

DELAWARE COMPENSATION RATING BUREAU, INC.
DELAWARE CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM (DCCPAP)

The DCCPAP is used in Delaware as a means of addressing construction employers' concerns regarding the effects of wage differentials on workers compensation premiums. The program establishes a set of tabular premium credits given to employers engaged in the construction trades and who have paid wages in excess of minimum qualifying levels.

The DCCPAP is intended to be a means of redistributing a portion of workers compensation insurance premiums between lower-wage and higher-wage employers. The procedure, as described herein, is consistent with that used to develop the factors which are a part of the current loss costs.

The DCRB has assembled 2015 Policy Year experience data which provides historical measures of the extent to which employers in each eligible classification have qualified for DCCPAP credits, and the magnitude of credits granted under this program. The attached exhibit presents the staff analysis of this experience, and derives a proposed set of DCCPAP loadings to maintain the intended balance within the affected classifications. A brief description of page 14.1 of the attached exhibit follows:

Column (1) - Class: The numeric designation of each classification eligible for DCCPAP credit.

Column (2) - # of Policies (Total): The number of policies reported in each class, whether or not those policies applied for or received DCCPAP credit.

Column (3) - # of Policies (DCCPAP): The number of policies qualified for DCCPAP credit for the 2015 policy term.

Column (4) - Payroll (Total): The payroll attributable to the policies reported in column (2).

Column (5) - Payroll (DCCPAP): The payroll attributable to policies reported in column (3).

Column (6) - DCCPAP Policy Premium, Pre-DCCPAP: The Standard Premium which would have applied to qualifying DCCPAP policies ABSENT the tabular DCCPAP credit for those policies. The current DCCPAP load on Manual Rates is omitted from this calculation.

Column (7) - DCCPAP Policy Premium, Post-DCCPAP: The Standard Premium attributable to qualifying DCCPAP policies, reflecting the tabular DCCPAP. The current DCCPAP load on Manual Rates is omitted from this calculation.

DELAWARE CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM (DCCPAP)
(continued)

Columns (8) and (9) - Non-DCCPAP Policy Premium: The Standard Premium attributable to policies which did not qualify for DCCPAP credit in 2015. The current DCCPAP load on Manual Rates is omitted from this calculation.

Column (10) - Indicated Surcharge: The ratio of Pre-DCCPAP premiums for both qualifying and non-qualifying policies to Post-DCCPAP premiums for those same policies. This is computed as $(\text{Column (6)} + \text{Column (8)}) / (\text{Column (7)} + \text{Column (9)})$.

Column (11) - Average DCCPAP Credit: For qualifying policies, the average credit given in 2015. For example, an average credit of 0.1998 indicates that the average qualifying risk in Code 601 received a 19.98 percent reduction in standard premium by operation of the DCCPAP plan's tabular credit. This is computed as $(1.00 - (\text{Column (7)} / \text{Column (6)}))$.

Column (12) - Class "Z": This is the credibility assigned each classification's indicated DCCPAP surcharge. The credibility formula is a linear function of total classification policies, with 155 policies or more receiving full credibility. Staff perceives the use of total policies to be more appropriate where large portions of a class have not historically qualified for DCCPAP credit.

Column (13) - Formula Surcharge: The credibility-weighted classification loadings for DCCPAP credits. The calculation uses the following values:

$\text{Column (10)} \times \text{Column (12)} + (1.00 - \text{Column (12)}) \times \text{Average Column (10)}$

Bottom of Column (13) - Test Correction Factor (TCF): The test correction factor necessary to balance credibility-weighted surcharges across all classifications to the overall indicated surcharge of 6.56 percent. The calculation for the TCF is

$(\text{Total Indicated Surcharge}) / ((\text{Total Weighted Formula Surcharge}) / (\text{Total Premium Post-DCCPAP}))$

Column (14) - Final Surcharge: The product of the TCF and the formula surcharges (Column (13)) by classification.

Page 14.2 shows a comparison of the current to the proposed surcharges by classification.

Page 14.3 presents the derivation of the minimum eligibility wage for 6/1/19 based on changes in the statewide average weekly wage (SAWW). Those changes are expressed relative to the January 1, 1998 Table. Note that the calculations assume an **effective date of June 1, 2019** for the proposed table. **Please note that the proposed (effective 6/1/19) minimum eligibility wage has increased from \$19.40 to \$20.50. Staff is therefore proposing an increase to the wage table.**

Page 14.4 shows the current and proposed Wage Tables.

