



## Pennsylvania Compensation Rating Bureau

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August 1, 2006

### **BUREAU CIRCULAR NO. 1516**

To All Members of the Bureau:

Re: **MANUAL REVISIONS TO SECTIONS 1, 2 and 5 - BUREAU FILING No. 225**  
**APPROVED EFFECTIVE OCTOBER 1, 2006**

- 1) **Proposal for a Separate Classification for Slot Machine Gambling**
- 2) **Code 918, Bakery Shop - Retail, Class Study Results**
- 3) **Housekeeping Revisions – Sections 1, 2 and 5**

The Bureau has filed and the Insurance Commissioner has approved Manual revisions to Sections 1, 2 and 5 pertaining to changes in classification procedure in Pennsylvania. These revisions become **effective as of 12:01 a.m., October 1, 2006** with respect to new and renewal business only.

The revisions, as referenced above, are discussed below.

#### **1) Proposal for a Separate Classification for Slot Machine Gambling**

Act 71 of 2004 (Act 71), the Pennsylvania Race Horse Development and Gaming Act, authorized slot machine gambling in the Commonwealth. As part of Act 71, a Gaming Control Board was created to oversee the slot machine gambling, and 14 slot machine gambling facility licenses were authorized in three categories, specifically seven Category One licenses issued to entities licensed to conduct either thoroughbred or harness race meetings with pari-mutual wagering, five Category Two licenses to be located in Philadelphia (two), Pittsburgh (one) and revenue or tourism enhanced locations (two), and two Category Three licenses for established resort hotels having no fewer than 275 guests rooms and substantial year-round amenities. Indications are that the first licenses may be granted before the end of 2006.

Bureau staff reviewed various other states' classification of slot machine gambling facilities and discovered that each such state identified in our review had created a new, separate classification for such facilities. Since the operations of slot machine gambling facilities are not analogous to any other type of business, this appears to be the most reasonable course.

Other states' slot machine gambling classifications are for all employees including office, i.e., those classifications do not provide for payroll division with the standard exception classifications.

For the initial separate slot machine gambling class rating value, the approved April 1, 2006 Code 968, Amusement – Indoor, rating value, hazard group assignment and expected loss factors have been approved for use.

The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

**SECTION 2**  
**CLASSIFICATIONS**

**Addition**

**981 SLOT MACHINE GAMBLING.**

For all personnel in the slot machine gambling facility including but not limited to: floor attendants, vault cashiers, merchandising clerks, guest service representatives, service technicians, parking valets and money counters.

**Changes**

**969 AMUSEMENT, OUTDOOR:** fairs, exhibitions, amusement parks or any outdoor amusement that is permanently sited. This classification includes ticket sellers or collectors and box office employees.

Payroll developed..... assigned to Code 969.

Assign Code 981 to payroll developed in slot machine gambling operations when conducted in a physically separate department by a separate staff.

Race track ..... rated by Code 970.

**973 HOTEL –** all employees except office, [and] food service or beverage operations and slot machine gambling staffs.

Please see the..... of this class.

The following is a table of the approved loss costs, expected loss factors and hazard group assignments:

CODE	HAZARD GROUP	APPROVED LOSS COST EFF. 10/1/06	APPROVED EXPERIENCE RATING PLAN		
			<u>Expected Loss Factors Table</u>		
			A-1	A-2	A-3
981	II	\$1.51	\$0.69	\$0.90	\$0.99

## SECTION 5

### Rulings and Interpretations

#### Changes

#### HOTEL OR MOTEL OPERATIONS

[Payroll developed in the operations of ski facilities shall be separately classified. Please refer to the Ski Resorts Rulings and Interpretations entry for the proper procedure.]

The two classifications..... see Section 1, Rule IV.

[Codes 973 and 945 apply only to workers directly employed by the hotel or motel and do not include employees of concessionaires or independent contractors operating on the premises. The operations of each concessionaire or independent contractor will be classified solely on the merits of their operations.]

Payroll developed by..... the higher value.

[Employees of either the hotel or hotel restaurant exclusively engaged in clerical offices duties shall be assigned to Code 953.]

