

DELAWARE COMPENSATION RATING BUREAU, INC.
F CLASS FILING

Tax Multiplier

Enclosed is a calculation of the tax multiplier for use in retrospective rating associated with F Class coverages.

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

Expense Provisions for U.S.L. & H.W. Classes

Losses	57.00
Loss Adjustment Expense	8.77
Loss & Loss Adjustment	<u>65.77</u>
Premium Discount	8.25
Acquisition	8.41
General Expenses	2.79
Profit and Contingencies	(1.64)
Taxes	2.38
Uncollectible Premium	2.50
Federal Assessment	<u>11.54</u>
	34.23

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:

$$E = 0.0131 = 0.0841 + 0.0279 + (0.0164) - 0.0825$$

$$A = 0.2033 = 0.2024 \times \frac{1 - 0.0131 - 0.0488}{1 - 0.0174 - 0.0488}$$

Then

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

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

$$T = \frac{0.0131 + 0.5700(1 + 0.1538 + 0.2033)}{0.0131 + 0.5700(1 + 0.1538)} \times \frac{1}{1 - 0.0488 - 0.0061} = 1.2409$$