



TO: Delaware Compensation Rating Bureau, Inc. (DCRB) – Classification and Rating Committee

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

DATE: July 15, 2015

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

DCRB expects to propose revisions to the corporate officer weekly minimum and maximum payrolls to be audited for premium purposes in Delaware, which 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. By way of a standing convention the corporate officer weekly minimum and maximum auditable payrolls are intended to be derived as functions of the Statewide Average Weekly Wage (SAWW), with the calculated values rounded to the nearest \$50.00.

At their September 18, 2013 joint meeting the DCRB's Actuarial and Classification and Rating Committees reviewed a National Council on Compensation Insurance, Inc. (NCCI) proposal to revise the formula for calculating the minimum auditable payroll for corporate officers. Under the prior NCCI formula, corporate officers' minimum auditable payroll was set at fifty percent of the Statewide Average Weekly Wage (SAWW) rounded to the nearest \$50. The new NCCI formula proposed incremental increases in the corporate officer minimum auditable payroll until the value reached one hundred percent of the SAWWA. After discussion, the Committees agreed to adopt a proposal previously approved by the Pennsylvania Compensation Rating Bureau which would apply incremental increases of ten percent per year in the minimum auditable payroll for corporate officers, rounded to the nearest \$50. Accordingly, for December 1, 2013 and December 1, 2014 the minimum auditable payrolls for corporate officers were filed (and approved by the Commissioner) at sixty and seventy percent respectively of SAWW rounded to the nearest fifty dollars.

Effective July 1, 2015 Delaware's SAWW will be \$1,019.44, an increase of 2.11% from the July 1, 2014 SAWW of \$998.35. Consistent with the previously approved procedure and the new SAWW value, DCRB has now calculated the proposed December 1, 2015 corporate officer auditable minimum payroll at eighty percent of SAWW rounded to the nearest \$50. That calculation produces a proposed increase from the current \$700 to \$800 per week.

DCRB continues to use the formula reviewed and approved by the Committee in the early 1980's for calculating the maximum auditable corporate officer payroll, which remains at 2.5 times SAWW. Accordingly, staff's review has shown that for the December 1, 2015 DCRB residual market rate and voluntary market loss cost filing, the December 1, 2013 corporate officer maximum of \$2,500 should be revised to \$2,550.

CHANGE

RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM

A. EXECUTIVE OFFICERS

1. Through 4. – No Change
5. PREMIUM DETERMINATION

Premium for executive officers.....subject to the following:

- a. No change
- b. The minimum individual payroll for an executive officer is ~~\$800~~[700] per week.
- c. The maximum individual payroll for an executive officer is ~~\$2,550~~[2,500] per week.
- d. No change
- e. No change