

IRS releases loss and salvage discount factors for 2013

December 5, 2013

In brief

The IRS has issued loss payment patterns and discount factors (Rev. Proc. 2013-36) and salvage discount factors (Rev. Proc. 2013-37) applicable to accident year 2013. Property and casualty insurance companies use these factors to discount unpaid losses, and to compute discounted estimated salvage recoverable.

In detail

Rev. Proc. 2013 sets forth for purposes of Section 846 the loss payment patterns and discount factors for each property and casualty line of business for the 2013 accident year. Rev. Proc. 2013-37 sets forth for purposes of Section 832 the salvage discount factors for the 2013 accident year that must be used for each line of business to compute discounted estimated salvage recoverable. The

discount factors were determined using the applicable interest rate under Section 846(c), which is 2.16%. Rev. Proc. 2013-36 and 2013-37 also contain applicable discount factors for entities using the 'composite method' of Notice 88-100 for unpaid losses in prior years.

The takeaway

Property and casualty insurance companies should use the

updated percentages provided in Rev. Proc. 2013-36 and 2013-37 for accident year 2013. Taxpayers should consider reviewing the election under Section 846(e), which provides for the determination of loss reserve discount factors using the company's historical payment patterns. Note this election does not apply to salvage discount factors.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Financial Services - Insurance

Anthony DiGilio, *McLean VA*
+1 703 918 4812
anthony.digilio@us.pwc.com

© 2013 PricewaterhouseCoopers LLP, a Delaware limited liability partnership. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

Solicitation

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

