



July 23, 2018

**VIA SERFF**

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

**Attention: Tanisha Merced, Deputy Insurance Commissioner**

**RE: DCRB Filing No. 1801 - Proposed Effective December 1, 2018  
Proposed Merger of Code 602, Road or Street Construction – Subsurface Work  
Into Code 609, Excavation.**

Dear Commissioner Navarro and Deputy Commissioner Merced:

Resulting from a staff review and on behalf of the members of the Delaware Compensation Rating Bureau (DCRB), we hereby submit the proposed filing for revision to the DCRB Workers' Compensation Manual of Rules, Classifications and Rating Values for Workers' Compensation and Employers Liability Insurance (Basic Manual). This revision is proposed for policies with effective dates of 12:01 a.m., December 1, 2018 or later. This proposed effective date is intended to coincide with changes resulting from DCRB's normal annual comprehensive residual market rate and voluntary market loss cost filing, which will be filed with the Department of Insurance at a later date. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems so that they occur once annually.

**Code 602, Road or Street Construction**

The DCRB conducted a review of Code 602, Road or Street Construction: Subsurface Work. The objective of the review was to determine the feasibility of merging Code 602 into Code 609, Excavation. This review follows a Pennsylvania Compensation Rating Bureau (PCRB) review that was completed in 2013 with the same objective. The PCRB opined that the existence of two excavation classifications i.e., Code 602 and Code 609, Excavation, as well as the historically lower PCRB loss costs for Code 602 in relation to those for Code 609 and Code 601, Road or Street Construction: Paving or Repaving, contributed to the misallocation of payroll properly assigned to either Code 609 or Code 601 to Code 602. Pursuant to these observations as well as historical experience and statistical analyses, the PCRB proposed that Code 602 be merged into Code 609. The Pennsylvania Insurance Commissioner approved the PCRB's proposal effective for new and renewal policies as of April 1, 2014 and later.

The Bureaus endeavor to align the uniform Delaware and Pennsylvania classification plans when possible, thus the Delaware review. The Delaware residual market rates for Code 602 have been historically higher than those for Code 609 but lower than those for Code 601. This ostensibly reduces the likelihood of the misallocation of payroll properly assigned to Code 609 to Code 602 for employers approved for both classifications however concerns remain about the

The Honorable Trinidad Navarro  
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misallocation of payroll properly assigned to Code 601 to Code 602. Staff also maintains that the existence of two separate excavation classifications is not in line with the object of the classification procedure, which is to group together reasonably homogeneous employers.

The DCRB proposes that Code 602 be merged into Code 609 effective for policies effective December 1, 2018 and later. This unification would assign all excavation operations to the same classification, bringing the classification of excavation contractors in line with the object of the classification procedure and eliminating the potential misallocation of payroll between alternative classifications.

Staff created a December 1, 2017 class book page that combines Codes 602 and 609. The December 1, 2017 residual market rate for the revised Code 609 that results from that class book page after balancing and application of the applicable surcharges is \$8.69. This represents a 2.115% increase over the existing December 1, 2017 Code 609 residual market rate (\$8.51). The 46 employers that would be reclassified from Code 602 to Code 609 as a result of this proposal if approved would see a decrease of 4.295% in in relation to the December 1, 2017 Code 602 residual market rate (\$9.08).The degree of change for the voluntary market loss costs is the same as it is for the residual market rates.

If approved, the proposed residual market rate and voluntary market loss cost for the revised Code 609 will be incorporated into the DCRB's December 1, 2018 comprehensive residual market rate and voluntary market loss cost filing, to be filed with the Commissioner at a later date. As a result, the final proposed Code 609 residual market rate and voluntary market loss cost to be included in DCRB's December 1, 2018 comprehensive rating value filing may differ from the projected residual market rate and voluntary market loss cost referenced above.

Details of this filing are provided in DCRB's May 30, 2018 staff memorandum and May 30, 2018 executive summary, which are included as part of this filing. The memorandum and executive summary describe and explain the reasoning for the proposed revisions to the Basic Manual language. The memorandum, executive summary and proposals were reviewed by the DCRB Classification and Rating Committee at the Committee's May 30, 2018 meeting.

Thank you in advance for your review and attention to this filing. The DCRB welcomes any questions that you or the Department of Insurance staff may have regarding these proposals.

Sincerely,

William V. Taylor  
President

Enclosures:  
Executive Summary  
Study Report  
Exhibits  
Revisions to Sections 1 & 2



TO: Delaware Compensation Rating Bureau Classification and Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: May 30, 2018

RE: **Executive Summary** – Classification Study Report – Code 602, Road or Street Construction: Subsurface Work

The DCRB has completed a review of Code 602, Road or Street Construction: Subsurface Work. The objective of the review was to determine the feasibility of merging Code 602 into Code 609, Excavation. This review follows a Pennsylvania Compensation Rating Bureau (PCRB) review that was completed in 2013 and had the same objective. The PCRB opined that the existence of two excavation classifications i.e., Code 602 and Code 609, Excavation, as well as the historically lower PCRB loss costs for Code 602 in relation to those for Code 609 and Code 601, Road or Street Construction: Paving or Repaving, contributed to the misallocation of payroll properly assigned to either Code 609 or Code 601 to Code 602. Pursuant to these observations as well as historical experience and statistical analyses, the PCRB proposed that Code 602 be merged into Code 609. The Pennsylvania Insurance Commissioner approved the PCRB's proposal effective for new and renewal policies as of April 1, 2014 and later.

