

Report on the Standard Exception Study – Automobile or Truck Dealership Vehicle Salespersons

Excerpts from the WCIRB Classification and Rating Committee Minutes
August 9, 2022

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Standard Exception Study – Automobile or Truck Dealership Vehicle Salespersons

8748, *Automobile or Truck Dealers – vehicle salespersons*

8810, *Clerical Office Employees – N.O.C.*

8742, *Salespersons – Outside*

Executive Summary

Objectives

For most classifications, an employer's clerical or outside sales employees are separately assigned to Classifications 8810, *Clerical Office Employees – N.O.C.*, 8742, *Salespersons – Outside*, or, beginning in 2021, 8871, *Clerical Telecommuter Employees*, pursuant to the Standard Exceptions rule. Other classifications are structured to explicitly include clerical or outside sales operations when the employees' exposures to work-related hazards are relatively similar to those of the core classification and it is difficult to clearly distinguish an employer's primary operations from those that would otherwise be considered clerical or outside sales in nature.

In 2021, the WCIRB initiated a multi-year effort to systematically review classifications to identify those that would be improved by the inclusion of clerical office, clerical telecommuter or outside sales activities.¹ This year, the WCIRB selected Classification 8748, *Automobile or Truck Dealers – vehicle salespersons*, and evaluated the business operations and the payroll and claim experience of employers currently assigned to Classification 8748 to determine if their clerical or outside sales operations are distinct and easily identifiable or if some or all of their clerical or outside sales operations should be included in Classification 8748.

Findings

The key findings of this study include:

1. There is little to no overlap between the job duties of automobile or truck dealer vehicle salespersons assigned to Classification 8748 and automobile or truck dealer outside salespersons assigned to Classification 8742. In addition, it is rare for automobile or truck dealers to employ both vehicle salespersons and outside salespersons. The line of demarcation between operations assigned to Classifications 8748 and 8742 is clear.
2. The long-term loss to payroll ratios and typical causes of injury for vehicle salespersons assigned to Classification 8748 differed from those for automobile or truck dealer outside salespersons assigned to Classification 8742. In particular, the outside salespersons had a much higher share of indemnity claims involving motor vehicle accidents than Classification 8748, indicating a potential higher likelihood of severe claims.
3. Clerical employees of automobile or truck dealers assigned to Classification 8810 typically perform general administrative duties in support of dealership operations and finance and insurance related duties in support of vehicle sales operations. The majority of Classification 8810 clerical employees' job duties do not overlap with those of vehicle salespersons assigned to Classification 8748. The line of demarcation between operations assigned to Classifications 8748 and 8810 is clear.
4. The loss to payroll ratios and typical causes of injury for automobile or truck dealer clerical operations assigned to Classification 8810 were different from Classification 8748 experience and more comparable to statewide Classification 8810 experience. In addition, the proportion of Classification 8810 exposure varies significantly across the employers with the most payroll reported in Classifications 8748 and 8810, indicating disproportional Classification 8810 risk

¹ The pilot review in 2021 resulted in the inclusion of clerical office and clerical telecommuter employees in Classification 4512, *Biomedical Research Laboratories*.

exposure across different employers. The underlying hazards and claim experience of vehicle salespersons employed by automobile or truck dealers assigned to Classification 8748 are different from those of the dealers' clerical employees assigned to Classification 8810.

Recommendations

Based on these findings, the WCIRB does not recommend including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons² in Classification 8748, *Automobile or Truck Dealers – vehicle salespersons*.

I. Introduction

For most classifications, an employer's clerical or outside sales employees are separately assigned to Classifications 8810, *Clerical Office Employees*, 8742, *Salespersons – Outside*, or 8871, *Clerical Telecommuter Employees*,³ collectively referred to herein as the Standard Exception classifications, pursuant to the Standard Exceptions rule.⁴ Other classifications are structured to explicitly include clerical office, clerical telecommuter or outside sales operations. This typically occurs when employees' exposures to workplace hazards are relatively similar to those of the core classification and it is difficult to clearly distinguish an employer's primary operations from those that would otherwise be considered clerical or outside sales in nature.

As it is often challenging to determine whether individual employees meet the narrowly defined criteria for Standard Exception Employees, in 2021, the WCIRB initiated a multi-year effort to systematically review classifications to identify those that would be improved by the inclusion of clerical office, clerical telecommuter or outside sales activities.⁵

The WCIRB followed the framework established in 2021 and selected Classification 8748, *Automobile or Truck Dealers – vehicle salespersons*, for review as that classification met the following criteria:

- The classification has relatively low pure premium rates;
- The core business operations are relatively similar to clerical or outside sales activities; and
- The line of demarcation between clerical or outside sales activities and other employee activities may not always be clear.

