

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	58.90
Loss Adjustment Expense	12.80
Loss & Loss Adjustment	71.70
Premium Discount	8.64
Acquisition	7.81
General Expenses	3.50
Profit and Contingencies	(0.30)
Taxes	2.33
Uncollectible Premium	1.45
Workers' Compensation Fund	2.00
Administrative Assessment	2.87
	28.30

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:

$$E = 0.0237 = \frac{ACQ}{0.0781} + \frac{GEN}{0.0350} + \frac{PROFIT}{(0.0030)} - \frac{PREM DISC}{0.0864}$$

$$A = 0.0479 = 0.0487 \times \frac{1 - 0.0237 - 0.0578}{1 - 0.0087 - 0.0578}$$

Then

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

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

$$T = \frac{0.0237 + 0.5890(1 + 0.2174 + 0.0479)}{0.0237 + 0.5890(1 + 0.2174)} \times \frac{1}{1 - 0.0578 - 0.0255} = 1.1324$$