#### OPERATIONS ALSO INCLUDED:

1. Religious retreats.

#### OPERATIONS NOT INCLUDED:

1. Please refer to the Ski Resorts Ruling and Interpretation for the classification procedure for such businesses.
2. The businesses of a concessionaire or independent contractor operating on the premises of a hotel or motel will be classified on the merits of their operations.
3. Assign Code 953 to employees of the hotel or hotel restaurant exclusively engaged in clerical office duties.
4. Assign Code 981 to payroll developed by slot machine gambling operations when conducted in a physically separate department by a separate staff.

**Changes** (continued)

**SKI RESORTS**

A ski resort is a multiple enterprise and the appropriate classification shall be assigned to each of the various operations thereof provided each is separately staffed and there is no interchange of employees. Examples of ski resort operations and the applicable classification are listed below:

1. Assign Code 969 [shall be assigned] to [all] payroll developed in the operation of ski lifts, T-bar, rope tows, hill grooming, the maintenance of roads or equipment, the transporting of customers to ski slopes, ski patrols, ski instructors, ticket checkers[,] or sellers, [Code 969 shall also pertain to the payroll of employees engaged in] the maintaining of building facilities, [of] security personnel, [of] and parking lot attendants (not for hotel) [and of ticket sellers].
2. Assign Code 928 to [T]the operation of shops renting skis, toboggans, boots, poles or other skiing equipment [of] or supplies or engaged in the sale of such merchandise [and] or ski clothing [shall be assigned to Code 928].
3. Assign Code 973 [shall be assigned] to all payroll developed in the operations of hotel or dormitory facilities, including the parking of automobiles.
4. Payroll developed in the operation of restaurants and/or bar facilities shall be classified as discussed below. If the ski resort [operation] includes hotel or dormitory facilities, payroll developed in the restaurant or bar operation shall be assigned to Code 945. Assign the applicable restaurant classification [I]in the event the ski resort operates restaurant and/or bar facilities and does not have hotel/ dormitory facilities[, those operations shall be assigned to the applicable restaurant classification]. (Please refer to the Rulings and Interpretations regarding restaurant operations listed elsewhere in this section.)
5. Assign Code 981 to payroll developed in slot machine gambling operations when conducted in a physically separate department by a separate staff.
6. Assign Code 953 to [E]employees engaged in clerical[/]office duties, as defined in Section 1 of this Manual, and having no other regular duty in the course of their employment [shall be assigned to Code 953.]

**Underwriting Guide**

**Additions**

Slot Machine Gambling..... 981

## **2) Code 918, Bakery Shop - Retail, Class Study Results**

The Bureau study of Code 918 was undertaken to determine the classification applicable to donut shops principally engaged in the sale of coffee by-the cup, initiated when a Dunkin Donuts' franchise holder made an informal classification appeal setting forth that changes to the Dunkin Donuts' business plan and customers' attitude towards donuts had produced corresponding changes in the operations of the franchises. Specifically, while such enterprises continued to make and sell donuts, that product was no longer the franchise's principal revenue source, with non-baked goods (in addition to coffee-by-the-cup, coffee-derived drinks, bottled water, fruit or soft drinks, breakfast sandwiches, and coffee by-the-pound) constituting 80 percent of their revenue.

All Code 918 files were reviewed and the five-year payroll and loss data of each group was extracted. Separate t-tests indicated there were no significant statistical differences for reported pure premium, claim frequency and claim severity between the donut shops principally engaged in the sale of coffee by-the-cup and the remainder of either Codes 918 or 897, Fast Food Restaurant. Because of this ambivalent statistical result, staff considered the basic underwriting factor that had led them to approve the informal request for reclassification by the Dunkin Donuts' franchise, as referenced in the preceding paragraph, and found that the informal appellant's operations more closely "fit" the scope of Code 897 than Code 918. Staff has now made the same conclusion for all donut shops principally engaged in selling coffee by-the-cup, that Code 897 is the most appropriate classification for donut shops so engaged.

Analysis has shown that the approved April 1, 2006 rating values for Codes 918 and 897 do not need to be revised and that no revision is needed for Manual language entries.

