

Part V

1. Eliminating the footnote to Classification 3570, *Electric Appliance Mfg.*, directing that display and parts departments that are physically separated from the repair shop and sell parts commercially shall be separately classified as 8017(7), *Stores – hardware*.

Introduction

Classification 8017(7), *Stores – hardware*, is applicable to retail hardware stores, as well as display and parts departments at select dealer operations and electric appliance manufacturing operations. Part I of this study reviewed Classification 8017(7) to determine whether the constituents of that classification are distinct from the remainder of employers assigned to Classification 8017 and whether a new classification should be created. Part I also reviewed the classification procedures applicable to hardware wholesale operations currently assigned to Classification 8018, *Stores – wholesale – N.O.C.*, as well as Classifications 8111(1), *Plumbers' Supplies Dealers – wholesale or retail*, and 8110, *Stores – welding supplies – wholesale or retail*, to determine whether these classifications should potentially be combined with the constituents of Classification 8017(7). The criteria used to determine whether to establish a new classification are whether the subgroup of employers (1) represent a distinct and clearly identifiable subgroup, (2) engage in a relatively homogeneous set of operations, (3) have exposure to hazards that clearly differ from employers assigned to other classifications, and (4) are of sufficient size to generate enough data to develop a statistically credible advisory pure premium rate.

Part II of this study reviewed the efficacy of the current classification procedure relative to display and parts departments at the following dealer operations: Classifications 8057, *Boat Dealers*, 8116, *Farm Machinery Dealers or Repair Facilities*, and 8107, *Machinery Dealers*. The feasibility and impact of including display and parts departments currently assigned to Classification 8017(7) in each dealer classification was also reviewed.

Finally, Parts III, IV and V of the study address the impact of the proposed changes on the lumberyards and building material dealers assigned to Classification 8232, the employers assigned to Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*, and the employers assigned to Classification 3570, *Electric Appliance Mfg.*, respectively.

Classification History

Appendix I is a chronologically summarized history of the studied classifications.

Classification Procedures in Other Jurisdictions

Appendix II is a summary of how the National Council on Compensation Insurance (NCCI) and other jurisdictions classify the operations subject to this study.

Part I

Retail and Wholesale Hardware Stores, Plumbers' Supplies Dealers and Welding Supplies Stores

Description of Operations

Classification 8017(7), Stores – hardware – retail

Currently, retail hardware stores are assigned to Classification 8017(7). A retail hardware store typically sells a wide range of merchandise, including but not limited to nails, nuts, bolts, screws, washers, clips, hooks, brackets and fasteners; door locks, hinges and knobs; gas and water fittings, valves and faucets; electrical supplies, circuit breakers, switches and plugs; hand and power tools; plumbing hardware and sprinkler heads; bathroom and kitchen fixtures; screen doors; rope; packaged window blinds; miscellaneous home improvement supplies; and paint and paint supplies. Although Classification 8017(7) is designated as a retail classification, it is common for hardware stores to sell to a variety of customers, including contractors and other professional users, and it is often difficult to discern whether

the majority of gross receipts are from sales to retail customers as defined in Part 3, Section IV, Rule 6b(2) of the USRP.

Classification 8018, Stores – wholesale – N.O.C.

Classification 8018 applies to wholesale stores engaged in the sale of merchandise not more specifically described by another store classification and is assigned to wholesalers that sell hardware merchandise, including but not limited to fasteners, nuts, bolts, brackets, door locks and accessories; cabinet and furniture hardware; pipe fittings and valves; electric cords; portable power tools and hand tools. While some companies that sell hardware clearly sell primarily to wholesale customers and have therefore been assigned to Classification 8018, many hardware stores sell to a blend of wholesale and retail customers.

Classification 8111(1), Plumbers' Supplies Dealers

Plumbers' supplies dealers currently assigned to Classification 8111(1) typically sell pipe, including steel, black iron, plastic and copper pipe; pipefittings, valves, pipe putty and sealants; water filters; drinking fountains; bathroom fixtures, bathtubs and washbasins; water heaters, pumps and boilers; and insulation, ventilating ducts and hand tools. Classification 8111(1) applies to retailers that sell plumbing supplies primarily to the general public and wholesalers that sell primarily to contractors, retailers or other commercial concerns.

It is not uncommon for a plumbing supplies dealer to also sell hardware, hand or power tools and other merchandise that can also be found in many hardware stores. In addition, hardware stores sell plumbing supplies. As a result, there is no clear line of demarcation to consistently distinguish plumbing supply dealers from hardware stores.

Classification 8110, Stores – welding supplies

Welding supplies stores currently assigned to Classification 8110 typically sell supplies such as welding rods, torch tips, gauges, valves, electrodes and electrode holders; hand tools such as wrenches, chisels, hammers, brushes, wires, sockets and screw drivers; welding generators and electric welders; protective clothing and eyewear; and welding gases such as acetylene, oxygen, argon, carbon dioxide, nitrogen, helium and MAP gas. Customers may bring empty cylinders to the store and exchange them for full cylinders, and the empty cylinders may be recharged by store employees. Classification 8110 applies to both wholesale and retail welding supplies stores.

It is not uncommon for a welding supplies store to also sell hardware, hand or power tools and other merchandise that can also be found in many hardware stores. In addition, some hardware stores sell welding supplies. As a result, there is no clear line of demarcation to consistently distinguish welding supply stores from hardware stores.

Classification Analysis

With regard to classifying stores, the Stores Special Industry Classification Procedures direct that the applicable store classification is determined based upon the type of merchandise sold, leased, consigned or auctioned and whether the operations are wholesale or retail.

Type of Merchandise Sold

Pursuant to the Special Industry Classification Procedures, if a store sells more than one type of merchandise, each of which may be subject to a different classification, the store classification is determined based on the highest rated category of merchandise sold, provided that category exceeds twenty-five percent of gross receipts.¹

¹ Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 6, Stores, Subrule b(1), *Type of Merchandise Sold*.

As described above, hardware retailers, plumbing supplies dealers, welding supplies stores and hardware wholesalers sell similar merchandise. Although plumbing supplies dealers and welding supplies stores specialize in plumbing supplies or welding supplies, respectively, there is still significant overlap in the merchandise handled by hardware retailers and wholesalers and plumbing and welding supplies dealers or stores.

Retail vs. Wholesale

For purposes of classifying stores, the term retail is defined as the selling of merchandise to the general public for personal or household consumption or use. The *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) defines wholesale stores as those with gross receipts that are principally (more than 50%) from sales to: retailers; manufacturers, builders, or contractors; industrial, agricultural, commercial, governmental, institutional, or professional users; other wholesalers; or firms acting as agents in buying merchandise for or selling merchandise to such persons or companies as those previously listed. A store that sells merchandise on both a wholesale and a retail basis is assigned to the appropriate store classification, depending on whether the gross receipts are principally (more than 50%) from wholesale or retail sales.² Classification 8017 applies to retailers, Classification 8018 applies to wholesalers, and Classifications 8110, *Stores – welding supplies – wholesale or retail*, and 8111, *Plumbers' Supplies Dealers – wholesale or retail*, apply to both retailers and wholesalers. In reality, many retail hardware stores sell merchandise to contractors and other professional users in addition to the general public for personal or household consumption or use. Further, some hardware wholesalers may sell merchandise to walk-in customers.

In short, hardware retailers, plumbing supplies dealers, welding supplies stores and hardware wholesalers sell similar products to similar customers and are engaged in similar operations that make it difficult to draw a clear line of demarcation between these four types of operations. However, if combined, they form a distinct and homogenous classification. As a result, the WCIRB studied the feasibility of creating a hardware store or dealer classification to include both retail and wholesale operations. Some of these employers also engage in construction, erection or installation operations; these operations are separately classified based on the *Multiple Enterprises* rule and, in the case of construction, the *General Exclusions* rule.

In order to review the exposure and loss experience of hardware wholesalers currently assigned to Classification 8018, WCIRB staff reviewed hundreds of inspection reports and identified about 400 employers engaged in hardware wholesale operations. This group of employers reported about \$1 billion payroll during policy years 2011-2015.

Statistical Analysis

Table 1.1 depicts the Classification Relativity³ Data for the employers that have been inspected by the WCIRB and assigned to Classification 8017(7) as it is currently defined at the policy year 2019 level. As shown in Table 1.1, the experience of employers assigned to 8017(7)⁴ is fully credible with two years of experience and the loss to payroll ratio for this group of employers is less than that of all employers assigned to 8017 (see Appendix III, Table 1).

² Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 6. *Stores*, Subrule b(2) *Wholesale vs. Retail*.

³ The Classification Relativities used in this study are from statewide ratemaking data from the WCIRB's January 1, 2019 Regulatory Filing.