DCCPAP Manual Rate Surcharges
 For Policy Effective Dates 01/01/15 Through 12/31/15

100% Credibility = 155 Policies
 Partial Credibility = # of Policies / 155

Class (1)	# of Policies (Total) (2)	# of Policies (DCCPAP) (3)	Payroll (Total) (4)	Payroll (DCCPAP) (5)	***DCCPAP Policies***		**Non-DCCPAP Policies**		Indicated Surcharge (10)	Average DCCPAP Credit (11)	Class "Z" (12)	Formula Surcharge (13)	Final Surcharge (14)
					Premium Pre-DCCPAP (6)	Premium Post-DCCPAP (7)	Premium Pre-DCCPAP (8)	Premium Post-DCCPAP (9)					
601	37	13	31,391,085	13,123,736	1,324,932	1,060,228	1,289,308	1,289,308	1.1127	0.1998	0.24	1.0769	1.0743
603	28	14	5,372,104	2,513,996	197,475	171,983	225,492	225,492	1.0641	0.1291	0.18	1.0653	1.0627
605	5	0	145,854	0	0	0	11,317	11,317	1.0000	0.0000	0.03	1.0636	1.0656
607	26	1	1,989,541	4,665	458	362	127,476	127,476	1.0008	0.2096	0.17	1.0546	1.0520
608	197	50	46,323,540	25,372,964	1,546,795	1,297,704	1,199,749	1,199,749	1.0997	0.1610	1.00	1.0997	1.0970
609	177	41	70,274,544	31,112,627	1,747,048	1,461,862	2,006,201	2,006,201	1.0822	0.1632	1.00	1.0822	1.0796
611	13	2	1,074,074	87,337	7,021	5,413	92,358	92,358	1.0164	0.2290	0.08	1.0617	1.0591
615	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0656	1.0656
617	24	13	10,577,232	8,906,210	459,706	397,732	88,845	88,845	1.1274	0.1348	0.15	1.0749	1.0723
625	19	4	3,901,283	746,350	39,833	35,398	241,306	241,306	1.0160	0.1113	0.12	1.0596	1.0570
643	11	2	3,702,001	963,707	128,370	120,662	258,751	258,751	1.0203	0.0601	0.07	1.0624	1.0598
645	99	14	14,550,046	7,479,960	471,940	390,923	476,168	476,168	1.0934	0.1717	0.64	1.0834	1.0808
646	50	3	5,899,139	935,761	53,777	41,432	299,963	299,963	1.0362	0.2296	0.32	1.0562	1.0536
647	19	1	8,629,687	189,863	13,973	13,414	812,368	812,368	1.0007	0.0400	0.12	1.0578	1.0552
648	133	13	12,308,834	1,892,156	101,569	92,728	568,268	568,268	1.0134	0.0871	0.86	1.0207	1.0182
649	24	11	5,947,614	3,613,856	123,115	99,728	78,695	78,695	1.1311	0.1900	0.15	1.0754	1.0728
651	209	43	31,343,660	16,670,032	910,770	785,110	877,748	877,748	1.0756	0.1380	1.00	1.0756	1.0730
652	443	34	33,714,980	7,897,821	671,918	550,752	2,270,626	2,270,626	1.0429	0.1803	1.00	1.0429	1.0404
653	151	24	16,640,535	5,389,219	409,562	362,591	839,876	839,876	1.0391	0.1147	0.97	1.0399	1.0374
654	66	15	11,173,935	5,328,650	590,811	455,754	373,733	373,733	1.1628	0.2286	0.43	1.1074	1.1047
655	39	9	10,283,422	1,298,730	215,651	183,324	1,434,462	1,434,462	1.0200	0.1499	0.25	1.0542	1.0516
656	15	0	6,593,898	0	0	0	337,671	337,671	1.0000	0.0000	0.10	1.0590	1.0656
657	5	0	631,389	0	0	0	50,162	50,162	1.0000	0.0000	0.03	1.0636	1.0656
658	42	7	5,339,649	1,049,292	98,602	83,969	354,798	354,798	1.0334	0.1484	0.27	1.0569	1.0543
659	62	8	6,944,130	1,566,890	342,397	302,554	854,658	854,658	1.0344	0.1164	0.40	1.0531	1.0505
661	312	47	102,539,985	40,129,700	1,037,737	834,812	1,741,557	1,741,557	1.0788	0.1956	1.00	1.0788	1.0762
663	289	52	85,984,882	21,463,747	922,336	755,705	2,708,750	2,708,750	1.0481	0.1807	1.00	1.0481	1.0456
664	244	56	86,599,789	48,064,063	2,283,682	1,856,098	1,872,455	1,872,455	1.1147	0.1872	1.00	1.1147	1.1120
665	151	14	13,302,235	4,764,667	376,891	331,503	704,085	704,085	1.0438	0.1204	0.97	1.0445	1.0420
666	25	3	2,730,460	581,557	37,438	29,763	144,746	144,746	1.0440	0.2050	0.16	1.0621	1.0595
667	17	2	2,746,702	175,182	3,295	2,993	44,519	44,519	1.0064	0.0917	0.11	1.0591	1.0565
668	39	2	3,183,959	435,210	21,292	19,583	178,008	178,008	1.0086	0.0803	0.25	1.0514	1.0488
669	3	2	494,526	491,419	33,062	30,015	235	235	1.1007	0.0922	0.02	1.0663	1.0637
674	17	0	1,568,774	0	0	0	86,595	86,595	1.0000	0.0000	0.11	1.0584	1.0656
675	200	16	57,801,293	7,393,846	331,879	275,435	2,041,566	2,041,566	1.0244	0.1701	1.00	1.0244	1.0219
676	33	9	5,304,979	2,634,394	148,661	128,179	122,729	122,729	1.0816	0.1378	0.21	1.0690	1.0664
677	9	0	25,483,757	0	0	0	718,381	718,381	1.0000	0.0000	0.06	1.0617	1.0656
Total	3,233	525	732,493,517	262,277,607	14,651,996	12,177,709	25,533,625	25,533,625	1.0656	0.1689		1.0682	1.0658