## **3) Housekeeping Revisions – Sections 1, 2 and 5**

In an effort to continue to make the Manual clearer and less ambiguous by clarifying classification procedures, updating class language to bring it into alignment with other Manual provisions or recognizing technological or industrial change, the following changes are approved:

### ***Revisions to Classification Procedure***

- Underwriting Guide: "Laminating Paper," presently incorrectly assigned to Code 257, Paper Products Mfg., N. O. C., is to be replaced with Code 263, Paper Coating/Finishing.
- Underwriting Guide: Addition of new entry, "Automobile Parts Mfg. – Produced By Machining – 461" and its alphabetical counterpart, "Machined Automobile Parts Mfg., N. O. C. - 461."
- Underwriting Guide: Reassignment of "Day Spa Not Affiliated With A Health Club Or Swimming Pool" from Code 977, Barber Shop, Beauty Parlor Or Hair Styling Salon, to Code 884, Health Or Exercise Club, deleting the phrase "Not Affiliated With A Health Club Or Swimming Pool."

**Section 1**

- Addition of “mall kiosk” to the list of clerks excluded from the definition of Code 953, Office, in Rule IV, Classifications, Paragraph B. 2. a. (1).
- Revise Rule IV, Classifications, Paragraph C. 7. NOC to direct attention to the Definitions Rulings and Interpretations, Section 5 entry for clarification.

**Section 2**

- Revise Codes 608, Flat Cement Work, 609, Excavation, and 659, Roofing, to delete the current class description and add reference to the class’ Section 5 Rulings and Interpretations entry.
- Revise Code 222, Plastic Articles Mfg., N. O. C., to clarify the class’ scope to address questions that have arisen regarding plastic molding techniques. .
- Revise Codes 467, Ball Bearing Mfg., and 918, Bakery Shop, to clarify language.

**Section 5**

- Addition of five new Rulings and Interpretations entries in “Classification Underwriting Guide.”
- Addition of one new Rulings and Interpretations entry under “Auditing.”
- Revision of eight Rulings and Interpretations entries to clarify the classes’ scopes and/or clarify which operations may be also included or operations that are not included.
- Revision of one Rulings and Interpretations entry for the Temporary Staffing Cross-Reference Chart.
- Revision to the Rulings and Interpretations entries for Precision Machined Parts Mfg. – N. O. C. – 446 and Tool Mfg., N. O. C. to correct existing differences in the definition of the former in the two entries.

The proposed Manual revisions are shown below with new wording underlined and deleted wording bracketed.

**SECTION 1**

**UNDERWRITING RULES**

**Changes**

**RULE IV – CLASSIFICATIONS**

**B. CLASSIFICATIONS**

**2. Standard Exception Classification**

- a. **CLERICAL OFFICE EMPLOYEES – Code 953** ..... is assigned.

**Changes** (continued)

- (1) The clerk, such as a counter, front desk, lobby, mall kiosk, time, stock or tally clerk or librarian, whose work is necessary, incidental or part of any operation of the business other than clerical office, shall not be considered a clerical office employee. Such clerk should be assigned to the basic classification of the business.

**C. ASSIGNMENT OF CLASSIFICATIONS**

7. **NOC** [means not otherwise classified. A classification designated "NOC" shall apply only if no other classification more specifically describes the business.] Please see the Definitions Rulings and Interpretations, Section 5.

**SECTION 2**

**CLASSIFICATIONS**

**Changes**

**222 PLASTIC** Articles **MFG.**, N.O.C.

[Includes all] Applicable to plastic molding businesses principally engaged in the molding of any plastic product by any plastic molding technique[s] except for plastic molding businesses principally engaged in injection molding which is assigned to Code 221 [and the] or businesses principally engaged in molding [of] plastic composite products which is assigned to Code 227.

**467 BALL** or Roller **BEARING MFG.**

[For establishments] Applicable to businesses principally engaged in the fabrication of either metal ball or roller bearings. Where a [n insured] business is engaged in the fabrication of either metal ball or roller bearings and these are consumed by the [insured's] business' production process, such operations shall be classified in accordance with the class appropriate to the business [of the employer].

**608 FLAT CEMENT WORK** [ - floors, driveways, yards, sidewalks or curbs. (Self-bearing floors, airport runways, warming aprons, street or road construction to be separately rated.)]

