

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

The DCCPAP program has been used in Delaware since 1990 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 2002 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 revised 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 2002 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, Pre DCCPAP: The Standard Premium attributable to policies which did not qualify for DCCPAP credit in 2002. 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. Computed as (Column (6) + Column (8)) / (Column (7) + Column (9)).

Column (11) - Average DCCPAP Credit: For qualifying policies, the average credit given in 2002. For example, an average credit of 0.1631 indicates that the average qualifying risk in Code 601 received a 16.31 percent reduction in standard premium by operation of the DCCPAP plan’s tabular credit.

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 110 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 6.55 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 proposed changes in the Wage Table based on changes in the statewide average weekly wage. Those changes are expressed relative to the January 1, 1998 Table. Note that the calculations assume an **effective date of June 1, 2006** for the proposed table.

Page 14.4 shows a comparison of the current and proposed Wage Tables.

DCCPAP Manual Rate Surcharges  
For Policy Effective Dates 01/01/02 Thru 12/31/02

100% Credibility =  
Partial Credibility =

110 Policies  
# of Policies / 110

Class	# of Policies (Total)	# of Policies (DCCPAP)	Payroll (Total)	Payroll (DCCPAP)	***DCCPAP Policies***		**Non-DCCPAP Policies**		Indicated Surcharge	Average DCCPAP Credit	Class "Z"	Formula Surcharge	Final Surcharge
					Premium Pre-DCCPAP	Premium Post-DCCPAP	Premium Pre-DCCPAP	Premium Post-DCCPAP					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
601	35	17	11,684,222	8,639,503	911,604	762,946	252,153	252,153	1.1464	0.1631	0.32	1.0914	1.0920
602	20	10	10,032,111	4,778,407	399,604	353,531	295,233	295,233	1.0710	0.1153	0.18	1.0665	1.0671
603	24	15	4,693,176	2,439,304	303,573	275,640	224,130	224,130	1.0559	0.0920	0.22	1.0634	1.0640
605	2	0	147,578	0	0	0	15,304	15,304	1.0000	N/A	0.02	1.0642	1.0655
607	18	1	1,191,876	42,436	4,484	4,215	124,618	124,618	1.0021	0.0600	0.16	1.0554	1.0560
608	210	60	40,721,876	22,045,586	1,182,212	1,041,318	1,112,743	1,112,743	1.0654	0.1192	1.00	1.0654	1.0660
609	183	45	39,923,835	22,801,761	1,309,409	1,160,593	991,516	991,516	1.0691	0.1137	1.00	1.0691	1.0697
611	18	5	714,609	373,233	45,093	40,369	44,634	44,634	1.0556	0.1048	0.16	1.0639	1.0645
615	1	0	140	0	0	0	30	30	1.0000	N/A	0.01	1.0648	1.0655
617	29	17	8,070,403	4,666,269	283,807	255,456	269,817	269,817	1.0540	0.0999	0.26	1.0625	1.0631
625	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0655	1.0655
643	12	6	1,897,103	1,474,239	154,986	140,363	61,496	61,496	1.0724	0.0944	0.11	1.0663	1.0669
645	124	20	17,930,022	11,379,977	665,073	569,249	473,688	473,688	1.0919	0.1441	1.00	1.0919	1.0925
646	41	4	3,730,946	1,396,315	74,136	65,237	160,479	160,479	1.0394	0.1200	0.37	1.0558	1.0564
647	15	0	2,493,957	0	0	0	264,465	264,465	1.0000	N/A	0.14	1.0563	1.0655
648	134	24	14,710,185	5,870,433	319,492	285,362	519,399	519,399	1.0424	0.1068	1.00	1.0424	1.0430
649	21	12	5,395,366	4,436,334	167,324	141,783	46,844	46,844	1.1354	0.1526	0.19	1.0788	1.0794
651	286	67	35,639,772	16,888,026	1,143,957	1,005,810	1,481,635	1,481,635	1.0555	0.1208	1.00	1.0555	1.0561
652	467	53	37,382,393	9,687,420	999,419	940,368	2,822,276	2,822,276	1.0157	0.0591	1.00	1.0157	1.0163
653	200	43	24,528,465	9,589,398	807,905	685,480	1,140,480	1,140,480	1.0670	0.1515	1.00	1.0670	1.0676
654	78	25	12,567,518	5,310,465	377,724	311,372	557,352	557,352	1.0764	0.1757	0.71	1.0732	1.0738
655	42	17	5,802,042	2,523,758	462,285	400,151	520,395	520,395	1.0675	0.1344	0.38	1.0663	1.0669
656	11	2	2,332,518	502,206	35,477	26,987	153,609	153,609	1.0470	0.2393	0.10	1.0637	1.0643
657	2	1	124,743	120,501	7,504	6,228	588	588	1.1872	0.1700	0.02	1.0679	1.0685
658	39	12	4,858,352	3,355,832	284,450	247,424	133,326	133,326	1.0972	0.1302	0.35	1.0766	1.0772
659	64	19	5,486,757	2,674,228	469,117	429,488	419,186	419,186	1.0467	0.0845	0.58	1.0546	1.0552
661	282	62	76,393,302	39,544,663	1,285,386	1,051,446	1,245,402	1,245,402	1.1019	0.1820	1.00	1.1019	1.1025
663	280	64	67,551,107	33,152,617	1,379,689	1,130,374	1,678,910	1,678,910	1.0887	0.1807	1.00	1.0887	1.0893
664	225	52	62,058,170	30,017,917	957,263	798,040	1,148,049	1,148,049	1.0818	0.1663	1.00	1.0818	1.0824
665	145	25	14,488,323	6,546,618	585,194	530,014	838,623	838,623	1.0403	0.0943	1.00	1.0403	1.0409
666	22	4	2,038,785	317,989	29,625	24,547	135,592	135,592	1.0317	0.1714	0.20	1.0587	1.0593
667	23	6	2,548,865	1,426,518	27,142	25,564	28,064	28,064	1.0294	0.0581	0.21	1.0579	1.0585
668	38	6	2,700,338	741,294	54,066	42,630	136,022	136,022	1.0640	0.2115	0.35	1.0650	1.0656
669	11	6	1,530,084	644,463	41,963	35,612	56,105	56,105	1.0692	0.1513	0.10	1.0659	1.0665
674	14	0	1,254,874	0	0	0	90,938	90,938	1.0000	N/A	0.13	1.0570	1.0655
675	145	26	33,767,896	16,793,097	631,362	535,840	787,695	787,695	1.0722	0.1513	1.00	1.0722	1.0728
676	45	19	6,582,391	3,034,865	201,420	176,429	259,229	259,229	1.0574	0.1241	0.41	1.0622	1.0628
677	6	1	3,409,779	168,980	13,573	12,080	103,943	103,943	1.0129	0.1100	0.05	1.0629	1.0635
Total	3,312	746	566,383,879	273,384,652	15,615,318	13,511,946	18,593,968	18,593,968	1.0655	0.1347		1.0649	1.0655

