

DELAWARE COMPENSATION RATING BUREAU, INC.

Tax Multiplier

**CALCULATION OF TAX MULTIPLIER FOR USE IN RETROSPECTIVE RATING PLANS  
(O/T U.S.L. & H.W. Act Coverages)**

**Expense Provisions for O/T U.S.L. & H.W. Classes**

Losses	64.48
Loss Adjustment Expense	9.92
Loss & Loss Adjustment	74.40
Premium Discount	8.25
Acquisition	8.61
General Expenses	3.03
Profit and Contingencies	(4.65)
Taxes	2.38
Uncollectible Premium	2.50
Workers' Compensation Fund	3.00
Administrative Assessment	2.48
	25.60

If

- T = Tax multiplier
- E = Expense provision in rates (General, Acquisition, and Profit), less premium discount
- L = Loss provision in rates
- C = Loss conversion factor
- B = Assessments made on premiums
- A = Assessments made on losses (adjusted so as not to collect profit and general expense dollars on the extra premium generated by the assessments)

Using average discount (Schedule Y) this yields:

$$E = (0.0126) = \frac{ACQ}{0.0861} + \frac{GEN}{0.0303} + \frac{PROFIT}{(0.0465)} - \frac{PREM DISC}{0.0825}$$

$$A = 0.0399 = 0.0385 \times \frac{1 - 0.0126 - 0.0788}{1 - 0.0194 - 0.0788}$$

Then

$$T = \frac{E + L(1 + C + A)}{E + L(1 + C)} \times \frac{1}{1 - B - S}$$

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0061$$

$$T = \frac{-0.0126 + 0.6448(1 + 0.1538 + 0.0399)}{-0.0126 + 0.6448(1 + 0.1538)} \times \frac{1}{1 - 0.0788 - 0.0061} = 1.1312$$