

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.201: Rulings and determination letters
(Also Part I, Sections 832, 846; 1.832-4, 1.846-1.)

Rev. Proc. 99-37

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 1999 accident year. These factors will be used for computing discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

SEC. 2. BACKGROUND

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including that which cannot be treated as an asset for state accounting purposes) be taken into account in computing the deduction for losses incurred. Under § 832(b)(5)(A), paid losses are to be reduced by salvage and reinsurance recovered during the taxable year. This amount is adjusted to reflect changes in discounted unpaid losses on nonlife insurance contracts and in unpaid losses on life insurance contracts. An adjustment is then made to reflect any changes in discounted estimated salvage recoverable and in reinsurance recoverable.

Pursuant to § 832(b), the amount of estimated salvage is determined on a discounted basis in accordance with procedures established by the Secretary.

SEC. 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

SEC. 4. APPLICATION

.01 The following tables present separately for each line of business the discount factors under § 832 for the 1999 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 1999, which is 6.30 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. See Rev. Proc. 98-12, 1998-4 I.R.B. 18, for background regarding the tables.

.02 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own historical experience under § 846.

.03 Section V of Notice 88-100, 1988-2 C. B. 439, provides guidance concerning the determination of discount factors for unpaid losses for accident years not separately reported on the annual statement.

.04 Tables.

Accident and Health (Other Than Disability Income or Credit Disability Insurance)

Discount factor for all years equals 96.9914 percent.

Auto Physical Damage

Tax Year	Discount Factors (%)
AY+ 0	95.5695
AY+ 1	94.1173
AY+ 2	96.9914

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
AY+ 0	88.1039
AY+ 1	87.2517
AY+ 2	88.9900
AY+ 3	88.2622
AY+ 4	88.0871
AY+ 5	90.4901
AY+ 6	85.7328
AY+ 7	91.4181
AY+ 8	89.8355
AY+ 9	92.4551
AY+10	95.0697
AY+11	96.9914

Composite Discount Factors

Tax Year	Discount Factors (%)
AY+ 0	85.6093
AY+ 1	83.9887
AY+ 2	83.5630
AY+ 3	83.4530
AY+ 4	84.2000
AY+ 5	84.7825
AY+ 6	84.8358
AY+ 7	84.9271
AY+ 8	87.7984
AY+ 9	90.3741
AY+10	93.0175
AY+11	95.6437
AY+12	96.9914

Fidelity/Surety

Tax Year	Discount Factors (%)
AY+ 0	92.7828
AY+ 1	94.1173
AY+ 2	96.9914

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
AY+ 0	94.6355
AY+ 1	94.1173
AY+ 2	96.9914

**International
(Composite)**

Tax Year	Discount Factors (%)
AY+ 0	85.6093
AY+ 1	83.9887
AY+ 2	83.5630
AY+ 3	83.4530
AY+ 4	84.2000
AY+ 5	84.7825
AY+ 6	84.8358
AY+ 7	84.9271
AY+ 8	87.7984
AY+ 9	90.3741
AY+10	93.0175
AY+11	95.6437
AY+12	96.9914

Medical Malpractice — Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	69.8521
AY+ 1	72.5407
AY+ 2	71.0672
AY+ 3	70.4106
AY+ 4	73.9891
AY+ 5	72.3274
AY+ 6	82.1285
AY+ 7	91.3849
AY+ 8	96.2899
AY+ 9	96.9914

Medical Malpractice — Occurrence

Tax Year	Discount Factors (%)
AY+ 0	63.6130
AY+ 1	66.9948
AY+ 2	71.5686
AY+ 3	75.3861
AY+ 4	72.1518
AY+ 5	78.2468
AY+ 6	83.2448
AY+ 7	86.3963
AY+ 8	90.9167
AY+ 9	93.6125
AY+10	96.3310
AY+11	96.9914

Miscellaneous Casualty

Tax Year	Discount Factors (%)
AY+ 0	94.9728
AY+ 1	94.1173
AY+ 2	96.9914

Multiple Peril Lines
(Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril,
and Special Liability (Ocean Marine, Aircraft (All Perils),
Boiler And Machinery))

