
Washington USL&H Assigned Risk Plan

Insurance for United States Longshore & Harbor Workers' Act

Premium & Payroll Rules and Miscellaneous Values

Premium charges are primarily based on rates per \$100 of payroll using the applicable base rates shown in the rate pages (see “Rates & Class Codes” link on the WARP website). Other factors in the total cost may include minimum premiums, optional coverages, experience rating, etc.

An accurate estimate of the cost can only be determined by submitting an application to Alaska National Insurance Company where an employer's operations, insurance coverage options, claim history and eligibility are reviewed by an underwriter who can then provide an estimated premium. However, for reference we are providing some extracts from our Underwriting Manual that may be helpful:

- **Miscellaneous Values** (attached)
Additional information used in the determination of premium charges can be found in the “Miscellaneous Values” that include items such as corporate officer minimum and maximum payroll limits and the cost for optional coverages.
- **Premium & Payroll Rules** (attached)
Details on what payroll is or is not subject to premium charges can be found in these pages.

Miscellaneous Values

Effective 09-01-2018

A. Minimum and Maximum Payroll Limits

In accordance with Manual Rule Part Two-A- 5, payroll for executive officers and LLC members is limited to a minimum of \$500 per week and a maximum of \$1,900 per week.

B. Optional Endorsements and Coverages

Waiver of Right to Recover From Others (Waiver of Subrogation) Endorsement

For companies other than Human Resource Companies, this endorsement is subject to an additional premium charge of 10% applied to the premium otherwise charged for the work described in this endorsement subject to a \$195 minimum premium per policy for this endorsement. The minimum shall not be prorated upon policy cancellation if the cancellation is initiated by the Insured.

Maritime Coverage (Maritime Employers’ Liability / MEL) Endorsement

Premium for Maritime Coverage is charged based on the rate per hundred dollars of payroll under maritime code 7047 “Vessel Crew – NOC”. Maritime Coverage is subject to a \$1,000 minimum premium. Upon cancellation the minimum premium for this endorsement shall be prorated but if the cancellation is initiated by the Insured in no event will less than 50% of the minimum premium apply.

Employers’ Liability Insurance

Increased Limits of liability for Employers’ Liability Insurance under Part Two of the Standard Policy are available as shown below in the Table for Employers’ Liability Limits. The minimum shall not be prorated upon policy cancellation if the cancellation is initiated by the Insured.

Table for Employers’ Liability Limits	Option 1	Option 2	Option 3
<i>Bodily Injury by Accident</i> <i>each accident</i>	<i>\$100,000</i>	<i>\$500,000</i>	<i>\$1,000,000</i>
<i>Bodily Injury by Disease</i> <i>each employee</i>	<i>\$100,000</i>	<i>\$500,000</i>	<i>\$1,000,000</i>
<i>Bodily Injury by Disease</i> <i>policy limit</i>	<i>\$500,000</i>	<i>\$500,000</i>	<i>\$1,000,000</i>
<i>Additional Premium Charge</i>	<i>Basic Limit included in USL&H rates</i>	<i>1.7%</i>	<i>2.8%</i>

C. Minimum Premiums

USL&H Coverage

Coverage represented by the USL&H Class Codes in the Rate Pages is subject to a minimum premium of \$900 per policy. Upon cancellation the minimum premium for this coverage shall

be prorated but if the cancellation is initiated by the Insured in no event will less than 50% of the minimum premium apply.

Policy Minimum Premium

The policy minimum premium is the cumulative total of all applicable minimums.

D. Human Resource Companies (HR)

Rates for Human Resource Companies (i.e., employers providing staffing, temporary labor, employee leasing, professional employer organization (PEO) services, labor contractor services or any other similar services) include premium charges for Waiver of Subrogation and Alternate Employer endorsements.

Premium & Payroll Rules

A. PREMIUM BASIS AND PAYROLL ALLOCATION

1. Premium Basis

The Servicing Carrier (not Washington Labor & Industries or the U.S. Dept. of Labor) determines USL&H premium charges. Premium charges are calculated on the basis of the total payroll paid or payable by the Insured for services of workers who could receive benefits for work-related injuries as provided by the policy.

An injured worker who has any maritime connection might have the right to pursue federal USL&H Act benefits; the USL&H Act declares a presumption that benefits are payable under the Act rebuttable only by substantial evidence to the contrary.

2. Payroll

For purposes of this manual, payroll means money or substitutes for money for work subject to the USL&H Act.

A. Payroll includes:

1. Wages or salaries (including retroactive wages or salaries).
2. Total cash received by an employee for commissions and draws against commissions.
3. Bonuses including stock bonus plans. Bonuses may be allocated on a pro-rata basis to USL&H work and non-USL&H work unless eligibility for the bonus payment was clearly tied to specific work.
4. Extra pay for overtime work except as provided in Overtime rules.
5. Pay for holidays, vacations, or periods of sickness. (Refer to other rules for allocation of payroll for employees subject to more than one classification code.)
6. Payment by an Employer of amounts that would have been withheld from employees to meet statutory obligations for insurance or pension plans such as the Federal Social Security Act or Medicare.
7. Payment to employees on any basis other than time worked, such as piecework, profit sharing or incentive plans.

