

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. 2014-60

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2014 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 2014 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2014, which is 1.79 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 99.1168 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2014 accident year as of the end of the 2014 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount all salvage recoverable in this line of business as of the end of the 2014 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2014	98.7423
2015	98.2453

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 2014 accident year.

2016 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2014	96.7325
2015	96.3843
2016	96.6665
2017	96.2440
2018	96.5723
2019	96.3659
2020	93.6195
2021	92.4758
2022	94.2956
2023	95.1153

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 2014 accident year.

2024	95.9425
2025	96.7754
2026	97.6093
2027	98.4282
2028 and later years	99.1168

Taxpayers that use the composite method of Notice 88-100 should use 96.0678 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Composite

Tax Year	Discount Factors (%)
2014	96.5134
2015	96.3694
2016	96.5122
2017	95.5187
2018	95.8346
2019	95.5449
2020	95.4539
2021	95.8855
2022	95.9009
2023	96.7345

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 2014 accident year.

2024	97.5703
2025	98.3948
2026 and later years	99.1168

Taxpayers that use the composite method of Notice 88-100 should use 97.8773 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Fidelity/Surety

Tax Year	Discount Factors (%)
2014	97.1917
2015	98.2453

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 2014 accident year.

2016 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2014	96.8703
2015	98.2453

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 2014 accident year.

2016 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

International (Composite)

Tax Year	Discount Factors (%)
2014	96.5134
2015	96.3694
2016	96.5122
2017	95.5187
2018	95.8346
2019	95.5449
2020	95.4539
2021	95.8855
2022	95.9009
2023	96.7345

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 2014 accident year.

2024	97.5703
2025	98.3948
2026 and later years	99.1168

Taxpayers that use the composite method of Notice 88-100 should use 97.8773 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Medical Professional Liability -- Claims-Made

Tax Year	Discount Factors (%)
2014	96.0526
2015	96.6202
2016	95.0588
2017	96.8818
2018	97.0316
2019	97.3423
2020	97.9353
2021	98.3367
2022	98.3235
2023	99.1168

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Medical Professional Liability -- Occurrence

Tax Year	Discount Factors (%)
2014	96.4719
2015	97.8218
2016	97.4678
2017	98.2840
2018	97.6293
2019	98.5357
2020	98.1177
2021	98.1691
2022	96.9838
2023	97.8150

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 2014 accident year.

2024	98.6191
2025 and later years	99.1168

Taxpayers that use the composite method of Notice 88-100 should use 98.6898 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2014	97.6023
2015	98.2453

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 2014 accident year.

2016 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2014 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 (%)
2014	96.9791
2015	96.9479
2016	97.2874
2017	96.0346
2018	97.0669
2019	97.3816
2020	97.4797
2021	97.4149
2022	97.1966
2023	99.1168

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2014	98.0762
2015	98.2453

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 2014 accident year.

2016 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Other Liability -- Claims-Made

Tax Year	Discount Factors (%)
2014	95.9092
2015	96.1565
2016	96.1868
2017	96.9451
2018	96.9744
2019	97.0833
2020	97.8158
2021	97.7968
2022	97.9792
2023	98.7913

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Other Liability -- Occurrence

Tax Year	Discount Factors (%)
2014	93.8186
2015	94.5698
2016	95.3574
2017	95.7908
2018	96.3014
2019	97.0076
2020	97.1268
2021	97.0645
2022	98.2897
2023	99.1168

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Private Passenger Auto Liability/Medical

Tax Year	Discount
	Factors (%)
2014	97.5561
2015	97.4705
2016	97.4544
2017	97.0578
2018	97.0480
2019	97.1429
2020	96.9880
2021	97.1983
2022	98.0209
2023	98.8382

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
2014	93.4898
2015	94.5254
2016	93.3374
2017	96.8473
2018	95.5103
2019	98.8605
2020	97.7007
2021	90.7891
2022	98.9061
2023	99.1168

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Products Liability -- Occurrence

Tax Year	Discount Factors (%)
2014	94.0709
2015	94.1348
2016	94.6993
2017	95.5583
2018	95.9410
2019	96.5187
2020	96.4711
2021	97.9185
2022	97.5355
2023	98.3655

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Reinsurance -- Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2014	95.4619
2015	96.9712
2016	95.5913
2017	94.7682
2018	96.2298
2019	95.5500
2020	98.0696
2021	93.7236
2022	97.4473
2023	98.2942

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 97.7839 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Reinsurance -- Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2014	91.8961
2015	93.4287
2016	89.8887
2017	90.7734
2018	94.6399
2019	96.6265
2020	96.0780
2021	96.4434
2022	95.3130
2023	97.8830

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 2014 accident year.

2024	98.6881
2025 and later years	99.1168

Taxpayers that use the composite method of Notice 88-100 should use 98.7373 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Reinsurance -- Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2014	92.4687
2015	93.5870
2016	95.9473
2017	96.0353
2018	96.9299
2019	95.6978
2020	96.9455
2021	96.9062
2022	98.9756
2023	99.1168

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 2014 accident year.

2024 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

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

Tax Year	Discount Factors (%)
2014	97.7085
2015	98.2453

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 2014 accident year.

2016 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Warranty

Tax Year	Discount Factors (%)
2014	97.4036
2015	98.2453

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 2014 accident year.

2016 and later years	99.1168
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Taxpayers that use the composite method of Notice 88-100 should use 99.1168 percent to discount salvage recoverable as of the end of the 2016 taxable year with respect to losses incurred in this line of business in 2014 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2014	94.5251
2015	95.5384
2016	96.0785
2017	95.1114
2018	94.7198
2019	94.2792
2020	94.6788
2021	95.6107
2022	95.7908
2023	96.6277

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 2014 accident year.

2024	97.4704
2025	98.3125
2026 and later years	99.1168

Taxpayers that use the composite method of Notice 88-100 should use 97.8091 percent to discount salvage recoverable as of the end of the 2024 taxable year with respect to losses incurred in this line of business in 2014 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) 317-6995 (not a toll free call).