

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 2010 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 2010 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, Pre DCCPAP: The Standard Premium attributable to policies which did not qualify for DCCPAP credit in 2010. 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 2010. For example, an average credit of 0.1549 indicates that the average qualifying risk in Code 601 received a 15.49 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 135 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 6.18 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 6/1/14 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, 2014** for the proposed table. **Please note that the proposed (effective 6/1/14) minimum eligibility wage has increased from \$18.85 to \$19.35. 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 01/01/10 Through 12/31/10

100% Credibility = 135 Policies
 Partial Credibility = # of Policies / 135

| 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 | 11 | 15,427,820 | 8,656,052 | 1,132,988 | 957,470 | 468,904 | 468,904 | 1.1231 | 0.1549 | 0.28 | 1.0790 | 1.0814 |
| 602 | 20 | 12 | 11,493,070 | 4,400,385 | 279,462 | 231,063 | 259,735 | 259,735 | 1.0986 | 0.1732 | 0.15 | 1.0673 | 1.0697 |
| 603 | 36 | 20 | 10,954,706 | 6,814,465 | 560,459 | 462,165 | 293,444 | 293,444 | 1.1301 | 0.1754 | 0.27 | 1.0802 | 1.0827 |
| 605 | 4 | 0 | 365,636 | 0 | 0 | 0 | 22,503 | 22,503 | 1.0000 | N/A | 0.03 | 1.0599 | 1.0618 |
| 607 | 26 | 4 | 1,867,551 | 152,126 | 10,392 | 9,815 | 128,523 | 128,523 | 1.0042 | 0.0555 | 0.19 | 1.0509 | 1.0533 |
| 608 | 227 | 55 | 37,610,651 | 19,434,963 | 982,743 | 839,943 | 849,692 | 849,692 | 1.0845 | 0.1453 | 1.00 | 1.0845 | 1.0870 |
| 609 | 184 | 43 | 39,342,355 | 15,255,715 | 805,499 | 708,485 | 962,629 | 962,629 | 1.0581 | 0.1204 | 1.00 | 1.0581 | 1.0605 |
| 611 | 8 | 3 | 691,900 | 576,388 | 53,908 | 43,274 | 9,737 | 9,737 | 1.2006 | 0.1973 | 0.06 | 1.0701 | 1.0725 |
| 615 | 2 | 0 | 197,241 | 0 | 0 | 0 | 20,848 | 0 | 1.0000 | N/A | 0.01 | 1.0612 | 1.0618 |
| 617 | 33 | 19 | 7,110,704 | 5,834,918 | 360,500 | 314,951 | 66,317 | 66,317 | 1.1195 | 0.1263 | 0.24 | 1.0756 | 1.0780 |
| 625 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.0000 | N/A | 0.00 | 1.0618 | 1.0618 |
| 643 | 9 | 2 | 1,947,842 | 1,432,116 | 101,991 | 84,410 | 44,872 | 44,872 | 1.1360 | 0.1724 | 0.07 | 1.0670 | 1.0694 |
| 645 | 96 | 14 | 10,554,634 | 5,084,697 | 298,016 | 236,958 | 274,608 | 274,608 | 1.1194 | 0.2049 | 0.71 | 1.1027 | 1.1052 |
| 646 | 48 | 2 | 5,350,029 | 558,331 | 26,846 | 21,442 | 221,684 | 221,684 | 1.0222 | 0.2013 | 0.36 | 1.0475 | 1.0499 |
| 647 | 28 | 1 | 4,221,888 | 39,332 | 3,070 | 2,578 | 264,839 | 264,839 | 1.0018 | 0.1603 | 0.21 | 1.0492 | 1.0516 |
| 648 | 140 | 16 | 11,276,348 | 3,470,955 | 152,272 | 136,900 | 330,647 | 330,647 | 1.0329 | 0.1010 | 1.00 | 1.0329 | 1.0352 |
