

[Rev. Proc. 2021-54, 2021-52 IRB 903 -- IRC Sec\(s\). 832; 846, 12/13/2021](#)

Revenue Procedures (1955 - Present) (RIA)

Revenue Procedures

Rev. Proc. 2021- 54, 2021-52 IRB 903, 12/13/2021, IRC Sec(s). 846

Discounting unpaid losses-annual discount factors-salvage discount factors.



Headnote:

IRS published revised unpaid loss discount factors for 2021 accident year and earlier accident years for use by ins. cos. in computing discounted unpaid losses, which also serve as revised salvage discount factors for same accident years for use in determining estimated salvage recoverable under [Code Sec. 832](#); . Also figures for 2020 accident year and earlier accident years were provided for convenience.



Reference(s): [¶ 8465.01\(5\)](#); [¶ 8325.02\(1\)](#); [Code Sec. 846](#); [Code Sec. 832](#);

Full Text:




1. Purpose

This revenue procedure prescribes discount factors for the 2021 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 2020 accident year and earlier accident years for use in taxable years beginning in 2021. The discount factors for accident years before 2021 were prescribed in [Rev. Proc. 2020-48, 2020-49 I.R.B. 1459](#). 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.

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.

3. Discount Factors For The 2021 Accident Year

.01. The tables in this section 3 present separately for each line of business the discount factors for losses incurred in the 2021 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 2021 under  § 846(c), which is 2.84 percent, compounded semiannually. The exceptions are the discount factors for long-tail lines of business provided for taxable 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.






.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 2021 in Short-Tail Lines of Business

Taxable Year Beginning in	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2021	98.4430	96.1212	95.8926	96.4227	97.1971
2022	97.2290	97.2290	97.2290	97.2290	97.2290

Taxpayer Not Using Composite Method

Years after 2022	98.5999	98.5999	98.5999	98.5999	98.5999
------------------	---------	---------	---------	---------	---------

Taxpayer Using the Composite Method

2023	98.5999	98.5999	98.5999	98.5999	98.5999
------	---------	---------	---------	---------	---------

Years after 2023 Use composite method discount factors published in Table 1 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 2021 is 98.5999 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 2021 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 2021 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
------------------------------	--	--	---	---	----------	-------------------------

2021	95.7494	95.0072	96.4056	97.5958	98.2549	97.0943
2022	97.2290	97.2290	97.2290	97.2290	97.2290	97.2290

Taxpayer Not Using Composite Method

Years after 2022	98.5999	98.5999	98.5999	98.5999	98.5999	98.5999
---------------------	---------	---------	---------	---------	---------	---------

Taxpayer Using the Composite Method

2023	98.5999	98.5999	98.5999	98.5999	98.5999	98.5999
Years after 2023	Use composite discount factors published in Table 1 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 2021 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
2021	94.2466	91.9173	87.2985	95.4554	91.1762	89.6959
2022	94.9297	92.8717	89.2979	93.8725	91.9550	90.5083
2023	95.4344	93.0842	90.7809	94.1554	92.4448	91.0405
2024	95.4717	93.3572	92.0790	93.4173	92.4864	91.2022
2025	95.3575	93.4953	92.9976	91.6759	92.3482	90.9746
2026	95.2101	93.5188	93.7158	91.8684	92.8399	91.0447
2027	95.4780	94.4288	94.5029	91.5907	93.2995	91.0706
2028	95.1447	95.2881	95.1626	91.3051	94.0375	92.2390
2029	96.5290	96.1473	96.2499	93.7295	95.0924	92.8607
2030	98.4134	97.8252	97.8637	95.0210	96.7971	94.6766
Taxpayer Not Using Composite Method						
2031	98.5999	98.5999	98.5999	96.3150	98.0698	95.9875

2032	98.5999	98.5999	98.5999	97.5874	98.5999	97.3100
Years after 2032	98.5999	98.5999	98.5999	98.5999	98.5999	98.5999
Taxpayer Using the Composite Method						
2031	98.5999	98.5999	98.5999	96.9392	98.1368	96.7452
Years after 2031	Use composite discount factors published in Table 2 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 2021 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
2021	95.8143	86.3181	88.1921	88.3902	92.9811
2022	95.4438	86.7679	89.4762	86.9319	91.9840
2023	95.4048	88.4963	90.1990	85.8758	91.7095
2024	95.0561	84.2953	91.4658	84.4348	90.5906
2025	94.4178	85.5424	90.1962	83.9002	89.0997
2026	94.4666	86.8355	90.2467	83.3968	88.9927
2027	94.6980	88.1822	91.1419	83.7563	88.9796
2028	95.2164	89.3819	92.0685	84.5824	89.5061
2029	95.7906	90.6034	92.4505	85.1799	90.6906
2030	97.8038	91.8471	94.5952	87.0064	92.3972
Taxpayer Not Using Composite Method					
2031	98.5999	93.1129	95.9128	88.1846	93.6657
2032	98.5999	94.4005	97.2514	89.3844	94.9515
2033	98.5999	95.7084	98.5999	90.6060	96.2473
2034	98.5999	97.0315	98.5999	91.8498	97.5271
2035	98.5999	98.3441	98.5999	93.1157	98.5999
2036	98.5999	98.5999	98.5999	94.4034	98.5999
2037	98.5999	98.5999	98.5999	95.7116	98.5999
2038	98.5999	98.5999	98.5999	97.0350	98.5999
2039	98.5999	98.5999	98.5999	98.3484	98.5999
Years after 2039	98.5999	98.5999	98.5999	98.5999	98.5999
Taxpayer Using the Composite Method					
2031	98.5999	94.6915	96.7042	91.1782	95.0674
Years after 2031	Use composite discount factors published in Table 2 for the relevant accident year.*				

