

Rev. Proc. 2001-61

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2001 accident year. These factors will be used for computing discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

SECTION 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.

SECTION 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

SECTION 4. APPLICATION

.01 The following tables present separately for each line of business the discount factors under § 832 for the 2001 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2001, which is 6.00 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 97.1286 percent.

Auto Physical Damage

Tax Year	Discount Factors (%)
AY+0	95.7674
AY+1	94.3797
AY+2	97.1286

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
AY+0	88.5939
AY+1	87.7783
AY+2	89.4468
AY+3	88.7496
AY+4	88.5847

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
AY+5	90.8892
AY+6	86.3339
AY+7	91.7857
AY+8	90.2742
AY+9	92.7870
AY+10	95.2906
AY+11	97.1286

Composite Discount Factors

Tax Year	Discount Factors (%)
AY+0	86.1785
AY+1	84.6206
AY+2	84.2139
AY+3	84.1124
AY+4	84.8349
AY+5	85.3994
AY+6	85.4575
AY+7	85.5553
AY+8	88.3172
AY+9	90.7912
AY+10	93.3259
AY+11	95.8396
AY+12	97.1286

Fidelity/Surety

Tax Year	Discount Factors (%)
AY+0	93.0996
AY+1	94.3797
AY+2	97.1286

**Financial Guaranty/
Mortgage Guaranty**

Tax Year	Discount Factors (%)
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AY+0	94.8732
AY+1	94.3797
AY+2	97.1286

**International
(Composite)**

Tax Year	Discount Factors (%)
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AY+0	86.1785
AY+1	84.6206
AY+2	84.2139
AY+3	84.1124
AY+4	84.8349
AY+5	85.3994
AY+6	85.4575
AY+7	85.5553
AY+8	88.3172
AY+9	90.7912
AY+10	93.3259
AY+11	95.8396
AY+12	97.1286

**Medical Malpractice —
Claims-Made**

Tax Year	Discount Factors (%)
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AY+0	70.9439
AY+1	73.5534
AY+2	72.1559
AY+3	71.5538
AY+4	75.0244
AY+5	73.4668
AY+6	82.8921
AY+7	91.7648
AY+8	96.4576
AY+9	97.1286

**Medical Malpractice —
Occurrence**

Tax Year	Discount Factors (%)
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AY+0	64.9126
AY+1	68.2051
AY+2	72.6369
AY+3	76.3310
AY+4	73.2474
AY+5	79.1277
AY+6	83.9409
AY+7	86.9752
AY+8	91.3121
AY+9	93.8960
AY+10	96.4969
AY+11	97.1286

Miscellaneous Casualty

Tax Year	Discount Factors (%)
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AY+0	95.1962
AY+1	94.3797
AY+2	97.1286

**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 (%)
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AY+0	88.6776
AY+1	87.6647
AY+2	88.4118
AY+3	88.0806
AY+4	89.1756
AY+5	90.5830
AY+6	90.5792
AY+7	89.5685

**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 (%)
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AY+8	91.9074
AY+9	94.5167
AY+10	97.1286

**Other
(Including Credit)**

Tax Year	Discount Factors (%)
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AY+0	96.2118
AY+1	94.3797
AY+2	97.1286

**Other Liability —
Claims-Made**

Tax Year	Discount Factors (%)
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AY+0	78.1587
AY+1	83.4921
AY+2	82.5351
AY+3	80.2819
AY+4	83.1960
AY+5	87.7328
AY+6	86.3005
AY+7	91.7967
AY+8	93.8594
AY+9	96.4520
AY+10	97.1286

**Other Liability —
Occurrence**

Tax Year	Discount Factors (%)
AY+0	79.1003
AY+1	79.8165
AY+2	82.1449
AY+3	84.0693
AY+4	85.2943
AY+5	82.9430
AY+6	86.9293
AY+7	88.8442
AY+8	92.8410
AY+9	95.3428
AY+10	97.1286

**Products Liability —
Claims-Made**

Tax Year	Discount Factors (%)
AY+0	79.5379
AY+1	81.5337
AY+2	85.9078
AY+3	85.8225
AY+4	81.5464
AY+5	88.3645
AY+6	81.2686
AY+7	88.5406
AY+8	96.8633
AY+9	97.1286

**Reinsurance A
(Nonproportional Property)**

Tax Year	Discount Factors (%)
AY+0	86.8922
AY+1	89.9989
AY+2	92.6537
AY+3	92.0270
AY+4	79.5110
AY+5	94.9370
AY+6	93.5902
AY+7	96.1337
AY+8	97.1286

**Private Passenger Auto
Liability/Medical**

Tax Year	Discount Factors (%)
AY+0	91.8234
AY+1	91.2893
AY+2	90.3834
AY+3	90.0088
AY+4	89.5577
AY+5	90.0005
AY+6	88.8299
AY+7	89.5391
AY+8	90.2147
AY+9	92.7265
AY+10	95.2329
AY+11	97.1286

**Products Liability —
Occurrence**

Tax Year	Discount Factors (%)
AY+0	76.1115
AY+1	78.6586
AY+2	77.0761
AY+3	78.3522
AY+4	80.0713
AY+5	79.4367
AY+6	80.7804
AY+7	73.1074
AY+8	78.4522
AY+9	80.8473
AY+10	83.4161
AY+11	86.2062
AY+12	89.2973
AY+13	92.8357
AY+14	97.1286

**Reinsurance B
(Nonproportional Liability)**

Tax Year	Discount Factors (%)
AY+0	75.2252
AY+1	77.4497
AY+2	78.1634
AY+3	77.5844
AY+4	80.0321
AY+5	75.2265
AY+6	76.9615
AY+7	84.2881
AY+8	86.6481
AY+9	89.1014
AY+10	91.6542
AY+11	94.3176
AY+12	97.1286

**Reinsurance C
(Financial Lines)**

Tax Year	Discount Factors (%)
AY+0	81.5339
AY+1	83.8710
AY+2	87.0718
AY+3	92.8074
AY+4	91.4169
AY+5	93.2543
AY+6	89.8633
AY+7	97.0178
AY+8	97.1286

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

Tax Year	Discount Factors (%)
AY+0	92.4418
AY+1	94.3797
AY+2	97.1286

Workers' Compensation

Tax Year	Discount Factors (%)
AY+0	78.9510
AY+1	81.3287
AY+2	83.1942
AY+3	84.7269
AY+4	84.8406
AY+5	85.0065
AY+6	86.1624
AY+7	86.8999
AY+8	89.2560
AY+9	91.7969
AY+10	94.4286
AY+11	97.1286

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).