

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

The DCCPAP is used in Delaware 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 is consistent with that used to develop the factors which are a part of the current loss costs.

The DCRB has assembled 2016 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 2016 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: The Standard Premium attributable to policies which did not qualify for DCCPAP credit in 2016. 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. This is computed as  $(\text{Column (6)} + \text{Column (8)}) / (\text{Column (7)} + \text{Column (9)})$ .

Column (11) - Average DCCPAP Credit: For qualifying policies, the average credit given in 2016. For example, an average credit of 0.2202 indicates that the average qualifying risk in Code 601 received a 22.02 percent reduction in standard premium by operation of the DCCPAP plan's tabular credit. This is computed as  $(1.00 - (\text{Column (7)} / \text{Column (6)}))$ .

Column (12) - Class "Z": This is the credibility assigned each classification's indicated DCCPAP surcharge. The partial credibility formula is the square root of (the number of policies divided by 170, the standard for 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 6.17 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 6/1/20 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, 2020** for the proposed table. **Please note that the proposed (effective 6/1/20) minimum eligibility wage has increased from \$20.50 to \$21.10. Staff is therefore proposing an increase to the wage table.**

Page 14.4 shows the current and proposed Wage Tables.

DCCPAP Manual Rate Surcharges

100% Credibility = 170 Policies

For Policy Effective Dates 01/01/16 Through 12/31/16

Partial Credibility =  $\sqrt{\text{\# of Policies} / 170}$

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	10	34,015,526	15,424,416	1,593,341	1,242,526	1,637,477	1,637,477	1.1218	0.2202	0.47	1.0899	1.0894
603	34	13	6,812,036	2,921,897	235,830	201,106	339,391	339,391	1.0642	0.1472	0.45	1.0628	1.0623
605	9	0	608,672	0	0	0	54,545	54,545	1.0000	N/A	0.23	1.0475	1.0617
607	27	1	2,326,231	412,274	30,786	28,939	126,711	126,711	1.0119	0.0600	0.40	1.0418	1.0413
608	188	48	45,130,108	26,366,972	1,578,223	1,305,725	1,162,003	1,162,003	1.1104	0.1727	1.00	1.1104	1.1099
609	181	36	82,580,149	32,451,290	1,822,607	1,521,273	2,864,969	2,864,969	1.0687	0.1653	1.00	1.0687	1.0682
611	10	3	975,143	203,173	18,683	14,668	74,463	74,463	1.0450	0.2149	0.24	1.0577	1.0572
615	1	0	1	0	0	0	0	0	1.0000	N/A	0.08	1.0568	1.0617
617	25	12	13,814,982	11,873,604	646,819	550,585	110,226	110,226	1.1456	0.1488	0.38	1.0936	1.0931
625	18	4	3,479,098	751,448	58,267	51,197	174,781	174,781	1.0313	0.1213	0.33	1.0517	1.0512
643	12	2	4,289,093	725,452	82,378	61,784	372,530	372,530	1.0474	0.2500	0.27	1.0578	1.0573
645	108	12	14,767,215	5,528,635	374,205	296,490	686,038	686,038	1.0791	0.2077	0.80	1.0756	1.0751
646	50	3	4,411,758	547,887	33,122	25,456	284,952	284,952	1.0247	0.2314	0.54	1.0417	1.0412
647	28	2	10,097,362	276,297	25,214	23,130	1,252,820	1,252,820	1.0016	0.0827	0.41	1.0371	1.0366
648	143	10	14,790,069	1,318,068	77,424	71,975	832,179	832,179	1.0060	0.0704	0.92	1.0105	1.0100
649	20	10	6110012	3605892	132866	110048	89551	89,551	1.1143	0.1717	0.34	1.0796	1.0791
651	200	32	29,489,859	10,446,300	631,982	527,923	1,249,425	1,249,425	1.0585	0.1647	1.00	1.0585	1.0580
652	441	34	38,614,768	8,072,015	727,603	629,553	2,957,845	2,957,845	1.0273	0.1348	1.00	1.0273	1.0268
653	153	21	19,187,098	4,608,173	345,688	312,613	1,217,094	1,217,094	1.0216	0.0957	0.95	1.0236	1.0231
654	79	13	25,821,728	9,906,698	725,754	562,856	1,012,115	1,012,115	1.1034	0.2245	0.68	1.0901	1.0896
655	54	11	8,166,357	2,322,400	382,329	342,270	1,013,055	1,013,055	1.0296	0.1048	0.56	1.0437	1.0432
656	15	0	7,925,039	0	0	0	364,275	364,275	1.0000	N/A	0.30	1.0432	1.0617
657	8	0	1,407,707	0	0	0	138,960	138,960	1.0000	N/A	0.22	1.0481	1.0617
658	44	10	7,319,247	2,189,541	227,719	197,585	486,631	486,631	1.0440	0.1323	0.51	1.0527	1.0522
659	53	6	6,788,480	1,329,391	292,280	254,710	993,048	993,048	1.0301	0.1285	0.56	1.0440	1.0435
661	299	48	99,800,972	38,586,786	1,239,181	979,299	1,867,886	1,867,886	1.0913	0.2097	1.00	1.0913	1.0908
663	289	47	94,282,161	23,891,102	1,085,064	884,399	3,000,594	3,000,594	1.0517	0.1849	1.00	1.0517	1.0512
664	237	54	89,910,856	52,194,057	2,574,757	2,135,654	2,157,743	2,157,743	1.1023	0.1705	1.00	1.1023	1.1018
665	145	12	14,006,260	3,202,128	278,235	240,222	917,912	917,912	1.0328	0.1366	0.92	1.0351	1.0346
666	25	2	2,795,399	517,902	37,340	28,831	173,762	173,762	1.0420	0.2279	0.38	1.0542	1.0537
667	18	2	2,264,561	1,323,604	23,355	18,756	21,566	21,566	1.1141	0.1969	0.33	1.0790	1.0785
668	43	2	4,947,799	904,156	63,033	47,370	291,188	291,188	1.0463	0.2485	0.50	1.0540	1.0535
669	2	1	559,067	107,278	8,458	7,020	33,383	33,383	1.0356	0.1700	0.11	1.0588	1.0583
674	16	0	1,454,571	0	0	0	89,072	89,072	1.0000	N/A	0.31	1.0426	1.0617
675	197	11	65,834,983	6,075,855	295,887	241,566	2,674,423	2,674,423	1.0186	0.1836	1.00	1.0186	1.0181
676	29	6	5,571,009	2,744,077	144,525	119,905	140,699	140,699	1.0945	0.1704	0.41	1.0751	1.0746
677	12	0	23,657,980	0	0	0	778,101	778,101	1.0000	N/A	0.27	1.0450	1.0617
Total	3,251	478	794,013,356	270,828,768	15,792,955	13,035,434	31,641,413	31,641,413	1.0617	0.1746		1.0622	1.0623

