FORM 1120 L
U. S. Treasury Department
Internal Revenue Service

U. S. LIFE INSURANCE COMPANY INCOME TAX RETURN

1951

For Companies Issuing Life Insurance and Annuity Contracts; Combined Life, Health, and Accident Insurance Contracts; or Noncancellable Contracts of Health and Accident Insurance

FOR CALENDAR YEAR 1951

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1952

PRINT PLAINLY COMPANY'S NAME AND ADDRESS

(Name)

(Street and number)

(City or town, postal zone number) (State)

(Date incorporated) (State or country)

Do Not Write in These Spaces

File Code

Serial Number

District

(Cashier's Stamp)

Cash Check M. O. Cert. of Ind.

(First Payment)

$

Item and Instruction No. **GROSS INCOME**	1. Interest Received	2. Accrual of Discount	3. Amortization of Premium	4. Total (In Case of Item 1, Column 1 Plus Column 2 Less Column 3)
1. Interest on:				
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions	$	$	$	$
(b) Obligations of Federal land banks, joint stock land banks, and Federal intermediate credit banks issued prior to March 1, 1941				
(c) Obligations of the United States issued on or before September 1, 1917				
(d) Treasury Notes issued prior to December 1, 1940, Treasury Bills and Treasury Certificates of Indebtedness issued prior to March 1, 1941				
(e) United States Savings Bonds and Treasury Bonds owned in the principal amount of $5,000 or less issued prior to March 1, 1941				
(f) United States Savings Bonds and Treasury Bonds owned in excess of the principal amount of $5,000 issued prior to March 1, 1941				
(g) Obligations of instrumentalities of the United States (other than obligations to be reported in line (b) above) issued prior to March 1, 1941				
(h) Treasury Notes issued on or after December 1, 1940, and obligations issued on or after March 1, 1941, by the United States or any agency or instrumentality thereof. (Submit schedule)				
(i) Loans, notes, mortgages, bank deposits, etc.				
Totals	$	$	$	$

2. Dividends on stock of:	
(a) Domestic corporations subject to taxation under Chapter 1 of the Internal Revenue Code*	
(b) Public utility corporations subject to taxation under Chapter 1 of the Internal Revenue Code	
(c) Foreign corporations	
(d) Other corporations	
3. Rents. (Attach schedule)	
4. Total Income in items 1 to 3	$

*Except dividends received on certain preferred stock of public utility corporations which should be entered in item 2 (b), and dividends received from corporations organized under the China Trade Act, 1922, and from corporations entitled to the benefits of section 251 of the Internal Revenue Code, which dividends should be included in item 2 (d).

DEDUCTIONS

5. Interest wholly exempt from tax (item 1 (a), (b), (c), (d), (e), column 4)	$	
6. Investment expenses. (Attach schedule)		
7. Taxes		
8. Real estate expenses		
9. Depreciation. (Attach schedule)		
10. Total Deductions in Items 5 to 9		
11. Net income (item 4 minus item 10)		$

COMPUTATION OF TAX

12. Net income (item 11)		$	
13. Less: Interest partially exempt from tax (item 1 (f) and (g), column 4)			
14. Adjusted net income		$	
15. Less: Dividends received credit—			
(a) Enter 85 percent of item 2 (a)	$		
(b) Enter 61 percent of item 2 (b)			
(c) Enter 85 percent of dividends received from certain foreign corporations			
(d) Total dividends received credit. Enter sum of (a), (b), and (c), but not to exceed 85 percent of item 14		$	
16. Normal tax net income		$	
17. Adjustment for certain non-life insurance reserves (applicable only to contracts other than life insurance or annuity contracts)—			
(a) 3¼ percent of mean of unearned premiums and unpaid losses on such other contracts at beginning and end of year	$		
(b) 3¼ percent of 25 percent of net premiums on such other contracts written during year	$		
(c) 3¼ percent of mean of unpaid losses on such other contracts at beginning and end of year			
(d) Item (b) plus item (c)	$		
(e) Item (a) or (d), whichever is greater	$		
(f) Item (e) multiplied by 8			
18. Sum of items 16 and 17 (f)		$	
19. Less: Reserve interest credit (from line 6, Schedule C)			
20. 1951 adjusted normal tax net income		$	
21. Tax. If amount in item 20 is: Not over $200,000, enter 3¾ percent of item 20; Over $200,000, enter $7,500 plus 6½ percent of excess over $200,000			$
22. Less: Credit for income taxes paid to a foreign country or United States possession allowed a domestic corporation. (Attach Form 1118)			
23. Balance of income tax due			$
24. Excess profits tax due (line 39, page 1, Schedule EP (Form 1120),			
25. Total income and excess profits tax due (item 23 plus item 24)			$

