

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

The DCCPAP is used in Delaware 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 2014 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 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 2014 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.

DELAWARE CONSTRUCTION CLASSIFICATION
PREMIUM ADJUSTMENT PROGRAM (DCCPAP)
(continued)

Columns (8) and (9) - Non-DCCPAP Policy Premium: The Standard Premium attributable to policies which did not qualify for DCCPAP credit in 2014. 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. This is computed as $(\text{Column (6)} + \text{Column (8)}) / (\text{Column (7)} + \text{Column (9)})$.

Column (11) - Average DCCPAP Credit: For qualifying policies, the average credit given in 2014. For example, an average credit of 0.1883 indicates that the average qualifying risk in Code 601 received an 18.69 percent reduction in standard premium by operation of the DCCPAP plan's tabular credit. This is computed as $(1.00 - (\text{Column (7)} / \text{Column (6)}))$.

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 140 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 6.41 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 the derivation of the minimum eligibility wage for 6/1/18 based on changes in the statewide average weekly wage (SAWW). Those changes are expressed relative to the January 1, 1998 Table. Note that the calculations assume an **effective date of June 1, 2018** for the proposed table. **Please note that the proposed (effective 6/1/18) minimum eligibility wage has decreased from \$19.75 to \$19.40. Staff is therefore proposing a decrease to the wage table.**

Page 14.4 shows the current and proposed Wage Tables.

DCCPAP Manual Rate Surcharges
 For Policy Effective Dates 01/01/14 Through 12/31/14

100% Credibility = 150 Policies
 Partial Credibility = # of Policies / 150

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	41	15	25,002,932	9,596,057	873,020	708,647	1,044,364	1,044,364	1.0938	0.1883	0.27	1.0721	1.0710
602	21	13	10,668,470	6,058,477	459,298	379,324	269,224	269,224	1.1233	0.1741	0.14	1.0724	1.0713
603	33	16	5,256,157	2,469,691	226,937	195,326	245,337	245,337	1.0717	0.1393	0.22	1.0658	1.0647
605	7	1	538,358	328,043	26,159	24,066	17,512	17,512	1.0503	0.0800	0.05	1.0634	1.0623
607	26	1	2,361,370	15,286	1,507	1,146	169,601	169,601	1.0021	0.2395	0.17	1.0536	1.0525
608	201	61	42,800,659	25,572,709	1,550,981	1,304,730	1,058,324	1,058,324	1.1042	0.1588	1.00	1.1042	1.1031
609	162	39	51,257,880	20,693,875	1,075,898	937,005	1,600,568	1,600,568	1.0547	0.1291	1.00	1.0547	1.0536
611	5	2	356,557	92,918	9,692	8,761	25,388	25,388	1.0273	0.0961	0.03	1.0630	1.0619
615	0	0	0	0	0	0	0	0	1.0000	N/A	0.00	1.0641	1.0641
617	31	13	9,927,978	6,547,252	359,929	317,225	218,958	218,958	1.0796	0.1186	0.21	1.0674	1.0663
625	18	3	3,519,362	98,672	6,622	5,229	263,781	263,781	1.0052	0.2104	0.12	1.0570	1.0559
643	12	2	3,025,704	585,127	83,269	74,632	237,921	237,921	1.0276	0.1037	0.08	1.0612	1.0601
645	107	18	15,375,407	7,782,599	504,849	420,436	521,902	521,902	1.0896	0.1672	0.71	1.0822	1.0811
646	45	3	4,807,249	852,447	46,567	35,621	259,322	259,322	1.0371	0.2351	0.30	1.0560	1.0549
647	25	2	5,251,325	18,803	1,421	1,150	577,165	577,165	1.0005	0.1907	0.17	1.0533	1.0522
648	144	12	13,110,824	1,498,251	90,335	78,920	650,461	650,461	1.0157	0.1264	0.96	1.0176	1.0166
649	35	16	6,053,634	3,893,637	145,470	117,358	78,286	78,286	1.1437	0.1932	0.23	1.0824	1.0813
651	215	47	34,369,353	15,913,252	943,940	797,075	1,236,258	1,236,258	1.0722	0.1556	1.00	1.0722	1.0711
652	424	29	32,874,173	5,843,045	546,093	472,906	2,550,542	2,550,542	1.0242	0.1340	1.00	1.0242	1.0231
653	155	16	18,969,904	4,144,647	309,406	273,022	1,139,061	1,139,061	1.0258	0.1176	1.00	1.0258	1.0247
654	65	17	12,239,110	5,441,084	561,362	441,587	456,053	456,053	1.1334	0.2134	0.43	1.0939	1.0928
655	36	11	6,958,486	1,926,957	286,932	233,790	747,470	747,470	1.0542	0.1852	0.24	1.0617	1.0606
656	20	0	5,844,133	0	0	0	336,279	336,279	1.0000	N/A	0.13	1.0558	1.0641
657	4	0	165,061	0	0	0	15,949	15,949	1.0000	N/A	0.03	1.0622	1.0641
658	46	9	5,003,591	1,554,278	175,224	155,867	312,876	312,876	1.0413	0.1105	0.31	1.0570	1.0559
659	54	6	6,009,772	1,559,984	341,535	317,634	807,622	807,622	1.0212	0.0700	0.36	1.0487	1.0476
661	307	46	93,881,372	41,053,733	1,071,822	864,807	1,555,971	1,555,971	1.0855	0.1931	1.00	1.0855	1.0844
663	287	47	90,195,367	24,402,016	1,118,878	897,895	3,180,084	3,180,084	1.0542	0.1975	1.00	1.0542	1.0531
664	242	60	84,984,186	50,489,868	2,672,752	2,162,340	1,729,356	1,729,356	1.1312	0.1910	1.00	1.1312	1.1300
665	144	13	17,759,023	3,875,332	319,467	267,737	1,208,626	1,208,626	1.0350	0.1619	0.96	1.0362	1.0351
666	35	2	2,969,227	542,856	37,302	30,837	172,002	172,002	1.0319	0.1733	0.23	1.0567	1.0556
667	22	1	2,471,054	803,371	13,969	11,734	32,479	32,479	1.0506	0.1600	0.15	1.0621	1.0610
668	49	6	3,264,549	710,418	40,831	31,007	173,492	173,492	1.0480	0.2406	0.33	1.0588	1.0577
669	6	3	648,227	604,405	44,599	39,060	3,182	3,182	1.1311	0.1242	0.04	1.0668	1.0657
674	16	0	1,235,736	0	0	0	76,099	76,099	1.0000	N/A	0.11	1.0570	1.0641
675	185	16	57,247,625	7,493,904	354,895	290,502	2,210,938	2,210,938	1.0257	0.1814	1.00	1.0257	1.0246
676	37	8	5,593,235	2,742,382	162,285	138,623	155,948	155,948	1.0803	0.1458	0.25	1.0682	1.0671
677	8	0	18,841,956	0	0	0	469,270	469,270	1.0000	N/A	0.05	1.0609	1.0641
Total	3,270	554	700,839,006	255,205,376	14,463,246	12,035,999	25,807,671	25,807,671	1.0641	0.1678		1.0652	1.0642

