

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 2017 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 2017 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 2017. 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 2017. For example, an average credit of 0.2136 indicates that the average qualifying risk in Code 601 received a 21.36 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 5.40 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 6/1/21) minimum eligibility wage has increased from \$21.10 to \$21.65. 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 = 185 Policies

For Policy Effective Dates 01/01/17 Through 12/31/17

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	44	11	32,163,573	15,799,537	1,289,216	1,013,864	1,386,049	1,386,049	1.1147	0.2136	0.49	1.0837	1.0811
603	39	12	8,221,337	2,875,968	224,502	194,072	428,256	428,256	1.0489	0.1355	0.46	1.0517	1.0492
605	9	0	789,849	0	0	0	70,127	70,127	1.0000	N/A	0.22	1.0421	1.0540
607	26	0	1,910,668	0	0	0	141,417	141,417	1.0000	N/A	0.37	1.0340	1.0540
608	208	43	52,438,115	26,442,005	1,481,407	1,226,904	1,543,938	1,543,938	1.0919	0.1718	1.00	1.0919	1.0893
609	178	35	87,934,687	39,434,492	2,250,301	1,898,418	2,701,801	2,701,801	1.0765	0.1564	0.98	1.0761	1.0735
611	10	2	1,312,846	212,085	20,307	16,470	112,140	112,140	1.0298	0.1889	0.23	1.0484	1.0459
615	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
617	25	11	13,924,474	8,611,637	521,768	442,962	304,751	304,751	1.1054	0.1510	0.37	1.0730	1.0705
625	19	4	5,295,609	729,826	76,895	64,986	292,392	292,392	1.0333	0.1549	0.32	1.0474	1.0449
643	13	3	4,746,175	865,837	108,258	95,958	453,140	453,140	1.0224	0.1136	0.27	1.0455	1.0430
645	115	14	18,636,692	4,605,860	309,764	248,976	1,049,255	1,049,255	1.0468	0.1962	0.79	1.0483	1.0458
646	53	4	5,042,113	834,948	53,149	42,202	328,434	328,434	1.0295	0.2060	0.54	1.0408	1.0383
647	28	2	10,016,796	355,764	37,670	35,050	1,153,880	1,153,880	1.0022	0.0696	0.39	1.0338	1.0313
648	147	11	15,443,169	1,543,981	101,410	89,036	882,788	882,788	1.0127	0.1220	0.89	1.0172	1.0148
649	24	10	637,1410	327,4762	136,663	115,773	123,706	123,706	1.0872	0.1529	0.36	1.0660	1.0635
651	237	40	35,921,799	12,846,841	785,726	667,432	1,517,742	1,517,742	1.0541	0.1506	1.00	1.0541	1.0516
652	468	36	42,679,256	8,107,492	748,328	652,642	3,393,681	3,393,681	1.0236	0.1279	1.00	1.0236	1.0212
653	158	19	21,772,929	5,523,203	439,421	365,672	1,271,363	1,271,363	1.0451	0.1678	0.92	1.0458	1.0433
654	89	16	24,842,040	7,993,795	497,308	384,721	981,848	981,848	1.0824	0.2264	0.69	1.0736	1.0711
655	49	6	11,045,534	1,960,707	267,630	250,252	1,515,816	1,515,816	1.0098	0.0649	0.51	1.0315	1.0291
656	16	0	14,369,404	0	0	0	786,166	786,166	1.0000	N/A	0.29	1.0383	1.0540
657	7	0	973,215	0	0	0	98,857	98,857	1.0000	N/A	0.19	1.0437	1.0540
658	55	8	7,968,101	1,041,679	116,386	104,605	688,818	688,818	1.0148	0.1012	0.55	1.0324	1.0300
659	70	7	6,681,962	1,480,033	298,651	269,821	1,004,073	1,004,073	1.0226	0.0965	0.62	1.0345	1.0320
660	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
661	294	38	113,851,992	40,581,130	1,327,374	1,051,493	2,207,668	2,207,668	1.0846	0.2078	1.00	1.0846	1.0820
662	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
663	278	49	110,426,741	27,154,266	1,349,300	1,108,834	3,556,420	3,556,420	1.0515	0.1782	1.00	1.0515	1.0490
664	249	56	93,441,865	43,363,712	2,464,536	1,987,418	2,652,644	2,652,644	1.1028	0.1936	1.00	1.1028	1.1002
665	145	12	15,407,397	3,220,432	265,250	226,077	983,060	983,060	1.0324	0.1477	0.89	1.0348	1.0323
666	30	2	3,435,298	616,898	46,282	38,435	221,498	221,498	1.0302	0.1695	0.40	1.0445	1.0420
667	14	1	2,496,500	1,327,452	24,166	20,541	26,482	26,482	1.0771	0.1500	0.28	1.0605	1.0580
668	38	1	4,946,201	252,300	19,837	14,878	374,112	374,112	1.0127	0.2500	0.45	1.0354	1.0329
669	4	2	551,676	536,191	43,267	38,432	1,298	1,298	1.1217	0.1117	0.15	1.0642	1.0617
670	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
673	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
674	20	0	1,836,926	0	0	0	117,537	117,537	1.0000	N/A	0.33	1.0362	1.0540
675	211	14	78,258,982	5,716,196	270,103	219,437	3,355,351	3,355,351	1.0142	0.1876	1.00	1.0142	1.0118
676	37	5	5,794,212	2,256,762	124,276	109,248	189,783	189,783	1.0503	0.1209	0.45	1.0523	1.0498
677	12	0	19,734,965	0	0	0	559,859	559,859	1.0000	N/A	0.25	1.0405	1.0540
679	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
681	7	0	819,267	0	0	0	53,111	53,111	1.0000	N/A	0.19	1.0437	1.0540
682	24	0	2,632,502	0	0	0	516,163	516,163	1.0000	N/A	0.36	1.0346	1.0540
691	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
693	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0540	1.0540
695	20	0	1,101,328	0	0	0	36,237	36,237	1.0000	N/A	0.33	1.0362	1.0540
Total	3,470	474	885,237,605	269,565,791	15,699,151	12,994,609	37,081,661	37,081,661	1.0540	0.1723		1.0565	1.0548

