

26 CFR 601.201: Rulings and determination letters.
(Also: Part I, Sections 832, 846; 1.832-4, 1.846-1.)

Rev. Proc. 2020-48

SECTION 1. PURPOSE

This revenue procedure prescribes discount factors for the 2020 accident year for use by insurance companies in computing discounted unpaid losses under § 846 of the Internal Revenue Code and discounted estimated salvage recoverable under § 832. This revenue procedure also provides, for convenience, discount factors for losses incurred in the 2019 accident year and earlier accident years for use in taxable years beginning in 2020. The discount factors for accident years before 2020 were prescribed in Rev. Proc. 2019-31, 2019-33 I.R.B. 643. See Rev. Proc. 2019-31 and Rev. Proc. 2019-06, 2019-02 IRB 284, for background concerning the loss payment patterns and application of the discount factors.

SECTION 2. SCOPE

This revenue procedure applies to any insurance company that is required to discount unpaid losses under § 846 for a line of business using the discount factors published by the Secretary, and also applies to any insurance company that is required to discount estimated salvage recoverable under § 832.

SECTION 3. DISCOUNT FACTORS FOR THE 2020 ACCIDENT YEAR

.01 The tables in this section 3 present separately for each line of business the discount factors for losses incurred in the 2020 accident year for use by insurance companies in computing discounted unpaid losses under § 846 and estimated salvage recoverable under § 832. All of the discount factors presented in these tables are determined by using the applicable interest rate for 2020 under § 846(c), which is 3.08 percent, compounded semiannually, and the payment patterns for the 2017 determination year determined by the Secretary under § 846(d). All of the discount factors presented in these tables are determined by assuming all loss payments occur in the middle of the calendar year.

.02 Section V of Notice 88-100, 1988-2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement. Tables 1 and 2 separately provide discount factors for insurance companies that have elected to use the composite method of Notice 88-100. See Rev. Proc. 2002-74, 2002-2 C.B. 980. The discount factors computed using the composite method are unrelated to the composite discount factors referred to in § 1.846-1(b)(1)(ii) and (4) of the Income Tax Regulations, which apply to lines of business for which the Secretary has not published discount factors. The composite discount factors for use with respect to such lines of business are labelled “Short-Tail Composite” (in Table 1, part B) and “Long-Tail Composite” (in Table 2, part B). The “Miscellaneous Casualty” discount factors referenced in § 1.846-1(b)(2) are not set forth in tables, but are equivalent to the “Short-Tail Composite” discount factors.

Table 1 (part A)
Discount Factors Under Section 846 (percent)
For Losses Incurred in Accident Year 2020 in Short-Tail Lines of Business

Taxable Year Beginning in	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2020	98.3139	95.8052	95.5582	96.1310	96.9677
2021	97.0010	97.0010	97.0010	97.0010	97.0010
<u>Taxpayer Not Using Composite Method</u>					
Years after 2021	98.4834	98.4834	98.4834	98.4834	98.4834
<u>Taxpayer Using the Composite Method</u>					
2022	98.4834	98.4834	98.4834	98.4834	98.4834
Years after 2022	Use composite discount factors published for the relevant accident year.**				

* For Accident and Health lines of business (other than disability income or credit disability insurance), the discount factor for taxable year 2020 is 98.4834 percent. For later years, the discount factor for losses incurred in 2020 is the discount factor published for Accident and Health lines of business for losses incurred in the accident year coinciding with the taxable year.

**The relevant accident year is the accident year that is two years prior to the specified taxable year.

Table 1 (part B)
Discount Factors Under Section 846 (percent)
For Losses Incurred in Accident Year 2020 in Short-Tail Lines of Business

Taxable Year Beginning in	Reinsurance - Nonproportional Assumed Financial Lines	Reinsurance - Nonproportional Assumed Liability	Reinsurance - Nonproportional Assumed Property	Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	Warranty	Short-Tail Composite
2020	95.4035	94.6016	96.1125	97.3985	98.1106	96.8566
2021	97.0010	97.0010	97.0010	97.0010	97.0010	97.0010
<u>Taxpayer Not Using Composite Method</u>						
Years after 2021	98.4834	98.4834	98.4834	98.4834	98.4834	98.4834
<u>Taxpayer Using the Composite Method</u>						
2022	98.4834	98.4834	98.4834	98.4834	98.4834	98.4834
Years after 2022	Use composite discount factors published for the relevant accident year.**					