Note: For each Class,

Indicated Surcharge = (Total Premium Pre-DCCPAP) / (Total Premium Post-DCCPAP)

Test Correction Factor = 0.99757

Basis of Credibility: $1 / ((\# \text{ DCCPAP Policies}) / (\# \text{ Total Policies})) * 25 = 155 \text{ Policies for Full Credibility}$

Formula Surcharge = (Indicated Surcharge) * (Credibility for that Class) + (1 - Credibility) * (Average Indicated Surcharge)

Final Surcharge = Formula Surcharge * Test Correction Factor

DELAWARE COMPENSATION RATING BUREAU, INC.
2018 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0710	1.0743	0.3%
603	1.0647	1.0627	-0.2%
605	1.0623	1.0656	0.3%
607	1.0525	1.0520	0.0%
608	1.1031	1.0970	-0.6%
609	1.0536	1.0796	2.5%
611	1.0619	1.0591	-0.3%
615	1.0641	1.0656	0.1%
617	1.0663	1.0723	0.6%
625	1.0559	1.0570	0.1%
643	1.0601	1.0598	0.0%
645	1.0811	1.0808	0.0%
646	1.0549	1.0536	-0.1%
647	1.0522	1.0552	0.3%
648	1.0166	1.0182	0.2%
649	1.0813	1.0728	-0.8%
651	1.0711	1.0730	0.2%
652	1.0231	1.0404	1.7%
653	1.0247	1.0374	1.2%
654	1.0928	1.1047	1.1%
655	1.0606	1.0516	-0.8%
656	1.0641	1.0656	0.1%
657	1.0641	1.0656	0.1%
658	1.0559	1.0543	-0.2%
659	1.0476	1.0505	0.3%
661	1.0844	1.0762	-0.8%
663	1.0531	1.0456	-0.7%
664	1.1300	1.1120	-1.6%
665	1.0351	1.0420	0.7%
666	1.0556	1.0595	0.4%
667	1.0610	1.0565	-0.4%
668	1.0577	1.0488	-0.8%
669	1.0657	1.0637	-0.2%
674	1.0641	1.0656	0.1%
675	1.0246	1.0219	-0.3%
676	1.0671	1.0664	-0.1%
677	1.0641	1.0656	0.1%
Total	1.0642	1.0658	0.2%

DELAWARE COMPENSATION RATING BUREAU, INC.

