

PENNSYLVANIA COMPENSATION RATING BUREAU  
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	60.00
Loss Adjustment Expense	<u>8.05</u>
Loss & Loss Adjustment	68.05
Premium Discount	7.9
Acquisition	6.39
General Expenses	2.42
Profit and Contingencies	(3.26)
Taxes	2.36
Security Fund	-
Uncollectible Premium	1.00
Federal Assessment	<u>15.14</u>
	31.95

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 (Schedules X & Y combined) this yields:

$$E = (0.0235) = \frac{ACQ}{0.0639} + \frac{GEN}{0.0242} + \frac{PROFIT}{(0.0326)} - \frac{PREM DISC}{0.0790}$$

$$A = 0.2588 = 0.2524 \times \frac{1 - 0.0235 - 0.0336}{1 - 0.0009 - 0.0336}$$

Then

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

$$T = \frac{-0.0235 + 0.6000(1 + 0.1342 + 0.2588)}{-0.0235 + 0.6000(1 + 0.1342)} \times \frac{1}{1 - 0.0336} = 1.2793$$