****The relevant accident year is the accident year that is two years prior to the specified taxable year.**

**Table 2 (part A)
Discount Factors Under Section 846 (percent)
For Losses Incurred in Accident Year 2020 in Long-Tail Lines of Business**

Taxable Year Beginning in	Commercial Auto/Truck Liability/Medical	Medical Professional Liability - Claims-Made	Medical Professional Liability - Occurrence	Multiple Peril Lines	Other Liability - Claims-Made	Other Liability - Occurrence
2020	93.7894	91.2887	86.3302	95.0975	90.4958	88.9133
2021	94.5252	92.3148	88.4733	93.3939	91.3319	89.7843
2022	95.0694	92.5421	90.0641	93.7004	91.8577	90.3548
2023	95.1096	92.8346	91.4580	92.9075	91.9007	90.5269
2024	94.9861	92.9813	92.4445	91.0317	91.7488	90.2789
2025	94.8262	93.0034	93.2158	91.2360	92.2753	90.3502
2026	95.1140	93.9822	94.0622	90.9324	92.7671	90.3726
2027	94.7512	94.9071	94.7714	90.6175	93.5594	91.6265
2028	96.2444	95.8327	95.9435	93.2279	94.6947	92.2914
2029	98.2817	97.6457	97.6874	94.6187	96.5347	94.2474
<u>Taxpayer Not Using Composite Method</u>						
2030	98.4834	98.4834	98.4834	96.0142	97.9102	95.6606
2031	98.4834	98.4834	98.4834	97.3886	98.4834	97.0886
Years after 2031	98.4834	98.4834	98.4834	98.4834	98.4834	98.4834
<u>Taxpayer Using the Composite Method</u>						
2030	98.4834	98.4834	98.4834	96.7819	98.0023	96.5869
Years after 2030	Use composite discount factors published for the relevant accident year.*					

***The relevant accident year is the accident year that is ten years prior to the specified taxable year.**

**Table 2 (part B)
Discount Factors Under Section 846 (percent)
For Losses Incurred in Accident Year 2020 in Long-Tail Lines of Business**

Taxable Year Beginning in	Private Passenger Auto Liability/ Medical	Products Liability - Claims-Made	Products Liability - Occurrence	Workers' Compensation	Long-Tail Composite
2020	95.4796	85.3166	87.3013	87.5556	92.4450
2021	95.0805	85.7949	88.6772	85.9962	91.3753
2022	95.0391	87.6480	89.4512	84.8651	91.0823
2023	94.6635	83.1315	90.8125	83.3180	89.8805

2024	93.9744	84.4598	89.4430	82.7387	88.2753
2025	94.0255	85.8393	89.4917	82.1898	88.1551
2026	94.2730	87.2786	90.4502	82.5646	88.1342
2027	94.8300	88.5618	91.4434	83.4400	88.6931
2028	95.4472	89.8703	91.8491	84.0701	89.9615
2029	97.6225	91.2045	94.1596	86.0229	91.7954

Taxpayer Not Using Composite Method

2030	98.4834	92.5645	95.5800	87.2812	93.1592
2031	98.4834	93.9501	97.0253	88.5644	94.5437
2032	98.4834	95.3597	98.4834	89.8730	95.9411
2033	98.4834	96.7878	98.4834	91.2073	97.3233
2034	98.4834	98.2068	98.4834	92.5675	98.4834
2035	98.4834	98.4834	98.4834	93.9532	98.4834
2036	98.4834	98.4834	98.4834	95.3630	98.4834
2037	98.4834	98.4834	98.4834	96.7916	98.4834
2038	98.4834	98.4834	98.4834	98.2114	98.4834
Years after 2038	98.4834	98.4834	98.4834	98.4834	98.4834

Taxpayer Using the Composite Method

2030	98.4834	94.5507	96.5457	91.0641	94.9230
Years after 2030	Use composite discount factors published for the relevant accident year.*				

*The relevant accident year is the accident year that is ten years prior to the specified taxable year.

