

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 2003 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 2003 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 2003. 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 2003. For example, an average credit of 0.1429 indicates that the average qualifying risk in Code 601 received a 14.29 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 6.69 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, 2007** 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 01/01/03 Thru 12/31/03

100% Credibility = 115 Policies
 Partial Credibility = # of Policies / 115

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	40	19	16,352,127	10,696,751	848,402	727,163	460,752	460,752	1.1021	0.1429	0.35	1.0792	1.0787
602	24	14	10,049,806	7,499,768	743,365	661,359	209,281	209,281	1.0942	0.1103	0.21	1.0726	1.0721
603	26	17	5,420,120	3,339,067	450,700	409,001	256,671	256,671	1.0626	0.0925	0.23	1.0659	1.0654
605	4	0	253,953	0	0	0	26,087	26,087	1.0000	N/A	0.03	1.0649	1.0669
607	20	1	1,060,499	136,816	20,831	19,165	103,132	103,132	1.0136	0.0800	0.17	1.0578	1.0573
608	226	62	44,810,327	27,310,786	1,740,945	1,524,715	1,134,122	1,134,122	1.0813	0.1242	1.00	1.0813	1.0808
609	198	58	47,789,028	29,158,789	1,907,690	1,690,348	1,207,992	1,207,992	1.0750	0.1139	1.00	1.0750	1.0745
611	13	3	1,021,561	161,591	17,814	13,733	124,098	124,098	1.0296	0.2291	0.11	1.0628	1.0623
615	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0669	1.0669
617	34	17	9,754,711	5,355,227	335,345	307,619	322,024	322,024	1.0440	0.0827	0.30	1.0600	1.0595
625	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0669	1.0669
643	10	3	1,513,658	996,919	102,435	96,010	66,910	66,910	1.0394	0.0627	0.09	1.0644	1.0639
645	145	22	19,584,740	10,719,536	926,337	776,658	648,236	648,236	1.1050	0.1616	1.00	1.1050	1.1045
646	34	3	3,730,327	873,758	44,779	41,164	189,328	189,328	1.0157	0.0807	0.30	1.0515	1.0510
647	16	0	1,933,376	0	0	0	153,226	153,226	1.0000	N/A	0.14	1.0575	1.0669
648	151	19	15,017,743	5,122,327	312,523	279,288	627,681	627,681	1.0366	0.1063	1.00	1.0366	1.0361
649	24	13	6,153,186	4,606,591	202,891	169,721	70,987	70,987	1.1378	0.1635	0.21	1.0818	1.0813
651	271	66	36,919,834	18,324,843	1,575,829	1,442,262	1,540,555	1,540,555	1.0448	0.0848	1.00	1.0448	1.0443
652	496	63	42,880,191	12,174,491	1,340,359	1,231,956	3,300,380	3,300,380	1.0239	0.0809	1.00	1.0239	1.0234
653	201	33	25,525,661	11,927,458	1,200,183	1,052,356	1,122,336	1,122,336	1.0680	0.1232	1.00	1.0680	1.0675
654	99	34	15,880,527	6,516,079	480,087	393,978	848,339	848,339	1.0693	0.1794	0.86	1.0690	1.0685
655	49	9	6,569,616	2,112,318	353,616	301,116	788,903	788,903	1.0482	0.1485	0.43	1.0589	1.0584
656	9	3	2,367,686	1,167,024	85,128	75,112	87,051	87,051	1.0618	0.1177	0.08	1.0665	1.0660
657	5	1	54,678	15,608	2,412	1,857	5,881	5,881	1.0717	0.2301	0.04	1.0671	1.0666
658	51	14	5,276,864	3,040,116	250,824	212,390	215,349	215,349	1.0899	0.1532	0.44	1.0770	1.0765
659	74	19	6,279,309	2,907,957	563,931	512,455	582,438	582,438	1.0470	0.0913	0.64	1.0542	1.0537
661	290	76	97,838,257	52,328,986	2,095,072	1,696,968	1,772,809	1,772,809	1.1147	0.1900	1.00	1.1147	1.1142
663	297	76	72,750,167	39,205,475	1,809,219	1,521,669	1,749,824	1,749,824	1.0879	0.1589	1.00	1.0879	1.0874
664	226	53	68,018,047	37,067,455	1,305,794	1,076,283	1,289,709	1,289,709	1.0970	0.1758	1.00	1.0970	1.0965
665	145	24	13,952,474	5,458,119	546,889	488,308	973,699	973,699	1.0401	0.1071	1.00	1.0401	1.0396
666	18	2	1,873,583	181,504	22,001	18,440	136,038	136,038	1.0231	0.1619	0.16	1.0599	1.0594
667	18	6	2,723,533	1,696,393	34,445	31,443	26,618	26,618	1.0517	0.0872	0.16	1.0645	1.0640
668	40	7	3,337,406	447,686	32,357	26,027	223,978	223,978	1.0253	0.1956	0.35	1.0523	1.0518
669	6	4	1,564,177	1,480,138	103,386	81,493	8,118	8,118	1.2443	0.2118	0.05	1.0758	1.0753
674	16	3	1,603,671	310,408	19,888	17,390	97,379	97,379	1.0218	0.1256	0.14	1.0606	1.0601
675	176	20	40,559,333	11,500,768	458,908	394,130	1,512,548	1,512,548	1.0340	0.1412	1.00	1.0340	1.0335
676	50	16	6,621,988	2,923,747	231,201	208,855	276,081	276,081	1.0461	0.0967	0.43	1.0580	1.0575
677	11	0	3,686,750	0	0	0	172,584	172,584	1.0000	N/A	0.10	1.0602	1.0669
Total	3,513	780	640,728,914	316,764,499	20,165,586	17,500,432	22,331,144	22,331,144	1.0669	0.1322		1.0674	1.0669

