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IRS corrects Rev. Proc. 2021-54: Insurance companies, unpaid loss discount factors for 2021 accident year

The IRS released an advance version of Rev. Proc. 2021-54 in December 2021 providing discount factors for the 2021 accident year for use by insurance companies in computing discounted unpaid losses under section 846.

This previously released version of the revenue procedure had an error in Table 4. The IRS has corrected the table and corrected the document as of January 12, 2022.

Read [Bulletin No. 2021-52](#) [PDF 847 KB] which contains Rev. Proc. 2021-54 with the updated tables.

These tables apply 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.

Rev. Proc. 2021-54 provides that the discount factors for losses incurred in accident year 2021 are determined by using the applicable interest rate for 2021 under section 846(c), which is 2.84% compounded semiannually. There are exceptions for the discount factors for long-tail lines of business provided for tax years beginning in 2031, which are computed using discount factors applicable to multiple accident years. All discount factors are determined by assuming all loss payments occur in the middle of the calendar year.

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