



Pennsylvania Compensation Rating Bureau

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July 10, 2018

VIA SERFF

The Honorable Jessica Altman
Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

Attention: Michael McKinney, Actuarial Supervisor, Property & Casualty Bureau

RE: PCR B Filing No. 293 – Proposed Effective April 1, 2019
Two Proposed Classification Procedural Changes:
(1) Fence Erection Contractors
(2) Kitchenware

Dear Commissioner Altman:

Resulting from a staff review and on behalf of the members of the Pennsylvania Compensation Rating Bureau (PCR B), we hereby submit this filing proposing two changes to classification procedure as set forth in the PCR B Workers' Compensation Manual of Rules, Classifications and Rating Values for Workers' Compensation and Employers Liability Insurance (Basic Manual). These revisions are proposed for policies with effective dates of 12:01 a.m., April 1, 2019 or later. This proposed effective date is intended to make implementation of these changes concurrent with PCR B's normal annual comprehensive loss cost revision filing, which will be filed with the Insurance Department at a later date. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems so that they occur once annually. These proposals will not impact any classification's PCR B loss cost, but will impact the premium of effected employers.

Proposal 1 – Fence Erection Contractors

The first proposal recommends revision to the classification procedure for fence erection contractors. The PCR B presently assigns fence erection to two classifications depending upon the type of fencing erected. The erection of wood and/or vinyl fencing is classified to Code 651, which is formally titled "Carpentry – Commercial Structures" and includes Underwriting Guide entries for "Fence Erection – Wood – Commercial or Residential" and "Vinyl Fence Installation – Commercial or Residential." The erection of metal fencing is classified to Code 658, which is formally titled "Iron Erection or Installation – Ornamental or Non-Structural Only" and includes Underwriting Guide entries for "Fence Erection – Metal" and "Metal Fence Erection – By Specialist Contractor." Metal fencing includes but is not necessarily limited to chain link, woven wire, wrought iron and barbed wire. Staff reviewed an informal appeal filed by a fence erection contractor who opined that his aluminum fence erection work was analogous in terms of process and hazard to the erection of vinyl fencing and therefore should also be classified to Code 651. This prompted staff to review the fence erection industry.

The Honorable Jessica Altman
Commonwealth of Pennsylvania
July 2, 2018
Page 2

Staff concluded from that review that fence erection work involved similar processes irrespective of the type of fencing installed i.e., whether wood, vinyl or metal. Staff concludes and recommends that all types of fence be assigned to the same classification of Code 651. If approved, employers who would be eligible for reclassification from Code 658 to Code 651 or for reassignment of a portion of their Code 658 payroll to Code 651 would receive a rating value reduction of 26.41% on the basis of the approved April 1, 2018 Code 651 and Code 658 loss costs. Although this is slightly above the approved April 1, 2018 maximum permissible decrease for an Industry 2 classification (23%), staff recommends that this proposal still be given consideration for reasons discussed above.

Proposal 2 – Kitchenware Retailers

The second proposal recommends that retail stores principally engaged in the sale of kitchenware be reclassified from Code 925, Hardware Store, Retail, to Code 928, Retail Store, N.O.C., and that wholesale dealers principally engaged in the sale of kitchenware be reclassified from Code 926, Hardware Store, Wholesale, to Code 924, Wholesale Store, N.O.C.

Staff concluded from a review of the historical record that the characterization of kitchenware as a type of hardware in both the Code 925 and Code 926 Basic Manual classification descriptions was an error and should not be continued. Those employers found to be eligible for reclassification from Code 925 to Code 928 will see a rating value increase of 3.7%. This is below the approved April 1, 2018 maximum permissible increase for an Industry 3 classification (26%). Those employers found to be eligible for reclassification from Code 926 to Code 924 will see a rating value increase of 31.5%. Although this adjustment exceeds the approved April 1, 2018 maximum permissible increase parameter for an Industry 3 classification, PCRB feels this proposal should be given consideration given that the current procedure results from an error.

Details of this filing are provided in PCRB's May 30, 2018 staff memorandum, which is included as part of this filing. The memorandum describes and explains the reasoning for the proposed classification procedural changes. The memorandum and proposals were reviewed by the PCRB Classification and Rating Committee at the Committee's May 30, 2018 meeting.

