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	54.41
Loss Adjustment Expense	6.18
Loss & Loss Adjustment	60.59
Premium Discount	11.05
Acquisition	10.30
General Expenses	3.35
Profit and Contingencies	(0.14)
Taxes	2.32
Uncollectible Premium	1.00
Federal Assessment	11.53
	39.41

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:

$$E = 0.0246 = \underset{\text{ACQ}}{0.1030} + \underset{\text{GEN}}{0.0335} + \underset{\text{PROFIT}}{(0.0014)} - \underset{\text{PREM DISC}}{0.1105}$$

$$A = 0.2115 = 0.2119 \times \frac{1 - 0.0246 - 0.0332}{1 - 0.0227 - 0.0332}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0077$$

$$T = \frac{0.0246 + 0.5441\,(1 + 0.1135 + 0.2115)}{0.0246 + 0.5441\,(1 + 0.1135)} \times \frac{1}{1 - 0.0332 - 0.0077} = 1.2330$$