

Part III

Administrative, Procedural and Miscellaneous

26 CFR 601.201: Rulings and determination letters.  
(Also Part I, §§ 846, 1.846-1.)

Rev. Proc. 98-11

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 1997 determination year. These factors will be used for computing discounted unpaid losses under § 846 of the Internal Revenue Code.

SEC. 2. BACKGROUND

.01 Section 846 provides that discounted unpaid losses must be separately determined for each accident year of each line of business by applying an interest rate determined under § 846(c) and the appropriate loss payment pattern to the amount of unpaid losses as measured at the end of the tax year.

Section 846(d) directs the Secretary to use the most recent aggregate loss payment data of property and casualty insurance companies to determine and publish a loss payment pattern for each line of business every five years. This payment pattern is used to discount unpaid losses for the accident year ending with

a determination year and for each of the four succeeding accident years.

Section 846(e) allows a taxpayer to make an election in each determination year to use its own historical payment pattern instead of the Secretary's tables. This election does not apply to any international insurance or reinsurance line of business.

Section 846(f)(4) defines the term "line of business" as a category for the reporting of loss payment patterns on the annual statement for fire and casualty companies approved by the National Association of Insurance Commissioners (NAIC), except that the multiple peril lines shall be treated as a single line of business. Section 846(f)(5) states that the term "multiple peril lines" means the lines of business relating to farmowners multiple peril, homeowners multiple peril, commercial multiple peril, ocean marine, aircraft (all perils) and boiler and machinery.

.02 Pursuant to § 846(d), the Secretary has determined a loss payment pattern for each property and casualty line of business for the 1997 determination year that, pursuant to § 846(d)(1), must be applied through the 2001 accident year. The loss payment patterns for the 1997 determination year are based on the aggregate industry loss payment experience as reported on the 1995 annual statements filed by property and casualty insurance companies and compiled by A.M. Best and Co.

.03 The loss payment patterns for the 1997 determination year are based on the aggregate loss payment information reported

on the 1995 annual statements of property and casualty insurance companies. The tables are now arranged in alphabetical order. Following is an additional explanation of some of the tables.

(1) NAIC changes in lines of business. The NAIC has changed the reporting of unpaid loss experience on the annual statement for fire and casualty insurance companies. These changes are reflected in the lines of business set forth below.

(2) Treatment of Multiple Peril Lines. Section 846(f)(4) defines the term "line of business" and states that the multiple peril lines are to be treated as a single line of business. The term "multiple peril lines" means lines of business relating to farmowners multiple peril, homeowners multiple peril, commercial multiple peril, ocean marine, aircraft (all perils) and boiler and machinery. On the 1990 annual statement the multiple peril line was represented by the following three lines:

Homeowners/Farmowners; Commercial Multiple Peril; and Special Liability (Ocean Marine, Aircraft (all Perils), Boiler and Machinery. On the 1995 annual statement, the multiple peril lines continue to be represented by the same three lines.

Revenue Procedure 92-47, 1992-2 C.B. 980, prescribed the loss payment patterns and discount factors for the 1992 determination year. In that revenue procedure, the loss payment patterns that were used followed the changes made to the 1990 annual statement, including reporting the multiple peril lines as three separate lines of business. Subsequent revenue procedures did the same. See Rev. Proc. 93-29, 1993-2 C.B. 344, for the

1993 accident year; Rev. Proc. 94-47, 1994-2 C.B. 688, for the 1994 accident year; Rev. Proc. 95-40, 1995-2 C.B. 402, for the 1995 accident year; and Rev. Proc. 96-44, 1996-2 C.B. 330, for the 1996 accident year.

Because § 846(f)(4) requires that the multiple peril lines be treated as a single line of business, the lines of business that are shown on the 1995 annual statement as Homeowners/Farmowners; Commercial Multiple Peril; and Special Liability (Ocean Marine, Aircraft (all Perils), Boiler and Machinery) are merged in this revenue procedure as one multiple peril line of business. The merged line is entitled "Multiple Peril Lines (Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))."