As shown in Figure 1, Classification 8748 historically has had relatively low advisory pure premium rates (\$0.86 per \$100 of payroll in the most recent year) compared to the statewide average advisory pure premium rates (\$1.41 per \$100 of payroll in the most recent year). Compared to the Standard Exception classifications; however, Classification 8748 has had significantly higher advisory pure premium rates.

Both Classification 8748 and the Standard Exception classifications are fully credible.⁶ For employers with payroll reported in Classification 8748, only 1% of their payroll was reported in Classification 8742, whereas around 27% of their payroll was reported in Classification 8810. Therefore, it is rare for automobile or truck dealers to have dedicated outside salespersons with payroll assigned to Classification 8742 and more likely for these employers to have clerical employees with payroll assigned to Classification 8810.

² Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons are defined in Part 3, *Standard Classification System, Section III, General Classification Procedures, Rule 4, Standard Exceptions*, of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995 (USRP)*.

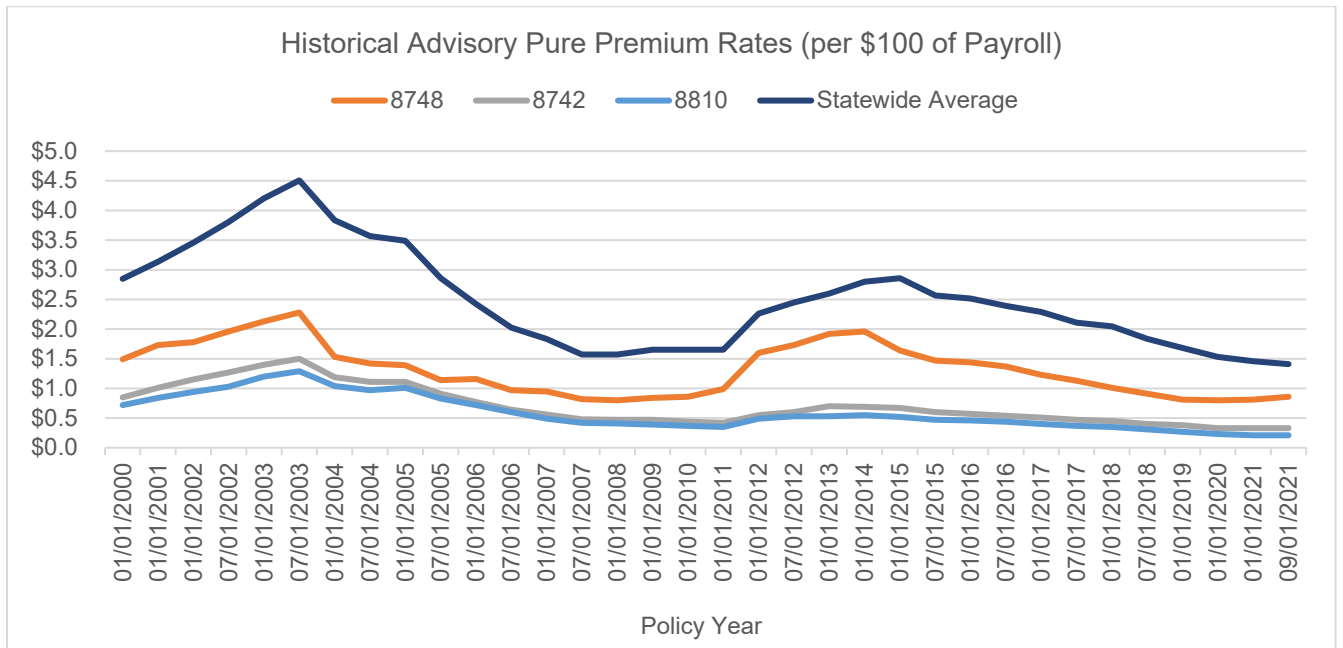
³ Classification 8871, *Clerical Telecommuter Employees*, was established effective January 1, 2021.

⁴ USRP, Part 3, *Standard Classification System, Section III, General Classification Procedures, Rule 4, Standard Exceptions*.

⁵ The pilot review in 2021 resulted in the inclusion of clerical office and clerical telecommuter employees in Classification 4512, *Biomedical Research Laboratories*.

⁶ The indemnity and medical credibility of Classifications 8748, 8810 and 8742 were 1.00 in the September 1, 2021 Regulatory Filing.

Figure 1. Historical Advisory Pure Premium Rates



	9/1/2021 Approved Advisory Pure Premium Rate (per \$100 of payroll) ⁷
Classification 8748	\$0.86
Classification 8742	\$0.33
Classification 8810	\$0.21
Statewide Average	\$1.41

The WCIRB analyzed the business operations, payroll and claim experience of employers currently assigned to Classification 8748 to determine if their clerical or outside sales operations are distinct and easily identifiable or if some or all of the clerical or outside sales operations should be included in Classification 8748.

II. Analysis Approach

The WCIRB analyzed business operations and payroll and claim experience of automobile and truck dealers and their clerical or outside sales operations using both qualitative and quantitative data from a variety of sources.

