
Prevailing interest rates for computing certain insurance reserves

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In brief

On January 31, 2013, the IRS issued Revenue Ruling 2013-4 which provides state assumed interest rates and applicable federal rates for the determination of reserves under Section 807(d) for insurance products issued in 2012 and 2013.

In detail

Revenue Ruling 2013-4 should be used by insurance companies in computing their reserves for: (1) life insurance and supplementary total and permanent disability benefits, (2) individual annuities and pure endowments, and (3) group annuities and pure endowments.

For purposes of Section 807(d), for taxable years beginning after

December 31, 2011, the Ruling supplements the schedules of prevailing state assumed interest rates set forth in Revenue Ruling 92-19.

Specifically, the Ruling supplements Schedules A, B, C and D -- under Part III of Revenue Ruling 92-19, by providing prevailing state assumed interest rates for certain insurance products issued in 2012 and 2013. The

ruling also supplements Part IV of Revenue Ruling 92-19 by providing the applicable federal interest rates for computing reserves for 2012 and 2013.

The takeaway

Insurance companies should ensure that they using the correct interest rates when computing their reserves for 2012 and 2013.

Let's talk

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

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