Thank you in advance for your review and attention to this filing. The PCRB welcomes any question that you or the Insurance Department staff may have regarding these proposals.

Sincerely,

William V. Taylor
President

Enclosure: Revisions to Section 2



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TO: Pennsylvania Compensation Rating Bureau (PCRB)
Classification and Rating Committee

FROM: Robert Ferrante – Senior Classification Analyst, Technical Services
PCRB Classification Department

DATE: May 30, 2018

RE: Proposed Section 2 Classification Procedural Revisions:
(1) Fence Erection Contractors
(2) Kitchenware

This memorandum will propose two revisions to classification procedure. These proposals will not impact any classification's proposed April 1, 2019 loss cost but will impact the classification assignment and premium of affected employers. The PCRB recommends that the two classification procedural revisions proposed in this memorandum become effective for policies with effective dates of April 1, 2019 or later.

CLASSIFICATION PROCEDURAL REVISION PROPOSAL #1

CLASSIFICATION APPLICABLE TO FENCE ERECTION CONTRACTORS

The PCRB presently assigns fence erection to two classifications depending upon the type of fencing erected. The erection of wood and/or vinyl fencing is classified to Code 651, which is formally titled "Carpentry – Commercial Structures" and includes Underwriting Guide entries for "Fence Erection – Wood – Commercial or Residential" and Vinyl Fence Installation – Commercial or Residential." As noted in the Underwriting Guide entries, Code 651 applies to wood and/or vinyl fence erection whether performed at a commercial or a residential job site. The erection of metal fencing, whether performed at a commercial or a residential job site, is classified to Code 658, which is formally titled "Iron Erection or Installation – Ornamental or Non-Structural Only" and includes Underwriting Guide entries for "Fence Erection – Metal" and "Metal Fence Erection – By Specialist Contractor." Metal fencing includes but is not necessarily limited to chain link, woven wire, wrought iron and barbed wire. An employer that erects wood and/or vinyl fencing and metal fencing may have payroll divided between Code 651 and Code 658 provided the employer maintains separate payroll records.

PCRB staff reviewed an informal appeal from an employer whose principal business is the sale and erection of fencing. The employer installs wood, vinyl, aluminum and chain link fencing. Staff sustained the assignment of Code 651 to the employer's wood and vinyl fence erect effort, and approved Code 658 for the employer's aluminum and chain link fence erection work. The approved April 1, 2018 PCRB loss costs for Codes 651 and 658 are \$6.24 and \$8.48, respectively. In the informal appeal, the employer opined that the erection of aluminum fencing is analogous in terms of process and hazard to the erection of vinyl fencing and therefore should also be classified to Code 651. The employer noted that the tools required in the erection of both vinyl and aluminum fencing include a post hole digger, shovel, cordless drill and in some cases a hack saw. In the erection of both types of fencing, post holes are dug, the posts are set and the vinyl or aluminum, which is received in panels from the manufacturer or supplier, is slid into the posts and secured with screws. The employer did not appeal the assignment of the employer's chain link fence erection effort to Code 658, or challenge the inclusion of other types of metal fence erection (e.g., wrought iron) in Code 658.

On the basis of existing classification procedure and Manual language, the PCRB disapproved the employer's informal appeal and sustained the assignment of Code 658 to the assignment of the insured's metal fence erection work (i.e., both the aluminum and chain link fence erection). Nonetheless, staff felt that the employer's comments were not without merit, and determined to research the matter further. Staff reviewed the classification procedure for fence erection in other jurisdictions and found that both the National Council on Compensation Insurance, Inc. (NCCI) and the Workers' Compensation Insurance Board of California (WCIRB) have a separate classification for fence erection. The NCCI uses Code 6400, Fence Installation and Repair – Metal, Vinyl, Wood, or Prefabricated Concrete Panel Fence Installed By Hand. The WCIRB also uses the code number 6400 but titles the classification "Fence Construction – Metal or Wood." As indicated in the phraseology of both classifications, NCCI Code 6400 and WCIRB Code 6400 include the erection of all types of fencing i.e., wood, vinyl and metal.

