

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	53.26
Loss Adjustment Expense	14.86
Loss & Loss Adjustment	<u>68.12</u>
Premium Discount	8.53
Acquisition	7.09
General Expenses	2.47
Profit and Contingencies	3.79
Taxes	2.31
Uncollectible Premium	2.86
Workers' Compensation Fund	2.00
Administrative Assessment	2.83
	<u>31.88</u>

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:

$$E = 0.0482 = \frac{ACQ}{0.0709} + \frac{GEN}{0.0247} + \frac{PROFIT}{0.0379} - \frac{PREM DISC}{0.0853}$$

$$A = 0.0506 = 0.0532 \times \frac{1 - 0.0482 - 0.0717}{1 - 0.0023 - 0.0717}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0119$$

$$T = \frac{0.0482 + 0.5326(1 + 0.2790 + 0.0506)}{0.0482 + 0.5326(1 + 0.2790)} \times \frac{1}{1 - 0.0717 - 0.0119} = 1.1315$$