DECLARATION (See Instruction E)

We, the undersigned, president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the corporation for which this return is made each for himself declares under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by him and is, to the best of his knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code and the regulations issued thereunder.

(President or other principal officer) (State title) (Date) (Treasurer, Assistant Treasurer, or Chief Accounting Officer) (State title) (Date)

CORPORATE SEAL

DECLARATION (See Instruction E)

I/we declare under the penalties of perjury that I/we prepared this return for the person named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the tax liability of the person for whom this return has been prepared of which I/we have any knowledge.

(Name of firm or employer, if any) (Signature of person preparing the return) (Date) (Signature of person preparing the return) (Date)

Schedule A.—DATA FOR RESERVE AND OTHER POLICY LIABILITY CREDIT FOR THE SUCCEEDING TAXABLE YEAR (See Instruction for Schedule A)

1. Nature of Reserve (Life, Annuity, Etc.)	2. Assumed Morbidity or Mortality Table	3. Assumed Interest Rate	4. Method of Computation (Illinois Standard, Etc.)	5. Amount of Adjusted Reserve at Beginning of Taxable Year*	6. Amount of Adjusted Reserve at End of Taxable Year*	7. Mean of Columns (5) and (6)	8. Column (3) Times Column (7)
1.				$	$	$	$
2.							
3.							
4.							
5.							
6. TOTALS						$	$

7. Average rate of interest assumed in computing life insurance reserves (total of column 8 above divided by total of column 7 above)	%
8. 35 percent of line 7	%
9. 2.1125 percent (65 percent of 3¼ percent)	2.1125%
10. Reserve earnings rate (line 8 above plus line 9 above)	%
11. Total of column 7 multiplied by line 10 above	$
12. 2 percent of the reserve held for deferred dividends	
13. Interest paid	
14. Total of lines 11, 12, and 13 above	$
15. Net income (item 11, page 1)	$
16. Interest wholly exempt from tax (item 5, page 1)	$
17. Adjustment for unearned premiums and unpaid losses on non-life insurance reserves (item 17 (*e*), page 1)	$

*In the case of reserves computed on a preliminary term basis, 107% of the amount of the reserve.

Schedule B.—INVESTED ASSETS BOOK VALUES (See Instruction 6)

(Schedule B need not be filled in if no deduction is claimed for any general expenses that are allocated to investment income)

	1. Beginning of taxable year	2. End of taxable year
1. Real estate	$	$
2. Mortgage loans		
3. Collateral loans		
4. Policy loans, including premium notes		
5. Bonds of domestic corporations		
6. Stocks of domestic corporations		
7. Government obligations, etc.:		
(*a*) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions		
(*b*) Obligations of Federal land banks, joint stock land banks, and Federal intermediate credit banks issued prior to March 1, 1941		
(*c*) Obligations of the United States issued on or before September 1, 1917		
(*d*) Treasury Notes issued prior to December 1, 1940, Treasury Bills and Treasury Certificates of Indebtedness issued prior to March 1, 1941		
(*e*) United States Savings Bonds and Treasury Bonds owned in the principal amount of $5,000 or less issued prior to March 1, 1941		
(*f*) United States Savings Bonds and Treasury Bonds owned in excess of the principal amount of $5,000 issued prior to March 1, 1941		
(*g*) Obligations of instrumentalities of the United States (other than obligations to be reported in line (*b*) above) issued prior to March 1, 1941		
(*h*) Treasury Notes issued on or after December 1, 1940, and obligations issued on or after March 1, 1941, by the United States or any agency or instrumentality thereof		
8. Bank deposits bearing interest		
9. Other interest-bearing assets (attach statement)		
10. Totals of lines 1 to 9	$	$