Staff's review of online fence erection instructional videos shows that the erection of wrought iron fencing is similar to the erection of vinyl and aluminum fencing as described by the above referenced employer i.e., post holes are dug, the posts are set and the wrought iron fencing, which is received from suppliers in sections, is attached to the posts and then various components (e.g., gates and latches) are installed. The erection of chain link fencing is reasonably similar as well, with the exception that unlike vinyl, aluminum and wrought iron, the chain link is rolled and stretched between the fence posts.

Staff concludes from this review that the processes involved and the tools used in the erection of all types of fencing, whether wood, vinyl or various types of metal fencing, are reasonably analogous. While staff does not see the need to erect a new and separate classification for fence erection, staff does agree with the approach of assigning all types of fence erection to the same classification as is done by the NCCI and the WCIRB. Staff therefore proposes to discontinue the procedure of assigning metal fence erection to Code 658 and to assign all types of fence erection to Code 651. The PCRB has not received any negative comment regarding the inclusion of certain types of fence erection in Code 651 from employers, agents or brokers, or insurers.

The PCRB has not identified how many employers will be eligible for reclassification from Code 658 to Code 651 or for reassignment of a portion of their Code 658 payroll to Code 651 if this proposal is approved. For those employers found to be eligible for such reclassification or reassignment of payroll, this results in a rating value reduction of 26.41% on the basis of the approved April 1, 2018 Code 651 and Code 658 loss costs. This is slightly above the approved April 1, 2018 maximum permissible decrease for an Industry 2 classification (23%) however staff recommends that this proposal still be given consideration regardless.

SECTION 2 MANUAL LANGUAGE REVISIONS FOR PROPOSAL #1:

Underwriting Guide:

Additions:

To Code 651:

[Metal Fence \(e.g., Aluminum, Chain Link or Wrought Iron\) Erection – Commercial or Residential](#)
[Wood Fence Erection – Commercial or Residential](#)

Changes:

To Code 651:

Fence Erection ~~—Wood~~ All Types – Commercial or Residential

Vinyl Fence ~~Installation~~ Erection – Commercial or Residential

Deletions:

From Code 658:

~~Fence Erection — Metal~~

~~Metal Fence Erection — By Specialist Contractor~~

CLASSIFICATION PROCEDURAL REVISION PROPOSAL #2

CLASSIFICATION APPLICABLE TO RETAIL AND WHOLESALE SELLERS OF KITCHENWARE

The PCRB classifies mercantile employers on the basis of the principal category of merchandise sold. The principal category of merchandise sold is that which generates more than 50% of the employer's revenue. Code 925, Hardware Store, Retail, is applied to employers principally engaged in the retail sale of hardware and Code 926, Hardware Store, Wholesale, is applied to employers principally engaged in the wholesale sale and distribution of hardware. The Code 925 classification description from the Basic Manual reads as follows:

Applies to retail stores principally engaged in selling hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, electrical outlet boxes, switches, fuses, plugs, sockets, hand or portable electric tools, plumbing fixtures, paint, small household electrical appliances, radios, stereo equipment, televisions, video and/or audio equipment, kitchenware, garden tools and equipment such as lawn mowers and snow blowers. Such business may also sell a variety of non-hardware items such as wallpaper and allied supplies, china, glassware, sporting goods or automobile accessories or parts, make keys, sharpen saws, repair storm windows and/or screens and/or rent floor scraping or polishing machines, rug and upholstery cleaning machines and similar equipment.

The Code 926 classification description reads as follows:

Applies to dealers principally engaged in the wholesale selling of hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, hand or portable electric tools, machine tools, small household electrical appliances, stereo equipment, radios, televisions, video and/or audio equipment, kitchenware, mill supplies or garden tools or garden equipment such as lawn mowers or snow blowers. A wholesale hardware dealer may also sell plumbing or electrical supplies.

PCRB staff became interested in the inclusion of kitchenware as a hardware item in the Code 925 and Code 926 classification descriptions in the course of a file review of an employer principally engaged in the sale of kitchenware. Staff's research indicates that the term

“kitchenware” is most commonly defined as the tools or utensils used in the process of food preparation and/or serving. Examples commonly given as kitchenware items include but are not limited to: utensils, cutlery, dinnerware and pots and pans. The term “hardware” is commonly defined as tools, machinery and other durable equipment. Frequently cited examples of hardware include but are not necessarily limited to nails, nuts, bolts and hand tools.