(3) Factors to be used when tables indicate loss fully paid.

In many situations, losses are deemed fully paid under the Secretary's table prior to AY+14, and no discount factor is shown for AY+14 and earlier accident years. If taxpayers have unpaid losses relating to an accident year which is older than the last accident year for which a discount factor is presented in the Secretary's table, those unpaid losses should be discounted using the discount factor for the last accident year in the Secretary's table.

SEC. 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount unpaid losses under section 846 for a line

of business using the discount factors published by Secretary.

#### SEC. 4. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under section 846 of the Code for accident year 1997. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 1997, 6.33 percent, and by assuming all loss payments occur in the middle of the calendar year.

.02 If the groupings of individual lines of business on the annual statement change, taxpayers must discount the unpaid losses on the resulting line of business in accordance with the discounting patterns that would have applied to those unpaid losses based on their classification on the 1995 annual statement.

#### .03 Tables

##### **Accident and Health (Other Than Disability Income or Credit Disability Insurance)**

The discount factor for all years equals 96.9777 percent.

##### **Auto Physical Damage**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	89.9430	89.9430	10.0570	9.7006	96.4556
AY+ 1	99.3814	9.4384	0.6186	0.5821	94.0911
AY+ 2	N/A	0.3093	0.3093	0.3000	96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

**Commercial Auto/Truck Liability/Medical**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	25.8075	25.8075	74.1925	64.8956	87.4691
AY+ 1	49.8793	24.0718	50.1207	44.1814	88.1501
AY+ 2	67.6592	17.7799	32.3408	28.6441	88.5696
AY+ 3	79.7711	12.1119	20.2289	17.9679	88.8231
AY+ 4	88.2132	8.4421	11.7868	10.4001	88.2353
AY+ 5	93.1778	4.9646	6.8222	5.9391	87.0558
AY+ 6	95.9623	2.7845	4.0377	3.4438	85.2909
AY+ 7	97.0091	1.0468	2.9909	2.5823	86.3405
AY+ 8	97.5719	0.5628	2.4281	2.1654	89.1841
AY+ 9	98.2191	0.6471	1.7809	1.6352	91.8184
AY+10	N/A	0.6471	1.1338	1.0715	94.4995
AY+11	N/A	0.6471	0.4867	0.4720	96.9777

The discount factor for AY+12 and subsequent years equals 96.9777 percent.

**Composite Discount Factors**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	35.4611	35.4611	64.5389	55.1671	85.4789
AY+ 1	59.1449	23.6838	40.8551	34.2373	83.8018
AY+ 2	70.8220	11.6771	29.1780	24.3635	83.4996
AY+ 3	81.9019	11.0799	18.0981	14.4806	80.0114
AY+ 4	86.3688	4.4669	13.6312	10.7911	79.1644
AY+ 5	90.0497	3.6809	9.9503	7.6785	77.1686
AY+ 6	92.7488	2.6991	7.2512	5.3813	74.2131
AY+ 7	93.8259	1.0771	6.1741	4.6113	74.6881
AY+ 8	94.2415	0.4156	5.7585	4.4747	77.7054
AY+ 9	94.8568	0.6153	5.1432	4.1234	80.1725
AY+10	N/A	0.6153	4.5279	3.7499	82.8190
AY+11	N/A	0.6153	3.9125	3.3528	85.6937
AY+12	N/A	0.6153	3.2972	2.9305	88.8789
AY+13	N/A	0.6153	2.6819	2.4815	92.5291
AY+14	N/A	0.6153	2.0665	2.0041	96.9777

The discount factor for AY+15 and subsequent years equals 96.9777 percent.