11. Total of columns 1 and 2, line 10	$
12. Mean of the invested assets for the taxable year (one-half of line 11)	$
13. One-fourth of 1 percent of the mean of the invested assets	$
14. Income base (item 4, page 1, minus items 7, 8, and 9, page 1)	$
15. 3¾ percent of line 12	
16. Excess (if any) of line 14 over line 15	$
17. One-fourth of line 16	$
18. Limit on deduction for investment expenses (line 13 plus line 17)	$

Schedule C.—RESERVE INTEREST CREDIT (See Instruction 19)

1. Net income computed without deduction for wholly tax-exempt interest (sum of items 5 and 11, page 1)		$
2. 50 percent of item 17 (*e*), page 1		
3. Adjusted net income for purpose of reserve interest credit (line 1 minus line 2)		$
4. Required interest—		
(*a*) Total of column 8, (line 6), Schedule A	$	
(*b*) 2 percent of reserve for deferred dividends		
(*c*) Interest paid		
(*d*) Sum of lines (*a*), (*b*), and (*c*)		$
5. Line 3 divided by line 4 (*d*). Enter percentage ____%		
6. Reserve interest credit—If percentage on line 5 is: 105 or more, enter zero; 100 or less, enter 50 percent of item 16, page 1; more than 100 but less than 105, enter *____% of item 16, page 1		$

*Multiply by 10 the difference between 105 percent and percentage on line 5 and enter percentage thus obtained.

Schedule D.—COMPUTATION TO DETERMINE NECESSITY FOR FILING EXCESS PROFITS TAX SCHEDULE

1. Net income (item 11, page 1)		$
2. Less: Partially tax-exempt interest from item 13, page 1	$	
3. Dividends received (total of item 2, page 1, less (*a*) adjustment for dividends received in kind, (*b*) dividends received from foreign personal holding companies, and (*c*) dividends received on stock which is not a capital asset)		
4 Line 1 minus sum of lines 2 and 3		$

If line 4 is $25,000 or less, Schedule EP (Form 1120) need not be filed with this return. If line 4 is over $25,000, Schedule EP (Form 1120) must be filed.

1. Did the company file a return under the same name for the preceding taxable year? ____

2. State the amount of deferred dividend funds at the end of the taxable year, exclusive of any amount held for payments during the following taxable year: $____

3. Is this a consolidated return? ____ (If so, procure from the collector of internal revenue for your district Form 851, Affiliations Schedule, which shall be filled in, and filed as a part of this return.)

4. If this is not a consolidated return (*a*) did the company at any time during the taxable year own 50 percent or more of the voting stock of another corporation either domestic or foreign? ____; (*b*) did any corporation, individual, partnership, trust, or association at any time during the taxable year own 50 percent or more of your voting stock? ____ (If either answer is "yes," attach separate schedule showing: (1) Name and address; (2) percentage of stock owned; (3) date stock was acquired; and (4) the collector's office in which the income tax return of such corporation, individual, partnership, trust, or association for the last taxable year was filed.)

5. Did the company make a return of information on Forms 1096 and 1099 or Form W-2a for the calendar year 1951 (see General Instruction H)? ____ (Answer "yes" or "no.")

6. Did the company at any time during the taxable year own directly or indirectly any stock of a foreign corporation? ____ (If answer is "yes," attach statement required by General Instruction J.)

7. Did the company file with the collector of internal revenue a copy of the annual statement for the preceding year as required by General Instruction K? ____ (Answer "yes" or "no.") If answer is "yes," state collector's office in which statement was filed ____

8. If a copy of the annual statement required by General Instruction K does not accompany this return, state reason why the statement is not attached ____

9. If the company is a burial or funeral benefit insurance company, state whether it is engaged directly in the manufacture of funeral supplies or in the performance of funeral service ____

1951 U. S. LIFE INSURANCE COMPANY INCOME TAX RETURN 1951

(References are to the Internal Revenue Code, unless otherwise noted)

Taxpayers will find it helpful to read the General Instructions A to L before commencing to fill in their returns

GENERAL INSTRUCTIONS

A. Companies required to file a return.—Every domestic life insurance company and every foreign life insurance company carrying on an insurance business within the United States (if with respect to its United States business it would qualify as a life insurance company), which is engaged in the business of issuing life insurance and annuity contracts (either separately or combined with health and accident insurance) or noncancellable contracts of health and accident insurance, and the life insurance reserves, plus unearned premiums and unpaid losses on noncancellable life, health, or accident policies not included in life insurance reserves, of which comprise more than 50 percent of its total reserves, shall file a return on this form. (See section 201.)

