

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. 2000-45

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2000 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 2000 accident year. All the discount factors presented in this section were determined using the applicable interest rate under 846(c) for 2000, which is 6.09 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. See Rev. Proc. 98-12, 1998-1 C.B. 367, 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. Taxpayers that do not use the methodology set forth in section V of Notice 88-100 should instead use the discount factors for the appropriate year in the Secretary's table for that line of business. If such taxpayers have unpaid losses relating to an accident year that is older than the last accident year for which a discount factor is presented in the Secretary's table, those unpaid losses should be discounted using the discount factor for the last accident year in the Secretary's table. See section 2.03(3) of Rev. Proc. 98-11, 1998-1 C.B. 358.

.04 Tables.

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

Discount factor for all years equals 97.0874 percent.

Auto Physical Damage

Tax Year	Discount Factors (%)
AY+ 0	95.7079
AY+ 1	94.3008
AY+ 2	97.0874

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
AY+ 0	88.4462
AY+ 1	87.6196
AY+ 2	89.3091
AY+ 3	88.6027
AY+ 4	88.4348
AY+ 5	90.7689
AY+ 6	86.1529
AY+ 7	91.6750
AY+ 8	90.1421
AY+ 9	92.6871
AY+10	95.2242
AY+11	97.0874

Composite Discount Factors

Tax Year	Discount Factors (%)
AY+ 0	86.0068
AY+ 1	84.4299
AY+ 2	84.0175
AY+ 3	83.9135
AY+ 4	84.6433
AY+ 5	85.2133
AY+ 6	85.2701
AY+ 7	85.3660
AY+ 8	88.1610
AY+ 9	90.6657
AY+10	93.2331
AY+11	95.7807
AY+12	97.0874

Fidelity/Surety

Tax Year	Discount Factors (%)
AY+ 0	93.0043
AY+ 1	94.3008
AY+ 2	97.0874

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
AY+ 0	94.8017
AY+ 1	94.3008
AY+ 2	97.0874

**International
(Composite)**

Tax Year	Discount Factors (%)
AY+ 0	86.0068
AY+ 1	84.4299
AY+ 2	84.0175
AY+ 3	83.9135
AY+ 4	84.6433
AY+ 5	85.2133
AY+ 6	85.2701
AY+ 7	85.3660
AY+ 8	88.1610
AY+ 9	90.6657
AY+10	93.2331
AY+11	95.7807
AY+12	97.0874

Medical Malpractice -- Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	70.6135
AY+ 1	73.2471
AY+ 2	71.8267
AY+ 3	71.2085
AY+ 4	74.7120
AY+ 5	73.1233
AY+ 6	82.6622
AY+ 7	91.6505
AY+ 8	96.4072
AY+ 9	97.0874

Medical Malpractice -- Occurrence

Tax Year	Discount Factors (%)
AY+ 0	64.5191
AY+ 1	67.8389
AY+ 2	72.3139
AY+ 3	76.0455
AY+ 4	72.9166
AY+ 5	78.8620
AY+ 6	83.7311
AY+ 7	86.8009
AY+ 8	91.1931
AY+ 9	93.8108
AY+10	96.4471
AY+11	97.0874

Miscellaneous Casualty

Tax Year	Discount Factors (%)
AY+ 0	95.1290
AY+ 1	94.3008
AY+ 2	97.0874

**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	88.5313
AY+ 1	87.5052
AY+ 2	88.2611
AY+ 3	87.9246
AY+ 4	89.0327
AY+ 5	90.4578
AY+ 6	90.4533
AY+ 7	89.4276
AY+ 8	91.7961
AY+ 9	94.4397
AY+10	97.0874

**Other
(Including Credit)**

Tax Year	Discount Factors (%)
AY+ 0	96.1583
AY+ 1	94.3008
AY+ 2	97.0874

Other Liability -- Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	77.8928
AY+ 1	83.2885
AY+ 2	82.3182
AY+ 3	80.0331
AY+ 4	82.9792
AY+ 5	87.5716
AY+ 6	86.1171
AY+ 7	91.6842
AY+ 8	93.7737
AY+ 9	96.4015
AY+10	97.0874

Other Liability -- Occurrence

Tax Year	Discount Factors (%)
AY+ 0	78.8476
AY+ 1	79.5688
AY+ 2	81.9224
AY+ 3	83.8683
AY+ 4	85.1067
AY+ 5	82.7221
AY+ 6	86.7561
AY+ 7	88.6932
AY+ 8	92.7419
AY+ 9	95.2771
AY+10	97.0874

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
AY+ 0	91.7145
AY+ 1	91.1741
AY+ 2	90.2569
AY+ 3	89.8777
AY+ 4	89.4206
AY+ 5	89.8689
AY+ 6	88.6823
AY+ 7	89.3993
AY+ 8	90.0819
AY+ 9	92.6259
AY+10	95.1657
AY+11	97.0874

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	79.2866
AY+ 1	81.3032
AY+ 2	85.7298
AY+ 3	85.6427
AY+ 4	81.3092
AY+ 5	88.2121
AY+ 6	81.0185
AY+ 7	88.3819
AY+ 8	96.8185
AY+ 9	97.0874

Products Liability -- Occurrence

Tax Year	Discount Factors (%)
AY+ 0	75.8372
AY+ 1	78.4119
AY+ 2	76.8096
AY+ 3	78.0983
AY+ 4	79.8362
AY+ 5	79.1928
AY+ 6	80.5510
AY+ 7	72.7819
AY+ 8	78.1849
AY+ 9	80.6043
AY+10	83.2009
AY+11	86.0229
AY+12	89.1515
AY+13	92.7357
AY+14	97.0874

**Reinsurance A
(Nonproportional Property)**

Tax Year	Discount Factors (%)
AY+ 0	86.7196
AY+ 1	89.8651
AY+ 2	92.5548
AY+ 3	91.9205
AY+ 4	79.2342
AY+ 5	94.8666
AY+ 6	93.5010
AY+ 7	96.0788
AY+ 8	97.0874

**Reinsurance B
(Nonproportional Liability)**

Tax Year	Discount Factors (%)
AY+ 0	74.9392
AY+ 1	77.1865
AY+ 2	77.9061
AY+ 3	77.3172
AY+ 4	79.7911
AY+ 5	74.9223
AY+ 6	76.6707
AY+ 7	84.0847
AY+ 8	86.4718
AY+ 9	88.9546
AY+10	91.5395
AY+11	94.2379
AY+12	97.0874

**Reinsurance C
(Financial Lines)**

Tax Year	Discount Factors (%)
AY+ 0	81.2986
AY+ 1	83.6608
AY+ 2	86.8994
AY+ 3	92.7099
AY+ 4	91.3004
AY+ 5	93.1619
AY+ 6	89.7226
AY+ 7	96.9751
AY+ 8	97.0874

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

Tax Year	Discount Factors (%)
AY+ 0	92.3377
AY+ 1	94.3008
AY+ 2	97.0874

Workers' Compensation

Tax Year	Discount Factors (%)
AY+ 0	78.6954
AY+ 1	81.0988
AY+ 2	82.9848
AY+ 3	84.5349
AY+ 4	84.6485
AY+ 5	84.8143
AY+ 6	85.9824
AY+ 7	86.7267
AY+ 8	89.1111
AY+ 9	91.6840
AY+10	94.3504
AY+11	97.0874

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Associate 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).