**Fidelity/Surety**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	24.1540	24.1540	75.8460	70.0818	92.4001
AY+ 1	59.0961	34.9421	40.9039	38.4870	94.0911
AY+ 2	N/A	20.4520	20.4520	19.8339	96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

**Financial Guaranty/Mortgage Guaranty**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	9.2513	9.2513	90.7487	83.8101	92.3540
AY+ 1	50.5659	41.3146	49.4341	46.5131	94.0911
AY+ 2	N/A	24.7171	24.7171	23.9700	96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

**International (Composite)**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	35.4611	35.4611	64.5389	55.1671	85.4789
AY+ 1	59.1449	23.6838	40.8551	34.2373	83.8018
AY+ 2	70.8220	11.6771	29.1780	24.3635	83.4996
AY+ 3	81.9019	11.0799	18.0981	14.4806	80.0114
AY+ 4	86.3688	4.4669	13.6312	10.7911	79.1644
AY+ 5	90.0497	3.6809	9.9503	7.6785	77.1686
AY+ 6	92.7488	2.6991	7.2512	5.3813	74.2131
AY+ 7	93.8259	1.0771	6.1741	4.6113	74.6881
AY+ 8	94.2415	0.4156	5.7585	4.4747	77.7054
AY+ 9	94.8568	0.6153	5.1432	4.1234	80.1725
AY+10	N/A	0.6153	4.5279	3.7499	82.8190
AY+11	N/A	0.6153	3.9125	3.3528	85.6937
AY+12	N/A	0.6153	3.2972	2.9305	88.8789
AY+13	N/A	0.6153	2.6819	2.4815	92.5291
AY+14	N/A	0.6153	2.0665	2.0041	96.9777

The discount factor for AY+15 and subsequent years equals 96.9777 percent.

**Medical Malpractice -- Claims-Made**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	6.3899	6.3899	93.6101	76.7016	81.9372
AY+ 1	24.0011	17.6112	75.9989	63.3967	83.4179
AY+ 2	42.6970	18.6959	57.3030	48.1312	83.9942
AY+ 3	58.0610	15.3640	41.9390	35.3351	84.2535
AY+ 4	69.6653	11.6043	30.3347	25.6058	84.4110
AY+ 5	75.6033	5.9380	24.3967	21.1036	86.5019
AY+ 6	81.8786	6.2753	18.1214	15.9686	88.1202
AY+ 7	87.8539	5.9753	12.1461	10.8179	89.0649
AY+ 8	89.5207	1.6668	10.4793	9.7839	93.3644
AY+ 9	94.3025	4.7818	5.6975	5.4724	96.0499
AY+10	N/A	4.7818	0.9157	0.8880	96.9777

The discount factor for AY+11 and subsequent years equals 96.9777 percent.



**Medical Malpractice -- Occurrence**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	2.1239	2.1239	97.8761	71.3476	72.8958
AY+ 1	6.4831	4.3592	93.5169	71.3689	76.3165
AY+ 2	15.5987	9.1156	84.4013	66.4869	78.7747
AY+ 3	31.9062	16.3075	68.0938	53.8797	79.1257
AY+ 4	45.0931	13.1868	54.9069	43.6925	79.5755
AY+ 5	50.0751	4.9821	49.9249	41.3209	82.7662
AY+ 6	60.9728	10.8976	39.0272	32.6993	83.7858
AY+ 7	69.2138	8.2411	30.7862	26.2712	85.3345
AY+ 8	72.8658	3.6519	27.1342	24.1685	89.0700
AY+ 9	80.0005	7.1347	19.9995	18.3412	91.7085
AY+10	N/A	7.1347	12.8648	12.1452	94.4063
AY+11	N/A	7.1347	5.7300	5.5569	96.9777

The discount factor for AY+12 and subsequent years equals 96.9777 percent.