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8. Payment or allowances for hand tools or hand-held power tools used by employees in their work or operations for the Insured. These tools may be supplied directly by the employee or to the employee through a third party.
9. The rental value of an apartment or house provided to an employee based on comparable accommodations.
10. The value of lodging, other than an apartment or house received by an employee as part of their pay to the extent shown in the Insured's records.
11. The value of meals received by employees as part of their pay to the extent shown in the Insured's records.
12. The value of store certificates, merchandise, credits or any other substitute for money received by employees as part of their pay.
13. Payments for salary reduction, employee savings plans, retirement or cafeteria plans (IRC 125) that are made through employee-authorized salary reduction from the employee's gross pay.
14. Davis-Bacon wages or wages from a similar prevailing wage law.
15. Annuity plans.
16. Expense reimbursements to employees to the extent that an Employer's records do not confirm that the expense was incurred as a valid business expense. Exception: When it can be verified that the employee was away from home overnight on the business of the Employer, but the Employer did not maintain verifiable receipts for incurred expenses, a reasonable expense allowance, limited to a maximum of \$30 per day, is permitted.
17. Payment for filming of commercials excluding subsequent residuals that are earned by the commercial's participant(s) each time the commercial appears in print or is broadcast.

B. Payroll excludes:

1. Tips or other gratuities received by employees
2. Payments by an Employer to group insurance or group pension plans for employees, other than those included by manual rules above.
3. Payments by an Employer into third-party trusts for the Davis-Bacon Act or a similar prevailing wage law provided the pension trust is qualified under IRC Sections 401(a) and 501(a).

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4. The value of special rewards for individual invention or discovery.
5. Dismissal or severance payments except for time worked or vacation accrued.
6. Payments for active military duty.
7. Employee discounts on goods purchased from the employee's Employer.
8. Expense reimbursements to employees to the extent that an Employer's records confirm that the expense was incurred as a valid business expense. Reimbursed expenses and flat expense allowances (except for hand or hand-held power tools) paid to employees may be excluded from the audit only if all three of the following conditions are met:
 - a. The expenses are incurred for the business of the Employer.
 - b. The amount of each employee's expense payments or allowances is shown separately in the records of the Employer.
 - c. The amount of each employee's expense reimbursement is a fair estimate of the actual expenses incurred by the employee in the conduct of his/her work.

Note: When it can be verified that the employee was away from home overnight on the business of the Employer, but the Employer did not maintain verifiable receipts for incurred expenses, a reasonable expense allowance, limited to a maximum of \$30 per day, is permitted.
9. Supper money for late work.
10. Work uniform allowances.
11. Sick pay paid to an employee by a third party such as an Insured's group insurance carrier that is paying disability income benefits to a disabled employee.
12. Employer-provided perks such as:
 - a. Use of company-provided automobiles
 - b. Airplane flights
 - c. Incentive vacations (e.g., contest winners)
 - d. Discounts on property or services
 - e. Club memberships
 - f. Tickets to entertainment events
13. Employer contributions to employee benefit plans such as:
 - a. Employee savings plans
 - b. Retirement plans
 - c. Cafeteria plans (IRC 125)

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These include contributions made by the Employer, at the Employer's expense, which are determined by the amount contributed by the employee.

3. Overtime

A. Overtime means hours worked for which there is an increase in the rate of pay:

1. For work in any day or in any week in excess of the number of hours normally worked.
2. For hours worked in excess of 8 hours in any day or 40 hours in any week
3. For work on Saturdays, Sundays, or holidays
4. In the case of a guaranteed wage agreement, overtime means only those hours worked in excess of the number specified in that agreement.

Note: Forms of incentive pay, commonly referred to as "shift differential" or "premium pay" associated with working other than normal day shift hours during the standard work week are not considered overtime.

B. Exclusion of Overtime Payroll

1. Payroll Records

The extra pay for overtime is excluded from payroll on which premium is calculated as indicated below, provided that the Insured's books and records are maintained to show overtime pay separately by employee and in summary by classification. Extra pay is the difference between the regular pay rate and the overtime pay rate multiplied by the number of overtime hours worked.

2. Calculating Overtime

- a. If the records show extra pay earned for overtime separately then the entire extra pay is excluded.
- b. If the records show total pay earned for overtime (regular pay plus overtime pay) in one combined amount, and time and one-half is paid for overtime then 1/3 of this total pay must be excluded.
- c. If the records show double time is paid for overtime and the total pay for such overtime is recorded separately then 1/2 of the total pay for double time must be excluded.

