

## Part III

### Administrative, Procedural, and Miscellaneous

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

Rev. Proc. 2012-45

#### SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for 2012. 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 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. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under § 832 for 2012. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2012, which is 2.89 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, 2002-2 C.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.

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

.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 98.5856 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2012 accident year as of the end of the 2012 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount all salvage recoverable in this line of business as of the end of the 2012 taxable year.

### **Auto Physical Damage**

Tax Year	Discount Factors (%)
2012	97.9926
2013	97.2010

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 2012 accident year.

2014 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Commercial Auto/Truck Liability/Medical**

Tax Year	Discount Factors (%)
2012	94.8601
2013	94.3170
2014	94.7640
2015	94.1089
2016	94.6321
2017	94.3280
2018	90.0593
2019	88.2417
2020	91.0508
2021	92.3107

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 2012 accident year.

2022	93.5910
2023	94.8890
2024	96.1977
2025	97.4916
2026 and later years	98.5856

Taxpayers that use the composite method of Notice 88-100 should use 93.5910 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Composite**

Tax Year	Discount Factors (%)
2012	94.5210
2013	94.2990
2014	94.5290
2015	92.9773
2016	93.4682
2017	93.0095
2018	92.8551
2019	93.5193
2020	93.5262
2021	94.8250

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 2012 accident year.

2022	96.1362
2023	97.4384
2024 and later years	98.5856

Taxpayers that use the composite method of Notice 88-100 should use 96.1362 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Fidelity/Surety**

Tax Year	Discount Factors (%)
2012	95.5378
2013	97.2010

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 2012 accident year.

2014 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Financial Guaranty/Mortgage Guaranty**

Tax Year	Discount Factors (%)
2012	95.0291
2013	97.2010

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 2012 accident year.

2014 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**International (Composite)**

Tax Year	Discount Factors (%)
2012	94.5210
2013	94.2990
2014	94.5290
2015	92.9773
2016	93.4682
2017	93.0095
2018	92.8551
2019	93.5193
2020	93.5262
2021	94.8250

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 2012 accident year.

2022	96.1362
2023	97.4384
2024 and later years	98.5856

Taxpayers that use the composite method of Notice 88-100 should use 96.1362 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Medical Professional Liability -- Claims-Made**

Tax Year	Discount Factors (%)
2012	93.7912
2013	94.6803
2014	92.2134
2015	95.0710
2016	95.3003
2017	95.7832
2018	96.7165
2019	97.3503
2020	97.3252
2021	98.5856

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Medical Professional Liability -- Occurrence**

Tax Year	Discount Factors (%)
2012	94.4161
2013	96.5442
2014	95.9802
2015	97.2713
2016	96.2322
2017	97.6681
2018	97.0089
2019	97.0932
2020	95.2155
2021	96.5222

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 2012 accident year.

2022	97.7949
2023 and later years	98.5856

Taxpayers that use the composite method of Notice 88-100 should use 97.7949 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Miscellaneous Casualty**

Tax Year	Discount Factors (%)
2012	96.1880
2013	97.2010

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 2012 accident year.

2014 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 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 (%)
2012	95.2320
2013	95.1821
2014	95.7186
2015	93.7419
2016	95.3602
2017	95.8534
2018	96.0053
2019	95.8968
2020	95.5350
2021	98.5856

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Other (Including Credit)**

Tax Year	Discount Factors (%)
2012	96.9381
2013	97.2010

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 2012 accident year.

2014 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Other Liability -- Claims-Made**

Tax Year	Discount Factors (%)
2012	93.5677
2013	93.9483
2014	93.9860
2015	95.1734
2016	95.2144
2017	95.3785
2018	96.5322
2019	96.4985
2020	96.7811
2021	98.0683

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Other Liability -- Occurrence**

Tax Year	Discount Factors (%)
2012	90.3389
2013	91.4894
2014	92.7055
2015	93.3713
2016	94.1617
2017	95.2667
2018	95.4478
2019	95.3361
2020	97.2714
2021	98.5856

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Private Passenger Auto Liability/Medical**

	Discount
Tax Year	Factors (%)
2012	96.1315
2013	95.9985
2014	95.9758
2015	95.3522
2016	95.3346
2017	95.4812
2018	95.2304
2019	95.5517
2020	96.8469
2021	98.1429

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Products Liability -- Claims-Made**

Tax Year	Discount Factors (%)
2012	89.8196
2013	91.4110
2014	89.5038
2015	95.0117
2016	92.8700
2017	98.1820
2018	96.3577
2019	85.3703
2020	98.2509
2021	98.5856

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 97.2650 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Products Liability -- Occurrence**

Tax Year	Discount Factors (%)
2012	90.7468
2013	90.8255
2014	91.6861
2015	93.0159
2016	93.6033
2017	94.5013
2018	94.4114
2019	96.6942
2020	96.0812
2021	97.3920

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Reinsurance -- Nonproportional Assumed Property**

Tax Year	Discount Factors (%)
2012	92.8721
2013	95.2410
2014	93.0843
2015	91.7774
2016	94.0583
2017	92.9687
2018	96.9437
2019	90.0756
2020	95.9421
2021	97.2787

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 95.1349 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Reinsurance -- Nonproportional Assumed Liability**

Tax Year	Discount Factors (%)
2012	87.4545
2013	89.8069
2014	84.2710
2015	85.5707
2016	91.5781
2017	94.6877
2018	93.8198
2019	94.3842
2020	92.5740
2021	96.6295

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 2012 accident year.

2022	97.9045
2023 and later years	98.5856

Taxpayers that use the composite method of Notice 88-100 should use 97.9045 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Reinsurance -- Nonproportional Assumed Financial Lines**

Tax Year	Discount Factors (%)
2012	88.2387
2013	89.9441
2014	93.6256
2015	93.7540
2016	95.1568
2017	93.2046
2018	95.1579
2019	95.0763
2020	98.3612
2021	98.5856

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 2012 accident year.

2022 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

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

Tax Year	Discount Factors (%)
2012	96.3560
2013	97.2010

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 2012 accident year.

2014 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Warranty**

Tax Year	Discount Factors (%)
2012	95.8733
2013	97.2010

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 2012 accident year.

2014 and later years	98.5856
----------------------	---------

Taxpayers that use the composite method of Notice 88-100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**Workers' Compensation**

Tax Year	Discount Factors (%)
2012	91.4448
2013	93.0206
2014	93.8697
2015	92.3671
2016	91.7503
2017	91.0454
2018	91.6474
2019	93.0907
2020	93.3550
2021	94.6576

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 2012 accident year.

2022	95.9786
2023	97.3078
2024 and later years	98.5856

Taxpayers that use the composite method of Notice 88-100 should use 96.5709 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

**SECTION 5. DRAFTING INFORMATION**

The principal author of this revenue procedure is David Remus of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Mr. Remus on (202) 622-3970 (not a toll free call).