



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

FROM: David T. Rawson – Technical Director, Classification and Field Operations

DATE: July 11, 2014

RE: Corporate Officer Weekly Minimum and Maximum Payrolls to be Audited in Delaware
& Weekly Minimum and Maximum Payrolls for Sole Proprietors or Partners

DCRB proposes a revision to the corporate officer weekly minimum and maximum payrolls to be audited for premium purposes in Delaware, which are also used as a sole proprietor's or a partner's auditable payroll when the proprietor's or partner's payroll can be determined. The corporate officer weekly minimum and maximum auditable payrolls are functions of the Statewide Average Weekly Wage (SAWW) rounded to the nearest \$50.00.

At their joint September 18, 2013 meeting the Actuarial and Classification and Rating Committees reviewed a National Council on Compensation Insurance, Inc. proposal to revise the formula for calculating the minimum auditable payroll for a corporate officer. Under the prior formula the corporate officer auditable minimum was set at fifty percent of the Statewide Average Weekly Wage (SAWW) rounded to the nearest \$50. The new formula proposed incremental increases in the corporate officer minimum until the auditable minimum reached one hundred percent of the statewide average weekly wage. After discussion, the Committees agreed to adopt the Pennsylvania Compensation Rating Bureau's proposal that the appropriate incremental increase was ten percent a year rounded to the nearest \$50. Accordingly, as a part of the DCRB's December 1, 2013 comprehensive residual market rate and voluntary market loss cost filing the minimum corporate officer payroll was filed (and approved by the Department) at sixty percent of SAWW rounded to the nearest fifty dollars.

Effective July 1, 2014 Delaware's SAWW will become \$998.35. Consistent with the previously approved procedure and the new SAWW value, DCRB has now calculated the proposed December 1, 2014 corporate officer auditable minimum payroll as seventy percent of SAWW rounded to the nearest \$50. That calculation produces a proposed increase from the current \$600 to \$700 per week.

There is no change to the methodology by which the corporate officer maximum payroll to be audited is calculated. This remains at 2.5 times the SAWW. Staff's review has shown that for the December 1, 2014 DCRB residual market rate and voluntary market loss cost filing no change to the December 1, 2013 corporate officer maximum of \$2,500 per week is warranted.

CHANGE

RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM

A. EXECUTIVE OFFICERS

1. Through 4. – No Change
5. **Premium Determination**

Premium for executive officers.....subject to the following:

- a. No change
- b. The minimum individual payroll for an executive officer is \$700[600] per week
- c. No change
- d. No change
- e. No change