

SEC. 3. TABLES OF DISCOUNT FACTORS

Rev. Proc. 96-44

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 1996 accident year. These factors will be used for computing discounted unpaid losses under § 846 of the Internal Revenue Code. See Rev. Proc. 92-47, 1992-1 C.B. 980, for background concerning the loss payment patterns and application of the discount factors.

SEC. 2. SCOPE

This revenue procedure applies to any taxpayer that is required to discount its unpaid losses under § 846 for a line of business using discount factors published by the Secretary.

.01 The following tables present separately for each line of business the discount factors under § 846 for accident year 1996. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 1996, which is 6.63 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 changes, taxpayers must discount the unpaid losses on the resulting lines of business in accordance with the discounting patterns that would have applied to those unpaid losses based on their classification on the 1990 annual statement.

.03 Tables

Tables of Discount Factors
Section 846
- 1996 -
Interest rate: 6.63 percent

Homeowners/Farmowners

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0-	66.8753-	66.8753-	30.6325-	33.1247-	92.4763
AY+ 1-	90.4633-	23.5880-	8.3060-	9.5367-	87.0955
AY+ 2-	93.3914-	2.9281-	5.8331-	6.6086-	88.2656
AY+ 3-	95.7081-	2.3167-	3.8276-	4.2919-	89.1817
AY+ 4-	97.4081-	1.7000-	2.3259-	2.5919-	89.7376
AY+ 5-	98.6271-	1.2190-	1.2214-	1.3729-	88.9620
AY+ 6-	99.1528-	0.5257-	0.7595-	0.8472-	89.6468
AY+ 7-	99.5425-	0.3897-	0.4074-	0.4575-	89.0559
AY+ 8-	99.7318-	0.1893-	0.2390-	0.2682-	89.1020
AY+ 9-	99.8063-	0.0745-	0.1779-	0.1937-	91.8346
AY+10-	N/A-	0.0745-	0.1127-	0.1192-	94.5850
AY+11-	N/A-	0.0745-	0.0432-	0.0447-	96.8412
AY+12-	N/A-	0.0447-	0.0000-	0.0000-	N/A

Private Passenger Auto Liability/Medical

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0-	34.7617-	34.7617-	58.9016-	65.2383-	90.2868
AY+ 1-	66.2963-	31.5346-	30.2435-	33.7037-	89.7336
AY+ 2-	81.2140-	14.9177-	16.8444-	18.7860-	89.6646
AY+ 3-	89.8272-	8.6132-	9.0671-	10.1728-	89.1303
AY+ 4-	94.4549-	4.6277-	4.8895-	5.5451-	88.1776
AY+ 5-	96.8788-	2.4239-	2.7107-	3.1212-	86.8495

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Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 6	98.1526	1.2738	1.5751	1.8474	85.2614
AY+ 7	98.6962	0.5436	1.1182	1.3038	85.7661
AY+ 8	99.0485	0.3523	0.8286	0.9515	87.0805
AY+ 9	99.2667	0.2182	0.6582	0.7333	89.7569
AY+10	N/A	0.2182	0.4765	0.5151	92.5079
AY+11	N/A	0.2182	0.2828	0.2969	95.2452
AY+12	N/A	0.2182	0.0762	0.0787	96.8412
AY+13	N/A	0.0787	0.0000	0.0000	N/A

Commercial Auto/Truck Liability/Medical

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	20.8439	20.8439	69.0004	79.1561	87.1701
AY+ 1	47.3136	26.4697	46.2421	52.6864	87.7685
AY+ 2	65.6475	18.3340	30.3760	34.3525	88.4244
AY+ 3	79.0481	13.4005	18.5522	20.9519	88.5467
AY+ 4	86.8945	7.8465	11.6798	13.1055	89.1220
AY+ 5	92.4503	5.5558	6.7172	7.5497	88.9736
AY+ 6	95.5751	3.1247	3.9359	4.4249	88.9483
AY+ 7	97.3052	1.7302	2.4103	2.6948	89.4420
AY+ 8	98.1469	0.8417	1.7009	1.8531	91.7885
AY+ 9	98.8549	0.7080	1.0826	1.1451	94.5428
AY+10	N/A	0.7080	0.4233	0.4371	96.8412
AY+11	N/A	0.4371	0.0000	0.0000	N/A

