



May 5, 2017

VIA SERFF

THE HONORABLE TRINIDAD NAVARRO
INSURANCE COMMISSIONER
DEPARTMENT OF INSURANCE
STATE OF DELAWARE
841 SILVER LAKE BOULEVARD
DOVER, DE 19904-2465

Attention: Mitch Crane, Deputy Insurance Commissioner

**RE: DCRB Filing No. 1611 – Proposed Effective December 1, 2017
Proposed Classification Change – Separate Homeowners Associations and
Mobile Home Parks from Code 971, Commercial Buildings, Establish Code
888, Homeowners Association**

Dear Commissioner Navarro:

Following a staff review on behalf of the members of the Delaware Compensation Rating Bureau, Inc. (DCRB), we hereby submit this filing regarding classification changes that would revise the scope of Code 971, Commercial Buildings, and establish Code 888, Homeowners Association, as a new and separate classification on an interim basis. These revisions are proposed to become effective 12:01 a.m., December 1, 2017. This proposed effective date is intended to make these changes concurrent with DCRB's normal annual residual market rate and voluntary market loss cost revision, which will be filed at a later date.

This filing, if approved, would affect the residual market rates or voluntary market loss costs for the employers that would be reassigned from Code 971 to Code 888. As a result, DCRB's next normal residual market rate and voluntary market loss cost proposal will anticipate and reflect these adjusted definitions and designations in the course of its preparation and ultimate submission. *(Accordingly, if the adjudication of this filing cannot be accomplished by July 1, 2017, the DCRB may be required to withdraw or amend this filing, or will present alternative schedules of proposed residual market rates and voluntary loss costs and related values consistent with the approval or disapproval of this filing in the DCRB's next normal residual market rate and voluntary market loss cost filing.)*

A DCRB Homeowners Association and Mobile Home Parks Study Report dated March 29, 2017 was disseminated to the DCRB Classification and Rating Committee by an email advisory. This study report describes the proposed classification changes and the concurrent changes to the Manual language. The report also explains the reasoning and basis for these changes. The Committee reviewed and accepted these proposed changes.

The Honorable Trinidad Navarro
State of Delaware
May 5, 2017
Page 2 of 2

To support and explain the details of this filing, enclosed are the following documents:

- The Executive Summary of the Homeowners Association and Mobile Home Parks Classification Study Report, dated March 29, 2017.
- The Homeowners Association and Mobile Home Parks Classification Study Report, also dated March 29, 2017.
- The proposed Manual language revisions.
- Several historical experience exhibits separately showing the most recently available five-year experience of the Homeowners Associations and Mobile Home Parks and the Code 971 five year experience without those employers.
- An actuarial memorandum showing the rating values that would result from the rating values currently in effect.

Thank you in advance for your prompt attention and review of this filing, particularly in light of the intended coordination of this submission with the DCRB's next normal annual residual market rate and voluntary market loss cost filing. The DCRB will be pleased to answer any questions you or the Insurance Department staff may have regarding this proposal.

Sincerely,

William V. Taylor
President

Enclosures: March 29, 2017 Homeowners Association and Mobile Home Parks Classification Study Report with Executive Summary and Proposed Manual Language Revisions

TO: Delaware Compensation Rating Bureau Classification and Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: March 29, 2017

RE: **Executive Summary** – Classification Study Report – Homeowners' Association

The DCRB has completed a study of the classification applicable to Homeowners' Associations and Mobile Home Parks. The study was undertaken to address the anomalous inclusion of such employers in Code 971, Commercial Buildings. Code 971 is applied to employers principally engaged in the operation and/or contract management of buildings or properties used for commercial or industrial occupancy (e.g., office buildings and strip malls). Homeowners' Associations and Mobile Home Parks are the only types of residential property management operations classified to Code 971. The classification applicable to Homeowners' Associations and Mobile Home Parks was not addressed in DCRB's previous study of Code 971, the results of which were presented to the Committee in a report dated November 11, 2002.

Staff determined that the assignment of Code 971 to Homeowners' Associations and Mobile Home Parks should not be continued and considered reclassifying such employers from Code 971 to Code 880, Apartment House or Condominium Complex Operation. Code 880 is applied to employers principally engaged in the operation or contract management of residential properties. Staff concluded that this was not feasible at this time. The December 1, 2016 Code 971 residual market rate is \$6.02. The December 1, 2016 Code 880 residual market rate is \$10.75. The reclassification of employers in the Homeowners' Association and Mobile Home Park groups from Code 971 to Code 880 represents a rating value increase of 78.57%. This exceeds the December 1, 2016 maximum permissible rating value increase of 28% for an industry group 3 classification.

Staff recommends that employers in the Homeowners' Association and Mobile Home Park study groups be reclassified from Code 971 to the new and separate Code 888, Homeowners' Association, effective upon each individual employer's first normal policy anniversary on or after December 1, 2017. The projected residual market rates for the proposed new classification Code 888 and the revised Code 971 shown in the class study report are based upon the approved December 1, 2016 comprehensive residual market rate and loss cost filing. Those projected residual market rates are provided for informational purposes only. The proposed residual market rates and loss cost values for the new classification Code 888 and the revised Code 971 will be incorporated into DCRB's forthcoming December 1, 2017 comprehensive residual market rate and loss cost filing, to be filed at a later date. The final proposed residual market rates and loss cost values to be included in DCRB's December 1, 2017 residual market rate and loss cost filing may differ from the projected loss cost values provided in the report.