Note: The only portion of the overtime payroll that is deductible is the amount in excess of wages that would have been applied if the overtime were compensated at the regular rate of pay.

Exception

Exclusion of overtime pay does not apply to payroll assigned to any classification under the caption *Stevedoring*.

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3. Hours Worked

- a. Extra pay for overtime is deducted only if the employee receives extra pay for:
 - 1. Working more than 8 hours per day or 40 hours per week, or
 - 2. Hours worked in a day or week greater than the number of hours usual to the Insured or industry. This may permit an overtime deduction if an employee works less than 8 hours per day or less than 40 hours per week (e.g., for a 32-hour workweek, any hours over 32 hours is overtime).
- b. No deduction for overtime is permitted for wages earned by employees who work in excess of 40 hours per week but do not receive an increase in their normal hourly rate of pay for the overtime work.

4. Guaranteed Wages

In some industries, guaranteed wage contracts or agreements exist under which the employee receives a guaranteed wage for work up to a specified number of hours per week, such as 50. The guaranteed wage, for example, is calculated on the basis of 40 hours at straight time and 10 hours at 1.5 times the basic hourly wage. Under guaranteed wage plans of this general type, the full guaranteed wage is included in the premium calculation for any hours that an employee works up to the maximum number of hours covered by the guaranteed wage, regardless of how this wage is calculated. The overtime rule is applicable in the case of guaranteed wages only to earnings in excess of the guaranteed wages.

5. Premium Pay

This rule applies with respect to higher rates of pay that are paid at the traditional overtime hourly rate of pay for work on Saturdays, Sundays, or holidays, even though the employee has not worked the normal workweek, because work on these days has been regarded traditionally as overtime and not as part of the normal workweek.

- a. Premium Pay is extra compensation paid to employees who work nights, holidays, weekends, other special hours or work under unusual conditions. This premium pay is not considered overtime pay when it is the normal pay for working these shifts.
- b. Consider an employee that works a 40-hour night shift at a rate of \$15 per hour. The day shift rate of pay for the same work is \$10 per hour. No overtime deduction is made from the \$15 per hour since this is considered premium pay. If the night shift employee works more than the normal number of hours and receives pay in excess of the normal \$15 per hour, that excess is considered overtime.

4. Payroll Limitations

- A. Payroll limitation applies after any deductions of extra pay for overtime. Partial weeks are considered full weeks when determining average weekly pay. Total time of any worker employed during the policy period is the sum of the portions of all verbal or written agreements with that employee that fall within the policy period.
- B. Specific limitations may apply to payroll for Executive Officers and to classifications with notes that indicate payroll limitations. Payroll used to calculate premium must exclude that part of the employee's average weekly pay that exceeds the applicable weekly limitation, provided:
 - 1. Books and records are maintained to show separately that the total payroll earned by each employee is in excess of the weekly payroll limitation for the total time employed during the policy period and
 - 2. Separate records are maintained, in summary, by classification for such employees
- C. Bonuses: For purposes of applying the payroll limitation rule, bonuses paid during the policy term must be earned during the policy term and prorated for the period of employment during the policy term.

5. Executive Officers, LLC Members, Partners, and Sole Proprietors

- A. Executive Officers
Executive Officers of a corporation or unincorporated association are the president, vice president, secretary, treasurer, or any other officer appointed in accordance with the charter or bylaws of such entity. Executive Officers are employees under a WARP policy and subject to premium charges for work deemed subject to the USL&H Act.
 - 1. Classification Assignment
Executive Officers must be assigned to the classification that applies to the principal operations in which the executive officer is engaged.
Exceptions:
Payroll of an executive officer who regularly and frequently engages in duties that are ordinarily performed by a superintendent, foreperson, or worker must be assigned to the governing classification.
Payroll of an executive officer who performs construction, erection or stevedoring operations must be divided and assigned to the classifications that apply to the different operations of the executive officer, subject to interchange of labor rules.
 - 2. Premium Determination
Premium for executive officers is based on their total payroll, subject to the following limitations and the requirements of Payroll Limitation Rules:
 - a. The weekly minimum individual payroll for an executive officer applies as shown in Part Four – Miscellaneous Values.

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- b. The weekly maximum individual payroll for an executive officer applies as shown in Part Four – Miscellaneous Values.
- c. The executive officer minimum and maximum payroll limitations apply to the average weekly payroll of each executive officer for the number of weeks the officer was involved in or visits operations covered under this policy. Partial weeks are considered full weeks when determining average weekly pay and applying minimums and maximums.
- d. Payroll is subject to minimum and maximum limitations and included when:
 - 1. The executive officer visits the premises of the risk, even if the officer is an employee or officer of another risk in which he/she takes an active interest.
 - 2. The officer receives no salary; however, a regular salary is credited to him or her on the books. In this instance the amount credited must be included in payroll.
 - 3. The officer receives no salary, either drawn or credited, or the audit records fail to disclose the salary. In this instance the amount to be included in the payroll is the applicable minimum.
- e. Payroll is excluded when:
 - 1. The executive officer is elected for the value of his/her name or because of stock holdings, has no duties and does not visit the premises, except perhaps to attend directors' meetings.
 - 2. The executive officer ceases to perform any duties and does not visit the premises, except perhaps to attend directors' meetings.