Classification Inspection Reports: The WCIRB reviewed Classification Inspection Reports that assigned employers' operations to Classifications 8748, 8742 and 8810 to better understand these employers' vehicle sales, outside sales and clerical office activities.

Industry Outreach: The WCIRB contacted members of the industry, including automobile and truck

⁷ CDI Decision on the WCIRB September 1, 2021 Pure Premium Rate Filing.

dealers⁸ and insurers that underwrite significant components of this industry to gain insights into the operational characteristics of vehicle salespersons.

Unit Statistical Reports: The WCIRB analyzed historical Unit Statistical Report (USR) data at the latest USR report level between policy years 2010 and 2019 for Classifications 8748, 8742 and 8810, including employers' payroll and loss experience and injury characteristics of claims. Losses were limited to \$500,000 per claim to minimize large swings in the loss to payroll ratios over time.

Other Jurisdictions: The WCIRB reviewed other jurisdictions' classification procedures for vehicle salespersons employed by automobile or truck dealers to understand how these operations are classified.⁹

III. Analysis Results

1. Comparison of Vehicle Salesperson Operations Assigned to Classification 8748 and Outside Sales Operations Assigned to Classification 8742

- **Operations of Vehicle Salespersons and Outside Salespersons**

Classification 8748¹⁰ applies to employees that conduct sales, leasing or rental of motor vehicles for automobile or truck dealers.¹¹ Vehicle sales operations contemplated within Classification 8748 include showing available vehicles to customers, discussing prices and features, accompanying customers on test drives and negotiating and finalizing deals. Classification 8748 also applies to vehicle salespersons working for online motor vehicle marketplace employers, and these salespersons may travel to customer locations to perform vehicle sale or purchasing operations. However, online vehicle marketplaces are a relatively new type of business with potential for future growth, and as a result the operations performed by vehicle salespersons may evolve over time.

Automobile or truck dealer outside salespersons assigned to Classification 8742 typically perform general or parts outside sales operations, marketing or public relations work, or clerical office activities with travel in connection with their job duties. It is unusual for automobile or truck dealers to have employees assigned to Classification 8748 and Classification 8742, as there are very few employers with reported payroll in both classifications. Those that do have both classifications tend to be large employers with robust business operations which necessitates having outside sales employees, or with a commercial parts department which necessitates having parts outside sales employees.

There is little to no overlap between the job duties of employees assigned to Classification 8748 and of those assigned to Classification 8742. These two groups of employees are not cross trained to provide back up for one another and they work within separate reporting structures. It does not appear that there have been significant challenges to or confusion regarding the assignment of operations to Classifications 8748 or 8742 for automobile or truck dealers. Further, vehicle salespersons and outside salespersons employed by automobile or truck dealers have dissimilar

⁸ Specifically, the WCIRB met with employers that operate commercial and public automobile and truck dealerships and online motor vehicle marketplaces.

⁹ A summary of how other jurisdictions classify vehicle salespersons employed by automobile or truck dealers is in Appendix II.

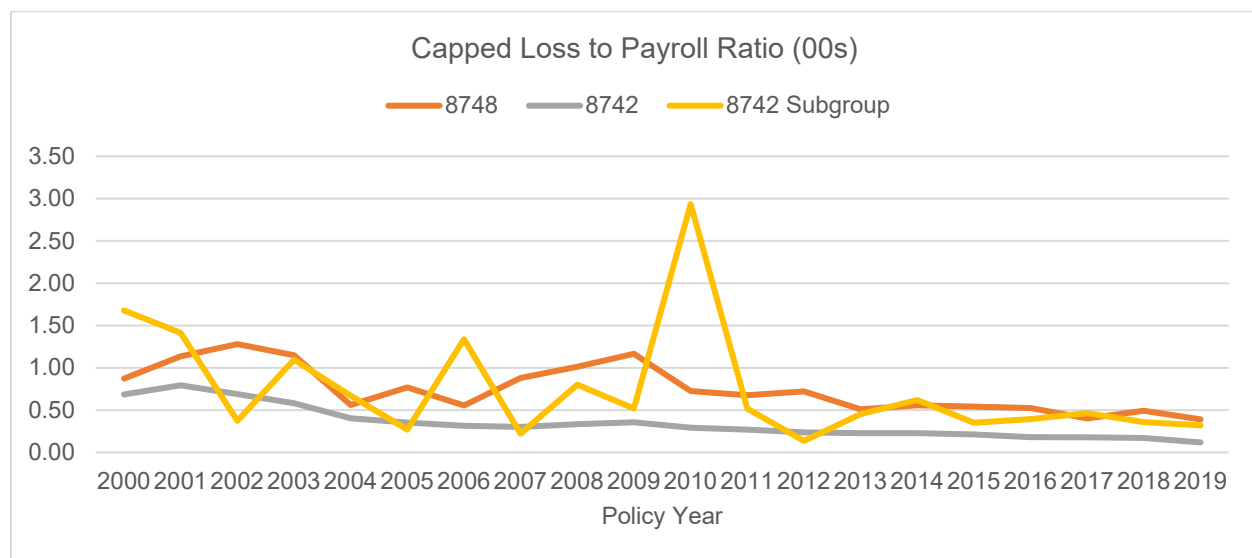
¹⁰ Classification 8391, *Automobile or Truck Dealers – all employees other than vehicle salespersons*, is the companion classification for Classification 8748. It applies to estimators, service writers, vehicle maintenance and repair, shuttle drivers, accessory or spare parts sales and the transporting of vehicles that are owned by the employer.