Note: For each Class,

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

Test Correction Factor = 0.99897

Basis of Credibility: 1 / ((# DCCPAP Policies)/(# Total Policies)) * 25 = 150 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.
2017 RESIDUAL MARKET AND LOSS COST FILING
DELAWARE CONSTRUCTION CLASS PREMIUM ADJUSTMENT PROGRAM
SURCHARGES BY CLASS CODE

Class	Current Surcharge	Proposed Surcharge	Percentage Change
601	1.0776	1.0710	-0.6%
602	1.0839	1.0713	-1.2%
603	1.0813	1.0647	-1.5%
605	1.0691	1.0623	-0.6%
607	1.0568	1.0525	-0.4%
608	1.0859	1.1031	1.6%
609	1.0671	1.0536	-1.3%
611	1.0661	1.0619	-0.4%
615	1.0695	1.0641	-0.5%
617	1.0707	1.0663	-0.4%
625	1.0617	1.0559	-0.5%
643	1.0647	1.0601	-0.4%
645	1.0873	1.0811	-0.6%
646	1.0573	1.0549	-0.2%
647	1.0550	1.0522	-0.3%
648	1.0191	1.0166	-0.2%
649	1.0929	1.0813	-1.1%
651	1.0584	1.0711	1.2%
652	1.0271	1.0231	-0.4%
653	1.0593	1.0247	-3.3%
654	1.0839	1.0928	0.8%
655	1.0681	1.0606	-0.7%
656	1.0695	1.0641	-0.5%
657	1.0695	1.0641	-0.5%
658	1.0592	1.0559	-0.3%
659	1.0473	1.0476	0.0%
661	1.0933	1.0844	-0.8%
663	1.0824	1.0531	-2.7%
664	1.1292	1.1300	0.1%
665	1.0459	1.0351	-1.0%
666	1.0607	1.0556	-0.5%
667	1.0726	1.0610	-1.1%
668	1.0627	1.0577	-0.5%
669	1.0693	1.0657	-0.3%
674	1.0695	1.0641	-0.5%
675	1.0044	1.0246	2.0%
676	1.0610	1.0671	0.6%
677	1.0612	1.0641	0.3%
Total	1.0697	1.0642	-0.5%

DELAWARE COMPENSATION RATING BUREAU, INC.

