

Report on the Tile and Cabinet Stores and Stone Material Dealers Study

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Tile and Cabinet Stores and Stone Material Dealers Study

8010, Stores – hardware, electrical or plumbing supplies – wholesale or retail

8017(1), Stores – retail – N.O.C.

8059, Stores – tile – wholesale or retail

8232(2), Building Material Dealers – commercial – including counterpersons

Executive Summary

Objective

Employers specializing in the sale of products used in the construction or remodeling of kitchens and bathrooms frequently sell a variety of products, including cabinets and tile. Some of these employers also sell stone slabs, stone countertops or other stone materials. There is, however, no single classification that specifically contemplates the sale of this combination of merchandise. Instead, distinct classifications exist for each product: cabinet retailers are assigned to Classification 8017(1), *Stores – retail*; tile stores are assigned to Classification 8059, *Stores – tile*; and stone material, slab or countertop dealers are assigned to Classification 8232(2), *Building Material Dealers*. Although employers that sell a variety of these products are engaged in relatively homogenous operations, they are classified in accordance with the *Stores Special Industry Classification Procedures* and the *Multiple Enterprises* rule – a process that can lead to disparate results for otherwise similar operations.

To address this issue, the WCIRB conducted a comprehensive review of employers engaged in the sale of tile, cabinets and stone material, slabs or countertops to determine:

1. If employers that sell tile and cabinets are a distinct and easily identifiable group engaged in a relatively homogenous set of operations.
2. If so, whether all employers specializing in the sale of tile and cabinets should be combined into a single classification.
3. If employers that sell tile and cabinets are combined into a single classification and some of these employers also sell stone material, stone slabs or fabricated stone products, including but not limited to stone countertops (stone material):
 - a. Should all such operations be assigned to a single store classification; or
 - b. Should Classification 8232(2) continue to be assigned to the stone material portion of such operations.

Findings

The WCIRB's review of employers engaged in the sale of tile, cabinets and stone material found:

1. There is significant overlap and similarity of operations between stores specializing in the sale of tile and those specializing in the sale of cabinets. Taken together, this group constitutes a distinct and identifiable group of employers engaged in a relatively homogenous set of operations. Further, reassigning cabinet retailers currently assigned to 8017(1), *Stores – retail*, to Classification 8059, *Stores – tile*, would have little impact on the pure premium rates for either the reassigned employers or Classification 8059 as a whole.
2. Some employers that sell tile or cabinets also sell stone material. These stone material sales operations, currently separately assigned to Classification 8232(2), *Building Material Dealers*, develop a distinctly higher loss to payroll ratio than that developed by Classification 8059, *Stores – tile*. While not fully credible, the loss to payroll ratio for the stone material sales operations is more consistent with that of Classification 8232(2) than that of Classification 8059. Accordingly, stone material sales should continue to be separately assigned to Classification 8232(2), provided the sale of stone materials represents greater than 10% of total sales.

3. When the sale of stone materials in a tile or cabinet store represents greater than 10% of total sales, employees engaged in stocking, handling or delivering stone products should be assigned to Classification 8232(2) and common sales or cashiering operations should be assigned to Classification 8059. This approach will avoid the complexities of the *Multiple Enterprises* rule and ensure that Classification 8232(2) applies to employees engaged in stocking, handling or delivering the stone products.
4. When a building material dealer also sells tile or cabinets (or other store merchandise), employees engaged in the store operations should be separately assigned to the appropriate store classification, provided the store merchandise sales represent greater than 25% of total sales.
5. Stores specializing in the sale of tile or cabinets that also sell building materials or lumber should be administered similarly to hardware stores assigned to Classification 8010, *Stores – hardware, electrical or plumbing supplies*, which also sell building materials or lumber. Accordingly, Classifications 8010, 8232(1), *Lumberyards*, and 8232(2) should be amended for consistency based on the proposed changes to Classification 8059.

Recommendations

Based on these findings, the WCIRB recommends:

1. Amending Classification 8059, *Stores – tile*, to
 - a. Direct that the classification includes the sale of cabinets, including but not limited to kitchen or bathroom cabinets and, as appropriate, reassign operations currently assigned to Classification 8017(1), *Stores – retail*, to Classification 8059.
 - b. Direct that when building material sales exceed 10% of gross receipts, employees, other than store salespersons or cashiers, who are engaged in stocking, handling or delivering building materials are separately classified as 8232(2), *Building Material Dealers*; and when building material sales do not exceed 10% of gross receipts, these employees are included in Classification 8059.
2. Amending Classification 8232(2), *Building Material Dealers*, to
 - a. Direct that the classification includes the sale of stone material, stone slabs or fabricated stone products; and that the classification also includes the sale of countertops, including but not limited to granite, marble, limestone or other natural stone, quartz, engineered stone, laminate or solid surface countertops.
 - b. Direct that when, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees who sell, stock, handle or deliver store merchandise shall be separately classified to the applicable *Stores* Industry Group classification; cashiers who process sales of store merchandise in addition to building material shall also be assigned to the applicable *Stores* Industry Group classification.
3. Amending Classifications 8010, *Stores – hardware, electrical or plumbing supplies*, 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, for consistency with the changes recommended to administer Classifications 8059, *Stores – tile*, and 8232(2).