Note: For each Class,

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

Test Correction Factor = 0.99953

Basis of Credibility: 1 / ((# DCCPAP Policies)/(# Total Policies)) * 25 = 115 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.
2006 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0920	1.0787	-1.2%
602	1.0671	1.0721	0.5%
603	1.0640	1.0654	0.1%
605	1.0655	1.0669	0.1%
607	1.0560	1.0573	0.1%
608	1.0660	1.0808	1.4%
609	1.0697	1.0745	0.4%
611	1.0645	1.0623	-0.2%
615	1.0655	1.0669	0.1%
617	1.0631	1.0595	-0.3%
625	1.0655	1.0669	0.1%
643	1.0669	1.0639	-0.3%
645	1.0925	1.1045	1.1%
646	1.0564	1.0510	-0.5%
647	1.0655	1.0669	0.1%
648	1.0430	1.0361	-0.7%
649	1.0794	1.0813	0.2%
651	1.0561	1.0443	-1.1%
652	1.0163	1.0234	0.7%
653	1.0676	1.0675	0.0%
654	1.0738	1.0685	-0.5%
655	1.0669	1.0584	-0.8%
656	1.0643	1.0660	0.2%
657	1.0685	1.0666	-0.2%
658	1.0772	1.0765	-0.1%
659	1.0552	1.0537	-0.1%
661	1.1025	1.1142	1.1%
663	1.0893	1.0874	-0.2%
664	1.0824	1.0965	1.3%
665	1.0409	1.0396	-0.1%
666	1.0593	1.0594	0.0%
667	1.0585	1.0640	0.5%
668	1.0656	1.0518	-1.3%
669	1.0665	1.0753	0.8%
674	1.0655	1.0601	-0.5%
675	1.0728	1.0335	-3.7%
676	1.0628	1.0575	-0.5%
677	1.0635	1.0669	0.3%
Total	1.0655	1.0669	0.1%

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	\$16.99	(a)			
\$17.00	\$17.40	17.200	0.05	16.3400	
\$17.41	\$17.85	17.630	0.06	16.5722	1.01421
\$17.86	\$18.30	18.080	0.07	16.8144	1.01461
\$18.31	\$18.75	18.530	0.08	17.0476	1.01387
\$18.76	\$19.25	19.005	0.09	17.2946	1.01449
\$19.26	\$19.75	19.505	0.10	17.5545	1.01503
\$19.76	\$20.25	20.005	0.11	17.8045	1.01424
\$20.26	\$20.80	20.530	0.12	18.0664	1.01471
\$20.81	\$21.35	21.080	0.13	18.3396	1.01512
\$21.36	\$21.90	21.630	0.14	18.6018	1.01430
\$21.91	\$22.45	22.180	0.15	18.8530	1.01350
\$22.46	\$23.05	22.755	0.16	19.1142	1.01385
\$23.06	\$23.70	23.380	0.17	19.4054	1.01523
\$23.71	\$24.35	24.030	0.18	19.7046	1.01542
\$24.36	\$25.00	24.680	0.19	19.9908	1.01452
\$25.01	\$25.65	25.330	0.20	20.2640	1.01367
\$25.66	\$26.35	26.005	0.21	20.5440	1.01382
\$26.36	\$27.10	26.730	0.22	20.8494	1.01487
\$27.11	\$27.85	27.480	0.23	21.1596	1.01488
\$27.86	\$28.65	28.255	0.24	21.4738	1.01485
\$28.66			0.25		

(a) 1/1/98 entry point multiplied by change in Statewide Average Weekly Wage from 1/1/97 to 5/31/07 (estimated.)

(1) SAWW based on 1/1/97-12/31/97	616.67 (actual)
(2) SAWW based on 6/1/06-5/31/07	911.69 (estimated)
(3) Change (2) / (1)	1.4784
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/07 Minimum Eligibility Wage (3) x (4)	17.00 (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 6/1/06		Change from Lower Level	Proposed Table Effective 6/1/07		Change from Lower Level
0%	15.94 or less			16.99 or less		
5%	15.95	17.00	1.06	17.00	17.40	0.41
6%	17.01	17.40	0.40	17.41	17.85	0.45
7%	17.41	17.85	0.45	17.86	18.30	0.45
8%	17.86	18.30	0.45	18.31	18.75	0.45
9%	18.31	18.80	0.50	18.76	19.25	0.50
10%	18.81	19.30	0.50	19.26	19.75	0.50
11%	19.31	19.80	0.50	19.76	20.25	0.50
12%	19.81	20.30	0.50	20.26	20.80	0.55
13%	20.31	20.85	0.55	20.81	21.35	0.55
14%	20.86	21.40	0.55	21.36	21.90	0.55
15%	21.41	21.95	0.55	21.91	22.45	0.55
16%	21.96	22.55	0.60	22.46	23.05	0.60
17%	22.56	23.15	0.60	23.06	23.70	0.65
18%	23.16	23.80	0.65	23.71	24.35	0.65
19%	23.81	24.45	0.65	24.36	25.00	0.65
20%	24.46	25.15	0.70	25.01	25.65	0.65
21%	25.16	25.85	0.70	25.66	26.35	0.70
22%	25.86	26.55	0.70	26.36	27.10	0.75
23%	26.56	27.30	0.75	27.11	27.85	0.75
24%	27.31	28.05	0.75	27.86	28.65	0.80
25%	Over 28.06			Over 28.65		