

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

Rev. Proc. 2023-10

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns for the 2022 determination year and the discount factors for the 2022 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 2022 accident year and earlier accident years for use in taxable years beginning in 2022. The discount factors for accident years before 2022 were prescribed in earlier revenue procedures. See, e.g., Rev. Proc. 2021-54, 2021-52 I.R.B. 903.

SECTION 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.

.02 Section 846(c) provides for the use of an annual rate of interest determined on

the basis of the corporate bond yield curve (as defined in § 430(h)(2)(D)(i), determined by substituting “60-month period” for “24-month period” therein). Section 1.846-1(c) of the Income Tax Regulations further provides that the annual rate for any calendar year is determined on the basis of a yield curve that reflects the average, for the most recent 60-month period ending before the beginning of the calendar year, of monthly yields on corporate bonds described in section 430(h)(2)(D)(i). The annual rate is the average of that yield curve’s monthly spot rates with times to maturity from four and one-half years to ten years.

.03 The applicable interest rate for 2022 under § 846(c) and § 1.846-1(c), is 2.67 percent, determined using semiannual compounding.

.04 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. See § 846(d)(1). Pursuant to § 1.846-1(d)(2), the Secretary may adjust the loss payment pattern for any line of business using a methodology described by the Secretary in other published guidance if necessary to avoid negative payment amounts and otherwise produce a stable pattern of positive discount factors less than one. The preamble to proposed regulations under § 846 (REG-103163-18) published in the Federal Register (83 FR 55646) on November 7, 2018 (Proposed Regulations) described a proposed methodology for adjusting the loss payment pattern for any line of business. Commenters on the Proposed Regulations expressed support for the smoothing adjustments described in the preamble to the

Proposed Regulations, and § 1.846-1(d)(2) of the Proposed Regulations was adopted as proposed in final regulations under § 846 (T.D. 9863, 84 FR 27947) published on June 17, 2019.

.05 Pursuant to § 846(d) and § 1.846-1(d)(2), the Secretary has determined a loss payment pattern for each property and casualty line of business for the 2022 determination year that, pursuant to § 846(d)(1), must be applied through the 2026 accident year. The loss payment patterns for the 2022 determination year are based, initially, on the aggregate loss payment information reported on the 2020 annual statements of property and casualty insurance companies and compiled by A.M. Best and Co. The lines of business for the 2022 determination year are the same as the lines of business for the 2017 determination year. See Rev. Proc. 2019-31, 2019-33 I.R.B. 643, and Rev. Proc. 2019-06, 2019-02 I.R.B. 284, for background concerning the loss payment patterns and application of the discount factors. Losses are reported on the annual statement net of losses on reinsurance ceded but include losses on assumed proportional reinsurance. Losses with respect to assumed non-proportional reinsurance are reported in three separate lines of business (for property, liability, and financial reinsurance). The loss data include defense, cost containment, adjusting, and other loss expenses, but are not reduced for salvage and subrogation receipts. For the 2022 determination year, only one line of business requires adjustments under § 1.846-1(d)(2). That line of business is Products Liability – Claims Made. The initial payment pattern for that line of business results in a negative payment amount for the fifth year after the accident year. Therefore, the payment amounts for the fourth through the sixth year after the accident year are adjusted following the steps listed in the preamble to the Proposed Regulations. See 83

FR 55646, 55651.

SECTION 3. 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. This revenue procedure also applies to any insurance company that is required to discount estimated salvage recoverable under § 832.

SECTION 4. DISCOUNT FACTORS FOR THE 2022 ACCIDENT YEAR

.01 The tables in this section 4 present separately for each line of business the discount factors for losses incurred in the 2022 accident year for use by insurance companies in computing discounted unpaid losses under § 846 and estimated salvage recoverable under § 832. The discount factors presented in this section are generally determined by using the applicable interest rate for 2022 under § 846(c) and § 1.846-1(c), which is 2.67 percent, determined using semiannual compounding. The exceptions are the discount factors for long-tail lines of business determined using the composite method described in section V of Notice 88-100, 1988-2 C.B. 439. These discount factors are to be used in taxable years beginning in 2032 for losses incurred in accident years not separately reported on the annual statement for 2032. For taxable years beginning after 2032, the discount factors to be used for losses incurred in the 2022 accident year will be those determined using the composite method for later accident years. These discount factors will be published in later years. All discount factors 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), 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 2022 in Short-Tail Lines of Business