In addition to the above, within the next several years, the WCIRB intends to conduct a comprehensive review of Classification 8232 to determine whether its constituents continue to represent employers engaged in a relatively homogenous set of operations that have relatively similar loss experience.

Introduction and Background

The WCIRB reviewed the classifications applicable to the sale of products used in the construction or remodeling of kitchens and bathrooms to address specific classification concerns and determine if these classifications constitute a distinct and identifiable group of employers engaged in relatively similar operations. This review was driven by the considerable overlap in both the nature of the business operations and the type of products sold by employers in the tile, cabinet and stone material sales industry.¹ Additionally, the WCIRB regularly receives questions regarding the points of demarcation between the classifications in question.

The objective of this study is to determine:

1. If employers that sell tile and cabinets are a distinct and easily identifiable group engaged in a relatively homogenous set of operations.
2. If so, whether all employers specializing in the sale of tile and cabinets should be combined into a single classification.
3. If employers that sell tile and cabinets are combined into a single classification and some of these employers also sell stone material, stone slabs or fabricated stone products, including but not limited to stone countertops (stone material):
 - a. Should all operations assigned to a single *Stores* classification; or
 - b. Should Classification 8232(2) continue to be assigned to the stone material portion of their operations.

Scope of Classification Assignments Under Review

The operations of employers engaged in the sale of kitchen or bathroom construction or remodeling products are typically assigned to one or more of the following classifications:

Classification 8017(1), *Stores – retail – N.O.C.*

Classification 8017(1) applies to retail stores engaged in the sale of items not more specifically described by another *Stores* classification. As there is no *Stores* classification that specifically describes cabinet sales, retail stores that sell cabinets have been assigned to Classification 8017(1). However, many stores that sell cabinets also sell tile, stone slabs or countertops, or other merchandise that may fall outside the scope of Classification 8017(1). While most cabinets are intended for use in kitchen or bathroom environments, there is no material difference between cabinets that may be installed in other settings, including but not limited to laundry rooms, garages or storage rooms. Stores that sell cabinets that are installed in settings other than kitchens or bathrooms have also been assigned to Classification 8017(1).

Classification 8059, *Stores – tile – wholesale or retail*

Classification 8059² applies to stores engaged in the sale of tile, including but not limited to ceramic, stone, porcelain and glass tile. This classification directs that dealers in stone slabs or countertops, including but not limited to those comprised of marble, granite, quartz and limestone, are assigned to Classification 8232(2), *Building Material Dealers*. It is not uncommon for employers that sell tile to also sell stone material, slabs or fabricated stone products, including but not limited to stone countertops, as well as cabinets and related kitchen and bathroom remodeling products.

¹ During its review, the WCIRB also analyzed how other jurisdictions classify employers that sell kitchen and bathroom construction or remodeling products, specifically tile, cabinets and stone materials. A summary of the classifications maintained by the National Council on Compensation Insurance (NCCI) for the operations subject to this study can be found in Appendix I.

² Classification 8059 was established in 1989 for wholesale or retail store locations that specialize in the sale of ceramic tile and amended in 2016 to direct that the sale of stone and slab countertops is classified as 8232(2).

Classification 8232(2), Building Material Dealers – commercial – including counterpersons

Classification 8232(2)³ 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. This classification also includes the delivery of building materials. While not specifically referenced, this classification is also assigned to dealers of stone slabs or stone countertops. Employers engaged in the sale of stone materials, slabs or countertops generally sell marble, granite, limestone or other natural stone, quartz, engineered stone, laminate or other solid surface countertops or slabs. Classification 8232(2) also directs that the operation of a store for the sale of hardware, electrical or plumbing supplies is separately classified as 8010, *Stores – hardware, electrical or plumbing supplies*.

Description of Operations

Employers that sell kitchen or bathroom construction or remodeling products frequently sell a variety of items used in building or remodeling kitchens or baths.⁴ Products include tile and cabinets, and in some cases, stone material. While these employers are generally engaged in similar operations and are in competition with each other, they may be classified differently based on minor operational differences. There are three slightly different business models that are prevalent in stores that sell kitchen or bathroom construction or remodeling products.

Description of Operations	Model 1	Model 2	Model 3
Type of Products for Sale	Tile and cabinets; a minor amount of incidental supplies – tubes of caulk, caulk guns, blades and similar items	Same as those in Model 1 AND stone material.	Same as Model 2
Product Display	In a showroom	In a showroom that is physically separated from the stone material and store inventory storage area	Same as Model 2
Customers	General contractors and general public	Same as Model 1	Same as Model 1
Employees' Activities	All employees assist customers with their design concepts, write sales orders and process payments	<ol style="list-style-type: none"> Salespersons show customers product samples exclusively <u>from within the showroom</u>. Separate employees that work in the inventory storage area stock, ship and receive stone material and other showroom items. If customers are permitted to view product within the inventory storage area, they are assisted by inventory storage area employees not the showroom salespersons. 	<ol style="list-style-type: none"> Salespersons show customers stone products by <u>walking them through the inventory storage area</u>. Same as Model 2. Customers are permitted to view stone material within the inventory storage area assisted by showroom salespersons.
Potential Classification Assignment	8059 or 8017(1) depending on the type of customer and percentage of tile sold	A store classification and 8232(2) based on the <i>Multiple Enterprises</i> rule	Often the higher-rated 8232(2) based on the <i>Multiple Enterprises</i> rule

³ Classification 8232 is an original Manual classification. This classification was amended in 1965 to allow store operations in connection with 8232 operations, and in 2016 to direct that the sale of decorative stone is classified as 8232(2).

