



September 3, 1999

BUREAU CIRCULAR NO. 724

To All Members of the Bureau:

Re: **MANUAL REVISIONS - SHEET METAL FABRICATION CLASSES**
BUREAU FILING NO. 9908 AS AMENDED
EFFECTIVE DECEMBER 1, 1999

The Bureau previously filed and the Insurance Commissioner approved Manual revisions to Sections 2 and 5. As rating values consistent with these revisions were to be derived from the Bureau's October 1, 1999 Residual Market Rate and Voluntary Market Loss Cost Filing, No. 9909, the original effective date for Bureau Filing No. 9908 was October 1, 1999. The effective date for Bureau Filing No. 9909 has subsequently been amended to December 1, 1999 and, therefore, the Bureau has filed and the Insurance Commissioner has approved an amendment to Bureau Filing No. 9908 to establish its effective date as **12:01 a.m., December 1, 1999** with respect to new and renewal business only.

These revisions result from a Bureau study of the sheet metal fabrication classes, Codes 454, Sheet Metal Shop, 455, Appliance Mfg. - Household, Major, and 456, Metal Furniture and Furnishing Goods Mfg. The study found the scope of Code 454 to be essentially sound and recommended the following:

- Reassignment of specified product fabrication businesses (e.g., metal awning manufacturing, metal coffin manufacturing, shelving manufacturing or garment rack manufacturing) to Code 456
- Combination of Codes 455 and 456 into the single classification Code 456 (Code 455 having been created from Code 454 in 1986 without benefit of a class study)
- Amending Manual language to clarify the scope of Codes 454 and 456

The enabling Manual revisions to Sections 2 and 5 are shown below with deleted wording bracketed and new wording underlined:

SECTION 2

454 SHEET METAL [~~Work~~]PRODUCTS FABRICATION, N.O.C., S[HOP]hop only.
[For the purposes of this classification, s]Sheet metal shall be [~~lighter~~]thinner than #3 U. S. Standard Gauge (less than 1/4" thick).

[Payroll developed by an insured engaged in both shop fabrication of sheet metal products and the erection or installation shall be assigned to Class 676, Sheet Metal.]

Code 676 shall be assigned to both the shop and the erection or installation payroll developed by an insured engaged in both the shop fabrication of sheet metal products and the erection or installation thereof.

[455 APPLIANCE MFG. - household, major, kitchen or laundry. Manufacturing of appliances for commercial establishments is to be separately rated as Class 454, but establishments primarily manufacturing commercial appliances of a household type and size shall be assigned to Class 455.]

456 METAL FURNITURE or Furnishing Goods MFG., N.O.C.

Sheet metal shall be thinner than #3 U. S. Standard Gauge (less than 1/4" thick).

Also includes the manufacture of major household or commercial kitchen or laundry appliances.

Upholstering operations.....Code 327.

676 SHEET METAL INSTALLATION, No payroll division with [Class]Code 659[, Roofing,] at the same location or job site.

[Payroll developed by an insured engaged in both shop fabrication of sheet metal products and the erection or installation shall be assigned to Class 676, Sheet Metal.]

Code 676 shall be assigned to both the shop and the erection or installation payroll developed by an insured engaged in both the shop fabrication of sheet metal products and the erection or installation thereof.

857 METAL SERVICE CENTER (Ferrous or Nonferrous Metals).

[This classification is not] Inapplicable to ferrous or nonferrous scrap metal dealers which are assignable to Code 860.

SECTION 5

Rulings and Interpretations

METAL SERVICE CENTER (FERROUS OR NONFERROUS METALS) - 857

Applicable to insureds principally engaged in the sale and distribution of new ferrous or nonferrous metal merchandise generally obtained from new metal producers such as steel mills or smelters, including but not necessarily limited to: beams, sheet stock in coils, bars, rods, rounds, channel iron, tubes, angles or plates. Such insured may handle a broad variety of new metal merchandise or specialize in handling a single type.

The new metal merchandise received by these insureds is unloaded and stored. The new metal merchandise may be shipped "as is" to the customer or it may be cut, slit, sheeted, bent or burned into the size or shape required by the customer and delivered by truck or rail. The processing equipment may include but is not necessarily limited to: sheeters, hacksaws, drills, benders or cutting torches.

Specialists principally engaged in the sale of reinforcing rods or bars to concrete contractors (including the cutting or forming of the rods or bars according to the contractors'

specifications) are also assigned to Code 857, as are dealers principally engaged in selling wire rope, cable or metal conduit.

Further applicable by analogy to businesses engaged in the toll (fee) leveling or cutting of ferrous or nonferrous new metal to size for unrelated concerns. These enterprises do not own the new metal stock they level, sheet, cut, bend or burn, nor do they fabricate a product.

Where a dealer sells several types of merchandise, each of which may be subject to a different classification, such dealer shall be assigned on the basis of the principal category of merchandise sold. The term "principal" means more than 50 percent of the gross receipts.

OPERATIONS NOT COVERED:

Not applicable to iron, steel or nonferrous scrap metal dealers which are assigned to Code 860.

