



March 13, 2017

VIA SERFF

The Honorable Trinidad Navarro
Insurance Commissioner
Department of Insurance
State of Delaware
841 Silver Lake Boulevard
Dover, DE 19904-2465

Attention: Mitch Crane, Deputy Insurance Commissioner

**RE: DCRB File No. 1610 – Proposed Effective June 1, 2017
Proposed Classification Procedural Change: Classification Applicable to
Ronald McDonald Houses or Similarly Situated Employers**

Dear Commissioner Navarro:

Resulting from a staff review and on behalf of the members of the Delaware Compensation Rating Bureau, Inc. (DCRB), we hereby submit this filing proposing a revision to an existing DCRB classification procedure as set forth in the Delaware Workers' Compensation Manual of Rules, Classifications and Rating Values for Workers' Compensation and For Employers Liability Insurance (Basic Manual). This filing proposes that Ronald McDonald Houses and similarly situated employers in Delaware be reclassified from Code 880, Apartment House or Condominium Complex Operation, to Code 973, Hotel.

Staff has identified one employer that will be impacted by this change and were advised of this approaching change. This revision is proposed to be effective 12:01 a.m., June 1, 2017. This proposed effective date is intended to implement the revision in advance of the single impacted employer's first policy issued on or after June 1, 2017.

Staff's memorandum dated January 13, 2017 is included within this filing. The memorandum provides a detailed explanation and reasoning for the proposed classification procedural change and the concurrent revisions to the Basic Manual language. This proposal was disseminated to the Classification and Rating Committee via email advisory on January 13, 2017.

Thank you for your prompt attention and review of this filing. The DCRB will be pleased to answer any questions that you or the Department of Insurance Staff may have regarding this proposal.

Sincerely,

William V. Taylor
President



TO: Delaware Compensation Rating Bureau, Inc. (DCRB) Classification and Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: March 1, 2017

RE: Proposed Section 2 Classification Procedural Revision

This memorandum proposes a revision to a classification procedure. DCRB recommends that this revision become effective 12:01 a.m., June 1, 2017. This change will not impact any classifications' residual market rate or voluntary market loss cost.

CLASSIFICATION APPLICABLE TO A RONALD MCDONALD HOUSE OR A SIMILARLY SITUATED EMPLOYER

The review of the classification applicable to a Ronald McDonald House was prompted by an informal appeal submitted to the DCRB by the agent for Ronald McDonald House of Delaware, Inc. The agent noted that Ronald McDonald Houses are classified to Code 880, Apartment House or Condominium Complex Operation. Code 880 became a DCRB classification effective 12:01 a.m., June 1, 2003 for new and renewal business. A Code 880 "Ronald McDonald House Operation" Underwriting Guide entry was added to the Delaware Workers' Compensation Manual of Rules Classifications and Rating Values for Workers' Compensation and For Employers Liability Insurance (Basic Manual) effective 12:01 a.m., June 1, 2007. The agent stated in the informal appeal that "...the exposure at a Ronald McDonald House is not similar to apartment houses..."

DCRB staff surveyed the operations of Ronald McDonald House of Delaware, Inc. as a result of the agent's informal appeal. Information developed in the course of the survey advises that the employer operates a facility providing temporary or short term (typically around one week) lodging to families of seriously ill or injured children who are hospitalized. The employer's facility is adjacent to a children's hospital. The facility contains 50 bedrooms, with each room having a capacity of four people. Families check into the facility at a front desk. The families have access to laundry rooms and amenities including but not necessarily limited to: exercise facilities, play rooms for children and a movie theater. The employer operates an open kitchen where volunteers will prepare and serve meals to the families. The families also have the option to prepare their own meals. Families are not charged for the stay but are asked to make a donation of \$15 per night if they can afford it. Staff's research indicates that Ronald McDonald House of Delaware, Inc. operates in a manner consistent with other Ronald McDonald Houses throughout the country. The employer operates the only Ronald McDonald House in Delaware.