Note: For each Class,

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

Test Correction Factor = 1.00056

Basis of Credibility: 1 / ((# DCCPAP Policies) / (# Total Policies)) \* 25 = 100% Credibility = 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.**  
**2004 RESIDUAL MARKET AND LOSS COST FILING**  
**DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM**  
**SURCHARGES BY CLASS CODE**

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0909	1.0920	0.1%
602	1.0714	1.0671	-0.4%
603	1.0734	1.0640	-0.9%
605	1.0686	1.0655	-0.3%
607	1.0612	1.0560	-0.5%
608	1.0858	1.0660	-1.8%
609	1.0645	1.0697	0.5%
611	1.0721	1.0645	-0.7%
615	1.0686	1.0655	-0.3%
617	1.0682	1.0631	-0.5%
625	1.0686	1.0655	-0.3%
643	1.0746	1.0669	-0.7%
645	1.0782	1.0925	1.3%
646	1.0827	1.0564	-2.4%
647	1.0650	1.0655	0.0%
648	1.0319	1.0430	1.1%
649	1.0746	1.0794	0.4%
651	1.0607	1.0561	-0.4%
652	1.0230	1.0163	-0.7%
653	1.0607	1.0676	0.7%
654	1.0975	1.0738	-2.2%
655	1.0870	1.0669	-1.8%
656	1.0626	1.0643	0.2%
657	1.0687	1.0685	0.0%
658	1.0634	1.0772	1.3%
659	1.0563	1.0552	-0.1%
661	1.1026	1.1025	0.0%
663	1.0947	1.0893	-0.5%
664	1.0852	1.0824	-0.3%
665	1.0251	1.0409	1.5%
666	1.0792	1.0593	-1.8%
667	1.0609	1.0585	-0.2%
668	1.0806	1.0656	-1.4%
669	1.0764	1.0665	-0.9%
674	1.0628	1.0655	0.3%
675	1.0426	1.0728	2.9%
676	1.0698	1.0628	-0.7%
677	1.0660	1.0635	-0.2%
Total	1.0686	1.0655	-0.3%

