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 co -n tract. An adjustment is then made to re flect any changes in discounted estimated salvage recoverable and in reinsurance r -e coverable. Pursuant to § 832(b), the amount of e-s timated salvage is determined on a di -s

counted basis in accordance with proc -e

taxpayer that is required to discount est -i

mated salvage recoverable under § 832.

dures established by the Secretar .v

SEC. 3. SCOPE

This revenue procedure applies to any

SEC. 4. APPLIØ TION

.01 The following tables present sep a rately for each line of business the di -s

SEC. 2. BACKGROUND

Revenue Code.

Rev. Proc. 98-12

SECTION 1. PURPOSE

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including

This revenue procedure prescribes the

salvage discount factors for the 1997 acc - i

dent year. These factors will be used for

computing discounted estimated salvage

recoverable under § 832 of the Internal

count factors under § 832 for the 1997 a -c cident year All the discount factors presented in this section were determined using the applicable interest rate under

§ 846(c) for 1997, which is 6.33 percent, and by assuming all estimated salvage is recovered in the middle of each calendar vear. The discount factors for the 1997 accident year have been adjusted to take into account changes in the groupings of the lines of business on the annual stat -e ment. In addition, see Re v Proc. 98–11, page 9, for an explanation of the trea -t ment of the multiple peril lines. .02 These tables must be used by ta \times

payers irrespective of whether they elected to discount unpaid losses using their own historical experience under § 846.

.03 Tables.

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

The discount factor for all years equals 96.9777 percent.

Auto Physical Damage

	Discount
Tax Year	Factors
	(%)

AY+095.5498 AY+1

94.09 11 AY+2

96.9777

The discount factor for AY+3 and subse	e-
quent years equals 96.9777 percent.	

Commercial Auto/Truck Liability/ Medical

	Discount
Tax Year	Factors
	(%)
AY+0	88.0553
AY+1	87.1995
AY+2	88.9446
AY+3	88.2138
AY+4	88.0377
AY+ 5	90.4504
AY+6	85.6730
AY+7	91.3816
AY+ 8	89.7918
AY+ 9	92.4220
AY+10	95.0477
AY+11	96.9777

The discount factor for AY+12 and subsequent years equals 96.9777 percent.

Discount

Composite Discount Factors

	Discount
Tax Year	Factors
	(%)
AY+0	85.5529
AY+1	83.9261
AY+2	83.4985
AY+ 3	83.3876
AY+ 4	84.1370
AY+ 5	84.7213
AY+ 6	84.7741
AY+ 7	84.8647
AY+ 8	87.7469
AY+9	90.3325
AY+10	92.9868
AY+11	95.6242
AY+12	96.9777

The discount factor for AY+13 and subsequent years equals 96.9777 percent.

Fidelity/Surety

Tax Year	Discount Factors (%)
AY+ 0	92.7512
AY+ 1	94.0911
AY+ 2	96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

Financial Guaranty/Mortgage Guaranty

Tax Year

Tax Year

Tax Year

Tux Tour	(%)
AY+ 0 AY+ 1 AY+ 2	94.6118 94.0911 96.9777
The discount factor for quent years equals 96.9	

Discount

Discount

Discount

Factors

Factors (%)

Factors

International (Composite)

AY+0	85.5529
AY+1	83.9261
AY+2	83.4985
AY+3	83.3876
AY+4	84.1370
AY+5	84.7213
AY+6	84.7741
AY+ 7	84.8647
AY+8	87.7469
AY+ 9	90.3325
AY+10	92.9868
AY+11	95.6242
AY+12	96.9777

The discount factor for AY+13 and subsequent years equals 96.9777 percent.

Medical Malpractice — Claims-Made

	(%)	Tax Te
AY+ 0	69.7444	AY+0
AY+1	72.4408	AY+1
AY+2	70.9597	AY+2
AY+3	70.2975	AY+3
4Y+4	73.8865	AY+4
AY+5	72.2143	AY+5
AY+ 6	82.0526	AY+6
AY+7	91.3471	AY+7
AY+8	96.2732	AY+8
AY+ 9	96.9777	AY+ 9
		A \$ 7 . 1 /

The discount factor for AY+10 and subsequent years equals 96.9777 percent.

