

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	56.87
Loss Adjustment Expense	15.29
Loss & Loss Adjustment	<u>72.16</u>
Premium Discount	8.38
Acquisition	6.40
General Expenses	2.48
Profit and Contingencies	0.49
Taxes	2.30
Uncollectible Premium	2.62
Workers' Compensation Fund	2.00
Administrative Assessment	<u>3.17</u>
	27.84

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:

$$E = 0.0099 = \frac{ACQ}{0.0640} + \frac{GEN}{0.0248} + \frac{PROFIT}{0.0049} - \frac{PREM DISC}{0.0838}$$

$$A = 0.0550 = 0.0558 \times \frac{1 - 0.0099 - 0.0692}{1 - 0.0034 - 0.0692}$$

Then

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

$$S = \text{Delaware Insurance Plan Subsidy} = 0.0105$$

$$T = \frac{0.0099 + 0.5687(1 + 0.2689 + 0.0550)}{0.0099 + 0.5687(1 + 0.2689)} \times \frac{1}{1 - 0.0692 - 0.0105} = 1.1331$$