

## Part III

### Administrative, Procedural, and Miscellaneous

26 CFR 601.201: Rulings and determination letters.  
(Also Part 1, Section 846; 1.846-1.)

Rev. Proc. 2003-17

#### SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 2002 determination year. These factors will be used to compute discounted unpaid losses under § 846 of the Internal Revenue Code.

#### SEC. 2. BACKGROUND

.01 Section 846 provides that discounted unpaid losses must be separately determined for each accident year of each line of business by applying an interest rate determined under § 846(c) and the appropriate loss payment pattern to the amount of unpaid losses as measured at the end of the tax year.

Section 846(d) directs the Secretary to use the most recent aggregate loss payment data of property and casualty insurance companies to determine and publish a loss payment pattern for each line of business every five years. This payment pattern is used to discount unpaid losses for the accident year ending with a determination year and for each of the four succeeding accident years.

Section 846(e) allows a taxpayer to make an election in each determination year to use its own historical payment pattern instead of the Secretary's tables. This election does not apply to any international insurance or reinsurance line of business.

Section 846(f)(4) defines the term "line of business" as a category for the reporting of loss payment patterns on the annual statement for fire and casualty companies approved by the National Association of Insurance Commissioners (NAIC), except that the multiple peril lines shall be treated as a single line of business. Section 846(f)(5) states that the term "multiple peril lines" means the lines of business relating to farmowners multiple peril, homeowners multiple peril, commercial multiple peril, ocean marine, aircraft (all perils) and boiler and machinery.

.02 Pursuant to § 846(d), the Secretary has determined a loss payment pattern for each property and casualty line of business for the 2002 determination year that, pursuant to § 846(d)(1), must be applied through the 2006 accident year.

.03 The loss payment patterns for the 2002 determination year are based on the aggregate loss payment information reported on the 2000 annual statements of property and casualty insurance companies and compiled by A.M. Best and Co. The tables are arranged in alphabetical order. Following is an additional explanation of some of the tables and changes to the tables.

(1) Lines of Business. The lines of business for the 2002 determination year are the same as the lines of business for the 1997 determination year. See Rev. Proc. 98-11, section 2.03, 1998-1 C.B. 358.

(2) Format of the Tables. To simplify the tables, the columns entitled Tax Year provide the actual tax years, rather than AY+0, AY+1, and so on.

(3) Accident Years Not Separately Reported on the NAIC Annual Statement.

Section V of Notice 88-100, 1988-2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement. The tables separately provide discount factors for taxpayers who elect to use the composite method of section V of Notice 88-100. See Rev. Proc. 2002-74, 2002-51 I.R.B. 980.

(4) Comments Requested on Smoothing Data. In some cases, the methodology currently used to estimate unpaid losses and salvage patterns may produce negative discount factors, discount factors that exceed one, or large year-to-year differences in discount factors. (See, for example, the unpaid loss discount factors for Reinsurance C.) Notice 88-100, section IV, sets forth a methodology to replace such factors by a positive discount factor. Notice 88-100 does not extend this methodology to situations with positive, yet small, discount factors, discount factors in excess of one, or factors that change substantially from year to year. Comments are requested as to whether a methodology should be adopted to smooth the raw payment data and thus produce a more stable pattern of discount factors. Comments should be sent to CC:ITA:RU (Rev. Proc. 2003-17), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Comments may be hand delivered between the hours of 8 a.m. and 4 p.m. to CCF:ITA:RU (Rev. Proc. 2003-17), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. In the alternative, e-mail comments to [Notice.Comments@irs.counsel.treas.gov](mailto:Notice.Comments@irs.counsel.treas.gov).

SEC. 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount unpaid losses under § 846 for a line of business using the discount factors published by the Secretary.

#### SEC. 4. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under § 846 for accident year 2002. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2002, 5.71 percent, and by assuming all loss payments occur in the middle of the calendar year.