Code 888 will be an "interim" classification. The "interim" classification procedure was developed to address situations where staff's underwriting analysis shows that the groups under study conduct business operations analogous to those contemplated by another existing DCRB classification, but where DCRB may not propose that the employer groups be reclassified from their current classification to the analogous classification because the difference between the rating values of the existing classification and the analogous classification exceed the maximum permissible rating value increase or decrease. Contingent upon the Department's approval of the report's recommendation, staff intends to monitor future Code 888 rating values. At such time when the rating values for the two classifications become sufficiently similar, DCRB is favorably inclined towards consolidation of Code 888 and Code 880.

TO: Delaware Compensation Rating Bureau, Inc. Classification and Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: March 29, 2017

RE: Delaware Classification Study:
Classification Applicable to Homeowners' Associations and Mobile Home Parks

Introduction

This Delaware Compensation Rating Bureau, Inc. (DCRB) staff review was undertaken to address the anomalous inclusion of Homeowners' Associations and Mobile Home Parks in Code 971, Commercial Buildings. The Code 971 Underwriting Guide is shown in Exhibit A attached. Code 971 is applied to employers principally engaged in the operation and/or contract management of buildings or properties used for commercial or industrial occupancy (e.g., office buildings and strip malls). Code 971 also includes commercial janitorial contractors and employers principally engaged in providing a specialty cleaning service including but not limited to: duct cleaning, floor waxing or polishing and the power washing of exterior walls or decks.

Code 971 also contemplates certain operations conducted by a Homeowners' Association. The current Delaware Workers Compensation Manual of Rules, Classifications and Rating Values (Manual) "Homeowners Association" entry states:

A Homeowners' Association is responsible for the care of residential or recreational home developments. Such developments may have part-time residents who use the development for vacation or recreational purposes and/or year-round residents. Assign Code 971 to the maintenance of common grounds (e.g., roads), and the operation and maintenance of recreational amenities (e.g., swimming pools, tennis courts and/or clubhouses) and security. Association operations conducted by separate employee crews including but not necessarily limited to: golf courses, stables, restaurants, sewage plant and water works shall be separately classified as provided for in this Manual.

Code 971 further includes an Underwriting Guide entry for "Mobile Home Park – Operation or Maintenance By Contractor (Not Recreational Vehicle Campground)." A mobile home is a prefabricated structure, built in a factory on a permanently-attached chassis and may be used as a permanent home or for temporary accommodation. They are often left permanently in one place but can be moved. A mobile home park operator will provide lots for mobile homes, utility hookups and maintenance of common areas for a fee. Homeowners' Associations and Mobile Home Parks are the only Code 971 classification assignments that describe residential property management businesses. All other types of property management businesses classified to Code 971 are for commercial or industrial properties.

This review was prompted by recent discussions that the Pennsylvania Compensation Rating Bureau (PCRB) has had with a Pennsylvania insurance broker representing multiple Pennsylvania condominium associations. Some of the condominium associations represented by that broker were classified to Code 971 while others were classified to Code 880, Apartment House or Condominium Complex Operation. The broker questioned the classification assignment of those condominium associations classified to Code 971 and opined that a residential condominium association should be classified to Code 880. The Code 880 Underwriting Guide is shown in Exhibit B attached. Each of the Code 880 Underwriting Guide entries applies to a type of residential property management operation. These discussions led

staff to review the matter. The results of that review were presented to the PCRB Classification and Rating Committee in a report dated June 6, 2016. In that report, staff proposed to end the inclusion of Homeowners’ Associations and Mobile Home Parks in Code 971, a classification that otherwise applies to the management of commercial properties, and to eliminate the inconsistent classification assignment of Homeowners’ Associations. Staff considered reclassifying Homeowners’ Associations and Mobile Home Parks from Code 971 to Code 880 but concluded that this was not feasible because such reclassification would have exceeded the maximum permissible rating value increase for an Industry Group 3 classification. Staff therefore proposed to end the anomalous inclusion of Homeowners’ Associations and Mobile Home Parks in Code 971 by reclassifying such employers from Code 971 to the new and separate Code 888, Homeowners’ Association. The June 6, 2016 report noted that Code 888 would be proposed as an “interim” classification. The “interim” classification procedure was developed to address situations where staff’s underwriting analysis shows that the groups under study conduct business operations analogous to those contemplated by another existing classification, but where staff may not propose that the employer groups be reclassified from their current classification to the analogous classification because the difference between the rating values of the existing classification and the analogous classification exceed the maximum permissible rating value increase or decrease. The report further noted that at such time when the rating values for Code 888 and Code 880 become sufficiently similar, staff would be favorably inclined towards consolidation of the two classifications. The Pennsylvania Insurance Commissioner approved PCRB’s proposal to create Code 888 and reclassify Homeowners’ Associations and Mobile Home Parks from Code 971 to Code 888 effective for new and renewal business as of April 1, 2017 and later.

This review aims to accomplish the same goal i.e., end the anomalous inclusion of Homeowners’ Associations and Mobile Home Parks in Code 971, for Delaware.

Background

The Delaware Uniform Common Interest Ownership Act (DUCIOA), 25 De. C.S. §81-101, et seq. pertains to “common interest communities.” Section 81-103 of the DUCIOA defines a “common interest community” as “...real estate described in a declaration with respect to which a person, by virtue of that person's ownership of a unit, is obligated to pay for a share of real estate taxes, insurance premiums, maintenance, or improvement of or services or other expenses related to common elements, other units or other real estate described in that declaration...” Section 81-302 of the DUCIOA sets forth the powers of a “unit owners association,” which is responsible for the management of a common interest community. Those powers include but are not necessarily limited to: the adoption and amendment of budgets, the hiring and firing of managing agents and other employees, and the maintenance, repair, replacement and modification of common elements of the community.

