



TO: Delaware Compensation Rating Bureau, Inc. (DCRB) Classification & Rating Committee

FROM: Robert Ferrante – Senior Classification Analyst – Technical Services

DATE: August 2, 2023

RE: Proposed Revisions to Designated Auditable Payrolls and Concurrent Section 1 Basic Manual Amendments – December 1, 2023

The Basic Manual designates the following auditable payrolls: 1) the corporate officer weekly minimum and maximum payrolls, 2) the weekly maximum musicians' or entertainers' payrolls, 3) the annual minimum and maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970, Athletic Team – Contact Sports, and 4) the annual minimum and maximum payroll for each player, coach, manager or sports official subject to assignment to Code 991, Athletic Team: Non-Contact Sports. The corporate officer weekly minimum and maximum payrolls are also used as a sole proprietor's or a partner's auditable payroll when the sole proprietor's or partner's payroll cannot be determined. The DCRB reviews these auditable payrolls annually.

The proposed revisions to the corporate officer weekly minimum and maximum payrolls and the weekly maximum musicians' or entertainers' payrolls are a function of Delaware's Statewide Average Weekly Wage (SAWW) effective July 1, 2023, (\$1,301.27 – an increase of 5.45% in relation to the July 1, 2022, SAWW of \$1,234.04) with results rounded to the nearest \$50.00 for the maximum corporate officer payrolls. The DCRB recommends that the designated auditable payroll revisions discussed in this memorandum become effective concurrent with implementation of the DCRB's December 1, 2023, comprehensive loss cost value and residual market rate revision, which will be filed with the Delaware Insurance Department (Department) at a later date.

The formulas used for determining these auditable payrolls are as follows:

- 100% of SAWW for the corporate officer weekly minimum payroll.
- SAWW times 4 rounded to the nearest \$50.00 for the corporate officer weekly maximum payroll.
- 100% of SAWW for the weekly maximum payroll for musicians or entertainers.

Applying these formulas to the July 1, 2023, SAWW of \$1,301.27 results in the following proposals for December 1, 2023:

- The corporate officer weekly minimum payroll be revised from \$1,234.00 to \$1,301.00.
- The corporate officer weekly maximum payroll be revised from \$4,950.00 to \$5,200.00.
- The weekly maximum payroll for musicians or entertainers be revised from \$1,234.00 to \$1,301.00.

The DCRB does not propose any revisions to the annual minimum and maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970 or to Code 991 for December 1, 2023.

**DELAWARE WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS' LIABILITY INSURANCE**

*Proposed Effective December 1, 2023*

**PROPOSED MANUAL LANGUAGE AMENDMENTS:**

**PREFACE** remains unchanged.

**MEMBERSHIP** remains unchanged.

**TABLE OF CONTENTS** remains unchanged.

**SECTION 1 – UNDERWRITING RULES - RULE I (GENERAL) through RULE IV (CLASSIFICATIONS)** remains unchanged.

**RULE V – PREMIUM BASIS**

No change to item **A**.

**B. REMUNERATION – PAYROLL**

No change to Item **1**.

**2. INCLUSIONS**

Remuneration includes:

No change to Item **a**. through Item **m**.

**n**. Musicians or entertainers who are not independent contractors shall be included in the computation of premiums of hotels or restaurants (maximum of \$~~1,301,234~~ per week for each musician or entertainer).

No change to item **o**. through Item **v**.

No change to Item **3**. through Item **5**.

No change to Item **C**. through Item **F**.

**RULE VI, RATING VALUES AND PREMIUM DETERMINATION**, through **RULE VIII, LIMITS OF LIABILITY**, remain unchanged.

**RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE**

**A. EXECUTIVE OFFICERS**

**DELAWARE WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS' LIABILITY INSURANCE**

*Proposed Effective December 1, 2023*

No change to Item 1. through Item 4.

**5. Premium Determination**

Premium for executive officers, other than elected officers of Delaware or its political subdivision, shall be based on their total payroll, subject to the following:

No change to Item a.

b. The minimum individual payroll for an executive officer is \$~~1,301~~<sup>1,234</sup> per week.

c. The maximum individual payroll for an executive officer is \$~~5,200~~<sup>4,950</sup> per week.

No change to Item d. and Item e.

No change to Item 6. through Item 9.

**B. SOLE PROPRIETORS AND PARTNERS AND MEMBERS OF THEIR IMMEDIATE FAMILY**

No change to Item 1. through Item 2.

**3. Premium Determination**

No change to Item a. and Item b.

c. If payroll information is not available use the corporate officer minimum statewide average weekly wage (SAWW) in effect as of the inception date of the policy. Profit or loss amounts attributed to the individual's interest in the business are not considered payroll.

No change to Item C. through Item I.

**RULE X, CANCELLATION**, through **RULE XVIII, MEMBER CARRIER DISPUTES (DISPUTE RESOLUTION CONFERENCE)**, remain unchanged.

**SECTION 2, CLASSIFICATIONS AND BUREAU RATING VALUES**, remains unchanged.

**SECTION 3, ENDORSEMENTS**, remains unchanged.

**SECTION 4, RETROSPECTIVE RATING PLAN**, remains unchanged.

**SECTION 5, EXPERIENCE RATING PLAN**, remains unchanged.

**SECTION 6, MERIT RATING PLAN**, remains unchanged.

**PROPOSED MANUAL LANGUAGE AMENDMENTS:**

**DELAWARE WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS' LIABILITY INSURANCE**

*Proposed Effective December 1, 2023*

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No change to item **A**.

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No change to Item **1**.

**2. INCLUSIONS**

Remuneration includes:

No change to Item **a**. through Item **m**.

**n**. Musicians or entertainers who are not independent contractors shall be included in the computation of premiums of hotels or restaurants (maximum of \$1,301 per week for each musician or entertainer).

No change to item **o**. through Item **v**.

No change to Item **3**. through Item **5**.

No change to Item **C**. through Item **F**.

**RULE VI, RATING VALUES AND PREMIUM DETERMINATION, through RULE VIII, LIMITS OF LIABILITY,** remain unchanged.

**RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE**

**A. EXECUTIVE OFFICERS**

No change to Item **1**. through Item **4**.

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c. The maximum individual payroll for an executive officer is \$5,200 per week.

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No change to Item 6. through Item 9.

**B. SOLE PROPRIETORS AND PARTNERS AND MEMBERS OF THEIR IMMEDIATE FAMILY**

No change to Item 1. through Item 2.

**3. Premium Determination**

No change to Item a. and Item b.

c. If payroll information is not available use the corporate officer minimum in effect as of the inception date of the policy. Profit or loss amounts attributed to the individual's interest in the business are not considered payroll.

No change to Item C. through Item I.

**RULE X, CANCELLATION**, through **RULE XVIII, MEMBER CARRIER DISPUTES (DISPUTE RESOLUTION CONFERENCE)**, remain unchanged.

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