

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 2018 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 2018 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
PREMIUM ADJUSTMENT PROGRAM (DCCPAP)
(continued)

Columns (8) and (9) - Non-DCCPAP Policy Premium: The Standard Premium attributable to policies which did not qualify for DCCPAP credit in 2018. 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 2018. For example, an average credit of 0.1909 indicates that the average qualifying risk in Code 601 received a 19.09 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 185, 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 5.69 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.

Pages 14.2 and 14.3 show a comparison of the current to the proposed surcharges by classification.

Page 14.4 presents the derivation of the minimum eligibility wage for 6/1/22 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, 2022** for the proposed table. **Please note that the proposed (effective 6/1/22) minimum eligibility wage has increased from \$21.65 to \$22.10. Staff is therefore proposing an increase to the wage table.**

Page 14.5 shows the current and proposed Wage Tables.

DCCPAP Manual Rate Surcharges

100% Credibility = 185 Policies

'For Policy Effective Dates 01/01/18 Through 12/31/18

Partial Credibility = $\sqrt{(\# \text{ of Policies} / 185)}$

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	49	12	32,341,080	15,446,497	1,071,828	867,176	1,388,809	1,388,809	1.0907	0.1909	0.51	1.0741	1.0716
603	43	13	8,176,220	3,861,490	291,959	243,797	328,505	328,505	1.0842	0.1650	0.48	1.0700	1.0675
605	14	0	1,082,551	0	0	0	100,381	100,381	1.0000	N/A	0.28	1.0410	1.0569
607	26	1	2,835,403	341,918	21,288	18,733	167,587	167,587	1.0137	0.1200	0.37	1.0409	1.0384
608	222	47	58,383,865	31,347,193	1,702,776	1,396,338	1,577,566	1,577,566	1.1030	0.1800	1.00	1.1030	1.1004
609	192	38	97,895,578	44,390,738	2,400,141	1,999,993	2,796,657	2,796,657	1.0834	0.1667	1.00	1.0834	1.0808
611	11	1	1,455,568	13,946	1,601	1,200	150,383	150,383	1.0026	0.2505	0.24	1.0439	1.0414
615	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0569	1.0569
617	31	13	16,953,635	11,826,570	701,305	582,989	260,712	260,712	1.1402	0.1687	0.41	1.0911	1.0885
625	25	4	5,239,077	512,566	59,460	48,996	287,007	287,007	1.0311	0.1760	0.37	1.0474	1.0449
643	13	1	4,705,439	786,515	115,147	105,936	523,074	523,074	1.0146	0.0800	0.27	1.0455	1.0430
645	121	14	28,626,179	5,370,173	375,372	312,281	1,586,704	1,586,704	1.0332	0.1681	0.81	1.0377	1.0353
646	51	4	5,492,229	1,220,507	89,749	79,302	322,997	322,997	1.0260	0.1164	0.53	1.0405	1.0380
647	31	3	13,076,967	412,009	49,073	45,193	1,335,244	1,335,244	1.0028	0.0791	0.41	1.0347	1.0323
648	133	6	14,866,172	780,246	49,403	40,438	893,498	893,498	1.0096	0.1815	0.85	1.0167	1.0143
649	33	10	7,466,547	3,323,363	139,139	119,283	168,350	168,350	1.0690	0.1427	0.42	1.0620	1.0595
651	238	37	41,142,230	12,843,899	792,370	666,890	1,756,270	1,756,270	1.0518	0.1584	1.00	1.0518	1.0493
652	464	28	43,294,207	5,411,450	559,145	473,968	3,601,198	3,601,198	1.0209	0.1523	1.00	1.0209	1.0185
653	156	18	22,058,534	5,182,730	396,965	340,596	1,169,536	1,169,536	1.0373	0.1420	0.92	1.0389	1.0364
654	104	12	21,059,320	6,294,767	369,248	282,300	784,389	784,389	1.0815	0.2355	0.75	1.0754	1.0729
655	55	7	6,757,383	1,312,896	185,815	165,325	706,850	706,850	1.0235	0.1103	0.55	1.0385	1.0360
656	22	0	10,215,757	0	0	0	578,436	578,436	1.0000	N/A	0.34	1.0376	1.0569
657	6	0	666,523	0	0	0	69,314	69,314	1.0000	N/A	0.18	1.0467	1.0569
658	51	8	7,530,614	1,554,632	180,849	165,675	569,040	569,040	1.0207	0.0839	0.53	1.0377	1.0353
659	72	7	8,183,606	2,117,516	417,696	367,553	1,215,615	1,215,615	1.0317	0.1200	0.62	1.0413	1.0388
661	289	42	115,463,511	37,047,374	1,229,479	984,527	2,280,282	2,280,282	1.0750	0.1992	1.00	1.0750	1.0725
663	301	51	124,360,008	41,213,952	1,719,580	1,405,503	3,326,867	3,326,867	1.0664	0.1826	1.00	1.0664	1.0639
664	248	54	108,050,108	50,380,075	2,646,046	2,105,950	2,953,456	2,953,456	1.1068	0.2041	1.00	1.1068	1.1042
665	175	14	21,140,902	4,048,792	321,171	268,490	1,385,229	1,385,229	1.0319	0.1640	0.97	1.0327	1.0303
666	33	3	4,546,586	658,334	50,319	41,425	324,798	324,798	1.0243	0.1768	0.42	1.0432	1.0407
667	16	1	2,684,678	1,364,897	24,437	20,772	31,914	31,914	1.0696	0.1500	0.29	1.0606	1.0581
668	42	5	4,688,133	877,561	68,269	51,200	313,494	313,494	1.0468	0.2500	0.48	1.0521	1.0496
669	2	2	508,119	508,119	40,716	34,865	0	0	1.1678	0.1437	0.10	1.0680	1.0655
674	16	0	2,021,001	0	0	0	131,970	131,970	1.0000	N/A	0.29	1.0404	1.0569
675	221	13	91,213,084	7,781,268	361,967	285,120	3,669,549	3,669,549	1.0194	0.2123	1.00	1.0194	1.0170
676	41	6	6,231,117	2,314,431	122,784	105,140	210,079	210,079	1.0560	0.1437	0.47	1.0565	1.0540
677	12	0	26,243,678	0	0	0	888,547	888,547	1.0000	N/A	0.25	1.0427	1.0569
Total	3,559	475	966,655,609	300,546,424	16,555,097	13,626,954	37,854,307	37,854,307	1.0569	0.1769		1.0594	1.0575

