

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	57.34
Loss Adjustment Expense	11.46
Loss & Loss Adjustment	68.80
Premium Discount	8.95
Acquisition	8.88
General Expenses	3.20
Profit and Contingencies	1.82
Taxes	2.33
Uncollectible Premium	0.80
Workers' Compensation Fund	3.00
Administrative Assessment	2.22
	31.20

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:

$$E = 0.0495 = \frac{ACQ}{0.0888} + \frac{GEN}{0.0320} + \frac{PROFIT}{0.0182} - \frac{PREM DISC}{0.0895}$$

$$A = 0.0374 = 0.0388 \times \frac{1 - 0.0495 - 0.0613}{1 - 0.0173 - 0.0613}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0306$$

$$T = \frac{0.0495 + 0.5734(1 + 0.1998 + 0.0374)}{0.0495 + 0.5734(1 + 0.1998)} \times \frac{1}{1 - 0.0613 - 0.0306} = 1.1332$$