B. Members of Limited Liability Companies (LLC)

1. Treatment

For purposes of manual rules, any references to LLC members or managers will collectively be referred to as members of limited liability companies. Members are employees under a WARP policy and subject to premium charges.

2. Premium Determination

Members are treated as executive officers under these rules and all such executive officer rules apply to members of an LLC.

C. Partners or Sole Proprietors

Partners or Sole Proprietors are not considered employees and, therefore, not covered under a WARP policy and not subject to premium charges.

6. Wages for Time Not Worked

A. Idle Time

Some Employers pay employees for time not worked. All wages paid to the employee for such idle time must be included in payroll. These wages are assigned to the classification for work normally performed by the employee under the following circumstances:

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1. Suspension or delay of work due to weather conditions.
2. Delays while waiting for materials.
3. Delays while waiting for another party to complete certain work.
4. Delays arising from breakdown in equipment.
5. "Stand-by" time where employees such as operators of cranes, hoists or other equipment are on the job but their active services are not required continuously.
6. Special union requirements or agreements between Employer and employees calling for pay for idle time under specific circumstances.
7. Inability of non-striking employees to perform normal duties due to other employees who are on strike. If non-striking employees perform absolutely no work for their Employer and are not present at their Employer's premises or job sites during a strike period, their payroll must be assigned to Code 8810—Clerical Office Employees, provided adequate records are maintained by the Employer.
8. All other causes of a similar nature.

B. Wages Paid to Key Employees

Wages paid to key employees of construction, erection or stevedoring risks, such as superintendents, forepersons or engineers, must be assigned to the classification applicable to the work that each one actually performs during any period where no jobs are in progress.

Exception: If such work consists exclusively of drafting or other office work, or if such employee is completely idle, the wages must be assigned to Code 8810. However, Code 8810 is not available for office time of a project manager, construction executive, construction manager, or construction superintendent who qualifies for Code 5606. It is normally expected that such an employee will spend a considerable portion of time engaged in office work.

7. Interchange of Labor

- A. Some employees may perform duties directly related to more than one properly assigned classification. Their payroll may be divided among the properly assigned classifications provided that:
 1. The classifications can be properly assigned to the Employer according to the rules of the classification system and the Employer maintains proper payroll records, which show the actual payroll by classification for that individual employee.
 - a. Records must reflect actual time spent working within each job classification and an average hourly wage comparable to the wage rates for such employees within the Employer's industry.
 - b. Estimated or percentage allocation of payroll is not permitted.

Note: If payroll records do not show the actual payroll applicable to each classification, the entire payroll of the individual employee must be assigned to the highest rated classification that represents any part of his or her

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work.

2. Payroll for holiday, vacation, sick pay, overtime and all other forms of payroll that are not directly attributable to a specific classification code must be allocated to the classification code with the greatest amount of payroll applicable to the individual employee.

If none of the classification codes applicable to the employee has the greatest amount of payroll, the payroll for holiday, vacation, sick pay, overtime and all other forms of payroll that are not directly attributable to a specific classification code must be allocated to the highest rated classification code applicable to the employee.

3. Some employees qualify for division of payroll between two or more basic classification codes and also engage in operations that are classified by Codes 8810 or 8742. The payroll for these standard exception operations must be allocated to the basic classification code with the largest amount of payroll applicable to that employee.

B. Exceptions to Interchange of Labor Rule:

1. Code 8810—Clerical Office Employees and Code 8742—Salespersons or Collectors—Outside are not available for division of payroll under this rule.
2. The distribution of payroll for the employee may result in no single basic classification code that represents the largest amount of that employee's payroll. In such cases, the payroll included in the standard exception codes (8810 and 8742) will be assigned to the highest rated classification code that represents any part of the employee's work.
3. This rule does not apply to miscellaneous employees.

8. Subcontractors

- A. A contractor is responsible for the payment of USL&H benefits to employees of its uninsured subcontractors; the contractor must furnish satisfactory evidence that the subcontractor has insurance for USL&H in force covering the work performed for the contractor. The following documents may be used to provide satisfactory evidence:
 1. Certificate of insurance for the subcontractor evidencing USL&H coverage.
 2. Certificate evidencing the subcontractor is a qualified USL&H Self-Insured.
 3. Copy of the subcontractor's workers compensation policy endorsed to provide coverage for USL&H.
- B. For each subcontractor not providing such evidence of USL&H coverage, additional premium must be charged on the contractor's policy for the uninsured subcontractor's employees according to Subcontractor Table 1 and Table 2.