.02 If the groupings of individual lines of business on the annual statement change, taxpayers must discount unpaid losses on the resulting line of business in accordance with the discounting patterns that would have applied to those unpaid losses based on their classification on the 2002 annual statement.

.03 Tables

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

Taxpayers that do not use the composite method of Notice 88-100 should use 97.2617 percent to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the 2002 and later tax years.

Taxpayers that use the composite method of Notice 88-100 should use 97.2617 percent to discount all unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2002 tax year.

**Auto Physical Damage**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 89.6468  | 89.6468                                      | 10.3532                                | 10.0453  | 97.0259                    |
| 2003     | 99.6845  | 10.0377                                      | 0.3155                                 | 0.2986   | 94.6349                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2004 and later years | 0.1578 | 0.1578 | 0.1534 | 97.2617 |
|----------------------|--------|--------|--------|---------|

Taxpayers that use the composite method of Notice 88-100 should use 97.2617 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2004 tax year.

**Commercial Auto/Truck Liability/Medical**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 28.8244  | 28.8244                                      | 71.1756                                | 63.9395  | 89.8335                    |
| 2003     | 54.9871  | 26.1626                                      | 45.0129                                | 40.6913  | 90.3990                    |
| 2004     | 72.8039  | 17.8168                                      | 27.1961                                | 24.6963  | 90.8082                    |
| 2005     | 85.0572  | 12.2533                                      | 14.9428                                | 13.5082  | 90.3992                    |
| 2006     | 91.6276  | 6.5704                                       | 8.3724                                 | 7.5241   | 89.8680                    |
| 2007     | 94.9514  | 3.3239                                       | 5.0486                                 | 4.5363   | 89.8537                    |
| 2008     | 97.0453  | 2.0938                                       | 2.9547                                 | 2.6426   | 89.4349                    |
| 2009     | 98.1574  | 1.1121                                       | 1.8426                                 | 1.6500   | 89.5481                    |
| 2010     | 98.7370  | 0.5796                                       | 1.2630                                 | 1.1483   | 90.9194                    |
| 2011     | 99.1070  | 0.3700                                       | 0.8930                                 | 0.8335   | 93.3331                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 0.3700 | 0.5230 | 0.5007 | 95.7246 |
| 2013 and later years | 0.3700 | 0.1530 | 0.1488 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 96.4013 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Composite**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 40.9985  | 40.9985                                      | 59.0015                                | 51.8901  | 87.9471                    |
| 2003     | 65.8439  | 24.8454                                      | 34.1561                                | 29.3081  | 85.8065                    |
| 2004     | 77.5023  | 11.6583                                      | 22.4977                                | 18.9950  | 84.4309                    |
| 2005     | 84.6221  | 7.1198                                       | 15.3779                                | 12.7594  | 82.9722                    |
| 2006     | 90.2455  | 5.6234                                       | 9.7545                                 | 7.7062   | 79.0017                    |
| 2007     | 92.2780  | 2.0325                                       | 7.7220                                 | 6.0566   | 78.4322                    |
| 2008     | 94.3974  | 2.1195                                       | 5.6026                                 | 4.2232   | 75.3807                    |
| 2009     | 95.2526  | 0.8552                                       | 4.7474                                 | 3.5851   | 75.5182                    |
| 2010     | 96.2792  | 1.0266                                       | 3.7208                                 | 2.7343   | 73.4885                    |
| 2011     | 96.4323  | 0.1531                                       | 3.5677                                 | 2.7330   | 76.6061                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 0.1531 | 3.4145 | 2.7317 | 80.0010 |
| 2013                 | 0.1531 | 3.2614 | 2.7302 | 83.7124 |
| 2014                 | 0.1531 | 3.1083 | 2.7286 | 87.7867 |
| 2015                 | 0.1531 | 2.9551 | 2.7270 | 92.2803 |
| 2016 and later years | 0.1531 | 2.8020 | 2.7253 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 88.0794 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Fidelity/Surety**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 38.3328  | 38.3328                                      | 61.6672                                | 56.7940  | 92.0976                    |
| 2003     | 58.8485  | 20.5156                                      | 41.1515                                | 38.9437  | 94.6349                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |         |         |         |         |
|----------------------|---------|---------|---------|---------|
| 2004 and later years | 20.5758 | 20.5758 | 20.0123 | 97.2617 |
|----------------------|---------|---------|---------|---------|

Taxpayers that use the composite method of Notice 88-100 should use 97.2617 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2004 tax year.