Please see the Rulings and Interpretations, Section 5 for further information on the scope of this class.

**609 EXCAVATION** [ – for cellars or foundations for buildings, bridges, retaining walls and dams, including grading preparatory to building erection.]

Please see the Rulings and Interpretations, Section 5 for further information on the scope of this class.

**Changes** (continued)

**659 ROOFING** [ – No payroll division with Code 676 at the same location or job site.]

Please see the Rulings and Interpretations, Section 5 for further information on the scope of this class.

**918 BAKERY SHOP** – Retail, including on-site preparation, all employees except office.

Appl[i]es cable to [risks] businesses principally engaged in producing bakery products [and risks] or businesses who buy finished bakery products from unrelated producers[.] and the principal [S] sales are over-the-counter for personal or household consumption, either on premises or through satellite outlets.

**SECTION 5**

**Rulings and Interpretations**

**Additions**

**DEFINITIONS**

**TO BE SEPARATELY RATED OR SEPARATELY RATE:** When either of these terms is found in a classification's definition, the payroll of personnel interchanging between that classification's tasks (e.g., shop) and also performing the specified function (e.g., erection, installation) may be divided between that shop class and class(es) designated for the specified function, provided the employer's original records show an allocation to both classifications for each interchanging employee. Estimated or percentage allocation of payroll is not permitted.

**N.O.C.:** Not Otherwise Classified. A classification so designated is to be assigned when there are two or more potential classification assignments, and there is no specific Underwriting Guide entry for a business' principal product or line of merchandise. For example, in the event there is no Underwriting Guide entry for a principal line of merchandise being sold wholesale, the assignment is Code 924.

**FLAT CEMENT WORK – 608**

Applicable to a specialist contractor performing ground-supported concrete work in the construction of houses, including but not necessarily limited to concrete footings, foundation walls, cellar floors, curbs, sidewalks and driveways. Also applicable to constructing ground-supported concrete floors for small commercial buildings and the blacktop paving or repaving of driveways, parking lots, sidewalks or yards. Further applicable to the breakup by use of picks or jack hammers and removal of old ground-supported concrete, digging with shovels, and the set-up and removal of forms by the ground-supported concrete contractor.

**OPERATIONS ALSO INCLUDED:**

1. Mausoleum or monument erection in cemeteries.
2. Diamond core drilling within buildings by a specialist contractor.



**Additions** (continued)

3. Painting lines in parking lots or tennis courts by a specialist contractor.

**OPERATIONS NOT INCLUDED:**

1. Assign Code 601 to the paving or repaving of streets, roads, airport runways or warming aprons.
2. Assign Code 601 to concrete curb or gutter work performed by a street or road paving contractor.
3. Assign Code 654 to the erection/dismantling of forms incident to the pouring of self-bearing floors or any other non-ground supported concrete work.
4. Assign Code 654 to Guniting/Shotcrete installation.
5. Assign Code 855 to concrete pumping services by a specialist contractor.

**EXCAVATION – 609**

Applicable to payroll developed in general excavation, grading, trench digging, filling or backfilling. Such work is performed with power shovels, trench diggers, bulldozers or graders. The business may be a specialist excavation contractor principally engaged in one or more of the listed tasks. The business may be a general contractor employing a separate staff performing one or more of the listed tasks or the business has kept separate payroll records for personnel who interchange between one or more of the tasks listed above and other construction tasks assigned to another construction classification.

**OPERATIONS ALSO INCLUDED:**

1. All methods of clearing or removing brush and/or tree stumps that is not incident to tree removal except for road construction.
2. Excavation and/or grading for parking lots.
3. Blasting services by specialist/independent contractors under contract with unrelated businesses including incident drilling.
4. Cross-country oil or gas pipeline construction.
5. Landfill operation by an independent contractor.

**OPERATIONS NOT INCLUDED:**

1. Assign Code 602 to payroll developed in clearing or removing brush for road construction. Code 602 shall also be assigned to road or street construction subsurface work which involves all work that brings the road up to grade: earth or rock excavation, filling or grading.

