



PROPERLY  
CLASSIFYING  
YOUR WCRA  
WORKERS'  
COMPENSATION  
EXPOSURE

Reinsuring Minnesota  
Workers' Compensation  
Since 1979

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## Introduction

Workers' compensation codes are a complicated set of job definitions designed to accurately identify workplace exposures. You can verify that codes used by your organization and reported to the WCRA are accurate through a review of the codes that your organization uses.

Each specific job classification is assigned a four-digit number, which is then used throughout the workers' compensation system. These numbers, known as "workers' compensation classification codes" or "codes," are a primary component of the workers' compensation pricing system. Each workers' compensation code has its own rate for the purpose of calculating workers' compensation premium as well as its own rate for determining expected losses which is used to calculate experience modification factors. Code rates are set by the Minnesota rating authority, Minnesota Workers' Compensation Insurers Association (MWCIA).

Each classification code is calculated for employers with similar exposures or types of hazards. A basic classification code denotes a particular type of operation or business. Therefore, a class code is the systematic arranging of properties, persons, or business operations into groups or categories according to certain criteria. This arrangement creates a basis for establishing statistical experience and determining workers' compensation rates, and helps to avoid unfair discrimination among employers. The essential concept is that each risk should bear its fair share of the overall cost of expenses and losses in relationship to its own relevant expenses and hazards.

Proper classification of an employer's business can save thousands of dollars in the workers' compensation premium paid. Not only is proper classification important for collecting the correct premium, but it's also important for collecting accurate data that will impact future rates. Unfortunately, it is easy to use an improper code because of the complexity of the overall system of workers' compensation classification codes.

We hope this brochure will provide you with some of the basic information you will need to begin a review of the codes your organization uses. The WCRA uses the MWCIA's "Minnesota Basic Manual" and NCCI's

"Scopes Manual" to properly classify our members. For more detailed information regarding proper job classification, please refer to the MWCIA "Minnesota Basic Manual" online at <http://www.mwcia.org/basicmanual.aspx> or contact the WCRA Premium Department using the contact information listed on the last page of this brochure.

## Job Classifications

In Minnesota, there are approximately 550 classifications used. Classifications are divided into two types: Basic and Standard Exception.

1. **Basic Classification** - this is the job classification that best describes the business operations of a member. All but four classifications are in this category.
2. **Standard Exception Classifications** – these four codes describe jobs that are typical to most organizations. These common jobs are not included in a basic classification unless indicated so in the basic classification definition. The standard exception classification codes are:
  - a. **Clerical Office or Drafting Employees NOC (Code 8810)**

Code 8810 is used for employees performing clerical duties such as filing, bookkeeping, maintaining records, data entry, answering telephones, handling correspondence and other general office work. In order for code 8810 to be applicable **all** of the following criteria need to be met:

- The employee must meet the following duties and site requirements:
  - Duties- must be limited to general office tasks such as those listed above.
  - Site- office duties have to be performed in a work space that is physically separated from the operative hazards of the basic classification. Examples of spaces where operative hazards occur include, but are not limited to: factories, stores, warehouses, shops and constructions sites.

- Clerical duties cannot be performed where products are displayed for sale, inventory is located or areas where a customer would bring products to be purchased.
- Clerical telecommuter employees' duties must take place in a clerical work area located within the home of the clerical employee.
- The basic classification(s) assigned to the member does not specifically include clerical office, drafting, or telecommuting employees.
- **Other items to note**
  - If an employee meets the criteria for Code 8810 they will not be disqualified for certain incidental tasks that relate to their duties performed in the office. This includes making bank deposits, mail delivery or pickup and purchase of office supplies.
  - Duties that will disqualify an employee from being classified to Code 8810 are outside sales/representatives, direct supervision of non-clerical employees when not located in a qualified site, performance of physical labor or any work that involves exposure to the operative hazards of the organization.

**b. Drivers, Chauffeurs and Their Helpers NOC – Commercial (Code 7380)**

Code 7380 is used for employees that perform work in connection with a vehicle or bicycle such as delivering mail and packages between locations of the employer as well as delivering goods owned by the employer. Code 7380 also includes garage employees maintaining said vehicles. If an employee uses public transportation or walks to deliver goods, even if they collect or sell, they should be assigned to the basic classification assigned to the organization. If an employer is not in the business of transporting the public, a driver that

transports employees between locations would be correctly classified to code 7380.

