

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 1995 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 1996, which is 6.63 percent, and by assuming all estimated salvage is recovered in the

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*26 CFR 601.201: Rulings and determination letters  
(Also Part I, Sections 832, 846; 1.832-4, 1.846-1.)*

## Rev. Proc. 96-45

### SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 1996 accident year. These factors will be used

middle of each calendar year. See Rev. Proc. 91-48, 1991-2 C.B. 760, 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 Tables.

Tables of Discount Factors  
Salvage Recoverable  
- 1996 -  
Interest rate: 6.63 percent

Homeowners/Farmowners

Tax Year	Discount Factor (%)
AY+ 0	92.4763
AY+ 1	87.0955
AY+ 2	88.2656
AY+ 3	89.1817
AY+ 4	89.7376
AY+ 5	88.9620
AY+ 6	89.6468
AY+ 7	89.0559
AY+ 8	89.1020
AY+ 9	91.8346
AY+10	94.5850
AY+11	96.8412

Private Passenger Auto Liability/Medical

Tax Year	Discount Factor (%)
AY+ 0	90.2868
AY+ 1	89.7336
AY+ 2	89.6646
AY+ 3	89.1303
AY+ 4	88.1776
AY+ 5	86.8495
AY+ 6	85.2614
AY+ 7	85.7661
AY+ 8	87.0805
AY+ 9	89.7569
AY+10	92.5079
AY+11	95.2452
AY+12	96.8412

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factor (%)
AY+ 0	87.1701
AY+ 1	87.7685
AY+ 2	88.4244
AY+ 3	88.5467
AY+ 4	89.1220
AY+ 5	88.9736
AY+ 6	88.9483

Tax Year	Discount Factor (%)
AY+ 7	89.4420
AY+ 8	91.7885
AY+ 9	94.5428
AY+10	96.8412

Workers' Compensation

Tax Year	Discount Factor (%)
AY+ 0	82.7268
AY+ 1	79.5557
AY+ 2	76.3837
AY+ 3	74.4253
AY+ 4	73.3432
AY+ 5	71.8077
AY+ 6	71.9321
AY+ 7	71.3830
AY+ 8	74.8434
AY+ 9	77.5606
AY+10	80.5270
AY+11	83.8070
AY+12	87.4975
AY+13	91.7536
AY+14	96.8412

Commercial Multiple Peril

Tax Year	Discount Factor (%)
AY+ 0	85.2519
AY+ 1	83.1303
AY+ 2	84.9284
AY+ 3	86.1844
AY+ 4	86.1858
AY+ 5	85.6710
AY+ 6	84.4217
AY+ 7	83.2276
AY+ 8	82.4887
AY+ 9	85.0017
AY+10	87.6150
AY+11	90.3275
AY+12	93.1260
AY+13	95.9349
AY+14	96.8412

Medical Malpractice

Tax Year	Discount Factor (%)
AY+ 0	72.3001
AY+ 1	74.7708
AY+ 2	76.6003
AY+ 3	78.1669
AY+ 4	78.2165
AY+ 5	76.1409
AY+ 6	75.2157
AY+ 7	78.2316
AY+ 8	81.8275

Tax Year	Discount Factor (%)
AY+ 9	84.3062
AY+10	86.8808
AY+11	89.5476
AY+12	92.2886
AY+13	95.0206
AY+14	96.8412

Special Liability (Ocean Marine, Aircraft (all Perils), Boiler and Machinery)

Tax Year	Discount Factor (%)
AY+ 0	88.9290
AY+ 1	85.0004
AY+ 2	82.9115
AY+ 3	83.1827
AY+ 4	83.2194
AY+ 5	80.4607
AY+ 6	83.4397
AY+ 7	82.5788
AY+ 8	74.8580
AY+ 9	77.5737
AY+10	80.5381
AY+11	83.8157
AY+12	87.5033
AY+13	91.7563
AY+14	96.8412

Other Liability

Tax Year	Discount Factor (%)
AY+ 0	75.9874
AY+ 1	77.6356
AY+ 2	79.5409
AY+ 3	82.0115
AY+ 4	82.0485
AY+ 5	78.9578
AY+ 6	78.6670
AY+ 7	79.2771
AY+ 8	80.6934
AY+ 9	83.1378
AY+10	85.6836
AY+11	88.3341
AY+12	91.0905
AY+13	93.9461
AY+14	96.8412