**Miscellaneous Casualty**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	77.6669	77.6669	22.3331	21.1546	94.7229
AY+ 1	94.0673	16.4004	5.9327	5.5822	94.0911
AY+ 2	N/A	2.9664	2.9664	2.8767	96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

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

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	55.9587	55.9587	44.0413	39.0317	88.6251
AY+ 1	77.8939	21.9352	22.1061	18.8836	85.4224
AY+ 2	84.0083	6.1144	15.9917	13.7739	86.1318
AY+ 3	91.3188	7.3105	8.6812	7.1075	81.8723
AY+ 4	92.1670	0.8482	7.8330	6.6827	85.3156
AY+ 5	94.3838	2.2168	5.6162	4.8199	85.8215
AY+ 6	96.4959	2.1121	3.5041	2.9471	84.1041
AY+ 7	97.3670	0.8712	2.6330	2.2354	84.8988
AY+ 8	98.0034	0.6364	1.9966	1.7207	86.1793
AY+ 9	98.4059	0.4025	1.5941	1.4146	88.7355
AY+10	N/A	0.4025	1.1916	1.0891	91.3925
AY+11	N/A	0.4025	0.7892	0.7430	94.1488
AY+12	N/A	0.4025	0.3867	0.3750	96.9777

The discount factor for AY+13 and subsequent years equals 96.9777 percent.

**Other (Including Credit)**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	66.7418	66.7418	33.2582	31.3428	94.2407
AY+ 1	89.2755	22.5337	10.7245	10.0908	94.0911
AY+ 2	N/A	5.3622	5.3622	5.2002	96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

**Other Liability -- Claims-Made**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	10.2440	10.2440	89.7560	73.7178	82.1313
AY+ 1	29.3763	19.1323	70.6237	58.6556	83.0537
AY+ 2	44.4111	15.0349	55.5889	46.8651	84.3066
AY+ 3	67.8197	23.4086	32.1803	25.6935	79.8425
AY+ 4	73.4753	5.6555	26.5247	21.4881	81.0117
AY+ 5	78.8604	5.3852	21.1396	17.2953	81.8150
AY+ 6	83.5027	4.6422	16.4973	13.6032	82.4571
AY+ 7	84.0676	0.5649	15.9324	13.8818	87.1292
AY+ 8	85.2129	1.1453	14.7871	13.5795	91.8334
AY+ 9	90.5992	5.3863	9.4008	8.8849	94.5123
AY+10	N/A	5.3863	4.0145	3.8932	96.9777

The discount factor for AY+11 and subsequent years equals 96.9777 percent.

**Other Liability -- Occurrence**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	13.5751	13.5751	86.4249	67.6678	78.2967
AY+ 1	26.3964	12.8213	73.6036	58.7304	79.7927
AY+ 2	40.2725	13.8761	59.7275	48.1394	80.5984
AY+ 3	55.4566	15.1841	44.5434	35.5293	79.7634
AY+ 4	65.3309	9.8742	34.6691	27.5964	79.5992
AY+ 5	74.0647	8.7339	25.9353	20.3372	78.4151
AY+ 6	80.9090	6.8442	19.0910	14.5670	76.3027
AY+ 7	84.3622	3.4532	15.6378	11.9282	76.2781
AY+ 8	84.6163	0.2542	15.3837	12.4212	80.7428
AY+ 9	86.7311	2.1147	13.2689	11.0268	83.1026
AY+10	N/A	2.1147	11.1542	9.5442	85.5659
AY+11	N/A	2.1147	9.0395	7.9677	88.1435
AY+12	N/A	2.1147	6.9247	6.2914	90.8543
AY+13	N/A	2.1147	4.8100	4.5090	93.7427
AY+14	N/A	2.1147	2.6953	2.6138	96.9777

The discount factor for AY+15 and subsequent years equals 96.9777 percent.