⁴ Employers that sell a combination of cabinets, tile and stone slabs or countertops often also sell a minor amount of ancillary items used in the construction or remodeling of kitchens and bathrooms including handles, faucets, fixtures, sinks, ventilation hoods and other related kitchen and bathroom remodeling materials that account for a nominal amount of their overall sales.

Classification Analysis

Employers Selling Tile and Cabinets

With regard to classifying stores, the *Stores Special Industry Classification Procedures*⁵ direct that the applicable *Stores* classification is determined based upon the type of merchandise sold and whether the operations are wholesale or retail.

Like tile stores, cabinet stores typically sell to both retail customers as well as contractors and other professional users. Classification 8017(1) is designated as a *retail* classification; however, it is often difficult to discern whether the majority of gross receipts are from sales to retail customers as defined in the *Stores Special Industry Classification Procedures*.⁶

As indicated in Model 1 above, a store that sells both tile and cabinets would be classified based on the percentage of tile sold. If tile sales exceed 25% of gross receipts, the store is assigned to Classification 8059, *Stores – tile*, as 8059 is currently higher rated than Classification 8017(1). Accordingly, many stores that sell cabinets are assigned to Classification 8059 because the sale of tile exceeds 25% of gross receipts.

As stores selling both tile and cabinets constitute a distinct and identifiable group of employers engaged in a relatively homogenous set of operations, in the current study, the WCIRB analyzed the feasibility of assigning stores that sell cabinets to Classification 8059. Additionally, as Classification 8059 applies to both wholesale and retail operations, combining stores that sell cabinets with Classification 8059 addresses the challenge of discerning whether the majority of gross receipts are from sales to retail customers. This approach would provide consistent classification treatment for similar operations.

Employers Selling Tile, Cabinets and Stone Materials

Models 2 and 3 describe many employers that sell stone materials in addition to tile and cabinets.

In Model 2, the store showroom is physically separated from the stone material and store inventory storage area. Under a *Multiple Enterprises* rule analysis, since employees' activities in the inventory storage area are integral to both the store and building material dealer operations,⁷ the showroom can only be assigned to a lower-rated store classification if it develops the governing payroll.⁸ If it does not develop the governing payroll, the store showroom employees must be assigned to the higher-rated Classification 8232(2).⁹ Additionally, the classification of store employees in Model 2 is complicated by the fact that salespersons who write orders for stone material likely meet the definition of *counterpersons* who must be specifically included in Classification 8232(2).

Model 3 differs only slightly from Model 2 in that sales employees take customers into the inventory storage area to view stone material, resulting in no physical separation and an interchange of labor as the salespersons walk through the inventory storage area showing stone material to customers. In this model,

⁵ The *Stores Special Industry Classification Procedures* are found in the USRP at Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 6, *Stores*.

⁶ Pursuant to the *Stores* rule, "the term retail is defined as the selling of merchandise to the general public for personal or household consumption or use.... A store that sells merchandise on both a wholesale and a retail basis shall be assigned to the appropriate store classification, depending upon whether the gross receipts are primarily (more than 50%) from wholesale or retail sales." (Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 6, *Stores*.)

⁷ When employees, other than Miscellaneous Employees or employees engaged in operations described by a General Inclusion, either: (a) alternate between two or more separately classifiable operations, or (b) engage in a single activity or work in a single department that is integral to two or more separately classifiable activities, Interchange of Labor exists. (USRP at Part 3, Section II, Rule 11, *Interchange of Labor*.)

⁸ Under a *Multiple Enterprises* rule analysis, where there is physical separation and Interchange of Labor, if the operation that develops the most payroll is described by the classification with the lower pure premium rate, the payroll of employees engaged in activities described by the lower-rated classification who do not interchange can be assigned to that classification.

⁹ Under *Multiple Enterprises* rule analysis, where there is physical separation and Interchange of Labor, if the operation that develops the most payroll is described by the classification with the higher pure premium rate, all employees are assigned to the higher-rated classification.

because the showroom employees are showing the 8232(2) products to customers, these employees are most often assigned to the higher-rated Classification 8232(2).¹⁰

Although the employers described in Models 2 and 3 sell identical merchandise and have only slight operational differences, the *Multiple Enterprises* rule can result in inconsistent classification assignments for employers engaged in relatively similar operations. To address this inconsistency, the WCIRB explored whether the sale of stone material should be included in Classification 8059 (see discussion in the Statistical Analysis section).¹¹

Additional Classification Considerations

The WCIRB also found that similar issues exist for many hardware stores that sell both building materials and store merchandise. For example, Classification 8010, *Stores – hardware, electrical or plumbing supplies*,¹² directs that when lumber or building material sales exceed 10% of gross receipts,¹³ employees, other than store cashiers, engaged in handling or delivering lumber or building materials are separately classified as 8232(1), *Lumberyards*, or 8232(2), *Building Material Dealers*. As a result, only the employees directly involved in handling, stocking or delivering lumber or building materials are separately classified. As none of these classifications contain a restriction on dividing a single employee's payroll, employees engaged in operations that are described by Classification 8232 in addition to Classification 8010 are subject to Section V, Rule 3, *Division of Single Employee's Payroll*.