The Delaware residual market rates for Code 602 have been historically higher than those for Code 609 but lower than those for Code 601. This ostensibly reduces the likelihood of the misallocation of payroll properly assigned to Code 609 to Code 602 for employers approved for both classifications however concerns remain about the misallocation of payroll properly assigned to Code 601 to Code 602. Staff also feels that the existence of two separate excavation classifications is problematic and not in line with the objective of the classification procedure, which is to group together reasonably homogeneous employers. Staff notes that the Bureaus endeavor to align DCRB and PCRB classification procedure wherever possible.

The DCRB proposes that Code 602 be merged into Code 609 effective for policies effective December 1, 2018 and later. This merger would assign all excavation operations to the same classification, bringing the classification of excavation contractors in line with the object of the classification procedure and eliminating the potential misallocation of payroll between alternative classifications. Staff created a December 1, 2017 class book page that combines Codes 602 and 609. The December 1, 2017 residual market rate for the revised Code 609 that results from that class book page after balancing and application of the applicable surcharges is \$8.69. This represents a 2.115% increase over the existing December 1, 2017 Code 609 residual market rate (\$8.51). Employers that would be reclassified from Code 602 to Code 609 as a result of this proposal would see a decrease of 4.295% in in relation to the December 1, 2017 Code 602 residual market rate (\$9.08). The proposed residual market rate and voluntary market loss cost for the revised Code 609 if approved will be incorporated into the DCRB's December 1, 2018 comprehensive residual market rate and voluntary market loss cost filing, to be filed with the Commissioner at a later date. Thus, the final proposed Code 609 residual market rate and voluntary market loss cost to be included in DCRB's December 1, 2018 comprehensive rating value filing may differ from the projected residual market rate and voluntary market loss cost referenced above.

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

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: May 30, 2018

RE: Delaware Classification Study:  
Code 602, Road or Street Construction: Subsurface Work,

**Introduction**

The DCRB has completed a review of Code 602, Road or Street Construction: Subsurface Work. The objective of the review was to determine the feasibility of merging Code 602 into Code 609, Excavation. Code 602 is a specialty excavation classification and applies to all operations of bringing roadbed to grade including clearing of rights-of-way, earth or rock excavation, filling and/or grading. Code 602 does not include the laying of the road sub-base. Code 609 applies to all excavation work not performed in connection with road construction and includes general excavation, grading, trench digging, filling or backfilling.

The Pennsylvania Compensation Rating Bureau (PCRB) completed a review of Code 602 in 2013 with the same objective in mind i.e., the merger of Code 602 into Code 609. In a memorandum to the PCRB Classification and Rating Committee dated May 2, 2013, the PCRB opined that the existence of two separate excavation classifications i.e., Code 602 and 609, as well as the historically lower PCRB loss costs of Code 602 in comparison to both Code 609 and Code 601, Road or Street Construction: Paving or Repaving, contributed to the misallocation of payroll properly assigned to either Code 609 or Code 601 to Code 602. Codes 602 and 601 may be seen as companion classifications in that they apply to different phases of a road construction project, and are often assigned to the same employer. Code 601 applies to the laying of the road sub-base as well as all kinds of paving or repaving, surfacing or resurfacing or scraping, including airport runways or warming aprons. Pursuant to the observations discussed in the PCRB’s May 2, 2013 memorandum as well as historical experience and statistical analyses, the PCRB proposed that Code 602 be merged into Code 609. The Pennsylvania Insurance Commissioner approved the PCRB’s proposal effective for new and renewal policies as of April 1, 2014 and later.

The Delaware residual market rates for Code 602 have been historically higher than those for Code 609 but lower than those for Code 601. Below is a comparison of the Codes 602, 609 and 601 residual market rates for the last three comprehensive rating value revisions:

Effective Date	Code 602	Code 609	Code 601
December 1, 2017	\$ 9.08	\$ 8.51	\$16.01
December 1, 2016	\$ 9.79	\$ 9.08	\$16.89
December 1, 2015	\$10.14	\$ 8.89	\$17.26

The rating value relationship between the three classifications in Delaware ostensibly reduces the likelihood of the misallocation of payroll properly assigned to Code 609 to Code 602 for employers approved for both classifications however concerns remain about the misallocation of payroll properly assigned to Code 601 to Code 602. Staff also feels that the existence of two separate excavation classifications is problematic and not in line with the objective of the classification procedure, which is to group together reasonably homogeneous employers.

Further, the Bureaus endeavor to align DCRB and PCRB classification procedure wherever possible, thus the current review.

## **Background**

Code 602 was created effective for new and renewal business as of March 1, 1986 and later. Prior to March 1, 1986 the operations now contemplated by Code 602 were included in Code 601. The creation of Code 602 resulted from the DCRB's efforts to focus Code 601 and to align the scope of Code 601 more closely with its equivalent classifications in effect in other states. This focusing of Code 601 also resulted in the creation of Code 617, Gas, Steam or Water Main Construction, effective for new and renewal business as of March 1, 1986 and later. Code 601 and Code 609 have both been in effect since the creation of the Delaware uniform classification plan effective for new and renewal business as of December 31, 1922 and later. The scopes of Codes 602, 601 and 609 have been periodically revised and/or clarified throughout the years via classification procedural changes and additions, deletions and/or revisions to each classification's Underwriting Guide.

## **Classification Procedure in Other Jurisdictions**

National Council on Compensation Insurance, Inc. (NCCI) Code 5507, Street or Road Construction: Subsurface Work & Drivers, applies to clearing of rights-of-way, earth excavating, filling and grading work in connection with the construction of streets and/or roads. NCCI Code 5508, Street or Road Construction: Rock Excavation & Drivers, applies to rock excavation in connection with the construction of streets and roads. The operations contemplated by both NCCI Codes 5507 and 5508 are included in Delaware Code 602. The equivalent Workers' Compensation Insurance Rating Bureau of California (WCIRB) classification to Delaware Code 602 is Code 5507, Street or Road Construction – Grading.

