

DELAWARE COMPENSATION RATING BUREAU, INC.  
DELAWARE CONSTRUCTION CLASSIFICATION  
PREMIUM ADJUSTMENT PROGRAM (“DCCPAP”)

The DCCPAP program 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 2001 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 revised 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 2001 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.

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(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 2001. 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 2001. For example, an average credit of 0.1793 indicates that the average qualifying risk in Code 601 received an 17.93 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 115 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 6.86 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 proposed changes in the Wage Table based on changes in the statewide average weekly wage. Those changes are expressed relative to the January 1, 1998 Table.

Page 14.4 shows a comparison of the current and proposed Wage Tables.

DCCPAP Manual Rate Surcharges  
For Policy Effective Dates 01/01/01 Thru 12/31/01

100% Credibility = 115 Policies  
Partial Credibility = # of Policies / 115

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	34	18	17,208,765	9,807,796	1,009,711	828,696	462,987	462,987	1.1401	0.1793	0.30	1.0901	1.0909
602	20	10	9,881,656	5,907,703	347,327	299,715	293,098	293,098	1.0803	0.1371	0.17	1.0706	1.0714
603	27	18	4,508,814	3,270,534	319,569	283,418	137,839	137,839	1.0858	0.1131	0.23	1.0726	1.0734
605	2	0	146,968	0	0	0	12,783	12,783	1.0000	N/A	0.02	1.0672	1.0686
607	17	3	1,574,736	369,873	38,870	36,913	101,274	101,274	1.0142	0.0503	0.15	1.0604	1.0612
608	232	75	39,878,887	22,509,148	1,007,882	862,968	842,615	842,615	1.0850	0.1438	1.00	1.0850	1.0858
609	198	52	43,460,158	22,611,084	1,164,358	1,026,977	1,129,348	1,129,348	1.0637	0.1180	1.00	1.0637	1.0645
611	16	5	1,015,610	342,779	37,848	29,140	69,817	69,817	1.0880	0.2301	0.14	1.0713	1.0721
615	1	0	3,694	0	0	0	651	651	1.0000	N/A	0.01	1.0679	1.0686
617	33	15	8,801,641	4,963,868	235,054	206,722	232,533	232,533	1.0645	0.1205	0.29	1.0674	1.0682
625	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0686	1.0686
643	8	5	1,829,084	1,681,259	152,806	131,876	15,143	15,143	1.1424	0.1370	0.07	1.0738	1.0746
645	119	14	24,108,639	9,294,609	512,121	417,591	804,077	804,077	1.0774	0.1846	1.00	1.0774	1.0782
646	40	5	4,361,776	1,980,313	92,277	71,207	126,424	126,424	1.1066	0.2283	0.35	1.0819	1.0827
647	15	3	3,759,873	1,735,620	139,767	129,747	161,806	161,806	1.0344	0.0717	0.13	1.0642	1.0650
648	146	21	14,217,441	4,146,257	197,261	175,675	517,942	517,942	1.0311	0.1094	1.00	1.0311	1.0319
649	18	8	5,534,845	3,108,060	116,908	98,573	82,419	82,419	1.1013	0.1568	0.16	1.0738	1.0746
651	312	69	35,164,171	14,554,028	983,103	857,312	1,241,547	1,241,547	1.0599	0.1280	1.00	1.0599	1.0607
652	433	55	34,211,056	8,366,981	698,892	634,503	2,261,169	2,261,169	1.0222	0.0921	1.00	1.0222	1.0230
653	202	37	28,909,618	11,734,735	784,137	673,055	1,182,771	1,182,771	1.0599	0.1417	1.00	1.0599	1.0607
654	86	31	12,640,808	6,895,768	407,913	329,022	414,979	414,979	1.1060	0.1934	0.75	1.0967	1.0975
655	42	13	6,987,401	4,048,395	708,995	593,146	404,121	404,121	1.1162	0.1634	0.37	1.0862	1.0870
656	11	2	13,978,607	186,574	17,554	16,265	1,408,354	1,408,354	1.0009	0.0734	0.10	1.0618	1.0626
657	4	1	157,153	81,950	3,160	2,623	9,128	9,128	1.0457	0.1699	0.03	1.0679	1.0687
658	49	10	5,802,973	3,452,563	244,347	222,027	185,956	185,956	1.0547	0.0913	0.43	1.0626	1.0634
659	77	16	5,535,649	2,481,558	372,056	334,364	433,061	433,061	1.0491	0.1013	0.67	1.0555	1.0563
661	274	55	81,622,835	47,291,454	1,297,052	1,081,099	1,040,524	1,040,524	1.1018	0.1665	1.00	1.1018	1.1026
663	272	55	82,397,977	41,557,787	1,592,197	1,307,528	1,724,784	1,724,784	1.0939	0.1788	1.00	1.0939	1.0947
664	214	51	56,751,645	26,558,408	748,815	624,273	850,579	850,579	1.0844	0.1663	1.00	1.0844	1.0852
665	141	19	12,124,657	3,908,690	285,154	262,046	689,505	689,505	1.0243	0.0810	1.00	1.0243	1.0251
666	27	5	2,769,289	1,202,507	82,582	63,703	105,835	105,835	1.1114	0.2286	0.23	1.0784	1.0792
667	24	7	2,536,715	1,240,877	23,947	22,463	30,323	30,323	1.0281	0.0620	0.21	1.0601	1.0609
668	36	6	2,758,327	1,215,009	78,307	62,742	86,134	86,134	1.1046	0.1988	0.31	1.0798	1.0806
669	8	4	1,595,209	1,214,413	65,511	52,199	26,541	26,541	1.1691	0.2032	0.07	1.0756	1.0764
674	15	1	1,199,456	242,102	12,012	10,811	57,962	57,962	1.0175	0.1000	0.13	1.0620	1.0628
675	160	20	37,082,866	11,866,946	412,772	355,260	1,020,333	1,020,333	1.0418	0.1393	1.00	1.0418	1.0426
676	41	13	6,286,290	2,850,228	152,586	129,088	208,341	208,341	1.0696	0.1540	0.36	1.0690	1.0698
677	6	1	4,161,715	61,983	3,112	2,956	143,935	143,935	1.0011	0.0501	0.05	1.0652	1.0660
Total	3,360	723	614,967,004	282,741,859	14,345,963	12,235,703	18,516,638	18,516,638	1.0686	0.1471		1.0678	1.0686

