



Pennsylvania Compensation Rating Bureau

The Widener Building • 6th Floor

One South Penn Square • Philadelphia, PA 19107-3577 • (215) 568-2371 • FAX (215) 564-4328

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BUREAU CIRCULAR NO. 1381

To All Members of the Bureau:

Re: **CLASSIFICATION APPEAL DECISION**

GENERAL INCLUSION OF ORDINARY REPAIR & MAINTENANCE OF EQUIPMENT

In order to provide Bureau members with information on classification issues and decisions of significance we are advising you of the following classification appeal and its ultimate resolution. This appeal was initially brought before the Bureau's Classification and Rating Committee in February 1993. The facts of the appeal were as follows.

XYZ Construction Corporation (XYZ) is a construction company specializing in road and bridge construction. XYZ employs a separate staff of mechanics who repair and maintain its equipment. Though XYZ will repair equipment owned by others, more than 95 percent of the repairs performed by their mechanics are on equipment owned and operated by them. XYZ petitioned the Bureau to have their mechanics separately classified under Code 814, Mobile Equipment Repair. The Bureau denied this request, indicating the mechanics of XYZ are assignable to the insured's governing classification. This decision was based on the general inclusion principle of classification procedure which specifies (among a list of general inclusions) that ordinary repair and maintenance of equipment by employees of an insured is not subject to separate classification. XYZ contended that, since it employed a separate and distinct staff of mechanics, and the repairs performed by the mechanics was not "ordinary," as is indicated in the general inclusion, but included major repairs of their equipment, a separate classification was warranted.

The decision of the Bureau in this matter was appealed to the Classification and Rating Committee (Committee). The Committee reviewed the information presented by the appellants in support of their appeal along with Manual rules, in particular the aforementioned general inclusion. After discussion the Committee voted to deny XYZ's request to separately classify its repair staff and affirmed the Bureau's decision in this matter. In accordance with the insurance laws of Pennsylvania and Manual rules XYZ then appealed the Committee's decision to the Pennsylvania Insurance Commissioner. A Presiding Officer was appointed, and a hearing was held in July 1993. The decision of the Insurance Commissioner was released in August 1998.

The Commissioner's decision stated that the equipment repair shop of an employer is the type of activity that should be considered a general inclusion. Specifically, the general inclusion rule in question indicates that maintenance or ordinary repairs must be to the insured's building or equipment. This implies that "ordinary" refers to the insured's business and not to the nature or level of complexity of the repairs being performed. Therefore, the mechanics of XYZ responsible for keeping their equipment operating fall within the scope of this general inclusion. Further, since the overwhelming majority work of XYZ mechanics is on XYZ equipment, the general inclusion rule is clearly applicable to their repair shop. Accordingly, the Commissioner found that the decision of the Bureau in this matter was in conformance with Pennsylvania Manual rules and denied XYZ's request to have their repair staff separately classified to a repair classification.

The Bureau will continue to update all members of issues concerning employer classifications from time to time. In the interim questions should be directed to the Classification Department at Extension 460.

Timothy L. Wisecarver
President

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