Both NCCI Code 5506, Street or Road Construction – Paving or Repaving & Drivers, and WCIRB Code 5506, Street or Road Construction – Paving or Repaving, are essentially equivalent to Delaware Code 601. One exception is that Delaware Code 601 includes specialty contractors providing flagging services while the NCCI assigns such operations to Code 7720, Police Officers & Drivers.

There are three states that use a single classification to contemplate the street and road construction tasks contemplated by NCCI Codes 5506, 5507 and 5508 and Delaware Codes 602 and 601. Alaska assigns street or road construction including subsurface work to Code 5516, Street or Road Maintenance, Construction Or Reconstruction By Other Than State, County or Municipality & Drivers. Utah also uses Code 5516, but titles the classification "Street or Road Construction Or Reconstruction By Other Than State, County Or Municipality & Drivers." New Jersey assigns these operations to New Jersey Compensation & Inspection Bureau (NJCRIB) Code 6042, Street Or Road Construction & Drivers.

NCCI Code 6217, Excavation & Drivers, is generally equivalent to Code 609. The WCIRB classifies the operations contemplated by Code 609 to Code 6218 and Code 6220, both of which are titled "Excavation, N.O.C." The Code 6218 phraseology states "Including burrowing, filling or backfilling – employees whose regular hourly wage does not equal or exceed \$26.00 per hour..." The Code 6220 phraseology states "Including burrowing, filling or backfilling – employees whose regular hourly wage equals or exceeds \$26.00 per hour..."

### Historical Experience Exhibits

The historical experience exhibits discussed in this report were developed on the basis of the DCRB’s approved December 1, 2017 comprehensive residual market rate and loss cost revision as approved by the Commissioner. The indicated residual market rates shown at the bottom of the historical experience exhibits have not been loaded for the revenue neutral Delaware Workplace Safety and Merit Rating programs or the Delaware Construction Classification Premium Adjustment Program (DCCPAP) surcharge. The residual market rate resulting from an historical experience exhibit is derived by multiplying the indicated residual market rate by a surcharge factor. This factor includes the uniform surcharge factor of 1.0272 and the classification’s DCCPAP surcharge. The voluntary market loss cost resulting from an historical experience exhibit is derived by first multiplying the indicated residual market rate by 0.7255, then multiplying that product by the same combined surcharge factor as above. As indicated in Exhibit 4, the December 1, 2017 DCCPAP surcharges are 1.0713 for Code 602 and 1.0536 for Code 609. Per Exhibit 5, staff developed a December 1, 2017 DCCPAP surcharge of 1.0676 for the combined Code 602 and Code 609.

The report will discuss the following exhibits:

Exhibit No.	Exhibit Title
1	Code 602 December 1, 2017 Class Book Page
2	Code 609 December 1, 2017 Class Book Page
3	Combined Code 602 and Code 609 December 1, 2017 Class Book Page
4	Code 602 and Code 609 December 1, 2017 DCCPAP Surcharges
5	Combined Code 602 and Code 609 December 1, 2017 DCCPAP Surcharge

Staff compared the historical experience of Exhibit 1 and Exhibit 2. Below is a summary of the historical experience comparison:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post Test)
1	\$2.017	\$2.200	\$2.671
2	\$3.501	\$4.172	\$5.065

Code 602 has relatively low credibility. There are 46 employers reporting payroll to Code 602 on the DCRB’s database. The five year total payroll shown in Exhibit 1 is \$46,361,000. This falls below the five year minimum payroll that separates a “reviewed” classification from a “non-reviewed” classification, which is \$46,499,600 effective December 1, 2017. The DCRB has established different actuarial procedures for calculating the rating values for “reviewed” versus “non-reviewed” classifications. For the “non-reviewed” classification rating value calculation procedure to be invoked there must be a Pennsylvania classification equivalent to the non-reviewed Delaware classification. The rating values developed for the non-reviewed Delaware classification would in such case be determined in part based on rating value relativities developed for the Pennsylvania counterpart. As noted earlier in the report, the Pennsylvania Insurance Commissioner approved the PCRB’s proposal to merge Code 602 into Code 609 effective for new and renewal policies as of April 1, 2014 and later. As a consequence,

subsequent rating values developed for “non-reviewed” Delaware Code 602 have in part been based upon rating value relativities developed for Pennsylvania Code 609.

Exhibit 1 is shown to have lower i.e., more favorable values than Exhibit 2 for reported pure premium, indicated pure premium (pre-test) and indicated pure premium (post-test). As indicated earlier in the report however, the residual market rates for Code 602 have been historically higher than those for Code 609. The reported pure premiums and indicated pure premiums shown in the historical experience exhibits reflect recent experience which influences to what degree the current rate may change in a given year. The indicated pure premium is assigned a weighting based upon the classification’s credibility. The rest of the weighting is based on the underlying present rate after applying an on-level factor. The proposed pure premium is then calculated as the median of the indicated (post-test) pure premium, the underlying present rate (on-level) pure premium and the weighting of the two. The lower Code 602 indicated pure premium indicates more favorable experience than Code 609. However, because Code 602 has relatively low credibility the final Code 602 rate is primarily based on its present rate level, which is higher than that for Code 609.