Receivers, trustees in dissolution, trustees in bankruptcy, and assignees, operating the property or business of corporations, must make returns of income for such corporations. If a receiver has full custody of and control over the business or property of a corporation, he shall be deemed to be operating such business or property, whether he is engaged in carrying on the business for which the corporation was organized or only in marshaling, selling, and disposing of its assets for purposes of liquidation.

B. Period covered.—The return shall be for the calendar year ended December 31, 1951, and the net income computed on the calendar year basis in accordance with the State laws regulating insurance companies.

C. Basis of return.—A return on this form shall be rendered on a cash receipts and disbursements basis in conformity with the annual statement made to the State Insurance Department, instead of the accrual basis.

D. Time and place for filing.—The return must be sent to the collector of internal revenue for the district in which the company's principal place of business or principal office or agency is located, so as to reach the collector's office on or before March 15, 1952.

E. Declaration.—The return must be signed by the president, vice president, or other principal officer, and by the treasurer, assistant treasurer, or chief accounting officer.

Where the return is actually prepared by some person or persons other than officers or employees of the company, such person or persons must also sign the declaration at the foot of page 2.

F. Payment of tax.—The tax should be paid by sending with the return a check or money order drawn to the order of "Collector of Internal Revenue." Do not send cash by mail, nor pay it in person except at the collector's office.

The tax must be paid in full when the return is filed, or in four installments, as follows: The first installment equal to 35 percent of the tax shall be paid on or before March 15, 1952; the second installment equal to 35 percent of the tax on or before June 15, 1952; the third installment equal to 15 percent of the tax on or before September 15, 1952; and the fourth installment equal to 15 percent of the tax on or before December 15, 1952.

If any installment is not paid on or before the date fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand by the collector.

G. Penalties.—For failure to make and file a return on time.—Five percent to 25 percent of the amount of the tax, unless such failure is due to reasonable cause, and, in addition, where failure is willful, a fine of not more than $10,000, or imprisonment for not more than 1 year, or both, together with the costs of prosecution.

For willfully attempting to evade or defeat payment of the tax.—Not more than $10,000, or imprisonment for not more than 5 years, or both, together with the costs of prosecution.

For deficiency due to negligence or fraud.—Five percent of the amount of the deficiency if due to negligence or intentional disregard of rules and regulations without intent to defraud, or 50 percent of the amount of the deficiency if due to fraud.

H. Information at source.—Every insurance company shall make a return on Forms 1096 and 1099 with respect to amounts paid, credited, or distributed during the calendar year as (*a*) salaries or other compensation for personal services, totaling $600 or more in the case of a citizen or resident, or (*b*) interest, rent, premiums, annuities, or other fixed or determinable income totaling $600 or more to a fiduciary, a domestic or resident partnership, or a citizen or resident. A report on Form 1099 is not required with respect to wage payments included on Form W–2, provided copies of withholding statements on Form W–2a are furnished. If a portion of such wage payments was reported on a Withholding Statement (Form W–2), only the remainder must be reported on Form 1099. The return on Forms 1096 and 1099 shall also include dividend payments regardless of amount during the calendar year to each shareholder who is an individual (citizen or resident of the United States), a resident fiduciary, or a resident partnership any member of which is a citizen or resident.

I. Information by corporations.—1. *Contemplated dissolution or liquidation.*—Every corporation shall, within 30 days after the adoption by the corporation of a resolution or plan for the dissolution of the corporation or for the liquidation of the whole or any part of its capital stock, render a correct return on Form 966 to the Commissioner, setting forth the terms of such resolution or plan. (See section 148 (d).)

2. *Distributions in liquidation.*—Every corporation shall, when required by the Commissioner, render a correct return, of its distributions in liquidation, stating the name and address of each shareholder, the number and class of shares owned by him, and the amount paid to him or, if the distribution is in property other than money, the fair market value (as of the date the distribution is made) of the property distributed to him. (See section 148 (e).)

