

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. 2013-37

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2013 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 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 the 2013 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2013, which is 2.16 percent, and by assuming all estimated salvage is recovered in the middle of the calendar year.

.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 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. Rev. Proc. 2002-74 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 therein.

.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 98.9372 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2013 accident year as of the end of the 2013 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount all salvage recoverable in this line of business as of the end of the 2013 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2013	98.4882
2014	97.8913

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 2013 accident year.

2015 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2015 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2013	96.0918
2014	95.6766
2015	96.0149
2016	95.5121
2017	95.9064
2018	95.6648
2019	92.3932
2020	91.0203
2021	93.1830
2022	94.1559

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 2013 accident year.

2023	95.1400
2024	96.1331
2025	97.1298
2026	98.1108
2027 and later years	98.9372

Taxpayers that use the composite method of Notice 88-100 should use 95.0296 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Composite

Tax Year	Discount Factors (%)
2013	95.8312
2014	95.6601
2015	95.8323
2016	94.6468
2017	95.0231
2018	94.6757
2019	94.5640
2020	95.0764
2021	95.0903
2022	96.0842

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 2013 accident year.

2023	97.0831
2024	98.0706
2025 and later years	98.9372

Taxpayers that use the composite method of Notice 88-100 should use 97.2205 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Fidelity/Surety

Tax Year	Discount Factors (%)
2013	96.6294
2014	97.8913

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 2013 accident year.

2015 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2015 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2013	96.2442
2014	97.8913

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 2013 accident year.

2015 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2015 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

International (Composite)

Tax Year	Discount Factors (%)
2013	95.8312
2014	95.6601
2015	95.8323
2016	94.6468
2017	95.0231
2018	94.6757
2019	94.5640
2020	95.0764
2021	95.0903
2022	96.0842

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 2013 accident year.

2023	97.0831
2024	98.0706
2025 and later years	98.9372

Taxpayers that use the composite method of Notice 88-100 should use 97.2205 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Medical Professional Liability -- Claims-Made

Tax Year	Discount Factors (%)
2013	95.2786
2014	95.9565
2015	94.0862
2016	96.2641
2017	96.4417
2018	96.8118
2019	97.5213
2020	98.0020
2021	97.9851
2022	98.9372

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Medical Professional Liability -- Occurrence

Tax Year	Discount Factors (%)
2013	95.7712
2014	97.3870
2015	96.9618
2016	97.9399
2017	97.1545
2018	98.2412
2019	97.7408
2020	97.8032
2021	96.3820
2022	97.3760

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 2013 accident year.

2023	98.3399
2024 and later years	98.9372

Taxpayers that use the composite method of Notice 88-100 should use 98.3944 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2013	97.1217
2014	97.8913

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 2013 accident year.

2015 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2015 taxable year with respect to losses incurred in this line of business in 2013 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 (%)
2013	96.3826
2014	96.3451
2015	96.7517
2016	95.2517
2017	96.4850
2018	96.8610
2019	96.9777
2020	96.8985
2021	96.6327
2022	98.9372

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2013	97.6897
2014	97.8913

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 2013 accident year.

2015 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2015 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Other Liability -- Claims-Made

Tax Year	Discount Factors (%)
2013	95.1076
2014	95.4013
2015	95.4350
2016	96.3406
2017	96.3743
2018	96.5027
2019	97.3792
2020	97.3555
2021	97.5726
2022	98.5464

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Other Liability -- Occurrence

Tax Year	Discount Factors (%)
2013	92.6226
2014	93.5130
2015	94.4491
2016	94.9634
2017	95.5708
2018	96.4140
2019	96.5549
2020	96.4769
2021	97.9444
2022	98.9372

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Private Passenger Auto Liability/Medical

Tax Year	Discount
	Factors (%)
2013	97.0706
2014	96.9687
2015	96.9501
2016	96.4757
2017	96.4634
2018	96.5763
2019	96.3892
2020	96.6383
2021	97.6225
2022	98.6028

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
2013	92.2286
2014	93.4576
2015	92.0267
2016	96.2215
2017	94.6124
2018	98.6304
2019	97.2433
2020	88.9465
2021	98.6843
2022	98.9372

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.3136 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Products Liability -- Occurrence

Tax Year	Discount Factors (%)
2013	92.9273
2014	92.9980
2015	93.6660
2016	94.6880
2017	95.1420
2018	95.8302
2019	95.7694
2020	97.5022
2021	97.0413
2022	98.0355

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Reinsurance -- Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2013	94.5748
2014	96.3787
2015	94.7317
2016	93.7440
2017	95.4876
2018	94.6692
2019	97.6860
2020	92.4794
2021	96.9357
2022	97.9499

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 96.4869 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Reinsurance -- Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2013	90.3595
2014	92.1774
2015	87.9515
2016	88.9859
2017	93.5912
2018	95.9635
2019	95.3061
2020	95.7404
2021	94.3801
2022	97.4575

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 2013 accident year.

2023	98.4227
2024 and later years	98.9372

Taxpayers that use the composite method of Notice 88-100 should use 98.4548 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Reinsurance -- Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2013	91.0140
2014	92.3376
2015	95.1527
2016	95.2554
2017	96.3242
2018	94.8469
2019	96.3368
2020	96.2848
2021	98.7677
2022	98.9372

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 2013 accident year.

2023 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

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

Tax Year	Discount Factors (%)
2013	97.2489
2014	97.8913

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 2013 accident year.

2015 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2015 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Warranty

Tax Year	Discount Factors (%)
2013	96.8834
2014	97.8913

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 2013 accident year.

2015 and later years	98.9372
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Taxpayers that use the composite method of Notice 88-100 should use 98.9372 percent to discount salvage recoverable as of the end of the 2015 taxable year with respect to losses incurred in this line of business in 2013 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2013	93.4664
2014	94.6736
2015	95.3195
2016	94.1675
2017	93.6989
2018	93.1688
2019	93.6398
2020	94.7487
2021	94.9592
2022	95.9566

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 2013 accident year.

2023	96.9634
2024	97.9719
2025 and later years	98.9372

Taxpayers that use the composite method of Notice 88-100 should use 97.2990 percent to discount salvage recoverable as of the end of the 2023 taxable year with respect to losses incurred in this line of business in 2013 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).