**Financial Guaranty/Mortgage Guaranty**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 4.0723   | 4.0723                                       | 95.9277                                | 88.7169  | 92.4831                    |
| 2003     | 40.7639  | 36.6916                                      | 59.2361                                | 56.0580  | 94.6349                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |         |         |         |         |
|----------------------|---------|---------|---------|---------|
| 2004 and later years | 29.6180 | 29.6180 | 28.8070 | 97.2617 |
|----------------------|---------|---------|---------|---------|

Taxpayers that use the composite method of Notice 88-100 should use 97.2617 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2004 tax year.



**International (Composite)**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 40.9985  | 40.9985                                      | 59.0015                                | 51.8901  | 87.9471                    |
| 2003     | 65.8439  | 24.8454                                      | 34.1561                                | 29.3081  | 85.8065                    |
| 2004     | 77.5023  | 11.6583                                      | 22.4977                                | 18.9950  | 84.4309                    |
| 2005     | 84.6221  | 7.1198                                       | 15.3779                                | 12.7594  | 82.9722                    |
| 2006     | 90.2455  | 5.6234                                       | 9.7545                                 | 7.7062   | 79.0017                    |
| 2007     | 92.2780  | 2.0325                                       | 7.7220                                 | 6.0566   | 78.4322                    |
| 2008     | 94.3974  | 2.1195                                       | 5.6026                                 | 4.2232   | 75.3807                    |
| 2009     | 95.2526  | 0.8552                                       | 4.7474                                 | 3.5851   | 75.5182                    |
| 2010     | 96.2792  | 1.0266                                       | 3.7208                                 | 2.7343   | 73.4885                    |
| 2011     | 96.4323  | 0.1531                                       | 3.5677                                 | 2.7330   | 76.6061                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                |        |        |        |         |
|----------------|--------|--------|--------|---------|
| 2012           | 0.1531 | 3.4145 | 2.7317 | 80.0010 |
| 2013           | 0.1531 | 3.2614 | 2.7302 | 83.7124 |
| 2014           | 0.1531 | 3.1083 | 2.7286 | 87.7867 |
| 2015           | 0.1531 | 2.9551 | 2.7270 | 92.2803 |
| 2016 and later | 0.1531 | 2.8020 | 2.7253 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 88.0794 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Medical Malpractice -- Claims-Made**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 7.3447   | 7.3447                                       | 92.6553                                | 80.0569  | 86.4030                    |
| 2003     | 29.0191  | 21.6744                                      | 70.9809                                | 62.3436  | 87.8315                    |
| 2004     | 53.3108  | 24.2917                                      | 46.6892                                | 40.9278  | 87.6600                    |
| 2005     | 69.1517  | 15.8409                                      | 30.8483                                | 26.9779  | 87.4534                    |
| 2006     | 82.0981  | 12.9464                                      | 17.9019                                | 15.2074  | 84.9486                    |
| 2007     | 86.3995  | 4.3014                                       | 13.6005                                | 11.6532  | 85.6826                    |
| 2008     | 89.7111  | 3.3116                                       | 10.2889                                | 8.9138   | 86.6354                    |
| 2009     | 92.4688  | 2.7577                                       | 7.5312                                 | 6.5875   | 87.4691                    |
| 2010     | 94.5163  | 2.0475                                       | 5.4837                                 | 4.8584   | 88.5983                    |
| 2011     | 95.7635  | 1.2471                                       | 4.2365                                 | 3.8536   | 90.9614                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 1.2471 | 2.9894 | 2.7914 | 93.3767 |
| 2013                 | 1.2471 | 1.7422 | 1.6685 | 95.7688 |
| 2014 and later years | 1.2471 | 0.4951 | 0.4815 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 93.3767 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Medical Malpractice -- Occurrence**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 0.8316   | 0.8316                                       | 99.1684                                | 79.3040  | 79.9691                    |
| 2003     | 7.4573   | 6.6257                                       | 92.5427                                | 77.0201  | 83.2266                    |
| 2004     | 23.5575  | 16.1002                                      | 76.4425                                | 64.8645  | 84.8539                    |
| 2005     | 41.0062  | 17.4487                                      | 58.9938                                | 50.6283  | 85.8197                    |
| 2006     | 55.5832  | 14.5770                                      | 44.4168                                | 38.5318  | 86.7505                    |
| 2007     | 68.9413  | 13.3581                                      | 31.0587                                | 26.9978  | 86.9250                    |
| 2008     | 78.2095  | 9.2682                                       | 21.7905                                | 19.0102  | 87.2408                    |
| 2009     | 82.8727  | 4.6632                                       | 17.1273                                | 15.3012  | 89.3380                    |
| 2010     | 86.3178  | 3.4451                                       | 13.6822                                | 12.6328  | 92.3302                    |
| 2011     | 91.0834  | 4.7656                                       | 8.9166                                 | 8.4543   | 94.8160                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012 and later years | 4.7656 | 4.1510 | 4.0373 | 97.2617 |
|----------------------|--------|--------|--------|---------|