**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) to prior (5) (6)
\$0.00	\$15.94	(a)			
\$15.95	\$17.00	16.475	0.05	15.6513	
\$17.01	\$17.40	17.205	0.06	16.1727	1.03332
\$17.41	\$17.85	17.630	0.07	16.3959	1.01380
\$17.86	\$18.30	18.080	0.08	16.6336	1.01450
\$18.31	\$18.80	18.555	0.09	16.8851	1.01512
\$18.81	\$19.30	19.055	0.10	17.1495	1.01566
\$19.31	\$19.80	19.555	0.11	17.4040	1.01484
\$19.81	\$20.30	20.055	0.12	17.6484	1.01405
\$20.31	\$20.85	20.580	0.13	17.9046	1.01452
\$20.86	\$21.40	21.130	0.14	18.1718	1.01492
\$21.41	\$21.95	21.680	0.15	18.4280	1.01410
\$21.96	\$22.55	22.255	0.16	18.6942	1.01445
\$22.56	\$23.15	22.855	0.17	18.9697	1.01473
\$23.16	\$23.80	23.480	0.18	19.2536	1.01497
\$23.81	\$24.45	24.130	0.19	19.5453	1.01515
\$24.46	\$25.15	24.805	0.20	19.8440	1.01528
\$25.16	\$25.85	25.505	0.21	20.1490	1.01537
\$25.86	\$26.55	26.205	0.22	20.4399	1.01444
\$26.56	\$27.30	26.930	0.23	20.7361	1.01449
\$27.31	\$28.05	27.680	0.24	21.0368	1.01450
\$28.06			0.25		

(a) 1/1/98 entry point multiplied by change in Statewide Average Weekly Wage from 1/1/97 to 5/31/06 (estimated.)

(1) SAWW based on 1/1/97-12/31/97	616.67 (actual)
(2) SAWW based on 6/1/05-5/31/06	856.46 (estimated)
(3) Change (2) / (1)	1.3888
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/06 Minimum Eligibility Wage (3) x (4)	15.95 (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 1/1/05		Change from Lower Level	Proposed Table Effective 6/1/06		Change from Lower Level
0%	15.24 or less			15.94 or less		
5%	15.25	17.00	1.76	15.95	17.00	1.06
6%	17.01	17.25	0.25	17.01	17.40	0.40
7%	17.26	17.50	0.25	17.41	17.85	0.45
8%	17.51	17.75	0.25	17.86	18.30	0.45
9%	17.76	18.00	0.25	18.31	18.80	0.50
10%	18.01	18.25	0.25	18.81	19.30	0.50
11%	18.26	18.50	0.25	19.31	19.80	0.50
12%	18.51	18.75	0.25	19.81	20.30	0.50
13%	18.76	19.25	0.50	20.31	20.85	0.55
14%	19.26	19.75	0.50	20.86	21.40	0.55
15%	19.76	20.25	0.50	21.41	21.95	0.55
16%	20.26	20.75	0.50	21.96	22.55	0.60
17%	20.76	21.25	0.50	22.56	23.15	0.60
18%	21.26	22.00	0.75	23.16	23.80	0.65
19%	22.01	22.75	0.75	23.81	24.45	0.65
20%	22.76	23.50	0.75	24.46	25.15	0.70
21%	23.51	24.25	0.75	25.16	25.85	0.70
22%	24.26	25.00	0.75	25.86	26.55	0.70
23%	25.01	25.75	0.75	26.56	27.30	0.75
24%	25.76	26.75	1.00	27.31	28.05	0.75
25%	Over 26.75			Over 28.06		