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Subcontractor Table 1	
<i>If the contractor has not furnished evidence of USL&H coverage and...</i>	<i>Then to calculate the additional premium . . .</i>
Furnishes complete payroll records of the subcontractor's employees . . .	Use the payroll detailed in the records
Does not furnish complete payroll records and the subcontract price does not reflect a definite payroll amount . . .	Use the full subcontract price of the work performed during the policy period by the subcontractor as payroll
Does not furnish complete payroll records, but documentation of a specific job discloses that a definite amount of the subcontract price represents payroll . . .	Use the payroll amount indicated by the documentation as the payroll, subject to the minimums in Subcontractor Table 2 below

Subcontractor Table 2	
<i>If the job involves:</i>	<i>Then the minimum to calculate additional premium is:</i>
Mobile equipment with operators (such as but not limited to earth movers, graders, bulldozers, or log skidders)	Not less than 33 1/3% of the subcontract price
Labor and material	Not less than 50% of the subcontract price
Labor only	Not less than 90% of the subcontract price
Piecework	Not less than 100% of the subcontract price (The entire amount paid to pieceworkers must be the payroll.)

- C. Vehicles with drivers, chauffeurs, messengers, or helpers entitled to benefits under the USL&H Act may be engaged under verbal or written contract. The amount used to calculate the premium is determined in the manner shown in Subcontractor Table 3:

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Subcontractor Table 3	
<i>If the owner of such vehicles has not furnished evidence of USL&H coverage and . . .</i>	<i>Then . . .</i>
Payroll can be obtained	The total payroll of these drivers must be included as payroll of the Insured Employer that contracted for the vehicles.
Payroll cannot be obtained or the driver is an owner-operator and does not receive a set payroll	1/3 of the total contract price for the vehicles must be included as payroll of the drivers.
The contract price does not include the cost of fuel, maintenance, or other services provided to the owner or the owner-operator of a vehicle under contract	The value of these goods and services must be added to the contract price before determining the 1/3 amount.

- D. In all cases, the payroll determined for subcontractors is assigned to the classification that would have applied if the individuals had been employees of the contractor.
- E. In all cases, if an experience modification has been established for the contractor, this experience modification must be applied to the premium developed for the uninsured subcontractor.

B. CLASSIFICATION ASSIGNMENT

1. Classification System

- A. The purpose of the classification system is to group Employers with similar operations into classifications so that:
 - 1. The assigned classification reflects the exposures common to those Employers
 - 2. The rate charged reflects the exposure to loss common to those Employers
- B. Subject to certain exceptions, it is the business of the Employer that is classified, not separate employments, occupations or operations within the business.

2. Explanation of Classifications

- A. *Basic Classifications* describe the business of an Employer. This term is applied to all classifications listed in this manual, except for the standard exception classifications.
- B. *Standard Exception Classifications* describe occupations that are common to many businesses. These common occupations are not included in a basic classification unless specified in the classification wording. The standard exception classifications are described below.
1. Clerical Office or Drafting Employees
Individuals employed exclusively to perform office clerical, secretarial, or data processing work are not subject to premium charges under a WARP policy if they are excluded from coverage under the USL&H Act.
 - a. This designation applies if all the following conditions are met:
 1. The USL&H classifications applicable to the business do not include clerical office or drafting employees.
 2. The employee meets the duties, site and other requirements listed below:
 - a) Duties must be limited to one or more of the following work activities: creation or maintenance of Employer records, correspondence, operating computer programs (including data entry and word processing), filing documents, drafting, telephone calling and answering (including telephone sales), office machine operation (such as fax or photocopy machines), and general office work similar to the above activities.
 - b) The duties above must take place at a site that is separated (by floors, walls, partitions, counters or other physical barriers) from areas with operative hazards of the business (such as factories, stores, shops, construction sites, warehouses, yards, work or service areas, inventory storage, products displayed for sale or an area where the purchaser customarily brings a product from another area for payment).
 - b. Employees who otherwise meet the requirements for exclusively performing office clerical, secretarial, or data processing work will not be disqualified from being designated clerical if they perform certain incidental non-clerical duties directly related to that employee's duties in the office and those other duties do not bring them under the USL&H Act. These duties may include: depositing of funds in a bank, pickup or delivery of mail, purchase of office supplies, or

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entering an area exposed to the operative hazards of the business for clerical purposes, such as delivering paychecks.

- c. Employees who otherwise meet the requirements for office clerical, secretarial, or data processing work will be disqualified from assignment to this classification if their duties involve: outside sales or outside representatives, direct supervision of non-clerical employees not performed in an eligible site, physical labor, any work exposed to the operative hazards of the business, such as a stock or tally clerk, that is necessary, incidental, or related to any operations of the business other than a clerical office.

