

## 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.

### SECTION 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 CC: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@irsounsel.treas.gov*.

**SECTION 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.

**SECTION 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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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

### Composite

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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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.

### Medical Malpractice — Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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.

### Medical Malpractice — Claims-Made

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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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.

**Other Liability — Occurrence**

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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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

**Products Liability — Claims-Made**

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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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.

**Reinsurance B (Nonproportional Assumed Liability)**

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

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

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
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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 Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
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**

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Hossofsky at (202) 622–3577 (not a toll-free call).

ance 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 2002. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2002, which is 5.71 percent, and by assuming all estimated salvage is recovered in the middle of the calendar year

.02 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. Rev. Proc. 2002–74, section 3.03, 2002–51 I.R.B. 980, provides that an insurance company that elects to use the composite method of Notice 88–100 must use the same method to compute discounted estimated salvage recoverable. Accordingly, the tables separately provide discount factors for taxpayers who elect to use the composite method of section V of Notice 88–100.

.03 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own experience under § 846(e).

.04 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 estimated salvage recoverable as of the end of 2002 and later taxable years with respect to losses incurred in this line of business in 2002.

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

Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2002 with respect to losses incurred in this line of business in 2002.

**Auto Physical Damage**

Tax Year	Discount Factors (%)
2002	95.9613
2003	94.6349

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2004 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2004 with respect to losses incurred in this line of business in 2002.

**Commercial Auto/Truck Liability/Medical**

Tax Year	Discount Factors (%)
2002	89.1648
2003	88.8184
2004	88.5411
2005	89.1228
2006	89.7404
2007	89.0554
2008	90.5327
2009	91.8164
2010	92.1496
2011	94.6715

**Commercial Auto/Truck Liability/Medical**

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2211 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Composite**

Tax Year	Discount Factors (%)
2002	89.0851
2003	87.5364
2004	86.9084
2005	86.1903
2006	84.7791
2007	84.8602
2008	84.5391
2009	84.4628
2010	84.5889
2011	86.8329

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012	89.1538
2013	91.5493
2014	94.0070
2015	96.4596
2016 and later years	97.2617

**Composite**

Taxpayers that use the composite method of Notice 88–100 should use 92.5879 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Fidelity/Surety**

Tax Year	Discount Factors (%)
2002	92.0133
2003	94.6349

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2004 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2004 with respect to losses incurred in this line of business in 2002.

**Financial Guaranty/Mortgage Guaranty**

Tax Year	Discount Factors (%)
2002	93.7635
2003	94.6349

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2004 and later years	97.2617
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**Financial Guaranty/Mortgage Guaranty**

Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2004 with respect to losses incurred in this line of business in 2002.

**International (Composite)**

Tax Year	Discount Factors (%)
2002	89.0851
2003	87.5364
2004	86.9084
2005	86.1903
2006	84.7791
2007	84.8602
2008	84.5391
2009	84.4628
2010	84.5889
2011	86.8329

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012	89.1538
2013	91.5493
2014	94.0070
2015	96.4596
2016 and later years	97.2617

Taxpayers that use the composite method of Notice 88–100 should use 92.5879 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Medical Malpractice — Claims-Made**

Tax Year	Discount Factors (%)
2002	83.3446

**Medical Malpractice — Claims-Made**

2003	77.4565
2004	83.3469
2005	80.3314
2006	81.5320
2007	74.4259
2008	86.8875
2009	90.5735
2010	95.0023
2011	97.2617

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Medical Malpractice — Occurrence**

Tax Year	Discount Factors (%)
2002	78.2595
2003	79.6832
2004	84.2125
2005	86.0904
2006	70.2129
2007	82.8072
2008	89.2934
2009	93.1674
2010	95.3914
2011	97.2617

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

**Medical Malpractice — Occurrence**

2012 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.1286 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Miscellaneous Casualty**

Tax Year	Discount Factors (%)
2002	95.3528
2003	94.6349

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2004 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2004 with respect to losses incurred in this line of business in 2002.

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

Tax Year	Discount Factors (%)
2002	90.2539
2003	88.1069
2004	89.0426
2005	88.6765
2006	88.1493
2007	89.7100

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

2008	89.7645
2009	89.9881
2010	91.9392
2011	94.4458

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012	97.0065
2013 and later years	97.2617

Taxpayers that use the composite method of Notice 88–100 should use 97.0065 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Other (Including Credit)**

Tax Year	Discount Factors (%)
2002	95.5983
2003	94.6349

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2004 and later years	97.2617
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**Other (Including Credit)**

Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2004 with respect to losses incurred in this line of business in 2002.

