

### ***Caution: DRAFT FORM***

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If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

SCHEDULE M-3  
(Form 1120-PC)

Department of the Treasury  
Internal Revenue Service

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

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

OMB No. 1545-1027

2008

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

4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	4a	
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) _____		
5a Net income from nonincludible foreign entities (attach schedule) . . . . .	5a	( )
b Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount) . . . . .	5b	
6a Net income from nonincludible U.S. entities (attach schedule) . . . . .	6a	( )
b Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount) . . . . .	6b	
7a Net income (loss) of other includible foreign disregarded entities (attach schedule) . . . . .	7a	
b Net income (loss) of other includible U.S. disregarded entities (attach schedule) . . . . .	7b	
c Net income (loss) of other includible corporations (attach schedule) . . . . .	7c	
8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule) . . . . .	8	
9 Adjustment to reconcile income statement period to tax year (attach schedule) . . . . .	9	
10a Intercompany dividend adjustments to reconcile to line 11 (attach schedule) . . . . .	10a	
b Other statutory accounting adjustments to reconcile to line 11 (attach schedule) . . . . .	10b	
c Other adjustments to reconcile to amount on line 11 (attach schedule) . . . . .	10c	
11 Net income (loss) per income statement of includible corporations. Combine lines 4a through 10c . . . . . Note. Part I, line 11, must equal the amount on Part II, line 30, column (a) and on Schedule M-2, line 2.	11	

- 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
a Included on Part I, line 4	.....	.....
b Removed on Part I, line 5	.....	.....
c Removed on Part I, line 6	.....	.....
d 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)

Income (Loss) Items (Attach schedules for lines 1 through 11)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
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				
10 Income (loss) from foreign partnerships				
11 Income (loss) from other pass-through entities				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
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 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 39)				
28 Other items with no differences				
29a Mixed groups, see instructions. All others, combine lines 26 through 28				
b 1120 subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. 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) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC groupCheck if a sub-consolidated: (6) ☐ 1120-PC group (7) ☐ 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				