⁴ Currently, Classification 8017 has the following four suffixes: 8017(1), *Stores – retail*; 8017(7), *Stores –hardware*; 8017(8), *Linen Rental or Restroom Supply Services*; and 8017(9), *Product Demonstrators or Sample Distributors*. As part of the study, WCIRB staff reviewed the group of employers assigned to Classification 8017(7). Based on WCIRB inspection reports for hardware retailers with Classification 8017(7) also assigned, staff estimated that during policy years 2011-2015, 829 hardware retail employers had about \$1.5 billion in reported payroll. The data in Classification 8017(7) associated with Classifications 8057, 8116 and 8107 are not included in Table 1.1.

**Table 1.1: Selected Employers Assigned Classification 8017(7)
Retail Hardware Stores
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	481,926,678	9,430,856	1.957
2015	621,769,562	12,277,017	1.975
	1,103,696,240	21,707,871	

Two-Year Average Loss to Payroll Ratio: 1.967

Credibility ⁵	
Indemnity	Medical
1.00	1.00

Table 1.2 depicts the Classification Relativity Data for Classification 8111 as it is currently defined at the policy year 2019 level. As shown, the loss to payroll ratios for this classification are relatively similar to those for Classification 8017(7).

**Table 1.2: Classification 8111
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	167,882,865	2,665,754	1.588
2012	136,179,429	3,004,514	2.206
2013	125,397,433	3,098,030	2.471
2014	142,253,839	1,737,414	1.221
2015	162,908,634	4,130,759	2.536
	734,622,200	14,636,472	

Five-Year Average Loss to Payroll Ratio: 1.992
Selected (Unlimited) Loss to Payroll Ratio⁶: 2.330

Credibility	
Indemnity	Medical
0.81	0.81

⁵ The relativity for each classification in the upcoming policy year is determined based on a comparison of that classification's actual losses per \$100 of payroll and the ratio of losses per \$100 of payroll underlying the current pure premium rate. The "credibilities" assigned to a classification are the statistical weights assigned to that classification's experience as a predictor of future claim experience relative to the loss per \$100 of payroll underlying the classification's current pure premium rate. The predictability or credibilities assigned to a classification's recent historical experience depends on the volume of indemnity and medical claims incurred during the experience period. The WCIRB strives to have classifications that are fully, or 100%, statistically credible based on historical experience over five or fewer years, which means that the classification's relativity in the upcoming policy year can be best estimated using only the loss per \$100 of payroll experience from the latest two-, three-, four- or five-year periods. The WCIRB generally will not recommend the establishment of a new classification if the credibility factors are less than one-half (< 0.50).

⁶ The Selected (Unlimited) Loss to Payroll Ratio is the basis of the pure premium rate and the expected loss rate for the classification(s). It is derived from the loss to payroll experience from the latest two-, three-, four- or five-year periods by taking into account the following: previous year's pure premium rate, credibility, and the impact of atypically large claims, etc.

Table 1.3 depicts the Classification Relativity Data for the Classification 8018 employers that operate hardware wholesale operations at the policy year 2019 level. As shown, the loss to payroll ratios for this group of employers are relatively similar to those of employers assigned to Classification 8017(7), but are significantly less than those for all employers assigned to Classification 8018 (see Appendix III, Table 2).

**Table 1.3: Selected Employers Assigned Classification 8018
Hardware Wholesale Operations
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2012	190,124,708	4,662,304	2.452
2013	184,119,058	5,907,736	3.209
2014	219,493,498	2,837,015	1.293
2015	224,504,431	4,099,457	1.826
	818,241,695	17,506,512	

Four-Year Average Loss to Payroll Ratio: 2.140

Credibility	
Indemnity	Medical
1.00	1.00

Table 1.4 depicts the Classification Relativity Data for Classification 8110 as it is currently defined at the policy year 2019 level. As shown, the loss to payroll ratios for this classification are somewhat lower than those for Classification 8017(7), but the statistical credibility for this classification is low and year-to-year loss to payroll ratios fluctuate.

**Table 1.4: Classification 8110
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	44,220,510	709,422	1.604
2012	49,293,610	401,526	0.815
2013	53,083,182	541,834	1.021
2014	53,899,647	736,064	1.366
2015	48,242,145	1,109,307	2.299
	248,739,093	3,498,154	

Five-Year Average Loss to Payroll Ratio: 1.406
Selected (Unlimited) Loss to Payroll Ratio: 1.466

Credibility	
Indemnity	Medical
0.46	0.41

Table 1.5 depicts the combined Classification Relativity Data for Classifications 8017(7), 8111 and 8110 and the Classification 8018 employers that operate hardware wholesale operations at the policy year 2019 level. As shown, the loss to payroll ratio for the combined group of employers is 1.928 based on

data in policy year 2014 and 2015. This data is fully credible with two years of experience for both indemnity and medical.

**Table 1.5: Hardware, Plumbers' or Welding Supplies Stores or Dealers
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	895,797,447	15,160,631	1.692
2015	1,055,223,183	22,451,837	2.128
	1,951,020,630	37,612,468	

Two-Year Average Loss to Payroll Ratio: 1.928
Selected (Unlimited) Loss to Payroll Ratio: 2.189

Credibility	
Indemnity	Medical
1.00	1.00

Impact Analysis

Table 1.6 depicts the impact on affected policyholders if a new Classification 8010 is created by combining hardware stores currently assigned to Classification 8017(7), plumbers' supplies dealers assigned to Classification 8111, welding supplies stores assigned to Classification 8110 and hardware wholesalers assigned to Classification 8018.

**Table 1.6: Classification 8010
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2019 Level**

Classification	Selected (Ultimate) Ratio	Classification 8010	Difference
8017	2.559	2.189	-0.370 (-14.5%)
8111	2.330	2.189	-0.141 (-6.1%)
8018	4.211	2.189	-2.022 (-48.0%)
8110	1.466	2.189	+0.723 (+49.3%)

As shown in Table 1.6, the impact of creating a new classification is a modest decrease in loss to payroll ratio for employers currently assigned to Classifications 8017 or 8111 and a significant decrease for employers currently assigned to Classification 8018. To mitigate the significant increase in loss to payroll ratio for employers currently assigned to Classification 8110, 8110 can be maintained and combined for ratemaking with Classification 8010 with the indicated annual increase in relativity for Classification 8110 limited to 25% pursuant to standard WCIRB procedure. Once the relativities for 8110 and the new classification are better aligned, Classification 8110 can be eliminated and the constituents reassigned to Classification 8010.

Findings

Based on its review, the WCIRB determined:

1. Employers engaged in the wholesale or retail sale of hardware constitute a distinct and homogenous group that engage in a relatively homogeneous set of operations, and a combined hardware wholesale and retail classification is statistically credible with two years of experience.
2. There is no clear line of demarcation between the operations of employers assigned to Classifications 8017(7), *Stores – hardware – retail*, 8111(1), *Plumbers' Supplies Dealers – wholesale or retail*, and hardware wholesale operations currently assigned to Classification 8018, *Stores – wholesale*.
3. The loss to payroll ratio of employers assigned to 8017(7) is less than that of all of Classification 8017 and the data is fully credible with two years of experience.
4. The loss to payroll ratio of employers engaged in the sale of hardware and assigned to Classification 8018 is relatively similar to that of employers assigned to Classification 8017(7) and significantly less than that of all employers assigned to Classification 8018.
5. The loss to payroll ratio for Classification 8111(1) is similar to that of employers assigned to Classification 8017(7).
6. There is no clear line of demarcation between the operations of employers engaged in the sale of hardware that are assigned to Classification 8017(7) and those assigned to Classification 8110, *Stores – welding supplies – wholesale or retail*.
7. The loss to payroll ratio for Classification 8110 is somewhat lower than those for employers assigned to Classification 8017(7), but the experience of Classification 8110 has relatively low statistical credibility.

Recommendations

Based on these findings, the WCIRB recommends:

1. Establishing Classification 8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail*, to apply to hardware retail and wholesale operations.
2. Eliminating Classification 8017(7), *Stores – hardware – retail*, and assigning the constituents to Classification 8010.
3. Assigning hardware wholesalers currently assigned to Classification 8018, *Stores – wholesale*, to Classification 8010.
4. Eliminating Classification 8111(1), *Plumbers' Supplies Dealers – wholesale or retail*, and assigning the constituents to Classification 8010.
5. Combining Classification 8110, *Stores – welding supplies – wholesale or retail*, with Classification 8010 for ratemaking purposes and limiting the increase in its relativity to 25% per year. Once the classification relativities for Classifications 8110 and 8010 are better aligned, eliminate Classification 8110 and assign the constituents to Classification 8010.

Part II

Boat Dealers, Farm Machinery Dealers and Machinery Dealers

Description of Operations

Boat Dealers

Boat dealers assigned to Classification 8057, *Boat Dealers*, sell new or used boats and accessories to the general public as well as to commercial or professional users. In addition, boat dealers often operate repair departments engaged in the fee-based mechanical, structural or cosmetic repair of boats for customers, including but not limited to cleaning, detailing, inspecting, servicing and performing get-ready, tune-ups and mechanical and hull repairs. It is also common for a boat dealer to maintain a showroom and a parts department that is physically separate from repair operations, although collectively all of these operations are integral to the operations of a boat dealer.

