

OCEAN MARINE INSURANCE TAX RETURN

CDI FS-005 (REV 11/2004)

FOR CALENDAR YEAR 2004
TAX DUE DATE JUNE 15, 2005

Name of Insurer		Fed Tax I.D. No.	
		CA Perm No.	
Mailing Address		EFT Taxpayer I.D. No.	
City, State, Zip		Method of Tax Payment	<input type="checkbox"/> No Payment
Telephone & Fax #			<input type="checkbox"/> Check
State of Domicile			<input type="checkbox"/> EFT

If New Company, check here If Name Change, check here If Final Return, check here If Amended Return, check here

TO BE FILED ON OR BEFORE JUNE 15, 2005 BY ALL INSURERS WHICH ARE SUBJECT TO THE PROVISIONS OF THE CALIFORNIA REVENUE AND TAXATION CODE, PART 7, CHAPTER 1 AND 2
(Commencing with Section 12001)

Organized under the laws of _____ with principal place
of business in the United States located in the State of _____

INSTRUCTIONS

Filing of return is required of all insurers authorized to write marine insurance in California. If no direct or assumed marine insurance was transacted in California, enter "nil" at s 22-26 and complete Declaration of Insurer on Page 7.

File 1 original and 2 copies and remit tax on or before June 15, 2005. Penalty provisions apply after that date.

If paid by check, make check payable to the State Controller and mail to:

State of California, Department of Insurance,
Tax Accounting Unit
P.O. Box 1918,
Sacramento, CA 95812-1918

If paid through Electronic Funds Transfer or if there is no payment due, mail First Class or Express to:

State of California, Department of Insurance,
Tax Accounting Unit
300 Capitol Mall, Suite 1400,
Sacramento, CA 95814

OCEAN MARINE INSURANCE DEFINED

(Section 12002, As Amended by Statute of 1969, Operative January 1, 1970)

SECTION 12002. "Ocean marine insurance" means insurance written within this state upon hulls, freights, or disbursements, or upon goods, wares, merchandise, and all other personal property and interests therein, in course of exportation from, importation into any country, or transportation coastwise, including transportation by land or water from point of origin to final destination in respect to, appertaining to, or in connection with, any and all risks or perils of navigation, transit or transportation, any portion of which exportation, importation, transportation, navigation, transit, or shipment is upon any ocean, and upon the property while being prepared for and while awaiting shipment, and during any delays, storage, transshipment or reshipment incident to or in connection with the shipment or transportation. "Ocean marine insurance" includes marine builders and war risk insurance.

"Ocean marine insurance" does not, for the purpose of taxation of such insurance as provided in subdivision (g) of Section 28 of Article XIII of the Constitution, include insurance written upon: (a) A hull, which is not a documented vessel registered with the Transportation Department of the United States; or (b) Anything carried in, attached to, used in transportation of or any risk written in connection with any hull defined in (a) above, unless: The insurance is upon a customary ocean marine form and such hull and the risks mentioned in (b) above are covered for one who is in the business of: (1) Renting or chartering boats; (2) Using boats himself for commercial purposes; or (3) Building or repairing boats.

Insurance not included in "ocean marine insurance" by this section shall be taxed in accordance with the other provisions of subdivision (g) Section 28 of Article XIII of the Constitution.

The 1969 amendment of this section shall be construed as a restatement and continuation of the law existing prior to such amendment.

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SCHEDULE SUPPORTING DIVIDEND DEDUCTION IN LINE 8 ON PAGE 3

Dividends paid or credited to policyholders during the taxable year of 2004 on United States marine business subject to the Revenue and Taxation Code Section 12106.

