

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

The DCCPAP 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 2008 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 2008 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
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(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 2008. 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 2008. For example, an average credit of 0.1474 indicates that the average qualifying risk in Code 601 received a 14.74 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 145 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 7.63 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 6/1/12 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, 2012** for the proposed table. **Please note that the proposed (effective 6/1/12) minimum eligibility wage has increased from \$17.15 to \$17.65. 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 01/01/08 Through 12/31/08

100% Credibility = 145 Policies
 Partial Credibility = # of Policies / 145

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	44	14	18,185,415	6,756,702	1,018,010	867,910	1,198,560	1,198,560	1.0726	0.1474	0.30	1.0752	1.0733
602	21	11	6,092,597	3,331,169	440,808	370,584	227,180	227,180	1.1175	0.1593	0.14	1.0821	1.0802
603	30	15	7,801,561	5,718,469	869,679	753,213	265,884	265,884	1.1143	0.1339	0.21	1.0843	1.0824
605	5	0	278,806	0	0	0	22,448	22,448	1.0000	N/A	0.03	1.0740	1.0763
607	27	3	3,581,634	412,227	46,049	44,140	264,302	264,302	1.0062	0.0415	0.19	1.0630	1.0611
608	220	60	45,384,039	27,976,100	2,152,091	1,779,293	1,082,065	1,082,065	1.1303	0.1732	1.00	1.1303	1.1283
609	205	44	45,572,195	18,847,824	1,307,644	1,103,056	1,732,121	1,732,121	1.0722	0.1565	1.00	1.0722	1.0703
611	15	4	1,413,723	364,312	45,822	34,443	183,142	183,142	1.0523	0.2483	0.10	1.0739	1.0720
615	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0763	1.0763
617	31	17	7,874,392	4,175,748	364,783	301,506	249,769	249,769	1.1148	0.1735	0.21	1.0844	1.0825
625	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0763	1.0763
643	14	1	2,661,112	3,025	342	257	308,020	308,020	1.0003	0.2485	0.10	1.0687	1.0668
645	127	19	16,692,269	9,604,350	769,694	627,369	523,722	523,722	1.1236	0.1849	0.88	1.1179	1.1159
646	48	3	5,559,342	1,205,990	71,496	53,919	249,748	249,748	1.0579	0.2458	0.33	1.0702	1.0683
647	16	1	2,472,889	46,268	3,545	3,155	217,959	217,959	1.0018	0.1100	0.11	1.0681	1.0662
648	164	24	15,314,770	5,661,257	376,612	326,783	575,008	575,008	1.0553	0.1323	1.00	1.0553	1.0534
649	25	14	6,352,473	4,905,467	265,423	218,297	88,167	88,167	1.1538	0.1776	0.17	1.0895	1.0876
651	219	50	35,575,401	13,271,856	1,076,179	892,667	1,669,251	1,669,251	1.0716	0.1705	1.00	1.0716	1.0697
652	530	47	37,672,716	6,753,911	653,432	549,231	3,234,854	3,234,854	1.0275	0.1595	1.00	1.0275	1.0257
653	181	27	25,729,227	9,970,881	981,108	816,701	1,300,573	1,300,573	1.0777	0.1676	1.00	1.0777	1.0758
654	84	24	12,474,571	6,006,990	538,336	434,621	530,587	530,587	1.1075	0.1927	0.58	1.0944	1.0925
655	35	12	7,205,494	2,782,029	829,725	686,242	624,989	624,989	1.1094	0.1729	0.24	1.0842	1.0823
656	16	0	5,081,905	0	0	0	910,875	910,875	1.0000	N/A	0.11	1.0679	1.0763
657	3	0	68,552	0	0	0	8,163	8,163	1.0000	N/A	0.02	1.0748	1.0763
658	49	13	5,831,080	2,783,792	273,029	231,288	244,770	244,770	1.0877	0.1529	0.34	1.0802	1.0783
659	56	7	6,644,793	2,172,366	443,370	400,055	816,780	816,780	1.0356	0.0977	0.39	1.0604	1.0585
661	312	49	97,591,786	41,703,573	1,563,045	1,216,276	1,958,014	1,958,014	1.1092	0.2219	1.00	1.1092	1.1072
663	283	49	141,797,257	55,400,301	2,279,880	1,758,185	4,176,038	4,176,038	1.0879	0.2288	1.00	1.0879	1.0860
664	236	52	85,474,578	38,269,368	1,849,192	1,473,696	2,435,650	2,435,650	1.0961	0.2031	1.00	1.0961	1.0942
665	147	13	10,399,898	2,079,296	249,063	208,352	830,775	830,775	1.0392	0.1635	1.00	1.0392	1.0374
666	27	4	2,720,959	701,191	49,134	38,272	145,312	145,312	1.0592	0.2211	0.19	1.0731	1.0712
667	19	2	2,175,931	1,132,656	39,944	33,047	23,396	23,396	1.1222	0.1727	0.13	1.0823	1.0804
668	61	7	3,580,322	1,038,660	79,371	70,435	155,871	155,871	1.0395	0.1126	0.42	1.0608	1.0589
669	7	3	1,059,839	910,857	80,325	72,381	12,752	12,752	1.0933	0.0989	0.05	1.0772	1.0753
674	17	0	1,884,657	0	0	0	111,347	111,347	1.0000	N/A	0.12	1.0671	1.0763
675	177	14	51,069,522	7,115,620	339,301	260,454	2,008,721	2,008,721	1.0347	0.2324	1.00	1.0347	1.0329
676	43	7	5,907,373	2,112,969	143,217	124,261	247,566	247,566	1.0510	0.1324	0.30	1.0687	1.0668
677	23	2	31,881,719	1,835,440	94,964	71,973	1,043,743	1,043,743	1.0206	0.2421	0.16	1.0674	1.0655
Total	3,517	612	757,064,797	285,050,664	19,294,613	15,822,062	29,678,122	29,678,122	1.0763	0.1800	1.00	1.0782	1.0763