Currently, Classification 8057 is assigned to the service and repair of boats in connection with dealer operations including cleaning, detailing, inspecting, servicing, tune-ups and mechanical and hull repairs. Get-ready operations including rigging, accessory installation and testing are performed on new boats prior to customer delivery.

It is common for a boat dealer to maintain a showroom where display floor salespersons are retained to sell boats to walk-in customers. Activities include greeting customers, describing the units, answering questions and negotiating sales. Some boat salespersons also demonstrate boats on the water.

It is also common for a boat dealer to maintain a parts department that sells various boat parts such as water pumps, seals, bushings, connectors, hoses and other related items, as well as accessories such as wake boards, water skis, helmets, seats, paint, ski rope, boat covers, mirrors, anchors and cleaning supplies. Additionally, the parts department may sell clothing and safety equipment such as shirts, jackets, vests and personal floatation devices.

Classification 8057 directs that display and parts departments and boat salespersons, including salespersons demonstrating boats on the water, shall be separately classified as 8017(7), *Stores – hardware – retail*, provided these operations are physically separated from the repair shop.

Farm Machinery Dealers

Classification 8116, *Farm Machinery Dealers or Repair Facilities*, applies to dealers engaged in the sale or repair of new farm equipment, including but not limited to tractors, balers, combines and implements such as plows, discs and cultivators. This classification also applies to independent farm machinery repair facilities that are not dealers. Repair operations can be performed at the shop or at customers' locations on a fee or warranty basis. This classification includes operating farm machinery for demonstration purposes and the incidental sale of used machinery received as trade-in merchandise.

Service and repair of farm equipment involves tune-ups, oil changes, hose, belt and tire replacement and similar repairs, including removing and replacing worn or defective parts. Welding operations may be performed on repaired farm machines and accessories. Get-ready operations including configuration, accessory installation and testing are performed on new farm equipment prior to customer delivery.

It is common for a farm machinery dealer to maintain a showroom and a parts department. Machinery may be placed on the showroom floor for viewing by customers, and showroom activities include greeting customers, describing the machines, answering questions and negotiating sales. Parts department employees assist in the selection and sale of a wide variety of parts related to dealership activities. Parts are sold commercially or used within the dealer's own repair or service operations and include blades, batteries, hoses, tools, wrenches, belts, grease, paint, gas lines, filters, nuts, bolts, chains, lights, gloves, replacement seats, hydraulic parts and many other components.

Classification 8116 directs that departments for the display and sale of machines or parts that do not engage in machine demonstration shall be separately classified as 8017(7), *Stores – hardware – retail*, provided they are physically separated from the repair shop.

Machinery Dealers

Classification 8107, *Machinery Dealers*, applies to dealers of new machinery, including but not limited to excavators, loaders, graders, conveyors, pumps, generators, mobile cranes, bulldozers, machine tools, welding equipment, industrial motors and engines, food processing equipment, and mining and ore mining equipment. This classification also applies to the demonstration or shop repair of machinery when performed by a machinery dealer and includes the incidental sale of used machinery received as trade-in merchandise.

A machinery dealer usually maintains a repair department for the service and repair of equipment on a warranty or fee basis. Repair operations may involve the disassembly of equipment as necessary to determine damage, after which worn or damaged component parts are replaced and the units are then reassembled and tested to complete. Get-ready operations including configuration, accessory installation and testing are performed on new machinery prior to customer delivery.

It is also common for a machinery dealer to maintain a showroom and a parts department. Showroom activities include greeting customers, describing the machines, answering questions and negotiating sales. A machinery dealer's parts department may be engaged in supplying parts to its own repair shop operation and selling parts and accessories over the counter to walk-in customers. Parts employees assist customers in determining the appropriate parts needed and look up parts within specialty catalogs to ensure the proper part.

Classification 8107 directs that departments for the display and sale of machines or parts that are physically separated from the repair shop and do not engage in machine demonstration shall be separately classified as 8017(7), *Stores – hardware – retail*.

Classification Analysis

In 1972, Classification 8057 was created to establish a unique classification for boat dealerships. However, the parts department employees and the employees retained in the boat display area were assigned to Classification 8017(7), *Stores – hardware – retail*, provided these activities are physically separated from the repair operations.

As described in the Description of Operations section above, it is common for a boat dealer to have parts and display departments and engage in the sale, and sometimes the demonstration, of boats. About 70% of the boat dealers with experience reported in Classification 8057 also had payroll reported in Classification 8017(7). These boat dealers comprise 86% of the total payroll in Classification 8057 in policy years 2011 to 2015. More importantly, these employers reported more payroll in Classification 8017(7) (\$103 million) than in Classification 8057 (\$60 million) during this period. The significant exposure in Classification 8017(7) reported for boat dealers demonstrates that parts and display departments, and the sale and demonstration of boats are all integral operations of boat dealers.

Similar to boat dealers, it is common for a farm machinery dealer to have a parts and display department that would be classified as 8017(7). WCIRB data shows that about 68% of farm machinery dealers also have payroll reported in Classification 8017(7). These farm machinery dealers generated 88% of the total payroll in Classification 8116 in policy years 2011 to 2015. These dealers reported \$195 million payroll in Classification 8017(7), compared with \$277 million in Classification 8116 during this period. The significant exposure in Classification 8017(7) reported for farm machinery dealers demonstrates that parts and display departments, and the sale and demonstration of machinery are all integral operations of farm machinery dealers.

Similarly, many machinery dealers also have parts and display departments that are assigned to 8017(7). WCIRB data shows that about 28% of machinery dealers also have payroll reported in Classification 8017(7). These machinery dealers generated 52% of the total payroll in Classification

8107 in policy years 2011 to 2015, and these employers reported \$193 million in payroll in Classification 8017(7), compared with \$424 million in Classification 8107 during this period. The significant exposure in Classification 8017(7) reported for machinery dealers indicates that parts and display departments, and the sale and demonstration of machinery are all integral operations of machinery dealers.

As parts and display departments and the sale and demonstration of machinery normally prevail in the boat, machinery and farm machinery dealer industries, there is no apparent advantage in continuing to bifurcate these industries by separately classifying integral dealership operations as stores. Further, assigning the entire exposure for boat dealers, machinery dealers and farm machinery dealers to each respective classification would be more consistent with the Single Enterprise rule.⁷

Statistical Analysis

Classification 8057, Boat Dealers

Table 2.1 depicts the Classification Relativity data for all of Classification 8057 as it is currently defined at the policy year 2019 level. As shown, statistical credibility for the classification is relatively low and loss to payroll ratios fluctuate widely from year-to-year.

**Table 2.1: All Classification 8057
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	13,920,585	1,310,320	9.413
2012	13,528,914	517,446	3.825
2013	12,903,937	155,078	1.202
2014	13,164,250	180,865	1.374
2015	15,033,016	1,096,502	7.294
	68,550,702	3,260,209	

Five-Year Average Loss to Payroll Ratio: 4.756
 Selected (Unlimited) Loss to Payroll Ratio: 4.900

Credibility	
Indemnity	Medical
0.46	0.37

⁷ Section III, *General Classification Procedures*, Rule 2, *Single Enterprise*, states that: "[i]f the employer's business, conducted at one or more locations, consists of a single operation or a number of separate operations that normally prevail in the business described by a single classification, the entire exposure of the business shall be assigned to that single classification."

Table 2.2 depicts the Classification Relativity data for the subset of Classification 8017(7) corresponding to parts and display departments operated by boat dealers at the policy year 2019 level:

**Table 2.2: Classification 8017(7)
Parts and Display Departments at Boat Dealers
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	17,814,273	187,766	1.054
2012	20,059,842	383,866	1.914
2013	21,046,879	644,614	3.063
2014	21,337,985	237,538	1.113
2015	25,688,112	727,647	2.833
	105,947,091	2,181,431	

Five-Year Average Loss to Payroll Ratio: 2.059

Table 2.3 depicts the Classification Relativity Data for the subset of Classification 8017(7) corresponding to display and parts departments operated by boat dealers combined with all of Classification 8057 at the policy year 2019 level:

**Table 2.3: Newly Amended Classification 8057
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	31,734,858	1,498,086	4.721
2012	33,588,756	901,312	2.683
2013	33,950,816	799,692	2.355
2014	34,502,235	418,403	1.213
2015	40,721,128	1,824,149	4.480
	174,497,793	5,441,643	

Five-Year Average Loss to Payroll Ratio: 3.118

Selected (Unlimited) Loss to Payroll Ratio: 3.383

Credibility	
Indemnity	Medical
0.57	0.51

As shown in Tables 2.1 and 2.2, the loss to payroll ratio for the Boat Dealer parts and display department component of Classification 8017(7) is significantly lower than the loss to payroll ratio for all of Classification 8057, but the statistical credibility of both groups are relatively low. As shown in Table 2.3, combining the experience of the two segments of boat dealer operations increases the statistical credibility of the experience.