| 649 | 28 | 13 | 5,335,707 | 3,684,223 | 153,507 | 126,515 | 59,764 | 59,764 | 1.1449 | 0.1758 | 0.21 | 1.0793 | 1.0818 |
| 651 | 228 | 51 | 28,780,815 | 15,756,495 | 759,991 | 640,848 | 684,298 | 684,298 | 1.0899 | 0.1568 | 1.00 | 1.0899 | 1.0924 |
| 652 | 452 | 37 | 32,188,888 | 7,738,119 | 643,999 | 574,509 | 1,834,783 | 1,834,783 | 1.0288 | 0.1079 | 1.00 | 1.0288 | 1.0311 |
| 653 | 165 | 30 | 19,980,559 | 8,545,236 | 634,155 | 513,731 | 717,672 | 717,672 | 1.0978 | 0.1899 | 1.00 | 1.0978 | 1.1003 |
| 654 | 80 | 15 | 20,064,865 | 3,179,552 | 197,193 | 154,544 | 879,210 | 879,210 | 1.0413 | 0.2163 | 0.59 | 1.0497 | 1.0521 |
| 655 | 44 | 13 | 6,458,202 | 2,722,940 | 558,914 | 460,051 | 510,332 | 510,332 | 1.1019 | 0.1769 | 0.33 | 1.0750 | 1.0774 |
| 656 | 16 | 0 | 8,166,791 | 0 | 0 | 0 | 557,906 | 557,906 | 1.0000 | N/A | 0.12 | 1.0544 | 1.0618 |
| 657 | 3 | 0 | 135,097 | 0 | 0 | 0 | 10,749 | 10,749 | 1.0000 | N/A | 0.02 | 1.0606 | 1.0618 |
| 658 | 48 | 14 | 4,581,942 | 2,099,389 | 142,677 | 126,513 | 145,498 | 145,498 | 1.0594 | 0.1133 | 0.36 | 1.0609 | 1.0633 |
| 659 | 57 | 8 | 5,886,585 | 1,534,038 | 219,674 | 187,101 | 510,306 | 510,306 | 1.0467 | 0.1483 | 0.42 | 1.0555 | 1.0579 |
| 661 | 299 | 56 | 96,720,791 | 39,040,469 | 984,033 | 811,440 | 1,445,631 | 1,445,631 | 1.0765 | 0.1754 | 1.00 | 1.0765 | 1.0789 |
| 663 | 281 | 61 | 129,975,857 | 27,704,739 | 881,610 | 723,084 | 4,095,887 | 4,095,887 | 1.0329 | 0.1798 | 1.00 | 1.0329 | 1.0352 |
| 664 | 227 | 52 | 69,018,412 | 35,262,375 | 1,159,164 | 948,140 | 1,367,681 | 1,367,681 | 1.0911 | 0.1820 | 1.00 | 1.0911 | 1.0936 |
| 665 | 116 | 13 | 8,389,923 | 2,429,726 | 158,169 | 136,441 | 445,195 | 445,195 | 1.0374 | 0.1374 | 0.86 | 1.0408 | 1.0432 |
| 666 | 30 | 3 | 3,091,695 | 414,165 | 22,213 | 20,012 | 140,466 | 140,466 | 1.0137 | 0.0991 | 0.22 | 1.0512 | 1.0536 |
| 667 | 13 | 1 | 1,944,317 | 636,582 | 12,137 | 10,317 | 24,092 | 24,092 | 1.0529 | 0.1500 | 0.10 | 1.0609 | 1.0633 |
| 668 | 39 | 3 | 2,756,615 | 406,024 | 18,913 | 16,148 | 102,170 | 102,170 | 1.0234 | 0.1462 | 0.29 | 1.0507 | 1.0531 |
| 669 | 8 | 3 | 614,142 | 527,775 | 39,035 | 29,936 | 5,323 | 5,323 | 1.2581 | 0.2331 | 0.06 | 1.0736 | 1.0760 |
| 674 | 12 | 0 | 1,711,938 | 0 | 0 | 0 | 76,798 | 76,798 | 1.0000 | N/A | 0.09 | 1.0562 | 1.0618 |
| 675 | 177 | 15 | 52,785,186 | 4,597,292 | 174,216 | 150,214 | 1,617,617 | 1,617,617 | 1.0136 | 0.1378 | 1.00 | 1.0136 | 1.0159 |
| 676 | 41 | 7 | 7,488,507 | 2,258,118 | 100,716 | 91,511 | 236,021 | 236,021 | 1.0281 | 0.0914 | 0.30 | 1.0517 | 1.0541 |
| 677 | 12 | 0 | 27,207,277 | 0 | 0 | 0 | 975,586 | 975,586 | 1.0000 | N/A | 0.09 | 1.0562 | 1.0618 |
| Total | 3,275 | 597 | 691,696,486 | 230,247,700 | 11,628,462 | 9,770,509 | 20,661,967 | 20,641,119 | 1.0618 | 0.1598 | 1.00 | 1.0594 | 1.0618 |

