



March 23, 2004

BUREAU CIRCULAR NO. 779

To All Members of the Bureau:

Re: **MANUAL REVISIONS – SECTIONS 1 AND 7**

BUREAU FILING NO. 0402

EFFECTIVE JUNE 1, 2004

- 1) **Section 1, Rule IX, G. Delaware Construction Classification Premium Adjustment Program**
- 2) **Section 1, Rule VII, C. Large Construction Projects – Wrap-Up**
- 3) **Section 7, Section III, Rule 7. Combination of Entities**

The Delaware Compensation Rating Bureau, Inc. has filed and the Insurance Commissioner has approved Manual revisions to Sections 1 and 7 pertaining to changes in classification rules in Delaware. These revisions become **effective as of 12:01 a.m., June 1, 2004** with respect to new and renewal business only.

The revisions, as referenced above, are discussed below.

1) Section 1, Rule IX, G. Delaware Construction Classification Premium Adjustment Program

The Delaware Construction Classification Premium Adjustment Program (DCCPAP), originally approved effective July 1, 1990, contained wording that has on occasion precipitated problems that the Bureau felt could be alleviated by a wording change. The revised wording is shown below with deleted wording bracketed and new wording underlined.

SECTION 1

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

G. DELAWARE CONSTRUCTION CLASSIFICATION PREMIUM ADJUSTMENT PROGRAM

1. Program Description

The credit authorized by the Delaware Compensation Rating Bureau, Inc. shall appear on [I]tem 4 of the [P]olicy. If the credit applicable to the policy is not available at the time of [the] policy issuance, the carrier shall endorse the policy to provide [this]the appropriate credit information once a qualifying application has been processed and the Bureau has notified the carrier of the credit determined on the basis of such application.

Report Delaware Construction.....

adjustment credit.

2) Section 1, Rule VII, C. Large Construction Projects – Wrap-Up

This wording revision was prompted by an employer inquiry regarding the inclusion of loss experience in the calculation of their experience rating from a Wrap-Up policy, noting that this was not addressed in the above referenced rule. To clarify the intent of this rule, the wording shown below has been added:

SECTION 1

RULE VII – PREMIUM DISCOUNT

Item 4 of the Information Page

**C. LARGE CONSTRUCTION PROJECTS
(Wrap-Up)**

The first step..... following conditions.

7. Bureau Notification

The Bureau must be notified of the method by which the wrap-up policies will be identified.

8. Separate Policy Requirement

A separate policy is required for each entity included in the wrap-up plan and each policy is subject to that entity's own experience rating modification.

9. Experience Modifications

The experience developed by each entity in the combinations will be used in calculating the future experience of the entity. There will be no experience rating for the project as a unit.

3) Section 7, Section III, Rule 7. Combination of Entities

This is a "housekeeping" change to Rule 7, intended to correct the reference to Rule 8. Combination of Entities approved in the original filing, as approved effective July 1, 1999, which should, in fact, have been Rule 7.

SECTION 7 – MERIT RATING PLAN

SECTION III – GENERAL PROVISIONS

COMBINATIONS OR CHANGES OF STATUS

7. Combination of Entities

- b) Affiliates which are not required to be combined under Rule [8]7. (a) may be combined upon the mutual agreement of the risk and the carrier(s) involved. If such combination is agreed to, insurance may be provided either by a single policy insuring all affiliates or by separate policies for each affiliate issued by one or more insurance carriers. In the latter case the Merit Rating Plan adjustment established for the entire risk shall apply on each policy to each affiliate. If all affiliates are not combined, then each affiliate not otherwise

subject to Rule [8]7. (a) shall be insured under a separate policy and merit-rated based on its own experience, providing it meets the qualification for merit rating as specified in Rule 1 of this section.

- c) When one or more mandatory combinations of affiliates under Rule [8]7. (a) exist, insurance for each such combination may be provided by a single policy. Each mandatory combination and any other affiliates which are not required to be a part of any mandatory combination pursuant to Rule [8]7. (a) may be separately merit-rated and separately insured. Exception: If any one or more affiliates not required to be combined under Rule [8]7. (a) or mandatory combinations voluntarily choose to be insured under a single policy, then all affiliates shall be insured under a single policy and the Merit Rating Plan adjustment established for the entire risk shall apply to each affiliate.

Example

Five legal entitiesthrough ownership.

By Rule [8]7. (a) Company A and Company B must be combined for merit rating and must be covered by a single policy. Similarly, by Rule [8]7. (a) Company C and Company D must be combined for merit rating and must be covered by a single policy. Company E may be separately merit-rated and covered by a separate policy.

Balance of section remains unchanged.

These Manual revisions will be updated on our website (www.dcrb.com) at a later date.

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President

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Remember to visit our web site at www.dcrb.com for more information about this and other topics.