Note: For each Class,

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

Test Correction Factor = 1.00075

Basis of Credibility: 1 / ((# DCCPAP Policies) / (# Total Policies)) \* 25 = 115 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.**  
**2004 RESIDUAL MARKET AND LOSS COST FILING**  
**DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM**  
**SURCHARGES BY CLASS CODE**

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0978	1.0909	-0.6%
602	1.0755	1.0714	-0.4%
603	1.0769	1.0734	-0.3%
605	1.0677	1.0686	0.1%
607	1.0583	1.0612	0.3%
608	1.0785	1.0858	0.7%
609	1.0942	1.0645	-2.7%
611	1.0713	1.0721	0.1%
615	1.0683	1.0686	0.0%
617	1.0862	1.0682	-1.7%
625	1.0683	1.0686	0.0%
643	1.0753	1.0746	-0.1%
645	1.0901	1.0782	-1.1%
646	1.0741	1.0827	0.8%
647	1.0625	1.0650	0.2%
648	1.0357	1.0319	-0.4%
649	1.0793	1.0746	-0.4%
651	1.0586	1.0607	0.2%
652	1.0247	1.0230	-0.2%
653	1.0620	1.0607	-0.1%
654	1.1131	1.0975	-1.4%
655	1.0811	1.0870	0.5%
656	1.0656	1.0626	-0.3%
657	1.0685	1.0687	0.0%
658	1.0743	1.0634	-1.0%
659	1.0622	1.0563	-0.6%
661	1.0818	1.1026	1.9%
663	1.0536	1.0947	3.9%
664	1.1045	1.0852	-1.7%
665	1.0462	1.0251	-2.0%
666	1.0609	1.0792	1.7%
667	1.0669	1.0609	-0.6%
668	1.0752	1.0806	0.5%
669	1.0934	1.0764	-1.6%
674	1.0632	1.0628	0.0%
675	1.0576	1.0426	-1.4%
676	1.0892	1.0698	-1.8%
677	1.0677	1.0660	-0.2%
Total	1.0682	1.0686	0.0%

