

Supporting Statement

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 832(b)(3) of the Internal Revenue Code defines the "underwriting income" of a nonlife insurance company as premiums earned less losses incurred and expenses incurred. Section 832(b)(5) as amended by section 11305 of the Revenue Reconciliation Act of 1990, requires insurance companies to take estimated salvage recoverable into account in the computation of losses incurred. Section 1.832-4(d) of the Income Tax Regulations allows a nonlife insurance company that reports on its annual statement undiscounted unpaid losses reduced by an amount of estimated salvage recoverable in certain circumstances to increase for federal income tax purposes those undiscounted unpaid losses by the estimated salvage recoverable. The final regulations require a yearly disclosure to state regulatory authorities of the estimated salvage recoverable that is subject to this gross-up rule in the regulations.

2. USE OF DATA

This disclosure will be used by the Internal Revenue Service to assure that the estimated salvage recoverable is reflected yearly in losses reported on the annual statement.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The collection of information does not involve the use of automated electronic, or other technological collection techniques.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

Not applicable.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR OR POLICY ACTIVITIES

Not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

On March 15, 1991, the Federal Register proposed amendments (FI-104-90) to the Income Tax Regulations (56 FR 11127) under section 832 of the Internal Revenue Code of 1986. A public hearing was not requested and none was held. Several written comments were received. After consideration of all the written comments, the proposed amendments were adopted as final regulations (T.D. 8390) and published in the Federal Register on January 28, 1992 (57 FR 3130).

In response to the Federal Register Notice dated February 4, 2009 (74 F.R. 7105), we received no comments during the comment period regarding FI-104-90.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Information is to be supplied to a state regulatory authority that would control the confidentiality of the information. Generally, tax returns and return information are confidential as required by 26 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Burden Estimation:

Section 1.832-4(d) of this regulation allows nonlife insurance companies to increase unpaid losses on a yearly basis by the amount of estimated salvage recoverable if the company complies with the yearly disclosure requirement. This disclosure is to be made yearly to the state insurance regulatory authority. We estimate that approximately 2,500 such disclosures will be made and that it will take approximately 2 hours to complete a disclosure. The total burden for this requirement is 5,000 hours yearly.

Reporting respondents: 2,500
Time per response: x2
Total burden per year: 5,000

Estimates of annualized cost to respondents for the hour burdens shown above are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated February 4, 2009, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any responses from taxpayers on this subject. As a result, estimates of these cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. **EXCEPTION TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I**

Not applicable.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.