

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	57.50
Loss Adjustment Expense	13.78
Loss & Loss Adjustment	71.28
Premium Discount	8.63
Acquisition	7.57
General Expenses	3.16
Profit and Contingencies	0.20
Taxes	2.33
Uncollectible Premium	2.00
Workers' Compensation Fund	2.00
Administrative Assessment	2.83
	28.72

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:

$$E = 0.0230 = \frac{ACQ}{0.0757} + \frac{GEN}{0.0316} + \frac{PROFIT}{0.0020} - \frac{PREM DISC}{0.0863}$$

$$A = 0.0484 = 0.0493 \times \frac{1 - 0.0230 - 0.0633}{1 - 0.0062 - 0.0633}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0162$$

$$T = \frac{0.0230 + 0.5750(1 + 0.2396 + 0.0484)}{0.0230 + 0.5750(1 + 0.2396)} \times \frac{1}{1 - 0.0633 - 0.0162} = 1.1275$$