J. Stock ownership in foreign corporations.—If the company owned any stock of a foreign corporation (including less than 5 percent of the stock of a foreign personal holding company), it should attach to its return a statement setting forth the name and address of each such company and the total number of shares of each class of outstanding stock owned by it during the taxable year. This statement should be furnished in addition to the schedule required by Specific Instruction 2. If the company owned stock at any time during the taxable year in a foreign personal holding company, as defined in section 331, it must include in its return as a dividend the amount required to be included in its gross income by section 337. If the company owned 5 percent or more in value of the outstanding stock of such foreign personal holding company, it should set forth in an attached statement in complete detail the information required by section 337 (d).

K. Annual statement.—A copy of the annual statement for life insurance companies adopted by the National Convention of Insurance Commissioners for the year, 1951, as filed with the Insurance Department of the State, Territory, or District of Columbia, which shows the reserves used in computing the net income reported on the return, together with copies of Schedule A (real estate) and Schedule D (bonds and stocks), must accompany the return. Similar copies for the preceding year must also be furnished, if not filed for such year. In the case of a foreign life insurance company carrying on a life insurance business within the United States, the copies submitted shall be those relating to the United States business of the company.

L. List of attached schedules.—Attach a list of the schedules accompanying the return, giving for each a brief title and the schedule number. Place name and address of company on each schedule.

SPECIFIC INSTRUCTIONS

The following instructions are numbered to correspond with item numbers on the first page of the return

1. Interest.—Enter interest received from all sources during the taxable year. Interest on bonds is considered income when due and payable. The gross amount of interest reported as gross income shall be decreased by the amortization of premium and increased by the accrual of discount attributable to the taxable year on bonds, notes, debentures, or other evidences of indebtedness, determined (1) in accordance with the method regularly employed, if reasonable, or (2) in accordance with regulations prescribed by the Commissioner with the approval of the Secretary. (Attach statement showing method and computation.)

2. Dividends.—Enter as item 2 (*a*) the amount received as dividends from a domestic corporation which is subject to taxation under Chapter 1, except dividends on certain preferred stock of a public utility, dividends received from a corporation entitled to the benefits of section 251 and from a corporation organized under the China Trade Act, 1922. Enter as item 2 (*b*) dividends received on certain preferred stock of a public utility which is subject to taxation under Chapter 1. Enter as item 2 (*c*) dividends from foreign corporations. Enter as item 2 (*d*) dividends from all other corporations, including dividends on share accounts in Federal savings and loan associations issued on or after March 28, 1942. Enter in item 1 (*g*) dividends on share accounts in Federal savings and loan associations issued prior to March 28, 1942. Submit schedule, itemizing all dividends received during the year, stating the names and addresses of the corporations declaring the dividends and amounts received from each.

3. Rents.—Enter rents received from tenants.

5. Interest wholly exempt from tax.—Enter the amount of interest which is wholly exempt from taxation under the provisions of section 22 (b) (4).

See Specific Instruction 12 with respect to partially tax-exempt interest which is allowed as a credit against net income.

6. Investment expenses.—Enter expenses paid which are properly chargeable to investment expenses, the total amount of which, if there be any allocation of general expenses to investment expenses, should not exceed one-fourth of 1 percent of the mean of the invested assets reported on line 12, Schedule B, plus, in cases where the net income computed without any deduction for (1) investment expenses and (2) tax-free interest, exceeds 3¾ percent of the book value of such mean of the invested assets, one-fourth of such excess. Submit a schedule showing the nature and amount of the items included herein, the minor items being grouped in one amount. (See section 201 (c) (7) (B).)

7. Taxes.—Enter taxes paid exclusively upon real estate owned by the company and taxes assessed against individual shareholders and paid by the company without reimbursement as provided in section 201 (c) (7) (C). Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed, as for paving, sewers, etc. (For limitation on deduction, see Instruction 10 (*b*).)

8. Real estate expenses.—Enter all ordinary and necessary building expenses, such as fire insurance, heat, light, labor, etc., and the cost of incidental repairs which neither materially add to the value of the property nor appreciably prolong its life, but keep it in an ordinarily efficient operating condition. Do not include any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or any amount expended on foreclosed property before such property is held forth for rental purposes. (For limitation on deduction, see Instruction 10 (*b*).)