Note: For each Class,

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

Test Correction Factor = 0.99764

Basis of Credibility: $1 / ((\# \text{ DCCPAP Policies}) / (\# \text{ Total Policies})) * 25 = 185 \text{ Policies for Full Credibility}$

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.
2021 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0811	1.0716	-0.9%
603	1.0492	1.0675	1.7%
605	1.0540	1.0569	0.3%
607	1.0540	1.0384	-1.5%
608	1.0893	1.1004	1.0%
609	1.0735	1.0808	0.7%
611	1.0459	1.0414	-0.4%
615	1.0540	1.0569	0.3%
617	1.0705	1.0885	1.7%
625	1.0449	1.0449	0.0%
643	1.0430	1.0430	0.0%
645	1.0458	1.0353	-1.0%
646	1.0383	1.0380	0.0%
647	1.0313	1.0323	0.1%
648	1.0148	1.0143	0.0%
649	1.0635	1.0595	-0.4%
651	1.0516	1.0493	-0.2%
652	1.0212	1.0185	-0.3%
653	1.0433	1.0364	-0.7%
654	1.0711	1.0729	0.2%
655	1.0291	1.0360	0.7%
656	1.0540	1.0569	0.3%
657	1.0540	1.0569	0.3%
658	1.0300	1.0353	0.5%
659	1.0320	1.0388	0.7%
660	1.0540	1.0569	0.3%
661	1.0820	1.0725	-0.9%
662	1.0540	1.0569	0.3%
663	1.0490	1.0639	1.4%
664	1.1002	1.1042	0.4%
665	1.0323	1.0303	-0.2%
666	1.0420	1.0407	-0.1%
667	1.0580	1.0581	0.0%
668	1.0329	1.0496	1.6%
669	1.0617	1.0655	0.4%
670	1.0540	1.0569	0.3%
673	1.0540	1.0569	0.3%
674	1.0540	1.0569	0.3%
675	1.0118	1.0170	0.5%
676	1.0498	1.0540	0.4%
677	1.0540	1.0569	0.3%
679	1.0540	1.0569	0.3%
681	1.0540	1.0569	0.3%
2601	Not Applicable	1.0569	Not Applicable
2603	Not Applicable	1.0569	Not Applicable
2605	Not Applicable	1.0569	Not Applicable

DELAWARE COMPENSATION RATING BUREAU, INC.
2021 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