[MANUFACTURING/PRODUCT ASSEMBLY] DEFINITION

For classification purposes, the term "manufacturing" refers to the fabrication, production and/or assembly of a described product. The term "assembly" refers to the joining together of purchased pre-fabricated component parts purchased from unrelated concerns to form a described product. Some portion of the purchased prefabricated component parts may be modified prior to assembly. When a specific assembly classification does not exist for a certain product, the assembly of such product shall be assigned to the manufacturing classification which most accurately describes the completed product.

It is common for certain types of stores, such as those engaged in the sale of bicycles, furniture, jewelry and/or light fixtures, to perform incidental assembly activities in preparation for the sale or display of or after the sale of merchandise. Assembly or "get ready" activities which are incidental to a store's operations shall be assigned to the appropriate store's applicable classification.

Underwriting Guide

| | |
|--|---------------------|
| <u>Can Mfg., Seamless.....</u> | <u>403</u> |
| <u>Metal Can Mfg., Seamless.....</u> | <u>403</u> |
| <u>Agate [And]Or Enamel Ware Mfg.</u> | <u>454</u> |
| <u>Can Mfg., Seamed.....</u> | <u>454</u> |
| <u>Duct Fabrication - No Installation Work.....</u> | <u>454</u> |
| <u>Flue Mfg., Stove [And]Or Furnace, By Specialist Contractor.....</u> | <u>454</u> |
| <u>Metal Can Mfg., Seamed.....</u> | <u>454</u> |
| <u>Metal Shipping Barrels, Drums, Kegs[, And]Or Pails, Used, Dealer.....</u> | <u>454</u> |
| <u>Metal, Sheet Goods Mfg., N.O.C.</u> | <u>454</u> |
| <u>Sheet Metal [Work] Products Fabrication, N.O.C., Shop Only.....</u> | <u>454</u> |
| <u>[Oven Mfg. - Household.....</u> | <u>455]</u> |
| <u>Aircraft Subassemblies Mfg. - Metal, By Contractor (e.g., Cowlings, Wings, Tabs</u> | |
| <u>Or Ailerons).....</u> | <u>456</u> |
| <u>Aluminum Awning Mfg.</u> | <u>[454]456</u> |
| <u>Appliance Mfg., Major Household Or For Commercial Establishments</u> | |
| <u>[(See Also 455 Footnote in Section 2)] [Appliance Mfg., Major Household],</u> | |
| <u>Kitchen Or Laundry.....</u> | <u>[454/455]456</u> |

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|--|--------------|
| Awning Mfg., Metal, No Erection..... | [454]456 |
| Clothes Dryer Mfg., Commercial [(See Also 455 Footnote in Section 2)] | |
| [<u>Clothes Dryer Mfg.</u> ,] <u>Or</u> Household..... | [454/455]456 |
| Coffin Mfg., Metal..... | [454]456 |
| Display Showcase Mfg. - Metal..... | 456 |
| Freezer Mfg., Commercial [(See Also 455 Footnote in Section 2)] [Freezer | |
| Mfg.,] <u>Or</u> Household..... | [454/455]456 |
| Garment Rack Mfg. - Metal..... | 456 |
| Ice Cream Cabinet Mfg. | 456 |
| Incubator Mfg., Metal..... | [454]456 |
| Jalousie Or Jalousie Screen Mfg., Metal Or Glass..... | [454]456 |
| Ladder Mfg., Metal..... | [454]456 |
| Locker Mfg. - Metal..... | 456 |
| Oven Mfg., Metal Industrial Drying Ovens..... | [454]456 |
| Panel Or Partition Mfg. - Sheet Metal..... | 456 |
| Radiator Cabinet Or Shield Mfg., Metal..... | [454]456 |
| Refrigerator Mfg., Commercial [(See Also 455 Footnote in Section 2)] | |
| [Refrigerator Mfg.,] <u>Or</u> Household..... | [454/455]456 |
| Sheet Metal Aircraft Parts Mfg. | [454]456 |
| Shelving Mfg. - Metal..... | 456 |
| Soda Fountain Mfg. | [454]456 |
| Stove Mfg. - Sheet Metal, Commercial [(See Also 455 Footnote in Section 2)] | |
| [Stove Mfg. - Sheet Metal,] <u>Or</u> Household..... | [454/455]456 |
| Trash Compactor Mfg., [Household]..... | [455]456 |
| Washing Machine Mfg., <u>Commercial Or</u> Household..... | [455]456 |
| Cable [<u>And</u>] <u>Or</u> Wire Rope Dealer, Including Splicing..... | 857 |
| Coil [<u>Shops</u>] <u>Stock Or Sheet Stock Dealer</u> | 857 |
| [<u>Iron Merchant</u>] Iron Or Steel Merchant, New Materials <u>Only</u> | 857 |
| <u>Sheet Stock Or Coil Stock Distributor</u> | 857 |
| Steel <u>Or Iron</u> Merchant, New Materials <u>Only</u> [, Including Incidental Cutting]..... | 857 |
| [Steel Warehouse - Including Incidental Cutting..... | 857] |
| Wire Rope [<u>And</u>] <u>Or</u> Cable Dealer, Including Splicing..... | 857 |

Approved rating values effective December 1, 1999 on new and renewal business only for the classifications referenced in this circular are included in the announcement of approved residual market rates and voluntary market loss costs for all classifications (see Bureau Circular No. 721 issued concurrently with this circular).

Manual reprints will be distributed at a later date in the usual manner.

Timothy L. Wisecarver
President

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