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	61.22
Loss Adjustment Expense	15.43
Loss & Loss Adjustment	76.65
Premium Discount	7.46
Acquisition	7.14
General Expenses	2.63
Profit and Contingencies	(3.90)
Taxes	2.29
Uncollectible Premium	4.39
Federal Assessment	2.74
	22.75

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:

$$E = (0.0159) = \underset{\text{ACQ}}{0.0714} + \underset{\text{GEN}}{0.0263} + \underset{\text{PROFIT}}{(0.0390)} - \underset{\text{PREM DISC}}{0.0746}$$

$$A = 0.0462 = 0.0448 \times \frac{1 - -0.0159 - 0.0668}{1 - 0.0119 - 0.0668}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0096$$

$$T = \frac{-0.0159 + 0.6122\,(1 + 0.2520 + 0.0462)}{-0.0159 + 0.6122\,(1 + 0.2520)} \times \frac{1}{1 - 0.0668 - 0.0096} = 1.1235$$