

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 2009 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 2009 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 2009. 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 2009. For example, an average credit of 0.1586 indicates that the average qualifying risk in Code 601 received a 15.86 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 140 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 7.28 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 6/1/13 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, 2013** for the proposed table. **Please note that the proposed (effective 6/1/12) minimum eligibility wage has increased from \$17.65 to \$18.85. 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 01/01/09 Through 12/31/09

100% Credibility = 140 Policies  
 Partial Credibility = # of Policies / 140

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	45	12	15,475,727	6,377,244	882,980	742,931	775,492	775,492	1.0922	0.1586	0.32	1.0790	1.0767
602	21	10	6,965,975	2,540,983	251,353	206,910	234,285	234,285	1.1007	0.1768	0.15	1.0770	1.0747
603	32	16	7,893,439	3,187,482	313,500	259,990	433,009	433,009	1.0772	0.1707	0.23	1.0738	1.0715
605	3	0	357,768	0	0	0	24,457	24,457	1.0000	N/A	0.02	1.0713	1.0728
607	28	2	3,173,957	96,445	7,442	6,699	197,129	197,129	1.0036	0.0998	0.20	1.0590	1.0567
608	211	60	41,423,321	24,161,753	1,389,315	1,146,271	972,409	972,409	1.1147	0.1749	1.00	1.1147	1.1123
609	180	34	39,267,275	15,335,051	927,152	789,189	1,196,149	1,196,149	1.0695	0.1488	1.00	1.0695	1.0672
611	12	4	1,259,529	466,926	52,316	41,233	75,168	75,168	1.0952	0.2118	0.09	1.0748	1.0725
615	1	0	75,252	0	0	0	9,045	9,045	1.0000	N/A	0.01	1.0721	1.0728
617	34	17	7,498,128	5,255,912	381,703	333,564	134,252	134,252	1.1029	0.1261	0.24	1.0800	1.0777
625	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0728	1.0728
643	12	4	2,570,712	1,184,241	98,620	84,593	117,285	117,285	1.0695	0.1422	0.09	1.0725	1.0702
645	103	16	13,842,129	8,003,401	508,316	398,439	330,290	330,290	1.1508	0.2162	0.74	1.1305	1.1281
646	43	3	4,590,000	637,911	34,850	26,538	194,142	194,142	1.0377	0.2385	0.31	1.0619	1.0596
647	21	1	3,095,638	7,215	487	433	239,630	239,630	1.0002	0.1109	0.15	1.0619	1.0596
648	143	18	10,658,197	3,825,520	210,872	180,339	312,245	312,245	1.0620	0.1448	1.00	1.0620	1.0597
649	22	12	4,782,968	3,473,182	150,798	120,052	52,235	52,235	1.1785	0.2039	0.16	1.0897	1.0874
651	210	55	36,153,501	16,486,802	983,533	809,464	1,118,598	1,118,598	1.0903	0.1770	1.00	1.0903	1.0880
652	445	38	30,928,797	6,253,281	530,086	457,406	2,120,060	2,120,060	1.0282	0.1371	1.00	1.0282	1.0260
653	158	28	19,894,746	5,967,152	499,786	406,938	1,024,870	1,024,870	1.0648	0.1858	1.00	1.0648	1.0625
654	85	20	26,732,232	4,779,378	310,484	240,105	1,337,641	1,337,641	1.0446	0.2267	0.61	1.0556	1.0533
655	38	13	11,324,999	2,494,743	703,693	568,831	1,317,990	1,317,990	1.0715	0.1916	0.27	1.0724	1.0701
656	22	0	6,484,300	0	0	0	694,797	694,797	1.0000	N/A	0.16	1.0612	1.0728
657	4	0	761,130	0	0	0	70,024	70,024	1.0000	N/A	0.03	1.0706	1.0728
658	40	12	5,254,084	2,131,565	161,817	140,543	229,995	229,995	1.0574	0.1315	0.29	1.0683	1.0660
659	53	7	5,353,453	1,036,881	160,246	138,704	593,509	593,509	1.0294	0.1344	0.38	1.0563	1.0540
661	303	55	80,029,649	43,435,646	1,289,157	1,007,482	1,049,542	1,049,542	1.1369	0.2185	1.00	1.1369	1.1345
663	271	48	76,211,556	31,138,817	1,171,939	935,552	2,091,395	2,091,395	1.0781	0.2017	1.00	1.0781	1.0758
664	222	50	75,340,315	36,624,892	1,469,842	1,196,519	1,770,358	1,770,358	1.0921	0.1860	1.00	1.0921	1.0898
665	123	13	9,918,022	2,071,452	181,536	143,893	631,956	631,956	1.0485	0.2074	0.88	1.0514	1.0492
666	29	3	5,691,734	989,337	52,351	41,535	259,292	259,292	1.0360	0.2066	0.21	1.0651	1.0628
667	17	2	2,079,737	723,313	18,280	14,379	25,319	25,319	1.0983	0.2134	0.12	1.0759	1.0736
668	45	5	3,180,252	1,026,214	58,182	51,520	104,184	104,184	1.0428	0.1145	0.32	1.0632	1.0609
669	7	3	910,053	767,135	65,532	50,305	9,947	9,947	1.2527	0.2324	0.05	1.0818	1.0795
674	14	0	1,580,623	0	0	0	77,956	77,956	1.0000	N/A	0.10	1.0655	1.0728
675	179	9	43,405,419	2,907,683	118,268	92,816	1,552,271	1,552,271	1.0155	0.2152	1.00	1.0155	1.0133
676	41	9	5,344,115	2,091,099	105,456	92,507	161,300	161,300	1.0510	0.1228	0.29	1.0665	1.0642
677	12	2	9,219,276	166,372	6,898	5,173	236,911	236,911	1.0071	0.2501	0.09	1.0669	1.0646
Total	3,229	581	618,728,008	235,645,028	13,096,790	10,730,853	21,775,137	21,775,137	1.0728	0.1807		1.0751	1.0731