Similar to hardware stores that also sell lumber or other building materials, many tile or cabinet stores sell stone material and may sell other building materials.¹⁴ If Classification 8059 is modeled in a manner similar to Classification 8010, when building material sales exceed 10% of gross receipts, employees engaged in handling, stocking or delivering building materials can be separately classified as 8232(2),¹⁵ while cashiers and store salespersons who sell both building materials and other store merchandise can be assigned to Classification 8059. When building material sales do not exceed 10% of gross receipts, the employees who handle, stock or deliver building materials are included in Classification 8059. Amending Classification 8059 to include such direction would lead to more consistent classification assignments and data reporting.

In conjunction with the footnote in Classification 8010 referenced above, Classifications 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, contain footnotes directing that the operation of a store for the sale of hardware, electrical or plumbing supplies is separately classified as 8010 and that cashiers who work in support of hardware, electrical or plumbing supplies sales in addition to lumber and building material sales are classified as 8010. The WCIRB reviewed the administration of Classification 8010 in connection with lumberyards and building material dealers and noted that some employers sell only minimal amounts of store merchandise. However, in order to establish a store operation where store cashiers or store salespersons are retained and separately classified (provided they do not handle, stock

¹⁰ Under *Multiple Enterprises* rule analysis, where there is no physical separation and Interchange of Labor exists, (1) if the operation that develops the most payroll is described by the classification with the higher pure premium rate, all employees are assigned to the higher-rated classification; and (2) if the operation that develops the most payroll is described by the classification with the lower pure premium rate, the payroll of employees whose activities interchange with those described by the higher-rated classification are assigned to the higher-rated classification, unless complete and accurate payroll records are maintained per Section V, Rule 3, *Division of Single Employee's Payroll*.

¹¹ Changes to the *Multiple Enterprises* rule were approved at the October 13, 2020 Classification and Rating Committee meeting to be included in the September 1, 2021 Regulatory Filing. The proposed rule change requires that distinct operations be *Physically Separated* in order to be separately classified and removes *Interchange of Labor* and the *Governing* classification from the *Multiple Enterprises* rule analysis. The proposed changes included in this study address the issue of physical separation for these employers as these operations will be separately classified and not subject to the *Multiple Enterprises* rule.

¹² Classification 8010 was established January 1, 2020.

¹³ When a store engages in the sale of building materials, a higher-rated category of non-store merchandise, such sales become determinative for classification assignment purposes when they exceed 10% of gross receipts.

¹⁴ While less common, it is possible for lumberyard products assignable to Classification 8232(1), *Lumberyards*, to be sold by the same employer that sells tile or cabinets.

¹⁵ As neither of these classifications contain a restriction on dividing a single employee's payroll, employees engaged in operations that are described by Classification 8232(2) in addition to Classification 8059 are subject to Section V, Rule 3, *Division of Single Employee's Payroll*.

or deliver building materials), the amount of store merchandise sold needs to exceed 25%¹⁶ of gross receipts. Amending Classification 8232(2) to provide similar specific direction regarding 8059 store operations would promote consistent classification assignments and data reporting. Conforming amendments to Classifications 8010, *Stores – hardware, electrical or plumbing supplies*, 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, should also be made for consistency.

Based upon the above classification analysis, the WCIRB conducted the following statistical analysis to determine the propriety of: (1) combining all employers specializing in the sale of tile and cabinets into Classification 8059 and (2) including within Classification 8059 the sale of stone material.

Statistical Analysis

As discussed above, employers that sell tile and cabinets constitute a distinct and identifiable industry, and some of these employers also sell stone material. Therefore, the WCIRB compared the average loss to payroll ratios for Classifications 8017, 8059 and 8232(2) based on the 2021 Classification Relativity data.

Table 1 shows the Classification Relativity¹⁷ data for all of Classification 8017¹⁸ at the policy year 2021 level. The experience of these employers is fully credible with two years of experience.

**Table 1: All of Classification 8017
Classification Relativity Data at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2016	11,976,626,051	222,377,099	1.857
2017	12,554,372,783	219,979,014	1.752
	24,530,998,834	442,356,112	

Adjusted Loss to Payroll Ratio: 1.803
 Selected (Unlimited) Loss to Payroll Ratio¹⁹: 2.026

Credibility	
Indemnity	Medical
1.00	1.00

Table 2 shows the Classification Relativity data for employers assigned to Classification 8017 that sell cabinets.²⁰ These employers generated lower levels of payroll and had very few claims, contributing to significantly lower loss to payroll ratios than those of all employers assigned to Classification 8017;

¹⁶ Pursuant to the *Stores Special Industry Classification Procedures*, 25% of gross receipts is commonly used to establish the significance of store sales and determine the applicable store classification when an employer sells more than one type of merchandise. Although 8232 is not a store classification, the same rationale would apply. This solution was modeled after the classification procedures for the operation of combination gasoline stations and stores as directed in Section IV, *Special Industry Classification Procedures*, Rule 6h, *Stores*.

