



October 31, 2018

**DCRB CIRCULAR NO. 959**

To All Members of the DCRB:

**Re: APPROVAL OF DCRB FILING NO. 1804**  
**REVISIONS TO DESIGNATED AUDITABLE PAYROLLS**  
**BASIC MANUAL – SECTION 1**  
**EFFECTIVE DECEMBER 1, 2018**

The Delaware Insurance Commissioner has approved the DCRB's filing to revise the designated auditable payrolls for policies effective on or after 12:01 a.m., December 1, 2018. The effective date of these changes is concurrent with the DCRB's normal annual loss cost revision, which was filed with the Commissioner on August 3, 2018 (refer to DCRB Circular No. 953) and approved as amended per DCRB Circular No. 958. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems.

The Basic Manual designates the following auditable payrolls:

- Weekly minimum and maximum corporate officer payrolls.
- Weekly maximum musicians' or entertainers' payrolls.
- Weekly minimum and annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970, Athletic Team – Contact Sports.
- Annual minimum and maximum payroll for each player, coach, manager or sports official subject to assignment to Code 991, Athletic Team: Non-Contact Sports.

The corporate officer weekly minimum and maximum payrolls are also used as a sole proprietor's or a partner's auditable payroll when the sole proprietor's or partner's payroll cannot be determined. The DCRB has historically reviewed the corporate officer weekly minimum and maximum payrolls and the weekly maximum musicians' or entertainers' payrolls annually. For this revision and going forward, the annual review will also include the weekly minimum payroll for each player, coach, manager or sports official subject to assignment to Code 970 and to Code 991.

The revisions to these auditable payrolls are a function of Delaware's Statewide Average Weekly Wage (SAWW) effective July 1, 2018 (\$1,070.48 – an increase of 3.88% in relation to the July 1, 2017 SAWW of \$1,030.49) with results rounded to the nearest \$50.00 for the maximum corporate office payrolls.

The corporate officer weekly minimum payroll is set at 100% of SAWW.

The DCRB continues to use the formula reviewed and approved by the DCRB Classification & Rating Committee in the early 1980s for calculating the maximum auditable corporate officer payroll (2.5 times SAWW rounded to the nearest \$50.00).

Prior to December 1, 2016, the DCRB had not proposed, since 2002, any revisions to the designated weekly maximum payroll to be audited for musicians or entertainers who are not

independent contractors because the classification's history indicates it was rarely met. DCRB reconsidered this approach, indicating it should be revised along with the other designated auditable payrolls discussed herein. Accordingly, beginning with the December 1, 2016 filing the DCRB proposed to implement incremental revisions to this designated payroll with the goal of phasing it to 100% of SAWW. The DCRB proposed to revise this weekly maximum payroll from \$250.00 per week to \$500.00 per week (bringing it to 48.35% of SAWW) for December 1, 2016, and from \$500.00 per week to \$750.00 per week (bringing it to 72.8% of SAWW) for December 1, 2017. The Department approved the DCRB's December 1, 2016 and December 1, 2017 revisions. This December 1, 2018 revision completes the phasing of this designated payroll to 100% of SAWW.

The weekly minimum payroll for each player, coach, manager or sports official subject to assignment to Code 970 was previously set at \$600.00 per week of the policy year (including board and lodging). The weekly minimum payroll for each player, coach, manager or sports official subject to assignment to Code 991 was set at \$500 per policy year (including board and lodging). Staff's review found that the National Council on Compensation Insurance, Inc. (NCCI), independent rating organization states of Massachusetts, Michigan, Minnesota and Wisconsin, and the monopolistic fund state of Ohio all use a designated auditable minimum payroll of \$500 per employee per season for their classifications that are equivalent to Delaware Codes 970 and 991. California and New York do not specify a minimum payroll for their equivalent classifications. Staff's review also suggested that the minimum payroll for these classifications is rarely invoked. More specifically, Delaware Code 970 presently does not have a class book page, meaning that Code 970 has not reported any payroll over the five year period used in DCRB's most recent comprehensive residual market rate and voluntary market loss cost filing. A review of the historical record does not clearly show why a figure of \$600.00 is used for Delaware Code 970, or why it is applied on a weekly rather than an annual basis. For this revision, the DCRB proposed that the Code 970 minimum payroll be revised from \$600.00 per week to \$500.00 per policy year. This is in line with procedure in other jurisdictions (including the Pennsylvania Compensation Rating Bureau (PCRB)) which uses the \$500.00 annual minimum payroll for both PCRB Codes 970 and 991 and with Delaware Code 991.

In summary, this results in the following classification revisions:

- Corporate office minimum is revised from \$1,030.00 per week to \$1,070.00 per week.
- Corporate officer maximum is revised from \$2,575.00 per week to \$2,700.00 per week.
- Maximum auditable payroll for musicians or entertainers is revised from \$750.00 per week to \$1,070.00 per week.
- Minimum auditable payroll for each player, coach, manager or sports official subject to assignment to Code 970 is revised from \$600.00 per week to \$500.00 per policy year.

Please refer to DCRB Filing No. 1804, posted under the "Filings" tab of the DCRB's website (<http://www.dcrb.com>) for additional details regarding these revisions. Please contact Robert Ferrante, Senior Classification Analyst – Technical Services, at (215) 320-4584 or at [rferrante@dcrb.com](mailto:rferrante@dcrb.com) for any questions regarding this circular. 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 Classifications** *remains unchanged.*

**RULE V – PREMIUM BASIS**

*(No change to Item A.)*

**B. REMUNERATION – PAYROLL**

**1. Definition**

*(No change to Item.)*

**2. Inclusions**

Remuneration includes:

*(No change to Items a. through m.)*

- n.** Musicians or entertainers who are not independent contractors shall be included in computation of premiums of hotels or restaurants (maximum of **\$1,070** per week for each musician or entertainer);

*(No change to Items o. through t.)*

*(No change to Items C. through F.)*

**SECTION 1 – Rating Values and Premium Determination through Limits of Liability** *remains unchanged.*

**RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE**

**A. EXECUTIVE OFFICERS**

*(No change to Items 1. through 5.)*

**6. Premium Determination**

*(No change.)*

**a.** *(No change.)*

**b.** The minimum individual payroll for an executive officer is **\$1,070** per week.

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*Approved Effective December 1, 2018*

- c. The maximum individual payroll for an executive officer is **\$2,700** per week.
- d. *(No change.)*
- e. *(No change.)*

*(No change to Items 6. through 8.)*

*(No change to Items B. through D.)*

**E. PROFESSIONAL OR SEMIPROFESSIONAL ATHLETIC TEAMS – CLASS CODES 970 AND 991**

*(No change to Items 1. through 3.)*

- 4. The remuneration of an individual player, coach, manager or sports official is subject to a minimum of **\$500** per week of the policy year, including board and lodging. [(Limited to Code 970.)] For more details refer to the Classification and Rating Values Section.

*(No change to Items F. through I.)*

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

**SECTION 2 – Classifications and Rating Values**

**970 ATHLETIC TEAM – CONTACT SPORTS –PROFESSIONAL AND SEMI-PROFESSIONAL**

*(No change.)*

The remuneration of an individual player, coach, manager or sports official is subject to a minimum of **\$500** per week of the policy year, including board and lodging.

**OPERATIONS ALSO INCLUDED:**

*(No change to Item 1.)*

**OPERATIONS NOT INCLUDED:**

*(No change to Items 1. through 6.)*