



November 17, 2017

DCRB CIRCULAR NO. 940

To All Members of the DCRB:

Re: APPROVAL OF DCRB FILING NO. 1706
REVISIONS TO DESIGNATED AUDITABLE PAYROLLS
BASIC MANUAL - SECTION 1
EFFECTIVE DECEMBER 1, 2017

DCRB's filing to revise the designated auditable weekly and annual payrolls for policies effective on or after 12:01 a.m., December 1, 2017 was approved by the Delaware Insurance Commissioner. The effective date of these changes are concurrent with DCRB's normal annual loss cost revision filing, which was filed with the Commissioner on August 4, 2017 (refer to DCRB Circular No. 935) and approved as amended per DCRB Circular No. 938. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems.

The Basic Manual designates the following auditable payrolls:

- Weekly minimum and maximum corporate officer payrolls
- Weekly maximum musicians' or entertainers' payrolls

The revisions to these designated payrolls are a function of Delaware's Statewide Average Weekly Wage (SAWW) effective July 1, 2017 (\$1,030.49 – a decrease of .36% versus the July 1, 2016 SAWW of \$1,034.18).

As background, at the September 18, 2013 joint meeting of the DCRB's Actuarial and Classification and Rating Committees an National Council on Compensation Insurance, Inc. (NCCI) proposal was reviewed which revised 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 rounded to the nearest \$50. The new NCCI formula proposed an incremental increase in the corporate officer weekly minimum auditable payroll until the value reached one hundred percent of SAWW. After discussion, the Committees agreed that the appropriate incremental increase was ten percent per year rounded to the nearest \$50, until such reaches one hundred percent of SAWW.

Accordingly, for December 1, 2013, December 1, 2014, December 1, 2015 and December 1, 2016 the minimum auditable payrolls for corporate officers were filed (and approved by the Commissioner) at sixty, seventy, eighty, and ninety percent, respectively, of SAWW rounded to the nearest \$50. Effective December 1, 2017, DCRB proposed that the corporate officer weekly auditable payroll amount be equal to one hundred percent of SAWW and that concurrently the practice of rounding the proposed corporate office weekly minimum auditable payroll to the nearest \$50 be discontinued.

DCRB continues to use the formula reviewed and approved by the Committee in the early 1980s for calculating the maximum auditable corporate officer payroll. That formula remains at 2.5 times SAWW.

This filing also continues the practice of revising the maximum auditable payroll for musicians or entertainers who are not independent contractors. DCRB proposes, effective December 1, 2017 this designated payroll be set at 72.8 percent of SAWW. Concurrent with the December 1, 2018 comprehensive loss cost and residual market rate filing, DCRB plans to complete the phasing of this designated payroll to one hundred percent of SAWW.

In summary, this results in the following revisions:

- The corporate officer minimum is revised from \$950 per week to \$1,030 per week.
- The corporate officer maximum is revised from \$2,600 per week to \$2,575 per week.
- The maximum auditable payroll for musicians or entertainers is revised from \$500 per week to \$750 per week.

Please refer to DCRB Filing No. 1706, posted under the "Filings" tab of DCRB's website (<http://www.dcrb.com>) for additional details regarding these revisions. Please contact Robert Ferrante, Senior Classification Analyst – Technical Services, at (215) 320-4584 or at rferrante@dcrb.com for any questions regarding this circular. The Basic Manual will be updated on DCRB's website at a later date.

William V. Taylor
President

**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 remains unchanged.

PREFACE remains unchanged.

MEMBERSHIP remains unchanged.

SECTION 1 – Underwriting Rules

RULE V – PREMIUM BASIS

B. REMUNERATION

No Change for Item 1

2. INCLUSIONS

Remuneration includes:

No Changes for Items a. through m.

- n. Musicians or entertainers who are not independent contractors shall be included in computation of premiums of hotels or restaurants **(maximum of \$750 per week for each musician or entertainer);**

No Changes for Items o through t.

No Changes for Items 3 through 5

RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

A. EXECUTIVE OFFICERS

No Changes for Items 1 through 4

5. Premium Determination

Premium for executivesubject to the following:

- a. No change.
- b. The minimum individual payroll for an executive office is \$1030 per week.
- c. The maximum individual payroll for an executive officer is \$2575 per week.
- d. No change.
- e. No change.

No Changes for Items 6 through 8

SECTION 1 – Appeals Procedure through **SECTION 6 – Merit Rating Plan** remain unchanged