Taxpayers that use the composite method of Notice 88-100 should use 97.1845 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Miscellaneous Casualty**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 79.7790  | 79.7790                                      | 20.2210                                | 19.2759  | 95.3259                    |
| 2003     | 94.9417  | 15.1627                                      | 5.0583                                 | 4.7869   | 94.6349                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2004 and later years | 2.5292 | 2.5292 | 2.4599 | 97.2617 |
|----------------------|--------|--------|--------|---------|

Taxpayers that use the composite method of Notice 88-100 should use 97.2617 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2004 tax year.

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

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 59.7445  | 59.7445                                      | 40.2555                                | 36.3785  | 90.3691                    |
| 2003     | 81.0347  | 21.2902                                      | 18.9653                                | 16.5661  | 87.3498                    |
| 2004     | 87.3325  | 6.2978                                       | 12.6675                                | 11.0369  | 87.1282                    |
| 2005     | 91.0659  | 3.7334                                       | 8.9341                                 | 7.8286   | 87.6268                    |
| 2006     | 95.1781  | 4.1122                                       | 4.8219                                 | 4.0477   | 83.9442                    |
| 2007     | 95.7605  | 0.5824                                       | 4.2395                                 | 3.6800   | 86.8035                    |
| 2008     | 97.0539  | 1.2933                                       | 2.9461                                 | 2.5604   | 86.9067                    |
| 2009     | 97.6441  | 0.5903                                       | 2.3559                                 | 2.0997   | 89.1265                    |
| 2010     | 98.7037  | 1.0596                                       | 1.2963                                 | 1.1302   | 87.1862                    |
| 2011     | 98.6217  | -0.0821                                      | 1.3783                                 | 1.2791   | 92.7987                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 0.5226 | 0.8558 | 0.8148 | 95.2164 |
| 2013 and later years | 0.5226 | 0.3332 | 0.3240 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 95.2688 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Other (Including Credit)**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 69.1729  | 69.1729                                      | 30.8271                                | 29.3033  | 95.0568                    |
| 2003     | 91.2168  | 22.0439                                      | 8.7832                                 | 8.3120   | 94.6349                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2004 and later years | 4.3916 | 4.3916 | 4.2714 | 97.2617 |
|----------------------|--------|--------|--------|---------|

Taxpayers that use the composite method of Notice 88-100 should use 97.2617 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2004 tax year.

