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By PwC Deutschland | 06 November 2013

Discounting of insurers' claim provisions

The finance ministry has extended a temporary provision allowing an averaged discount on the claim provisions of insurance companies to years ending on or before December 31, 2015.

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Long-term provisions – those not expected to be used or released within one year – must be discounted at the rate of 5.5% p.a. This also applies to provisions created by insurance companies to meet unsettled claims for damages arising before year-end. In general, each claim should be evaluated separately, although the finance ministry has adopted a temporary rule allowing insurers to base their discount calculations on an average settlement period. This rule has now been extended for another two years, to run for all business years up to that ending on or before December 31, 2015.

Keywords

claim, discounts, provision