Note: For each Class,

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

Test Correction Factor = 0.99763

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.
2020 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0894	1.0811	-0.8%
603	1.0623	1.0492	-1.2%
605	1.0617	1.0540	-0.7%
607	1.0413	1.0540	1.2%
608	1.1099	1.0893	-1.9%
609	1.0682	1.0735	0.5%
611	1.0572	1.0459	-1.1%
615	1.0617	1.0540	-0.7%
617	1.0931	1.0705	-2.1%
625	1.0512	1.0449	-0.6%
643	1.0573	1.0430	-1.4%
645	1.0751	1.0458	-2.7%
646	1.0412	1.0383	-0.3%
647	1.0366	1.0313	-0.5%
648	1.0100	1.0148	0.5%
649	1.0791	1.0635	-1.4%
651	1.0580	1.0516	-0.6%
652	1.0268	1.0212	-0.5%
653	1.0231	1.0433	2.0%
654	1.0896	1.0711	-1.7%
655	1.0432	1.0291	-1.4%
656	1.0617	1.0540	-0.7%
657	1.0617	1.0540	-0.7%
658	1.0522	1.0300	-2.1%
659	1.0435	1.0320	-1.1%
660	1.0623	1.0540	-0.8%
661	1.0908	1.0820	-0.8%
662	1.0623	1.0540	-0.8%
663	1.0512	1.0490	-0.2%
664	1.1018	1.1002	-0.1%
665	1.0346	1.0323	-0.2%
666	1.0537	1.0420	-1.1%
667	1.0785	1.0580	-1.9%
668	1.0535	1.0329	-2.0%
669	1.0583	1.0617	0.3%
670	1.0623	1.0540	-0.8%
673	1.0623	1.0540	-0.8%
674	1.0617	1.0540	-0.7%
675	1.0181	1.0118	-0.6%
676	1.0746	1.0498	-2.3%
677	1.0617	1.0540	-0.7%
679	1.0623	1.0540	-0.8%
681	1.0623	1.0540	-0.8%
682	1.0623	1.0540	-0.8%
691	1.0623	1.0540	-0.8%
693	1.0623	1.0540	-0.8%
695	1.0623	1.0540	-0.8%
Total	1.0623	1.0548	-0.7%

