

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	60.26
Loss Adjustment Expense	16.25
Loss & Loss Adjustment	<u>76.51</u>
Premium Discount	7.55
Acquisition	5.53
General Expenses	2.51
Profit and Contingencies	(2.66)
Taxes	2.30
Uncollectible Premium	3.21
Federal Assessment	4.45
	<u>22.89</u>

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:

$$E = (0.0217) = \frac{ACQ}{0.0553} + \frac{GEN}{0.0251} + \frac{PROFIT}{(0.0266)} - \frac{PREM DISC}{0.0755}$$

$$A = 0.0751 = 0.0738 \times \frac{1 - 0.0217 - 0.0551}{1 - 0.0055 - 0.0551}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0071$$

$$T = \frac{-0.0217 + 0.6026(1 + 0.2696 + 0.0751)}{-0.0217 + 0.6026(1 + 0.2696)} \times \frac{1}{1 - 0.0551 - 0.0071} = 1.1312$$