**Other Liability -- Claims-Made**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 14.9618  | 14.9618                                      | 85.0382                                | 71.8257  | 84.4629                    |
| 2003     | 36.2113  | 21.2494                                      | 63.7887                                | 54.0793  | 84.7787                    |
| 2004     | 54.2876  | 18.0763                                      | 45.7124                                | 38.5820  | 84.4015                    |
| 2005     | 64.2163  | 9.9288                                       | 35.7837                                | 30.5767  | 85.4488                    |
| 2006     | 73.2732  | 9.0569                                       | 26.7268                                | 23.0108  | 86.0964                    |
| 2007     | 80.5748  | 7.3016                                       | 19.4252                                | 16.8175  | 86.5760                    |
| 2008     | 87.6200  | 7.0452                                       | 12.3800                                | 10.5343  | 85.0912                    |
| 2009     | 89.9155  | 2.2955                                       | 10.0845                                | 8.7757   | 87.0214                    |
| 2010     | 93.3946  | 3.4791                                       | 6.6054                                 | 5.6997   | 86.2886                    |
| 2011     | 94.6170  | 1.2223                                       | 5.3830                                 | 4.7684   | 88.5817                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 1.2223 | 4.1607 | 3.7839 | 90.9440 |
| 2013                 | 1.2223 | 2.9383 | 2.7432 | 93.3586 |
| 2014                 | 1.2223 | 1.7160 | 1.6431 | 95.7504 |
| 2015 and later years | 1.2223 | 0.4936 | 0.4801 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 90.9440 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Other Liability -- Occurrence**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 19.1133  | 19.1133                                      | 80.8867                                | 65.8673  | 81.4315                    |
| 2003     | 36.4434  | 17.3301                                      | 63.5566                                | 51.8103  | 81.5183                    |
| 2004     | 52.1648  | 15.7215                                      | 47.8352                                | 38.6046  | 80.7033                    |
| 2005     | 63.2383  | 11.0734                                      | 36.7617                                | 29.4237  | 80.0389                    |
| 2006     | 72.0780  | 8.8397                                       | 27.9220                                | 22.0152  | 78.8453                    |
| 2007     | 75.9021  | 3.8241                                       | 24.0979                                | 19.3405  | 80.2579                    |
| 2008     | 82.9305  | 7.0284                                       | 17.0695                                | 13.2186  | 77.4395                    |
| 2009     | 85.1441  | 2.2136                                       | 14.8559                                | 11.6974  | 78.7391                    |
| 2010     | 89.3006  | 4.1565                                       | 10.6994                                | 8.0918   | 75.6286                    |
| 2011     | 89.9898  | 0.6892                                       | 10.0102                                | 7.8453   | 78.3725                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 0.6892 | 9.3210 | 7.5846 | 81.3711 |
| 2013                 | 0.6892 | 8.6318 | 7.3090 | 84.6761 |
| 2014                 | 0.6892 | 7.9426 | 7.0178 | 88.3566 |
| 2015                 | 0.6892 | 7.2533 | 6.7099 | 92.5073 |
| 2016 and later years | 0.6892 | 6.5641 | 6.3844 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 88.5630 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.



