

How to Avoid Contractor Misclassification Lawsuits and Penalties

Misclassifying contractors on a workers' comp policy can result in fines and potential lapses with coverage. To avoid misclassification, make sure to assign the correct workers' compensation class codes to your contractors.

What are workers' compensation class codes?

Workers' comp class codes are three- or four-digit codes that differentiate between the types of job duties performed by employees. The codes are created by the [National Council on Compensation Insurance](#) (NCCI), an organization that gathers data and that helps to establish workers' comp insurance rates. There are more than 700 NCCI codes. Each code:

- Denotes the amount of risk and type of hazard each job or work environment may entail
- Assigns a certain value based on these conditions
- Helps insurance providers determine the cost of workers' compensation insurance

Do all states use NCCI class codes?

Most states use the NCCI classification system. However, there are some exceptions. According to the NCCI's [state directory](#), the following states use their own class codes:

- California
- Delaware
- Indiana
- Massachusetts
- Michigan
- Minnesota
- New Jersey
- New York
- North Carolina
- Pennsylvania
- Wisconsin

Additionally, some states create special classifications that may vary from the standard NCCI codes. The best way to ensure you're using the correct codes is to complete the [WC Approval Request](#) form.

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