**Conclusion and Recommendation**

The DCRB proposes that Code 602 be merged into Code 609 effective for policies effective December 1, 2018 and later. This merger would assign all excavation operations to the same classification, bringing the classification of excavation contractors in line with the object of the classification procedure and eliminating the potential misallocation of payroll between alternative classifications. Staff created a December 1, 2017 class book page that combines Codes 602 and 609 (Exhibit 3). The historical experience of Exhibit 3 is summarized below:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post Test)
3	\$3.241	\$3.827	\$4.647

The indicated pre-surge rate shown in Exhibit 3 is \$7.95. Applying the calculations that the DCRB’s actuarial staff uses to keep overall rating value changes balanced to that figure results in a selected pre-surge rate of \$7.94. Using the rating value development procedures discussed in the “Historical Experience Exhibits” section of this report results in a revised December 1, 2017 Code 609 residual market rating value of \$8.69. This represents a 2.115% increase in the Code 609 residual market rate. Employers that would be reclassified from Code 602 to Code 609 as a result of this proposal would see a decrease of 4.295% in residual market rates. The proposed residual market rate and voluntary market loss cost for the revised Code 609 if approved will be incorporated into the DCRB’s December 1, 2018 comprehensive residual market rate and voluntary market loss cost filing, to be filed with the Commissioner at a later date. Thus, the final proposed Code 609 residual market rate and voluntary market loss cost to be included in DCRB’s December 1, 2018 comprehensive rating value filing may differ from the projected residual market rate and voluntary market loss cost referenced above.

The proposed enabling Sections 2 Manual language amendments for this classification proposal are attached for the Committee’s review. In the event of the Commissioner’s approval of the classification filing, the carrier of record for each employer impacted by this revision will be notified of their insured’s classification reassignment and a copy of that notice will be provided to the employer. The employer’s loss and payroll history will also be reassigned from Code 602 to

DCRB Classification & Rating Committee  
Delaware Classification Review – Code 602, Road or Street Construction – Subsurface Work  
May 30, 2018  
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Code 609, and the employer's experience rating modification (if applicable) on or after December 1, 2017 will be recalculated on the basis of the loss and payroll reassignment.

Attachments.

c: Bill Taylor  
Delisa Fairley  
Vince Dean  
Joe Lombo



EXHIBIT 1

CLASS ROAD CONSTRUCTION SUBSURFACE WORK

PAYROLLS REFLECTING STANDARD EXCEPTIONS

CODE 602

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MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES					
				DEATH	P. T.	MAJOR	MINOR	TEMP	ALL
2010	11,493	179,895	1,565				3	5	8
2011	6,007	476,564	7,933			2		2	4
2012	7,798	82,905	1,063				1	3	4
2013	10,395	42,813	.411					3	3
2014	10,668	153,113	1,435				2	2	2
TOTAL	46,361	935,290	2,017			2	6	13	21

REPORTED LOSSES

MANUAL YEAR	DEATH	INDEMNITY			TEMP	DEATH	MEDICAL			MED. ONLY
		P. T.	MAJOR	MINOR			MAJOR	MINOR	TEMP	
2010				47,493	16,707				55,516	15,987
2011			339,473	36,839	1,584		113,824		6,745	14,938
2012				89,537	4,171				10,041	3,959
2013				173,869	2,799				20,476	19,538
2014										7,532
TOTAL			339,473	25,261			113,824		92,778	61,954

TRANSLATED LOSSES

MANUAL YEAR	DEATH	INDEMNITY			TEMP	DEATH	MEDICAL			MED. ONLY
		P. T.	MAJOR	MINOR			MAJOR	MINOR	TEMP	
2010				97,551	40,982				134,848	15,939
2011		5,623	594,931	3,216	16,422		245,948		20,243	15,879
2012		234	14,801	65,038	9,272		14,881		21,099	4,232
2013		58	1,963	1,159	4,063	190	10,634		32,761	19,362
2014	116	2,774	164,160	107,237	16,760	430	109,006		12,206	7,863
TOTAL	116	8,689	775,855	274,201	87,499	620	380,469		221,157	63,285

TOTAL TRANS. LOSSES PG B	SERIOUS		NON-SERIOUS		MED. ONLY		TOTAL
	12-1-14	12-1-15	12-1-16	12-1-17	12-1-17	IND. RATE	
TOTAL TRANS. LOSSES PG A	8.62	9.05	8.81	8.26	8.26	MINIMUM PREMIUM	2000
IBNR + FREQUENCY ADJUST.						PRESENT	2000
TOTAL LOSSES							
EXPECTED LOSSES							
CREDIBILITY							
PURE PREMIUMS							
INDICATED (PRE-TEST)							
INDICATED (POST-TEST)							
PRES. ON RATE LEVEL							
DERIVED BY FORMULA							
UNDERLYING PRES. RATE							
PROPOSED							

+PROPOSED

EXHIBIT 2

CLASS EXCAVATION

PAYROLLS REFLECTING STANDARD EXCEPTIONS

CODE 609

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MANUAL YEAR	PAYROLL IN THOUS	TOTAL REPT. LOSSES	PURE PREM. REPORTED	NUMBER OF CASES					
				DEATH	P. T.	MAJOR	MINOR	TEMP	ALL
2010	39,376	1,335,440	3,391			2	7	16	25
2011	40,250	1,649,331	4,097	1		3	5	7	16
2012	44,389	423,774	.955			1	2	9	12
2013	43,358	1,086,621	2,506			3	3	6	15
2014	51,249	3,157,634	6,161	1		2	4	19	26
TOTAL	218,602	7,652,800	3,501	2		11	24	57	94