**Additions** (continued)

2. Assign the applicable “all work to completion” construction classification when a business is performing work assignable to an “all work to completion” classification. Any excavation work performed by the business incident to an “all work to completion” job or project shall be included in the “all work to completion” construction classification applicable to the job or project.

**ROOFING – 659**

Applicable to specialist contractors performing any type of roofing or reroofing job utilizing any type of roofing material, including but not necessarily limited to hot tar, shingles, slate, tile or rubber on any type of roof, such as flat, sloped or built-up. Also applicable to all personnel working on a roofing job (e.g., ground personnel passing materials to personnel on the roof and picking up debris and personnel on the roof). Further applicable to the waterproofing or insulation of roofs and the pressure washing of roofs.

**OPERATIONS ALSO INCLUDED:**

1. Roof decking and related carpentry work performed by a roofing contractor.

**OPERATIONS NOT INCLUDED:**

1. There is no payroll division between Codes 659 and 676 at the same location or job.

**Changes**

**BAR, TAVERN, COCKTAIL LOUNGE, NIGHTCLUB OR DISCOTHEQUE – 899**

A bar, tavern..... the employer’s operations.

[The term “principally engaged” means more than 50 percent of the establishment’s gross receipts.]

**CABINET WORKS – WITH POWER DRIVEN MACHINERY – 311**

[Applies to payroll developed] Applicable to a business principally engaged in the manufacture of cabinets, cabinet parts or similar wood products in which power-driven machinery is used. Many of the products contemplated by this classification are made to buyers’ or customers’ specifications and require installation. [Separately rate installation work by either Code 646 or Code 648 as provided in the Underwriting Guide.]

**Changes** (continued)

Typical products [covered by]included in this classification include but are not necessarily limited to:

Architectural Vanities	Partitions
Bathroom Vanities	Picture Frames
Bookcases	Restaurant Booths
Bulletin Boards	Room Dividers
Counter Tops	Showcases
Display Cases	Store Counters
Kitchen Cabinets	Toys – Wood
Library Cabinets	Walk-In Refrigerators
Parquet Flooring	

[Also includes payroll developed in the finishing of the products cited above. The term finishing means shellacking, staining, painting, lacquering or varnishing or covering with formica, porcelain or similar materials. Upholstering operations conducted by a separate crew of employees in a physically separate department shall be assigned to Code 327.]

**OPERATIONS ALSO INCLUDED:**

1. Finishing of cabinets, cabinet parts or similar wood products by their manufacturer. The term finishing means shellacking, staining, painting, lacquering or varnishing or covering with formica, porcelain or similar materials.

**OPERATIONS NOT INCLUDED:**

1. Separately rate installation work by either Code 646 or Code 648 as provided in the Underwriting Guide.
2. Assign Code 327 to upholstering operations conducted by a separate employee crew in a physically separate department.

**EMPLOYMENT CONTRACTOR – TEMPORARY STAFFING**

Code 544 chart unchanged.

Code 682 chart unchanged.

Code 929 chart unchanged.

Code 937 chart unchanged.

Code 947 chart **addition: 981**

Code 949 chart unchanged.

**Changes** (continued)

**GROCERY STORE – 917**

Applicable to businesses..... as defined below.

A supermarket is principally engaged in the retail sale of groceries, fresh fruits, vegetables, dairy products, bakery products, frozen foods and in addition thereto will have a meat department that sells fresh and cured meat, fish and/or poultry. A typical supermarket will also sell other merchandise including but not necessarily limited to: soft drinks, soap and other household cleaning items, paper products or cigarettes. A supermarket that is a “super center” may also sell non-grocery merchandise including but not necessarily limited to: cosmetics, toiletries, stationery products, paperback books, greeting cards, women’s hosiery, [prescription or] non-prescription drugs or kitchen supplies (e.g., pots, pans or pot holders).

The classification also contemplates convenience retail grocers principally engaged in the retail sale of groceries, fresh fruits, vegetables, dairy products, bakery products, frozen foods, coffee, tea, spices or delicatessen foods such as cold cuts, salads, pickles, smoked fish or other “appetizers.” Delicatessen stores may also sell coffee by the cup, make sandwiches, prepare salads and/or cook meat such as roast beef, [Virginia] ham, barbecue chicken or spare ribs. A convenience retail grocer may also sell other merchandise including but not necessarily limited to: soft drinks, household cleaning items, paper products, cigarettes or non-prescription drugs.