¹¹ These automobile or truck dealers are typically engaged in the sale of automobiles, trucks, buses, forklift trucks, golf carts, recreational vehicles, motor homes and trailers. Classification 8748 also applies to vehicle auctioneers and auction sales assistants who work for employers that operate vehicle auctions, and to driving or classroom instructors who work for employers that operate automobile or truck driving schools. However, Classification 8748 primarily consists of vehicle salespersons employed by automobile or truck dealers.

average weekly wages.¹² Therefore, the line of demarcation between operations assigned to Classifications 8748 and 8742 is clear.

- Payroll and Claim Experience of Vehicle Salespersons and the Outside Sales Subgroup**
 Given that only 1% of automobile and truck dealership payroll was reported in Classification 8742, the loss to payroll ratios for the outside sales operations of employers assigned to Classification 8748 (Classification 8742 subgroup) are much more volatile than those for the statewide Classifications 8748 and 8742 (Figure 2). The 20-year weighted average loss to payroll ratio for Classification 8748 is about 37% higher than that for the Classification 8742 subgroup, whereas the long-term loss to payroll ratio for statewide Classification 8742 is about 40% lower than that for the Classification 8742 subgroup. However, the loss to payroll ratios for Classification 8748 and the Classification 8742 subgroup appear to be converging in recent years.

Figure 2. Historical Loss to Payroll Ratios Comparing Classification 8748, Classification 8742 and the Classification 8742 Subgroup



	20-Year Loss to Payroll Ratio (00s) (PY2000-PY2019) ¹³	5-Year Loss to Payroll Ratio (00s) (PY2015-PY2019) ¹⁴
Classification 8748	0.71	0.47
Classification 8742 Subgroup	0.52	0.38
Classification 8742	0.31	0.17

The typical causes of injury were also dissimilar between claims reported for the Classification 8742 subgroup and those reported for Classification 8748 (Figure 3). Outside salespersons employed by automobile or truck dealers have a lower share of indemnity claims involving fall, slip or trip injuries but a significantly higher share involving strain injuries than vehicle salespersons. In addition, while motor

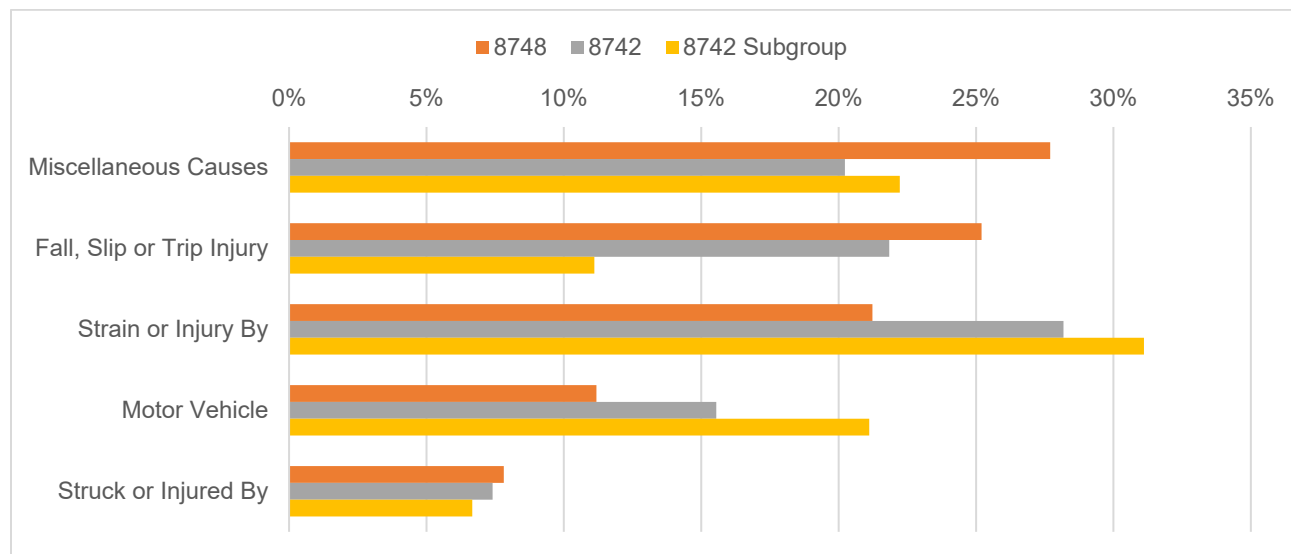
¹² Wage information is from the 2021 Wage, Payroll and Exposure Report for California Workers' Compensation. The full-time average weekly wage was \$793 for Classification 8748 and \$1,172 for Classification 8742, adjusted for the industry mix for automobile or truck dealers.

