

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	57.23
Loss Adjustment Expense	<u>10.72</u>
Loss & Loss Adjustment	67.95
Premium Discount	8.77
Acquisition	7.11
General Expenses	2.76
Profit and Contingencies	1.75
Taxes	2.37
Uncollectible Premium	2.00
Workers' Compensation Fund	4.50
Administrative Assessment	<u>2.47</u>
	31.73

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:

$$E = 0.0285 = 0.0711 + 0.0276 + 0.0175 - 0.0877$$

$$A = 0.0418 = 0.0431 \times \frac{1 - 0.0285 - 0.0887}{1 - 0.0007 - 0.0887}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0007$$

$$T = \frac{0.0285 + 0.5723(1 + 0.1929 + 0.0418)}{0.0285 + 0.5723(1 + 0.1929)} \times \frac{1}{1 - 0.0887 - 0.0007} = 1.1351$$