



TO: Delaware Classification & Rating Committee

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

DATE: June 9, 2004

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

The Bureau proposes a revision to the corporate officer weekly minimum and maximum payrolls to be audited for premium purposes in Delaware. The corporate officer weekly minimum and maximum auditable payrolls are a function of the Statewide Average Weekly Wage rounded to the nearest \$50. The revisions proposed below were calculated using formulas as reviewed and adopted by the Classification & Rating Committee in 1982. The Bureau recommends that the proposed revision to the weekly maximum auditable corporate officer payroll become effective concurrent with the implementation of the Bureau's 2004 residual market rate and voluntary market loss cost revision.

The Bureau also proposes revision to the Manual language on how to determine the payroll to be audited for sole proprietors or partners. Presently, there are two different procedures depending upon whether a payroll can be determined. Where the sole proprietor or partners' payroll can be determined, their payrolls are subject to the minimum and maximum weekly payrolls for corporate officers as published in the Manual. When a payroll amount cannot be determined, the latest Delaware Statewide Average Weekly Wage is used to set their annual remuneration. The 2004 Delaware Statewide Average Weekly Wage is \$785.75, which is almost twice the minimum corporate officer weekly payroll (\$400) to be audited when a payroll cannot be determined. Staff recommends that use of the Statewide Average Weekly Wage be discontinued and that the sole proprietor and partners' payroll to be audited should be determined in the same manner as any corporate officer's payroll. Staff recommends this revision also become effective concurrent with the implementation of the Bureau's 2004 residual and voluntary markets loss cost revision.

The proposed revision to the weekly maximum corporate officer payroll for Section 1, Rule IX, Paragraph A. 3. c. and the proposed revision to Manual language on determining the payroll to be audited for sole proprietors or partners are shown below with deleted wording bracketed and new wording underlined.

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## SECTION 1

### RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM

#### A. EXECUTIVE OFFICERS

##### 3. Premium Determination

Premium for executive officers, other than elected officers of Delaware or its political subdivisions, shall be based on their total payroll, subject to the following:

- c. The maximum individual payroll for an executive officer is \$[1,900]2,000 per week.

#### B. SOLE PROPRIETORS AND PARTNERS OR MEMBERS OF THEIR IMMEDIATE FAMILY

##### 3. Premium Determination

- b. Rules to [limit]set payroll for sole proprietors or partners are the same as for executive officers. (See Rule IX A. 3. for [more] details.) [Exception: If a payroll amount cannot be determined, the latest Delaware Statewide Average Weekly Wage should be used to set Annual Remuneration of policies effective on and after August 1, of any given year.]

c: Timothy Wisecarver  
Vincent Dean  
Bruce Decker  
Joseph Lombo  
Richard Stapf