DERIVATION OF PROPOSED REVISION TO DCCPAP WAGE TABLE

Test for "Premium Reversals"

Minimum Wage (1)	Maximum Wage (2)	Average Wage (3)	DCCPAP Credit (4)	Effective Wage (3)x(1.0-(4)) (5)	Ratio (5)/Prior (5) (6)
\$0.00	\$19.39	(a)			
\$19.40	\$19.80	19.600	0.05	18.6200	
\$19.81	\$20.25	20.030	0.06	18.8282	1.01118
\$20.26	\$20.70	20.480	0.07	19.0464	1.01159
\$20.71	\$21.15	20.930	0.08	19.2556	1.01098
\$21.16	\$21.60	21.380	0.09	19.4558	1.01040
\$21.61	\$22.05	21.830	0.10	19.6470	1.00983
\$22.06	\$22.55	22.305	0.11	19.8515	1.01041
\$22.56	\$23.05	22.805	0.12	20.0684	1.01093
\$23.06	\$23.55	23.305	0.13	20.2754	1.01031
\$23.56	\$24.10	23.830	0.14	20.4938	1.01077
\$24.11	\$24.65	24.380	0.15	20.7230	1.01118
\$24.66	\$25.20	24.930	0.16	20.9412	1.01053
\$25.21	\$25.75	25.480	0.17	21.1484	1.00989
\$25.76	\$26.35	26.055	0.18	21.3651	1.01025
\$26.36	\$26.95	26.655	0.19	21.5906	1.01055
\$26.96	\$27.60	27.280	0.20	21.8240	1.01081
\$27.61	\$28.25	27.930	0.21	22.0647	1.01103
\$28.26	\$28.95	28.605	0.22	22.3119	1.01120
\$28.96	\$29.65	29.305	0.23	22.5649	1.01134
\$29.66	\$30.35	30.005	0.24	22.8038	1.01059
\$30.36			0.25		

(a) 1/1/98 entry point multiplied by change in Statewide Average Weekly Wage (estimated).

(1) SAWW based on 1/1/97 - 12/31/97	616.67
(2) SAWW based on 6/1/17 - 5/31/18	1,039.54 (estimated)
(3) Change (2) / (1)	1.6857
(4) 1/1/98 Minimum Eligibility Wage	11.50
(5) 6/1/18 Minimum Eligibility Wage (3) x (4)	19.40 (rounded to .05)

Note: Premium Reversals Would Occur if Effective Wage for any Given Average Wage is LOWER than Effective Wage for any Lower Average Wage(s)

DELAWARE COMPENSATION RATING BUREAU, INC.

COMPARISON OF CURRENT AND PROPOSED WAGE TABLES

DCCPAP Credit	Current Table Effective 6/1/17		Change from Lower Level	Proposed Table Effective 6/1/18		Change from Lower Level
0%	19.74 or less			19.39 or less		
5%	19.75	20.15	0.41	19.40	19.80	0.41
6%	20.16	20.60	0.45	19.81	20.25	0.45
7%	20.61	21.05	0.45	20.26	20.70	0.45
8%	21.06	21.50	0.45	20.71	21.15	0.45
9%	21.51	22.00	0.50	21.16	21.60	0.45
10%	22.01	22.50	0.50	21.61	22.05	0.45
11%	22.51	23.00	0.50	22.06	22.55	0.50
12%	23.01	23.55	0.55	22.56	23.05	0.50
13%	23.56	24.10	0.55	23.06	23.55	0.50
14%	24.11	24.65	0.55	23.56	24.10	0.55
15%	24.66	25.25	0.60	24.11	24.65	0.55
16%	25.26	25.85	0.60	24.66	25.20	0.55
17%	25.86	26.45	0.60	25.21	25.75	0.55
18%	26.46	27.10	0.65	25.76	26.35	0.60
19%	27.11	27.75	0.65	26.36	26.95	0.60
20%	27.76	28.40	0.65	26.96	27.60	0.65
21%	28.41	29.10	0.70	27.61	28.25	0.65
22%	29.11	29.80	0.70	28.26	28.95	0.70
23%	29.81	30.50	0.70	28.96	29.65	0.70
24%	30.51	31.25	0.75	29.66	30.35	0.70
25%	Over 31.25			Over 30.35		