- Code 7380 does not apply when the basic classification wording includes drivers.

**c. Salespersons, Collectors, or Messengers – Outside (Code 8742)**

Code 8742 is used for employees who perform sales, collections or messengers outside of the employer's premises. Employees will be disqualified from code 8742 if they:

- Deliver merchandise.
- Use vehicles to deliver or pick up goods, even if they collect or sell. These employees must be assigned to the classification applicable to the business for drivers.

Employees such as regional or district managers who travel between locations of the employer and perform various duties not involved in sales and collection should be assigned to the basic classification applicable to the member.

- Code 8742 does not apply when the basic classification wording includes outside salespersons, collectors, or messengers.

**d. Automobile Salespersons (Code 8748)**

Code 8748 is used to assign employees that are involved in the selling or long-term leasing of vehicles and are subject to the same rules as Code 8742- Salespersons, Collectors, or Messengers- Outside.

3. The term *General Inclusions* refers to some operations that appear to be separate businesses but are included within all basic classifications. These operations are not separately classified, but are included in the basic classification assigned to the member. General Inclusion operations include the following:

- Restaurants or cafeterias operated by the insured for employee use. However, if these operations are conducted in connection with construction, erection, lumbering, or mining operations, they must be separately classified.
- 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.

- Hospitals or medical facilities operated by the insured for its employees.
- Maintenance or repair of the insured's buildings or equipment by the insured's employees.
- Printing or lithographing by the insured on its own products, packaging and promotional materials.

**Exceptions:** A general inclusion operation must be separately classified if any of the following conditions apply:

- The operation is conducted as a separate and distinct business of the insured.
- The operation is specifically excluded in the wording of the basic classification.
- The principal business is described by a standard exception classification.

4. The term **General Exclusions** refers to some operations in a business that 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 separate and distinct business. They are:
  - Aviation, including all operations of the flying and ground crews.
  - New construction or alterations.
  - Stevedoring.
  - Sawmill operations.
5. 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. The governing classification is used to determine the classification treatment of:
  - Miscellaneous employees.
  - Local managers.
  - Executive officers who regularly engage in duties that are ordinarily performed by a superintendent, foreperson, or worker.
6. **Principal Business** is described by the classification, other than a standard 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 produces the greatest amount of payroll for the business is considered the principal business.

## Classification Wording

There are several words and phrases that are used in classification definitions that can play a major role in determining proper classification so it is vital to review the entire definition. The following is a list of phrases that may be used and how to interpret them:

- a. **All Employees, All Other Employees, All Operations, or All Operations to Completion**  
If the definition of the basic classification includes any of these phrases, no other classification can be assigned unless specifically noted in the definition. 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 one of the phrases above is included:
  - Construction or Erection Permanent Yard (Code 8227).
  - Contractor–Executive Supervisor or Construction Superintendent (Code 5606).
  - A standard exception classification as previously defined unless it is specifically noted in the definition of the basic classification.
  - A general exclusion classifications as previously defined.
  - Any separate and distinct business.
- b. **Clerical**  
“Clerical” means clerical office employees (including clerical telecommuters) and drafting employees as previously defined.
- c. **Drivers**  
“Drivers” means drivers, chauffeurs, and their helpers as previously defined.
- d. **“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. 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; see page R2 of the "Minnesota Basic Manual."

e. 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.

f. "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.

g. NOC (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.

h. "Or" or "And"

The terms "or" or "and" mean and/or. References when used in the title of the classification that code can be used for either occupation listed in the title.

i. Salespersons

Salespersons means salespersons, collectors, and messengers as previously defined.

j. Stories in Height

Some classifications are determined by "stories in height." A story is defined as fifteen (15) feet in height measured from the lowest point above ground level to the highest point above ground level.

k. To Be Separately Rated

If the phrase "to be separately rated" is used in a definition then the operations or employees indicated by the phrase must be separately classified.

## Classification Procedures

The purpose of the classification procedure is to assign the one basic classification that best describes the business of the employer within a state. Subject to certain exceptions described in this rule, each classification includes all the various types of labor found in a business. 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 operating in Minnesota even if multiple entities are insured under a single policy. This assignment procedure applies even if the business is conducted at more than one location.