**Other Liability — Claims-Made**

Tax Year	Discount Factors (%)
2002	88.5534
2003	77.0799
2004	59.8423
2005	85.1827
2006	80.6863
2007	79.6704
2008	87.4045
2009	91.7825
2010	87.7798
2011	90.1269

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012	92.5413
2013	94.9916
2014 and later years	97.2617

Taxpayers that use the composite method of Notice 88–100 should use 92.5413 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Other Liability — Occurrence**

Tax Year	Discount Factors (%)
2002	82.1003
2003	83.8238
2004	85.1543

**Other Liability — Occurrence**

2005	81.0240
2006	85.2626
2007	88.2873
2008	88.7248
2009	91.2567
2010	92.8723
2011	95.2829

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Private Passenger Auto Liability/Medical**

Tax Year	Discount Factors (%)
2002	92.6794
2003	92.4436
2004	92.1118
2005	91.1168
2006	90.8537
2007	89.5944
2008	89.5168
2009	89.5750
2010	91.0294
2011	93.4478

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

**Private Passenger Auto Liability/Medical**

2012	95.8417
2013 and later years	97.2617

Taxpayers that use the composite method of Notice 88–100 should use 96.2722 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Products Liability — Claims-Made**

Tax Year	Discount Factors (%)
2002	83.8918
2003	83.9617
2004	85.9812
2005	80.9402
2006	75.8992
2007	83.6008
2008	89.1426
2009	94.2722
2010	12.7896
2011	94.7448

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Products Liability — Occurrence**

Tax Year	Discount Factors (%)
2002	77.1249
2003	80.2580
2004	80.9969
2005	84.1881
2006	81.0130
2007	85.2160
2008	88.9333
2009	89.8343
2010	83.2562
2011	85.4521

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012	87.7240
2013	90.0713
2014	92.4880
2015	94.9465
2016 and later years	97.2617

Taxpayers that use the composite method of Notice 88–100 should use 89.9396 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Reinsurance A (Nonproportional Assumed Property)**

Tax Year	Discount Factors (%)
2002	83.0276
2003	79.4487
2004	84.3983
2005	88.9304
2006	89.6909
2007	91.8095
2008	93.9748
2009	95.5166

**Reinsurance A (Nonproportional Assumed Property)**

2010	96.2373
2011	97.2617

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

**Reinsurance B (Nonproportional Assumed Liability)**

Tax Year	Discount Factors (%)
2002	82.5422
2003	79.7782
2004	83.6886
2005	81.1133
2006	72.7512
2007	76.9860
2008	76.1494
2009	78.8202
2010	72.6244
2011	81.6711

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012	84.1450
2013	86.8254

**Reinsurance B (Nonproportional Assumed Liability)**

2014	89.7871
2015	93.1686
2016 and later years	97.2617

Taxpayers that use the composite method of Notice 88–100 should use 90.7865 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

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

Tax Year	Discount Factors (%)
2002	82.1001
2003	82.9712
2004	87.1724
2005	84.0362
2006	87.9032
2007	79.5172
2008	83.3178
2009	91.6271
2010	93.2736
2011	95.6650

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2012 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

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

Tax Year	Discount Factors (%)
2002	92.5352
2003	94.6349

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

2004 and later years	97.2617
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Taxpayers that use the composite method of Notice 88–100 should use 97.2617 percent to discount estimated salvage recoverable as of the end of 2004 with respect to losses incurred in this line of business in 2002.

**Workers' Compensation**

Tax Year	Discount Factors (%)
2002	83.1651
2003	84.7058
2004	85.2400
2005	85.1429
2006	84.3224
2007	85.3097
2008	85.0472
2009	85.2314
2010	86.2035
2011	88.4933

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount estimated salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in 2002.

## Workers' Compensation

2012	90.8522
2013	93.2636
2014	95.6550
2015 and later years	97.2617

Taxpayers that use the composite method of Notice 88–100 should use 93.1315 percent to discount estimated salvage recoverable as of the end of 2012 with respect to losses incurred in this line of business in 2002.

## 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 call).