



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU**

July 9, 2004

CIRCULAR LETTER NO. 1961

To All Members and Subscribers of the Bureau:

ESTABLISHMENT OF Code 8747 - Display Showroom Classification

The Division of Insurance has approved the above captioned Item. The establishment of classification Code 8747 - "Display Showrooms - All Types" effectively reassigns all qualifying display showroom locations from store classifications to Code 8747.

The attached Filing Memorandum indicates the Purpose, Background, Proposal, Impact and Implementation of this Item. Also attached is an **example** of the revised Massachusetts Workers Compensation and Employers Liability Insurance Manual pages (Revised Exhibit I). The approved rate and rating values are displayed in attached Exhibits II and III.

As noted in the filing memorandum, the introduction of Code 8747 makes it necessary to revise the footnote to Code 8044. The foregoing changes are detailed in the attached revised Exhibit I.

The Division of Insurance approved this Item to become applicable to all new and renewal policies with **effective dates on or after 12:01 a.m., July 1, 2004.**

Revised Manual pages reflecting the changes necessitated by approval of this Item will be distributed in due course. The Internet-based versions of the affected manuals, accessible at www.wcribma.org and www.ncci.com, will be updated as soon as possible.

DANIEL M. CROWLEY
Vice President – Customer Services

DMC/aa/bb
Attachment

Filing Memorandum

Establishment of Code 8747 – Display Showroom Classification

Purpose

The purpose of this filing is to establish a new, separate and distinct classification in Massachusetts for display showrooms. The establishment of this new classification, Code 8747 – “Display Showrooms - All Types” effectively reassigns all qualifying display showroom locations from store classifications to Code 8747. As mercantile businesses, display showrooms are in the goods and services code category and, consistent with the rules in the Massachusetts Workers Compensation and Employers Liability Manual (MA Manual) regarding classification assignment for mercantile businesses, the classification will be determined separately for each location.

Background

Bureau surveys of display showroom operators and furniture stores operating in Massachusetts were completed, summarized and provided to the Division of Insurance for its review, as requested. This proposed filing is in response to the Division of Insurance’s concerns about the survey results. The survey results indicate that display showrooms have been inconsistently handled at audit. Since Massachusetts does not have a specific classification in the manual for display showroom operations, the Bureau has historically classified display showrooms to the appropriate store classifications according to the type of merchandise sold and whether the operation is wholesale or retail. However, the results of the survey show that the industry has not consistently classified display showrooms. Some risks have been assigned to the appropriate store classification; others have been assigned to lower rated store classifications, such as Code 8017 – “Store: Retail NOC”; and, yet others have been improperly assigned to standard exception classifications: Codes 8742 – “Salespersons, Collectors or Messengers – Outside”, and 8810 – “Clerical Office Employees NOC”.

The surveys demonstrate that display showrooms can be distinguished from stores. Therefore, display showrooms can be treated differently than stores (e.g., the classification assignment is not based upon the type of merchandise sold and whether the operation is wholesale or retail) and assigned to a classification that is separate from the established procedures for classifying stores.

The surveys identified specific aspects of display showroom operations that are significantly different from store operations. Store operations transact over-the-counter or cash-and-carry sales of merchandise, maintain sales inventory areas, and in many cases, large capacity warehouses. In contrast, the display showroom operations identified in the surveys do not transact any over-the-counter or cash-and-carry sales of merchandise and do not maintain any sales inventory. Rather, the display showrooms generate sales by displaying specific items fixed in static displays, such as furniture, cabinetry, and plumbing fixtures. Catalogs and/or sample boards are also utilized to illustrate the various available products, styles and colors. The

merchandise displayed in the showrooms is static in that those items are not for sale and are not delivered to buyers from the showrooms. Display showroom employees do not set up or remove the items displayed in the showrooms. That work is performed by unrelated outside contractors, or separate set-up and delivery crews operating out of separate locations. Items ordered by customers at the display showroom are shipped directly to the customer by the manufacturer, a stocking distributor, unrelated contractors, or a central warehouse at a separate location.

Proposal

Since no specific mercantile classification code or classification phraseology presently exists for display showroom operations, it is proposed that a new, separate and distinct classification, Code 8747 - "Display Showroom - All Types" be established to recognize the unique characteristics of these operations. In addition to the explanatory wording describing display showroom operations, footnotes to the classification phraseology for the new Code 8747 will indicate its restrictive application:

In order to qualify for assignment to Code 8747 - "Display Showrooms - All Types", the following conditions must be met:

- The operating location must be a dedicated display showroom. There can be no warehousing of inventory or any type of over-the-counter-sales conducted at the location in question (the existence of a warehouse at the display showroom location disqualifies the location).
- All items sold by the display showroom must be received, warehoused, shipped, or delivered from a completely separate location. The warehousemen or drivers would be classified according to the nature of business conducted at the separate location.
- The sales staff's duties must be limited to selling exclusively from product displays, samples, sample boards, books, or catalogs. All display set-up and removal must be handled by outside contractors and or dedicated set-up employees working out of physical locations separate from the display showroom. Such dedicated set-up employees are classified according to the nature of business conducted at the separate locations at which they work.

Code 8747 will be treated as a mercantile classification that is subject to certain restrictions as identified above and set forth in the proposed phraseology. Display showrooms maintained by store risks may qualify for assignment to Code 8747 on a per location basis.

