

Part III

Administrative, Procedural, and Miscellaneous

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

Rev. Proc. 2010-50

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2010 accident year. These factors must be used to compute 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 2010 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2010, which is 3.81 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. See Rev. Proc. 2008-11, 2008-1 C.B. 301, 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 a composite discount factor to be used in determining the discounted unpaid losses for accident years that are not separately reported on the annual statement approved by the National Association of Insurance Commissioners. The tables separately provide discount factors for taxpayers who elect to use the composite method. Rev. Proc. 2002-74, 2002-2 C.B. 980, clarifies that for certain insurance companies subject to tax under § 831 the composite method for discounting unpaid losses set forth in Notice 88-100, section V, is permitted but not required. This revenue procedure further provides alternative methods for computing discounted unpaid losses that are permitted for insurance companies not using the composite method, and sets forth a procedure for insurance companies to obtain automatic consent of the Commissioner to change to one of the methods described in Rev. Proc. 2002-74.

.04 Tables.

**Tables of Factors to be Used to Discount
Salvage Recoverable With Respect to Losses Incurred in
Accident Year 2010**

(Interest rate: 3.81 percent)

Lines of Business

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 98.1478 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2010 accident year as of the end of the 2010 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount all salvage recoverable in this line of business as of the end of the 2010 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2010	97.3968
2011	96.3467

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2012 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2012 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2010	92.7837
2011	92.7323
2012	93.0580
2013	93.3885
2014	94.0857
2015	93.8868
2016	92.4123
2017	93.2791
2018	96.4600
2019	98.1478

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Composite

Tax Year	Discount Factors (%)
2010	92.7966
2011	92.5582
2012	92.3906
2013	92.2259
2014	91.6392
2015	90.7679
2016	91.5729
2017	92.8475
2018	94.7606
2019	96.4814

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1394 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Fidelity/Surety

Tax Year	Discount Factors (%)
2010	94.0623
2011	96.3467

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2012 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2012 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2010	95.0489
2011	96.3467

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2012 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2012 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

International (Composite)

Tax Year	Discount Factors (%)
2010	92.7966
2011	92.5582
2012	92.3906
2013	92.2259
2014	91.6392
2015	90.7679
2016	91.5729
2017	92.8475
2018	94.7606
2019	96.4814

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1394 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Medical Malpractice -- Claims-Made

Tax Year	Discount Factors (%)
2010	93.0786
2011	94.0952
2012	92.5904
2013	93.1817
2014	92.5233
2015	88.3749
2016	85.2082
2017	90.8503
2018	96.6547
2019	98.1478

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Medical Malpractice -- Occurrence

Tax Year	Discount Factors (%)
2010	86.3162
2011	90.4919
2012	92.7220
2013	85.1582
2014	95.0887
2015	91.9139
2016	93.4195
2017	96.1175
2018	97.2711
2019	98.1478

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2010	96.7847
2011	96.3467

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2012 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2012 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

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

Tax Year	Discount Factors (%)
2010	93.4004
2011	92.8257
2012	92.7508
2013	92.6906
2014	91.9254
2015	90.4434
2016	91.5362
2017	93.8270
2018	95.1497
2019	96.8145

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2010	95.8998
2011	96.3467

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2012 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2012 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Other Liability -- Claims-Made

Tax Year	Discount Factors (%)
2010	89.0574
2011	90.1163
2012	88.3414
2013	91.3936
2014	92.7947
2015	94.5684
2016	93.5605
2017	92.2516
2018	97.5182
2019	98.1478

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Other Liability -- Occurrence

Tax Year	Discount Factors (%)
2010	87.8282
2011	88.8138
2012	91.0169
2013	91.7356
2014	91.2069
2015	91.3193
2016	90.8227
2017	93.4080
2018	96.0113
2019	97.7168

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Private Passenger Auto Liability/Medical

	Discount
Tax Year	Factors (%)
2010	94.8467
2011	94.8695
2012	94.6345
2013	93.8178
2014	93.2668
2015	92.5396
2016	93.3887
2017	94.8601
2018	94.9293
2019	96.6211

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
2010	89.5111
2011	53.8777
2012	56.2338
2013	91.2109
2014	81.2016
2015	91.8947
2016	61.7067
2017	91.0293
2018	92.1071
2019	93.1849

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020	94.8773
2021	96.5773
2022 and later years	98.1478

Taxpayers that use the composite method of Notice 88-100 should use 95.8305 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Products Liability -- Occurrence

Tax Year	Discount Factors (%)
2010	88.3200
2011	90.2935
2012	92.0747
2013	92.8492
2014	93.2720
2015	90.9592
2016	91.5621
2017	94.3528
2018	94.6093
2019	96.3618

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1145 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Reinsurance -- Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2010	91.5967
2011	93.1520
2012	95.9361
2013	81.1923
2014	90.4025
2015	82.5156
2016	54.0401
2017	93.2324
2018	74.7782
2019	88.7685

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020	90.4287
2021	92.1524
2022	93.9603
2023	95.9026
2024 and later years	98.1478

Taxpayers that use the composite method of Notice 88-100 should use 92.3206 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Reinsurance -- Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2010	87.4907
2011	90.5937
2012	91.9716
2013	89.2639
2014	91.2258
2015	92.0480
2016	91.9513
2017	93.6177
2018	95.4465
2019	97.0969

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.0840 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Reinsurance -- Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2010	87.8550
2011	86.6634
2012	90.4544
2013	79.6749
2014	90.7909
2015	81.3855
2016	90.9640
2017	91.3553
2018	97.6631
2019	98.1478

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

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

Tax Year	Discount Factors (%)
2010	95.1830
2011	96.3467

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2012 and later years	98.1478
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Taxpayers that use the composite method of Notice 88-100 should use 98.1478 percent to discount salvage recoverable as of the end of the 2012 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2010	89.0169
2011	90.9477
2012	91.7039
2013	91.6235
2014	90.2053
2015	88.8704
2016	89.4375
2017	89.1742
2018	91.2385
2019	92.9096

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2010 accident year.

2020	94.6208
2021	96.3708
2022 and later years	98.1478

Taxpayers that use the composite method of Notice 88-100 should use 95.6888 percent to discount salvage recoverable as of the end of the 2020 taxable year with respect to losses incurred in this line of business in 2010 and prior years.

DRAFTING INFORMATION

The principal author of this revenue procedure is Sarah E. Swan of the Office of the Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Swan at (202)622-8443 (not a toll free call).