

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	56.50
Loss Adjustment Expense	11.59
Loss & Loss Adjustment	68.09
Premium Discount	8.62
Acquisition	8.12
General Expenses	3.63
Profit and Contingencies	4.00
Taxes	2.32
Uncollectible Premium	1.32
Workers' Compensation Fund	2.00
Administrative Assessment	1.90
	31.91

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:

$$E = 0.0713 = \frac{ACQ}{0.0812} + \frac{GEN}{0.0363} + \frac{PROFIT}{0.0400} - \frac{PREM DISC}{0.0862}$$

$$A = 0.0315 = 0.0337 \times \frac{1 - 0.0713 - 0.0564}{1 - 0.0118 - 0.0564}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0333$$

$$T = \frac{0.0713 + 0.5650(1 + 0.2052 + 0.0315)}{0.0713 + 0.5650(1 + 0.2052)} \times \frac{1}{1 - 0.0564 - 0.0333} = 1.1245$$