

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	58.54
Loss Adjustment Expense	11.55
Loss & Loss Adjustment	70.09
Premium Discount	8.86
Acquisition	8.25
General Expenses	3.11
Profit and Contingencies	(0.47)
Taxes	2.36
Uncollectible Premium	1.00
Workers' Compensation Fund	4.50
Administrative Assessment	2.30
	29.91

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:

$$E = 0.0203 = 0.0825 \text{ (ACQ)} + 0.0311 \text{ (GEN)} + (0.0047) \text{ (PROFIT)} - 0.0886 \text{ (PREM DISC)}$$

$$A = 0.0388 = 0.0392 \times \frac{1 - 0.0203 - 0.0786}{1 - 0.0115 - 0.0786}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0151$$

$$T = \frac{0.0203 + 0.5854(1 + 0.1972 + 0.0388)}{0.0203 + 0.5854(1 + 0.1972)} \times \frac{1}{1 - 0.0786 - 0.0151} = 1.1381$$