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:
  - Construction or erection.
  - Farming.
  - Employee leasing, labor contracting, temporary labor services.
  - Mercantile business.
- c. The insured conducts more than one operation in a state.
  - (1) For purposes of this rule, an insured is conducting more than one operation in a state if portions of the insured's operations in that state are not encompassed by the classification applicable to the insured's principal business. To qualify for a separate

classification, the insured's additional operation must meet all of the following conditions:

- Be able to exist as a separate business if the insured's principal business in the state ceased to exist.
- 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.
- Maintain proper payroll records.

- (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 in c (1), the insured is considered to be engaged in an additional operation. If this is the case, a separate basic classification may be assigned to each operation that qualifies as a separate additional operation.
- (3) If the additional operation does not meet all conditions listed above in c (1) and is not encompassed in the classification applicable to the insured's principal business and has a rate:
  - *Lower* than the insured's principal business, assign the additional operation to the same classification as the insured's principal business.
  - *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 These operations are identified by a ● immediately following the code number. 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. 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. If a construction or erection operation is included in the scope of another classification, a separate code must not be assigned.

- (1) Insured Subcontractors: 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. Exceptions include all operations in conjunction with concrete construction (including making and erecting forms, placing reinforcing steel, and stripping forms) when done by subcontractors, which must be assigned to the appropriate concrete construction classification.
- (2) Uninsured Subcontractors: 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. Farm Operations

These operations are identified by a ■ immediately following the code number. For the purpose of the application of workers' compensation classifications, a farm is defined as any parcel(s) of land used for the purpose of agriculture, horticulture, viticulture, dairying, or stock or poultry raising as a business or commercial venture. A division of payroll may be allowed for each separate and distinct type of commercial farm operation as described by the manual classifications, provided that separate records of payroll are maintained. If payroll records of the farm classification are

not clear, and separate payroll records are not maintained, the entire payroll of the farm must be assigned to the highest-rated code. Each farm classification includes:

- All employees.
- Drivers.
- All normal repair and maintenance of buildings or equipment performed by the employees of the insured.
- Operations usual and incidental to a farm, such as:
  - Maintenance of cows, hogs, or fowl for family use.
  - A family orchard or truck garden.
  - Hay or grain crops raised for the purpose of maintaining work animals on the farm.
  - Outside domestic workers at the farm location.

**f. Employee Leasing, Labor Contractors, and Temporary Labor Services**

Workers assigned to clients must be classified the same as direct employees of the client performing the same or similar duties. If the client has no direct employees performing the same or similar duties, leased employees are classified as if they were direct employees of the client entity.

**g. Mercantile Businesses**

Mercantile operations are identified by a ♦ immediately following the code number in the manuals. A Mercantile Business is any store or dealer engaged in the sale of goods or services. If there is more than one, the classification is assigned separately for each location depending on the type of sales and the merchandise or services sold. For purposes of this rule, principal means more than 50 percent of gross receipts, excluding receipts derived from the sale of lottery tickets. The following definitions and instructions must be used to determine the appropriate store classification:

**(1) 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 assigned to the classification that best describes the merchandise that generates more than 50 percent of the gross receipts.

**(2) Type of Sales-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.

**(3) 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*

- a. 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.
- c. 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.

## Miscellaneous Employees

1. 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.
2. Miscellaneous employees include:
  - General superintendents other than construction superintendents that meet the requirements of Contractor–Executive Supervisor or Construction Superintendent (Code 5606).
  - Maintenance or power plant employees.
  - Shipping or receiving clerks.

## What Sources Does the WCRA Use in Classifying Self-Insured Members?

The WCRA uses the R and C pages of the MWCIA “Minnesota Basic Manual” for workers’ compensation and employers’ liability insurance when applying the rules for classifying exposure as well as the NCCI’s “Scopes Manual.”

This brochure is meant to highlight certain aspects of the “Minnesota Basic Manual” and by no means covers the entirety of the manual. Please access the “Minnesota Basic Manual” for additional details.

## Data Confidentiality

All information obtained will be kept in strict confidence and used by WCRA staff only for the purpose of classifying your organization.

## Questions?

If you have any questions concerning your workers’ compensation classifications, please contact the WCRA Premium department to assist you.

[premium@wcra.biz](mailto:premium@wcra.biz)

**OR**

800.293.8006

Press 3 to Reach the Premium Department

**Additional information is  
also available on the WCRA website.**

**[www.wcra.biz](http://www.wcra.biz)**