

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 2010 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 2010 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.

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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 2010. 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 2010. For example, an average credit of 0.1549 indicates that the average qualifying risk in Code 601 received a 15.49 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 135 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 6.18 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 6/1/14 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, 2014** for the proposed table. **Please note that the proposed (effective 6/1/14) minimum eligibility wage has increased from \$18.85 to \$19.35. 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 01/01/10 Through 12/31/10

100% Credibility = 135 Policies  
 Partial Credibility = # of Policies / 135

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	38	11	15,427,820	8,656,052	1,132,988	957,470	468,904	468,904	1.1231	0.1549	0.28	1.0790	1.0814
602	20	12	11,493,070	4,400,385	279,462	231,063	259,735	259,735	1.0986	0.1732	0.15	1.0673	1.0697
603	36	20	10,954,706	6,814,465	560,459	462,165	293,444	293,444	1.1301	0.1754	0.27	1.0802	1.0827
605	4	0	365,636	0	0	0	22,503	22,503	1.0000	N/A	0.03	1.0599	1.0618
607	26	4	1,867,551	152,126	10,392	9,815	128,523	128,523	1.0042	0.0555	0.19	1.0509	1.0533
608	227	55	37,610,651	19,434,963	982,743	839,943	849,692	849,692	1.0845	0.1453	1.00	1.0845	1.0870
609	184	43	39,342,355	15,255,715	805,499	708,485	962,629	962,629	1.0581	0.1204	1.00	1.0581	1.0605
611	8	3	691,900	576,388	53,908	43,274	9,737	9,737	1.2006	0.1973	0.06	1.0701	1.0725
615	2	0	197,241	0	0	0	20,848	0	1.0000	N/A	0.01	1.0612	1.0618
617	33	19	7,110,704	5,834,918	360,500	314,951	66,317	66,317	1.1195	0.1263	0.24	1.0756	1.0780
625	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0618	1.0618
643	9	2	1,947,842	1,432,116	101,991	84,410	44,872	44,872	1.1360	0.1724	0.07	1.0670	1.0694
645	96	14	10,554,634	5,084,697	298,016	236,958	274,608	274,608	1.1194	0.2049	0.71	1.1027	1.1052
646	48	2	5,350,029	558,331	26,846	21,442	221,684	221,684	1.0222	0.2013	0.36	1.0475	1.0499
647	28	1	4,221,888	39,332	3,070	2,578	264,839	264,839	1.0018	0.1603	0.21	1.0492	1.0516
648	140	16	11,276,348	3,470,955	152,272	136,900	330,647	330,647	1.0329	0.1010	1.00	1.0329	1.0352
649	28	13	5,335,707	3,684,223	153,507	126,515	59,764	59,764	1.1449	0.1758	0.21	1.0793	1.0818
651	228	51	28,780,815	15,756,495	759,991	640,848	684,298	684,298	1.0899	0.1568	1.00	1.0899	1.0924
652	452	37	32,188,888	7,738,119	643,999	574,509	1,834,783	1,834,783	1.0288	0.1079	1.00	1.0288	1.0311
653	165	30	19,980,559	8,545,236	634,155	513,731	717,672	717,672	1.0978	0.1899	1.00	1.0978	1.1003
654	80	15	20,064,865	3,179,552	197,193	154,544	879,210	879,210	1.0413	0.2163	0.59	1.0497	1.0521
655	44	13	6,458,202	2,722,940	558,914	460,051	510,332	510,332	1.1019	0.1769	0.33	1.0750	1.0774
656	16	0	8,166,791	0	0	0	557,906	557,906	1.0000	N/A	0.12	1.0544	1.0618
657	3	0	135,097	0	0	0	10,749	10,749	1.0000	N/A	0.02	1.0606	1.0618
658	48	14	4,581,942	2,099,389	142,677	126,513	145,498	145,498	1.0594	0.1133	0.36	1.0609	1.0633
659	57	8	5,886,585	1,534,038	219,674	187,101	510,306	510,306	1.0467	0.1483	0.42	1.0555	1.0579
661	299	56	96,720,791	39,040,469	984,033	811,440	1,445,631	1,445,631	1.0765	0.1754	1.00	1.0765	1.0789
663	281	61	129,975,857	27,704,739	881,610	723,084	4,095,887	4,095,887	1.0329	0.1798	1.00	1.0329	1.0352
664	227	52	69,018,412	35,262,375	1,159,164	948,140	1,367,681	1,367,681	1.0911	0.1820	1.00	1.0911	1.0936
665	116	13	8,389,923	2,429,726	158,169	136,441	445,195	445,195	1.0374	0.1374	0.86	1.0408	1.0432
666	30	3	3,091,695	414,165	22,213	20,012	140,466	140,466	1.0137	0.0991	0.22	1.0512	1.0536
667	13	1	1,944,317	636,582	12,137	10,317	24,092	24,092	1.0529	0.1500	0.10	1.0609	1.0633
668	39	3	2,756,615	406,024	18,913	16,148	102,170	102,170	1.0234	0.1462	0.29	1.0507	1.0531
669	8	3	614,142	527,775	39,035	29,936	5,323	5,323	1.2581	0.2331	0.06	1.0736	1.0760
674	12	0	1,711,938	0	0	0	76,798	76,798	1.0000	N/A	0.09	1.0562	1.0618
675	177	15	52,785,186	4,597,292	174,216	150,214	1,617,617	1,617,617	1.0136	0.1378	1.00	1.0136	1.0159
676	41	7	7,488,507	2,258,118	100,716	91,511	236,021	236,021	1.0281	0.0914	0.30	1.0517	1.0541
677	12	0	27,207,277	0	0	0	975,586	975,586	1.0000	N/A	0.09	1.0562	1.0618
Total	3,275	597	691,696,486	230,247,700	11,628,462	9,770,509	20,661,967	20,641,119	1.0618	0.1598	1.00	1.0594	1.0618