2. Drivers & Messengers - NOC (Code 7380)

- a. This classification is assigned to employees who perform work on or in connection with a vehicle and whose work is subject to the USL&H Act. Messenger and courier deliveries of owned documents or goods made by foot or public transportation are assigned to the governing class code. This code includes garage employees and employees using bicycles as part of their work duties. Duties include, but are not limited to, delivering goods owned by the Employer.
- b. Code 7380 does not apply when the basic classification wording already includes drivers. Refer to manual rules for vehicles under contract.

3. Outside Sales or Software Installation (Code 8742)

- a. This classification is assigned to employees who perform these duties away from the Employer's premises and whose work is subject to the USL&H Act.
- b. This code excludes employees who deliver or pick up merchandise or goods regardless of transportation type used (e.g., vehicles, public transportation, walking) even if they collect or sell. These employees must be assigned to the governing classification applicable to the business.

C. General Inclusions

1. Some operations appear to be separate businesses but are included within all basic classifications. These are called general inclusions. These operations are not separately classified. They include the following:
 - a. Restaurants or cafeterias operated by the Insured for employee use.
 - b. Exception: If these operations are conducted in connection with construction, erection, lumbering or mining operations, they must be separately classified.
 - c. Manufacture of containers by the Insured, such as bags, barrels, bottles, boxes, cans, cartons or packing cases for sole use in the operations insured by the policy.

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- d. Hospitals or medical facilities operated by the Insured for its employees.
 - e. Maintenance or repair of the Insured's buildings or equipment by the Insured's employees.
 - f. Printing or lithographing by the Insured on its own products.
2. Some employees may perform general inclusion duties for more than one basic classification. In such cases, refer to Miscellaneous Employees rules for classification treatment.
 3. Exceptions: A general inclusion operation must be separately classified if any of the following conditions apply:
 - a. The operation is conducted as a separate and distinct business of the Insured.
 - b. The operation is specifically excluded in the wording of the basic classification.
 - c. The principal business is described by a standard exception classification.

D. General Exclusions

1. Some operations in a business are so unusual for the type of business described by the applicable basic classification, that they are separately classified even though the operations are not conducted as a secondary business. These are called general exclusions. They are:
 - a. New construction or alterations.
 - b. Stevedoring.
 - c. Sawmill operations.

E. Governing Classification

1. The Governing Classification at a specific job or location is the classification, other than a standard exception classification, that produces the greatest amount of payroll. If a basic classification is not applicable, the governing classification is the standard exception classification that produces the greatest amount of payroll.
2. The governing classification is used to determine the classification treatment of:
 - a. Miscellaneous employees.
 - b. Local managers.
 - c. Executive officers who regularly engage in duties that are ordinarily performed by a superintendent, foreperson or worker.

F. Principal Business

1. Principal Business is described by the classification, other than a standard exception or general exclusion, with the greatest amount of payroll. If the business is best described by a standard exception operation, and there is no basic classification other than the general inclusion or exclusion operations, then the standard exception operation that

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produces the greatest amount of payroll for the business is considered the principal business.

3. Classification Wording

A. Classification Captions and Notes

1. The *caption* is the heading that is associated with the classification code. The *note* is a phrase that may follow the classification caption and is part of the classification wording. The classification wording, including captions and notes, controls, restricts, or explains the classification usage.

B. Words and Phrases

Certain words and phrases used in classification wording have special meaning, these include:

1. *All Employees, All Other Employees, All Operations, or All Operations to Completion*
If a classification includes any of these phrases, no other classification can be assigned unless noted in the classification wording. This applies even if some operations or employees are at a separate location.

Exceptions: The following operations within the business must be classified separately even if the classification wording includes "All Employees," "All Other Employees," "All Operations," or "All Operations to Completion":

- a. Construction or Erection Permanent Yard (Code 8227)
- b. Contractor—Project Manager, or Construction Executive, Manager, or Superintendent (Code 5606)
- c. Classifications describing an operation that is a standard exception unless the basic classification includes the standard exception operation
- d. Classifications describing an operation that is a general exclusion

2. *Clerical*

Clerical means clerical office employees, drafting employees and telecommuting employees with clerical duties as defined in this manual under *Standard Exception Classifications*.

3. *Drivers*

Includes drivers, chauffeurs, messengers, and their helpers as defined in this manual under *Standard Exception Classifications*.

4. *"Includes" or "&"*

If the classification wording uses the terms "includes" or "&," the operation or employees cited after those terms must not be assigned to a separate classification. This applies even though the operation or employees may be described by another classification or are at a separate location.

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Note: If an Insured's operations are assigned to more than one basic classification, an employee's payroll may be allocated among codes appropriate for each operation. This procedure is provided under the Interchange of Labor rules.

5. *Local Manager*

Local Manager is an employee, regardless of title, who is in direct charge of the operative procedures in the yard of a business. This employee is subject to the hazards of the business. Therefore, the payroll of the local manager must be assigned to the governing classification unless another basic classification assigned to the business specifically includes this employee.