For purposes of this review, DCRB is applying the term “Homeowners’ Association” to a “unit owners’ association” responsible for the governance of a residential gated community or planned community consisting of single family dwellings (e.g., detached houses or townhomes). A gated community is a type of residential community or housing estate with controlled entrances for pedestrians, bicycles and automobiles, commonly enclosed by a perimeter of walls or fences and typically consists of small residential streets and may include various shared amenities (e.g., parks). A planned community is a residential district that was carefully planned

from its inception and is typically constructed in a previously undeveloped area. A planned community may be developed for a particular class of resident (e.g., 55 and older).

Class History

Code 971 is an original Delaware classification that was created with the inception of the uniform classification plan effective for policies with normal anniversaries of December 31, 1922 and later. The DCRB previously studied Code 971 and presented the results of that study to the Delaware Classification and Rating Committee in a report dated November 11, 2002. The objective of the 2002 study was to determine if the scope of Code 971 was overly broad. Staff proposed that the scope of Code 971 be refined by proposing that employers principally engaged in the operation of apartment houses and condominium complexes used for residential occupancy be reclassified from Code 971 to the new and separate Code 880, Apartment House or Condominium Complex Operation, and that employers principally engaged in providing interior cleaning services to residential customers be reclassified from Code 971 to the new and separate Code 882, House Cleaning By Contractor.¹ The Delaware Insurance Commissioner (Commissioner) approved DCRB’s Code 971 classification study proposals effective for new and renewal business as of June 1, 2003 and later. Since that time, staff has periodically submitted Housekeeping Revisions to clarify the scope of Code 971. The 2002 Delaware Code 971 study did not address the classification applicable to Homeowners’ Associations or Mobile Home Parks.

Classification Procedure in Other Jurisdictions

Staff reviewed the classification procedure for Homeowners’ Associations and Mobile Home Parks in states under the jurisdiction of the National Council on Compensation Insurance, Inc. (NCCI) and in the independent Bureau states of California and New York. Staff’s review shows that only the Workers’ Compensation Insurance Rating Bureau of California (WCIRB) has a separate Homeowners’ Association classification – California Code 9066, Homeowners’ Association – Not Building Operation. The NCCI classifies the management of a residential community to NCCI Code 9015, Building or Property Management – All Other Employees, which contemplates operations classified in Delaware to DCRB Codes 971, 880 or 978, Camps, Summer or Winter. The New York Compensation Insurance Rating Board (NYCIRB) Manual for Workers’ Compensation & Employers Liability Insurance is silent on classification procedure for Homeowners’ Associations in New York. Staff was advised in response to inquiries submitted to the NYCIRB that Homeowners’ Associations in New York would be classified to NYCIRB Code 9028, Building Operation, N.O.C. – Dwelling or Combined Dwelling and Commercial Occupancy, which is partially equivalent to DCRB Code 880.

The NCCI includes Mobile Home Parks in Code 9015. The NYCIRB classifies Mobile Home Parks to NYCIRB Code 9029, Building N.O.C. – Maintenance or Ordinary Repair Only – Not Contractors, which contemplates operations classified in Delaware to DCRB Codes 971 and 978. The WCIRB has a separate Mobile Home Park classification – Code 9010, Mobile Home Park Operation – All Other Employees – Including On-Site Managers, Resident Employees and Resident Clerical Employees.

¹ The title of Code 882 was amended from “House Cleaning By Contractor” to “Residential Interior Cleaning Services – By Contractor” effective for new and renewal business as of August 1, 2008 and later.

Historical Experience Exhibits and Statistical Analysis

Staff created several historical experience exhibits for this study. The historical experience exhibits were developed on the basis of DCRB’s approved December 1, 2016 comprehensive residual market rate and loss cost revision as approved by the Commissioner. The indicated residual market rates shown at the bottom of the historical experience exhibits have not been loaded for the revenue neutral Delaware Workplace Safety and Merit Rating programs. The residual market rate resulting from an historical experience exhibit is derived by multiplying the indicated residual market rate by the uniform surcharge factor of 1.0272. The voluntary market loss cost resulting from an historical experience exhibit is derived by first multiplying the indicated residual market rate by 0.7035 and then multiplying that product by the uniform surcharge factor of 1.0272.

Classification Applicable to Homeowners’ Associations and Mobile Home Parks

Staff relied upon the file by file review conducted for the previous Code 971 study for this analysis. That review showed that there were 15 employers in the Homeowners’ Association Code 971 Study Group and 30 employers in the Mobile Home Park Code 971 Study Group. The report again notes that these two study groups contain the only Code 971 employers engaged in the operation and/or management of residential properties. Staff created an historical exhibit combining the Homeowners’ Association and Mobile Home Park groups and will use that combined historical experience exhibit to determine the classification applicable to the employers in the two groups. The following historical experience exhibits are discussed in the report:

Exhibit No.	Exhibit Title
1	Homeowners’ Associations and Mobile Home Parks
2	December 1, 2016 Code 971 Class Book Page Minus Homeowners’ Association and Mobile Home Park
3	December 1, 2016 Code 880 Class Book Page

Staff’s comparison of the historical experience of these three exhibits is summarized in the following table:

Exhibit No.	Reported Pure Premium	Indicated Pure Premium (Pre-Test)	Indicated Pure Premium (Post Test)
1	\$0.072	\$ 0.081	\$ 0.094
2	\$1.978	\$ 3.248	\$ 3.767
3	\$6.631	\$13.171	\$14.608