Medical Malpractice — Occurrence

Tax Year	Discount Factors (%)
AY+0	63.4849
AY+ 1	66.8754
AY+2	71.4631
AY+3	75.2927
AY+ 4	72.0433
AY+ 5	78.1594
AY+ 6	83.1757
AY+7	86.3387
AY+8	90.8773
AY+ 9	93.5843
AY+10	96.3144
AY+11	96.9777

The discount factor for AY+12 and subsequent years equals 96.9777 percent.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
AY+ 0 AY+ 1 AY+ 2	94.9505 94.0911 96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

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

	Discount
Tax Year	Factors
	(%)
AY+0	88.1442
AY+1	87.0828
AY+2	87.8621
AY+3	87.5115
AY+4	88.6539
AY+5	90.1258
AY+6	90.1198
AY+ 7	89.0542
AY+8	91.5003
AY+ 9	94.2350
AY+10	96.9777

The discount factor for AY+11 and subsequent years equals 96.9777 percent. Private Passenger Auto Liability/Medical		AY+ 9 AY+10	79.9620 82.6312		
		TD . X7	Discount	AY+11	85.5373
Other (Including Credit)		Tax Year	Factors	AY+12	88.7650
			(%)	AY+13	92.4698
	Discount			AY+14	96.9777
Tax Year	Factors	AY+0	91.4258		
	(%)	AY+ 1	90.8687	The discount factor for AY+1:	5 and subse-
		AY+ 2	89.9218	quent years equals 96.9777 pe	ercent.
AY+0	96.0160	AY+3	89.5302		
AY+1	94.0911	AY+ 4	89.0574	Reinsurance A (Nonproport	ional
AY+2	96.9777	AY+ 5	89.5204	Property)	
		AY+ 6	88.2913	Troperty)	
The discount factor for AY+3	and subse-	AY+ 7	89.0287		D:
quent years equals 96.9777 pe	ercent.	AY+ 8	89.7296		Discount
1 7 1		AY+ 9	92.3587	Tax Year	Factors
Other Liability — Claims-M	T ade	AY+10	94.9871		(%)
		AY+11	96.9777		
	Discount		,0.,,,,	AY+0	86.2624
Tax Year	Factors	The discount factor for AY+12	and cubes	AY+ 1	89.5106
Tax Teal		quent years equals 96.9777 pe		AY+2	92.2926
	(%)	quent years equals 96.9777 pe	rcent.	AY+ 3	91.6380
A\$7 . O	77 1012	D 1 4 T 1 1 1 1 4 CI 1	3.6.1	AY+ 4	78.5001
AY+0	77.1913	Products Liability — Claims	s-Made	AY+5	94.6795
AY+ 1	82.7511				
AY+2	81.7452		Discount	AY+ 6	93.2638
AY+3	79.3754	Tax Year	Factors	AY+ 7	95.9330
AY+ 4	82.4055		(%)	AY+ 8	96.9777
AY+ 5	87.1445				
AY+ 6	85.6308	AY+0	78.6232	The discount factor for AY+9	and subse-
AY+ 7	91.3857	AY+1	80.6940	quent years equals 96.9777 pe	ercent.
AY+ 8	93.5459	AY+ 2	85.2594		
AY+ 9	96.2673	AY+ 3	85.1672	Reinsurance B (Nonproport	ional
AY+10	96.9777	AY+ 4	80.6815	Liability)	
		AY+ 5	87.8085	Diability)	
The discount factor for AY+1	1 and subse-	AY+ 6	80.3554		Discount
quent years equals 96.9777 pe		AY+ 7	87.9607	T- W	
quent years equals 50.5777 pe	arcont.	AY+ 8	96.6992	Tax Year	Factors
Other Liability — Occurren	ice.	AY+ 9	96.9777		(%)
Other Liability — Occurren		ATT	70.7111		
	Discount	The discount factor for AV 10 and only		AY+0	74.1864
Tor Voor		The discount factor for AY+10 and subse-		AY+1	76.4932
Tax Year	Factors	quent years equals 96.9777 percent.		AY+2	77.2282
	(%)	D 1 4 T 1 1 1 1 4 0		AY+ 3	76.6129
A\$7 . O	70.1000	Products Liability — Occur	rence	AY+ 4	79.1554
AY+0	78.1808		.	AY+ 5	74.1193
AY+ 1	78.9149		Discount	AY+ 6	75.9021
AY+2	81.3348	Tax Year	Factors	AY+ 7	83.5464
AY+3	83.3371		(%)	AY+ 8	86.0047
AY+ 4	84.6107				
AY+5	82.1372	AY+0	75.1149	AY+ 9	88.5652
AY+ 6	86.2972	AY+ 1	77.7623	AY+10	91.2350
AY+ 7	88.2925	AY+2	76.1078	AY+11	94.0259
AY+ 8	92.4786	AY+ 3	77.4296	AY+12	96.9777
AY+ 9	95.1025	AY+ 4	79.2166		
AY+10	96.9777	AY+ 5	78.5502	The discount factor for AY+13	3 and subse-
		AY+ 6	79.9464	quent years equals 96.9777 pe	ercent.
The discount factor for AY+1	1 and subse-	AY+ 7	71.9235	1	
quent years equals 96.9777 pe		AY+ 8	77.4789		
1 3		-			