Classification 8116, Farm Machinery Dealers or Repair Facilities

Table 2.4 depicts the Classification Relativity Data for all of Classification 8116 as it is currently defined at the policy year 2019 level:

**Table 2.4: Classification 8116
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	55,479,418	788,345	1.421
2012	60,181,577	1,784,489	2.965
2013	60,198,916	988,846	1.643
2014	64,287,665	2,208,582	3.435
2015	71,476,842	1,453,238	2.033
	311,624,417	7,223,501	

Five-Year Average Loss to Payroll Ratio: 2.318
Selected (Unlimited) Loss to Payroll Ratio: 2.529

Credibility	
Indemnity	Medical
0.66	0.56

Table 2.5 depicts the Classification Relativity data for the subset of Classification 8017(7) corresponding to parts and display departments operated by farm machinery dealers at the policy year 2019 level:

**Table 2.5: Classification 8017(7)
Parts and Display Departments at Farm Machinery Dealers
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	61,708,963	1,410,423	2.286
2012	45,183,813	1,736,770	3.844
2013	29,807,190	592,611	1.988
2014	30,634,773	603,159	1.969
2015	31,593,051	863,127	2.732
	198,927,790	5,206,090	

Five-Year Average Loss to Payroll Ratio: 2.617

Table 2.6 depicts the Classification Relativity Data for Classification 8116 when combined with the component of Classification 8017(7) related to the parts and display departments operated by farm machinery dealers at policy year 2019 level:

**Table 2.6 Newly Amended Classification 8116
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	117,188,381	2,198,768	1.876
2012	105,365,390	3,521,259	3.342
2013	90,006,106	1,581,457	1.757
2014	94,922,438	2,811,741	2.962
2015	103,069,893	2,316,365	2.247
	510,552,208	12,429,589	

Five-Year Average Loss to Payroll Ratio: 2.435
Selected (Unlimited) Loss to Payroll Ratio: 2.667

Credibility	
Indemnity	Medical
0.79	0.70

As shown in Tables 2.4 and 2.5, the loss to payroll ratios for the farm machinery dealer parts and display department component are generally comparable to the loss to payroll ratios for all of Classification 8116, and the statistical credibility of both segments are relatively low. Combining both segments of the farm machinery dealer experience increases the statistical credibility.

Classification 8107, Machinery Dealers – N.O.C.

Table 2.7 depicts the Classification Relativity Data for all Classification 8107 as it is currently defined at the policy year 2019 level:

**Table 2.7: Classification 8107
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	129,102,463	2,482,710	1.923
2012	140,259,213	3,214,393	2.292
2013	150,075,464	2,662,376	1.774
2014	172,820,430	3,995,245	2.312
2015	209,137,696	2,055,036	0.983
	801,395,267	14,409,758	

Five-Year Average Loss to Payroll Ratio: 1.798
Selected (Unlimited) Loss to Payroll Ratio: 2.081

Credibility	
Indemnity	Medical
0.91	0.82

Table 2.8 depicts the Classification Relativity data for the component of Classification 8017(7) pertaining to the parts and display departments operated by machinery dealers at the policy year 2019 level:

**Table 2.8: Classification 8017(7)
Parts and Display Departments at Machinery Dealers
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	39,852,843	415,498	1.043
2012	41,696,802	669,917	1.607
2013	33,929,537	962,516	2.837
2014	43,732,643	497,055	1.137
2015	38,109,637	588,279	1.544
	197,321,462	3,133,265	

Five-Year Average Loss to Payroll Ratio: 1.588

Table 2.9 depicts the Classification Relativity Data for Classification 8107 when combined with the component of Classification 8017(7) related to the machinery dealer parts and display departments at the policy year 2019 level:

**Table 2.9 Newly Amended Classification 8107
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	168,955,306	2,898,208	1.715
2012	181,956,015	3,884,310	2.135
2013	184,005,001	3,624,892	1.970
2014	216,553,073	4,492,300	2.074
2015	247,247,333	2,643,315	1.069
	998,716,729	17,543,027	

Five-Year Average Loss to Payroll Ratio: 1.757

Selected (Unlimited) Loss to Payroll Ratio: 2.014

Credibility	
Indemnity	Medical
0.99	0.91

As shown in Tables 2.7 and 2.8, the loss to payroll ratios for the parts and display department subset are generally comparable to the loss to payroll ratios for all of Classification 8107, and combining the two segments of machinery dealer experience increases the statistical credibility.

Impact Analysis

Tables 2.10 through 2.12 depict the impact on affected policyholders if Classifications 8057, *Boat Dealers*, 8116, *Farm Machinery Dealers or Repair Facilities*, and 8107, *Machinery Dealers*, were each amended to also include parts and display departments.

**Table 2.10: Newly Amended Classification 8057
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2018 Level**

Current Classification	Select (Ultimate) Ratio	Classifications 8057 (Amended)	Difference
8057	4.900	3.383	-1.517 (-31.0%)
8017	2.559	3.383	0.824 (+32.2%)

As shown in Table 2.10, the loss to payroll ratio for Classification 8057 would decrease 31% if the experience of 8057 on an unlimited basis is combined with that of the parts and display departments operated by boat dealers from Classification 8017(7). (Classification relativity changes are typically limited to 25%.) The impact on dealers with both dealer repair shop operations and parts and display departments would depend on the proportion of each type of operation.

**Table 2.11: Newly Amended Classification 8116
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2019 Level**

Current Classification	Select (Ultimate) Ratio	Classifications 8116 (Amended)	Difference
8116	2.529	2.667	+0.138 (+5.5%)
8017	2.559	2.667	0.108 (+4.2%)

As shown in Table 2.11, the loss to payroll ratio for Classification 8116 would increase 5.5% if the experience of 8116 is combined with that of the parts and display departments operated by farm machinery dealers from Classification 8017(7).

**Table 2.12: Newly Amended Classification 8107
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2019 Level**

Current Classification	Select (Ultimate) Ratio	Classifications 8107 (Amended)	Difference
8107	2.081	2.014	-0.067 (-3.2%)
8017	2.559	2.014	-0.545 (-21.3%)

As shown in Table 2.12, the loss to payroll ratio for Classification 8107 would decrease 3.2% if the experience of 8107 is combined with that of the parts and display departments operated by machinery dealers from Classification 8017(7).

Tables 2.13 and 2.14 depict the potential impact on affected policyholders currently assigned to Classifications 8017 or 8018 if the proposed new hardware store class (8010) is established and parts and display departments are included in dealer operations (Classifications 8057, 8116 and 8107).

**Table 2.13: Classification 8017 (Remaining)
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2019 Level**

Classification 8017 (Current)	Classification 8017 (Remaining)	Difference
2.559	2.575	+0.016(+0.6%)

**Table 2.14: Classification 8018 (remaining)
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2019 Level**

Classification 8018 (Current)	Classification 8018 (Remaining)	Difference
4.211	4.316	+0.105(+2.5%)

As shown on Tables 2.13 and 2.14, the impact of these proposed changes on employers that would continue to be assigned to Classifications 8017 or 8018 is small.

Findings

Based on its review, the WCIRB determined:

1. Classifications 8057, *Boat Dealers*, 8116, *Farm Machinery Dealers or Repair Facilities*, and 8107, *Machinery Dealers*, each direct that parts and display departments that are physically separated from the repair shop be separately classified as 8017(7), *Stores – hardware – retail*. This divided payroll approach has resulted in significant payroll, and in some cases the majority of payroll, being reported in Classification 8017(7). There is no apparent advantage in continuing to bifurcate these industries by separately classifying integral dealership operations as stores.
2. The loss to payroll ratio for the boat dealer parts and display department component of Classification 8017(7) is significantly lower than that for all of Classification 8057, but the statistical credibility of both groups are relatively low. Combining the two segments of boat dealer experience increases the statistical credibility of the experience.
3. The loss to payroll ratio for the farm machinery dealer parts and display department component of Classification 8017(7) is generally comparable to that of all of Classification 8116 and the statistical credibility of both segments are relatively low. Combining both segments of the experience of farm machinery dealers increases the statistical credibility of the experience.
4. The loss to payroll ratio for the parts and display department segment of machinery dealers reported in Classification 8017(7) is generally comparable to that of all of Classification 8107 and combining the two segments of machinery dealer experience increases the statistical credibility.

Recommendations

Based on these findings, the WCIRB recommends:

1. Amending Classifications 8057, *Boat Dealers*, 8116, *Farm Machinery Dealers or Repair Facilities*, and 8107, *Machinery Dealers – N.O.C.*, to include parts and display operations that are currently assigned to Classification 8017(7), *Stores – hardware – retail*.

Part III Hardware Stores and Classification 8232

Many hardware stores are operated in connection with dealer operations assigned to Classifications 8232(1), *Lumberyards*, or 8232(2), *Building Material Dealers*.⁸ Currently these 8232 classifications direct that operation of a retail store for the sale of various products, including but not limited to hardware, tools, electrical appliances, housewares and paint shall be separately classified as 8017(7), *Stores – hardware – retail*, in accordance with the provisions of the Multiple Enterprises rule. Unlike display and parts departments commonly found at boat dealers, farm machinery dealers or machinery dealers, the hardware stores associated with building material dealers or lumberyards are engaged in the sale of hardware, tools, electrical appliances and other hardware-related items and compete directly with other hardware stores. WCIRB staff reviewed the application of the Multiple Enterprise rule and assessed its effectiveness with regard to hardware stores, lumberyards and building material dealers.