Staff recommends that the inclusion of Homeowners’ Associations and Mobile Home Parks in Code 971 be discontinued. The object of the classification procedure is to assign the single classification that best describes an employer’s field of business. Each basic classification represents a grouping of similarly operating businesses. The businesses included in the Homeowners’ Associations and Mobile Home Parks group are not similar to the remaining businesses classified to Code 971. Staff’s position is that all types of residential property management businesses, including but not limited to a unit owners’ association for a

development, which is comprised of detached dwellings or town homes, a unit owners’ association for a building or buildings with multiple living units and a mobile home park, should be assigned to the same classification. The report has noted that Code 880 is applicable to an employer principally engaged in operating an apartment house, condominium complex or cooperative building used for residential occupancy. The businesses classified to the Homeowners’ Associations and Mobile Home Parks study group are analogous to the businesses classified to Code 880 in that all of the businesses conduct a type of residential property management. The December 1, 2016 Code 971 residual market rate is \$6.02. The December 1, 2016 Code 880 residual market rate is \$10.75. The reclassification of employers in the Homeowners’ Association and Mobile Home Park groups from Code 971 to Code 880 represents a rating value increase of 78.57%. This exceeds the December 1, 2016 maximum permissible rating value increase of 28% for an industry group 3 classification. Reclassifying the employers in the Homeowners’ Association and Mobile Home Park groups from Code 971 to Code 880 therefore is not feasible at this time. As was the case in Pennsylvania, staff recommends that the employers in the Homeowners’ Association and Mobile Home Park Groups be reclassified from Code 971 to the new and separate classification Code 888, Homeowners’ Association, effective for new and renewal business as of December 1, 2017 and later. DCRB Code 888 will also be an “interim” classification. Contingent upon the Department’s approval of the report’s recommendation, staff intends to monitor future Code 888 rating values. At such time when the rating values for the two classifications become sufficiently similar, DCRB is favorably inclined towards consolidation of Code 888 and Code 880.

Effective December 1, 2016 a Delaware classification is considered “reviewed” when the five year total payroll is equal to or greater than \$43,396,800. A classification is considered “non-reviewed” when the five year total payroll is less than \$43,396,800. Code 888 will be considered a “non-reviewed” classification. DCRB has established different actuarial procedures for calculating the rating values for “reviewed” versus “non-reviewed” classifications. For the “non-reviewed” classification rating value calculation procedure to be invoked there must be a Pennsylvania classification equivalent to the non-reviewed Delaware classification. The rating values developed for the non-reviewed Delaware classification would in such case be determined in part based on rating value relativities developed for the Pennsylvania counterpart. The report has noted that the Pennsylvania Insurance Commissioner approved PCR’s proposal to create Code 888 and reclassify Homeowners’ Associations and Mobile Home Parks from Code 971 to Code 888 effective for new and renewal business as of April 1, 2017 and later. The filed, but not yet approved, April 1, 2017 PCR loss cost for Code 888 is \$2.66. The proposed residual market rates and loss costs for DCRB Code 888 and the revised DCRB Code 971 will be incorporated into DCRB’s December 1, 2017 comprehensive residual market rates and loss cost filing, to be filed at a later date. The final proposed residual market rates and loss costs to be included in DCRB’s December 1, 2017 comprehensive residual market rates and loss costs filing may differ from the projected residual market rates and loss costs referenced in this report.

The proposed enabling Sections 2 Manual language amendments for the classification proposal are attached for the Committee’s review. In the event of the Commissioner’s approval of the classification filing, the carrier of record for each employer impacted by this revision will be notified of their insured’s classification reassignment and a copy of that notice will be provided to the employer. The employer’s loss and payroll history will also be reassigned from Code 971 to Code 888, and the employer’s experience rating modification (if applicable) on or after December 1, 2017 will be recalculated on the basis of the loss and payroll reassignment.

Delaware Compensation Rating Bureau, Inc. Classification and Rating Committee
Re: Delaware Classification Study – Classification Applicable to Homeowner’s Associations
and Mobile Home Parks
March 29, 2017
Page No. 6

Attachments.

c: Bill Taylor
Delisa Fairley
Vince Dean
Joe Lombo

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

Proposed Effective December 1, 2017

INFORMATION PAGE through **Section 2– Definitions** remains unchanged.

**SECTION 2
CLASSIFICATIONS**

880 APARTMENT HOUSE or Condominium Complex Operation

~~Applicable to an employer operating an apartment house or a condominium complex or for cooperative buildings used for residential occupancy.~~

Applies to an employer principally engaged in the operation or contract management of a building or buildings with multiple residential living units. Includes apartment houses, condominium complexes and cooperative buildings. A cooperative is a type of residential property where the resident owns shares in the corporation that owns the building and has the right to live in a specific unit but does not actually own the space.

OPERATIONS ALSO INCLUDED:

1. An association formed for residents of a building or buildings with multiple residential living units (e.g., a condominium association).

OPERATIONS NOT INCLUDED:

1. Assign Code 888 to an association responsible for the governance of a residential planned community consisting of single family dwellings. See Code 888 for further information.

UNDERWRITING GUIDE

Apartment House Or Condominium Complex
Operation
Condominium Association
Condominiums - Including Resident Or On-
Site Manager
Cooperative Building Operation - For
Residential Occupancy

Porters For Condominiums
Residential House Rental

888 HOMEOWNERS ASSOCIATION

Applies to an association responsible for the governance of a residential planned community consisting of single family dwellings (e.g., detached houses or townhomes). Pursuant to Section 81-302 of the Delaware Uniform Common Interest Ownership Act (DUCIOA) of the Delaware Code, an association is empowered to regulate the use, maintenance, repair and modification of the common elements of the community. Code 888 applies but is not necessarily limited to association staff performing lawn maintenance, maintenance and repair of common elements e.g., streets and roads, and the operation and maintenance of amenities for residents of the community e.g., swimming pools, tennis courts, health or fitness facilities, and community centers or clubhouses.