REPORTED LOSSES

MANUAL YEAR	DEATH	INDEMNITY			DEATH	P. T.	MEDICAL			MED. ONLY
		MAJOR	MINOR	TEMP			MAJOR	MINOR	TEMP	
2010		252,577	200,727	142,975			227,718	172,206	300,830	38,407
2011	14,441	656,641	149,899	15,039			676,421	100,322	23,694	12,874
2012		120,355	14,263	28,035			65,229	56,365	93,551	45,976
2013		378,761	89,742	35,920			300,553	139,945	48,790	92,910
2014	87,938	839,103	104,009	191,440	1,500		1,445,782	128,131	256,688	103,043
TOTAL	102,379	2,247,437	558,640	413,409	1,500		2,715,703	596,969	723,553	293,210

TRANSLATED LOSSES

MANUAL YEAR	DEATH	INDEMNITY			DEATH	P. T.	MEDICAL			MED. ONLY
		MAJOR	MINOR	TEMP			MAJOR	MINOR	TEMP	
2010		448,072	412,293	350,719			533,998	396,690	730,716	38,292
2011	34,536	858,773	285,958	56,167			980,516	241,518	75,495	13,685
2012		242,587	34,065	59,424			232,233	138,317	188,697	49,148
2013	876	22,142	186,939	86,981			1,226,470	323,893	118,034	92,167
2014	117,626	33,234	348,421	268,739	34,367		1,582,318	544,767	378,887	107,577
TOTAL	153,038	72,301	3,338,499	1,267,676	61,297		4,555,535	1,645,085	1,491,829	300,869

	SERIOUS	NON-SERIOUS	MED. ONLY	TOTAL
TOTAL TRANS. LOSSES PGB	8,268,926	5,226,620	300,869	
TOTAL TRANS. LOSSES PG A				
IBNR + FREQUENCY ADJUST.	-3,812,992	-864,097	1,766	
TOTAL LOSSES	4,455,934	4,362,523	302,635	
EXPECTED LOSSES	8,525,478	3,237,497	238,276	
CREDIBILITY	.05	.13	.14	
PURE PREMIUMS				
INDICATED (PRE-TEST)	2,038	1,996	.138	4,172
INDICATED (POST-TEST)	2,474	2,423	.168	5,065
PRES. ON RATE LEVEL	3,630	1,454	.107	5,391
DERIVED BY FORMULA	3,762	1,580	.116	5,458
UNDERLYING PRES. RATE	3,900	1,481	.109	5,490
PROPOSED	3,716	1,561	.114	5,391
IND. RATES	12-1-14	12-1-15	12-1-16	12-1-17
MAN. RATES	7.52	8.12	8.30	7.87
				MINIMUM PREMIUM
				2000
				PRESENT
				2000

+PROPOSED

EXHIBIT 3

CLASS:  
EXCAVATION

INDUSTRY GROUP:  
2

CODE:  
602 + 609

Manual Year	Payroll in Thous.	Total Rept Losses	Total Trans Losses	Pure Prem Reported	Claim Severity	Claim Frequency	Number of Cases			All		
							Death	P.T.	Major		Minor	Temp
2010	50,869	1,515,335	3,301,775	2,979	44,271	0.6490	0	0	2	10	21	33
2011	46,257	2,125,895	3,472,261	4,596	104,904	0.4320	1	0	5	5	9	20
2012	52,167	506,679	1,151,999	0,971	28,547	0.3070	0	0	1	3	12	16
2013	53,753	1,129,434	3,069,248	2,101	56,499	0.3350	0	0	3	6	9	18
2014	61,917	3,310,747	4,867,728	5,347	114,292	0.4520	1	0	2	6	19	28
TOTAL	264,963	8,588,090	15,863,011	3,241	71,591	0.4340	2	0	13	30	70	115
O.D.	0	0	0	0,000			0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Death	P.T.	Temp
2010	0	0	159,682	0	0	227,718
2011	14,441	0	996,114	0	0	790,245
2012	0	0	120,355	0	0	51,102
2013	0	0	378,761	0	0	38,719
2014	87,938	0	839,103	1,500	0	1,445,782
TOTAL	102,379	0	2,586,910	1,500	0	2,829,527
O.D.	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Death	P.T.	Temp
2010	0	0	448,072	0	0	533,999
2011	34,536	13,651	1,453,738	0	11,720	1,226,443
2012	0	9,146	257,383	0	11,213	247,098
2013	879	22,272	854,127	35,041	44,698	1,237,091
2014	117,908	36,186	1,101,188	26,650	24,407	1,690,969
TOTAL	153,323	81,255	4,114,508	61,691	92,038	4,935,600
O.D.	0	0	0	0	0	0

TOTAL

TOTAL TRANSLATED LOSSES		NON-SERIOUS		MED ONLY		TOTAL	
IBNR + FREQ. ADJUSTMENT	TOTAL LOSSES	IBNR + FREQ. ADJUSTMENT	TOTAL LOSSES	IBNR + FREQ. ADJUSTMENT	TOTAL LOSSES	IBNR + FREQ. ADJUSTMENT	TOTAL LOSSES
9,438,415	(4,622,940)	6,060,432	(1,098,963)	364,164	2,244	364,164	2,244
4,815,475	10,304,411	4,960,469	4,096,328	366,408	0.16	366,408	0.16
10,304,411	12-01-16	4,096,328	12-01-17	302,058	7.95	302,058	7.95
0.05	8.38	0.14	7.95	0.138	8.38	0.138	7.95
1.817	IND. RATE =	1.872	IND. RATE =	0.168	7.95	0.168	7.95
2.206	MAN RATE	2.273	MAN RATE	0.168	8.38	0.168	8.38
3.819	ADJ. RATE =	3.819	ADJ. RATE =	0.112	7.95	0.112	7.95
1.518		1.518		0.112	7.95	0.112	7.95
3.738		3.738		0.121	7.95	0.121	7.95
3.889		3.889		0.114	7.95	0.114	7.95
3.715		3.715		0.120	7.95	0.120	7.95
1.614		1.614		0.120	7.95	0.120	7.95