Workers' Compensation

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	22.3366	22.3366	64.2484	77.6634	82.7268
AY+ 1	50.6941	28.3575	39.2256	49.3059	79.5557
AY+ 2	66.1886	15.4945	25.8264	33.8114	76.3837
AY+ 3	74.4228	8.2342	19.0359	25.5772	74.4253
AY+ 4	79.5663	5.1434	14.9867	20.4337	73.3432
AY+ 5	83.7227	4.1564	11.6883	16.2773	71.8077
AY+ 6	86.1316	2.4089	9.9758	13.8684	71.9321
AY+ 7	88.4452	2.3136	8.2482	11.5548	71.3830
AY+ 8	88.9625	0.5173	8.2608	11.0375	74.8434
AY+ 9	89.9266	0.9641	7.8130	10.0734	77.5606
AY+10	N/A	0.9641	7.3355	9.1093	80.5270
AY+11	N/A	0.9641	6.8263	8.1453	83.8070
AY+12	N/A	0.9641	6.2833	7.1812	87.4975
AY+13	N/A	0.9641	5.7044	6.2171	91.7536
AY+14	N/A	0.9641	5.0871	5.2530	96.8412
AY+15	N/A	5.2530	0.0000	0.0000	N/A

Commercial Multiple Peril

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	33.4193	33.4193	56.7613	66.5807	85.2519
AY+ 1	59.1296	25.7103	33.9757	40.8704	83.1303
AY+ 2	67.4080	8.2784	27.6799	32.5920	84.9284

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Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 3	75.7571	8.3491	20.8936	24.2429	86.1844
AY+ 4	83.8673	8.1102	13.9041	16.1327	86.1858
AY+ 5	89.5799	5.7126	8.9270	10.4201	85.6710
AY+ 6	93.4124	3.8325	5.5614	6.5876	84.4217
AY+ 7	95.6455	2.2331	3.6242	4.3545	83.2276
AY+ 8	96.9571	1.3116	2.5101	3.0429	82.4887
AY+ 9	97.4497	0.4926	2.1678	2.5503	85.0017
AY+10	N/A	0.4926	1.8029	2.0577	87.6150
AY+11	N/A	0.4926	1.4137	1.5651	90.3275
AY+12	N/A	0.4926	0.9988	1.0725	93.1260
AY+13	N/A	0.4926	0.5563	0.5799	95.9349
AY+14	N/A	0.4926	0.0845	0.0873	96.8412
AY+15	N/A	0.0873	0.0000	0.0000	N/A

Medical Malpractice

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	3.7026	3.7026	69.6231	96.2974	72.3001
AY+ 1	11.5535	7.8510	66.1321	88.4465	74.7708
AY+ 2	21.9296	10.3761	59.8022	78.0704	76.6003
AY+ 3	32.8555	10.9259	52.4848	67.1445	78.1669
AY+ 4	46.6164	13.7609	41.7548	53.3836	78.2165
AY+ 5	60.9092	14.2928	29.7641	39.0908	76.1409
AY+ 6	69.2349	8.3257	23.1402	30.7651	75.2157
AY+ 7	71.6574	2.4225	22.1728	28.3426	78.2316
AY+ 8	73.7610	2.1036	21.4707	26.2390	81.8275
AY+ 9	77.8395	4.0786	18.6826	22.1605	84.3062
AY+10	N/A	4.0786	15.7097	18.0819	86.8808
AY+11	N/A	4.0786	12.5396	14.0033	89.5476
AY+12	N/A	4.0786	9.1594	9.9248	92.2886
AY+13	N/A	4.0786	5.5551	5.8462	95.0206
AY+14	N/A	4.0786	1.7118	1.7676	96.8412
AY+15	N/A	1.7676	0.0000	0.0000	N/A

