

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. 2015-54

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2015 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 2015 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2015, which is 1.68 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 99.1704 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2015 accident year as of the end of the 2015 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount all salvage recoverable in this line of business as of the end of the 2015 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2015	98.8182
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2015	96.9251
2016	96.5972
2017	96.8626
2018	96.4644
2019	96.7729
2020	96.5774
2021	93.9900
2022	92.9148
2023	94.6305
2024	95.4038

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 2015 accident year.

2025	96.1834
2026	96.9679
2027	97.7528
2028	98.5231
2029 and later years	99.1704

Taxpayers that use the composite method of Notice 88-100 should use 96.7254 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Composite

Tax Year	Discount Factors (%)
2015	96.7187
2016	96.5829
2017	96.7169
2018	95.7813
2019	96.0790
2020	95.8066
2021	95.7216
2022	96.1287
2023	96.1442
2024	96.9294

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 2015 accident year.

2025	97.7161
2026	98.4916
2027 and later years	99.1704

Taxpayers that use the composite method of Notice 88-100 should use 98.1110 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Fidelity/Surety

Tax Year	Discount Factors (%)
2015	97.3600
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2015	97.0578
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

International (Composite)

Tax Year	Discount Factors (%)
2015	96.7187
2016	96.5829
2017	96.7169
2018	95.7813
2019	96.0790
2020	95.8066
2021	95.7216
2022	96.1287
2023	96.1442
2024	96.9294

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 2015 accident year.

2025	97.7161
2026	98.4916
2027 and later years	99.1704

Taxpayers that use the composite method of Notice 88-100 should use 98.1110 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Medical Professional Liability -- Claims-Made

Tax Year	Discount Factors (%)
2015	96.2853
2016	96.8197
2017	95.3511
2018	97.0671
2019	97.2086
2020	97.5013
2021	98.0593
2022	98.4368
2023	98.4246
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Medical Professional Liability -- Occurrence

Tax Year	Discount Factors (%)
2015	96.6820
2016	97.9520
2017	97.6193
2018	98.3869
2019	97.7715
2020	98.6238
2021	98.2305
2022	98.2787
2023	97.1641
2024	97.9463

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 2015 accident year.

2025	98.7026
2026 and later years	99.1704

Taxpayers that use the composite method of Notice 88-100 should use 98.7946 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2015	97.7462
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 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 (%)
2015	97.1583
2016	97.1289
2017	97.4482
2018	96.2697
2019	97.2414
2020	97.5378
2021	97.6302
2022	97.5696
2023	97.3653
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2015	98.1918
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Other Liability -- Claims-Made

Tax Year	Discount
	Factors (%)
2015	96.1502
2016	96.3835
2017	96.4127
2018	97.1266
2019	97.1544
2020	97.2574
2021	97.9465
2022	97.9289
2023	98.1008
2024	98.8644

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Other Liability -- Occurrence

Tax Year	Discount Factors (%)
2015	94.1793
2016	94.8881
2017	95.6307
2018	96.0395
2019	96.5208
2020	97.1856
2021	97.2982
2022	97.2404
2023	98.3928
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
2015	97.7016
2016	97.6211
2017	97.6057
2018	97.2325
2019	97.2234
2020	97.3129
2021	97.1676
2022	97.3660
2023	98.1400
2024	98.9085

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
2015	93.8701
2016	94.8470
2017	93.7313
2018	97.0350
2019	95.7792
2020	98.9292
2021	97.8379
2022	91.3409
2023	98.9724
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Products Liability -- Occurrence

Tax Year	Discount Factors (%)
2015	94.4161
2016	94.4776
2017	95.0104
2018	95.8201
2019	96.1811
2020	96.7254
2021	96.6815
2022	98.0432
2023	97.6834
2024	98.4641

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Reinsurance -- Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2015	95.7288
2016	97.1495
2017	95.8501
2018	95.0763
2019	96.4528
2020	95.8143
2021	98.1847
2022	94.0969
2023	97.6004
2024	98.3971

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 98.8352 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Reinsurance -- Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2015	92.3615
2016	93.8075
2017	90.4743
2018	91.3125
2019	94.9554
2020	96.8258
2021	96.3100
2022	96.6545
2023	95.5926
2024	98.0103

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 2015 accident year.

2025	98.7674
2026 and later years	99.1704

Taxpayers that use the composite method of Notice 88-100 should use 98.8364 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Reinsurance -- Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2015	92.9077
2016	93.9633
2017	96.1863
2018	96.2697
2019	97.1118
2020	95.9533
2021	97.1279
2022	97.0921
2023	99.0377
2024	99.1704

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 2015 accident year.

2025 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

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

Tax Year	Discount Factors (%)
2015	97.8460
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Warranty

Tax Year	Discount Factors (%)
2015	97.5593
2016	98.3512

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 2015 accident year.

2017 and later years	99.1704
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Taxpayers that use the composite method of Notice 88-100 should use 99.1704 percent to discount salvage recoverable as of the end of the 2017 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2015	94.8444
2016	95.7991
2017	96.3073
2018	95.3961
2019	95.0278
2020	94.6138
2021	94.9915
2022	95.8699
2023	96.0405
2024	96.8288

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 2015 accident year.

2025	97.6221
2026	98.4143
2027 and later years	99.1704

Taxpayers that use the composite method of Notice 88-100 should use 98.0545 percent to discount salvage recoverable as of the end of the 2025 taxable year with respect to losses incurred in this line of business in 2015 and prior years.

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Linda K. Boyd of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Ms. Boyd at (202) 317-6995 (not a toll free call).