¹³ The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2000 to 2019 divided by the aggregate payroll during the same period. The loss to payroll ratio in policy year 2010 was driven by large claim frequency and low payroll exposure which was atypical and unrepresentative of the actual payroll and loss experience. Therefore, payroll and losses for policy year 2010 were excluded from the calculation.

¹⁴ The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2015 to 2019 divided by the aggregate payroll during the same period.

vehicle accidents are a unique risk exposure for both vehicle salespersons and outside salespersons, the share of claims involving motor vehicle accidents for the Classification 8742 subgroup is twice as high as that for Classification 8748. This difference indicates significantly different levels of motor vehicle risk exposure and different likelihoods of serious claims between the two groups. Lastly, the typical causes of injuries for the Classification 8742 subgroup are generally comparable to those for statewide Classification 8742.

Figure 3. Share of Indemnity Claims for Top 5 Causes of Injury for Policy Years 2015-2019



In summary, the business operations, underlying hazards and claim experience indicate that the line of demarcation between vehicle sales operations assigned to Classification 8748 and outside sales operations of automobile or truck dealers assigned to Classification 8742 is clear. In addition, the growing prevalence of online vehicle marketplaces may lead to changes in the vehicle sales industry. Therefore, the WCIRB does not recommend including outside sales employees within the scope of Classification 8748 and recommends that these outside salespersons continue to be assigned to Classification 8742.

2. Comparison of Vehicle Salesperson Operations Assigned to Classification 8748 and Clerical Operations Assigned to Classification 8810¹⁵

• Operations of Vehicle Salespersons and Clerical Office Employees

Clerical office employees employed by automobile or truck dealers who are assigned to Classification 8810 usually perform general administrative duties (e.g., human resources, payroll, billing) in support of dealership operations and finance and insurance related duties in support of vehicle sales operations. Automobile or truck dealers may also employ clerical office employees who perform customer service, dispatch, inside sales, purchasing, cashiering in a clerical space, online sales without test drives and marketing or public relations without travel.

For the majority of employers assigned to Classification 8748, there is no overlap between the job duties of their vehicle salespersons and clerical employees. However, for certain types of automobile or truck dealers, there may be an overlap between the job duties of employees assigned to Classification 8748 and of those assigned to Classification 8810 who perform finance and insurance operations. For example, vehicle salespersons who work for luxury automobile dealerships or for small or specialty motor vehicle dealerships, such as golf cart or recreational vehicle dealers, may perform finance and insurance operations in addition to their sales duties due to limited staff

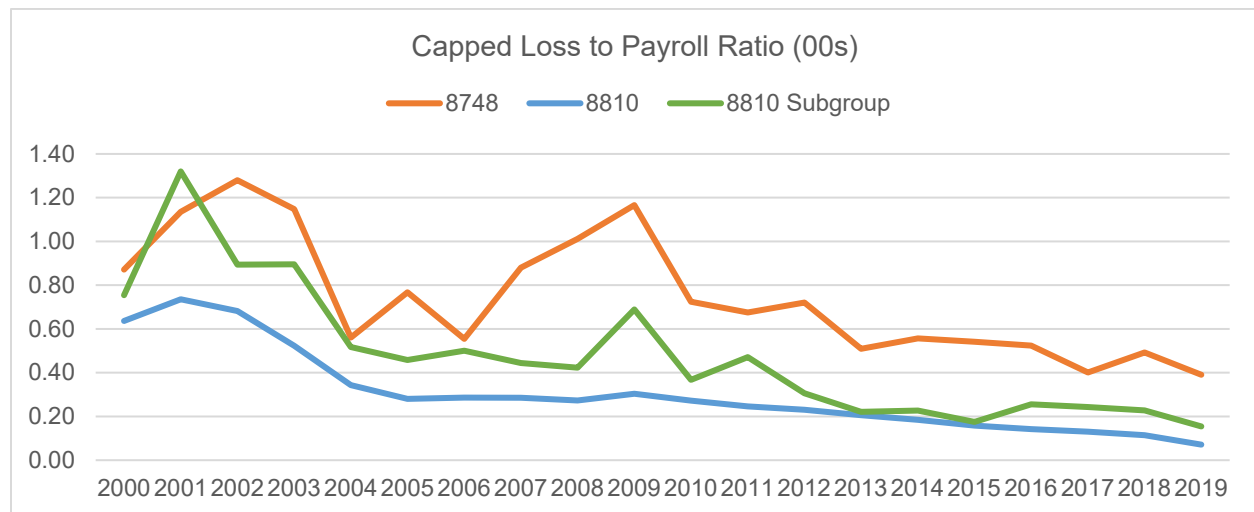
¹⁵ Clerical telecommuters assigned to Classification 8871 are not included in the analysis as the classification was established effective January 1, 2021 and there was not much information at the time of this study.

