

**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

**2006**

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.
- b Did the corporation prepare a certified audited 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 an 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 4.
- 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 4.
- 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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|   |            |                |
|---|------------|----------------|
| 4 Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1                            | <b>4</b>   |                |
| 5a Net income from nonincludible foreign entities (attach schedule) . . . . .   | <b>5a</b>  | (            ) |
| b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) . . . . .                       | <b>5b</b>  |                |
| 6a Net income from nonincludible U.S. entities (attach schedule) . . . . .  | <b>6a</b>  | (            ) |
| b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) . . . . .                          | <b>6b</b>  |                |
| 7a Net income of other includible entities (attach schedule) . . . . .  | <b>7a</b>  |                |
| b Net loss of other includible entities (attach schedule) . . . . .   | <b>7b</b>  | (            ) |
| 8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) . . . . . | <b>8</b>   |                |
| 9 Adjustment to reconcile income statement period to tax year (attach schedule) . . . . .                                       | <b>9</b>   |                |
| 10a Intercompany dividend adjustments to reconcile to line 11 (attach schedule) . . . . .                                       | <b>10a</b> |                |
| b Other statutory accounting adjustments to reconcile to line 11 (attach schedule) . . . . .                                    | <b>10b</b> |                |
| c Other adjustments to reconcile to amount on line 11 (attach schedule) . . . . .   | <b>10c</b> |                |
| 11 <b>Net income (loss) per income statement of includible corporations.</b> Combine lines 4 through 10 . . . . .               | <b>11</b>  |                |

|   |                                     |
|---|-------------------------------------|
| Name of corporation (common parent, if consolidated return)   | Employer identification number<br>: |
| 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<br>: |

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

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

**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)<br>Expense per<br>Income Statement<br>(optional) | (b)<br>Temporary<br>Difference | (c)<br>Permanent<br>Difference | (d)<br>Deduction per<br>Tax Return<br>(optional) |
|---|--|--------------------------------|--------------------------------|--|
| 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 . . . . .   |  |                                |                                |  |
| 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 . . . . . |  |                                |                                |  |