EXHIBIT 4

DCCPAP Manual Rate Surcharges  
For Policy Effective Dates 01/01/14 Through 12/31/14

100% Credibility = 150 Policies  
Partial Credibility = # of Policies / 150

Class	(1)	# of Policies (Total)	(2)	# of Policies (DCCPAP)	(3)	Payroll (Total)	(4)	Payroll (DCCPAP)	(5)	Pre-DCCPAP	(6)	Post-DCCPAP	(7)	Pre-DCCPAP	(8)	Post-DCCPAP	(9)	Indicated Surcharge	(10)	Average DCCPAP Credit	(11)	Class "Z"	(12)	Formula Surcharge	(13)	Final Surcharge	(14)
601	41	15	25,002,932	9,596,057	873,020	708,647	1,044,364	1,044,364	1,044,364	0.1883	0.27	1.0721	1.0710														
602	21	13	10,668,470	6,058,477	459,298	379,324	269,224	269,224	269,224	0.1741	0.14	1.0724	1.0713														
603	33	16	5,256,157	2,469,691	226,937	195,326	245,337	245,337	245,337	0.1393	0.22	1.0658	1.0647														
605	7	1	538,358	328,043	26,159	24,066	17,512	17,512	17,512	0.0800	0.05	1.0623	1.0623														
607	26	1	2,361,370	1,528,6	1,507	1,146	169,601	169,601	169,601	0.2395	0.17	1.0536	1.0525														
608	20	61	42,800,659	25,572,709	1,550,981	1,304,730	1,058,324	1,058,324	1,058,324	1.1042	1.00	1.1031	1.1031														
609	162	39	51,257,880	20,693,875	1,075,898	937,005	1,600,568	1,600,568	1,600,568	0.1291	1.00	1.0547	1.0536														
611	5	2	356,557	92,918	9,692	8,761	25,388	25,388	25,388	0.0961	0.03	1.0630	1.0619														
615	0	0	0	0	0	0	0	0	0	N/A	0.00	1.0641	1.0641														
617	31	13	9,927,978	6,547,252	359,929	317,225	218,958	218,958	218,958	0.1186	0.21	1.0674	1.0663														
625	18	3	3,519,362	98,672	6,622	5,229	263,781	263,781	263,781	0.2104	0.12	1.0570	1.0559														
643	12	2	3,025,704	585,127	83,269	74,632	237,921	237,921	237,921	0.1037	0.08	1.0612	1.0601														
645	107	18	15,375,407	7,782,599	504,849	420,436	521,902	521,902	521,902	0.1672	0.71	1.0822	1.0811														
646	45	3	4,807,249	852,447	46,567	35,621	259,322	259,322	259,322	0.2351	0.30	1.0560	1.0549														
647	25	2	5,251,325	18,803	1,421	1,150	577,165	577,165	577,165	0.1907	0.17	1.0533	1.0522														
648	144	12	13,110,824	1,498,251	90,335	78,920	650,461	650,461	650,461	0.1264	0.96	1.0176	1.0166														
649	35	16	6,053,634	3,893,637	145,470	117,358	78,286	78,286	78,286	0.1932	0.23	1.0824	1.0813														
651	215	47	34,369,353	15,913,252	943,940	797,075	1,236,258	1,236,258	1,236,258	0.1556	1.00	1.0722	1.0711														
652	424	29	32,874,173	5,843,045	546,093	472,906	2,550,542	2,550,542	2,550,542	0.1340	1.00	1.0242	1.0231														
653	155	16	18,969,904	4,144,647	309,406	273,022	1,139,061	1,139,061	1,139,061	0.1176	1.00	1.0258	1.0247														
654	65	17	12,239,110	5,441,084	561,362	441,587	456,053	456,053	456,053	0.2134	0.43	1.0939	1.0928														
655	36	6	6,958,486	1,928,957	286,932	233,790	747,470	747,470	747,470	0.1852	0.24	1.0617	1.0606														
656	20	0	5,844,133	0	0	0	336,279	336,279	336,279	N/A	0.13	1.0558	1.0641														
657	4	0	165,061	0	0	0	15,949	15,949	15,949	N/A	0.03	1.0622	1.0641														
658	46	9	5,003,591	1,554,278	175,224	155,867	312,876	312,876	312,876	0.1105	0.31	1.0570	1.0559														
659	54	6	6,009,772	1,559,984	341,535	317,634	807,622	807,622	807,622	0.0700	0.36	1.0487	1.0476														
661	307	46	93,881,372	41,053,733	1,071,822	864,807	1,555,971	1,555,971	1,555,971	0.1931	1.00	1.0855	1.0844														
663	287	47	90,195,367	24,402,016	1,118,878	897,895	3,180,084	3,180,084	3,180,084	0.1975	1.00	1.0542	1.0531														
664	242	60	84,984,186	50,489,868	2,672,752	2,162,340	1,729,356	1,729,356	1,729,356	0.1910	1.00	1.1312	1.1300														
665	144	13	17,759,023	3,875,332	319,467	267,737	1,208,626	1,208,626	1,208,626	0.1619	0.96	1.0362	1.0351														
666	35	2	2,969,227	542,856	37,302	30,837	172,002	172,002	172,002	0.1733	0.23	1.0567	1.0556														
667	22	1	2,471,054	803,371	13,969	11,734	32,479	32,479	32,479	0.1600	0.15	1.0621	1.0610														
668	49	6	3,264,549	710,418	40,831	31,007	173,492	173,492	173,492	0.2406	0.33	1.0588	1.0577														
669	6	3	648,227	604,405	44,599	39,060	3,182	3,182	3,182	0.1242	0.04	1.0668	1.0657														
674	16	0	1,235,736	0	0	0	76,099	76,099	76,099	N/A	0.11	1.0570	1.0641														
675	185	16	57,247,625	7,493,904	354,895	290,502	2,210,938	2,210,938	2,210,938	0.1814	1.00	1.0257	1.0246														
676	37	8	5,593,235	2,742,382	182,285	138,623	155,948	155,948	155,948	0.1458	0.25	1.0682	1.0671														
677	8	0	18,841,956	0	0	0	469,270	469,270	469,270	N/A	0.05	1.0609	1.0641														
Total	3,270	554	700,839,006	255,205,376	14,463,246	12,035,999	25,807,671	25,807,671	25,807,671	0.1678	1.0641	1.0652	1.0642														