Note: For each Class,

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

Test Correction Factor = 0.99953

Basis of Credibility:  $1 / ((\text{\# DCCPAP Policies}) / (\text{\# Total Policies})) * 25 = 170$  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.**  
**2019 RESIDUAL MARKET AND LOSS COST FILING**  
**DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM**  
**SURCHARGES BY CLASS CODE**

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0743	1.0894	1.4%
603	1.0627	1.0623	0.0%
605	1.0656	1.0617	-0.4%
607	1.0520	1.0413	-1.0%
608	1.0970	1.1099	1.2%
609	1.0796	1.0682	-1.1%
611	1.0591	1.0572	-0.2%
615	1.0656	1.0617	-0.4%
617	1.0723	1.0931	1.9%
625	1.0570	1.0512	-0.5%
643	1.0598	1.0573	-0.2%
645	1.0808	1.0751	-0.5%
646	1.0536	1.0412	-1.2%
647	1.0552	1.0366	-1.8%
648	1.0182	1.0100	-0.8%
649	1.0728	1.0791	0.6%
651	1.0730	1.0580	-1.4%
652	1.0404	1.0268	-1.3%
653	1.0374	1.0231	-1.4%
654	1.1047	1.0896	-1.4%
655	1.0516	1.0432	-0.8%
656	1.0656	1.0617	-0.4%
657	1.0656	1.0617	-0.4%
658	1.0543	1.0522	-0.2%
659	1.0505	1.0435	-0.7%
660	Not Applicable	1.0623	Not Applicable
661	1.0762	1.0908	1.4%
662	Not Applicable	1.0623	Not Applicable
663	1.0456	1.0512	0.5%
664	1.1120	1.1018	-0.9%
665	1.0420	1.0346	-0.7%
666	1.0595	1.0537	-0.5%
667	1.0565	1.0785	2.1%
668	1.0488	1.0535	0.4%
669	1.0637	1.0583	-0.5%
670	Not Applicable	1.0623	Not Applicable
673	Not Applicable	1.0623	Not Applicable
674	1.0656	1.0617	-0.4%
675	1.0219	1.0181	-0.4%
676	1.0664	1.0746	0.8%
677	1.0656	1.0617	-0.4%
679	Not Applicable	1.0623	Not Applicable
681	Not Applicable	1.0623	Not Applicable
682	Not Applicable	1.0623	Not Applicable
691	Not Applicable	1.0623	Not Applicable
693	Not Applicable	1.0623	Not Applicable
695	Not Applicable	1.0623	Not Applicable
Total	1.0658	1.0623	-0.3%