A. On direct business	\$ _____
B. On reinsurance assumed	_____
C. Total	\$ _____
D. Less: Dividends received on reinsurance ceded	_____
E. Net Dividends paid or credited during 2004 U.S. §12002 Marine	\$ _____

SCHEDULE SUPPORTING FEDERAL INCOME TAX DEDUCTION IN LINE 9A ON PAGE 3

F. Total amount of Federal Income Tax (actual) on business year 2004	\$ _____
Part of (F) covering	TOTAL TAX ON
G. Investment Income – Provide % _____	(G) \$ _____
H. Underwriting Gain – Provide % _____	(H) \$ _____
I. Underwriting Profit--All classes--Annual Statement, Page 4, line 8	\$ _____
J. Underwriting Profit--United States §12002 Marine from line 11, Page 3	\$ _____
K. Ratio $\frac{\text{Underwriting Profit—United States §12002 Marine, line J}}{\text{Underwriting Profit—All Classes, line I}}$	_____ %
L. Federal Income Tax on U.S. §12002 Marine business of year 2004 - obtain as follows: If ratio of line K is less than 100% apply said ratio to line H.	\$ _____
If ratio of line K exceeds 100% the following ratio is to be applied to line H:	
$\frac{\text{Underwriting Profit--United States §12002 Marine, line J}}{\text{Sum of Underwriting Gains of All Classes showing Gains in Expense Exhibit, Part II}}$	

Complete the following schedule. The Ocean Marine Underwriting Profit as reported in the Insurance Expense Exhibit is to be allocated to Alien and United States with no adjustment in the later for exclusion of prior losses. Give percentages that losses incurred and expenses incurred bear to earned premiums.

OCEAN MARINE UNDERWRITING PROFIT PER EXPENSE EXHIBIT – Part II

	Alien		United States		
	\$	%	\$	%	
Net earned premiums	_____		\$ _____		\$ _____
Net losses Incurred	\$ _____	%	\$ _____	%	\$ _____
Net Expenses Incurred					
Underwriting Profits	Alien		\$	United States	\$

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STATEMENT OF PROFIT ON MARINE INSURANCE WRITTEN IN THE UNITED STATES
DURING THE YEAR ENDED DECEMBER 31, 2004 (TAXABLE YEAR)
IN ACCORDANCE WITH THE PROVISIONS OF
THE CALIFORNIA REVENUE AND TAXATION CODE
PART 7, CHAPTERS 1 AND 2 (COMMENCING WITH SECTION 12001)
Report all Negative Results

1.	Net premiums on marine insurance written in the United States during the taxable year, meaning gross premiums less return premiums, premiums on policies not taken, and net premiums paid for reinsurance (line 26, column 3)		\$ _____
2.	Deduct: Unearned premiums on such marine insurance at end of taxable year		_____
3.	Total		\$ _____
4.	Add: Unearned premiums on such marine insurance at the beginning of year		_____
5.	Net earned premiums on United States §12002 marine insurance for taxable year		\$ _____
6.	Deduct: Net losses incurred (line 48)	\$ _____	
7.	Net expenses incurred (line 39)		_____
8.	Dividends paid or credited to policyholders (line E)		_____
9.	Balance		\$ _____
9a.	Deduct: Federal Income Tax (line L)		_____
10.	Balance		\$ _____
10a.	Add excess of sum of lines 7 and 9a over 40% of Net Premiums (line 1)		_____
11.	Net Underwriting Profit on United States §12002 Marine Insurance for taxable year 2004		\$ _____

CALCULATION OF TAX

12.	Net Underwriting Profit for the year ended December 31, 2004 (line 11)		\$ _____
13.	Net Underwriting Profit for the year ended December 31, 2003		\$ _____
14.	Net Underwriting Profit for the year ended December 31, 2002		\$ _____
15.	Total for 3-year period		\$ _____
16.	Average Net Underwriting Profit (1/3 of line 15)		\$ _____
17.	Ratio -- $\frac{\text{Average California Marine Premium}}{\text{Average United States Marine Premiums}}$ Percentage from line 59		_____ %
18.	Amount Taxable (Apply percentage on line 17 to line 16)		\$ _____
19.	Tax at 5%		\$ _____
19a.	Adjusted Tax, if any, from page 8		\$ _____
20.	Tax on California Ocean Marine premiums if computed according to tax rate of State of domicile State of Domicile Tax Rate _____		\$ _____
21.	Compare lines 19, 19a, and 20. Enter the highest amount here and PAY THIS AMOUNT		\$ _____

*Read Section 12105 before entering on lines 15 through 19.