Tax Year	Discount Factors (%)
AY+ 0	88.1923
AY+ 1	87.1353
AY+ 2	87.9117
AY+ 3	87.5629
AY+ 4	88.7011
AY+ 5	90.1672
AY+ 6	90.1613
AY+ 7	89.1007
AY+ 8	91.5372
AY+ 9	94.2606
AY+10	96.9914

Other
(Including Credit)

Tax Year	Discount Factors (%)
AY+ 0	96.0338
AY+ 1	94.1173
AY+ 2	96.9914

Other Liability — Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	77.2784
AY+ 1	82.8178
AY+ 2	81.8164
AY+ 3	79.4571
AY+ 4	82.4769
AY+ 5	87.1976
AY+ 6	85.6914
AY+ 7	91.4229
AY+ 8	93.5743
AY+ 9	96.2841
AY+10	96.9914

Other Liability — Occurrence

Tax Year	Discount Factors (%)
AY+ 0	78.2635
AY+ 1	78.9961
AY+ 2	81.4078
AY+ 3	83.4032
AY+ 4	84.6724
AY+ 5	82.2100
AY+ 6	86.3544
AY+ 7	88.3424
AY+ 8	92.5115
AY+ 9	95.1243
AY+10	96.9914

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
AY+ 0	91.4618
AY+ 1	90.9068
AY+ 2	89.9635
AY+ 3	89.5735
AY+ 4	89.1026
AY+ 5	89.5637
AY+ 6	88.3400
AY+ 7	89.0749
AY+ 8	89.7735
AY+ 9	92.3920
AY+10	95.0094
AY+11	96.9914

Products Liability — Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	78.7056
AY+ 1	80.7697
AY+ 2	85.3179
AY+ 3	85.2263
AY+ 4	80.7596
AY+ 5	87.8587
AY+ 6	80.4380
AY+ 7	88.0132
AY+ 8	96.7141
AY+ 9	96.9914

Products Liability – Occurrence

Tax Year	Discount Factors (%)
AY+ 0	75.2045
AY+ 1	77.8428
AY+ 2	76.1949
AY+ 3	77.5126
AY+ 4	79.2935
AY+ 5	78.6299
AY+ 6	80.0215
AY+ 7	72.0300
AY+ 8	77.5666
AY+ 9	80.0419
AY+10	82.7021
AY+11	85.5978
AY+12	88.8131
AY+13	92.5030
AY+14	96.9914

**Reinsurance A
(Nonproportional Property)**

Tax Year	Discount Factors (%)
AY+ 0	86.3193
AY+ 1	89.5547
AY+ 2	92.3252
AY+ 3	91.6732
AY+ 4	78.5915
AY+ 5	94.7028
AY+ 6	93.2934
AY+ 7	95.9512
AY+ 8	96.9914

Reinsurance B
(Nonproportional Liability)

Tax Year	Discount Factors (%)
AY+ 0	74.2797
AY+ 1	76.5792
AY+ 2	77.3123
AY+ 3	76.7003
AY+ 4	79.2343
AY+ 5	74.2190
AY+ 6	75.9976
AY+ 7	83.6134
AY+ 8	86.0629
AY+ 9	88.6137
AY+10	91.2729
AY+11	94.0524
AY+12	96.9914

Reinsurance C
(Financial Lines)

Tax Year	Discount Factors (%)
AY+ 0	80.7539
AY+ 1	83.1736
AY+ 2	86.4993
AY+ 3	92.4836
AY+ 4	91.0300
AY+ 5	92.9471
AY+ 6	89.3955
AY+ 7	96.8756
AY+ 8	96.9914

Special Property
(Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary
and Theft)

Tax Year	Discount Factors (%)
AY+ 0	92.0956
AY+ 1	94.1173
AY+ 2	96.9914

Workers' Compensation

Tax Year	Discount Factors (%)
AY+ 0	78.1046
AY+ 1	80.5669
AY+ 2	82.5003
AY+ 3	84.0905
AY+ 4	84.2036
AY+ 5	84.3691
AY+ 6	85.5654
AY+ 7	86.3250
AY+ 8	88.7748
AY+ 9	91.4218
AY+10	94.1684
AY+11	96.9914

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure, contact Ms. Hossofsky on (202) 622-3477 (not a toll-free number).