The historical record strongly suggests that the Code 925 and Code 926 classification descriptions were largely modeled on the scope of NCCI Code 8010, Store – Hardware. NCCI Code 8010 applies to both retail and wholesale hardware stores. The current NCCI Code 8010 scope reads in part as follows:

This classification applies to wholesale or retail dealers engaged principally in selling articles such as nails, screws, bolts, washers, gaskets, brackets, locks, hinges, electrical outlet boxes, switches, fuses, plugs, sockets, hand or machine tools, portable electric tools, plumbing fittings and garden tools, supplies and equipment, including lawn mowers and snow blowers.

In addition, hardware stores usually sell a wide variety of incidental “non-hardware” items, such as paint, wallpaper and allied supplies, household electrical appliances, phonographs, radios and television sets, kitchenware, china and glassware, sporting goods and automobile accessories or parts...

Staff notes that in the NCCI Code 8010 scope kitchenware is characterized as a “non-hardware” item. Further, the sale of kitchenware is contemplated by Code 8010 only when such is incidental to an employer’s business i.e., when the sale of kitchenware does not constitute the employer’s principal business. Staff finds that kitchenware is not accurately defined as a type of hardware. Staff also contends that kitchenware is not analogous to the other items listed as hardware in the Code 925 and Code 926 classification descriptions. In staff’s experience, stores that are marketed as hardware dealers are not typically principally engaged in the sale of kitchenware. Staff concludes that the longstanding inclusion of kitchenware as a type of hardware in the Code 925 and Code 926 classification description is likely an error that occurred when the PCRB adopted portions of the language used in the scope of NCCI Code 8010 and should not be perpetuated. Staff recommends that employers principally engaged in the retail sale of kitchenware be classified to Code 928, Retail Store, N.O.C., and that employers principally engaged in the wholesale sale of kitchenware be classified to Code 924, Wholesale Store, N.O.C. Both Code 928 and Code 924 are applied to mercantile business engaged in the sale of merchandise that is not specifically assigned to any other mercantile classification and include a range of mercantile businesses. PCRB finds Codes 928 and Code 924 to be a more reasonable assignment for the sale of kitchenware than Codes 925 and Code 926 because kitchenware is not hardware as the term is commonly defined.

The approved April 1, 2018 PCRB loss costs for Codes 925, 926, 928 and 924 are \$1.62, \$2.35, \$1.68 and \$3.09, respectively. The PCRB has not identified how many employers will be eligible for reclassification from Code 925 to Code 928 or from Code 926 to Code 924 if this proposal is approved. Those employers found to be eligible for reclassification from Code 925 to Code 928 will see a rating value increase of 3.7%. This is below the approved April 1, 2018 maximum permissible increase for an Industry 3 classification (26%). Those employers found to be eligible for reclassification from Code 926 to Code 924 will see a rating value increase of 31.5%. This exceeds the approved April 1, 2018 maximum permissible increase for an Industry 3 classification but again staff feels this proposal should be given consideration in view of the preceding discussion.

SECTION 2 MANUAL LANGUAGE REVISIONS FOR PROPOSAL #2:

925 HARDWARE STORE – Retail

Applies to retail stores principally engaged in selling hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, electrical outlet boxes, switches, fuses, plugs, sockets, hand or portable electric tools, plumbing fixtures, paint, small household electrical appliances, radios, stereo equipment, televisions, video and/or audio equipment, ~~kitchenware,~~ garden tools and equipment such as lawn mowers and snow blowers. ~~Such business may also sell a variety of non-hardware items such as wallpaper and allied supplies, china, glassware, sporting goods or automobile accessories or parts, make keys, sharpen saws, repair storm windows and/or screens and/or rent floor scraping or polishing machines, rug and upholstery cleaning machines and similar equipment.~~

926 HARDWARE STORE – Wholesale

Applies to dealers principally engaged in the wholesale selling of hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, hand or portable electric tools, machine tools, small household electrical appliances, stereo equipment, radios, televisions, video and/or audio equipment, ~~kitchenware,~~ mill supplies or garden tools or garden equipment such as lawn mowers or snow blowers. ~~A wholesale hardware dealer may also sell plumbing or electrical supplies.~~