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

4. Discount Factors For Taxable Years Beginning In 2021

.01. The tables in this section 4 present separately for each line of business discount factors for losses incurred in the 2021 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 2021.





.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 2021

Short-Tail Lines of Business

Accident year	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2021	98.4430	96.1212	95.8926	96.4227	97.1971
2020	97.0010	97.0010	97.0010	97.0010	97.0010

Taxpayer Not Using Composite Method

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 Not Using Composite Method

Years before 2020	98.4785	98.4785	98.4785	98.4785	98.4785	98.4785
-------------------	---------	---------	---------	---------	---------	---------

Table 4 (part A)

Discount Factors Under  Section 846 (percent)

For Taxable Year(s) Beginning in 2021

Long-Tail Lines of Business

Accident Year	Commercial	Medical	Medical	Multiple Peril Lines	Other	Other Liability - Occurrence
	Auto/Truck Liability/Medical	Professional Liability - Claims-Made	Professional Liability - Occurrence		Liability - Claims-Made	
2021	94.2466	91.9173	87.2985	95.4554	91.1762	89.6959
2020	94.5252	92.3148	88.4733	93.3939	91.3319	89.7843
2019	95.0543	92.5197	90.0344	93.6815	91.8334	90.3264
2018	95.3204	93.1388	91.8194	93.2041	92.2415	90.9196
2017	95.2024	93.2805	92.7664	91.4064	92.0976	90.6836
2016	95.0498	93.3035	93.5069	91.6039	92.6040	90.7542
2015	95.3260	94.2423	94.3189	91.3154	93.0770	90.7788
2014	94.9804	95.1291	94.9993	91.0177	93.8378	91.9830
2013	96.4102	96.0160	96.1220	93.5200	94.9264	92.6228
2012	98.3585	97.7503	97.7902	94.8530	96.6876	94.4974

Taxpayer Not Using the Composite Method

2011	98.5513	98.5513	98.5513	96.1895	98.0033	95.8511
2010	98.5513	98.5513	98.5513	97.5045	98.5513	97.2176
Years before	98.5513	98.5513	98.5513	98.5513	98.5513	98.5513

2010

Taxpayer Using the Composite Method

Years before 2012	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 2021

Long-Tail Lines of Business

Accident Year	Private				
	Passenger Auto Liability/ Medical	Products Liability - Claims-Made	Products Liability - Occurrence	Workers' Compensation	Long-Tail Composite
2021	95.8143	86.3181	88.1921	88.3902	92.9811
2020	95.0654	85.7548	88.6442	85.9577	91.3501
2019	95.2520	88.1407	89.8860	85.4517	91.4469
2018	94.8920	83.8076	91.1924	83.9662	90.2933
2017	94.2325	85.0889	89.8810	83.4129	88.7546
2016	94.2824	86.4184	89.9309	82.8905	88.6421
2015	94.5205	87.8040	90.8527	83.2567	88.6258
2014	95.0550	89.0388	91.8072	84.1036	89.1661
2013	95.6473	90.2969	92.1992	84.7150	90.3858
2012	97.7282	91.5785	94.4133	86.5946	92.1457

Taxpayer Not Using the Composite Method

2011	98.5513	92.8838	95.7739	87.8065	93.4541
2010	98.5513	94.2124	97.1571	89.0414	94.7812
2009	98.5513	95.5629	98.5513	90.2995	96.1195
2008	98.5513	96.9299	98.5513	91.5813	97.4421
2007	98.5513	98.2868	98.5513	92.8867	98.5513
2006	98.5513	98.5513	98.5513	94.2154	98.5513
2005	98.5513	98.5513	98.5513	95.5661	98.5513
2004	98.5513	98.5513	98.5513	96.9334	98.5513
2003	98.5513	98.5513	98.5513	98.2913	98.5513
Years before 2003	98.5513	98.5513	98.5513	98.5513	98.5513

Taxpayer Using the Composite Method

Years before 2012	98.5513	94.7288	96.6903	91.2579	95.0968
-------------------	---------	---------	---------	---------	---------

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).