Note: For each Class,

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

Test Correction Factor = 1.00227

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.**  
**2013 RESIDUAL MARKET AND LOSS COST FILING**  
**DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM**  
**SURCHARGES BY CLASS CODE**

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0767	1.0814	0.4%
602	1.0747	1.0697	-0.5%
603	1.0715	1.0827	1.0%
605	1.0728	1.0618	-1.0%
607	1.0567	1.0533	-0.3%
608	1.1123	1.0870	-2.3%
609	1.0672	1.0605	-0.6%
611	1.0725	1.0725	0.0%
615	1.0728	1.0618	-1.0%
617	1.0777	1.0780	0.0%
625	1.0728	1.0618	-1.0%
643	1.0702	1.0694	-0.1%
645	1.1281	1.1052	-2.0%
646	1.0596	1.0499	-0.9%
647	1.0596	1.0516	-0.8%
648	1.0597	1.0352	-2.3%
649	1.0874	1.0818	-0.5%
651	1.0880	1.0924	0.4%
652	1.0260	1.0311	0.5%
653	1.0625	1.1003	3.6%
654	1.0533	1.0521	-0.1%
655	1.0701	1.0774	0.7%
656	1.0728	1.0618	-1.0%
657	1.0728	1.0618	-1.0%
658	1.0660	1.0633	-0.3%
659	1.0540	1.0579	0.4%
661	1.1345	1.0789	-4.9%
663	1.0758	1.0352	-3.8%
664	1.0898	1.0936	0.3%
665	1.0492	1.0432	-0.6%
666	1.0628	1.0536	-0.9%
667	1.0736	1.0633	-1.0%
668	1.0609	1.0531	-0.7%
669	1.0795	1.0760	-0.3%
674	1.0728	1.0618	-1.0%
675	1.0133	1.0159	0.3%
676	1.0642	1.0541	-0.9%
677	1.0646	1.0618	-0.3%
Total	1.0731	1.0618	-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	\$19.34	(a)			
\$19.35	\$19.75	19.550	0.05	18.5725	
\$19.76	\$20.25	20.005	0.06	18.8047	1.01250
\$20.26	\$20.75	20.505	0.07	19.0697	1.01409
\$20.76	\$21.25	21.005	0.08	19.3246	1.01337
\$21.26	\$21.75	21.505	0.09	19.5696	1.01268
\$21.76	\$22.30	22.030	0.10	19.8270	1.01316
\$22.31	\$22.85	22.580	0.11	20.0962	1.01358
\$22.86	\$23.40	23.130	0.12	20.3544	1.01285
\$23.41	\$24.00	23.705	0.13	20.6234	1.01321
\$24.01	\$24.60	24.305	0.14	20.9023	1.01353
\$24.61	\$25.20	24.905	0.15	21.1693	1.01277
\$25.21	\$25.85	25.530	0.16	21.4452	1.01304
\$25.86	\$26.50	26.180	0.17	21.7294	1.01325
\$26.51	\$27.20	26.855	0.18	22.0211	1.01342
\$27.21	\$27.90	27.555	0.19	22.3196	1.01355
\$27.91	\$28.65	28.280	0.20	22.6240	1.01364
\$28.66	\$29.40	29.030	0.21	22.9337	1.01369
\$29.41	\$30.15	29.780	0.22	23.2284	1.01285
\$30.16	\$30.95	30.555	0.23	23.5274	1.01287
\$30.96	\$31.75	31.355	0.24	23.8298	1.01286
\$31.76			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 6/1/12-5/31/13	1037.95 (estimated)
(3) Change (2) / (1)	1.6832
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/13 Minimum Eligibility Wage (3) x (4)	19.35 (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 6/1/13		Change from Lower Level	Proposed Table Effective 6/1/14		Change from Lower Level
0%	18.84 or less			19.34 or less		
5%	18.85	19.25	0.41	19.35	19.75	0.41
6%	19.26	19.70	0.45	19.76	20.25	0.50
7%	19.71	20.20	0.50	20.26	20.75	0.50
8%	20.21	20.70	0.50	20.76	21.25	0.50
9%	20.71	21.20	0.50	21.26	21.75	0.50
10%	21.21	21.70	0.50	21.76	22.30	0.55
11%	21.71	22.25	0.55	22.31	22.85	0.55
12%	22.26	22.80	0.55	22.86	23.40	0.55
13%	22.81	23.35	0.55	23.41	24.00	0.60
14%	23.36	23.95	0.60	24.01	24.60	0.60
15%	23.96	24.55	0.60	24.61	25.20	0.60
16%	24.56	25.20	0.65	25.21	25.85	0.65
17%	25.21	25.85	0.65	25.86	26.50	0.65
18%	25.86	26.50	0.65	26.51	27.20	0.70
19%	26.51	27.20	0.70	27.21	27.90	0.70
20%	27.21	27.90	0.70	27.91	28.65	0.75
21%	27.91	28.60	0.70	28.66	29.40	0.75
22%	28.61	29.35	0.75	29.41	30.15	0.75
23%	29.36	30.15	0.80	30.16	30.95	0.80
24%	30.16	30.95	0.80	30.96	31.75	0.80
25%	Over 30.95			Over 31.75		