Note: For each Class,

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

Test Correction Factor = 1.00227

Basis of Credibility: 1 / ((# DCCPAP Policies) / (# Total Policies)) * 25 = 100% Credibility = 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.
2013 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

| Class | Current Surcharge | Proposed Surcharge | Percentage Change |
|-------|----------------------|-----------------------|----------------------|
| 601 | 1.0767 | 1.0814 | 0.4% |
| 602 | 1.0747 | 1.0697 | -0.5% |
| 603 | 1.0715 | 1.0827 | 1.0% |
| 605 | 1.0728 | 1.0618 | -1.0% |
| 607 | 1.0567 | 1.0533 | -0.3% |
| 608 | 1.1123 | 1.0870 | -2.3% |
| 609 | 1.0672 | 1.0605 | -0.6% |
| 611 | 1.0725 | 1.0725 | 0.0% |
| 615 | 1.0728 | 1.0618 | -1.0% |
| 617 | 1.0777 | 1.0780 | 0.0% |
| 625 | 1.0728 | 1.0618 | -1.0% |
| 643 | 1.0702 | 1.0694 | -0.1% |
| 645 | 1.1281 | 1.1052 | -2.0% |
| 646 | 1.0596 | 1.0499 | -0.9% |
| 647 | 1.0596 | 1.0516 | -0.8% |
| 648 | 1.0597 | 1.0352 | -2.3% |
| 649 | 1.0874 | 1.0818 | -0.5% |
| 651 | 1.0880 | 1.0924 | 0.4% |
| 652 | 1.0260 | 1.0311 | 0.5% |
| 653 | 1.0625 | 1.1003 | 3.6% |
| 654 | 1.0533 | 1.0521 | -0.1% |
| 655 | 1.0701 | 1.0774 | 0.7% |
| 656 | 1.0728 | 1.0618 | -1.0% |
| 657 | 1.0728 | 1.0618 | -1.0% |
| 658 | 1.0660 | 1.0633 | -0.3% |
| 659 | 1.0540 | 1.0579 | 0.4% |
| 661 | 1.1345 | 1.0789 | -4.9% |
| 663 | 1.0758 | 1.0352 | -3.8% |
| 664 | 1.0898 | 1.0936 | 0.3% |
| 665 | 1.0492 | 1.0432 | -0.6% |
| 666 | 1.0628 | 1.0536 | -0.9% |
| 667 | 1.0736 | 1.0633 | -1.0% |
| 668 | 1.0609 | 1.0531 | -0.7% |
| 669 | 1.0795 | 1.0760 | -0.3% |
| 674 | 1.0728 | 1.0618 | -1.0% |
| 675 | 1.0133 | 1.0159 | 0.3% |
| 676 | 1.0642 | 1.0541 | -0.9% |
| 677 | 1.0646 | 1.0618 | -0.3% |
| Total | 1.0731 | 1.0618 | -1.1% |