availability (for small or specialty dealerships) or customer request (for luxury dealerships). However, since the majority of employers assigned to Classification 8748 do not operate these types of dealerships, the overlap between clerical employees who perform finance and insurance operations and employees assigned to Classification 8748 is minimal. In addition, it does not appear that there have been significant challenges to, or confusion regarding, the assignment of operations to Classifications 8748 or 8810 for automobile or truck dealers.

Furthermore, vehicle salespersons and clerical employees employed by automobile or truck dealers have dissimilar average weekly wages.¹⁶ This is likely attributable in part to the assignment of higher salaried clerical employees in management roles to Classification 8810. Therefore, the line of demarcation between operations assigned to Classifications 8748 and 8810 is clear.

- Payroll and Claim Experience of Vehicle Salespersons and the Clerical Subgroup**
 As shown in Figure 4, loss to payroll ratios for clerical office employees of automobile or truck dealers (Classification 8810 subgroup) were much lower than those for Classification 8748 and more comparable to those for the statewide Classification 8810, especially after policy year 2006.¹⁷

Figure 4. Historical Loss to Payroll Ratios Comparing Classification 8748, Classification 8810 and the Classification 8810 Subgroup



	20-Year Loss to Payroll Ratio (00s) (PY2000-PY2019) ¹⁸	5-Year Loss to Payroll Ratio (00s) (PY2015-PY2019) ¹⁹
Classification 8748	0.71	0.47
Classification 8810 Subgroup	0.41	0.21
Classification 8810	0.28	0.12

¹⁶ Wage information is from the 2021 Wage, Payroll and Exposure Report for California Workers' Compensation. The full-time average weekly wage was \$793 for Classification 8748 and \$1,168 for Classification 8810, adjusted for the industry mix for automobile or truck dealers.

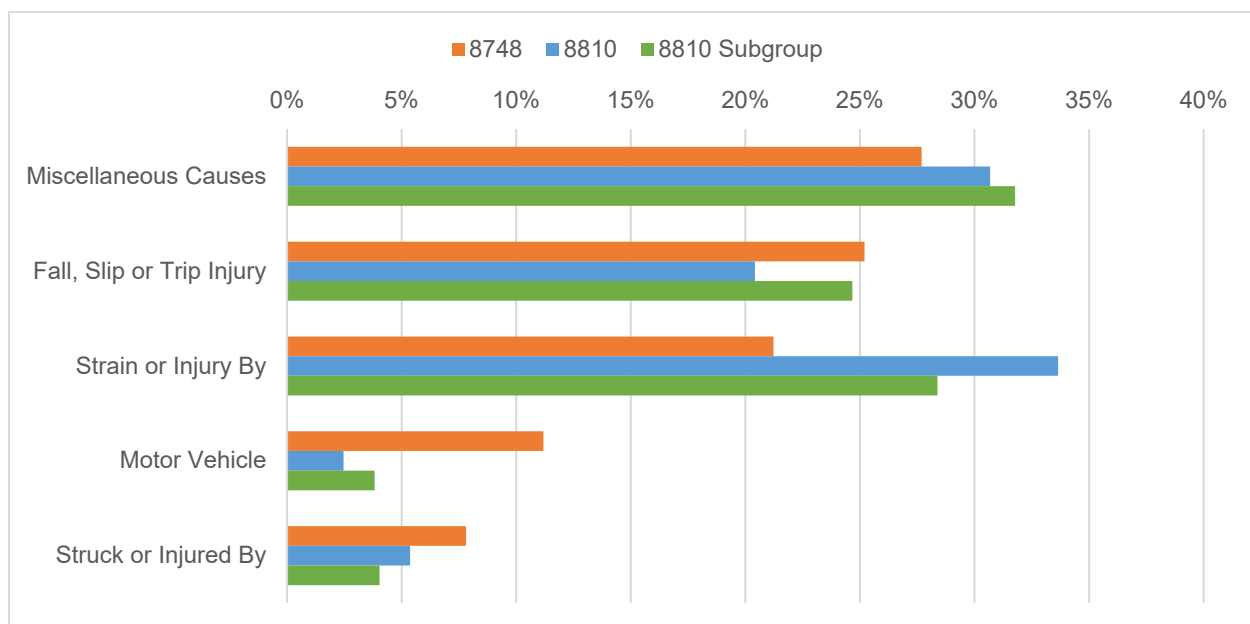
¹⁷ Clerical telecommuters assigned to Classification 8871 are not included in the analysis as the classification was established effective January 1, 2021 and there was no payroll reported in Classification 8871 at the time of this study.