Some hardware stores, building material dealers and lumberyards also engage in construction, erection or installation operations; these operations have appropriately been separately classified based on the *Multiple Enterprises* rule and, in the case of construction, the *General Exclusions* rule. These construction, erection or installation operations could in fact occur in connection with other types of stores, in addition to hardware stores.

Table 3.1 summarizes the payroll and losses reported for employers assigned to Classification 8232, as well as their associated payroll and losses in Classification 8017.

Table 3.1: Hardware Stores and Building Material Dealers

Classification	Number of Employers	Payroll (\$000)	Losses (\$000)	Loss to Payroll Ratio
Data in 8232 for building material dealers <u>without</u> 8017	1,709	2,795,108	106,461	3.81
Data in 8232 for building material dealers with 8017	527	1,398,650	42,074	3.01
Data in 8017 for building material dealers with 8017	527	1,310,198	26,642	2.03

As shown in Table 3.1, for policy years 2011-2015, 1,709 employers assigned to Classification 8232 did not have payroll reported in Classification 8017, while 527 employers did. On average, the 527 employers with payroll reported in both Classifications 8232 and 8017 had approximately the same amount of payroll reported in the two classifications, although their loss to payroll ratios were different. The portion of lumberyards and building material dealers that had payroll reported in Classification 8017 is significant, and the loss to payroll ratio for these store operations is similar to that of other hardware stores and significantly less than that of lumberyards and building material dealers. As a result, the WCIRB recommends continuing to separately classify the store operations rather than combining the data in Classification 8232 with the associated data in Classification 8017. However, staff believes that the current procedure in Classification 8232 directing that store operations be separately classified in

⁸ Classification 8232 currently includes the following three alternative wordings:

- Classification 8232(1), *Lumberyards – commercial – including counterpersons*: This classification applies to commercial lumberyards engaged in the sale of lumber, plywood, moldings, paneling and incidental building materials. This classification also applies to incidental cutting of lumber to length.
- Classification 8232(2), *Building Material Dealers – commercial – including counterpersons*: This classification applies to the sale of building materials, including but not limited to sand, gravel, cement, brick, fencing wire, wallboard, doors, roofing paper, paneling, decorative stone, foundation piers, pipe and button board.
- Classification 8232(3), *Fuel and Material Dealers – N.O.C. – including counterpersons*: This classification applies to dealers of solid combustible fuel materials, including but not limited to coal, charcoal, firewood, bark, sawdust and wood chips. This classification also applies to dealers of compost and green waste materials, including incidental composting.

accordance with the provisions of the Multiple Enterprises Rule⁹ is complex and should be simplified by removing reference to the Multiple Enterprises Rule and clearly directing which employees or operations should be separately classified.

Findings

Based on its review, the WCIRB determined:

1. The data shows that current classification procedures appropriately segregate hardware store experience from building material dealer operation experience; however, the directive in Classification 8232 to separately classify store operations using the Multiple Enterprises Rule can be simplified.
2. Some hardware stores, commercial lumberyards and building material dealers also engage in construction, erection or installation operations. These operations are separately classified based on the *Multiple Enterprises* rule, and, in the case of construction, the *General Exclusions* rule. Amending the General Exclusions rule to clarify that new construction, remodeling, erection or installation operations shall be separately classified will promote clarity and consistency.

Recommendations

Based on these findings, the WCIRB recommends:

1. Removing the directive applying the Multiple Enterprises Rule to the operation of a retail store selling hardware-related items in Classifications 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, and instead directing that these operations, including cashiers who handle transactions for both the building material and hardware operations, be separately classified as 8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail*, and clarifying that drivers who deliver lumber or building materials (as opposed to hardware-related items) are assignable to Classification 8232.
2. Amending Part 3, Section III, *General Classification Procedures*, Rule 6, *General Exclusions*, to direct that new construction, remodeling, erection or installation operations shall be separately classified.

Part IV

Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*

In Part I, the WCIRB recommended eliminating Classification 8111(1) *Plumbers' Supplies Dealers – wholesale or retail*, and assigning the employers currently assigned to 8111(1) to the recommended new hardware classification (Classification 8010). The WCIRB also reviewed the operations of the 19 employers currently assigned to Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*. This classification applies to dealers of oil or gas well supplies or equipment, including but not limited to drill collars, drill bits, bushings, casings, drill pipe, sucker rods, pipe tongs, blowout preventers, compressors, subsurface oil well pump parts, vacuum pumps, tubing, valves, gasoline engines, generators, gaskets, lubricants, drilling fluids, well cleaning chemicals, sand, cement, belting stock, hand tools, chain, wire rope and pipe fittings. This classification also applies to dealers of water well supplies or equipment.

The operations of some of the employers currently assigned to Classification 8111(2) that sell hardware, pipe, pipe fittings and tools, but no machinery, are contemplated in the proposed new hardware classification. In addition, the WCIRB believes that the remaining employers currently assigned to Classification 8111(2) are assignable to other existing classifications, depending on the operations performed by each employer, which would result in Classification 8111(2) also being eliminated.

⁹ The existing language directs that hardware stores in connection with building material dealers and lumberyards shall be separately classified ... *in accordance with the provisions of the Multiple Enterprises rule*.

Impact Analysis

The impact of reassigning constituents from Classification 8111(2) to other applicable classifications is displayed in Table 4.1 below.

Table 4.1 Potential Impact on Employers in Classification 8111(2)

Constituents	Current Class Selected (Unlimited) Ratio	Destination Class	Destination Class Selected (Unlimited) Ratio	Impact (%)
Sell hardware, pipe, pipe fittings and tools but not machinery ¹⁰	2.330	8010	2.189	-6.1%
Sell new machinery	2.330	8107	2.014	-13.6%
Sell used oil, gas or water well machinery or equipment	2.330	8267	5.348	+129.5%
Sell materials including sand, cement or drilling mud ¹¹	2.330	8232	4.871	+109.1%

Finding

Based on its review, the WCIRB determined:

1. Employers assigned to Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*, are not a distinct and homogenous group and can be reassigned to one or more existing classifications that best describe the operations performed.

Recommendation

Based on this finding, the WCIRB recommends:

1. Eliminating Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*, and assigning its constituents to applicable classifications based on the operations performed by each employer, specifically (1) assigning the employers currently in 8111(2) that sell pipe, tubing or tools to Classification 8010, *Stores – hardware, electrical or plumbing supplies*, (2) assigning the employers currently in 8111(2) that sell new machinery to Classification 8107, *Machinery Dealers*, (3) assigning the employers currently in 8111(2) that sell used oil, gas or water well machinery or equipment, including incidental cleaning operations to prepare items for sale to Classification 8267, *Machinery and Equipment Dealers – secondhand*, and (4) assigning employers currently in 8111(2) that sell materials such as sand, cement or drilling mud to Classification 8232(2), *Building Material Dealers*, with the potential of also assigning them to the newly established Classification 8010, depending on the operations performed.

Part V

Electric Appliance Mfg.

Classification 3570, *Electric Appliance Mfg.*, applies to the manufacture or repair of electric appliances, including but not limited to lighting apparatus, flashlights, heating elements, battery chargers, battery

¹⁰ Some of the employers that would have operations reassigned to Classification 8010 may have a portion of their operations separately classified as 8232 based on the instructions contained in the footnote to Classification 8010.

¹¹ Some of the employers that would have operations reassigned to Classification 8232 may have a portion of their operations separately classified as 8010 based on the instructions contained in the footnote to Classification 8232.

pack assemblies and domestic appliances such as vacuum cleaners, food processors and hair dryers. Classification 3570 has a footnote directing that display and parts departments that are physically separated from the repair shop and sell parts commercially shall be separately classified as 8017(7), *Stores – hardware*.

Finding

Based on its review, the WCIRB determined:

1. A review of the employers assigned to Classification 3570, *Electric Appliance Mfg.*, found that no operations had been assigned to and no payroll had been reported in Classification 8017(7), *Stores – hardware – retail*, based on the instructions contained in the footnote to Classification 3570.

Recommendation

Based on this finding, the WCIRB recommends:

1. Eliminating the footnote to Classification 3570, *Electric Appliance Mfg.*, directing that display and parts departments that are physically separated from the repair shop and sell parts commercially shall be separately classified as 8017(7), *Stores – hardware*.