Underwriting Guide:

Additions:

To Code 928:

[Kitchenware \(e.g., Utensils, Cutlery and Dinnerware\) Store – Retail](#)

To Code 924:

[Kitchenware \(e.g., Utensils, Cutlery and Dinnerware\) Dealer - Wholesale](#)



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TO: Pennsylvania Compensation Rating Bureau (PCRB)
Classification and Rating Committee

FROM: Robert Ferrante – Senior Classification Analyst, Technical Services
PCRB Classification Department

DATE: May 30, 2018

RE: Proposed Section 2 Classification Procedural Revisions:
(1) Fence Erection Contractors
(2) Kitchenware

This memorandum will propose two revisions to classification procedure. These proposals will not impact any classification's proposed April 1, 2019 loss cost but will impact the classification assignment and premium of affected employers. The PCRB recommends that the two classification procedural revisions proposed in this memorandum become effective for policies with effective dates of April 1, 2019 or later.

CLASSIFICATION PROCEDURAL REVISION PROPOSAL #1

CLASSIFICATION APPLICABLE TO FENCE ERECTION CONTRACTORS

The PCRB presently assigns fence erection to two classifications depending upon the type of fencing erected. The erection of wood and/or vinyl fencing is classified to Code 651, which is formally titled "Carpentry – Commercial Structures" and includes Underwriting Guide entries for "Fence Erection – Wood – Commercial or Residential" and Vinyl Fence Installation – Commercial or Residential." As noted in the Underwriting Guide entries, Code 651 applies to wood and/or vinyl fence erection whether performed at a commercial or a residential job site. The erection of metal fencing, whether performed at a commercial or a residential job site, is classified to Code 658, which is formally titled "Iron Erection or Installation – Ornamental or Non-Structural Only" and includes Underwriting Guide entries for "Fence Erection – Metal" and "Metal Fence Erection – By Specialist Contractor." Metal fencing includes but is not necessarily limited to chain link, woven wire, wrought iron and barbed wire. An employer that erects wood and/or vinyl fencing and metal fencing may have payroll divided between Code 651 and Code 658 provided the employer maintains separate payroll records.

PCRB staff reviewed an informal appeal from an employer whose principal business is the sale and erection of fencing. The employer installs wood, vinyl, aluminum and chain link fencing. Staff sustained the assignment of Code 651 to the employer's wood and vinyl fence erect effort, and approved Code 658 for the employer's aluminum and chain link fence erection work. The approved April 1, 2018 PCRB loss costs for Codes 651 and 658 are \$6.24 and \$8.48, respectively. In the informal appeal, the employer opined that the erection of aluminum fencing is analogous in terms of process and hazard to the erection of vinyl fencing and therefore should also be classified to Code 651. The employer noted that the tools required in the erection of both vinyl and aluminum fencing include a post hole digger, shovel, cordless drill and in some cases a hack saw. In the erection of both types of fencing, post holes are dug, the posts are set and the vinyl or aluminum, which is received in panels from the manufacturer or supplier, is slid into the posts and secured with screws. The employer did not appeal the assignment of the employer's chain link fence erection effort to Code 658, or challenge the inclusion of other types of metal fence erection (e.g., wrought iron) in Code 658.

On the basis of existing classification procedure and Manual language, the PCRB disapproved the employer's informal appeal and sustained the assignment of Code 658 to the assignment of the insured's metal fence erection work (i.e., both the aluminum and chain link fence erection). Nonetheless, staff felt that the employer's comments were not without merit, and determined to research the matter further. Staff reviewed the classification procedure for fence erection in other jurisdictions and found that both the National Council on Compensation Insurance, Inc. (NCCI) and the Workers' Compensation Insurance Board of California (WCIRB) have a separate classification for fence erection. The NCCI uses Code 6400, Fence Installation and Repair – Metal, Vinyl, Wood, or Prefabricated Concrete Panel Fence Installed By Hand. The WCIRB also uses the code number 6400 but titles the classification "Fence Construction – Metal or Wood." As indicated in the phraseology of both classifications, NCCI Code 6400 and WCIRB Code 6400 include the erection of all types of fencing i.e., wood, vinyl and metal.