¹⁷ The Classification Relativities used in this study are from statewide ratemaking data from the WCIRB’s January 1, 2021 Regulatory Filing.

¹⁸ Based on the most recent Classification Relativity data, Classification 8017 includes approximately 20,700 employers.

¹⁹ 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.

²⁰ This subset is comprised of only 22 employers as most employers that sell cabinets have been assigned to other classifications, including 8059 and 8232, based on the sale of additional merchandise.

however, the subset represents a small number of employers and has very low statistical credibility and, as a result, their loss experience does not warrant meaningful inferences.

**Table 2: Classification 8017 Cabinet Subset
Classification Relativity Data at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	3,836,266	0	0.000
2014	4,790,934	3467	0.072
2015	5,618,462	295	0.005
2016	6,777,014	0	0.000
2017	7,548,477	0	0.000
	28,571,153	3,762	

Adjusted Loss to Payroll Ratio: 0.013
 Selected (Unlimited) Loss to Payroll Ratio: 1.738

Credibility	
Indemnity	Medical
0.24	0.23

Table 3 shows the Classification Relativity data for all of Classification 8059.²¹ These loss to payroll ratios are higher than those for the cabinet subset of 8017; however, the data for the cabinet subset has very limited statistical credibility.

**Table 3: All of Classification 8059
Classification Relativity Data at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	66,593,895	2,038,106	3.06
2014	76,494,219	1,789,734	2.34
2015	122,742,378	2,003,494	1.632
2016	121,415,480	1,880,885	1.549
2017	113,218,136	1,733,867	1.531
	500,464,107	9,446,085	

Five-Year Adjusted Loss to Payroll Ratio: 1.887
 Selected (Unlimited) Loss to Payroll Ratio: 2.18

Credibility	
Indemnity	Medical
0.75	0.76

²¹ Based on the most recent Classification Relativity data, Classification 8059 includes approximately 320 employers.

As many tile stores also sell cabinets, and in light of the very limited experience in the cabinet subset and similarity of operations with stores in Classification 8059, the WCIRB computed the payroll and loss experience for the combined Classification 8059 and the cabinet subset of 8017²² (Table 4). Due to the limited experience in the 8017 cabinet subset, the loss to payroll ratios and statistical credibility of the combination of Classification 8059 and the cabinet subset of 8017 are very similar to those for Classification 8059. This indicates that combining Classification 8059 and the cabinet subset of 8017 would have minimal impact on the loss to payroll ratio and statistical credibility for Classification 8059.

Table 4: All of Classification 8059 and 8017 Cabinet Subset Classification Relativity Data at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	70,887,276	2,064,960	2.930
2014	81,171,870	1,818,629	2.240
2015	120,422,279	2,008,674	1.668
2016	128,333,142	1,863,022	1.452
2017	120,673,541	1,748,191	1.449
	521,488,109	9,503,475	

Five-Year Adjusted Loss to Payroll Ratio: 1.822
 Selected (Unlimited) Loss to Payroll Ratio: 2.109

Credibility	
Indemnity	Medical
0.76	0.77

Because some tile or cabinet stores that also sell stone material are assigned to Classification 8232, the WCIRB reviewed the Classification Relativity data for all of Classification 8232²³ to determine if the sale of stone material should be included in Classification 8059 (Table 5). The experience of employers assigned to 8232 is fully credible with two years of experience and the loss to payroll ratio is at a significantly higher level than that of Classification 8017.

²² Based on the most recent Classification Relativity data, the combination of Classification 8059 and the cabinet subset of 8017 includes approximately 340 employers.

²³ Based on the most recent Classification Relativity data, Classification 8232 includes approximately 1,700 employers.

**Table 5: All of Classification 8232
Classification Relativity Data at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2016	1,045,188,769	39,677,704	3.796
2017	1,206,965,908	38,762,622	3.212
	2,252,154,676	78,440,326	

Five-Year Adjusted Loss to Payroll Ratio: 3.483
 Selected (Unlimited) Loss to Payroll Ratio: 4.317

Credibility	
Indemnity	Medical
1.0	1.0

Table 6 shows the Classification Relativity data for the stone countertop subset of Classification 8232,²⁴ comprised of employers that specialize in the sale of stone materials. The experience of the stone countertop subset of 8232 is only moderately credible, and the loss to payroll ratios for this group of employers are higher than those of all employers assigned to 8232.

**Table 6: Classification 8232 Stone Countertop Subset
Classification Relativity Data at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	31,622,733	2,244,259	7.097
2014	40,361,466	2,408,962	5.968
2015	47,851,576	1,847,304	3.860
2016	50,315,350	2,089,526	4.153
2017	56,414,736	2,480,207	4.396
	226,565,860	11,070,258	

Five-Year Adjusted Loss to Payroll Ratio: 4.886
 Selected (Unlimited) Loss to Payroll Ratio: 5.300

Credibility	
Indemnity	Medical
0.72	0.64

²⁴ This subset is comprised of approximately 120 employers that specialize in the sale of stone slabs, stone countertops or stone material that have been assigned to Classification 8232 based on the percentage of products sold. These employers may also sell additional items used in the construction or remodeling of kitchens and bathrooms.