Appendix I

8017(7), Stores, hardware – retail

- 1915: Classification 8010, *Hardware Stores – retail*, and Classification 8017, *Store Risks – retail*, *exclusively*, are original Manual classifications.
- 1962: Based on feedback from employers selling building materials (Classification 8232) and operating onsite hardware stores that requested that store operations be separately classified, the Classification and Rating Committee advised WCIRB staff to study the issue.
- 1963: The WCIRB proposed that the phraseology for Classification 8232(2) be amended to direct that a retail store selling products such as hardware, tools, electrical appliances, housewares and paint be assigned to Classification 8010.
- 1964: The Classification and Rating Committee recommended amendments to Classification 8232 allowing store operations at 8232 operations to be assigned to store classifications.
- 1970: The Classification and Rating Committee reviewed several store classifications and the Mercantile Operations rule and recommended that Classification 8010 be eliminated and its constituents assigned to Classification 8017, *Store Risks – retail – N.O.C.*
- 1976: Classification 8017(7) was established, including a footnote providing that the classification shall include incidental sales to builders, contractors or professional users.
- 2016: The phraseology for Classification 8017(7) was amended to clarify its intended application and include locksmith operations performed at fixed or outside locations.

8110, Stores – welding supplies

- 1977: Classification 8018(3), *Stores – welding supplies – wholesale or retail – including the charging of welding cylinders*, was created in response to two Classification and Rating Committee appeals contesting the assignment of welding supply stores to Classification 8018.
- 1989: Classification 8018(3) was eliminated and its constituents reassigned to newly established Classification 8110, *Stores – welding supplies – wholesale or retail – including the charging of welding cylinders*.

8111(1), Plumbers' Supplies Dealers – wholesale or retail – gas, steam or hot water equipment – no manufacturing, and 8111(2), Oil or Gas Well Supplies or Equipment Dealers – store or yard only

- Prior to 1973, operations were assigned to Classification 8111, *Plumbers' Supplies Dealers*, and Classification 8114, *Oil or Gas Well Supplies*.
- 1973: Classification 8114 was eliminated and its constituents reassigned to 8111 because of the close similarity in operations conducted by employers assigned to 8114 and 8111, particularly with regard to the sale of pipe, pipe fittings and valves.
- 1975: Classification 8111(1), *Plumbers' Supplies Dealers*, was established.
- 1975: Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*, was established.

8018, Stores – wholesale

- 1915: Classification 8018, *Store Risks – wholesale and retail, (not otherwise classified)* is an original Manual classification.
- 1958: The Classification and Rating Committee considered a recommendation from WCIRB staff to assign all electronic parts wholesalers by analogy to Code 8010, *Hardware Stores*, and at the same time amend the Underwriter's Guide to provide: "Electrical Hardware and Parts Dealers – Classification 8010." WCIRB staff initially reviewed this issue due to several protests from wholesale electronics dealers requesting Classification 8010 instead of 8018. Staff determined that a great number of risks assigned to Classification 8018 were retail hardware stores and therefore considered if Classification 8010 should be amended to include wholesale as well as retail hardware stores. Because the Committee believed that the wholesale hardware stores assigned to Classification 8018 were more similar in nature to other wholesale stores than to retail hardware stores, the Committee rejected staff's recommendation. Additionally, it was decided that if such an amendment were made, it might lead to similar requests from other types of store operations currently assigned to Classification 8018.
- 1962: An employer protested the assignment of Classification 8018 to its operations and requested that the WCIRB consider assigning 8010, *Hardware Stores*, to stores engaged in the sale of radio or television parts in keeping with National Council procedure. However, it was decided that the Classification and Rating Committee had considered this subject in 1958 and at that time agreed to continue the use of 8018 for operations of this type.
- 1964: The Classification and Rating Committee was advised that WCIRB staff had been requested on numerous occasions to define what is meant by wholesale. Staff submitted a recommended definition of wholesale and retail for the Committee's review. The Committee did not feel that they should adopt a general rule as to what is meant by wholesale and retail. They did feel, however, that the following should be used as a general guide by the WCIRB:
 - The term "retail" normally applies to the sale of items over the counter to the general public. Storage, warehousing, purchasing and trucking are a minor part of the exposure.
 - The term "wholesale" normally applies to the sale of items to other than the general public, and not out of what is usually considered a retail store. This will ordinarily be a large volume operator and will include storage, warehousing, trucking and packaging, which will make up the major portion of the exposure.
- 1975: An employer, operating as a ship chandler engaged in receiving, sorting and distributing "ship supplies" such as bulk provisions, case lots, engine room supplies, deck supplies, hardware, first aid supplies and canteen supplies, protested the assignment of Classification 8018 before the Classification and Rating Committee and requested Classification 8017, *Stores – hardware—retail*. Classification 8018 was affirmed but the WCIRB was directed to inspect several ship chandlers.
- 1989: The definitions of "wholesale" and "retail" were reviewed, and it was determined that to strengthen the definitions and provide for a more equitable system for classifying combination wholesale a retail stores, store classifications should be assigned on the basis of whether the gross receipts are principally (more than 50%) from retail sales or wholesale sales, as previously any wholesale sales assigned an employer to the wholesale classification.
- 1999: WCIRB staff studied the percentages used in assigning store classifications to ensure that the method of classifying stores by analyzing percentages of various types of merchandise sold, and who they are sold to, is reasonable, consistent and clearly documented. As a result of the study the Stores Special Industry Classification Procedures were revised to (1) incorporate the definitions of "wholesale" and "retail" (as they were previously in the Rulings and Interpretations

Supplement to the USRP), (2) state that if a store sells more than one type of merchandise, the store classification shall be determined based on the highest rated category of merchandise sold, provided that category exceeds 25% of gross receipts, and (3) require that automobile service and repair operations be separately rated when conducted on a fee basis.

8057, Boat Dealers

- 1948: The Classification and Rating Committee ruled that the renting of boats on inland lakes and rivers should be assigned to 9180, *Amusement Parks*.
- 1950: The Classification and Rating Committee ruled that the operations of mooring docks for the anchorage of pleasure-type boats should be assigned to 9016, *Amusement Parks*. This classification included general maintenance of docking area, sale of gasoline, and ship chandlers' stores, cleaning of boats and conducting other services for the convenience of customers.
- 1962: The Classification and Rating Committee adopted a procedure for classifying boat dealers, which assigned the payroll of all sales, including yachts, motorboats, sailboats, rowboats, motors, boat fixtures and hardware, water skiing equipment, life jackets and sporting equipment, such as fishing rods and reels, to Code 8748, *Automobile Salesmen*, and the payroll of the repair department, including motors and boat hulls, to Code 8391, *Automobile Dealers – all other employees*.
- 1972: Classification 8057 was established after a study conducted by WCIRB staff revealed that boat dealerships with various operations had been classified by analogy to Classifications 8748, *Automobile Salespersons* (all sales operations), 8391, *Automobile Dealers – all other employees* (repair operations), 3828, *Automobile or Automobile Truck Parts Machining and Rebuilding – N.P.D.* (boat engine repair shops), 7241, *Boat Building* (boat hull and related engine repairs), and 9180 or 9016, *Amusement Parks*, depending upon the extent of the operations. The erection of Classification 8057 acted to consolidate boat dealer operations. It was recommended that the display and sale of boats and equipment related to the boat industry be separately classified as 8017(7), *Stores – hardware – retail*, provided these activities were physically separated from boat repair operations. The operations of boat anchorages and boat rental enterprises conducted as a separate business venture were assigned to Classification 9016, *Amusement Parks*.

8116, Farm Machinery Dealers or Repair Facilities – shop or outside – including demonstration

- 1939: Classification 8116 was established and then amended later in 1939 to remove the term “all operations” to make possible the segregation of parts departments when qualified. Prior to the establishment of 8116, constituents were assigned to Classifications 8107, *Machinery Dealers*, and 3724, *Farm Machinery*.

8107, Machinery Dealers – N.O.C. – including demonstration and repair

- 1937: Classification 8107, *Machinery Dealers*, was established.

Appendix II

Classification Procedures in Other Jurisdictions

The WCIRB reviewed how other jurisdictions classify the operations reviewed in this study. This review focuses on National Council on Compensation Insurance (NCCI), Texas and New York requirements.

NCCI retains the following classifications for operations covered in this study:

- Classification 8010, *Store – Hardware*. This classification is assignable to retail and wholesale stores.
- Classification 8111, *Plumbers' Supplies Dealer & Drivers to wholesale or retail dealers of gas, steam, or hot water equipment*. This classification shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to Code 8111 are conducted as a separate and distinct business. The NCCI does not retain an alternate wording for Classification 8111 for oil or gas well supplies.
- Classification 8116, *Farm Machinery Dealer – All Operations & Drivers*.
- Classification 8107, *Machinery Dealer NOC – Store or Yard & Drivers*. This classification has two alternate phraseologies: *Oil or Gas – Well – Supplies or Equipment Dealer – New – Store or Yard Only & Drivers* and *Contractors Machinery Dealer & Drivers*.
- Unlike California, the NCCI does not retain Classification 8057, *Boat Dealers*. The sale of boats is assigned to Classification 8748, *Automobile – Salespersons*.

