PENNSYLVANIA COMPENSATION RATING BUREAU
F CLASS FILING

<u>Tax Multiplier</u>

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	58.22
Loss Adjustment Expense	7.78
Loss & Loss Adjustment	66.00
Premium Discount	9.94
Acquisition	8.29
General Expenses	3.13
Profit and Contingencies	(5.66)
Taxes	2.32
Security Fund	1.00
Uncollectible Premium	0.50
Federal Assessment	14.48
	34.00

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:

			ACQ		GEN		PROFIT		PREM DISC
E =	(0.0418)	=	0.0829	+	0.0313	+	(0.0566)	-	0.0994

$$A = 0.2626 = 0.2488 \times \frac{1 - {-0.0418} - 0.0382}{1 - 0.0111 - 0.0382}$$

Then

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

$$T = \frac{-0.0418 + 0.5822(1 + 0.1337 + 0.2626)}{-0.0418 + 0.5822(1 + 0.1337)} \times \frac{1}{1 - 0.0382} = 1.2968$$