OPERATIONS ALSO INCLUDED:

1. Security of the planned community by the Homeowners Association staff.
2. The operation of a mobile home park.

OPERATIONS NOT INCLUDED:

1. Assign the applicable restaurant classification to payroll developed in a physically separated and separately staffed prepared food and/or beverage service.
2. Assign Code 944 to payroll developed in the operation of a separately staffed golf course.
3. Assign Code 753 to payroll developed in the operation of a separately staffed sewage disposal plant and/or water supply system.
4. Assign Code 801 to payroll developed in the operation of a separately staffed horse stable.

Delaware Compensation Rating Bureau Classification and Rating Committee
Homeowners' Association Study Report
RE: Manual Amendments

5. [Assign Code 716 to payroll developed in the operation of a separately staffed marina \(State Act coverage only\).](#)
6. [Assign Code 880 to an employer principally engaged in the operation or contract management of a building or buildings with multiple living units such as an apartment house, condominium complex or cooperative building and to an association established for the residents of such building or buildings.](#)

[UNDERWRITING GUIDE:](#)

[Gated Community](#)

[Homeowners Association](#)

[Mobile Home Park](#)

[Residential Planned Community](#)

[Unit Owners Association \(For a Residential Planned Community\)](#)

971 COMMERCIAL BUILDINGS

UNDERWRITING GUIDE

Arena Operation - Indoor – By Contractor Or Owner	Kitchen Equipment Exhaust Duct Cleaning - By Specialist Contractor
Building Cleaning - by Contractor Or Owner	Mobile Home Park – Operation Or Maintenance By Contractor (Not Recreational Vehicle Campground)
Carpet And Rug Cleaning And Storage	Mobile Home Park Maintenance - <u>By Contractor</u>
Carpet Cleaning On Customers' Premises	Post Construction Clean-Up - New Homes - By Specialist Contractor
Civic Center - Operation By Specialist Contractor	Power Washing Of Exterior Walls or Decks At Residential Or Commercial Sites – By Contractor
Cleaning Of Grease Exhaust, Air Conditioning, Heating And Ventilating Ducts - By Specialist Contractor	Rug And Carpet Cleaning And Storage Storage - Self-Service
Cleaning, Sanitizing Or Deodorizing Restrooms - By Contractor	Sweeping Of Parking Lots - Shopping Areas And Similar Areas, By Specialty Contractor
Commercial Or Industrial Building Operation - By Owner, Lessee Or Real Estate Management Firm	Swimming Pool Cleaning Or Maintenance - By Specialty Contractor
Contractor For Commercial Building Cleaning	Swimming Pool Liner Installation - Vinyl, By Swimming Pool Maintenance Contractor
Duct Cleaning - Grease Exhaust, Air Conditioning, Heating, Ventilating - By Specialist Contractor	Termite Control - By Contractor
Exterminator	Truck Washing Service - Mobile
Fire, Smoke And/Or Water Damage Clean-Up - By Contractor	Upholstery Cleaning On Customers' Premises
Flea Market Or Swap Meet Operators	Warehouse - Storage - Self-Service
Floor Waxing Or Polishing - By Building Owner, Lessee, Management Agency Or Contractor	Window Cleaning
Fumigating - Not Agricultural - By Contractor	
Janitor Contractor	

Delaware Compensation Rating Bureau Classification and Rating Committee
 Homeowners' Association Study Report
 RE: Manual Amendments

GENERAL AUDITING & CLASSIFICATION INFORMATION:
 EMPLOYMENT CONTRACTOR – TEMPORARY STAFFING

TEMPORARY STAFFING
 CROSS-REFERENCE CHART

946	947							949
940	0011	753	825	897	952	973	988	709
957	012	755	880	898	954	975	997	819
958	0013	757	882	899	963	976	999	903
959	141	759	884	936	964	977	7428	904
960	142	814	887	939	966	978		905
961	661	815	888	941	967	981		951
974	716	816	890	944	968	983		955
979	751	818	891	945	969	984		
	752	820	896	948	971	986		

~~HOMEOWNERS ASSOCIATION. A Homeowners' Association is responsible for the care of residential or recreational developments... Association operations conducted by separate employee crews including but not necessarily limited to: golf courses, stables, restaurants, sewage plant and water works shall be separately classified as provided for in this Manual.~~

SECTION 3 - Endorsements through **SECTION 6 – Merit Rating Plan** remain unchanged

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

Proposed Effective December 1, 2017

INFORMATION PAGE through **Section 2– Definitions** remains unchanged.

**SECTION 2
CLASSIFICATIONS**

880 APARTMENT HOUSE or Condominium Complex Operation

Applies to an employer principally engaged in the operation or contract management of a building or buildings with multiple residential living units. Includes apartment houses, condominium complexes and cooperative buildings. A cooperative is a type of residential property where the resident owns shares in the corporation that owns the building and has the right to live in a specific unit but does not actually own the space.

OPERATIONS ALSO INCLUDED:

1. An association formed for residents of a building or buildings with multiple residential living units (e.g., a condominium association).

OPERATIONS NOT INCLUDED:

1. Assign Code 888 to an association responsible for the governance of a residential planned community consisting of single family dwellings. See Code 888 for further information.