Table 7 compares the indicated selected (unlimited) loss to payroll ratio of the 8232 countertop subset to that of both Classification 8232 as a whole and Classification 8059. The loss to payroll ratio for the 8232 stone countertop subset, though not fully credible, is significantly higher (by 143%) than that for tile stores. In view of this difference, the WCIRB does not recommend including the sale of stone material in Classification 8059.

In view of the difference in the loss to payroll ratio between the 8232 stone countertop subset and the full 8232 group, further research is warranted and the WCIRB recommends performing a comprehensive review of Classification 8232 in the next several years to further assess if the stone countertop subset as well as other potentially distinct subsets currently included in Classification 8232 need to be separately classified. Prior to the comprehensive review, the WCIRB recommends that employers specializing in the sale of stone materials continue to be assigned to Classification 8232.

**Table 7: Classification 8059 and 8232 Countertop Subset
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2021 Level**

8232 Countertop Subset	Classification 8232	Difference
5.300	4.317	0.983 (22.77%)
8232 Countertop Subset	Classification 8059	Difference
5.300	2.180	3.12 (143.12%)

Table 8 compares the indicated selected (unlimited) loss to payroll ratio of the 8017 cabinet subset to that of both Classification 8017 as a whole and Classification 8059. The loss to payroll ratio of the cabinet subset in 8017 is somewhat comparable to both 8017 as a whole and Classification 8059. Therefore, combining the 8017 cabinet subset and Classification 8059 will not negatively impact the experience of employers in the 8017 cabinet subset.

**Table 8: Classification 8059 and 8017 Cabinet Subset
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2021 Level**

8017 Cabinet Subset	Classification 8017	Difference
1.738	2.026	-0.288 (-14.22%)
8017 Cabinet Subset	Classification 8059	Difference
1.738	2.18	-0.442 (-20.28%)

Impact Analysis

The WCIRB recommends combining employers that sell cabinets (currently assigned to Classification 8017) with tile stores (assigned to Classification 8059). Table 9 shows that the recommended change would result in a modest increase (+4.1%) in the selected loss to payroll ratio for cabinet stores and a modest decrease (-3.3%) for employers currently assigned to Classification 8059.

**Table 9: Classification 8059 and 8017 Cabinet Subset
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2021 Level**

Classification 8059	Classifications 8059 and 8017 Cabinet Subset Combined	Difference
2.180	2.109	-0.071 (-3.3%)
Classification 8017	Classifications 8059 and 8017 Cabinet Subset Combined	Difference
2.026	2.109	0.083 (+4.1%)

Findings

The WCIRB's review of employers engaged in the sale of tile, cabinets and stone material found:

1. There is significant overlap and similarity of operations between stores specializing in the sale of tile and those specializing in the sale of cabinets. Taken together, this group constitutes a distinct and identifiable group of employers engaged in a relatively homogenous set of operations. Further, reassigning cabinet retailers currently assigned to 8017(1), *Stores – retail*, to Classification 8059, *Stores – tile*, would have little impact on the pure premium rates for either the reassigned employers or Classification 8059 as a whole.
2. Some employers that sell tile or cabinets also sell stone material. These stone material sales operations, currently separately assigned to Classification 8232(2), *Building Material Dealers*, develop a distinctly higher loss to payroll ratio than that developed by Classification 8059, *Stores – tile*. While not fully credible, the loss to payroll ratio for the stone material sales operations is more consistent with that of Classification 8232(2) than that of Classification 8059. Accordingly, stone material sales should continue to be separately assigned to Classification 8232(2), provided the sale of stone materials represents greater than 10% of total sales.
3. When the sale of stone material in a tile or cabinet store represents greater than 10% of total sales, employees engaged in stocking, handling or delivering stone products should be assigned to Classification 8232(2) and common sales or cashiering operations should be assigned to Classification 8059. This approach will avoid the complexities of the *Multiple Enterprises* rule and ensure that Classification 8232(2) applies to employees engaged in stocking, handling or delivering the stone products.
4. When a building material dealer also sells tile or cabinets (or other store merchandise), employees engaged in the store operations should be separately assigned the appropriate store classification, provided the store merchandise sales represent greater than 25% of total sales.
5. Stores specializing in the sale of tile or cabinets that also sell building materials or lumber should be administered similarly to hardware stores assigned to Classification 8010, *Stores – hardware, electrical or plumbing supplies*, which also sell building materials or lumber. Accordingly, Classification 8010, 8232(1), *Lumberyards*, and 8232(2) should be amended for consistency based on the proposed changes to Classification 8059.

Recommendations

Based on these findings, the WCIRB recommends:

1. Amending Classification 8059, *Stores – tile*, to
 - a. Direct that the classification includes the sale of cabinets, including but not limited to kitchen or bathroom cabinets and, as appropriate, reassign operations currently assigned to Classification 8017(1), *Stores – retail*, to Classification 8059.

