



November 7, 2016

DCRB CIRCULAR NO. 925

To All Members of the DCRB:

**MANUAL REVISIONS TO SECTION 1 – DCRB FILING NO. 1607
APPROVED EFFECTIVE DECEMBER 1, 2016**

The Delaware Insurance Commissioner has approved DCRB's proposal to revise the designated auditable weekly and annual payrolls for policies effective on or after 12:01 a.m., December 1, 2016. This effective date makes the implementation of these changes concurrent with DCRB's December 1, 2016 comprehensive residual market rate and voluntary loss cost filing, which was filed with the Commissioner on August 2, 2016 (refer to DCRB Circular No. 920) and approved as amended per DCRB Circular DCRB Circular No. 924. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems so that they occur less frequently than would otherwise be the case.

The Basic Manual designates the minimum and maximum corporate officer payrolls and the weekly maximum musicians' or entertainers' payrolls. 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 revisions to these designated payrolls are a function of Delaware's Statewide Average Weekly Wage (SAWW) effective July 1, 2016 (\$1,034.18, an increase of 1.45% from the July 1, 2015 SAWW of \$1,019.44).

At their September 18, 2013 joint meeting the DCRB's Actuarial and Classification and Rating Committees reviewed a National Council on Compensation Insurance, Inc. (NCCI) proposal to revise the formula for calculating the minimum auditable payroll for corporate officers. Under the prior NCCI formula, corporate officers' minimum auditable payroll was set at fifty percent of the Statewide Average Weekly Wage rounded to the nearest \$50. The new NCCI formula proposed incremental increases in the corporate officer minimum auditable payroll until the value reached one hundred percent of SAWW. After discussion, the Committees agreed to adopt a proposal which would apply incremental increases of ten percent per year to the minimum auditable payroll for corporate officers, rounded to the nearest \$50, until such reaches 100% of SAWW. Accordingly, for December 1, 2013, December 1, 2014 and December 1, 2015 the minimum auditable payrolls for corporate officers were filed (and approved by the Commissioner) at sixty, seventy and eighty percent, respectively, of SAWW rounded to the nearest \$50. Consistent with this previously approved procedure and the new SAWW value, DCRB has calculated the proposed December 1, 2016 minimum auditable corporate officer payroll at ninety percent of SAWW rounded to the nearest \$50.

DCRB continues to use the formula reviewed and approved by the Committee in the early 1980s for calculating the maximum auditable corporate officer payroll. That formula remains at 2.5 times SAWW.

DCRB's current approved maximum payroll to be audited for musicians or entertainers who are not independent contractors is \$250. Pursuant to conversations with senior test audit staff which advised that it is rarely used, DCRB has not proposed any revision to this designated payroll since at least December 1, 2002. DCRB has reconsidered this approach and asserts that, while rare, issues pertaining to this designated payroll may arise and therefore it should be revised along with the other designated auditable payrolls discussed above. The current maximum payroll of \$250 per week is 24.17% of the July 1, 2016 SAWW of \$1,034.18. DCRB proposes that the current maximum payroll be revised from \$250 per week to \$500 per week effective December 1, 2016. This will bring this designated payroll to 48.35% of the current SAWW. Concurrent with subsequent comprehensive loss cost filings, DCRB plans to propose increases until the maximum payroll to be audited for musicians or entertainers reaches 100% of SAWW.

In summary, the approved filing results in the following revisions:

- The corporate officer minimum is revised from \$800 per week to \$950 per week.
- The corporate officer maximum is revised from \$2,550 per week to \$2,600 per week.
- The maximum auditable payroll for musicians or entertainers who are not independent contractors is revised from \$250 per week to \$500 per week.

Please refer to DCRB Filing No. 1607, posted under the "Filings" tab of DCRB's website (<http://www.dcrb.com>) for additional details regarding these revisions. Please contact Dave Rawson, Technical Director, Classification & Field Operations, at (215) 320-4501 or at drawson@dcrb.com or Robert Ferrante, Senior Classification Analyst – Technical Services, at (215) 320-4584 or at rferrante@dcrb.com for any questions regarding this circular. The Basic Manual will be updated on DCRB's website at a later date.

William V. Taylor
President

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

Proposed Effective December 1, 2016

INFORMATION PAGE remains unchanged.

PREFACE remains unchanged.

MEMBERSHIP remains unchanged.

SECTION 1 – Underwriting Rules

RULE V – PREMIUM BASIS

B. REMUNERATION

No Change for Item 1

2. INCLUSIONS

Remuneration includes:

No Changes for Items a. through m.

- n. Musicians or entertainers who are not independent contractors shall be included in computation of premiums of hotels or restaurants **(maximum of \$500 per week for each musician or entertainer);**

No Changes for Items o through t.

No Changes for Items 3 through 5

RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

A. EXECUTIVE OFFICERS

No Changes for Items 1 through 4

5. Premium Determination

Premium for executivesubject to the following:

- a. The requirements of Rule V-E.
- b. The minimum individual payroll for an executive office is **\$950** per week.
- c. The maximum individual payroll for an executive officer is **\$2,600** per week.
- d. No change.
- e. No change.

No Changes for Items 6 through 8

SECTION 1 – Appeals Procedure through **SECTION 6 – Merit Rating Plan** remain unchanged