

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	56.35
Loss Adjustment Expense	13.25
Loss & Loss Adjustment	69.60
Premium Discount	8.59
Acquisition	7.49
General Expenses	2.84
Profit and Contingencies	2.69
Taxes	2.32
Uncollectible Premium	2.30
Federal Assessment	4.17
	30.40

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:

$$E = 0.0443 = \text{ACQ } 0.0749 + \text{GEN } 0.0284 + \text{PROFIT } 0.0269 - \text{PREM DISC } 0.0859$$

$$A = 0.0710 = 0.0740 \times \frac{1 - 0.0443 - 0.0462}{1 - 0.0058 - 0.0462}$$

Then

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

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

$$T = \frac{0.0443 + 0.5635(1 + 0.2351 + 0.0710)}{0.0443 + 0.5635(1 + 0.2351)} \times \frac{1}{1 - 0.0462 - 0.0121} = 1.1193$$