

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

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