Staff's review of online fence erection instructional videos shows that the erection of wrought iron fencing is similar to the erection of vinyl and aluminum fencing as described by the above referenced employer i.e., post holes are dug, the posts are set and the wrought iron fencing, which is received from suppliers in sections, is attached to the posts and then various components (e.g., gates and latches) are installed. The erection of chain link fencing is reasonably similar as well, with the exception that unlike vinyl, aluminum and wrought iron, the chain link is rolled and stretched between the fence posts.

Staff concludes from this review that the processes involved and the tools used in the erection of all types of fencing, whether wood, vinyl or various types of metal fencing, are reasonably analogous. While staff does not see the need to erect a new and separate classification for fence erection, staff does agree with the approach of assigning all types of fence erection to the same classification as is done by the NCCI and the WCIRB. Staff therefore proposes to discontinue the procedure of assigning metal fence erection to Code 658 and to assign all types of fence erection to Code 651. The PCRB has not received any negative comment regarding the inclusion of certain types of fence erection in Code 651 from employers, agents or brokers, or insurers.

The PCRB has not identified how many employers will be eligible for reclassification from Code 658 to Code 651 or for reassignment of a portion of their Code 658 payroll to Code 651 if this proposal is approved. For those employers found to be eligible for such reclassification or reassignment of payroll, this results in a rating value reduction of 26.41% on the basis of the approved April 1, 2018 Code 651 and Code 658 loss costs. This is slightly above the approved April 1, 2018 maximum permissible decrease for an Industry 2 classification (23%) however staff recommends that this proposal still be given consideration regardless.

SECTION 2 MANUAL LANGUAGE REVISIONS FOR PROPOSAL #1:

Underwriting Guide:

Additions:

To Code 651:

Metal Fence (e.g., Aluminum, Chain Link or Wrought Iron) Erection – Commercial or Residential
Wood Fence Erection – Commercial or Residential

Changes:

To Code 651:
Fence Erection –All Types – Commercial or Residential
Vinyl Fence Erection – Commercial or Residential

Deletions:

From Code 658:

Fence Erection – Metal
Metal Fence Erection – By Specialist Contractor

CLASSIFICATION PROCEDURAL REVISION PROPOSAL #2

CLASSIFICATION APPLICABLE TO RETAIL AND WHOLESALE SELLERS OF KITCHENWARE

The PCRB classifies mercantile employers on the basis of the principal category of merchandise sold. The principal category of merchandise sold is that which generates more than 50% of the employer's revenue. Code 925, Hardware Store, Retail, is applied to employers principally engaged in the retail sale of hardware and Code 926, Hardware Store, Wholesale, is applied to employers principally engaged in the wholesale sale and distribution of hardware. The Code 925 classification description from the Basic Manual reads as follows:

Applies to retail stores principally engaged in selling hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, electrical outlet boxes, switches, fuses, plugs, sockets, hand or portable electric tools, plumbing fixtures, paint, small household electrical appliances, radios, stereo equipment, televisions, video and/or audio equipment, kitchenware, garden tools and equipment such as lawn mowers and snow blowers. Such business may also sell a variety of non-hardware items such as wallpaper and allied supplies, china, glassware, sporting goods or automobile accessories or parts, make keys, sharpen saws, repair storm windows and/or screens and/or rent floor scraping or polishing machines, rug and upholstery cleaning machines and similar equipment.

The Code 926 classification description reads as follows:

Applies to dealers principally engaged in the wholesale selling of hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, hand or portable electric tools, machine tools, small household electrical appliances, stereo equipment, radios, televisions, video and/or audio equipment, kitchenware, mill supplies or garden tools or garden equipment such as lawn mowers or snow blowers. A wholesale hardware dealer may also sell plumbing or electrical supplies.

PCRB staff became interested in the inclusion of kitchenware as a hardware item in the Code 925 and Code 926 classification descriptions in the course of a file review of an employer

principally engaged in the sale of kitchenware. Staff's research indicates that the term "kitchenware" is most commonly defined as the tools or utensils used in the process of food preparation and/or serving. Examples commonly given as kitchenware items include but are not limited to: utensils, cutlery, dinnerware and pots and pans. The term "hardware" is commonly defined as tools, machinery and other durable equipment. Frequently cited examples of hardware include but are not necessarily limited to nails, nuts, bolts and hand tools.

