

**SCHEDULE M-3  
(Form 1120-PC)**

**Net Income (Loss) Reconciliation for U.S. Property and Casualty Insurance Companies With Total Assets of \$10 Million or More**

OMB No. 1545-1027

**2008**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1120-PC.**  
▶ **See separate instructions.**

Check applicable box(es): (1)  Non-consolidated return (2)  Consolidated return (Form 1120-PC only)  
(3)  Mixed 1120/L/PC group (4)  Dormant subsidiaries schedule attached

Name of corporation (common parent, if consolidated return) Employer identification number

**Part I Financial Information and Net Income (Loss) Reconciliation** (see instructions)

- 1a Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?
  - Yes.** Skip lines 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.
  - No.** Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b Did the corporation prepare a certified audited non-tax-basis income statement for that period?
  - Yes.** Skip line 1c and complete lines 2a through 11 with respect to that income statement.
  - No.** Go to line 1c.
- c Did the corporation prepare a non-tax-basis income statement for that period?
  - Yes.** Complete lines 2a through 11 with respect to that income statement.
  - No.** Skip lines 2a through 3c and enter the corporation's net income (loss) per its books and records on line 4a.
- 2a Enter the income statement period: Beginning \_\_\_\_/\_\_\_\_/\_\_\_\_ Ending \_\_\_\_/\_\_\_\_/\_\_\_\_
- b Has the corporation's income statement been restated for the income statement period on line 2a?
  - Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
  - No.**
- c Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2a?
  - Yes.** (If "Yes," attach an explanation and the amount of each item restated.)
  - No.**
- 3a Is any of the corporation's voting common stock publicly traded?
  - Yes.**
  - No.** If "No," go to line 4a.
- b Enter the symbol of the corporation's primary U.S. publicly traded voting common stock . . . . . 

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- c Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock . . . . . 

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<b>4a</b> Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	<b>4a</b>
<b>b</b> Indicate accounting standard used for line 4a (see instructions): (1) <input type="checkbox"/> GAAP (2) <input type="checkbox"/> IFRS (3) <input type="checkbox"/> Statutory (4) <input type="checkbox"/> Other (specify) _____	
<b>5a</b> Net income from nonincludible foreign entities (attach schedule) . . . . .	<b>5a</b> ( )
<b>b</b> Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) . . . . .	<b>5b</b>
<b>6a</b> Net income from nonincludible U.S. entities (attach schedule) . . . . .	<b>6a</b> ( )
<b>b</b> Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) . . . . .	<b>6b</b>
<b>7a</b> Net income (loss) of other includible foreign disregarded entities (attach schedule) . . . . .	<b>7a</b>
<b>b</b> Net income (loss) of other includible U.S. disregarded entities (attach schedule) . . . . .	<b>7b</b>
<b>c</b> Net income (loss) of other includible corporations (attach schedule) . . . . .	<b>7c</b>
<b>8</b> Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) . . . . .	<b>8</b>
<b>9</b> Adjustment to reconcile income statement period to tax year (attach schedule) . . . . .	<b>9</b>
<b>10a</b> Intercompany dividend adjustments to reconcile to line 11 (attach schedule) . . . . .	<b>10a</b>
<b>b</b> Other statutory accounting adjustments to reconcile to line 11 (attach schedule) . . . . .	<b>10b</b>
<b>c</b> Other adjustments to reconcile to amount on line 11 (attach schedule) . . . . .	<b>10c</b>
<b>11 Net income (loss) per income statement of includible corporations.</b> Combine lines 4a through 10c . . . . . <b>Note.</b> Part I, line 11, must equal the amount on Part II, line 30, column (a) and on Schedule M-2, line 2.	<b>11</b>

**12** Enter the total amount (not just the corporation's share) of the assets and liabilities of all entities included or removed on the following lines.

	Total Assets	Total Liabilities
<b>a</b> Included on Part I, line 4	-----	-----
<b>b</b> Removed on Part I, line 5	-----	-----
<b>c</b> Removed on Part I, line 6	-----	-----
<b>d</b> Included on Part I, line 7	-----	-----

Name of corporation (common parent, if consolidated return)	Employer identification number :
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120-PC group (7) <input type="checkbox"/> 1120-PC eliminations	
Name of subsidiary (if consolidated return)	Employer identification number :