**OPERATIONS ALSO INCLUDED:**

1. Pharmacy operations conducted by the supermarket at the same or a contiguous location.
2. Bakery operations conducted by the supermarket.

**OPERATIONS NOT INCLUDED:**

1. Assign Code 915 to businesses principally engaged in the retail sale of fresh or cured meats, poultry or fish.
2. The business of a concessionaire or independent contractor operating on the premises of a supermarket will be classified on the merits of their operations.

**LOGGING OR LUMBERING – MECHANIZED TREE FELLING EQUIPMENT – 015**

Applicable to..... of the logging business.

[Sawmill operations conducted by a separate crew of employees shall be assigned to Code 301.]

[Specialist contractors engaged in hauling logs for an unrelated logging or lumbering business(es) shall be assigned to Code 811. Assign Code 301 to log hauling performed by a sawmill business when all logging or lumbering has been outsourced to an unrelated logging or lumbering business(es).]

**Changes** (continued)

**OPERATIONS NOT INCLUDED:**

1. Assign Code 301 to sawmill operations conducted by a separate crew of employees.
2. Assign Code 811 to specialist contractors engaged in hauling logs for an unrelated logging or lumbering business. Assign Code 301 to log hauling performed by a sawmill business when all logging or lumbering has been outsourced to an unrelated logging or lumbering business(es).

**POULTRY AND/OR FISH DEALER/PROCESSOR – 865**

Applicable to employers principally engaged in one or more of the following operations:

The catching of live..... or stuff the product.

[Wholesale poultry and/or fish dealers who perform no cutting or filleting, but who may repackage shall be assigned to Code 924. Poultry dealers who may cut whole poultry into parts on an emergency basis will be construed as non-cutting and assignable to Code 924.]

**OPERATIONS NOT INCLUDED:**

1. Wholesale poultry and/or fish dealers who perform no cutting or filleting, but who may repackage the poultry or fish shall be assigned to Code 924.
2. Poultry dealers who may cut whole poultry into parts on an emergency basis will be construed as non-cutting and assignable to Code 924.

**PRECISION MACHINED PARTS MFG. - N.O.C. – 446**

Applies to a business principally engaged in Precision Machined Parts Mfg., N.O.C. Such term will be defined as applying to a machining business where the plans or specifications require more than 50 percent of [the employer's overall revenue is derived from] all machining operations performed by the employer will [to plans or specifications requiring the machining operations] be held to a final tolerance of plus/minus .001 inches or closer (e.g., .0005 inches) and where more than 50 percent of the [parts] machined parts made by the employer are not assigned to any other manufacturing classification.

A business principally engaged in Precision Machined Parts Mfg., N.O.C., is typically a job shop. A job shop is defined for this classification as a business principally engaged in machining or machining parts for unrelated businesses and that has either no proprietary product(s) or the machining of the business' proprietary product(s) is less than 50 percent of the business' overall machining.

**Changes** (continued)

**OPERATIONS NOT INCLUDED:**

1. The machining of parts for unrelated businesses or the employer's proprietary product(s) where more than 50 percent of the employer's machining operations are held to a final tolerance cruder than plus/minus .001 inches (e.g., .003 inches, .005 inches, .010 inches), and where more than 50 percent of the parts machined by the employer are not assigned to any other manufacturing classification, shall be assigned to Code 461.
2. An employer principally engaged in machining parts or products specifically assigned to any manufacturing classification shall be assigned to that specified manufacturing classification regardless of the final machining tolerance called for by the plans or specifications.

**RETAIL STORE WITH MANUFACTURING CONCERN**

Where a retail outlet is located at the same or contiguous premises as [an insured's]a business' manufacturing facility, [a separate]the applicable retail store classification shall apply to the payroll of the retail outlet provided that such outlet is operated in a work area physically separate [department]from the business' other operations by a floor to ceiling partition and by a separate crew of employees.

