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Rev. Proc. 2020-48: Insurance companies, unpaid loss discount factors for 2020 accident year

The IRS today released an advance version of Rev. Proc. 2020-48 concerning discount factors for the 2020 accident year for use by insurance companies in computing discounted unpaid losses under section 846.

[Rev. Proc. 2020-48](#) [PDF 115 KB] applies to any insurance company that is required to discount unpaid losses under section 846 for a line of business using the discount factors, and also applies to any insurance company that is required to discount estimated salvage recoverable under section 832.

A set of tables in the revenue procedure provides the discount factors.

The discount factors were determined under section 846—a provision of the Code that was amended by the 2017 U.S. tax law (Pub. L. No. 115-97) or the law that is commonly referred to as the “Tax Cuts and Jobs Act” (TCJA)—and pursuant to final regulations under section 846 as published in June 2019. Read [TaxNewsFlash](#)

The revenue procedure also sets forth (in table format) the discount factors for losses incurred in the 2019 accident year and earlier accident years for use in tax years beginning in 2020..

The discount factors for losses incurred in accident years 2019 and 2020 are determined by using the applicable interest rate for 2019 (3.09% compounded semiannually) and 2020 (3.08% compounded semiannually) under section 846(c). All other discount factors are determined by using the applicable interest rate for 2018, which is 2.94% compounded semiannually.

All of the discount factors presented are determined by using the payment patterns for the 2017 determination year determined by the Secretary under section 846(d) and by assuming all loss payments occur in the middle of the calendar year.

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