6. *"No" or "Not"*

A classification that includes a restrictive phrase beginning with "no" or "not" must not apply to any risk that conducts any operation described in the restrictive phrase.

Exception: For mercantile, mining or construction operations, this rule applies to each job or location.

7. *NOC*

NOC means Not Otherwise Classified. If the classification wording uses the term NOC, that classification applies only if no other classification more specifically describes the Insured's business.

8. *"Or" or "And"*

The terms "or" or "and" mean and/or. This definition applies only to these terms as used in a classification's Caption or Notes.

9. *Salespersons*

Includes salespersons and collectors as defined in this manual under *Standard Exception Classifications*.

10. *Stories in Height*

Certain classification wording may refer to "stories in height." A story is defined as fifteen (15) feet in height. It is measured from the lowest point above ground level to the highest point above ground level.

11. *To Be Separately Rated*

Certain classification wording contains the phrase "to be separately rated." Operations or employees referenced in those classifications must be separately classified. Rules regarding the assignment of more than one basic classification apply.

4. Classification Procedures

- A. The purpose of the classification procedure is to assign the one basic classification that best describes the business of the Employer. Subject to certain exceptions described in this rule,

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each classification includes all the various types of labor found in a business.

- B. It is the business that is classified, not the individual employments, occupations or operations within the business. Certain exceptions apply and are noted below:
1. *Separate Legal Entities.* Classification rules apply separately to each legal entity even if multiple entities are insured under a single policy.
 2. *Businesses Not Described by a Classification.* If no basic classification clearly describes the business, the classification that most closely describes the business must be assigned. All the rules pertaining to the assigned basic classification apply to this operation.
 3. *Assignment of More Than One Basic Classification.* More than one basic classification may be assigned to an Insured who meets conditions a, b, or c below. Operation means activities, enterprises, processes, secondary businesses or undertakings.
 - a. The Insured's principal business is described by a basic classification that requires certain operations or employees to be separately rated.
 - b. The Insured conducts one or more of the following operations:
 1. Construction or erection
 2. Farming
 3. Human Resource Company, employee leasing, labor contracting, temporary labor services or similar operations
 4. Mercantile business
 - c. The Insured conducts more than one operation and the Insured's operations are not encompassed by the classification applicable to the Insured's principal business.
 1. To qualify for a separate classification, the Insured's additional operation must meet all of the following conditions:
 - a. Be able to exist as a separate business if the Insured's principal business ceased to exist.
 - b. Be located in a separate building, or on a separate floor in the same building, or on the same floor physically separated from the principal business by structural partitions. Employees engaged in the principal business must be protected from the operating hazards of the separate additional operations.
 - c. Maintain proper payroll records.

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2. If the separate additional operation is not encompassed in the classification applicable to the Insured's principal business and meets all the conditions listed above, the Insured is considered to be engaged in an additional operation qualifying for a separate basic classification.
3. If the additional operation does not meet all conditions listed above and is not encompassed in the classification applicable to the Insured's principal business and has a rate:
 - a. Lower than the Insured's principal business then assign the additional operation to the same classification as the Insured's principal business.
 - b. Higher than or equal to the Insured's principal business, assign the additional operation to the classification that describes the additional operation.
4. Policies with more than one classification may include employees working under several classifications. Payroll assignment for these employees is subject to the Interchange of Labor rule. Note: If the Insured does not maintain verifiable payroll records specific to the additional higher rated operation, then assign the principal and the additional operation to the higher rated classification.

d. Construction or Erection Operations

1. For purposes of rules in this manual the following Class Codes are considered construction or erection operations:

3365	5102	5213	5445	5506	6005	6325
3724	5146	5221	5473	5535	6017	6400
3726	5160	5222	5474	5551	6204	7538
4000	5183	5348	5479	5606	6233	8227
5057	5190	5403	5480	6003	6319	-

2. Each distinct type of construction or erection operation must be assigned to the class that specifically describes the operation only if separate payroll records are maintained for each operation.
3. If separate payroll records are not maintained for any construction or erection operation, the highest rated classification that applies to the job or location where the operation is performed must be assigned.
4. If a construction or erection operation is included in the scope of another classification, a separate code must not be assigned.