¹⁸ The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2000 to 2019 divided by the aggregate payroll during the same period.

¹⁹ The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2015 to 2019 divided by the aggregate payroll during the same period.

The WCIRB also compared the typical causes of injury for clerical employees and vehicle salespersons. As shown in Figure 5, only the fall, slip or trip injuries category had consistent shares of indemnity claims for clerical employees and vehicle salespersons employed by automobile or truck dealerships, while other leading causes of injury differed. For example, the share of indemnity claims involving strain injuries for the Classification 8810 subgroup is much higher than that for Classification 8748, while the share of indemnity claims involving motor vehicle accidents for the Classification 8810 subgroup is lower than that for Classification 8748. The different patterns of leading causes of injury are driven by the different operational characteristics of vehicle sales and clerical operations. Vehicle salespersons often accompany customers on test drives, while clerical employees do not have exposure to motor vehicles but have higher risk of strain injuries consistent with work that is clerical in nature. Lastly, the leading causes of injuries for the Classification 8810 subgroup are generally more comparable to those for statewide Classification 8810.

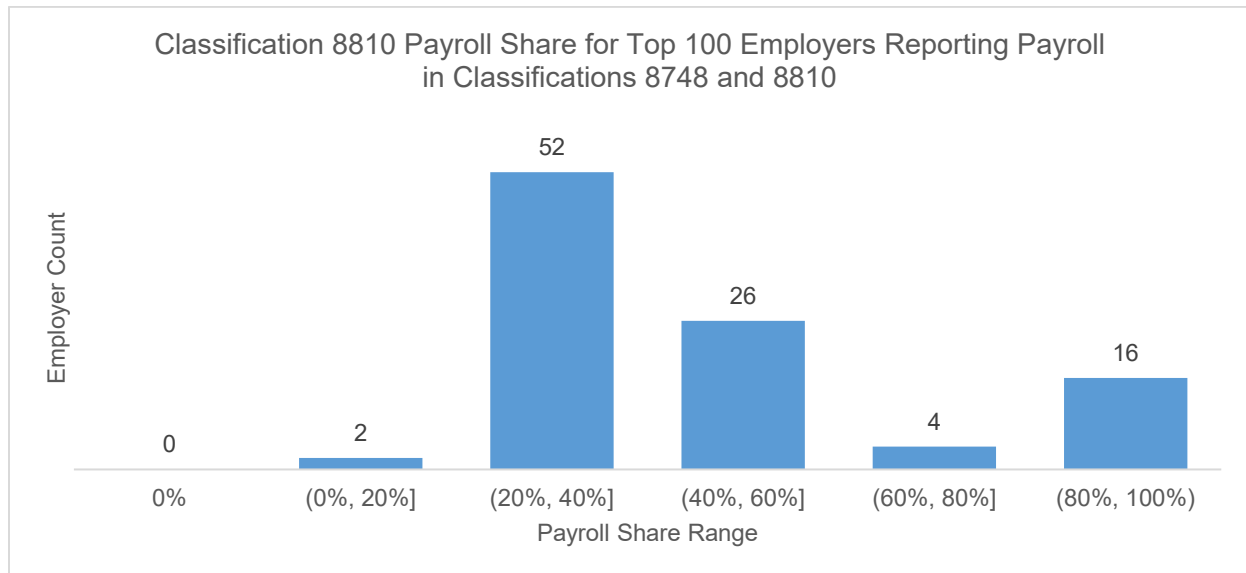
Figure 5. Share of Indemnity Claims for Top 5 Causes of Injury for Policy Years 2015-2019



The WCIRB also reviewed the payroll distribution for Classification 8810 across the 100 largest employers with the most payroll reported in Classifications 8748 and 8810 to assess if the top employers in Classification 8748 had a relatively consistent share of Classification 8810 exposure.²⁰ The disparity in payroll and claim characteristics among operational segments of a classification is less of a concern if the payroll split between the two segments is relatively consistent among policyholders within the classification. As shown in Figure 6, the relative share of reported payroll in Classification 8810 for these employers differed sharply. While the majority of the largest employers had 20% to 60% of their payroll reported in Classification 8810, some (16%) had more than 80% of their payroll reported in Classification 8810.

²⁰ The payroll distribution for Classification 8810 is calculated based on the reported payroll in Classification 8810 divided by the total reported payroll in both Classifications 8810 and 8748 for employers with reported payroll in Classification 8748. The majority of payroll for the 100 largest employers was reported in Classification 8748, its companion code, Classification 8391, and Classification 8810. Therefore, all of the payroll assigned to Classification 8810 is included in the payroll distribution calculation, assuming those clerical operations are performed in connection with vehicle sales operations.