Texas retains the following classifications for operations covered in this study:

- Classification 8017, *Hardware Store – Wholesale & Drivers*. Note that Classification 8017 in Texas has many phraseologies.
- Classification 8107, *Plumbers Supplies Dealer & Drivers*, for wholesale or retail dealers of gas, steam, or hot water equipment, including steel pipe, valves and fittings, hardware, plumbing and heating, sheet metal, water well equipment and mill supplies.
- Classification 8107, *Store – Hardware – Wholesale & Drivers*
- Classification 8107, *Machinery Dealer NOC & Drivers*
- Classification 8748, *Boats and Motors – Pleasure Craft – Sales*, this is an alternate wording to 8748, *Automobile Salespersons*.
- Unlike California, Texas does not retain suffixed classifications, but does retain classifications with multiple phraseologies.

New York retains the following classifications for operations covered in this study:

- Classification 7998, *Hardware Store – Retail*
- Classification 7999, *Hardware Store – Wholesale*
- Classification 8111, *Plumbers' Supplies Dealer & Drivers*
- Classification 8391, *Automobile Sales or Service Agency – All Operations – & Drivers Services*
- Classification 8116, *Farm Machinery Dealer – All Operations – & Drivers*
- Classification 8107, *Machinery Dealer NOC – Store or Yard – & Drivers*

Appendix III

Table 1 depicts the Classification Relativity Data for Classification 8017 as it is currently defined at the policy year 2019 level:

**Table 1: Classification 8017
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	11,567,691,948	243,746,576	2.107
2015	10,957,171,823	263,359,482	2.404
	22,524,863,771	507,106,058	

Two-Year Average Loss to Payroll Ratio: 2.251
 Selected (Unlimited) Loss to Payroll Ratio: 2.559

Credibility	
Indemnity	Medical
1.00	1.00

Table 2 depicts the Classification Relativity Data for Classification 8018 as it is currently defined at the policy year 2019 level:

**Table 2: Classification 8018
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	4,877,311,491	173,289,320	3.553
2015	5,694,303,363	208,402,159	3.660
	10,571,614,853	381,691,479	

Two-Year Average Loss to Payroll Ratio: 3.611
 Selected (Unlimited) Loss to Payroll Ratio: 4.211

Credibility	
Indemnity	Medical
1.00	1.00

Recommendation

Amend Part 3, Section III, *General Classification Procedures*, Rule 6, *General Exclusions*, to direct that new construction, remodeling, erection or installation operations shall be separately classified.

PROPOSED

Section III – General Classification Procedures

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6. General Exclusions

Subject to division of payroll rules, the following operations are excluded from all classifications, including Standard Exceptions, unless specifically included in the language of the classification. Operations described by general exclusions shall require division of payroll, notwithstanding that the classification wording may include the term *all* as in such phrases as *all employees, all operations, etc.*

- a. Aircraft operation – all members of the flying crew.
- b. New construction, remodeling, erection or installation work, whether done by the insured's employees or by contractors.
- ~~b.c.~~ Maintenance or repair work if performed by contractors, ~~and all new construction or alteration work whether done by the employer's employees or by contractors.~~
- ~~c.d.~~ Foundry operations.
- ~~d.e.~~ Asbestos abatement.
- ~~e.f.~~ Day care services if provided by the employer primarily for the use of its employees' dependents.
- f.g. Unmanned Aircraft System (aerial drone) operation – aircraft system and payload total combined weight of 55 pounds or heavier – all members of the operating crew. Operating crew members working remotely from an office location with no exposure outside of the clerical office shall be classified as 8810, *Clerical Office Employees*, subject to the Standard Exceptions rule.

* * * * *

Recommendation

Establish Classification 8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail*, as part of the *Stores Industry Group*, to apply to the sale of hardware, electrical and plumbing supplies to wholesale and retail customers.

PROPOSED

STORES

STORES – HARDWARE, ELECTRICAL OR PLUMBING SUPPLIES – wholesale or retail **8010**

This classification applies to the sale of hardware, electrical or plumbing supplies, including but not limited to nails, screws and threaded fasteners; hand or power tools; door or lock hardware; electrical wire, conduit, switches, outlets and circuit breakers; new or used gas or water fittings, pipe, valves, faucets and filters; bathroom fixtures, water heaters, boilers, insulation and ventilating ducts. This classification also applies to the sale of oil, gas or water well supplies, such as pipe (new or used), tubing, flanges, fittings and valves, and includes incidental cleaning operations to prepare the pipe for sale.

This classification also applies to locksmith operations performed at fixed or outside locations.

When lumber sales exceed 10% of gross receipts, employees, other than store cashiers, engaged in handling or delivering lumber shall be separately classified as 8232(1), *Lumberyards*.

When building material sales exceed 10% of gross receipts, employees, other than store cashiers, engaged in handling or delivering building materials shall be separately classified as 8232(2), *Building Material Dealers*.

Dealers of oil or gas well machinery or equipment shall be classified as 8107, *Machinery and Equipment Dealers – N.O.C.*, or 8267, *Machinery and Equipment Dealers – secondhand*.

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Recommendation

Eliminate Classification 8111(1), *Plumbers’ Supplies Dealers*, and assign its constituents to Classification 8010, *Stores – hardware, electrical or plumbing supplies*.

PROPOSED

PLUMBERS’ SUPPLIES DEALERS – wholesale or retail – gas, steam or hot water equipment – no manufacturing **8111(1)**

This classification applies to dealers of plumbing supplies, including but not limited to steel, black iron, plastic, copper or transite pipe, pipe fittings, valves, pipe putty or sealants, water filters, bathroom fixtures, bathtubs, washbasins, drinking fountains, water heaters, pumps, boilers, insulation, ventilating ducts and hand tools.

This classification also applies to the sale of used pipe, including incidental cleaning operations to prepare pipe for sale.

Dealers of oil or gas well supplies or equipment shall be classified as 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*.

* * * * *

Recommendation

Eliminate Classification 8111(2), *Oil or Gas Well Supplies or Equipment Dealers*, which is part of the *Petroleum Industry Group*, and assign its constituents to Classifications 8010, *Stores – hardware, electrical or plumbing supplies*, 8107, *Machinery Dealers*, 8267, *Machinery and Equipment Dealers – secondhand*, or 8232(2), *Building Material Dealers – commercial – including counterpersons*, depending on the operations performed.

PROPOSED

PETROLEUM INDUSTRY

~~OIL OR GAS WELL SUPPLIES OR EQUIPMENT DEALERS – store or yard only~~ 8111(2)

~~This classification applies to dealers of oil or gas well supplies or equipment, including but not limited to drill collars, drill bits, bushings, casings, drill pipe, sucker rods, pipe tongs, blowout preventers, compressors, subsurface oil well pump parts, vacuum pumps, tubing, valves, gasoline engines, generators, gaskets, lubricants, drilling fluids, well cleaning chemicals, sand, cement, belting stock, hand tools, chain, wire rope and pipe fittings. This classification also applies to dealers of water well supplies or equipment.~~

~~This classification also applies to the sale of used oil or gas well supplies or equipment, including incidental cleaning operations to prepare items for sale.~~

~~Installation and erection operations shall be separately classified.~~

~~Dealers of plumbers' supplies shall be classified as 8111(1), *Plumbers' Supplies Dealers*.~~

* * * * *

Recommendation

Eliminate Classification 8017(7), *Stores – hardware*, and assign its constituents to Classifications 8010, *Stores – hardware, electrical or plumbing supplies*, 8107, *Machinery Dealers*, 8116, *Farm Machinery Dealers or Repair Facilities*, or 8057, *Boat Dealers*, depending on the operations performed.

PROPOSED

STORES

~~STORES – hardware – retail~~ 8017(7)

~~This classification applies to stores engaged in the sale of hardware items, including but not limited to nails, nuts, bolts, screws, washers, clips, hooks, brackets and fasteners; door locks, hinges and knobs; gas and water fittings, valves and faucets; electric circuit breakers, switches and plugs; and hand and power tools.~~

~~In accordance with the provisions of the Multiple Enterprises rule, this classification shall be assigned to hardware stores operated in connection with lumberyards and building material dealers. For purposes of applying the Multiple Enterprises rule, the receipt of the payment for building material merchandise shall not be considered an interchange of labor with the building material dealer.~~

~~This classification also applies to locksmith operations performed at fixed or outside locations.~~

* * * * *

Recommendation

Amend Classification 8057, *Boat Dealers*, to clarify its application.

PROPOSED

BOAT DEALERS —all operations

8057

This classification applies to the sale of new or used boats, including but not limited to yachts, motorboats, sailboats and rowboats. This classification ~~also applies to~~ includes boat display and parts departments, the demonstration of boats on the water and the service or repair of boats in connection with dealer operations, including but not limited to cleaning, detailing, inspecting, servicing, and performing get-ready, tune-ups and mechanical and hull repairs.

Boat marina ~~and/or~~ boat rental operators shall be classified as 9016(4), *Boat Marina and Boat Rental Operation*.

Boat repair facilities that are not boat dealers shall be classified as 6834, *Boat Building or Repairing*.