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5. An insured subcontractor who performs a single type of work on a construction project or job must be classified based on the classification that describes the particular type of work involved.
 - a. Exception to the above: All operations in conjunction with concrete construction including making and erecting forms, placing reinforcing steel and stripping forms, when done by subcontractors, must be assigned to the appropriate concrete construction classification.
 6. Uninsured subcontractors covered under the principal or general contractor's policy are classified on the basis of the classifications that would apply if the work were performed by the principal's or general contractor's own employees.
- e. Human Resource Company, Employee Leasing, Labor Contractors, and Temporary Labor Services
1. Workers assigned to clients must be classified the same as direct employees of the client performing the same or similar duties.
 2. If the client has no direct employees performing the same or similar duties, leased workers are classified as if they were direct employees of the client entity.
- f. Mercantile Businesses
1. A Mercantile Business is any store or dealer engaged in the sale of goods or merchandise, or in the sale of services.
 2. For mercantile businesses, the classification is assigned separately for each location.
 3. Store operations are classified based on the principal type of merchandise sold and whether the operations are wholesale or retail. For purposes of this rule, principal means more than 50% of gross receipts, excluding receipts derived from the sale of lottery tickets.
 4. The following definitions and instructions must be used to determine the appropriate store classification.
 - a. Type of Merchandise Sold
If a store sells a variety of goods, each of which may be subject to a different classification, the store must be

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assigned to the classification that best describes the merchandise that generates more than 50% of the gross receipts.

b. Wholesale vs. Retail

Retail applies to the sale of merchandise to the general public for personal or household consumption or use and not for resale.

Wholesale applies to the sale of merchandise for resale to others; or sale to manufacturers, builders, contractors, or others for use in their business or as raw materials.

Exception: If a store's sales are clearly retail in nature, the appropriate retail store classification may be assigned regardless of the definition of retail above.

c. Combination of Retail and Wholesale

A store that sells merchandise on a combined wholesale and retail basis must be assigned to the appropriate store classification depending on whether the majority of gross receipts come from wholesale or retail sales.

4. *Standard Exceptions*

Standard Exceptions must be separately classified unless specifically included in a classification assigned to the business. Classifications for Standard Exceptions apply even if the basic classification includes phrases such as “all employees” or “all operations.”

5. *Businesses Described by a Standard Exception Classification*

If the principal business is described by a Standard Exception Classification, the operations of all employees not included in the definition of Standard Exception classification must be assigned to the separate basic classification that most closely describes their operation.

6. *Classifications Limited to Separate Businesses*

The assignment of certain classifications is limited by their notes to separate and distinct businesses because the notes may describe an operation that frequently is an integral part of a business described by another classification.

7. *Repair Operations*

Risks with shop operations that involve the repair of a product for which there is no repair classification are assigned to the classification that applies to the manufacture of the product, unless this repair work is specifically referred to by another classification, footnote, or definition in the manual.

8. *Recycling Operations*

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The collection, sorting and handling of recyclable materials for resale to others must be assigned to the appropriate store or dealer classification, or to the classification that most closely describes the business.

Risks with operations that involve the reuse of materials for the production of a new product must be assigned to the classification that applies to the manufacture of the product unless such work is specifically referred to by another classification, footnote, or definition in the manual.

5. Miscellaneous Employees

- A. Miscellaneous employees who perform duties that are commonly conducted for separate operations that are subject to more than one basic classification must be assigned to the governing classification.
- B. Miscellaneous employees include but are not limited to:
 - 1. General superintendents other than construction executives that meet the requirements of Code 5606—Contractor—Project Manager, Construction Executive, Construction Manager, or Construction Superintendent
 - 2. Maintenance or power plant employees
 - 3. Shipping or receiving clerks
 - 4. Yard workers other than construction yard employees properly assigned to Code 8227—Construction or Erection Permanent Yard

6. Changes or Corrections in Classifications

- A. Changes in classification due to changes in an Insured's operations will be applied as of the date the change in operations occurred.
- B. Corrections in classifications that result in a decrease in premium, whether determined during the policy period or at audit, must be applied retroactively to the inception of the policy.
- C. Corrections in classifications that result in an increase in premium, must be applied as follows:
 - 1. If the correction in classification is effective during the first 120 days of the policy term then the correction is applied retroactively to the inception of the policy.
 - 2. If the correction in classification is effective after the first 120 days of the policy term but before the final 90 days then the correction is applied as of the date the cause for that correction is discovered.

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3. If the correction in classification is effective during the last 90 days of the policy term then the correction is applied only to a Renewal policy, if any.

The effective date of change, for purposes of the time periods noted above, is the date a carrier applies a classification change.

4. Exceptions to corrections that result in an increase in premium:
 - a. If the correction in classification is the result of a misrepresentation or omission by the Insured, its agents, employees, officers or directors, then the correction must be applied from the date on which the change would have applied if such misrepresentation omission had not been made.
 - b. If the correction in classification is for any of the following types of operations the classification may be changed and applied at any time during the term of the policy or at audit:
 1. Construction or erection risks
 2. Human Resource Companies
- D. For purposes of this rule the reallocation of payroll among classifications on the policy is not considered a change or correction in classification(s).

7. Dual Coverage

If a WARP policy provides coverage for Maritime Employers' Liability (MEL) an Insured may have payroll that is subject to premium charges for both an MEL code and a USL&H class code. In such cases, the payroll is assigned only to the applicable code with the highest rate.