



August 27, 2018

**Refreshed September 11, 2018
to revise the Basic Manual
page.**

DCRB CIRCULAR NO. 955

To All Members of the DCRB:

RE: APPROVAL OF DCRB FILING NO. 1801
BASIC MANUAL REVISIONS – SECTIONS 1 & 2
EFFECTIVE DECEMBER 1, 2018

MERGER OF CODE 602, ROAD OR STREET CONSTRUCTION: SUBSURFACE WORK,
INTO CODE 609, EXCAVATION

The Delaware Insurance Commissioner has approved DCRB Filing No. 1801, which proposed to merge Code 602, Road or Street Construction: Subsurface Work, into Code 609, Excavation, for policies with effective dates of 12:01 a.m. December 1, 2018 and later. This effective date implementation aligns concurrently with the DCRB's normal annual comprehensive voluntary market loss cost and residual market rate revision filing which was filed with the Commissioner on August 3, 2018.

The DCRB's review to determine if Code 602 should be merged into Code 609 was based upon a Pennsylvania Compensation Rating Bureau (PCRB) review that was completed in 2013 with the same objective. The PCRB concluded that the existence of two excavation classifications i.e., Code 602 and Code 609 as well as the historically lower PCRB loss costs for Code 602 in relation to those for Code 609 and Code 601, Road or Street Construction: Paving or Repaving, contributed to the misallocation of payroll properly assigned to either Code 609 or Code 601 to Code 602. Pursuant to these observations, including historical experience and statistical analyses, the PCRB proposed that Code 602 be merged into Code 609. The Pennsylvania Insurance Commissioner approved the PCRB proposal effective for new and renewal policies as of April 1, 2014 and later.

The DCRB endeavors to align, when possible, with the Pennsylvania classification system for uniformity purposes, thus the necessity for the Delaware review. The Delaware residual market rates for Code 602 have been historically higher than those of Code 609 but lower than those of Code 601. This seemingly reduces the likelihood of the misallocation of payroll properly assigned to Code 609 to Code 602 for employers approved for both classifications. However, concerns about the misallocation of payroll properly assigned to Code 601 to Code 602 remain. The merger of Code 602 into Code 609 will assign all excavation operations to the same classification, bringing the classification of excavation contractors in line with the objective of the classification procedure and eliminating the potential misallocation of payroll between alternative classifications.

Staff created a December 1, 2017 class book page that combines Codes 602 and 609. Following the balancing and application of applicable surcharges, the residual market rate is \$8.69. This represents a 2.115% increase over the existing December 1, 2017 Code 609 residual market rate of \$8.51. The 46 employers that will be reclassified from Code 602 to Code 609, as a result of this revision, will see a decrease of 4.295% in relation to the December 1,

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2017 Code 602 residual market rate of \$9.08. The degree of change for the voluntary market loss costs is the same as the residual market rates. The final proposed December 1, 2018 Code 609 voluntary market loss cost and residual market rate may differ from the projected residual market rate discussed herein.

Please refer to Filing No. 1801, posted under the "Filings" tab of the DCRB's website: <http://www.dcrb.com> for additional information and details regarding this revision. Contact Robert Ferrante, Senior Classification Analyst – Technical Services, at (215) 320-4584 or at rferrante@dcrb.com for any questions regarding this circular. The Basic Manual language revisions are attached. The Basic Manual will be updated on the DCRB's website at a later date.

William V. Taylor
President

DELAWARE WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY INSURANCE

Approved Effective December 1, 2018

INFORMATION PAGE *remains unchanged.*

PREFACE *remains unchanged.*

MEMBERSHIP *remains unchanged.*

SECTION 1 – General through Limits of Liability *remains unchanged.*

RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM

(No change to Items A. through G.)

H. DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM

(No change to Item 1.)

2. **“Construction classifications”** are those classifications subject to the following code numbers:

601	611	646	653	659	667	677
603	615	647	654	661	668	
605	617	648	655	663	669	
607	625	649	656	664	674	
608	643	651	657	665	675	
609	645	652	658	666	676	

(No change to Items 3. through 4.)

(No change to Item I.)

SECTION 1 – Cancellation through Member Carrier Disputes (Dispute Resolution Conference) *remains unchanged.*

SECTION 2 – Classifications and Bureau Rating Values through Definitions *remains unchanged.*

601 ROAD OR STREET CONSTRUCTION: PAVING OR REPAVING

(No change.)

OPERATIONS ALSO INCLUDED:

(No changes to items 1. through 4.)

OPERATIONS NOT INCLUDED:

1. *(No change.)*
2. Separately rate subsurface work which involves all work necessary to bring the road up to grade or rock excavation, filling or grading to Code 609.

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Approved Effective December 1, 2018

3. *(No change.)*
4. Separately rate tunneling projects to Code 615.
5. Assign the applicable quarrying classification to quarrying and stone crushing by the quarry operator

609 EXCAVATION

Applicable to payroll developed in general excavation, grading, trench digging, filling or backfilling. Also applicable to road construction subsurface work which involves all work necessary to bring the road up to grade including earth or rock excavation, filling or grading. Such work is performed with power shovels, trench diggers, bulldozers or graders. The business may be a specialist excavation contractor principally engaged in one or more of the listed tasks. The business may be a general contractor employing a separate staff performing one or more of the listed tasks or the business has kept separate payroll records for personnel who interchange between one or more of the tasks listed above and other construction tasks assigned to another construction classification.

OPERATIONS ALSO INCLUDED:

1. All methods of clearing or removing brush and/or tree stumps that is not incident to tree removal.
2. *(No change.)*
3. Blasting services by specialist/independent contractors under contract with unrelated businesses including incidental drilling.
4. Cross-country oil or gas pipeline construction.
5. Landfill operation by independent contractor.

OPERATIONS NOT INCLUDED:

1. Assign the applicable "all work to completion" construction classification when a business is performing work assignable to an "all work to completion" classification. Any excavation work performed by the business incidental to an "all work to completion" job or project shall be included in the "all work to completion" construction classification applicable to the job or project
2. Separately rate the laying of a road's sub-base, its paving or repaving, surfacing or resurfacing or scraping to Code 601. This also includes airport runways or warming aprons.
3. Separately rate tunneling projects to Code 615.
4. Separately rate bridge and culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet to Code 654.
5. Assign the applicable quarrying classification to quarrying and stone crushing by quarry operator.

DELAWARE WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY INSURANCE

Approved Effective December 1, 2018

UNDERWRITING GUIDE ADDITIONS:

Airport Runway Or Warming Apron Construction – Subsurface Work

Culvert Construction, Not Exceeding 10 Feet Span

Excavation – Street Or Road – Including Rock Excavation

Street Or Road Rock Excavation

Sub-Surface Work – Road Or Street Construction

UNDERWRITING GUIDE CHANGES:

Rock Excavation, Not Quarry

GENERAL AUDITING & CLASSIFICATION INFORMATION

CLEARING OF LAND

(No change.)

1. *(No change.)*
2. *(No change.)*
3. Assign Code 609 for all methods of clearing or removing brush and/or stump removal not incidental to tree removal including road construction.
4. *(No change.)*
5. *(No change.)*

TEMPORARY STAFFING CLASSIFICATION

Deletion of 602 from the Employment Contractor – Temporary Staffing cross reference chart:

682				
601	643	655	666	676
603	645	656	667	677
605	646	657	668	679
607	647	658	669	681
608	648	659	670	
611	649	660	673	
615	652	663	674	
617	653	664	675	
625	654	665	676	