

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	57.43
Loss Adjustment Expense	7.34
Loss & Loss Adjustment	64.77
Premium Discount	10.58
Acquisition	7.64
General Expenses	3.06
Profit and Contingencies	(3.19)
Taxes	2.32
Security Fund	1.07
Uncollectible Premium	0.50
Federal Assessment	13.34
	35.32

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:

$$E = (0.0307) = \frac{ACQ}{0.0764} + \frac{GEN}{0.0306} + \frac{PROFIT}{(0.0319)} - \frac{PREM DISC}{0.1058}$$

$$A = 0.2382 = 0.2308 \times \frac{1 - 0.0307 - 0.0389}{1 - 0.0003 - 0.0389}$$

Then

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

$$T = \frac{-0.0307 + 0.5743(1 + 0.1278 + 0.2382)}{-0.0307 + 0.5743(1 + 0.1278)} \times \frac{1}{1 - 0.0389} = 1.2712$$