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	64.50
Loss Adjustment Expense	9.79
Loss & Loss Adjustment	74.29
Premium Discount	7.92
Acquisition	8.26
General Expenses	3.48
Profit and Contingencies	(1.24)
Taxes	2.33
Security Fund	-
Uncollectible Premium	0.55
Federal Assessment	4.41
	25.71

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:

$$E = 0.0258 = \underset{ACQ}{0.0826} + \underset{GEN}{0.0348} + \underset{PROFIT}{(0.0124)} - \underset{PREM\ DISC}{0.0792}$$

$$A = 0.0678 = 0.0683 \times \frac{1 - 0.0258 - 0.0288}{1 - 0.0193 - 0.0288}$$

Then

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

$$T = \frac{0.0258 + 0.6450\,(1 + 0.1518 + 0.0678)}{0.0258 + 0.6450\,(1 + 0.1518)} \times \frac{1}{1 - 0.0288} = 1.0882$$