

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	60.20
Loss Adjustment Expense	<u>12.56</u>
Loss & Loss Adjustment	72.76
Premium Discount	8.38
Acquisition	7.77
General Expenses	3.26
Profit and Contingencies	(0.27)
Taxes	2.33
Uncollectible Premium	1.10
Federal Assessment	<u>4.67</u>
	27.24

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:

$$E = 0.0238 = \frac{ACQ}{0.0777} + \frac{GEN}{0.0326} + \frac{PROFIT}{(0.0027)} - \frac{PREM DISC}{0.0838}$$

$$A = 0.0764 = 0.0775 \times \frac{1 - 0.0238 - 0.0343}{1 - 0.0099 - 0.0343}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0255$$

$$T = \frac{0.0238 + 0.6020(1 + 0.2087 + 0.0764)}{0.0238 + 0.6020(1 + 0.2087)} \times \frac{1}{1 - 0.0343 - 0.0255} = 1.1287$$