The historical record strongly suggests that the Code 925 and Code 926 classification descriptions were largely modeled on the scope of NCCI Code 8010, Store – Hardware. NCCI Code 8010 applies to both retail and wholesale hardware stores. The current NCCI Code 8010 scope reads in part as follows:

This classification applies to wholesale or retail dealers engaged principally in selling articles such as nails, screws, bolts, washers, gaskets, brackets, locks, hinges, electrical outlet boxes, switches, fuses, plugs, sockets, hand or machine tools, portable electric tools, plumbing fittings and garden tools, supplies and equipment, including lawn mowers and snow blowers.

In addition, hardware stores usually sell a wide variety of incidental "non-hardware" items, such as paint, wallpaper and allied supplies, household electrical appliances, phonographs, radios and television sets, kitchenware, china and glassware, sporting goods and automobile accessories or parts...

Staff notes that in the NCCI Code 8010 scope kitchenware is characterized as a "non-hardware" item. Further, the sale of kitchenware is contemplated by Code 8010 only when such is incidental to an employer's business i.e., when the sale of kitchenware does not constitute the employer's principal business. Staff finds that kitchenware is not accurately defined as a type of hardware. Staff also contends that kitchenware is not analogous to the other items listed as hardware in the Code 925 and Code 926 classification descriptions. In staff's experience, stores that are marketed as hardware dealers are not typically principally engaged in the sale of kitchenware. Staff concludes that the longstanding inclusion of kitchenware as a type of hardware in the Code 925 and Code 926 classification description is likely an error that occurred when the PCRB adopted portions of the language used in the scope of NCCI Code 8010 and should not be perpetuated. Staff recommends that employers principally engaged in the retail sale of kitchenware be classified to Code 928, Retail Store, N.O.C., and that employers principally engaged in the wholesale sale of kitchenware be classified to Code 924, Wholesale Store, N.O.C. Both Code 928 and Code 924 are applied to mercantile business engaged in the sale of merchandise that is not specifically assigned to any other mercantile classification and include a range of mercantile businesses. PCRB finds Codes 928 and Code 924 to be a more reasonable assignment for the sale of kitchenware than Codes 925 and Code 926 because kitchenware is not hardware as the term is commonly defined.

The approved April 1, 2018 PCRB loss costs for Codes 925, 926, 928 and 924 are \$1.62, \$2.35, \$1.68 and \$3.09, respectively. The PCRB has not identified how many employers will be eligible for reclassification from Code 925 to Code 928 or from Code 926 to Code 924 if this proposal is approved. Those employers found to be eligible for reclassification from Code 925 to Code 928 will see a rating value increase of 3.7%. This is below the approved April 1, 2018 maximum permissible increase for an Industry 3 classification (26%). Those employers found to be eligible for reclassification from Code 926 to Code 924 will see a rating value increase of 31.5%. This exceeds the approved April 1, 2018 maximum permissible increase for an Industry 3

classification but again staff feels this proposal should be given consideration in view of the preceding discussion.

SECTION 2 MANUAL LANGUAGE REVISIONS FOR PROPOSAL #2:

925 HARDWARE STORE – Retail

Applies to retail stores principally engaged in selling hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, electrical outlet boxes, switches, fuses, plugs, sockets, hand or portable electric tools, plumbing fixtures, paint, small household electrical appliances, radios, stereo equipment, televisions, video and/or audio equipment, garden tools and equipment such as lawn mowers and snow blowers.

926 HARDWARE STORE – Wholesale

Applies to dealers principally engaged in the wholesale selling of hardware. The term hardware as used in this classification includes but is not necessarily limited to: nails, screws, bolts, washers, gaskets, brackets, locks, hinges, hand or portable electric tools, machine tools, small household electrical appliances, stereo equipment, radios, televisions, video and/or audio equipment, mill supplies or garden tools or garden equipment such as lawn mowers or snow blowers.

Underwriting Guide:

Additions:

To Code 928:

Kitchenware (e.g., Utensils, Cutlery and Dinnerware) Store – Retail

To Code 924:

Kitchenware (e.g., Utensils, Cutlery and Dinnerware) Dealer - Wholesale