- b. Direct that when building material sales exceed 10% of gross receipts, employees, other than store salespersons or cashiers, who are engaged in stocking, handling or delivering building materials are separately classified as 8232(2), *Building Material Dealers*; and when building material sales do not exceed 10% of gross receipts, these employees are included in Classification 8059.
 2. Amending Classification 8232(2), *Building Material Dealers*, to
 - a. Direct that the classification includes the sale of stone material, stone slabs or fabricated stone products; and that the classification also includes the sale of countertops, including but not limited to granite, marble, limestone or other natural stone, quartz, engineered stone, laminate or solid surface countertops.
 - b. Direct that when, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees who sell, stock, handle or deliver store merchandise shall be separately classified to the applicable *Stores* Industry Group classification; cashiers who process sales of store merchandise in addition to building materials shall also be assigned to the applicable *Stores* Industry Group classification.
 3. Amending Classifications 8010, *Stores – hardware, electrical or plumbing supplies*, 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, for consistency with the changes recommended to administer Classifications 8059 and 8232(2).

In addition to the above, within the next several years, the WCIRB intends to conduct a comprehensive review of Classification 8232 to determine whether its constituents continue to represent employers engaged in a relatively homogenous set of operations that have relatively similar loss experience.

Appendix I

Classification Procedures in Other Jurisdictions

The WCIRB reviewed how other jurisdictions classify the operations reviewed in this study, focusing on how the National Council on Compensation Insurance, Inc. (NCCI) classifies these operations.

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

- Classification 8058, *Building Material Dealer – New Materials Only – Store Employees*, with cross reference to *Home Improvement Center – New Materials Only – Store Employees*, is assignable to employees of building material dealers, home improvement centers and lumberyards who are engaged in store operations. Home improvement centers are defined as building material dealers characterized by an extensive store operation handling a wide variety of products in addition to normal building materials and related hardware items. A home improvement center contemplates both inside sales and outside yard operations.
- Classification 8232, *Building Material Dealer – New Materials Only – All Other Employees & Yard, Warehouse, Drivers*, with cross reference to *Home Improvement Center – New Materials Only – All Other Employees & Yard, Warehouse, Drivers* applies to those employees, other than employees assigned to Code 8058.
- Similar to California, NCCI assigns Classification 8017, *Store – Retail – N.O.C.*, to retail stores that are engaged in selling merchandise that is not described by a specialty retail store classification.

Recommendation

Amend Classification 8232(2), *Building Material Dealers*, to (1) include the sale of stone materials, stone slabs or fabricated stone products, including but not limited to stone countertops, (2) provide direction to separately classify employees engaged in cashiering operations or selling, stocking, handling or delivering store merchandise when the sale of store merchandise at a single locations exceeds 25% of gross receipts, (3) provide direction as to how related operations should be classified and (4) for clarity.

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 materials~~, paneling, ~~decorative stone and~~ foundation piers, stone materials, stone slabs and fabricated stone products. This classification also applies to the sale of countertops, including but not limited to granite, marble, limestone or other natural stone, quartz, engineered stone, laminate or solid surface countertops. This classification includes handling, stocking or 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 store for~~When, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees engaged in selling, stocking, handling or delivery of store merchandise shall be separately classified as ~~8010, Stores—hardware, electrical or plumbing supplies~~ to the applicable Stores Industry Group classification; refer to Section IV, Special Industry Classification Procedures, Rule 6, Stores. Cashiers who ~~work in support of hardware, electrical or plumbing supplies~~process store merchandise sales in addition to building material sales shall also be ~~classified as 8040~~assigned to the applicable Stores Industry Group classification.

The cutting or fabrication of stone materials, stone slabs or fabricated stone products shall be separately classified as 1803, Stone Cutting or Fabrication.

* * * * *

Recommendation

Amend Classification 8059, *Stores – tile*, which is part of the *Stores* Industry Group, to (1) include the sale of cabinets, (2) provide direction to separately classify employees engaged in handling, stocking or delivering lumber or building materials when lumber or building material sales exceed 10% of gross receipts and (3) provide direction as to how related operations should be classified.

PROPOSED

STORES

STORES – tile or cabinets – wholesale or retail

8059

This classification applies to stores engaged in the sale of ~~decorative~~ tile, including but not limited to ceramic, stone, porcelain and glass tile. This classification also applies to stores engaged in the sale of cabinets that are designed to be affixed to building walls or floors, including but not limited to kitchen or bath cabinets.

~~Dealers in stone slabs or countertops~~ When lumber or building material sales, including but not limited to marble, granite, quartz and limestone, countertop or stone slab materials exceed 10% of gross receipts, employees, other than store salespersons or cashiers, engaged in handling, stocking or delivering lumber or building materials shall be separately classified as 8232(1), *Lumberyards*, or 8232(2), *Building Material Dealers*. When lumber or building material sales do not exceed 10% of gross receipts, such employees are included in Classification 8059.

~~The installation of tile shall be separately classified as 5348, *Tile, Stone, Mosaic or Terrazzo Work*.~~

Stores engaged in the sale of hardware, electrical or plumbing supplies shall be classified as 8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail*.

Stores engaged in the sale of furniture, including but not limited to couches, chairs, tables, dressers, bed frames, desks and bookcases shall be classified as 8015, *Stores – furniture – wholesale or retail*.