Special Liability (Ocean Marine, Aircraft (all Perils), Boiler and Machinery)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	31.2231	31.2231	61.1626	68.7769	88.9290
AY+ 1	68.2247	37.0016	27.0091	31.7753	85.0004
AY+ 2	80.2858	12.0611	16.3453	19.7142	82.9115
AY+ 3	85.4166	5.1308	12.1308	14.5834	83.1827
AY+ 4	89.4028	3.9862	8.8189	10.5972	83.2194
AY+ 5	93.2493	3.8465	5.4316	6.7507	80.4607
AY+ 6	94.0515	0.8022	4.9634	5.9485	83.4397
AY+ 7	95.8901	1.8386	3.3939	4.1099	82.5788
AY+ 8	97.7995	1.9093	1.6473	2.2005	74.8580
AY+ 9	97.9920	0.1925	1.5577	2.0080	77.5737
AY+10	N/A	0.1925	1.4621	1.8155	80.5381
AY+11	N/A	0.1925	1.3603	1.6230	83.8157
AY+12	N/A	0.1925	1.2517	1.4304	87.5033
AY+13	N/A	0.1925	1.1359	1.2379	91.7563
AY+14	N/A	0.1925	1.0124	1.0454	96.8412
AY+15	N/A	1.0454	0.0000	0.0000	N/A

Other Liability

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	9.9737	9.9737	68.4086	90.0263	75.9874
AY+ 1	21.8819	11.9082	60.6475	78.1181	77.6356
AY+ 2	32.5583	10.6764	53.6438	67.4417	79.5409
AY+ 3	41.4543	8.8960	48.0142	58.5457	82.0115
AY+ 4	56.3583	14.9040	35.8074	43.6417	82.0485
AY+ 5	71.6763	15.3180	22.3638	28.3237	78.9578
AY+ 6	78.0397	6.3635	17.2755	21.9603	78.6670
AY+ 7	82.2566	4.2168	14.0665	17.7434	79.2771
AY+ 8	85.2754	3.0188	11.8818	14.7246	80.6934
AY+ 9	87.4014	2.1260	10.4742	12.5986	83.1378
AY+10	N/A	2.1260	8.9734	10.4727	85.6836
AY+11	N/A	2.1260	7.3730	8.3467	88.3341
AY+12	N/A	2.1260	5.6665	6.2207	91.0905
AY+13	N/A	2.1260	3.8469	4.0948	93.9461
AY+14	N/A	2.1260	1.9066	1.9688	96.8412
AY+15	N/A	1.9688	0.0000	0.0000	N/A

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

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	57.7817	57.7817	39.8533	42.2183	94.3982
AY+ 1	88.3390	30.5573	10.9415	11.6610	93.8306
AY+ 2	N/A	5.8305	5.6463	5.8305	96.8412
AY+ 3	N/A	5.8305	0.0000	0.0000	N/A

Auto Physical Damage

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	84.1827	84.1827	15.2177	15.8173	96.2092
AY+ 1	98.8697	14.6870	1.0606	1.1303	93.8306
AY+ 2	N/A	0.5651	0.5473	0.5651	96.8412
AY+ 3	N/A	0.5651	0.0000	0.0000	N/A

Fidelity, Surety, Financial Guaranty, Mortgage Guaranty

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	25.1728	25.1728	68.7158	74.8272	91.8327
AY+ 1	57.6281	32.4553	39.7578	42.3719	93.8306
AY+ 2	N/A	21.1859	20.5167	21.1859	96.8412
AY+ 3	N/A	21.1859	0.0000	0.0000	N/A

Other (including Credit, Accident and Health)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	63.6725	63.6725	34.1976	36.3275	94.1369
AY+ 1	88.8927	25.2202	10.4220	11.1073	93.8306
AY+ 2	N/A	5.5536	5.3782	5.5536	96.8412
AY+ 3	N/A	5.5536	0.0000	0.0000	N/A

International (Composite)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	30.8006	30.8006	58.6213	69.1994	84.7137
AY+ 1	56.9235	26.1229	35.5330	43.0765	82.4881
AY+ 2	68.6906	11.7671	25.7379	31.3094	82.2050
AY+ 3	76.7697	8.0791	19.1017	23.2303	82.2275
AY+ 4	83.5336	6.7639	13.3837	16.4664	81.2783
AY+ 5	88.9725	5.4390	8.6546	11.0275	78.4822
AY+ 6	91.6218	2.6493	6.4927	8.3782	77.4953
AY+ 7	93.4305	1.8087	5.0554	6.5695	76.9538
AY+ 8	94.3638	0.9333	4.4269	5.6362	78.5443
AY+ 9	95.0595	0.6957	4.0020	4.9405	81.0046
AY+10	N/A	0.6957	3.5490	4.2448	83.6078
AY+11	N/A	0.6957	3.0659	3.5492	86.3851
AY+12	N/A	0.6957	2.5509	2.8535	89.3943
AY+13	N/A	0.6957	2.0016	2.1578	92.7611
AY+14	N/A	0.6957	1.4160	1.4622	96.8412
AY+15	N/A	1.4622	0.0000	0.0000	N/A