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 | \$19.34 | (a) | | | |
| \$19.35 | \$19.75 | 19.550 | 0.05 | 18.5725 | |
| \$19.76 | \$20.25 | 20.005 | 0.06 | 18.8047 | 1.01250 |
| \$20.26 | \$20.75 | 20.505 | 0.07 | 19.0697 | 1.01409 |
| \$20.76 | \$21.25 | 21.005 | 0.08 | 19.3246 | 1.01337 |
| \$21.26 | \$21.75 | 21.505 | 0.09 | 19.5696 | 1.01268 |
| \$21.76 | \$22.30 | 22.030 | 0.10 | 19.8270 | 1.01316 |
| \$22.31 | \$22.85 | 22.580 | 0.11 | 20.0962 | 1.01358 |
| \$22.86 | \$23.40 | 23.130 | 0.12 | 20.3544 | 1.01285 |
| \$23.41 | \$24.00 | 23.705 | 0.13 | 20.6234 | 1.01321 |
| \$24.01 | \$24.60 | 24.305 | 0.14 | 20.9023 | 1.01353 |
| \$24.61 | \$25.20 | 24.905 | 0.15 | 21.1693 | 1.01277 |
| \$25.21 | \$25.85 | 25.530 | 0.16 | 21.4452 | 1.01304 |
| \$25.86 | \$26.50 | 26.180 | 0.17 | 21.7294 | 1.01325 |
| \$26.51 | \$27.20 | 26.855 | 0.18 | 22.0211 | 1.01342 |
| \$27.21 | \$27.90 | 27.555 | 0.19 | 22.3196 | 1.01355 |
| \$27.91 | \$28.65 | 28.280 | 0.20 | 22.6240 | 1.01364 |
| \$28.66 | \$29.40 | 29.030 | 0.21 | 22.9337 | 1.01369 |
| \$29.41 | \$30.15 | 29.780 | 0.22 | 23.2284 | 1.01285 |
| \$30.16 | \$30.95 | 30.555 | 0.23 | 23.5274 | 1.01287 |
| \$30.96 | \$31.75 | 31.355 | 0.24 | 23.8298 | 1.01286 |
| \$31.76 | | | 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 6/1/12-5/31/13 | 1037.95 (estimated) |
| (3) Change (2) / (1) | 1.6832 |
| (4) 1/1/98 Minimum Eligibility Wage | 11.50 |
| (5) 6/1/13 Minimum Eligibility Wage (3) x (4) | 19.35 (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 6/1/13 | | Change from Lower Level | Proposed Table Effective 6/1/14 | | Change from Lower Level |
|------------------|-----------------------------------|-------|-------------------------------|------------------------------------|-------|-------------------------------|
| 0% | 18.84 or less | | | 19.34 or less | | |
| 5% | 18.85 | 19.25 | 0.41 | 19.35 | 19.75 | 0.41 |
| 6% | 19.26 | 19.70 | 0.45 | 19.76 | 20.25 | 0.50 |
| 7% | 19.71 | 20.20 | 0.50 | 20.26 | 20.75 | 0.50 |
| 8% | 20.21 | 20.70 | 0.50 | 20.76 | 21.25 | 0.50 |
| 9% | 20.71 | 21.20 | 0.50 | 21.26 | 21.75 | 0.50 |
| 10% | 21.21 | 21.70 | 0.50 | 21.76 | 22.30 | 0.55 |
| 11% | 21.71 | 22.25 | 0.55 | 22.31 | 22.85 | 0.55 |
| 12% | 22.26 | 22.80 | 0.55 | 22.86 | 23.40 | 0.55 |
| 13% | 22.81 | 23.35 | 0.55 | 23.41 | 24.00 | 0.60 |
| 14% | 23.36 | 23.95 | 0.60 | 24.01 | 24.60 | 0.60 |
| 15% | 23.96 | 24.55 | 0.60 | 24.61 | 25.20 | 0.60 |
| 16% | 24.56 | 25.20 | 0.65 | 25.21 | 25.85 | 0.65 |
| 17% | 25.21 | 25.85 | 0.65 | 25.86 | 26.50 | 0.65 |
| 18% | 25.86 | 26.50 | 0.65 | 26.51 | 27.20 | 0.70 |
| 19% | 26.51 | 27.20 | 0.70 | 27.21 | 27.90 | 0.70 |
| 20% | 27.21 | 27.90 | 0.70 | 27.91 | 28.65 | 0.75 |
| 21% | 27.91 | 28.60 | 0.70 | 28.66 | 29.40 | 0.75 |
| 22% | 28.61 | 29.35 | 0.75 | 29.41 | 30.15 | 0.75 |
| 23% | 29.36 | 30.15 | 0.80 | 30.16 | 30.95 | 0.80 |
| 24% | 30.16 | 30.95 | 0.80 | 30.96 | 31.75 | 0.80 |
| 25% | Over 30.95 | | | Over 31.75 | | |