Class	Current Surcharge	Proposed Surcharge	Percentage Change
2607	Not Applicable	1.0569	Not Applicable
2608	Not Applicable	1.0569	Not Applicable
2609	*	1.0540	1.0569 0.3%
2611	Not Applicable	1.0569	Not Applicable
2615	Not Applicable	1.0569	Not Applicable
2617	Not Applicable	1.0569	Not Applicable
2625	Not Applicable	1.0569	Not Applicable
2643	Not Applicable	1.0569	Not Applicable
2645	Not Applicable	1.0569	Not Applicable
2646	Not Applicable	1.0569	Not Applicable
2647	Not Applicable	1.0569	Not Applicable
2648	Not Applicable	1.0569	Not Applicable
2649	Not Applicable	1.0569	Not Applicable
2651	**	1.0540	1.0569 0.3%
2652	Not Applicable	1.0569	Not Applicable
2653	Not Applicable	1.0569	Not Applicable
2654	Not Applicable	1.0569	Not Applicable
2655	Not Applicable	1.0569	Not Applicable
2656	Not Applicable	1.0569	Not Applicable
2657	Not Applicable	1.0569	Not Applicable
2658	Not Applicable	1.0569	Not Applicable
2659	Not Applicable	1.0569	Not Applicable
2660	Not Applicable	1.0569	Not Applicable
2661	***	1.0540	1.0569 0.3%
2662	Not Applicable	1.0569	Not Applicable
2663	Not Applicable	1.0569	Not Applicable
2664	Not Applicable	1.0569	Not Applicable
2665	Not Applicable	1.0569	Not Applicable
2666	Not Applicable	1.0569	Not Applicable
2667	Not Applicable	1.0569	Not Applicable
2668	Not Applicable	1.0569	Not Applicable
2669	Not Applicable	1.0569	Not Applicable
2670	Not Applicable	1.0569	Not Applicable
2673	Not Applicable	1.0569	Not Applicable
2674	Not Applicable	1.0569	Not Applicable
2675	Not Applicable	1.0569	Not Applicable
2676	Not Applicable	1.0569	Not Applicable
2677	Not Applicable	1.0569	Not Applicable
2679	Not Applicable	1.0569	Not Applicable
2681	Not Applicable	1.0569	Not Applicable
Total	1.0548	1.0575	0.3%

* Formerly Class 691
** Formerly Class 693
*** Formerly Class 695

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	\$22.09	(a)			
\$22.10	\$22.50	22.300	0.05	21.1850	
\$22.51	\$22.95	22.730	0.06	21.3662	1.00855
\$22.96	\$23.40	23.180	0.07	21.5574	1.00895
\$23.41	\$23.85	23.630	0.08	21.7396	1.00845
\$23.86	\$24.35	24.105	0.09	21.9356	1.00901
\$24.36	\$24.85	24.605	0.10	22.1445	1.00953
\$24.86	\$25.35	25.105	0.11	22.3435	1.00898
\$25.36	\$25.85	25.605	0.12	22.5324	1.00846
\$25.86	\$26.40	26.130	0.13	22.7331	1.00891
\$26.41	\$26.95	26.680	0.14	22.9448	1.00931
\$26.96	\$27.50	27.230	0.15	23.1455	1.00875
\$27.51	\$28.05	27.780	0.16	23.3352	1.00820
\$28.06	\$28.65	28.355	0.17	23.5347	1.00855
\$28.66	\$29.25	28.955	0.18	23.7431	1.00886
\$29.26	\$29.90	29.580	0.19	23.9598	1.00913
\$29.91	\$30.55	30.230	0.20	24.1840	1.00936
\$30.56	\$31.20	30.880	0.21	24.3952	1.00873
\$31.21	\$31.90	31.555	0.22	24.6129	1.00892
\$31.91	\$32.60	32.255	0.23	24.8364	1.00908
\$32.61	\$33.30	32.955	0.24	25.0458	1.00843
\$33.31			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 6/1/21 - 5/31/22	1,184.45 (estimated)
(3) Change (2) / (1)	1.9207
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/22 Minimum Eligibility Wage (3) x (4)	22.10 (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 6/1/21		Change from Lower Level	Proposed Table Effective 6/1/22		Change from Lower Level
0%	21.64 or less			22.09 or less		
5%	21.65	22.05	0.41	22.10	22.50	0.41
6%	22.06	22.50	0.45	22.51	22.95	0.45
7%	22.51	22.95	0.45	22.96	23.40	0.45
8%	22.96	23.40	0.45	23.41	23.85	0.45
9%	23.41	23.90	0.50	23.86	24.35	0.50
10%	23.91	24.40	0.50	24.36	24.85	0.50
11%	24.41	24.90	0.50	24.86	25.35	0.50
12%	24.91	25.40	0.55	25.36	25.85	0.50
13%	25.41	25.95	0.55	25.86	26.40	0.55
14%	25.96	26.50	0.55	26.41	26.95	0.55
15%	26.51	27.05	0.55	26.96	27.50	0.55
16%	27.06	27.65	0.60	27.51	28.05	0.55
17%	27.66	28.25	0.60	28.06	28.65	0.60
18%	28.26	28.85	0.60	28.66	29.25	0.60
19%	28.86	29.50	0.65	29.26	29.90	0.65
20%	29.51	30.15	0.65	29.91	30.55	0.65
21%	30.16	30.80	0.65	30.56	31.20	0.65
22%	30.81	31.50	0.70	31.21	31.90	0.70
23%	31.51	32.20	0.70	31.91	32.60	0.70
24%	32.21	32.95	0.75	32.61	33.30	0.70
25%	Over 32.95			Over 33.30		