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	62.60
Loss Adjustment Expense	9.50
Loss & Loss Adjustment	72.10
Premium Discount	7.92
Acquisition	6.13
General Expenses	3.39
Profit and Contingencies	1.25
Taxes	2.33
Security Fund	-
Uncollectible Premium	0.55
Federal Assessment	4.28
	25.85

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:

$$\begin{array}{ccccccccccc} & & & & \text{ACQ} & & \text{GEN} & & \text{PROFIT} & & \text{PREM DISC} \\ E & = & 0.0285 & = & 0.0613 & + & 0.0339 & + & 0.0125 & - & 0.0792 \end{array}$$

$$A = 0.0662 = 0.0683 \times \frac{1 - 0.0285 - 0.0288}{1 - -0.0020 - 0.0288}$$

Then

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

$$T = \frac{0.0285 + 0.6260(1 + 0.1518 + 0.0662)}{0.0285 + 0.6260(1 + 0.1518)} \times \frac{1}{1 - 0.0288} = 1.0867$$