

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	61.21
Loss Adjustment Expense	<u>9.54</u>
Loss & Loss Adjustment	70.75
Premium Discount	10.42
Acquisition	8.97
General Expenses	3.83
Profit and Contingencies	(3.57)
Taxes	2.38
Workers' Compensation Fund	4.50
Administrative Assessment	<u>2.72</u>
	29.25

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:

$$E = (0.0119) = 0.0897 + 0.0383 + (0.0357) - 0.1042$$

$$A = 0.0457 = 0.0445 \times \frac{1 - 0.0119 - 0.0688}{1 - 0.0134 - 0.0688}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0227$$

$$T = \frac{-0.0119 + 0.6121(1 + 0.1559 + 0.0457)}{-0.0119 + 0.6121(1 + 0.1559)} \times \frac{1}{1 - 0.0688 - 0.0227} = 1.1450$$