

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		Products Liability — Claims-Made		Reinsurance B (Nonproportional Liability)	
Tax Year	Discount Factors (%)	Tax Year	Discount Factors (%)	Tax Year	Discount Factors (%)
AY+ 0	77.8928	AY+ 0	79.2866		
AY+ 1	83.2885	AY+ 1	81.3032	AY+ 0	74.9392
AY+ 2	82.3182	AY+ 2	85.7298	AY+ 1	77.1865
AY+ 3	80.0331	AY+ 3	85.6427	AY+ 2	77.9061
AY+ 4	82.9792	AY+ 4	81.3092	AY+ 3	77.3172
AY+ 5	87.5716	AY+ 5	88.2121	AY+ 4	79.7911
AY+ 6	86.1171	AY+ 6	81.0185	AY+ 5	74.9223
AY+ 7	91.6842	AY+ 7	88.3819	AY+ 6	76.6707
AY+ 8	93.7737	AY+ 8	96.8185	AY+ 7	84.0847
AY+ 9	96.4015	AY+ 9	97.0874	AY+ 8	86.4718
AY+10	97.0874			AY+ 9	88.9546
		Products Liability — Occurrence		AY+10	91.5395
				AY+11	94.2379
				AY+12	97.0874
Other Liability — Occurrence				Reinsurance C (Financial Lines)	
Tax Year	Discount Factors (%)	Tax Year	Discount Factors (%)	Tax Year	Discount Factors (%)
AY+ 0	78.8476	AY+ 0	75.8372		
AY+ 1	79.5688	AY+ 1	78.4119		
AY+ 2	81.9224	AY+ 2	76.8096		
AY+ 3	83.8683	AY+ 3	78.0983		
AY+ 4	85.1067	AY+ 4	79.8362		
AY+ 5	82.7221	AY+ 5	79.1928	AY+ 0	81.2986
AY+ 6	86.7561	AY+ 6	80.5510	AY+ 1	83.6608
AY+ 7	88.6932	AY+ 7	72.7819	AY+ 2	86.8994
AY+ 8	92.7419	AY+ 8	78.1849	AY+ 3	92.7099
AY+ 9	95.2771	AY+ 9	80.6043	AY+ 4	91.3004
AY+10	97.0874	AY+10	83.2009	AY+ 5	93.1619
		AY+11	86.0229	AY+ 6	89.7226
		AY+12	89.1515	AY+ 7	96.9751
		AY+13	92.7357	AY+ 8	97.0874
		AY+14	97.0874		
		Reinsurance A (Nonproportional Property)		Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)	
Tax Year	Discount Factors (%)	Tax Year	Discount Factors (%)	Tax Year	Discount Factors (%)
AY+ 0	91.7145				
AY+ 1	91.1741				
AY+ 2	90.2569				
AY+ 3	89.8777	AY+ 0	86.7196		
AY+ 4	89.4206	AY+ 1	89.8651	AY+ 0	92.3377
AY+ 5	89.8689	AY+ 2	92.5548	AY+ 1	94.3008
AY+ 6	88.6823	AY+ 3	91.9205	AY+ 2	97.0874
AY+ 7	89.3993	AY+ 4	79.2342		
AY+ 8	90.0819	AY+ 5	94.8666		
AY+ 9	92.6259	AY+ 6	93.5010		
AY+10	95.1657	AY+ 7	96.0788		
AY+11	97.0874	AY+ 8	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 at (202) 622-3477 (not a toll-free number).