As the result of the introduction of Code 8747, it is necessary to revise the footnote to Code 8044. The foregoing changes are detailed in Exhibit I attached.

It is proposed that the rate and rating values for the new Code 8747 - "Display Showroom - All Types" be equivalent to those for Code 8017 - "Store: Retail NOC", until such time as Code 8747 develops sufficient ratemaking data to be rated on its own experience. The proposed rate and rating values are displayed in attached Exhibits II and III.

It is further proposed that this item become applicable with respect to new and renewal policies effective on and after 12:01 a.m., July 1, 2004.

Impact

This item will assure equitable treatment of all display showroom operators. The establishment of a specific display showroom classification will result in a slightly higher rate being applied to those employers who are currently incorrectly assigned to standard exception classifications, 8810 and 8742. However, qualifying employers who are currently appropriately assigned to store classification class codes, such as 8008, 8018, 8032, 8044, 8111 and 8235, would experience a reduction in premium.

Implementation

In order to implement this item, the proposed changes, as detailed in the attached Exhibits I, II and III will be included in the following manuals:

- ❶ Massachusetts Workers Compensation and Employers Liability Insurance Manual, - Classification and Rate Section.
- ❷ Retrospective Rating Plan Manual – Table of Classifications by Hazard Group [MA].
- ❸ Experience Rating Plan Manual for Workers Compensation and Employers Liability Insurance – Table of Expected Loss Rates and Discount Ratios [MA].

Massachusetts Workers Compensation and Employers Liability Insurance Manual

Present Phraseology

Proposed Phraseology

Part Two – Classifications

Part Two – Classifications

NONE

DISPLAY SHOWROOMS - ALL
TYPES.....8747

Applies solely to operations, whether retail or wholesale, selling from samples, sample boards, catalogs and/or displays.

All showroom operations, however named, with sales inventory storage areas, warehousing facilities or any over-the-counter and/or cash-and-carry sales shall be assigned to the appropriate store or dealer classification.

Code 8747 does not contemplate the demonstration of any type of industrial or mobile equipment. Additionally, the set-up or removal of samples, sample boards and displays must be handled by unrelated contractors or dedicated set-up employees working out of and assigned to separately rated locations.

Code 8747 shall not be assigned to any location where a store or dealer classification applies.

STORE: FURNITURE &
DRIVERS.....8044

Applies to wholesale or retail stores and includes installation of house furnishings.

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Applies to wholesale or retail stores and includes installation of house furnishings.

OPERATIONS COVERED:

1. This classification applies to wholesale dealers or retail stores principally engaged in selling furniture, including antique furniture, for homes, lawns, gardens, offices and hotels. This furniture may be sold directly from the floor of the store or ordered from catalogues and samples on display in a showroom and subsequently shipped by the store to the customer. The word "furniture" as used in this classification includes living room, dining room, bedroom or kitchen sets and individual pieces such as sofas, chairs, tables, beds, chests, breakfronts, bookcases, pianos, organs and major household appliances (for example, refrigerators, stoves and washing machines).
2. In addition, furniture stores may sell a minor amount of other merchandise, such as bedding, carpets, linoleum, lighting fixtures, lamps, small household appliances, mirrors, pictures and kitchen cabinets.
3. This classification also includes (a) delivery and setting merchandise in place; (b) installation of home furnishings, such as draperies, pictures or mirrors; (c) polishing and minor repairing of furniture on the insured's premises or at the customer's location.

OPERATIONS NOT COVERED:

- * 1. The installation of wall-to-wall carpets, linoleum and non-ceramic floor tile shall be assigned to Code 5478 Carpet, Linoleum, Vinyl, Asphalt or Rubber Floor Tile Installation.
2. Stores engaged principally in selling carpets, linoleum, lighting fixtures,

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OPERATIONS NOT COVERED:

1. The installation of wall-to-wall carpets, linoleum and non-ceramic floor tile shall be assigned to Code 5478 Carpet, Linoleum, Vinyl, Asphalt or Rubber Floor Tile Installation.
2. Stores engaged principally in selling carpets, linoleum, lighting fixtures,

lamps, pictures, phonographs, radio and television sets or kitchen cabinets shall be assigned to Code 8017 retail stores NOC or Code 8018 wholesale stores NOC depending upon whether sales are primarily retail or wholesale.

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3. Dedicated furniture display showroom locations, that is, those locations selling furniture exclusively from samples, sample boards or displays, without sales inventory storage areas, warehousing facilities or any over-the-counter and/or cash-and-carry sales, having all set-up and removal of displays handled by unrelated contractors or designated employees from other separately rated locations are assigned to Code 8747.

RESTOSPECTIVE RATING PLAN MANUAL

PART FOUR – F

Table of Classifications by Hazard Group

<u>Code No.</u>	<u>Hazard Group</u>
8747	II

**MASSACHUSETTS WORKERS COMPENSATION
CLASSIFICATION CODE 8747**

DISPLAY SHOWROOMS – ALL TYPES – RETAIL OR WHOLESALE

Proposed Rates & Rating Values Code 8747

Effective 7-1-2004

CODE	RATE	ELR	D RATIO
8747	1.31	.70	.21