

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	58.00
Loss Adjustment Expense	15.13
Loss & Loss Adjustment	<u>73.13</u>
 Premium Discount	 7.94
Acquisition	6.96
General Expenses	2.87
Profit and Contingencies	(3.30)
Taxes	2.29
Uncollectible Premium	4.07
Workers' Compensation Fund	2.00
Administrative Assessment	<u>4.04</u>
	26.87

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:

$$E = (0.0141) = \frac{ACQ}{0.0696} + \frac{GEN}{0.0287} + \frac{PROFIT}{(0.0330)} - \frac{PREM DISC}{0.0794}$$

$$A = 0.0711 = 0.0696 \times \frac{1 - 0.0141 - 0.0836}{1 - 0.0060 - 0.0836}$$

Then

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

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

$$T = \frac{-0.0141 + 0.5800(1 + 0.2609 + 0.0711)}{-0.0141 + 0.5800(1 + 0.2609)} \times \frac{1}{1 - 0.0836 - 0.0077} = 1.1637$$