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

Tax Year	Discount Factor (%)
AY+ 0	89.4016
AY+ 1	91.1418
AY+ 2	92.1391

Continued on next page

	Discount		Discount		Discount
	Factor		Factor		Factor
Tax Year	(%)	Tax Year	(%)	Tax Year	(%)
AY+ 3	93.5634	AY+ 7	76.9538	AY+ 4	86.0620
AY+ 4	94.5558	AY+ 8	78.5443	AY+ 5	88.4270
AY+ 5	96.2074	AY+ 9	81.0046	AY+ 6	91.0715
AY+ 6	96.8412	AY+10	83.6078	AY+ 7	93.8805
Auto Physical Damage		AY+11	86.3851	AY+ 8	96.8412
	Discount	AY+12	89.3943	Miscellaneous Casualty (Composite)	
	Factor	AY+13	92.7611		Discount
	(%)	AY+14	96.8412		Factor
Tax Year		Reinsurance A		Tax Year	(%)
AY+ 0	95.1966		Discount	AY+ 0	85.0124
AY+ 1	95.6676		Factor	AY+ 1	86.9026
AY+ 2	96.8412		(%)	AY+ 2	87.8050
Fidelity, Surety, Financial Guaranty, Mortgage Guaranty		Tax Year		AY+ 3	89.0382
	Discount	AY+ 0	77.0244	AY+ 4	90.2502
	Factor	AY+ 1	80.3308	AY+ 5	91.6718
	(%)	AY+ 2	82.0405	AY+ 6	92.9603
Tax Year		AY+ 3	83.8941	AY+ 7	94.5573
AY+ 0	84.0469	AY+ 4	86.0620	AY+ 8	96.8412
AY+ 1	86.4207	AY+ 5	88.4270	Long Lines (Composite)	
AY+ 2	87.7821	AY+ 6	91.0715		Discount
AY+ 3	89.4142	AY+ 7	93.8805		Factor
AY+ 4	91.0835	AY+ 8	96.8412		(%)
AY+ 5	92.7170	Reinsurance B (Composite)		Tax Year	
AY+ 6	93.9699		Discount	AY+ 0	84.7137
AY+ 7	95.0086		Factor	AY+ 1	82.4881
AY+ 8	96.8412		(%)	AY+ 2	82.2050
Other (including Credit, Accident and Health)		Tax Year		AY+ 3	82.2275
	Discount	AY+ 0	84.7137	AY+ 4	81.2783
	Factor	AY+ 1	82.4881	AY+ 5	78.4822
	(%)	AY+ 2	82.2050	AY+ 6	77.4953
Tax Year		AY+ 3	82.2275	AY+ 7	76.9538
AY+ 0	89.9648	AY+ 4	81.2783	AY+ 8	78.5443
AY+ 1	91.7311	AY+ 5	78.4822	AY+ 9	81.0046
AY+ 2	92.9067	AY+ 6	77.4953	AY+10	83.6078
AY+ 3	94.5018	AY+ 7	76.9538	AY+11	86.3851
AY+ 4	95.8377	AY+ 8	78.5443	AY+12	89.3943
AY+ 5	96.8412	AY+ 9	81.0046	AY+13	92.7611
International (Composite)		AY+10	83.6078	AY+14	96.8412
	Discount	AY+11	86.3851	DRAFTING INFORMATION	
	Factor	AY+12	89.3943	The principal author of this revenue	
	(%)	AY+13	92.7611	procedure is Katherine A. Hossofsky of	
Tax Year		AY+14	96.8412	the Office of the Assistant Chief Coun- sel (Financial Institutions and Products).	
AY+ 0	84.7137	Reinsurance C		For further information regarding this	
AY+ 1	82.4881		Discount	revenue procedure, contact Ms. Hos- sofsky on (202) 622-3477 (not a toll- free number).	
AY+ 2	82.2050		Factor		
AY+ 3	82.2275		(%)		
AY+ 4	81.2783	Tax Year			
AY+ 5	78.4822	AY+ 0	77.0244		
AY+ 6	77.4953	AY+ 1	80.3308		
		AY+ 2	82.0405		
		AY+ 3	83.8941		