**Private Passenger Auto Liability/Medical**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	37.9339	37.9339	62.0661	56.2405	90.6139
AY+ 1	67.7044	29.7705	32.2956	29.1023	90.1122
AY+ 2	81.5316	13.8272	18.4684	16.6864	90.3507
AY+ 3	89.8898	8.3583	10.1102	9.1239	90.2445
AY+ 4	94.6531	4.7633	5.3469	4.7897	89.5789
AY+ 5	97.1265	2.4734	2.8735	2.5424	88.4775
AY+ 6	98.4587	1.3322	1.5413	1.3296	86.2663
AY+ 7	98.9811	0.5224	1.0189	0.8751	85.8870
AY+ 8	99.2330	0.2519	0.7670	0.6707	87.4508
AY+ 9	99.4067	0.1737	0.5933	0.5341	90.0213
AY+10	N/A	0.1737	0.4196	0.3888	92.6584
AY+11	N/A	0.1737	0.2460	0.2344	95.2808
AY+12	N/A	0.1737	0.0723	0.0701	96.9777

The discount factor for AY+13 and subsequent years equals 96.9777 percent.

**Products Liability -- Claims-Made**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	4.9750	4.9750	95.0250	75.3005	79.2428
AY+ 1	15.1072	10.1322	84.8928	69.6191	82.0082
AY+ 2	30.9560	15.8488	69.0440	57.6832	83.5456
AY+ 3	38.2420	7.2860	61.7580	53.8215	87.1490
AY+ 4	68.6101	30.3681	31.3899	25.9138	82.5548
AY+ 5	78.5966	9.9865	21.4034	17.2565	80.6250
AY+ 6	88.3971	9.8005	11.6029	8.2429	71.0419
AY+ 7	93.2957	4.8986	6.7043	3.7135	55.3889
AY+ 8	88.3815	-4.9142	11.6185	9.0158	77.5989
AY+ 9	89.6105	1.2290	10.3895	8.3192	80.0734
AY+10	N/A	1.2290	9.1604	7.5785	82.7304
AY+11	N/A	1.2290	7.9314	6.7908	85.6198
AY+12	N/A	1.2290	6.7024	5.9534	88.8249
AY+13	N/A	1.2290	5.4733	5.0629	92.5009
AY+14	N/A	1.2290	4.2443	4.1160	96.9777

The discount factor for AY+15 and subsequent years equals 96.9777 percent.

**Products Liability -- Occurrence**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	9.0653	9.0653	90.9347	68.4900	75.3178
AY+ 1	14.9035	5.8382	85.0965	66.8052	78.5053
AY+ 2	29.2591	14.3555	70.7409	56.2311	79.4888
AY+ 3	45.6462	16.3871	54.3538	42.8927	78.9139
AY+ 4	57.5945	11.9483	42.4055	33.2872	78.4972
AY+ 5	63.8634	6.2689	36.1366	28.9300	80.0572
AY+ 6	75.2266	11.3632	24.7734	19.0439	76.8723
AY+ 7	78.2679	3.0413	21.7321	17.1133	78.7466
AY+ 8	78.1898	-0.0781	21.8102	18.2771	83.8007
AY+ 9	81.8722	3.6825	18.1278	15.6368	86.2591
AY+10	N/A	3.6825	14.4453	12.8294	88.8138
AY+11	N/A	3.6825	10.7628	9.8443	91.4657
AY+12	N/A	3.6825	7.0803	6.6702	94.2072
AY+13	N/A	3.6825	3.3979	3.2952	96.9777

The discount factor for AY+14 and subsequent years equals 96.9777 percent.

**Reinsurance A (Nonproportional Property)**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	27.1668	27.1668	72.8332	64.5830	88.6725
AY+ 1	68.7008	41.5340	31.2992	25.8427	82.5667
AY+ 2	70.0362	1.3354	29.9638	26.1015	87.1103
AY+ 3	87.5338	17.4976	12.4662	9.7109	77.8976
AY+ 4	90.2132	2.6794	9.7868	7.5627	77.2743
AY+ 5	91.3751	1.1619	8.6249	6.8433	79.3434
AY+ 6	94.3845	3.0095	5.6155	4.1732	74.3169
AY+ 7	93.3293	-1.0552	6.6707	5.5255	82.8327
AY+ 8	N/A	1.0387	5.6320	4.8042	85.3021
AY+ 9	N/A	1.0387	4.5932	4.0372	87.8942
AY+10	N/A	1.0387	3.5545	3.2216	90.6354
AY+11	N/A	1.0387	2.5158	2.3545	93.5882
AY+12	N/A	1.0387	1.4771	1.4324	96.9777

The discount factor for AY+13 and subsequent years equals 96.9777 percent.

