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Proposed regulations: Discounting rules for insurance companies (text of regulations)

The U.S. Treasury Department and IRS this afternoon released for publication in the Federal Register proposed regulations (REG-103163-18) as guidance on new discounting rules for unpaid losses and estimated salvage recoverable of insurance companies for federal income tax purposes.

The [proposed regulations](#) [PDF 145 KB] are intended to implement measures of the new U.S. tax law (Pub. L. No. 115-97, enacted December 22, 2017).

Under prior law, section 846 provided that a property and casualty (P&C) insurance company could deduct unpaid losses that are discounted using midterm applicable federal rates and based on a loss payment pattern. The new law requires P&C insurance companies to use a higher rate—the corporate bond yield curve (as specified by Treasury)—to discount their unpaid losses under section 846. The new law also repealed an election in section 846(e) to use company-specific (rather than industry-wide) historical loss payment patterns.

The purpose of this alert is to provide text of these proposed regulations. A follow-up report with more details will be provided by KPMG.

The proposed regulations will appear in the Federal Register on November 7, 2018. A public hearing has been scheduled for December 20, 2018.

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