

**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 :
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)

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (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 :
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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 (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (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 . . . . .				