UNDERWRITING GUIDE

Apartment House Or Condominium Complex Operation	Porters For Condominiums
Condominium Association	Residential House Rental
Condominiums - Including Resident Or On- Site Manager	
Cooperative Building Operation - For Residential Occupancy	

888 HOMEOWNERS ASSOCIATION

Applies to an association responsible for the governance of a residential planned community consisting of single family dwellings (e.g., detached houses or townhomes). Pursuant to Section 81-302 of the Delaware Uniform Common Interest Ownership Act (DUCIOA) of the Delaware Code, an association is empowered to regulate the use, maintenance, repair and modification of the common elements of the community. Code 888 applies but is not necessarily limited to association staff performing lawn maintenance, maintenance and repair of common elements e.g., streets and roads, and the operation and maintenance of amenities for residents of the community e.g., swimming pools, tennis courts, health or fitness facilities, and community centers or clubhouses.

OPERATIONS ALSO INCLUDED:

1. Security of the planned community by the Homeowners Association staff.
2. The operation of a mobile home park.

OPERATIONS NOT INCLUDED:

1. Assign the applicable restaurant classification to payroll developed in a physically separated and separately staffed prepared food and/or beverage service.
2. Assign Code 944 to payroll developed in the operation of a separately staffed golf course.
3. Assign Code 753 to payroll developed in the operation of a separately staffed sewage disposal plant and/or water supply system.
4. Assign Code 801 to payroll developed in the operation of a separately staffed horse stable.
5. Assign Code 716 to payroll developed in the operation of a separately staffed marina (State Act coverage only).

Delaware Compensation Rating Bureau Classification and Rating Committee
Homeowners' Association Study Report
RE: Manual Amendments

6. Assign Code 880 to an employer principally engaged in the operation or contract management of a building or buildings with multiple living units such as an apartment house, condominium complex or cooperative building and to an association established for the residents of such building or buildings.

UNDERWRITING GUIDE

Gated Community
Homeowners Association
Mobile Home Park
Residential Planned Community
Unit Owners Association (For a Residential Planned Community)

971 COMMERCIAL BUILDINGS

UNDERWRITING GUIDE

Arena Operation - Indoor – By Contractor Or Owner	Kitchen Equipment Exhaust Duct Cleaning - By Specialist Contractor
Building Cleaning - by Contractor Or Owner	Mobile Home Park Maintenance - By Contractor
Carpet And Rug Cleaning And Storage	Post Construction Clean-Up - New Homes - By Specialist Contractor
Carpet Cleaning On Customers' Premises	Power Washing Of Exterior Walls or Decks At Residential Or Commercial Sites – By Contractor
Civic Center - Operation By Specialist Contractor	Rug And Carpet Cleaning And Storage Storage - Self-Service
Cleaning Of Grease Exhaust, Air Conditioning, Heating And Ventilating Ducts - By Specialist Contractor	Sweeping Of Parking Lots - Shopping Areas And Similar Areas, By Specialty Contractor
Cleaning, Sanitizing Or Deodorizing Restrooms - By Contractor	Swimming Pool Cleaning Or Maintenance - By Specialty Contractor
Commercial Or Industrial Building Operation - By Owner, Lessee Or Real Estate Management Firm	Swimming Pool Liner Installation - Vinyl, By Swimming Pool Maintenance Contractor
Contractor For Commercial Building Cleaning	Termite Control - By Contractor
Duct Cleaning - Grease Exhaust, Air Conditioning, Heating, Ventilating - By Specialist Contractor	Truck Washing Service - Mobile
Exterminator	Upholstery Cleaning On Customers' Premises
Fire, Smoke And/Or Water Damage Clean-Up - By Contractor	Warehouse - Storage - Self-Service
Flea Market Or Swap Meet Operators	Window Cleaning
Floor Waxing Or Polishing - By Building Owner, Lessee, Management Agency Or Contractor	
Fumigating - Not Agricultural - By Contractor	
Janitor Contractor	

Delaware Compensation Rating Bureau Classification and Rating Committee
 Homeowners' Association Study Report
 RE: Manual Amendments

GENERAL AUDITING & CLASSIFICATION INFORMATION:
 EMPLOYMENT CONTRACTOR – TEMPORARY STAFFING

**TEMPORARY STAFFING
 CROSS-REFERENCE CHART**

946	947							949
940	0011	753	825	897	952	973	988	709
957	012	755	880	898	954	975	997	819
958	0013	757	882	899	963	976	999	903
959	141	759	884	936	964	977	7428	904
960	142	814	887	939	966	978		905
961	661	815	888	941	967	981		951
974	716	816	890	944	968	983		955
979	751	818	891	945	969	984		
	752	820	896	948	971	986		

SECTION 3 - Endorsements through **SECTION 6 – Merit Rating Plan** remain unchanged

CLASSIFICATION STUDY - DELAWARE
INDUSTRY GROUP:
3

CODE:
EXHIBIT 1: HOMEOWNERS ASSOCIATION

CLASS:
971

Manual Year	Payroll in Thous.	Total Rept Losses	Total Trans Losses	Pure Prem Reported	Claim Severity	Claim Frequency	Number of Cases		
							Death	P.T.	Temp
2009	301	0	0	0.000	0	0.000	0	0	0
2010	322	0	0	0.000	0	0.000	0	0	0
2011	343	1,529	1,858	0.446	0	0.000	0	0	0
2012	319	0	0	0.000	0	0.000	0	0	0
2013	356	543	597	0.153	0	0.000	0	0	0
TOTAL O.D.	1,641	2,072	2,455	0.126	0	0.000	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2009	0	0	0	0	0	0
2010	0	0	0	0	0	0
2011	0	0	0	0	0	1,529
2012	0	0	0	0	0	0
2013	0	0	0	0	0	543
TOTAL O.D.	0	0	0	0	0	2,072

TRANSLATED LOSSES

Manual Year	Indemnity			Medical		
	Death	P.T.	Temp	Major	Minor	Med. Only
2009	0	0	0	0	0	0
2010	0	0	0	0	0	0
2011	0	0	0	0	0	1,858
2012	0	0	0	0	0	0
2013	0	0	0	0	0	597
TOTAL O.D.	0	0	0	0	0	2,455

