

DELAWARE COMPENSATION RATING BUREAU, INC.
F CLASS FILING

Tax Multiplier

Enclosed is a calculation of the tax multiplier for use in retrospective rating associated with F Class coverages.

**CALCULATION OF TAX MULTIPLIER FOR USE IN RETROSPECTIVE RATING PLANS
(U.S.L. & H.W. Act Coverages)**

Expense Provisions for U.S.L. & H.W. Classes

Losses	55.43
Loss Adjustment Expense	7.18
Loss & Loss Adjustment	<u>62.61</u>
 Premium Discount	 10.58
Acquisition	9.42
General Expenses	3.12
Profit and Contingencies	(1.24)
Taxes	2.32
Uncollectible Premium	0.50
Federal Assessment	<u>12.69</u>
	37.39

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:

$$E = 0.0072 = \frac{ACQ}{0.0942} + \frac{GEN}{0.0312} + \frac{PROFIT}{(0.0124)} - \frac{PREM DISC}{0.1058}$$

$$A = 0.2312 = 0.2289 \times \frac{1 - 0.0072 - 0.0282}{1 - 0.0168 - 0.0282}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0156$$

$$T = \frac{0.0072 + 0.5543 (1 + 0.1296 + 0.2312)}{0.0072 + 0.5543 (1 + 0.1296)} \times \frac{1}{1 - 0.0282 - 0.0156} = 1.2574$$