**DELAWARE COMPENSATION RATING BUREAU, INC.**

**DERIVATION OF PROPOSED REVISION TO DCCPAP WAGE TABLE**

DCCPAP Credit	1/1/98 Table		Change from Lower Level	Indicated Table a		Rounded b		Change from Lower Level	Selected Table c		Change from Lower Level
		or less			or less		or less			or less	
0%	11.49	or less		15.12	or less	15.24	or less		<b>15.24</b>	<b>or less</b>	
5%	11.50	13.25	1.76	15.14	17.44	15.25	17.50	2.26	<b>15.25</b>	<b>17.00</b>	<b>1.76</b>
6%	13.26	13.50	0.25	17.45	17.77	17.51	17.75	0.25	<b>17.01</b>	<b>17.25</b>	<b>0.25</b>
7%	13.51	13.75	0.25	17.78	18.10	17.76	18.00	0.25	<b>17.26</b>	<b>17.50</b>	<b>0.25</b>
8%	13.76	14.00	0.25	18.11	18.43	18.01	18.50	<span style="border: 1px solid black;">0.50</span>	<b>17.51</b>	<b>17.75</b>	<b>0.25</b>
9%	14.01	14.25	0.25	18.44	18.76	18.51	18.75	0.25	<b>17.76</b>	<b>18.00</b>	<b>0.25</b>
10%	14.26	14.50	0.25	18.77	19.08	18.76	19.00	0.25	<b>18.01</b>	<b>18.25</b>	<b>0.25</b>
11%	14.51	14.75	0.25	19.09	19.41	19.01	19.50	<span style="border: 1px solid black;">0.50</span>	<b>18.26</b>	<b>18.50</b>	<b>0.25</b>
12%	14.76	15.00	0.25	19.42	19.74	19.51	19.75	0.25	<b>18.51</b>	<b>18.75</b>	<b>0.25</b>
13%	15.01	15.25	0.25	19.75	20.07	19.76	20.00	0.25	<b>18.76</b>	<b>19.25</b>	<b>0.50</b>
14%	15.26	15.50	0.25	20.08	20.40	20.01	20.50	0.50	<b>19.26</b>	<b>19.75</b>	<b>0.50</b>
15%	15.51	15.75	0.25	20.41	20.73	20.51	20.75	<span style="border: 1px solid black;">0.25</span>	<b>19.76</b>	<b>20.25</b>	<b>0.50</b>
16%	15.76	16.00	0.25	20.74	21.06	20.76	21.00	<span style="border: 1px solid black;">0.25</span>	<b>20.26</b>	<b>20.75</b>	<b>0.50</b>
17%	16.01	16.50	0.50	21.07	21.72	21.01	21.75	<span style="border: 1px solid black;">0.75</span>	<b>20.76</b>	<b>21.25</b>	<b>0.50</b>
18%	16.51	17.00	0.50	21.73	22.38	21.76	22.50	0.75	<b>21.26</b>	<b>22.00</b>	<b>0.75</b>
19%	17.01	17.50	0.50	22.39	23.03	22.51	23.00	<span style="border: 1px solid black;">0.50</span>	<b>22.01</b>	<b>22.75</b>	<b>0.75</b>
20%	17.51	18.00	0.50	23.04	23.69	23.01	23.75	0.75	<b>22.76</b>	<b>23.50</b>	<b>0.75</b>
21%	18.01	18.50	0.50	23.70	24.35	23.76	24.25	<span style="border: 1px solid black;">0.50</span>	<b>23.51</b>	<b>24.25</b>	<b>0.75</b>
22%	18.51	19.00	0.50	24.36	25.01	24.26	25.00	0.75	<b>24.26</b>	<b>25.00</b>	<b>0.75</b>
23%	19.01	19.50	0.50	25.02	25.67	25.01	25.75	0.75	<b>25.01</b>	<b>25.75</b>	<b>0.75</b>
24%	19.51	20.25	0.75	25.68	26.65	25.76	26.75	1.00	<b>25.76</b>	<b>26.75</b>	<b>1.00</b>
25%	Over 20.25			Over 26.65		Over 26.75			<b>Over 26.75</b>		

a 1/1/98 limits multiplied by change in Statewide Average Weekly Wage from 1/1/97 to 12/31/03 (estimated.)

- (1) SAWW based on 1/97-12/97 616.67 (actual)
- (2) SAWW based on 1/04-12/04 811.65 (estimated)
- (3) Change (2) / (1) 1.3162

b Indicated limits rounded to nearest \$0.25.

  Indicates incremental change greater than similar values for higher wage brackets.

c Selection retains \$0.25 beginning increments; smooths changes in higher wage brackets.

**DELAWARE COMPENSATION RATING BUREAU, INC.**

**COMPARISON OF CURRENT AND PROPOSED WAGE TABLES**

DCCPAP Credit	Current Table Effective 1/1/04		Change from Lower Level	Proposed Table Effective 1/1/05		Change from Lower Level
0%	14.74 or less			15.24 or less		
5%	14.75	17.00	2.26	15.25	17.00	1.76
6%	17.01	17.25	0.25	17.01	17.25	0.25
7%	17.26	17.50	0.25	17.26	17.50	0.25
8%	17.51	17.75	0.25	17.51	17.75	0.25
9%	17.76	18.00	0.25	17.76	18.00	0.25
10%	18.01	18.25	0.25	18.01	18.25	0.25
11%	18.26	18.50	0.25	18.26	18.50	0.25
12%	18.51	18.75	0.25	18.51	18.75	0.25
13%	18.76	19.00	0.25	18.76	19.25	0.50
14%	19.01	19.25	0.25	19.26	19.75	0.50
15%	19.26	19.75	0.50	19.76	20.25	0.50
16%	19.76	20.25	0.50	20.26	20.75	0.50
17%	20.26	20.75	0.50	20.76	21.25	0.50
18%	20.76	21.25	0.50	21.26	22.00	0.75
19%	21.26	22.00	0.75	22.01	22.75	0.75
20%	22.01	22.75	0.75	22.76	23.50	0.75
21%	22.76	23.50	0.75	23.51	24.25	0.75
22%	23.51	24.25	0.75	24.26	25.00	0.75
23%	24.26	25.00	0.75	25.01	25.75	0.75
24%	25.01	26.00	1.00	25.76	26.75	1.00
25%	Over 26.00			Over 26.75		