**Private Passenger Auto Liability/Medical**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 43.1926  | 43.1926                                      | 56.8074                                | 52.2499  | 91.9773                    |
| 2003     | 72.2008  | 29.0082                                      | 27.7992                                | 25.4085  | 91.4000                    |
| 2004     | 84.5632  | 12.3625                                      | 15.4368                                | 14.1488  | 91.6566                    |
| 2005     | 91.9316  | 7.3684                                       | 8.0684                                 | 7.3809   | 91.4792                    |
| 2006     | 95.8729  | 3.9413                                       | 4.1271                                 | 3.7501   | 90.8651                    |
| 2007     | 97.7804  | 1.9075                                       | 2.2196                                 | 2.0030   | 90.2423                    |
| 2008     | 98.7957  | 1.0153                                       | 1.2043                                 | 1.0735   | 89.1398                    |
| 2009     | 99.2491  | 0.4535                                       | 0.7509                                 | 0.6686   | 89.0445                    |
| 2010     | 99.5195  | 0.2703                                       | 0.4805                                 | 0.4288   | 89.2424                    |
| 2011     | 99.6353  | 0.1159                                       | 0.3647                                 | 0.3342   | 91.6449                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 0.1159 | 0.2488 | 0.2342 | 94.1130 |
| 2013                 | 0.1159 | 0.1330 | 0.1284 | 96.5863 |
| 2014 and later years | 0.1159 | 0.0171 | 0.0166 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 95.0993 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Products Liability -- Claims-Made**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 6.5804   | 6.5804                                       | 93.4196                                | 75.6441  | 80.9723                    |
| 2003     | 26.7183  | 20.1379                                      | 73.2817                                | 59.2585  | 80.8639                    |
| 2004     | 43.1834  | 16.4652                                      | 56.8166                                | 45.7134  | 80.4579                    |
| 2005     | 43.9209  | 0.7375                                       | 56.0791                                | 47.5654  | 84.8185                    |
| 2006     | 54.3806  | 10.4597                                      | 45.6194                                | 39.5272  | 86.6457                    |
| 2007     | 78.3630  | 23.9824                                      | 21.6370                                | 17.1267  | 79.1545                    |
| 2008     | 82.8643  | 4.5013                                       | 17.1357                                | 13.4765  | 78.6460                    |
| 2009     | 68.2184  | -14.6459                                     | 31.7816                                | 29.3043  | 92.2052                    |
| 2010     | 79.1582  | 10.9399                                      | 20.8418                                | 19.7298  | 94.6644                    |
| 2011     | 89.6963  | 10.5381                                      | 10.3037                                | 10.0215  | 97.2617                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