**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	\$21.09	(a)			
\$21.10	\$21.50	21.300	0.05	20.2350	
\$21.51	\$21.95	21.730	0.06	20.4262	1.00945
\$21.96	\$22.40	22.180	0.07	20.6274	1.00985
\$22.41	\$22.85	22.630	0.08	20.8196	1.00932
\$22.86	\$23.35	23.105	0.09	21.0256	1.00989
\$23.36	\$23.85	23.605	0.10	21.2445	1.01041
\$23.86	\$24.35	24.105	0.11	21.4535	1.00984
\$24.36	\$24.90	24.630	0.12	21.6744	1.01030
\$24.91	\$25.45	25.180	0.13	21.9066	1.01071
\$25.46	\$26.00	25.730	0.14	22.1278	1.01010
\$26.01	\$26.55	26.280	0.15	22.3380	1.00950
\$26.56	\$27.15	26.855	0.16	22.5582	1.00986
\$27.16	\$27.75	27.455	0.17	22.7877	1.01017
\$27.76	\$28.35	28.055	0.18	23.0051	1.00954
\$28.36	\$29.00	28.680	0.19	23.2308	1.00981
\$29.01	\$29.65	29.330	0.20	23.4640	1.01004
\$29.66	\$30.30	29.980	0.21	23.6842	1.00938
\$30.31	\$31.00	30.655	0.22	23.9109	1.00957
\$31.01	\$31.70	31.355	0.23	24.1434	1.00972
\$31.71	\$32.45	32.080	0.24	24.3808	1.00984
\$32.46			0.25		

(a) 1/1/98 entry point multiplied by change in Statewide Average Weekly Wage (estimated).

(1) SAWW based on 1/1/97 - 12/31/97	616.67
(2) SAWW based on 6/1/19 - 5/31/20	1,132.56 (estimated)
(3) Change (2) / (1)	1.8366
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/20 Minimum Eligibility Wage (3) x (4)	21.10 (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 6/1/19		Change from Lower Level	Proposed Table Effective 6/1/20		Change from Lower Level
0%	20.49 or less			21.09 or less		
5%	20.50	20.90	0.41	21.10	21.50	0.41
6%	20.91	21.35	0.45	21.51	21.95	0.45
7%	21.36	21.80	0.45	21.96	22.40	0.45
8%	21.81	22.30	0.50	22.41	22.85	0.45
9%	22.31	22.80	0.50	22.86	23.35	0.50
10%	22.81	23.30	0.50	23.36	23.85	0.50
11%	23.31	23.85	0.55	23.86	24.35	0.50
12%	23.86	24.40	0.55	24.36	24.90	0.55
13%	24.41	24.95	0.55	24.91	25.45	0.55
14%	24.96	25.55	0.60	25.46	26.00	0.55
15%	25.56	26.15	0.60	26.01	26.55	0.55
16%	26.16	26.75	0.60	26.56	27.15	0.60
17%	26.76	27.35	0.60	27.16	27.75	0.60
18%	27.36	28.00	0.65	27.76	28.35	0.60
19%	28.01	28.65	0.65	28.36	29.00	0.65
20%	28.66	29.35	0.70	29.01	29.65	0.65
21%	29.36	30.05	0.70	29.66	30.30	0.65
22%	30.06	30.75	0.70	30.31	31.00	0.70
23%	30.76	31.50	0.75	31.01	31.70	0.70
24%	31.51	32.30	0.80	31.71	32.45	0.75
25%	Over 32.30			Over 32.45		