

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. 99-16

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 1998 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 1998 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 1998, which is 6.31 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 96.9869 percent.

Auto Physical Damage

Tax Year	Discount Factors (%)
AY+ 0	95.5629
AY+ 1	94.1086
AY+ 2	96.9869

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
AY+ 0	88.0877
AY+ 1	87.2343
AY+ 2	88.9748
AY+ 3	88.2461
AY+ 4	88.0707
AY+ 5	90.4769
AY+ 6	85.7129
AY+ 7	91.4059
AY+ 8	89.8209
AY+ 9	92.4441
AY+10	95.0624
AY+11	96.9869

Composite Discount Factors

Tax Year	Discount Factors (%)
AY+ 0	85.5905
AY+ 1	83.9679
AY+ 2	83.5415
AY+ 3	83.4312
AY+ 4	84.1790
AY+ 5	84.7621
AY+ 6	84.8152
AY+ 7	84.9063
AY+ 8	87.7812
AY+ 9	90.3602
AY+10	93.0073
AY+11	95.6372
AY+12	96.9869

Fidelity/Surety

Tax Year	Discount Factors (%)
AY+ 0	92.7722
AY+ 1	94.1086
AY+ 2	96.9869

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
AY+ 0	94.6276
AY+ 1	94.1086
AY+ 2	96.9869

International (Composite)

Tax Year	Discount Factors (%)
AY+ 0	85.5905
AY+ 1	83.9679
AY+ 2	83.5415
AY+ 3	83.4312
AY+ 4	84.1790
AY+ 5	84.7621
AY+ 6	84.8152
AY+ 7	84.9063
AY+ 8	87.7812
AY+ 9	90.3602
AY+10	93.0073
AY+11	95.6372
AY+12	96.9869

Medical Malpractice -- Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	69.8162
AY+ 1	72.5074
AY+ 2	71.0313
AY+ 3	70.3729
AY+ 4	73.9549
AY+ 5	72.2896
AY+ 6	82.1032
AY+ 7	91.3723
AY+ 8	96.2843
AY+ 9	96.9869

Medical Malpractice -- Occurrence

Tax Year	Discount Factors (%)
AY+ 0	63.5702
AY+ 1	66.9550
AY+ 2	71.5334
AY+ 3	75.3549
AY+ 4	72.1156
AY+ 5	78.2176
AY+ 6	83.2218
AY+ 7	86.3771
AY+ 8	90.9036
AY+ 9	93.6031
AY+10	96.3255
AY+11	96.9869

Miscellaneous Casualty

Tax Year	Discount Factors (%)
AY+ 0	94.9654
AY+ 1	94.1086
AY+ 2	96.9869

**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	88.1763
AY+ 1	87.1178
AY+ 2	87.8952
AY+ 3	87.5458
AY+ 4	88.6854
AY+ 5	90.1534
AY+ 6	90.1474
AY+ 7	89.0852
AY+ 8	91.5249
AY+ 9	94.2521
AY+10	96.9869

Other (Including Credit)

Tax Year	Discount Factors (%)
AY+ 0	96.0279
AY+ 1	94.1086
AY+ 2	96.9869

Other Liability -- Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	77.2493
AY+ 1	82.7956
AY+ 2	81.7927
AY+ 3	79.4299
AY+ 4	82.4531
AY+ 5	87.1799
AY+ 6	85.6712
AY+ 7	91.4105
AY+ 8	93.5648
AY+ 9	96.2785
AY+10	96.9869

Other Liability -- Occurrence

Tax Year	Discount Factors (%)
AY+ 0	78.2359
AY+ 1	78.9690
AY+ 2	81.3835
AY+ 3	83.3811
AY+ 4	84.6518
AY+ 5	82.1857
AY+ 6	86.3353
AY+ 7	88.3258
AY+ 8	92.5005
AY+ 9	95.1170
AY+10	96.9869

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
AY+ 0	91.4498
AY+ 1	90.8941
AY+ 2	89.9496
AY+ 3	89.5590
AY+ 4	89.0875
AY+ 5	89.5493
AY+ 6	88.3238
AY+ 7	89.0595
AY+ 8	89.7588
AY+ 9	92.3809
AY+10	95.0019
AY+11	96.9869

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	78.6781
AY+ 1	80.7444
AY+ 2	85.2984
AY+ 3	85.2066
AY+ 4	80.7335
AY+ 5	87.8419
AY+ 6	80.4105
AY+ 7	87.9957
AY+ 8	96.7091
AY+ 9	96.9869

Products Liability -- Occurrence

Tax Year	Discount Factors (%)
AY+ 0	75.1746
AY+ 1	77.8160
AY+ 2	76.1658
AY+ 3	77.4849
AY+ 4	79.2679
AY+ 5	78.6033
AY+ 6	79.9964
AY+ 7	71.9945
AY+ 8	77.5374
AY+ 9	80.0152
AY+10	82.6784
AY+11	85.5776
AY+12	88.7971
AY+13	92.4919
AY+14	96.9869

Reinsurance A (Nonproportional Property)

Tax Year	Discount Factors (%)
AY+ 0	86.3003
AY+ 1	89.5400
AY+ 2	92.3143
AY+ 3	91.6614
AY+ 4	78.5610
AY+ 5	94.6950
AY+ 6	93.2835
AY+ 7	95.9451
AY+ 8	96.9869

Reinsurance B (Nonproportional Liability)

Tax Year	Discount Factors (%)
AY+ 0	74.2486
AY+ 1	76.5505
AY+ 2	77.2843
AY+ 3	76.6711
AY+ 4	79.2080
AY+ 5	74.1857
AY+ 6	75.9657
AY+ 7	83.5910
AY+ 8	86.0435
AY+ 9	88.5976
AY+10	91.2603
AY+11	94.0436
AY+12	96.9869

Reinsurance C (Financial Lines)

Tax Year	Discount Factors (%)
AY+ 0	80.7281
AY+ 1	83.1505
AY+ 2	86.4803
AY+ 3	92.4729
AY+ 4	91.0172
AY+ 5	92.9369
AY+ 6	89.3800
AY+ 7	96.8709
AY+ 8	96.9869

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

Tax Year	Discount Factors (%)
AY+ 0	92.0841
AY+ 1	94.1086
AY+ 2	96.9869

Workers' Compensation

Tax Year	Discount Factors (%)
AY+ 0	78.0767
AY+ 1	80.5418
AY+ 2	82.4774
AY+ 3	84.0695
AY+ 4	84.1826
AY+ 5	84.3480
AY+ 6	85.5457
AY+ 7	86.3059
AY+ 8	88.7588
AY+ 9	91.4094
AY+10	94.1598
AY+11	96.9869

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).