SERIOUS NON-SER MED ONLY TOTAL

TOTAL TRANSLATED LOSSES	0	0	2,455
IBNR + FREQ. ADJUSTMENT	(20,830)	(10,362)	23
TOTAL LOSSES	0	0	2,478

EXPECTED LOSSES CREDIBILITY

EXPECTED LOSSES	42,617	27,930	2,363
CREDIBILITY	0.00	0.01	0.01

PURE PREMIUMS

INDICATED (PRE-TEST)	0.000	0.000	0.151
INDICATED (POST-TEST)	0.000	0.000	0.175
PRES. ON RATE LEVEL	2.634	1.726	4.506
DERIVED BY FORMULA	2.634	1.709	4.489
UNDERLYING PRES. RATE	2.597	1.702	4.443
PROPOSED	2.634	1.709	4.489

YEAR	12-01-15	12-01-16	IND. RATE =	6.180
IND. RATE				6.18
MAN. RATE	5.79	6.18	ADJ. RATE =	6.18

CLASSIFICATION STUDY - DELAWARE
INDUSTRY GROUP:
3

CODE:
EXHIBIT 2: MOBILE HOME PARK

CLASS:
971

Manual Year	Payroll in Thous.	Total Rept Losses	Total Trans Losses	Pure Prem Reported	Claim Severity	Claim Frequency	Number of Cases			
							Death	P.T.	Minor	Temp
2009	3,243	3,456	4,258	0.107	0	0.000	0	0	0	0
2010	3,674	4,240	4,876	0.115	0	0.000	0	0	0	0
2011	3,279	756	1,823	0.023	756	0.305	0	0	0	1
2012	3,385	803	960	0.024	0	0.000	0	0	0	0
2013	3,533	2,184	2,402	0.062	0	0.000	0	0	0	0
TOTAL O.D.	17,114	11,439	14,319	0.067	756	0.058	0	0	0	1

REPORTED LOSSES

Manual Year	Indemnity				Medical			
	Death	P.T.	Minor	Temp	Major	P.T.	Minor	Temp
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	249	0	0	0	507
2012	0	0	0	0	0	0	0	803
2013	0	0	0	0	0	0	0	2,184
TOTAL O.D.	0	0	0	249	0	0	0	507

TRANSLATED LOSSES

Manual Year	Indemnity				Medical			
	Death	P.T.	Minor	Temp	Major	P.T.	Minor	Temp
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	1	82	618	89	1	83	897
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
TOTAL O.D.	0	1	82	618	89	1	83	897

SERIOUS NON-SER MED ONLY TOTAL

TOTAL TRANSLATED LOSSES	173	1,650	12,496
IBNR + FREQ. ADJUSTMENT	(217,124)	(108,758)	235
TOTAL LOSSES	0	0	12,731

EXPECTED LOSSES CREDIBILITY

EXPECTED LOSSES	444,451	291,280	24,644
CREDIBILITY	0.01	0.03	0.03

PURE PREMIUMS

INDICATED (PRE-TEST)	0.000	0.000	0.074
INDICATED (POST-TEST)	0.000	0.000	0.086
PRES. ON RATE LEVEL	2.634	1.726	4.506
DERIVED BY FORMULA	2.608	1.674	4.426
UNDERLYING PRES. RATE	2.597	1.702	4.443
PROPOSED	2.608	1.674	4.426

YEAR	12-01-15	12-01-16	IND. RATE =	6.094
IND. RATE				6.09
MAN. RATE	5.79	6.09	ADJ. RATE =	6.09

CLASSIFICATION STUDY - DELAWARE
INDUSTRY GROUP:
3

EXHIBIT 3: HOMEOWNERS ASSOCIATION AND MOBILE HOME PARK

CODE:

CLASS:
971

Manual Year	Payroll in Thous.	Total Rept Losses	Total Trans Losses	Pure Prem Reported	Claim Severity	Claim Frequency	Number of Cases			
							Death	P.T.	Minor	Temp
2009	3,544	3,456	4,258	0.098	0	0.000	0	0	0	0
2010	3,995	4,240	4,876	0.106	0	0.000	0	0	0	0
2011	3,622	2,285	3,681	0.063	756	0.276	0	0	0	1
2012	3,704	803	960	0.022	0	0.000	0	0	0	0
2013	3,890	2,727	3,000	0.070	0	0.000	0	0	0	0
TOTAL	18,755	13,511	16,775	0.072	756	0.053	0	0	0	1
O.D.	0	0	0.000				0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity				Medical			
	Death	P.T.	Minor	Temp	Major	P.T.	Minor	Temp
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	249	0	0	0	507
2012	0	0	0	0	0	0	0	803
2013	0	0	0	0	0	0	0	2,727
TOTAL	0	0	0	249	0	0	0	507
O.D.	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity				Medical			
	Death	P.T.	Minor	Temp	Major	P.T.	Minor	Temp
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	1	82	618	89	1	83	897
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
TOTAL	0	1	82	618	89	1	83	897
O.D.	0	0	0	0	0	0	0	0

SERIOUS NON-SER MED ONLY TOTAL

TOTAL TRANSLATED LOSSES	173	1,650	14,952
IBNR + FREQ. ADJUSTMENT	(237,954)	(119,118)	258
TOTAL LOSSES	0	0	15,210

EXPECTED LOSSES CREDIBILITY

EXPECTED LOSSES	487,067	319,210	27,007
CREDIBILITY	0.01	0.03	0.03

PURE PREMIUMS

INDICATED (PRE-TEST)	0.000	0.000	0.081
INDICATED (POST-TEST)	0.000	0.000	0.094
PRES. ON RATE LEVEL	2.634	1.726	4.506
DERIVED BY FORMULA	2.608	1.674	4.426
UNDERLYING PRES. RATE	2.597	1.702	4.443
PROPOSED	2.608	1.674	4.426