Note: For each Class,  
 Indicated Surcharge = (Total Premium Pre-DCCPAP) / (Total Premium Post-DCCPAP)  
 Basis of Credibility: 1 / (# DCCPAP Policies) / (# Total Policies) \* 25 = 150 Policies for Full Credibility  
 Formula Surcharge = (Indicated Surcharge) \* (Credibility for that Class) + (1 - Credibility) \* (Average Indicated Surcharge)  
 Final Surcharge = Formula Surcharge \* Test Correction Factor  
 Test Correction Factor = 0.99897



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

**Proposed Effective December 1, 2018  
SECTION 1**

**RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM**  
**INFORMATION PAGE** remains unchanged.

**PREFACE** remains unchanged.

**MEMBERSHIP** remains unchanged.

**SECTION 1 – Underwriting Rules-Rule I (General) through Rule VIII (Limits of Liability)** remains unchanged.

**RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM**

**H. DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM**

2. “Construction classifications” are those classifications subject to the following code numbers:

601	609	645	652	658	666	676
<del>602</del>	611	646	653	659	667	677
603	615	647	654	661	668	
605	617	648	655	663	669	
607	625	649	656	664	674	
608	643	651	657	665	675	

**SECTION 2**

**CLASSIFICATIONS**

**CHANGES**

**601 ROAD or Street CONSTRUCTION:** Paving or Repaving

Applies to the laying of the road....shall be assigned to Code 601.

***OPERATIONS ALSO INCLUDED:***

No changes to items 1, 2, 3 or 4.

***OPERATIONS NOT INCLUDED:***

1. No change.
2. Separately rate subsurface work which involves all work necessary to bring the road up to grade or rock excavation, filling or grading to Code ~~602~~609.
3. No change.

4. [Separately rate tunneling projects to Code 615.](#)
5. [Assign the applicable quarrying classification to quarrying and stone crushing by the quarry operator](#)

## 609 EXCAVATION

Applicable to payroll developed in general excavation, grading, trench digging, filling or backfilling. [Also applicable to road construction subsurface work which involves all work necessary to bring the road up to grade including earth or rock excavation, filling or grading.](#) Such work is performed with power shovels, trench diggers, bulldozers or graders. The business may be a specialist excavation contractor principally engaged in one or more of the listed tasks. The business may be a general contractor employing a separate staff performing one or more of the listed tasks or the business has kept separate payroll records for personnel who interchange between one or more of the tasks listed above and other construction tasks assigned to another construction classification.

### **OPERATIONS ALSO INCLUDED:**

1. All methods of clearing or removing brush and/or tree stumps that is not incident to tree removal ~~except for road construction.~~
2. Excavation and/or grading for parking lots.

### **OPERATIONS NOT INCLUDED:**

1. Assign Code 602 to payroll developed in clearing or removing brush for road construction. Code 602 shall also be assigned to road or street construction subsurface work which involves all work that brings the road up to grade: earth or rock excavation, filling or grading.
2. Assign the applicable "all work to completion" construction classification when a business is performing work assignable to an "all work to completion" classification. Any excavation work performed by the business incident to an "all work to completion" job or project shall be included in the "all work to completion" construction classification applicable to the job or project.
3. [Blasting services by specialist/independent contractors under contract with unrelated businesses including incidental drilling.](#)
4. [Cross-country oil or gas pipeline construction.](#)
5. [Landfill operation by independent contractor.](#)

### **OPERATIONS NOT INCLUDED:**

- ~~1. Assign Code 602 to payroll developed in clearing or removing brush for road construction. Code 602 shall also be assigned to road or street construction subsurface work which involves all work that brings the road up to grade: earth or rock excavation, filling or grading.~~
- ~~2.1.~~ Assign the applicable "all work to completion" construction classification when a business is performing work assignable to an "all work to completion" classification. Any excavation work performed by the business incidental to an "all work to completion" job or project shall be included in the "all work to completion" construction classification applicable to the job or project.
2. [Separately rate the laying of a road's sub-base, its paving or repaving, surfacing or resurfacing or scraping to Code 601. This also includes airport runways or warming aprons.](#)

3. Separately rate tunneling projects to Code 615.
4. Separately rate bridge and culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet to Code 654.
5. Assign the applicable quarrying classification to quarrying and stone crushing by quarry operator.