The sale of personal watercraft shall be classified as 8400, *Motorcycle Dealers or Repair Facilities*. Personal watercraft are motorized vessels, including waterbikes, designed to carry one to three riders.

~~Display and parts departments that are physically separated from the repair shop and boat salespersons, including salespersons demonstrating boats on the water, shall be separately classified as 8017(7), *Stores — hardware*.~~

* * * * *

Recommendation

Amend Classification 8107, *Machinery Dealers*, to clarify its application and provide direction as to how related operations should be classified.

PROPOSED

MACHINERY AND EQUIPMENT DEALERS – N.O.C. —including demonstration and repair

8107

This classification applies to dealers of new machinery or equipment, including but not limited to excavators, loaders, graders, conveyors, pumps, generators, mobile cranes, bulldozers, machine tools, welding equipment, industrial motors ~~and/or~~ engines, oil or gas well equipment, food processing equipment and mining ~~and/or~~ ore milling equipment, that are not more specifically described by another classification. This classification ~~also applies to~~ includes the display and sale of machines, equipment or parts and the demonstration, get-ready or shop repair of machinery or equipment when performed by a machinery the dealer. This classification also includes the incidental sale of used machinery received as trade-in merchandise.

Dealers whose sales of used machinery exceed 25% of gross receipts shall be classified as 8267, *Machinery and Equipment Dealers – secondhand*.

The sale of farm equipment shall be classified as 8116, *Farm Machinery Dealers or Repair Facilities*.

~~The sale of new or used oil or gas well supplies or equipment shall be classified as 8111(2), *Oil*~~

~~or Gas Well Supplies or Equipment Dealers.~~

Installation, service or repair operations away from the employer's premises shall be separately classified as 3724(1), *Millwright Work*.

~~Departments for the display and sale of machines or parts that are physically separated from the repair shop and do not engage in machine demonstration shall be separately classified as 8017(7), *Stores — hardware*.~~

* * * * *

Recommendation

Amend Classification 8116, *Farm Machinery Dealers or Repair Facilities*, to clarify its application.

PROPOSED

FARM MACHINERY DEALERS OR REPAIR FACILITIES – shop or outside – including demonstration

8116

This classification applies to dealers engaged in the sale or repair of new farm machinery or equipment, including but not limited to tractors, balers, combines and implements ~~including such as~~ plows, discs and cultivators. This classification also applies to independent farm machinery repair facilities that are not dealers. Repair operations can be performed at the shop or at customers' locations on a job or warranty basis. This classification includes the display and sale of machines, equipment or parts and the operation of farm machinery for demonstration purposes. This classification also includes the incidental sale of used machinery received as trade-in merchandise.

Dealers whose sales of used machinery exceed 25% of gross receipts shall be classified as 8267, *Machinery and Equipment Dealers – secondhand*.

The sale of non-agricultural machinery shall be classified as 8107, *Machinery and Equipment Dealers*.

~~Departments for the display and sale of machines or parts that are physically separated from the repair shop and do not engage in machine demonstration shall be separately classified as 8017(7), *Stores — hardware*.~~

* * * * *

Recommendation

Amend Classification 8232(1), *Lumberyards*, to clarify its application and provide direction as to how related operations should be classified.

PROPOSED

LUMBERYARDS – commercial – including counterpersons

8232(1)

This classification applies to commercial lumberyards engaged in the sale of lumber, plywood, moldings, paneling ~~and/or~~ incidental building materials. This classification ~~also applies to~~ includes incidental cutting of lumber to length and delivery of lumber.

The operation of a ~~retail~~ store for the sale of ~~various products, including but not limited to hardware, tools, housewares, paint and electrical appliances or plumbing supplies~~ shall be separately classified as ~~8017(7)~~8010, *Stores – hardware, electrical or plumbing supplies* in accordance with the Multiple Enterprises rule. ~~For purposes of applying the Multiple Enterprises rule, the receipt of payment for lumberyard merchandise shall not be considered interchange of labor with the lumberyard, and drivers shall be classified as 8232(1). Cashiers who work in support of hardware, electrical or plumbing supplies sales in addition to lumber sales shall be classified as 8010.~~

The sale of building materials, including secondhand building materials, shall be classified as 8232(2), *Building Material Dealers*.

Dealers of solid combustible fuel materials ~~and/or~~ soil amendments shall be classified as 8232(3), *Fuel and Material Dealers*.

The processing of logs into shingles or rough lumber shall be separately classified as 2710(1), *Sawmills or Shingle Mills*.

Planing of lumber to produce finished lumber, flooring or unassembled millwork shall be separately classified as 2731, *Planing or Moulding Mills*.

The application of preservative treatments to logs or lumber shall be separately classified as 2710(3), *Wood Treating or Preserving*.

* * * * *

Recommendation

Amend Classification 8232(2), *Building Material Dealers*, to clarify its application and provide direction as to how related operations should be classified.

PROPOSED

BUILDING MATERIAL DEALERS – commercial – including counterpersons

8232(2)

This classification applies to the sale of building materials, including but not limited to sand, gravel, cement, drilling mud, brick, fencing wire, wallboard, doors, roofing paper, paneling, decorative stone, ~~and foundation piers, pipe and button board.~~ This classification includes delivery of building materials.

This classification also applies to the sale of used building materials, including incidental cleaning, trimming or cutting operations to prepare items for sale.

The operation of a ~~retail~~ store for the sale of ~~various products, including but not limited to~~

hardware, tools, electrical appliances, housewares, and paint or plumbing supplies shall be separately classified as ~~8017(7)~~8010, *Stores – hardware, electrical or plumbing supplies*, in accordance with the provisions of the Multiple Enterprises rule. For purposes of applying the Multiple Enterprises rule, the receipt of the payment for building material merchandise shall not be considered interchange of labor with the building material dealer. Cashiers who work in support of hardware, electrical or plumbing supplies sales in addition to building material sales shall be classified as 8010.

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Recommendation

Amend Classification 3570, *Electric Appliance Mfg.*, to clarify its application.

PROPOSED

ELECTRIC APPLIANCE MFG. – N.O.C.

3570

This classification applies to the manufacture or repair of electric appliances, including but not limited to lighting apparatus, flashlights, heating elements, battery chargers, battery pack assemblies and domestic appliances such as vacuum cleaners, food processors and hair dryers.

~~Display and parts departments that are physically separated from the repair shop and sell parts commercially shall be separately classified as 8017(7), *Stores – hardware*.~~

* * * * *

Recommendation

Amend Classification 8267, *Machinery and Equipment Dealers*, to clarify its intended application and provide direction as to how related operations should be classified.

PROPOSED

MACHINERY AND EQUIPMENT DEALERS – secondhand – including incidental reconditioning or repairing

8267

This classification applies to dealers of secondhand machinery ~~and~~or equipment, including but not limited to excavators, loaders, graders, conveyors, bull-dozers, mobile cranes, machine tools, farm machinery ~~and~~or equipment, and welding, mining, food processing, ~~mining and well drilling or~~ ore milling equipment.

Dealers whose sales of new machinery ~~and~~or equipment, other than farm machinery ~~and~~or equipment, equal or exceed 75% of gross receipts shall be classified as 8107, *Machinery and Equipment Dealers*.

Dealers whose sales of new farm machinery ~~and~~or equipment equal or exceed 75% of gross receipts shall be classified as 8116, *Farm Machinery Dealers or Repair Facilities*.

The sale of new ~~or used~~ oil, or gas or water well supplies or equipment shall be classified as

~~8111(2), Oil or Gas Well Supplies or~~ 8107, Machinery and Equipment Dealers.

The sale of pipe, tubing, flanges, fittings or valves for oil, gas or water wells, and the sale of used pipe, including incidental cleaning operations to prepare the pipe for sale, shall be classified as 8010, Stores – hardware, electrical or plumbing supplies.

Installation or repair operations away from the employer’s premises shall be separately classified as 3724(1), *Millwright Work*.

* * * * *

Recommendation

Amend Classification 3569, *Electric Motor Mfg. or Repair*, for consistency with other proposed changes.

PROPOSED

ELECTRIC MOTOR MFG. OR REPAIR

3569

This classification applies to the manufacture or repair of electric motors, including the cleaning and rewinding of armatures, field coils, rotors and similar parts.

Dealers that sell ~~and/or~~ repair new electric motors that are used in industrial machinery ~~and/or~~ equipment shall be classified as 8107, *Machinery and Equipment Dealers*.

Dealers that sell ~~and/or~~ repair used electric motors that are used in industrial machinery ~~and/or~~ equipment shall be classified as 8267, *Machinery and Equipment Dealers – secondhand*.

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Recommendation

Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency with other proposed changes.

PROPOSED

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- 8010 Stores–hardware/electrical/plumbing
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- 8017(7) ~~Stores–hardware–retail~~
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- 8107 Machinery/Equipment Dealers

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- 8111(1) Plumbers' Supplies Dealers
- 8111(2) Oil/Gas Well Supplies/Equip Dealers
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