DCRB concluded that the employer's facility is reasonably analogous to a hotel or motel. As with hotel or motel operations, the employer's clients check in at a front desk, stay on a temporary or short term basis and do not sign a lease. By contrast, residents of an apartment building or condominium complex typically sign a lease or purchase a unit, respectively, and occupy the facility on a long term (typically a year or longer) or permanent basis. Staff opined that in the absence of the type of facility operated by Ronald McDonald House of Delaware, Inc., clients thereof would likely use a hotel or motel. Staff therefore recommends that Ronald McDonald Houses and similarly situated employers be reclassified from Code 880 to Code 973, Hotel. The approved December 1,

2016 voluntary market loss costs for Codes 973 and 880 are \$3.82 and \$7.57, respectively. On the basis of the approved December 1, 2016 voluntary market loss costs, the reclassification of Ronald McDonald Houses from Code 880 to Code 973 represents a rating value decrease of 49.54%. While such decrease exceeds the approved December 1, 2016 maximum rating value decrease of 22% for an industry Group 3 classification, staff maintains that the inclusion of Ronald McDonald Houses in Code 880 is inappropriate and should not be continued.

Code 973 is designated all employees except office. This means that Code 951, Salesperson – Outside, may not be used in conjunction with Code 973. Payroll developed by the outside sales staff of an employer classified to Code 973 must be assigned to Code 973. Code 953, Office, may be used in conjunction with Code 973 and applied to office employees as defined in the Basic Manual. Both Codes 951 and 953 are available to an employer whose business is classified to Code 880. Thus, concurrent with the reclassification of an employer's business from Code 880 to 973, authorization of Code 951 must be withdrawn for such employer.

PROPOSED SECTION 2 MANUAL LANGUAGE REVISIONS FOR THIS ITEM:

Code 973, Hotel

Underwriting Guide:

Change to Code 973:

Ronald McDonald House Operation – 973~~880~~

General Auditing & Classification Information:

HOTEL OR MOTEL OPERATIONS

The two classifications applicable...whichever has the higher value.

Operations Also Included:

No changes to no. 1 or no. 2.

- 3 Temporary or short term lodging facilities for families of seriously ill or injured children who are hospitalized (e.g., a Ronald McDonald House).

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

Proposed Effective June 1, 2017

INFORMATION PAGE through **SECTION 2 – Definitions** remains unchanged

SECTION 2 – CLASSIFICATIONS

880 APARTMENT HOUSE or Condominium Complex Operation

Applicable to an employer operating an apartment house...for residential occupancy.

UNDERWRITING GUIDE

Apartment House Or Condominium Complex Operation
Condominiums - Including Resident Or On-Site Manager
Cooperative Building Operation - For Residential

Porters For Condominiums
Residential House Rental
~~Ronald McDonald House Operation~~

973 HOTEL - all employees except office and food service or beverage operations staff.

Please see the Hotel Or Motel Operations...for further information on the scope of this class.

UNDERWRITING GUIDE

Bed And Breakfast
Golf Course Operated By Hotel
Motel
Religious Retreats
[Ronald McDonald House Operation](#)

SECTION 2 – GENERAL AUDITING & CLASSIFICATION INFORMATION

HOTEL OR MOTEL OPERATIONS

The two classifications applicable to hotel/motelor to Code 945, whichever has the higher value.

OPERATIONS ALSO INCLUDED:

1. Religious retreats.
2. Bed and breakfast enterprises.
3. [Temporary or short term lodging facilities for families of seriously ill or injured children who are hospitalized \(e.g., a Ronald McDonald House\).](#)

OPERATIONS NOT INCLUDED:

1. The businesses of a concessionaire or independent contractor operating on the premises of a hotel or motel will be classified on the merits of their operations.
2. Assign Code 953 to employees of the hotel or hotel restaurant exclusively engaged in clerical office duties.

SECTION 3 – Endorsements through **SECTION 6 – Merit Rating Plan** remain unchanged

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