Reinsurance A

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	35.8044	35.8044	58.7668	64.1956	91.5432
AY+ 1	72.2671	36.4628	25.0109	27.7329	90.1850
AY+ 2	79.1294	6.8622	19.5830	20.8706	93.8306
AY+ 3	N/A	10.4353	10.1057	10.4353	96.8412
AY+ 4	N/A	10.4353	0.0000	0.0000	N/A

Reinsurance B (Composite)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	30.8006	30.8006	58.6213	69.1994	84.7137
AY+ 1	56.9235	26.1229	35.5330	43.0765	82.4881
AY+ 2	68.6906	11.7671	25.7379	31.3094	82.2050
AY+ 3	76.7697	8.0791	19.1017	23.2303	82.2275
AY+ 4	83.5336	6.7639	13.3837	16.4664	81.2783
AY+ 5	88.9725	5.4390	8.6546	11.0275	78.4822
AY+ 6	91.6218	2.6493	6.4927	8.3782	77.4953
AY+ 7	93.4305	1.8087	5.0554	6.5695	76.9538
AY+ 8	94.3638	0.9333	4.4269	5.6362	78.5443
AY+ 9	95.0595	0.6957	4.0020	4.9405	81.0046
AY+10	N/A	0.6957	3.5490	4.2448	83.6078
AY+11	N/A	0.6957	3.0659	3.5492	86.3851
AY+12	N/A	0.6957	2.5509	2.8535	89.3943
AY+13	N/A	0.6957	2.0016	2.1578	92.7611
AY+14	N/A	0.6957	1.4160	1.4622	96.8412
AY+15	N/A	1.4622	0.0000	0.0000	N/A

Reinsurance C

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	23.0513	23.0513	69.1110	76.9487	89.8144
AY+ 1	47.1565	24.1051	48.8016	52.8435	92.3512

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Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 2	73.1742	26.0177	25.1708	26.8258	93.8306
AY+ 3	N/A	13.4129	12.9892	13.4129	96.8412
AY+ 4	N/A	13.4129	0.0000	0.0000	N/A

Miscellaneous Casualty (Composite)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	73.9503	73.9503	24.6750	26.0497	94.7226
AY+ 1	93.7601	19.8099	5.8549	6.2399	93.8306
AY+ 2	N/A	3.1199	3.0214	3.1199	96.8412
AY+ 3	N/A	3.1199	0.0000	0.0000	N/A

Long Lines (Composite)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Discounted Unpaid Losses at Year End (%)	Unpaid Losses at Year End (%)	Discount Factor (%)
AY+ 0	30.8006	30.8006	58.6213	69.1994	84.7137
AY+ 1	56.9235	26.1229	35.5330	43.0765	82.4881
AY+ 2	68.6906	11.7671	25.7379	31.3094	82.2050
AY+ 3	76.7697	8.0791	19.1017	23.2303	82.2275
AY+ 4	83.5336	6.7639	13.3837	16.4664	81.2783
AY+ 5	88.9725	5.4390	8.6546	11.0275	78.4822
AY+ 6	91.6218	2.6493	6.4927	8.3782	77.4953
AY+ 7	93.4305	1.8087	5.0554	6.5695	76.9538
AY+ 8	94.3638	0.9333	4.4269	5.6362	78.5443
AY+ 9	95.0595	0.6957	4.0020	4.9405	81.0046
AY+10	N/A	0.6957	3.5490	4.2448	83.6078
AY+11	N/A	0.6957	3.0659	3.5492	86.3851
AY+12	N/A	0.6957	2.5509	2.8535	89.3943
AY+13	N/A	0.6957	2.0016	2.1578	92.7611
AY+14	N/A	0.6957	1.4160	1.4622	96.8412
AY+15	N/A	1.4622	0.0000	0.0000	N/A

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure, contact Ms. Hossofsky on (202) 622-3477 (not a toll-free number).