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	\$21.64	(a)			
\$21.65	\$22.05	21.850	0.05	20.7575	
\$22.06	\$22.50	22.280	0.06	20.9432	1.00895
\$22.51	\$22.95	22.730	0.07	21.1389	1.00934
\$22.96	\$23.40	23.180	0.08	21.3256	1.00883
\$23.41	\$23.90	23.655	0.09	21.5261	1.00940
\$23.91	\$24.40	24.155	0.10	21.7395	1.00992
\$24.41	\$24.90	24.655	0.11	21.9430	1.00936
\$24.91	\$25.40	25.155	0.12	22.1364	1.00882
\$25.41	\$25.95	25.680	0.13	22.3416	1.00927
\$25.96	\$26.50	26.230	0.14	22.5578	1.00968
\$26.51	\$27.05	26.780	0.15	22.7630	1.00910
\$27.06	\$27.65	27.355	0.16	22.9782	1.00945
\$27.66	\$28.25	27.955	0.17	23.2027	1.00977
\$28.26	\$28.85	28.555	0.18	23.4151	1.00916
\$28.86	\$29.50	29.180	0.19	23.6358	1.00943
\$29.51	\$30.15	29.830	0.20	23.8640	1.00965
\$30.16	\$30.80	30.480	0.21	24.0792	1.00902
\$30.81	\$31.50	31.155	0.22	24.3009	1.00921
\$31.51	\$32.20	31.855	0.23	24.5284	1.00936
\$32.21	\$32.95	32.580	0.24	24.7608	1.00948
\$32.96			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 6/1/20 - 5/31/21	1,159.96 (estimated)
(3) Change (2) / (1)	1.8810
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/21 Minimum Eligibility Wage (3) x (4)	21.65 (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 6/1/20		Change from Lower Level	Proposed Table Effective 6/1/21		Change from Lower Level
0%	21.09	or less		21.64	or less	
5%	21.10	21.50	0.41	21.65	22.05	0.41
6%	21.51	21.95	0.45	22.06	22.50	0.45
7%	21.96	22.40	0.45	22.51	22.95	0.45
8%	22.41	22.85	0.45	22.96	23.40	0.45
9%	22.86	23.35	0.50	23.41	23.90	0.50
10%	23.36	23.85	0.50	23.91	24.40	0.50
11%	23.86	24.35	0.50	24.41	24.90	0.50
12%	24.36	24.90	0.55	24.91	25.40	0.50
13%	24.91	25.45	0.55	25.41	25.95	0.55
14%	25.46	26.00	0.55	25.96	26.50	0.55
15%	26.01	26.55	0.55	26.51	27.05	0.55
16%	26.56	27.15	0.60	27.06	27.65	0.60
17%	27.16	27.75	0.60	27.66	28.25	0.60
18%	27.76	28.35	0.60	28.26	28.85	0.60
19%	28.36	29.00	0.65	28.86	29.50	0.65
20%	29.01	29.65	0.65	29.51	30.15	0.65
21%	29.66	30.30	0.65	30.16	30.80	0.65
22%	30.31	31.00	0.70	30.81	31.50	0.70
23%	31.01	31.70	0.70	31.51	32.20	0.70
24%	31.71	32.45	0.75	32.21	32.95	0.75
25%	Over 32.45			Over 32.95		