SECTION 4. DISCOUNT FACTORS FOR TAXABLE YEARS BEGINNING IN 2020

.01 The tables in this section 4 present separately for each line of business discount factors for losses incurred in the 2020 accident year and earlier accident years for use by insurance companies in computing discounted unpaid losses under § 846 and estimated salvage recoverable under § 832 in taxable years beginning in 2020. The discount factors for losses incurred in accident years 2019 and 2020 presented in these tables are determined by using the applicable interest rate for 2019 (3.09 percent, compounded semiannually) and 2020 (3.08 percent, compounded semiannually), respectively, under § 846(c). All other discount factors presented in these tables are determined by using the applicable interest rate for 2018, which is 2.94 percent, compounded semiannually. All of the discount factors presented in these tables are determined by using the payment patterns for the 2017 determination year determined

by the Secretary under § 846(d) and by assuming all loss payments occur in the middle of the calendar year. See Rev. Proc. 2019-31 (prescribing discount factors for the 2019 accident year and “Revised Discount Factors” for accident years beginning before 2019).

.02 Table 4 separately provides discount factors for insurance companies that have elected to use the composite method of Notice 88-100. See Rev. Proc. 2002-74. The discount factors computed using the composite method are unrelated to the composite discount factors referred to in § 1.846-1(b)(1)(ii) and (4), which apply to lines of business for which the Secretary has not published discount factors. The composite discount factors for use with respect to such lines of business are labelled “Short-Tail Composite” (in Table 3, part B) and “Long-Tail Composite” (in Table 4, part B). The “Miscellaneous Casualty” discount factors referenced in § 1.846-1(b)(2) are not set forth in tables, but are equivalent to the “Short-Tail Composite” discount factors.

Table 3 (part A)					
Discount Factors Under Section 846 (percent)					
For Taxable Year(s) Beginning in 2020					
Short-Tail Lines of Business					
Accident Year	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2020	98.3139	95.8052	95.5582	96.1310	96.9677
2019	96.9916	96.9916	96.9916	96.9916	96.9916
Years before 2019	98.5513	98.5513	98.5513	98.5513	98.5513

* For Accident and Health lines of business (other than disability income or credit disability insurance), the discount factor for taxable year 2020 is 98.4834 percent.

Taxpayer Using the Composite Method

Years before 2011	98.5513	98.5513	98.5513	96.9185	98.0920	96.7300
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Table 4 (part B)**Discount Factors Under Section 846 (percent)****For Taxable Year(s) Beginning in 2020****Long-Tail Lines of Business**

Accident Year	Private Passenger Auto Liability/ Medical	Products Liability - Claims-Made	Products Liability - Occurrence	Workers' Compensation	Long-Tail Composite
2020	95.4796	85.3166	87.3013	87.5556	92.4450
2019	95.0654	85.7548	88.6442	85.9577	91.3501
2018	95.2520	88.1407	89.8860	85.4517	91.4469
2017	94.8920	83.8076	91.1924	83.9662	90.2933
2016	94.2325	85.0889	89.8810	83.4129	88.7546
2015	94.2824	86.4184	89.9309	82.8905	88.6421
2014	94.5205	87.8040	90.8527	83.2567	88.6258
2013	95.0550	89.0388	91.8072	84.1036	89.1661
2012	95.6473	90.2969	92.1992	84.7150	90.3858
2011	97.7282	91.5785	94.4133	86.5946	92.1457

Taxpayer Not Using the Composite Method

2010	98.5513	92.8838	95.7739	87.8065	93.4541
2009	98.5513	94.2124	97.1571	89.0414	94.7812
2008	98.5513	95.5629	98.5513	90.2995	96.1195
2007	98.5513	96.9299	98.5513	91.5813	97.4421
2006	98.5513	98.2868	98.5513	92.8867	98.5513
2005	98.5513	98.5513	98.5513	94.2154	98.5513
2004	98.5513	98.5513	98.5513	95.5661	98.5513
2003	98.5513	98.5513	98.5513	96.9334	98.5513
2002	98.5513	98.5513	98.5513	98.2913	98.5513
Years before 2002	98.5513	98.5513	98.5513	98.5513	98.5513

Taxpayer Using the Composite Method

Years before 2011	98.5513	94.7288	96.6903	91.2579	95.0968
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SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Megan McGuire of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information

regarding this revenue procedure contact Ms. McGuire at (202) 317-6995 (not a toll-free call).