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[Third Party Communication:

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**From:** [REDACTED]

**Sent:** Thursday, January 15, 2015 4:00:18 PM

**To:** [REDACTED]

**Cc:** [REDACTED]

**Bcc:**

**Subject:** RE: NLI Request 1099

There may be other issues on the return so rather than confirm that "no adjustments should be made to the 2009 1120PC", I'll summarize the discussion we had yesterday.

- According to the general rule, at the end of TY2009, Taxpayer will have an unearned premium reserve equal to the portion of the gross premium written that is attributable insurance coverage for the unexpired period of any pre-2010 contract and, unless the Taxpayer uses the advance premium method, for gross premiums received in 2009 for contracts that begin in 2010.
- At the end of TY2009, the Taxpayer retains its loss reserve for a fair and reasonable estimate of the amount it will be required to pay on pre-2010 contracts.

Also, as we discussed, my comments are based on [REDACTED] advise that § 265 does not allow a deduction for expenses incurred with respect to tax exempt income. In addition, I am not a tax exempt organization specialist and do not know whether any special rules apply when a taxable organization becomes tax exempt.