Note: For each Class,

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

Test Correction Factor = 0.99824

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.
2011 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0650	1.0733	0.8%
602	1.0629	1.0802	1.6%
603	1.0657	1.0824	1.6%
605	1.0648	1.0763	1.1%
607	1.0542	1.0611	0.7%
608	1.1045	1.1283	2.2%
609	1.0613	1.0703	0.8%
611	1.0656	1.0720	0.6%
615	1.0648	1.0763	1.1%
617	1.0651	1.0825	1.6%
625	1.0648	1.0763	1.1%
643	1.0613	1.0668	0.5%
645	1.1415	1.1159	-2.2%
646	1.0536	1.0683	1.4%
647	1.0559	1.0662	1.0%
648	1.0461	1.0534	0.7%
649	1.0809	1.0876	0.6%
651	1.0679	1.0697	0.2%
652	1.0267	1.0257	-0.1%
653	1.0570	1.0758	1.8%
654	1.0866	1.0925	0.5%
655	1.0790	1.0823	0.3%
656	1.0648	1.0763	1.1%
657	1.0648	1.0763	1.1%
658	1.0581	1.0783	1.9%
659	1.0493	1.0585	0.9%
661	1.0897	1.1072	1.6%
663	1.0482	1.0860	3.6%
664	1.0930	1.0942	0.1%
665	1.0398	1.0374	-0.2%
666	1.0577	1.0712	1.3%
667	1.0599	1.0804	1.9%
668	1.0563	1.0589	0.2%
669	1.0666	1.0753	0.8%
674	1.0648	1.0763	1.1%
675	1.0284	1.0329	0.4%
676	1.0627	1.0668	0.4%
677	1.0583	1.0655	0.7%
Total	1.0649	1.0763	1.1%

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)/Prior (5) (6)
\$0.00	\$17.64	(a)			
\$17.65	\$18.05	17.850	0.05	16.9575	
\$18.06	\$18.50	18.280	0.06	17.1832	1.01331
\$18.51	\$18.95	18.730	0.07	17.4189	1.01372
\$18.96	\$19.45	19.205	0.08	17.6686	1.01434
\$19.46	\$19.95	19.705	0.09	17.9316	1.01488
\$19.96	\$20.45	20.205	0.10	18.1845	1.01411
\$20.46	\$20.95	20.705	0.11	18.4275	1.01336
\$20.96	\$21.50	21.230	0.12	18.6824	1.01384
\$21.51	\$22.05	21.780	0.13	18.9486	1.01425
\$22.06	\$22.60	22.330	0.14	19.2038	1.01347
\$22.61	\$23.20	22.905	0.15	19.4693	1.01382
\$23.21	\$23.80	23.505	0.16	19.7442	1.01412
\$23.81	\$24.40	24.105	0.17	20.0072	1.01332
\$24.41	\$25.05	24.730	0.18	20.2786	1.01357
\$25.06	\$25.70	25.380	0.19	20.5578	1.01377
\$25.71	\$26.40	26.055	0.20	20.8440	1.01392
\$26.41	\$27.10	26.755	0.21	21.1365	1.01403
\$27.11	\$27.85	27.480	0.22	21.4344	1.01410
\$27.86	\$28.60	28.230	0.23	21.7371	1.01412
\$28.61	\$29.40	29.005	0.24	22.0438	1.01411
\$29.41			0.25		

(a) 1/1/98 entry point multiplied by change in Statewide Average Weekly Wage from 1/1/97 to 5/31/12 (estimated.)

(1) SAWW based on 1/1/97-12/31/97	616.67 (actual)
(2) SAWW based on 6/1/10-5/31/12	946.14 (estimated)
(3) Change (2) / (1)	1.5343
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/11 Minimum Eligibility Wage (3) x (4)	17.65 (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 6/1/11		Change from Lower Level	Proposed Table Effective 6/1/12		Change from Lower Level
0%	17.14 or less			17.64 or less		
5%	17.15	17.55	0.41	17.65	18.05	0.41
6%	17.56	18.00	0.45	18.06	18.50	0.45
7%	18.01	18.45	0.45	18.51	18.95	0.45
8%	18.46	18.90	0.45	18.96	19.45	0.50
9%	18.91	19.35	0.45	19.46	19.95	0.50
10%	19.36	19.80	0.45	19.96	20.45	0.50
11%	19.81	20.30	0.50	20.46	20.95	0.50
12%	20.31	20.80	0.50	20.96	21.50	0.55
13%	20.81	21.35	0.55	21.51	22.05	0.55
14%	21.36	21.90	0.55	22.06	22.60	0.55
15%	21.91	22.45	0.55	22.61	23.20	0.60
16%	22.46	23.00	0.55	23.21	23.80	0.60
17%	23.01	23.60	0.60	23.81	24.40	0.60
18%	23.61	24.20	0.60	24.41	25.05	0.65
19%	24.21	24.85	0.65	25.06	25.70	0.65
20%	24.86	25.50	0.65	25.71	26.40	0.70
21%	25.51	26.15	0.65	26.41	27.10	0.70
22%	26.16	26.85	0.70	27.11	27.85	0.75
23%	26.86	27.55	0.70	27.86	28.60	0.75
24%	27.56	28.30	0.75	28.61	29.40	0.80
25%	Over 28.30			Over 29.40		