Stores engaged in the sale of vinyl, linoleum, asphalt, laminate or rubber tile floor coverings shall be classified as 8042, *Stores – floor covering*.

The installation of tile shall be separately classified as 5348, *Tile, Stone, Mosaic or Terrazzo Work*.

The installation of cabinets, fixtures, or wood or laminate countertops shall be separately classified as 5146(1), *Cabinet, Fixture or Trim Installation*.

* * * * *

Recommendation

Amend Classification 8232(1), *Lumberyards*, to separately classify employees engaged in cashiering operations or selling, stocking, handling or delivering store merchandise when the sale of store merchandise at a single location exceeds 25% of gross receipts.

PROPOSED

LUMBERYARDS – commercial – including counterpersons

8232(1)

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

~~The operation of a store for~~When, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees engaged in selling, stocking, handling or delivery of store merchandise shall be separately classified as ~~8010, Stores—hardware, electrical or plumbing supplies~~ to the applicable *Stores* Industry Group classification; refer to Section IV, *Special Industry Classification Procedures*, Rule 6, *Stores*. Cashiers who ~~work in support of hardware, electrical or plumbing supplies~~ process store merchandise sales in addition to ~~lumber~~building material sales shall also be ~~classified as 8010~~assigned to the applicable *Stores* Industry Group classification.

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

Dealers of solid combustible fuel materials 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 8010, *Stores – hardware, electrical or plumbing supplies*, which is part of the *Stores* Industry Group, for consistency with other proposed changes.

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; or 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 lumber or building material sales exceed 10% of gross receipts, employees, other than store salespersons or cashiers, engaged in handling, stocking or delivering lumber or building materials shall be separately classified as 8232(1), *Lumberyards*, or 8232(2), *Building Material Dealers*. When lumber or building material sales do not exceed 10% of gross receipts, such employees are included in Classification 8010.

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*.

* * * * *

Recommendation

Amend Classification 8042, *Stores – floor covering*, which is part of the *Stores* Industry Group, for consistency with other proposed changes.

PROPOSED

STORES

STORES – floor covering – wholesale or retail – carpet, rugs, vinyl or linoleum – including showroom sales

8042

This classification applies to stores engaged in the sale of floor coverings, including but not limited to carpet ~~and~~ rugs; vinyl, linoleum, asphalt ~~and~~ rubber sheets, planks ~~and~~ tile; prefinished hardwood ~~and~~ bamboo strips ~~and~~ planks; and laminate ~~and~~ cork planks ~~and~~ tiles. This classification also applies to floor covering auctioneers.

The installation of linoleum, vinyl, laminate, carpet, rugs or asphalt or rubber tile shall be separately classified as 9521(2), *Floor Covering – installation*.

The installation or refinishing of hardwood or bamboo flooring shall be separately classified as 5436, *Hardwood Floor Laying*.

Dealers of building materials, including unfinished hardwood flooring, shall be classified as 8232(2), *Building Material Dealers*.

Stores engaged in the sale of ceramic floor, stone, porcelain or glass tile shall be classified as 8059, *Stores – tile or cabinets – wholesale or retail*.

* * * * *

Recommendation

Amend Classification 8015, *Stores – furniture*, which is part of the *Stores* Industry Group, for consistency with other proposed changes.

PROPOSED

STORES

STORES – furniture – wholesale or retail

8015

This classification applies to stores engaged in the sale or rental of furniture, including but not limited to couches, chairs, tables, dressers, bed frames, desks and bookcases. This classification also applies to furniture auctioneers.

This classification also applies to the operation of furniture galleries or showrooms that display samples of furniture for viewing and direct sale to customers. Such operations include but are not limited to the sale of furniture by salespersons, interior decorators or designers retained by the employer, and furniture shipping, receiving and delivery. This classification includes travel to customers' locations by salespersons, interior decorators or designers to gather information or provide advice in support of furniture sales.

This classification does not apply to the operation of furniture galleries or showrooms that sell exclusively from samples to buyers for stores (no direct sales) and where no inventory (exclusive of showroom samples) is maintained at the gallery or showroom location. Such gallery or showroom salespersons shall be classified as 8742, *Salespersons – Outside*, provided they have no other duties of any kind in the service of the employer except clerical work or outside sales. See Part 3, Section IV, Rule 6, *Stores*.

Stores engaged only in the sale of mattresses or box springs shall be classified as 8017(1), *Stores – retail*.

Stores engaged in the sale of tile or cabinets, including but not limited to kitchen or bath cabinets shall be classified as 8059, *Stores – tile or cabinets – wholesale or retail*.

The installation, service or repair of household appliances shall be separately classified as 9519(1), *Household Appliances*.

The installation of linoleum, vinyl, cork, asphalt or rubber tile, or laminate (not hardwood) flooring within buildings, as well as the laying of carpets or rugs, shall be separately classified as 9521(2), *Floor Covering – installation*.

The installation of hardwood or bamboo floors, including baseboard molding installed in connection therewith, shall be separately classified as 5436, *Hardwood Floor Laying*.

The installation of window coverings, including associated hardware, within buildings shall be separately classified as 9521(3), *Window Covering*.

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Recommendation

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

Section VIII – Abbreviated Classifications – Numeric Listing

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- 8059 Stores–tile/cabinets
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