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
<b>Income (Loss) Items</b>				
(Attach schedules for lines 1 through 11)				
<b>1</b> Income (loss) from equity method foreign corporations				
<b>2</b> Gross foreign dividends not previously taxed				
<b>3</b> Subpart F, QEF, and similar income inclusions				
<b>4</b> Section 78 gross-up				
<b>5</b> Gross foreign distributions previously taxed				
<b>6</b> Income (loss) from equity method U.S. corporations				
<b>7</b> U.S. dividends not eliminated in tax consolidation				
<b>8</b> Minority interest for includible corporations				
<b>9</b> Income (loss) from U.S. partnerships				
<b>10</b> Income (loss) from foreign partnerships				
<b>11</b> Income (loss) from other pass-through entities				
<b>12</b> Items relating to reportable transactions (attach details)				
<b>13</b> Interest income (attach Form 8916-A)				
<b>14</b> Hedging transactions				
<b>15</b> Mark-to-market income (loss)				
<b>16</b> Premium income (attach schedule)				
<b>17</b> Sale versus lease (for sellers and/or lessors)				
<b>18</b> Section 481(a) adjustments				
<b>19</b> Income from a special loss discount account				
<b>20</b> Income recognition from long-term contracts				
<b>21</b> Original issue discount and other imputed interest				
<b>22</b> Reserved for future use				
<b>23a</b> Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than pass-through entities				
<b>b</b> Gross capital gains from Schedule D, excluding amounts from pass-through entities				
<b>c</b> Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
<b>d</b> Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
<b>e</b> Abandonment losses				
<b>f</b> Worthless stock losses (attach details)				
<b>g</b> Other gain/loss on disposition of assets				
<b>24</b> Capital loss limitation and carryforward used				
<b>25</b> Other income (loss) items with differences (attach schedule)				
<b>26</b> <b>Total income (loss) items.</b> Combine lines 1 through 25				
<b>27</b> <b>Total expense/deduction items</b> (from Part III, line 39)				
<b>28</b> Other items with no differences				
<b>29a</b> Mixed groups, see instructions. All others, combine lines 26 through 28				
<b>b</b> 1120 subgroup reconciliation totals				
<b>c</b> Life insurance subgroup reconciliation totals				
<b>30</b> <b>Reconciliation totals.</b> Combine lines 29a through 29c				

**Note.** Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120-PC, Schedule A, line 35.

Name of corporation (common parent, if consolidated return)	Employer identification number :
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120-PC group (7) <input type="checkbox"/> 1120-PC eliminations	
Name of subsidiary (if consolidated return)	Employer identification number :

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return—Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense . . . . .				
2 U.S. deferred income tax expense . . . . .				
3 State and local current income tax expense . . . . .				
4 State and local deferred income tax expense . . . . .				
5 Foreign current income tax expense (other than foreign withholding taxes) . . . . .				
6 Foreign deferred income tax expense . . . . .				
7 Foreign withholding taxes . . . . .				
8 Stock option expense . . . . .				
9 Other equity-based compensation . . . . .				
10 Meals and entertainment . . . . .				
11 Fines and penalties . . . . .				
12 Judgments, damages, awards, and similar costs				
13 Parachute payments . . . . .				
14 Compensation with section 162(m) limitation . . . . .				
15 Pension and profit-sharing . . . . .				
16 Other post-retirement benefits . . . . .				
17 Deferred compensation . . . . .				
18 Charitable contribution of cash and tangible property				
19 Charitable contribution of intangible property . . . . .				
20 Charitable contribution limitation/carryforward . . . . .				
21 Write-off of premium receivables . . . . .				
22 Guarantee fund assessments . . . . .				
23 Current year acquisition or reorganization investment banking fees . . . . .				
24 Current year acquisition or reorganization legal and accounting fees . . . . .				
25 Current year acquisition/reorganization other costs				
26 Amortization of acquisition, reorganization, and start-up costs . . . . .				
27 Amortization/impairment of goodwill, insurance in force, and ceding commissions . . . . .				
28 Other amortization or impairment write-offs . . . . .				
29 Discounting of unpaid losses (section 846) (attach schedule) . . . . .				
30 Reduction of loss deduction (section 832(b)(5)(B)) . . . . .				
31 Depreciation . . . . .				
32 Bad debt expense and/or agency balances written off				
33 Deduction from a special loss discount account . . . . .				
34 Corporate owned life insurance premiums . . . . .				
35 Purchase versus lease (for purchasers and/or lessees)				
36 Interest expense (attach Form 8916-A) . . . . .				
37 Domestic production activities deduction . . . . .				
38 Other expense/deduction items with differences (attach schedule) . . . . .				
39 <b>Total expense/deduction items.</b> Combine lines 1 through 38. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive				