

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	54.43
Loss Adjustment Expense	14.23
Loss & Loss Adjustment	68.66
Premium Discount	8.59
Acquisition	7.49
General Expenses	2.84
Profit and Contingencies	2.60
Taxes	2.32
Uncollectible Premium	2.30
Workers' Compensation Fund	2.00
Administrative Assessment	3.20
	31.34

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:

$$E = 0.0434 = \frac{ACQ}{0.0749} + \frac{GEN}{0.0284} + \frac{PROFIT}{0.0260} - \frac{PREM DISC}{0.0859}$$

$$A = 0.0564 = 0.0588 \times \frac{1 - 0.0434 - 0.0662}{1 - 0.0058 - 0.0662}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0121$$

$$T = \frac{0.0434 + 0.5443(1 + 0.2614 + 0.0564)}{0.0434 + 0.5443(1 + 0.2614)} \times \frac{1}{1 - 0.0662 - 0.0121} = 1.1306$$