2012 and later years

97.2617

Taxpayers that use the composite method of Notice 88-100 should use 90.3597 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Products Liability – Occurrence**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 9.4198   | 9.4198                                       | 90.5802                                | 71.8513  | 79.3234                    |
| 2003     | 20.5845  | 11.1647                                      | 79.4155                                | 64.4750  | 81.1869                    |
| 2004     | 36.7807  | 16.1962                                      | 63.2193                                | 51.5043  | 81.4693                    |
| 2005     | 55.5974  | 18.8167                                      | 44.4026                                | 35.0987  | 79.0466                    |
| 2006     | 66.6238  | 11.0263                                      | 33.3762                                | 25.7661  | 77.1990                    |
| 2007     | 77.2636  | 10.6399                                      | 22.7364                                | 16.2979  | 71.6822                    |
| 2008     | 79.1888  | 1.9251                                       | 20.8112                                | 15.2492  | 73.2740                    |
| 2009     | 83.6816  | 4.4928                                       | 16.3184                                | 11.5007  | 70.4765                    |
| 2010     | 85.5507  | 1.8691                                       | 14.4493                                | 10.2356  | 70.8380                    |
| 2011     | 85.7291  | 0.1784                                       | 14.2709                                | 10.6366  | 74.5336                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |         |         |         |
|----------------------|--------|---------|---------|---------|
| 2012                 | 0.1784 | 14.0925 | 11.0605 | 78.4854 |
| 2013                 | 0.1784 | 13.9141 | 11.5087 | 82.7124 |
| 2014                 | 0.1784 | 13.7357 | 11.9824 | 87.2355 |
| 2015                 | 0.1784 | 13.5573 | 12.4832 | 92.0772 |
| 2016 and later years | 0.1784 | 13.3789 | 13.0126 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 87.5350 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Reinsurance A (Nonproportional Assumed Property)**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 25.0571  | 25.0571                                      | 74.9429                                | 67.5012  | 90.0701                    |
| 2003     | 52.0402  | 26.9831                                      | 47.9598                                | 43.6127  | 90.9360                    |
| 2004     | 82.4709  | 30.4307                                      | 17.5291                                | 14.8155  | 84.5198                    |
| 2005     | 85.6387  | 3.1678                                       | 14.3613                                | 12.4045  | 86.3747                    |
| 2006     | 92.7228  | 7.0840                                       | 7.2772                                 | 5.8293   | 80.1036                    |
| 2007     | 91.8604  | -0.8624                                      | 8.1396                                 | 7.0488   | 86.5992                    |
| 2008     | 96.5016  | 4.6412                                       | 3.4984                                 | 2.6795   | 76.5908                    |
| 2009     | 96.1872  | -0.3143                                      | 3.8128                                 | 3.1557   | 82.7657                    |
| 2010     | 97.6206  | 1.4333                                       | 2.3794                                 | 1.8622   | 78.2609                    |
| 2011     | 97.8419  | 0.2214                                       | 2.1581                                 | 1.7409   | 80.6694                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 0.2214 | 1.9367 | 1.6127 | 83.2710 |
| 2013                 | 0.2214 | 1.7154 | 1.4772 | 86.1173 |
| 2014                 | 0.2214 | 1.4940 | 1.3340 | 89.2892 |
| 2015                 | 0.2214 | 1.2727 | 1.1826 | 92.9218 |
| 2016 and later years | 0.2214 | 1.0513 | 1.0225 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 91.2226 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Reinsurance B (Nonproportional Assumed Liability)**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 8.9223   | 8.9223                                       | 91.0777                                | 71.5358  | 78.5436                    |
| 2003     | 27.3618  | 18.4395                                      | 72.6382                                | 56.6618  | 78.0055                    |
| 2004     | 44.5758  | 17.2140                                      | 55.4242                                | 42.1986  | 76.1374                    |
| 2005     | 53.8781  | 9.3023                                       | 46.1219                                | 35.0439  | 75.9810                    |
| 2006     | 60.8896  | 7.0115                                       | 39.1104                                | 29.8360  | 76.2865                    |
| 2007     | 69.7327  | 8.8430                                       | 30.2673                                | 22.4476  | 74.1644                    |
| 2008     | 76.6292  | 6.8965                                       | 23.3708                                | 16.6387  | 71.1942                    |
| 2009     | 79.4030  | 2.7738                                       | 20.5970                                | 14.7368  | 71.5484                    |
| 2010     | 83.8936  | 4.4906                                       | 16.1064                                | 10.9612  | 68.0553                    |
| 2011     | 80.1707  | -3.7229                                      | 19.8293                                | 15.4148  | 77.7378                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |         |         |         |
|----------------------|--------|---------|---------|---------|
| 2012                 | 1.1805 | 18.6487 | 15.0812 | 80.8701 |
| 2013                 | 1.1805 | 17.4682 | 14.7286 | 84.3167 |
| 2014                 | 1.1805 | 16.2877 | 14.3559 | 88.1394 |
| 2015                 | 1.1805 | 15.1072 | 13.9618 | 92.4186 |
| 2016 and later years | 1.1805 | 13.9266 | 13.5453 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 90.3328 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**Reinsurance C (Nonproportional Assumed Financial Lines)**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 17.1195  | 17.1195                                      | 82.8805                                | 71.6629  | 86.4654                    |
| 2003     | 46.6590  | 29.5395                                      | 53.3410                                | 45.3837  | 85.0823                    |
| 2004     | 67.7135  | 21.0545                                      | 32.2865                                | 26.3279  | 81.5446                    |
| 2005     | 78.1379  | 10.4244                                      | 21.8621                                | 17.1133  | 78.2786                    |
| 2006     | 89.7346  | 11.5967                                      | 10.2654                                | 6.1673   | 60.0786                    |
| 2007     | 92.1268  | 2.3921                                       | 7.8732                                 | 4.0600   | 51.5667                    |
| 2008     | 89.7323  | -2.3945                                      | 10.2677                                | 6.7537   | 65.7759                    |
| 2009     | 90.0460  | 0.3137                                       | 9.9540                                 | 6.8167   | 68.4827                    |
| 2010     | 94.8867  | 4.8407                                       | 5.1133                                 | 2.2290   | 43.5925                    |
| 2011     | 86.7041  | -8.1827                                      | 13.2959                                | 10.7693  | 80.9970                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |         |        |         |
|----------------------|--------|---------|--------|---------|
| 2012                 | 1.4277 | 11.8683 | 9.9164 | 83.5537 |
| 2013                 | 1.4277 | 10.4406 | 9.0147 | 86.3430 |
| 2014                 | 1.4277 | 9.0129  | 8.0616 | 89.4449 |
| 2015                 | 1.4277 | 7.5852  | 7.0540 | 92.9969 |
| 2016 and later years | 1.4277 | 6.1575  | 5.9889 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 83.5537 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