Taxable Year Beginning in	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2022	98.5087	96.0741	95.6153	96.2003	97.2283
2023	97.3911	97.3911	97.3911	97.3911	97.3911
<u>Taxpayer Not Using Composite Method</u>					
Years after 2023	98.6826	98.6826	98.6826	98.6826	98.6826
<u>Taxpayer Using the Composite Method</u>					
2024	98.6826	98.6826	98.6826	98.6826	98.6826
Years after 2024	Use composite method discount factors published for the relevant accident year.**				

* For the Accident and Health line of business (other than disability income or credit disability insurance), the discount factor for taxable year 2022 is 98.6826 percent. This is also the discount factor used in later taxable years for taxpayers not using the composite method. For taxpayers using the composite method, the discount factor for losses incurred in 2022 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 2022 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
2022	96.1755	95.3149	96.5023	97.7793	98.5010	97.4381
2023	97.3911	97.3911	97.3911	97.3911	97.3911	97.3911
<u>Taxpayer Not Using Composite Method</u>						
Years after 2023	98.6826	98.6826	98.6826	98.6826	98.6826	98.6826

Taxpayer Using the Composite Method

2024	98.6826	98.6826	98.6826	98.6826	98.6826	98.6826
Years after 2024	Use composite method 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 2022 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
2022	94.5127	92.3146	87.8300	95.7799	92.0534	90.7411
2023	95.0679	93.3168	89.6041	94.3300	92.9253	91.5404
2024	95.5799	93.6166	90.9006	94.3613	92.9667	92.1947
2025	95.8620	94.4096	92.1748	94.3016	93.1601	92.5186
2026	95.7709	94.2538	92.9215	94.1052	93.1010	92.7994
2027	95.3403	94.8407	93.2830	94.3444	93.1449	91.8641
2028	95.3617	94.4493	93.6423	94.4224	92.8241	91.8523
2029	95.8006	95.2523	93.5226	96.0402	94.3791	92.5452
2030	96.6886	96.4696	95.1962	96.8042	96.6887	93.4680
2031	98.3919	97.8157	96.7412	98.1299	97.2308	95.1537

Taxpayer Not Using Composite Method

2032	98.6826	98.6826	97.9293	98.6826	98.4739	96.3804
2033	98.6826	98.6826	98.6826	98.6826	98.6826	97.5988
Years after 2033	98.6826	98.6826	98.6826	98.6826	98.6826	98.6826

Taxpayer Using the Composite Method

2032	98.6826	98.6826	97.9293	97.9691	98.5007	97.0865
Years after 2032	Use composite method 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 2022 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
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2022	96.1701	89.9633	89.3630	89.7304	93.8901
2023	95.8589	91.1883	90.6396	88.3566	93.2372
2024	95.9333	91.4161	91.6708	87.8161	93.0141
2025	95.8576	90.5530	92.2079	87.3806	92.4240
2026	95.0320	91.9350	92.5125	87.6583	92.1521
2027	94.4641	93.4070	92.9497	87.1058	91.7300
2028	94.9895	95.0050	93.8016	87.6622	91.9589
2029	95.1268	95.4107	94.0743	89.0452	93.1631
2030	95.8190	96.5637	95.0202	90.3572	94.4061
2031	97.7990	98.0949	96.8704	91.2131	95.5892

Taxpayer Not Using Composite Method

2032	98.6826	98.6826	98.0610	92.3944	96.8119
2033	98.6826	98.6826	98.6826	93.5960	98.0004
2034	98.6826	98.6826	98.6826	94.8180	98.6826
2035	98.6826	98.6826	98.6826	96.0602	98.6826
2036	98.6826	98.6826	98.6826	97.3206	98.6826
2037	98.6826	98.6826	98.6826	98.5887	98.6826
Years after 2037	98.6826	98.6826	98.6826	98.6826	98.6826

Taxpayer Using the Composite Method

2032	98.6826	95.7515	97.8062	92.0973	96.1839
Years after 2032	Use composite method 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 5. DISCOUNT FACTORS FOR TAXABLE YEARS BEGINNING IN 2022

.01 The tables in this section 5 present separately for each line of business discount factors for losses incurred in the 2022 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 2022.

.02 Tables 3 and 4 separately provide 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 2022
Short-Tail Lines of Business

Accident Year	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2022	98.5087	96.0741	95.6153	96.2003	97.2283
2021	97.2290	97.2290	97.2290	97.2290	97.2290
<u>Taxpayer Not Using Composite Method</u>					
2020	98.4834	98.4834	98.4834	98.4834	98.4834
2019	98.4785	98.4785	98.4785	98.4785	98.4785
Years before 2019	98.5513	98.5513	98.5513	98.5513	98.5513
<u>Taxpayer Using the Composite Method</u>					
Years before 2021	98.4834	98.4834	98.4834	98.4834	98.4834

*For the Accident and Health line of business (other than disability income or credit disability insurance), the discount factor for taxable year 2022 is 98.6826 percent.