Reinsurance C (Finar	icial Lines)	SEC. 5. EFFECTIVE DATE
Tax Year	Discount Factors (%)	This revenue procedure is e fective for taxable years beginning after December 31, 1996.
		DRAFTING INFORMATION
AY+0	80.6765	
AY+1	83.1043	The principal author of this revenue
AY+2	86.4423	procedure is Katherin e A. Hossofsky of
AY+3	92.4514	the Office of Assistant Chief Counsel (Fi-
AY+ 4 AY+ 5	90.9915	nancial Institutions & Products). For fur
AY+ 6	92.9165 89.3489	ther information regarding this revenue procedure, contact Ms. Hossofsky on
AY+ 7	96.8614	(202) 622-3970 (not a toll-free call).
AY+ 8	96.9777	(202) 022-3970 (not a ton-nec can).
The discount factor fo quent years equals 96.9		
Special Property (Fire Inland Marine, Ea th Burglar y and Theft)		
	Discount	
Tax Year	Factors	
Tax Year	Factors (%)	
	(%)	
AY+ 0	(%) 92.06 11	
	(%)	
$\begin{array}{c} AY+\ 0 \\ AY+\ 1 \\ AY+\ 2 \end{array}$ The discount factor fo	(%) 92.06 II 94.09 II 96.9777 rAY+3 and subse	
AY+ 0 AY+ 1 AY+ 2	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e-	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent.	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensat	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent. ion Discount	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent.	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent. ion Discount Factors (%)	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year AY+ 0	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 0777 percent. ion Discount Factors (%) 78.0209	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensat Tax Year AY+ 0 AY+ 1	(%) 92.06 II 94.09 II 96.9777 rAY+3 and subse- 9777 percent. ion Discount Factors (%) 78.0209 80.4915	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subseence of the second of th	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2 AY+ 3	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent. ion Discount Factors (%) 78.0209 80.4915 82.4316 84.0275	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2 AY+ 3 AY+ 4	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent. ion Discount Factors (%) 78.0209 80.4915 82.4316 84.0275 84.1405	
AY+ 0 AY+ 1 AY+ 2 The discount factor for quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2 AY+ 3 AY+ 4 AY+ 5	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent. ion Discount Factors (%) 78.0209 80.4915 82.4316 84.0275 84.1405 84.3058	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2 AY+ 3 AY+ 4 AY+ 5 AY+ 6	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 0777 percent. ion Discount Factors (%) 78.0209 80.4915 82.4316 84.0275 84.1405 84.3058 85.5062	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2 AY+ 3 AY+ 4 AY+ 5 AY+ 6 AY+ 7	(%) 92.06 II 94.09 II 96.9777 rAY+3 and subsectors (777 percent. ion Discount Factors (%) 78.0209 80.4915 82.4316 84.0275 84.1405 84.3058 85.5062 86.2679	
AY+ 0 AY+ 1 AY+ 2 The discount factor for quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2 AY+ 3 AY+ 4 AY+ 5 AY+ 6 AY+ 7 AY+ 8	(%) 92.06 II 94.09 II 96.9777 r AY+3 and subs e- 9777 percent. ion Discount Factors (%) 78.0209 80.4915 82.4316 84.0275 84.1405 84.3058 85.5062 86.2679 88.7269	
AY+ 0 AY+ 1 AY+ 2 The discount factor fo quent years equals 96.9 Workers Compensate Tax Year AY+ 0 AY+ 1 AY+ 2 AY+ 3 AY+ 4 AY+ 5 AY+ 6 AY+ 7	(%) 92.06 II 94.09 II 96.9777 rAY+3 and subsectors (777 percent. ion Discount Factors (%) 78.0209 80.4915 82.4316 84.0275 84.1405 84.3058 85.5062 86.2679	

The discount factor for AY+12 and subs equent years equals 96.9777 percent.