YEAR	12-01-15	12-01-16	IND. RATE =	6.094
IND. RATE		6.09		
MAN. RATE	5.79	6.09	ADJ. RATE =	6.09

CLASSIFICATION STUDY - DELAWARE
INDUSTRY GROUP:
3

CODE:

Exhibit 4 : Code 971 Class Book Page Minus
Homeowners' Associations and Mobile Home Parks

CLASS:
971

Manual Year	Payroll in Thous.	Total Rept Losses	Total Trans Losses	Pure Prem Reported	Claim Severity	Claim Frequency	Number of Cases			Temp	All	
							Death	P.T.	Major			Minor
2009	118,599	3,988,958	9,124,090	3,363	68,026	0.481	0	0	9	13	35	57
2010	115,720	1,967,777	4,344,522	1,700	33,706	0.467	0	0	2	16	36	54
2011	118,074	1,756,719	3,994,435	1,488	34,690	0.373	0	0	1	12	31	44
2012	122,879	1,615,741	4,441,899	1,315	31,988	0.366	0	0	2	9	34	45
2013	129,820	2,638,776	9,270,518	2,033	32,716	0.593	1	0	1	22	53	77
TOTAL	605,092	11,967,971	31,175,464	1,978	40,370	0.458	1	0	15	72	189	277
O.D.	0	0	0	0.000			0	0	0	0	0	0

REPORTED LOSSES

Manual Year	Indemnity			Medical			Temp	Med. Only
	Death	P.T.	Minor	Major	P.T.	Minor		
2009	0	0	287,114	1,226,849	0	416,492	361,124	111,475
2010	0	0	226,494	419,676	0	262,817	334,473	147,640
2011	0	0	296,575	93,005	0	243,191	369,158	230,339
2012	0	0	167,022	186,817	0	253,308	426,724	176,273
2013	3,500	0	421,362	155,917	0	118,632	979,390	119,641
TOTAL	3,500	0	1,398,567	2,082,264	0	1,727,994	2,470,869	785,368
O.D.	0	0	0	0	0	0	0	0

TRANSLATED LOSSES

Manual Year	Indemnity			Medical			Temp	Med. Only
	Death	P.T.	Minor	Major	P.T.	Minor		
2009	0	0	688,065	2,427,191	0	795,916	785,084	137,337
2010	0	13,016	521,158	911,896	8,500	531,149	627,747	169,786
2011	0	7,173	637,401	413,130	15,356	669,373	685,673	279,862
2012	0	27,186	413,032	882,868	20,873	465,059	649,837	210,823
2013	10,407	42,941	885,387	2,100,956	68,109	1,297,056	1,008,636	131,605
TOTAL	10,407	90,316	3,115,043	6,736,041	112,838	3,758,553	3,756,977	929,413
O.D.	0	0	0	0	0	0	0	0

SERIOUS NON-SER MED ONLY TOTAL

TOTAL TRANSLATED LOSSES	16,908,049	13,338,002	929,413
IBNR + FREQ. ADJUSTMENT	(7,698,145)	(3,829,268)	8,465
TOTAL LOSSES	9,209,904	9,508,734	937,878

EXPECTED LOSSES CREDIBILITY

EXPECTED LOSSES	15,714,239	10,298,666	871,332
CREDIBILITY	0.10	0.29	0.30

PURE PREMIUMS

INDICATED (PRE-TEST)	1.522	1.571	0.155	3.248
INDICATED (POST-TEST)	1.765	1.822	0.180	3.767
PRES. ON RATE LEVEL	2.634	1.726	0.146	4.506
DERIVED BY FORMULA	2.547	1.754	0.156	4.457
UNDERLYING PRES. RATE	2.597	1.702	0.144	4.443
PROPOSED	2.547	1.754	0.156	4.457

YEAR	12-01-15	12-01-16	IND. RATE =	6.136
IND. RATE				6.14
MAN. RATE	5.79	6.14	ADJ. RATE =	6.14



To: The Honorable Trinidad Navarro
 Delaware Insurance Commissioner

From: John Pedrick, Vice President – Actuarial Services
 Delaware Compensation Rating Bureau, Inc. (DCRB)

Date: May 3, 2017

Subject: DCRB Filing No 1611 - proposed rating values for Codes 888 and 971

This filing proposes to create a new classification, Code 888, Homeowners Association, for some of the employment activity currently reflected in Code 971, Commercial Buildings, with an effective of December 1, 2017. The table below provides the resulting rating values for these two codes, based on the explanation contained in the separate materials in the filing.

Code No.	Advisory Loss Cost	Assigned Risk Manual Rate	Assigned Risk Minimum Premium	Experience Rating Plan Expected Loss Factors			Hazard Group
				A-1	A-2	A-3	
888	4.41	6.27	1,955	1.35	1.74	1.90	C
971	4.23	6.01	1,890	1.30	1.67	1.82	C

The rating values for Code 971 are essentially the same as those currently in effect. The rating values for Code 888 are approximately 4.3 percent higher than those of Code 971. However, the DCRB plans to submit its annual Residual Market Rate and Voluntary Market Loss Cost filing in the coming months, with an effective date of December 1, 2017. Any rating values that result from the adjudication of the upcoming annual rate/loss cost filing will supersede the values shown above. As a result, the actual impact to risks to be classified in either Code 971 or Code 888 is not quantified at this time.