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9. Depreciation.—The amount deductible on account of depreciation is an amount reasonably measuring the portion of the investment in depreciable property by reason of exhaustion, wear and tear, or obsolescence, which is properly chargeable against the operations of the year. In any event the deduction is limited to the depreciation on the property that is used, and to the extent used, for the purpose of producing the income specified in section 201 (c) (1). If the property was acquired by purchase on or after March 1, 1913, the amount of depreciation should be determined upon the basis of the original cost (not replacement cost) of the property, and the probable number of years remaining of its expected useful life. In case the property was purchased prior to March 1, 1913, the amount of depreciation will be determined in the same manner, except that it will be computed on its original cost, less depreciation sustained prior to March 1, 1913, or its fair market value as of that date, whichever is greater. If the property was acquired in any other manner than by purchase, see section 114. The capital sum to be recovered should be charged off ratably over the useful life of the property. Whatever plan or method of apportionment is adopted must be reasonable, must have due regard to operating conditions during the taxable year, and should be described in the return.

If a deduction is claimed on account of depreciation, a schedule should be filed with the return showing: (1) Kind of property; (2) date acquired; (3) cost or other basis; (4) depreciation allowed (or allowable) in prior years; (5) remaining cost or other basis to be recovered; (6) estimated life used in accumulating depreciation; (7) estimated remaining life from beginning of year; and (8) depreciation allowable for the taxable year. In case obsolescence is included, state separately amount claimed and basis upon which it is computed. Cost or value of land must not be included in the schedule, and where land and buildings were purchased for a lump sum the cost of the building subject to depreciation must be established.

The adjusted property accounts and the accumulated depreciation shown in the schedule should be reconciled with those accounts as reflected on the books of the taxpayer.

Stocks, bonds, and like securities are not subject to depreciation within the meaning of the law. (See sections 23(l), 114, and 201(c)(7)(D).)

For limitation on deduction, see Instructions 10 (*b*) below.

10. Total deductions.—(*a*) Enter the total of items 5 to 9, inclusive.

(*b*) ***Limitation on deductions relating to real estate owned and occupied.***—The deduction included in items 7 to 9 on account of real estate owned and occupied in whole or in part by the company shall be

tion by reason of any distribution made during the taxable year), without regard to the amount of the earnings and profits at the time the distribution was made or (b) that portion of earnings and profits accumulated after February 28, 1913, which represents earnings and profits accumulated after the beginning of the portion of the uninterrupted period ending at the beginning of the taxable year. However, the amount of the credit allowed under clause (a) is limited to an amount which bears the same ratio to 85 percent of the amount received as dividends from such earnings and profits as the gross income of the foreign corporation for the taxable year from sources within the United States bears to the gross income from all sources for the taxable year. Under clause (b) the amount of the credit is limited to an amount which bears the same ratio to 85 percent of the amount received as dividends from such accumulated earnings and profits as the gross income from sources in the United States for the portion of the uninterrupted period bears to the gross income from all sources for the portion of the uninterrupted period.

17. Adjustment for certain non-life insurance reserves.—For companies writing contracts other than life insurance or annuity contracts (either separately or combined with noncancellable health and accident insurance) add to the normal-tax net income 3¼ percent of the unearned premiums and unpaid losses on such other contracts which are not included in life insurance reserves, but not less than 3¼ percent of unpaid losses plus 3¼ percent of 25 percent of the net premiums written during the taxable year on such other contracts. Section 203A (a) provides that there shall be added to normal-tax net income an amount equal to eight times the amount of the adjustment for certain reserves provided in section 202 (c).

19. Reserve interest credit.—Schedule C on page 2 should be used to compute the amount of the reserve interest credit. The reserve interest credit is allowed in instances in which the relationship between adjusted net income and required interest is such that the adjusted net income is less than 105 percent of the required interest. The term "adjusted net income" is defined as the net income computed without any deduction for tax-free interest minus 50 percent of the amount of the adjustment for certain non-life insurance reserves. The term "required interest" means the total of—

(1) The sum of amounts obtained by multiplying (*a*) each rate of interest assumed in computing the life insurance reserves by (*b*) the means of the amounts of the adjusted reserves computed at that rate at the beginning and end of the taxable year,

(2) Two percent of the reserve for deferred dividends, and