Note: For each Class,

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

Test Correction Factor = 0.99786

Basis of Credibility: 1 / ((# DCCPAP Policies)/(# Total Policies)) \* 25 = 140 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.**  
**2012 RESIDUAL MARKET AND LOSS COST FILING**  
**DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM**  
**SURCHARGES BY CLASS CODE**

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0733	1.0767	0.3%
602	1.0802	1.0747	-0.5%
603	1.0824	1.0715	-1.0%
605	1.0763	1.0728	-0.3%
607	1.0611	1.0567	-0.4%
608	1.1283	1.1123	-1.4%
609	1.0703	1.0672	-0.3%
611	1.0720	1.0725	0.0%
615	1.0763	1.0728	-0.3%
617	1.0825	1.0777	-0.4%
625	1.0763	1.0728	-0.3%
643	1.0668	1.0702	0.3%
645	1.1159	1.1281	1.1%
646	1.0683	1.0596	-0.8%
647	1.0662	1.0596	-0.6%
648	1.0534	1.0597	0.6%
649	1.0876	1.0874	0.0%
651	1.0697	1.0880	1.7%
652	1.0257	1.0260	0.0%
653	1.0758	1.0625	-1.2%
654	1.0925	1.0533	-3.6%
655	1.0823	1.0701	-1.1%
656	1.0763	1.0728	-0.3%
657	1.0763	1.0728	-0.3%
658	1.0783	1.0660	-1.1%
659	1.0585	1.0540	-0.4%
661	1.1072	1.1345	2.5%
663	1.0860	1.0758	-0.9%
664	1.0942	1.0898	-0.4%
665	1.0374	1.0492	1.1%
666	1.0712	1.0628	-0.8%
667	1.0804	1.0736	-0.6%
668	1.0589	1.0609	0.2%
669	1.0753	1.0795	0.4%
674	1.0763	1.0728	-0.3%
675	1.0329	1.0133	-1.9%
676	1.0668	1.0642	-0.2%
677	1.0655	1.0646	-0.1%
Total	1.0763	1.0731	-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	\$18.84	(a)			
\$18.85	\$19.25	19.050	0.05	18.0975	
\$19.26	\$19.70	19.480	0.06	18.3112	1.01181
\$19.71	\$20.20	19.955	0.07	18.5582	1.01349
\$20.21	\$20.70	20.455	0.08	18.8186	1.01403
\$20.71	\$21.20	20.955	0.09	19.0691	1.01331
\$21.21	\$21.70	21.455	0.10	19.3095	1.01261
\$21.71	\$22.25	21.980	0.11	19.5622	1.01309
\$22.26	\$22.80	22.530	0.12	19.8264	1.01351
\$22.81	\$23.35	23.080	0.13	20.0796	1.01277
\$23.36	\$23.95	23.655	0.14	20.3433	1.01313
\$23.96	\$24.55	24.255	0.15	20.6168	1.01344
\$24.56	\$25.20	24.880	0.16	20.8992	1.01370
\$25.21	\$25.85	25.530	0.17	21.1899	1.01391
\$25.86	\$26.50	26.180	0.18	21.4676	1.01311
\$26.51	\$27.20	26.855	0.19	21.7526	1.01327
\$27.21	\$27.90	27.555	0.20	22.0440	1.01340
\$27.91	\$28.60	28.255	0.21	22.3215	1.01259
\$28.61	\$29.35	28.980	0.22	22.6044	1.01268
\$29.36	\$30.15	29.755	0.23	22.9114	1.01358
\$30.16	\$30.95	30.555	0.24	23.2218	1.01355
\$30.96			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 6/1/10-5/31/12	1010.41 (estimated)
(3) Change (2) / (1)	1.6385
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/13 Minimum Eligibility Wage (3) x (4)	18.85 (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 6/1/12		Change from Lower Level	Proposed Table Effective 6/1/13		Change from Lower Level
0%	17.64 or less			18.84 or less		
5%	17.65	18.05	0.41	18.85	19.25	0.41
6%	18.06	18.50	0.45	19.26	19.70	0.45
7%	18.51	18.95	0.45	19.71	20.20	0.50
8%	18.96	19.45	0.50	20.21	20.70	0.50
9%	19.46	19.95	0.50	20.71	21.20	0.50
10%	19.96	20.45	0.50	21.21	21.70	0.50
11%	20.46	20.95	0.50	21.71	22.25	0.55
12%	20.96	21.50	0.55	22.26	22.80	0.55
13%	21.51	22.05	0.55	22.81	23.35	0.55
14%	22.06	22.60	0.55	23.36	23.95	0.60
15%	22.61	23.20	0.60	23.96	24.55	0.60
16%	23.21	23.80	0.60	24.56	25.20	0.65
17%	23.81	24.40	0.60	25.21	25.85	0.65
18%	24.41	25.05	0.65	25.86	26.50	0.65
19%	25.06	25.70	0.65	26.51	27.20	0.70
20%	25.71	26.40	0.70	27.21	27.90	0.70
21%	26.41	27.10	0.70	27.91	28.60	0.70
22%	27.11	27.85	0.75	28.61	29.35	0.75
23%	27.86	28.60	0.75	29.36	30.15	0.80
24%	28.61	29.40	0.80	30.16	30.95	0.80
25%	Over 29.40			Over 30.95		