Table 3 (part B)
Discount Factors Under Section 846 (percent)
For Taxable Year(s) Beginning in 2022
Short-Tail Lines of Business

Accident Year	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
2022	96.1755	95.3149	96.5023	97.7793	98.5010	97.4381
2021	97.2290	97.2290	97.2290	97.2290	97.2290	97.2290

Taxpayer Not Using Composite Method

2020	98.4834	98.4834	98.4834	98.4834	98.4834	98.4834
2019	98.4785	98.4785	98.4785	98.4785	98.4785	98.4785
Years before 2019	98.5513	98.5513	98.5513	98.5513	98.5513	98.5513

Taxpayer Using the Composite Method

Years before 2021	98.4834	98.4834	98.4834	98.4834	98.4834	98.4834
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**Table 4 (part A)
Discount Factors Under Section 846 (percent)
For Taxable Year(s) Beginning in 2022
Long-Tail Lines of Business**

Accident Year	Commercial Auto/Truck Liability/Medical	Medical Professional Liability - Claims-Made	Medical Professional Liability - Occurrence	Multiple Peril Lines	Other Liability - Claims- Made	Other Liability - Occurrence
2022	94.5127	92.3146	87.8300	95.7799	92.0534	90.7411
2021	94.9297	92.8717	89.2979	93.8725	91.9550	90.5083
2020	95.0694	92.5421	90.0641	93.7004	91.8577	90.3548
2019	95.0945	92.8130	91.4323	92.8864	91.8764	90.4989
2018	95.2024	93.2805	92.7664	91.4064	92.0976	90.6836
2017	95.0498	93.3035	93.5069	91.6039	92.6040	90.7542
2016	95.3260	94.2423	94.3189	91.3154	93.0770	90.7788
2015	94.9804	95.1291	94.9993	91.0177	93.8378	91.9830
2014	96.4102	96.0160	96.1220	93.5200	94.9264	92.6228
2013	98.3585	97.7503	97.7902	94.8530	96.6876	94.4974
<u>Taxpayer Not Using the Composite Method</u>						
2012	98.5513	98.5513	98.5513	96.1895	98.0033	95.8511
2011	98.5513	98.5513	98.5513	97.5045	98.5513	97.2176
Years before 2011	98.5513	98.5513	98.5513	98.5513	98.5513	98.5513
<u>Taxpayer Using the Composite Method</u>						
Years before 2013	98.5513	98.5513	98.5513	96.9185	98.0920	96.7300

Table 4 (part B)
Discount Factors Under Section 846 (percent)
For Taxable Year(s) Beginning in 2022
Long-Tail Lines of Business

Accident Year	Private Passenger Auto Liability/ Medical	Products Liability - Claims-Made	Products Liability - Occurrence	Workers' Compensation	Long-Tail Composite
2022	96.1701	89.9633	89.3630	89.7304	93.8901
2021	95.4438	86.7679	89.4762	86.9319	91.9840
2020	95.0391	87.6480	89.4512	84.8651	91.0823
2019	94.6472	83.0836	90.7854	83.2721	89.8512
2018	94.2325	85.0889	89.8810	83.4129	88.7546
2017	94.2824	86.4184	89.9309	82.8905	88.6421
2016	94.5205	87.8040	90.8527	83.2567	88.6258
2015	95.0550	89.0388	91.8072	84.1036	89.1661
2014	95.6473	90.2969	92.1992	84.7150	90.3858
2013	97.7282	91.5785	94.4133	86.5946	92.1457
<u>Taxpayer Not Using the Composite Method</u>					
2012	98.5513	92.8838	95.7739	87.8065	93.4541
2011	98.5513	94.2124	97.1571	89.0414	94.7812
2010	98.5513	95.5629	98.5513	90.2995	96.1195
2009	98.5513	96.9299	98.5513	91.5813	97.4421
2008	98.5513	98.2868	98.5513	92.8867	98.5513
2007	98.5513	98.5513	98.5513	94.2154	98.5513
2006	98.5513	98.5513	98.5513	95.5661	98.5513
2005	98.5513	98.5513	98.5513	96.9334	98.5513
2004	98.5513	98.5513	98.5513	98.2913	98.5513
Years before 2004	98.5513	98.5513	98.5513	98.5513	98.5513
<u>Taxpayer Using the Composite Method</u>					
Years before 2013	98.5513	94.7288	96.6903	91.2579	95.0968

SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Allan H. Sakaue of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Mr. Sakaue at (202) 317-6995 (not a toll-free call).