DERIVATION OF PROPOSED REVISION TO DCCPAP WAGE TABLE

Test for "Premium Reversals"

Minimum Wage (1)	Maximum Wage (2)	Average Wage (3)	DCCPAP Credit (4)	Effective Wage (3)x(1.0-(4)) (5)	Ratio (5)/Prior (5) (6)
\$0.00	\$20.49	(a)			
\$20.50	\$20.90	20.700	0.05	19.6650	
\$20.91	\$21.35	21.130	0.06	19.8622	1.01003
\$21.36	\$21.80	21.580	0.07	20.0694	1.01043
\$21.81	\$22.30	22.055	0.08	20.2906	1.01102
\$22.31	\$22.80	22.555	0.09	20.5251	1.01155
\$22.81	\$23.30	23.055	0.10	20.7495	1.01094
\$23.31	\$23.85	23.580	0.11	20.9862	1.01141
\$23.86	\$24.40	24.130	0.12	21.2344	1.01183
\$24.41	\$24.95	24.680	0.13	21.4716	1.01117
\$24.96	\$25.55	25.255	0.14	21.7193	1.01154
\$25.56	\$26.15	25.855	0.15	21.9768	1.01185
\$26.16	\$26.75	26.455	0.16	22.2222	1.01117
\$26.76	\$27.35	27.055	0.17	22.4557	1.01051
\$27.36	\$28.00	27.680	0.18	22.6976	1.01077
\$28.01	\$28.65	28.330	0.19	22.9473	1.01100
\$28.66	\$29.35	29.005	0.20	23.2040	1.01119
\$29.36	\$30.05	29.705	0.21	23.4670	1.01133
\$30.06	\$30.75	30.405	0.22	23.7159	1.01061
\$30.76	\$31.50	31.130	0.23	23.9701	1.01072
\$31.51	\$32.30	31.905	0.24	24.2478	1.01159
\$32.31			0.25		

(a) 1/1/98 entry point multiplied by change in Statewide Average Weekly Wage (estimated).

(1) SAWW based on 1/1/97 - 12/31/97	616.67
(2) SAWW based on 6/1/18 - 5/31/19	1,098.38 (estimated)
(3) Change (2) / (1)	1.7811
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/19 Minimum Eligibility Wage (3) x (4)	20.50 (rounded to .05)

Note: Premium Reversals Would Occur if Effective Wage for any Given Average Wage is LOWER than Effective Wage for any Lower Average Wage(s)

DELAWARE COMPENSATION RATING BUREAU, INC.

COMPARISON OF CURRENT AND PROPOSED WAGE TABLES

DCCPAP Credit	Current Table Effective 6/1/18		Change from Lower Level	Proposed Table Effective 6/1/19		Change from Lower Level
0%	19.39 or less			20.49 or less		
5%	19.40	19.80	0.41	20.50	20.90	0.41
6%	19.81	20.25	0.45	20.91	21.35	0.45
7%	20.26	20.70	0.45	21.36	21.80	0.45
8%	20.71	21.15	0.45	21.81	22.30	0.50
9%	21.16	21.60	0.45	22.31	22.80	0.50
10%	21.61	22.05	0.45	22.81	23.30	0.50
11%	22.06	22.55	0.50	23.31	23.85	0.55
12%	22.56	23.05	0.50	23.86	24.40	0.55
13%	23.06	23.55	0.50	24.41	24.95	0.55
14%	23.56	24.10	0.55	24.96	25.55	0.60
15%	24.11	24.65	0.55	25.56	26.15	0.60
16%	24.66	25.20	0.55	26.16	26.75	0.60
17%	25.21	25.75	0.55	26.76	27.35	0.60
18%	25.76	26.35	0.60	27.36	28.00	0.65
19%	26.36	26.95	0.60	28.01	28.65	0.65
20%	26.96	27.60	0.65	28.66	29.35	0.70
21%	27.61	28.25	0.65	29.36	30.05	0.70
22%	28.26	28.95	0.70	30.06	30.75	0.70
23%	28.96	29.65	0.70	30.76	31.50	0.75
24%	29.66	30.35	0.70	31.51	32.30	0.80
25%	Over 30.35			Over 32.30		