**TOOL MFG. - N.O.C. - 441**

Applies to a business principally engaged in machining tool steel or tungsten carbide into [non-forged] tools used for cutting or machining operations on machine shop equipment (e.g., lathes, mills) [, dies or molds which are used to cut or form materials in a press or.]. Also applies to a business principally engaged in making jigs [and]or fixtures used to hold or position work [for]on machine shop equipment. [Also]Further applies to a business principally engaged in machining tool steel or tungsten carbide into molds for [unrelated] plastics or powdered metal molding or nonferrous metal casting [businesses] or dies for [unrelated] wire drawing, metal stamping, plastic or nonferrous metal extrusion [businesses]. The business' machining operations may include but are not necessarily limited to turning, milling, grinding or tapping. The tools, dies or molds may be assembled together, polished, buffed, tested and inspected.

A business principally engaged in the operations discussed above is typically a job shop. A job shop is defined for this classification as a business principally engaged in machining one or more of the above listed products for unrelated businesses and that has either no proprietary product(s) or the business' proprietary product(s) generates less than 50 percent of the business' revenue.

[Also included are employers principally engaged in the manufacture of wood or metal patterns or models and analogous products such as aircraft propeller mfg. – wood, architectural scale models mfg. by a specialist contractor, last form mfg. – wood, or wood carving by hand or machine.]

**Changes** (continued)

**OPERATIONS ALSO INCLUDED:**

1. Employers principally engaged in the manufacture of one or more of the following products: wood or metal patterns, models, aircraft propellers - wood, architectural scale models, last forms – wood, or wood craving by hand or machine.

**OPERATIONS NOT [COVERED]INCLUDED:**

1. through 8. remain unchanged.
9. Precision Machined Parts Mfg. – N.O.C. shall be defined as machining parts where the plans or specifications require more than 50 percent of the employer’s machining operations will be held to a final tolerance of plus/minus .001 inches or closer (e.g., .0005 inches) and where more than 50 percent of the machined parts made by the employer are not assigned to any other manufacturing classification. Businesses so principally engaged shall be assigned to Code 446.
10. [The]Assign Code 461 to an employer where more than 50 percent of the of the employer’s machining of parts [where the]is held to final tolerance(s) [is] cruder than plus/minus .001 inches (e.g., plus/minus .003 inches, .005 inches) and where more than 50 percent of the parts [made]machined by the employer are not assigned to any other manufacturing classification [shall be assigned to Code 461].
11. An employer principally engaged in [M]machining parts or products specifically assigned to any manufacturing classification shall be assigned to that specified manufacturing classification regardless of the final machining tolerance called for by the plans or specifications.
12. Specialist contractors..... to Code 449.
13. Code 441 is not applicable to any business that has a separate department making tools, dies, molds or any of the other products assigned to Code 441 principally for use by that business in making any product(s) assigned to another manufacturing classification by this Manual

**AUDITING**

**Addition**

**EXECUTIVE OFFICERS – CLASSIFICATION ASSIGNMENT**

A significant number of disputes occur as a result of the misclassification of executive officers’ payroll. In an attempt to enhance the accuracy and consistency of the treatment of these issues by insurance companies, below find a series of questions that the PCRB believes will aid in the determination of the proper classification for executive officers.

**Addition** (continued)

- Who are the officers of the corporation for the policy period in question?
- Was each of these officers active in the business during the policy period in question?
- What were each officer's exact job duties?
- How many hours a week (or what percentage of time) does each officer work in the store, shop, job site, farm, etc.?
- How many hours a week (or what percentage of time) does each officer spend in the basic classification work area, providing direct supervision and/or giving instructions to employees?
- How many hours a week (or what percentage of time) does each officer spend out of the office for sales calls, meetings or other similar purposes?

Please also see Section 1, Rule IX, Paragraph A., 5. "Assignment of Payroll" that advises an executive officer shall be classified in the same manner as any employee. Also please see the "Regular and Frequent" Auditing Ruling and Interpretation.

**UNDERWRITING GUIDE**

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**Changes**

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The Basic Manual will be updated on our website ([www.pcrb.com](http://www.pcrb.com)) at a later date.

Timothy L. Wisecarver  
President

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DCirc