Figure 6. Share of Classification 8810 Payroll for Top Vehicle Salesperson Employers in Policy Year 2015-2019



In summary, the business operations, underlying hazards and claim experience of vehicle salespersons assigned to Classification 8748 are different from those of clerical employees of automobile or truck dealers assigned to Classification 8810. In addition, the proportion of Classification 8810 exposure varies significantly among the top employers in Classification 8748. Therefore, the WCIRB does not recommend including clerical employees within the scope of Classification 8748 and recommends that these clerical employees continue to be assigned to Classification 8810.

IV. Findings

Based on this review, the WCIRB has determined:

1. There is little to no overlap between the job duties of automobile or truck dealer vehicle salespersons assigned to Classification 8748 and automobile or truck dealer outside salespersons assigned to Classification 8742. In addition, it is rare for automobile or truck dealers to employ both vehicle salespersons and outside salespersons. The line of demarcation between operations assigned to Classifications 8748 and 8742 is clear.
2. The long-term loss to payroll ratios and typical causes of injury for vehicle salespersons assigned to Classification 8748 differed from those for automobile or truck dealer outside salespersons assigned to Classification 8742. In particular, the outside salespersons had a much higher share of indemnity claims involving motor vehicle accidents than Classification 8748, indicating a potential higher likelihood of severe claims.
3. Clerical employees of automobile or truck dealers assigned to Classification 8810 typically perform general administrative duties in support of dealership operations and finance and insurance related duties in support of vehicle sales operations. The majority of Classification 8810 clerical employees' job duties do not overlap with those of vehicle salespersons assigned to Classification 8748. The line of demarcation between operations assigned to Classifications 8748 and 8810 is clear.
4. The loss to payroll ratios and typical causes of injury for automobile or truck dealer clerical operations assigned to Classification 8810 were different from Classification 8748 experience and more comparable to statewide Classification 8810 experience. In addition, the proportion of Classification 8810 exposure varies significantly across the employers with the most payroll reported in Classifications 8748 and 8810, indicating disproportional Classification 8810 risk.

exposure across different employers. The underlying hazards and claim experience of vehicle salespersons employed by automobile or truck dealers assigned to Classification 8748 are different from those of the dealers' clerical employees assigned to Classification 8810.

V. Recommendations

Based on these findings, the WCIRB does not recommend including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons in Classification 8748, *Automobile or Truck Dealers – vehicle salespersons*.

Appendix I – History of Classification 8748

Following is a timeline of significant changes to the scope and application of Classification 8748, *Automobile or Truck Dealers – vehicle salespersons*:

- **1943:** Classification 8748, *Automobile Salesmen – new or used cars*, was established to apply to automobile salesmen of automobile dealers.
- **1947:** Classification 8748 was amended to specify that it only applies to those concerns having a clerical office force and a regular sales force exclusively engaged in the demonstration and sale of automobiles (exclusive of proprietors) with or without a service or repair department.
- **1987:** Classification 8748 was amended to include automobile truck salespersons.
- **2005:** Classification 8748 was amended to include a cross reference to Classification 8391 as its companion code.
- **2014:** Classification 8748 was amended to specify that it also applies to vehicle salespersons of employers that operate auctions for the sale of automobiles and trucks.
- **2015:** The Automotive Industry group was established, which included Classification 8748.
- **2015:** Classification 8748 was amended to specify that it applies to salespersons of dealers of motor vehicles, including but not limited to automobiles, trucks, buses, forklift trucks, golf carts, recreational vehicles and motor homes and trailers.
- **2021:** Classification 8748 was amended to specify that it also applies to driving or classroom instruction performed in connection with the operation of automobile driving schools.

Appendix II – Other Jurisdictions

The WCIRB reviewed how other jurisdictions classify vehicle salespersons. The National Council on Compensation Insurance, Inc., the Workers' Compensation Rating and Inspection Bureau of Massachusetts, the Minnesota Workers' Compensation Insurers Association, Inc. and the North Carolina Rate Bureau direct that vehicle salespersons be assigned to Classification 8748, which is subject to the Standard Exception rule except for delivery operations.

The Compensation Advisory Organization of Michigan and the Wisconsin Compensation Rating Bureau direct that vehicle salespersons be assigned to Classification 8748, which is either a Special Classification as it is an extension of Classification 8742 or should be treated the same as Classification 8742 with respect to classifying employees.

The New Jersey Compensation Rating and Inspection Bureau and the New York Compensation Insurance Rating Board direct that vehicle salespersons be assigned to Classification 8748, but do not consider it to be a Standard Exception classification.

The Pennsylvania Compensation Rating Bureau utilizes one classification for all operations of an automobile or truck dealer, including clerical and vehicle sales, service and repair. A separate classification is utilized for automobile auction operations and driving school instruction.