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

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 62.9320  | 62.9320                                      | 37.0680                                | 35.1627  | 94.8599                    |
| 2003     | 88.4950  | 25.5631                                      | 11.5050                                | 10.8877  | 94.6349                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2004 and later years | 5.7525 | 5.7525 | 5.5950 | 97.2617 |
|----------------------|--------|--------|--------|---------|

Taxpayers that use the composite method of Notice 88-100 should use 97.2617 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2004 tax year.

**Workers' Compensation**

| Tax Year | Estimated<br>Cumulative<br>Losses<br>Paid<br>(%) | Estimated<br>Losses Paid<br>Each Year<br>(%) | Unpaid<br>Losses at<br>Year End<br>(%) | Discounted<br>Unpaid<br>Losses at<br>Year End<br>(%) | Discount<br>Factors<br>(%) |
|----------|--|--|--|--|----------------------------|
| 2002     | 28.2489  | 28.2489                                      | 71.7511                                | 61.5953  | 85.8458                    |
| 2003     | 57.8739  | 29.6249                                      | 42.1261                                | 34.6534  | 82.2611                    |
| 2004     | 71.2999  | 13.4260                                      | 28.7001                                | 22.8281  | 79.5402                    |
| 2005     | 77.7584  | 6.4585                                       | 22.2416                                | 17.4913  | 78.6421                    |
| 2006     | 81.9301  | 4.1717                                       | 18.0699                                | 14.2009  | 78.5885                    |
| 2007     | 83.7739  | 1.8437                                       | 16.2261                                | 13.1161  | 80.8329                    |
| 2008     | 86.5350  | 2.7611                                       | 13.4650                                | 11.0261  | 81.8872                    |
| 2009     | 88.4367  | 1.9017                                       | 11.5633                                | 9.7005   | 83.8901                    |
| 2010     | 89.5926  | 1.1559                                       | 10.4074                                | 9.0659   | 87.1103                    |
| 2011     | 91.6441  | 2.0515                                       | 8.3559                                 | 7.4743   | 89.4497                    |

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount unpaid losses that are incurred in this line of business in the 2002 accident year and that are outstanding at the end of the tax year shown.

|                      |        |        |        |         |
|----------------------|--------|--------|--------|---------|
| 2012                 | 2.0515 | 6.3045 | 5.7919 | 91.8701 |
| 2013                 | 2.0515 | 4.2530 | 4.0134 | 94.3668 |
| 2014                 | 2.0515 | 2.2016 | 2.1334 | 96.9035 |
| 2015 and later years | 2.0515 | 0.1501 | 0.1460 | 97.2617 |

Taxpayers that use the composite method of Notice 88-100 should use 89.5412 percent to discount unpaid losses that are incurred in this line of business in 2002 and that are outstanding at the end of the 2012 tax year.

**DRAFTING INFORMATION**

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