**Reinsurance B (Nonproportional Liability)**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	6.6962	6.6962	93.3038	68.4343	73.3457
AY+ 1	22.3944	15.6982	77.6056	56.5788	72.9055
AY+ 2	32.6486	10.2542	67.3514	49.5864	73.6235
AY+ 3	50.2234	17.5748	49.7766	34.6027	69.5161
AY+ 4	53.5839	3.3605	46.4161	33.3279	71.8024
AY+ 5	55.6838	2.0999	44.3162	33.2721	75.0790
AY+ 6	63.6144	7.9306	36.3856	27.2005	74.7564
AY+ 7	66.4211	2.8066	33.5789	26.0282	77.5135
AY+ 8	N/A	2.8066	30.7723	24.7817	80.5325
AY+ 9	N/A	2.8066	27.9656	23.4563	83.8753
AY+10	N/A	2.8066	25.1590	22.0469	87.6304
AY+11	N/A	2.8066	22.3524	20.5484	91.9294
AY+12	N/A	2.8066	19.5457	18.9550	96.9777

The discount factor for AY+13 and subsequent years equals 96.9777 percent.

**Reinsurance C (Financial Lines)**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	11.4622	11.4622	88.5378	76.8398	86.7875
AY+ 1	44.5791	33.1169	55.4209	47.5547	85.8065
AY+ 2	63.9134	19.3343	36.0866	30.6281	84.8740
AY+ 3	65.6185	1.7051	34.3815	30.8086	89.6082
AY+ 4	79.9778	14.3593	20.0222	17.9520	89.6607
AY+ 5	88.9152	8.9374	11.0848	9.8725	89.0632
AY+ 6	91.2490	2.3338	8.7510	8.0909	92.4566
AY+ 7	94.7645	3.5155	5.2355	4.9780	95.0811
AY+ 8	N/A	3.5155	1.7200	1.6680	96.9777

The discount factor for AY+9 and subsequent years equals 96.9777 percent.

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

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	57.4895	57.4895	42.5105	40.4210	95.0847
AY+ 1	90.5193	33.0297	9.4807	8.9205	94.0911
AY+ 2	N/A	4.7404	4.7404	4.5971	96.9777

The discount factor for AY+3 and subsequent years equals 96.9777 percent.

**Workers' Compensation**

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	23.6461	23.6461	76.3539	62.1544	81.4030
AY+ 1	44.8166	21.1705	55.1834	44.2585	80.2025
AY+ 2	57.9652	13.1486	42.0348	33.5016	79.6998
AY+ 3	72.0542	14.0889	27.9458	21.0943	75.4828
AY+ 4	80.5542	8.5000	19.4458	13.6646	70.2704
AY+ 5	84.8876	4.3334	15.1124	10.0611	66.5754
AY+ 6	87.1173	2.2297	12.8827	8.3988	65.1946
AY+ 7	88.2647	1.1473	11.7353	7.7473	66.0173
AY+ 8	88.5404	0.2757	11.4596	7.9534	69.4041
AY+ 9	88.8062	0.2658	11.1938	8.1828	73.1011
AY+10	N/A	0.2658	10.9279	8.4266	77.1108
AY+11	N/A	0.2658	10.6621	8.6859	81.4653
AY+12	N/A	0.2658	10.3963	8.9616	86.2002
AY+13	N/A	0.2658	10.1304	9.2548	91.3560
AY+14	N/A	0.2658	9.8646	9.5665	96.9777

The discount factor for AY+15 and subsequent years equals 96.9777 percent.

**SEC. 5. EFFECTIVE DATE**

This revenue procedure is effective for taxable years beginning after December 31, 1996.

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of Assistant Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Hossofsky on (202) 622-3970 (not a toll-free call).