## UNDERWRITING GUIDE

Code 609:

Rock Excavation, Not Quarry, ~~Not By Road Contractor~~

To Code 609 (From Code 602):

Airport Runway Or Warming Apron Construction – Subsurface Work  
Culvert Construction, Not Exceeding 10 Feet Span  
Excavation – Street Or Road – Including Rock Excavation  
Street Or Road Rock Excavation  
Sub-Surface Work – Road Or Street Construction

## DELETIONS

~~**602 ROAD or Street CONSTRUCTION:** Subsurface work~~

~~Applies to all operations of bringing roadbed to grade including clearing of right-of-way, earth or rock excavation, filling or grading. It does not include laying the sub-base.~~

~~As provided for in this Manual separately rate: tunneling, bridge or culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet, quarrying and stone crushing.~~

## UNDERWRITING GUIDE

~~Rock Excavation, Not Quarry, By Road Contractor~~

## GENERAL AUDITING & CLASSIFICATION INFORMATION

## CHANGES

### CLEARING OF LAND

Below find the class assigned to payroll.....in Sections 1 or 2 of this Manual.

1. No change.
2. No change.
3. Assign Code 609 for all methods of clearing or removing brush and/or stump removal not incidental to tree removal ~~except for~~ including road construction. ~~Such work for a road job or project is subject to Code 602.~~



4. No change.

5. No change.

**DELETION**

Deletion from the Employment Contractor – Temporary Staffing cross reference chart:

682

601	625	654	665	676
<del>602</del>	643	655	666	677
603	645	656	667	679
605	646	657	668	681
607	647	658	669	
608	648	659	670	
611	649	660	673	
615	652	663	674	
617	653	664	675	

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

**Proposed Effective December 1, 2018  
SECTION 1**

**RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM**  
**INFORMATION PAGE** remains unchanged.

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603	615	647	654	661	668	
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607	625	649	656	664	674	
608	643	651	657	665	675	
609	645	652	658	666	676	

**SECTION 2**

**CLASSIFICATIONS**

**CHANGES**

**601 ROAD or Street CONSTRUCTION:** Paving or Repaving

Applies to the laying of the road....shall be assigned to Code 601.

***OPERATIONS ALSO INCLUDED:***

No changes to items 1, 2, 3 or 4.

***OPERATIONS NOT INCLUDED:***

1. No change.
2. Separately rate subsurface work which involves all work necessary to bring the road up to grade or rock excavation, filling or grading to Code 609.
3. No change.
4. Separately rate tunneling projects to Code 615.

5. Assign the applicable quarrying classification to quarrying and stone crushing by the quarry operator

## **609 EXCAVATION**

Applicable to payroll developed in general excavation, grading, trench digging, filling or backfilling. Also applicable to road construction subsurface work which involves all work necessary to bring the road up to grade including earth or rock excavation, filling or grading. Such work is performed with power shovels, trench diggers, bulldozers or graders. The business may be a specialist excavation contractor principally engaged in one or more of the listed tasks. The business may be a general contractor employing a separate staff performing one or more of the listed tasks or the business has kept separate payroll records for personnel who interchange between one or more of the tasks listed above and other construction tasks assigned to another construction classification.

### ***OPERATIONS ALSO INCLUDED:***

1. All methods of clearing or removing brush and/or tree stumps that is not incident to tree removal.
2. Excavation and/or grading for parking lots.

### ***OPERATIONS NOT INCLUDED:***

1. Assign Code 602 to payroll developed in clearing or removing brush for road construction. Code 602 shall also be assigned to road or street construction subsurface work which involves all work that brings the road up to grade: earth or rock excavation, filling or grading.
2. Assign the applicable "all work to completion" construction classification when a business is performing work assignable to an "all work to completion" classification. Any excavation work performed by the business incident to an "all work to completion" job or project shall be included in the "all work to completion" construction classification applicable to the job or project.
3. Blasting services by specialist/independent contractors under contract with unrelated businesses including incidental drilling.
4. Cross-country oil or gas pipeline construction.
5. Landfill operation by independent contractor.

### ***OPERATIONS NOT INCLUDED:***

1. Assign the applicable "all work to completion" construction classification when a business is performing work assignable to an "all work to completion" classification. Any excavation work performed by the business incidental to an "all work to completion" job or project shall be included in the "all work to completion" construction classification applicable to the job or project.
2. Separately rate the laying of a road's sub-base, its paving or repaving, surfacing or resurfacing or scraping to Code 601. This also includes airport runways or warming aprons.
3. Separately rate tunneling projects to Code 615.
4. Separately rate bridge and culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet to Code 654.
5. Assign the applicable quarrying classification to quarrying and stone crushing by quarry operator.

**UNDERWRITING GUIDE**

Code 609:

Rock Excavation, Not Quarry

To Code 609 (From Code 602):

Airport Runway Or Warming Apron Construction – Subsurface Work  
Culvert Construction, Not Exceeding 10 Feet Span  
Excavation – Street Or Road – Including Rock Excavation  
Street Or Road Rock Excavation  
Sub-Surface Work – Road Or Street Construction

**GENERAL AUDITING & CLASSIFICATION INFORMATION**

**CHANGES**

**CLEARING OF LAND**

Below find the class assigned to payroll.....in Sections 1 or 2 of this Manual.

1. No change.
2. No change.
3. Assign Code 609 for all methods of clearing or removing brush and/or stump removal not incidental to tree removal including road construction.
4. No change.
5. No change.

**DELETION**

Deletion from the Employment Contractor – Temporary Staffing cross reference chart:

		682		
601	643	655	666	676
603	645	656	667	677
605	646	657	668	679
607	647	658	669	681
608	648	659	670	
611	649	660	673	
615	652	663	674	
617	653	664	675	
625	654	665	676	