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FOR CALENDAR YEAR 2004

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SUPPLEMENTARY SCHEDULE – Report all Negative Results

PREMIUMS WRITTEN Annual Statement Exhibit of Premiums Written	(1) Total Ocean Marine Business	(2) Foreign Ocean Marine Business	(3) Ocean Marine Business Within U.S. as per Sec. 12002 (Col. 1 minus Col. 2)
22. Direct (Net of Returned) (If none, enter "nil")			
23. Reinsurance Assumed (Not Returned) (If none, enter "nil")			
24. Total (Sum of lines 22 and 23)			
25. Deduct: Reinsurance ceded			
26. Net Premiums Retained			
LOSSES PAID Annual Statement Exhibit of Losses Paid & Incurred			
27. On Direct Writings (Salvage Deducted)			
28. On reinsurance Assumed (Salvage Deducted)			
29. Total (Sum of lines 27 and 28)			
30. Deduct: Recoveries on Reinsurance ceded			
31. Net Losses Paid			
OCEAN MARINE EXPENSES	INCURRED		INCURRED
Column (1) should agree with corresponding lines in the Insurance Expense Exhibit, Part II	(1) Total Ocean Marine Business	(2) Foreign Ocean Marine Business	(3) Ocean Marine Business Within U.S. as per Sec. 12002 (Col. 1 minus Col. 2)
32. Loss Adjustment Expenses			
33. Commission and Brokerage			
34. Other Acquisition, Field Supervision, and Collection Expenses			
35. General Expenses			
36. Taxes, Licenses and Fees Excluding Federal Income & Real Estate Tax			
37. Totals			
38. Total Expenses in Column 5 (deduct from Line 37)			
39. Net United States Ocean Marine Expenses Incurred – Carry to Line 7 <i>(Exception claimed under Section 12078 must be supported by detailed analysis and full explanation)</i>			

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RECONCILIATION OF LINE 26, COL. 4 WITH
ANNUAL STATEMENT STATE PAGE

Show Pools, Exchange, Treaties and the amounts
assumed and ceded through each

(4) Lines in Column (3) Written in California	(5) Lines in Column (3) Applying to Losses Incurred Prior to January 1, 1928
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	
XXXXXXX	XXXXXXX

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NET LOSSES INCURRED IN TAXABLE YEAR

Note that the standard cut-off date for Lines 40 to 48 is December 31, 1927.
Report all Negative Results

40.	Payments during the taxable year on marine losses (salvage deducted) incurred since December 31, 1927, less recoveries on reinsurance on losses incurred since December 31, 1927 (line 31, column 3 less column 5)	\$ _____
41.	Add reinsurance recoverable December 31 of the previous year, on paid marine losses incurred since December 31, 1927	_____
42.	Total	\$ _____
43.	Deduct reinsurance recoverable December 31 of the taxable year on paid marine losses incurred since December 31, 1927	_____
44.	Balance	\$ _____
45.	Add net amount unpaid December 31 of the taxable year, on marine losses incurred since December 31, 1927 (Net as to recoveries on reinsurance ceded)	_____
	Amount excluded on losses incurred prior to January 1, 1928	*\$ _____
46.	Total	\$ _____
47.	Deduct net amount unpaid December 31 of the previous year on marine losses incurred since December 31, 1927 (Net as to recoveries on reinsurance ceded)	_____
	Amount excluded on losses incurred prior to January 1, 1928	\$ _____
48.	Net losses incurred during the taxable year of 2004	\$ _____

* Amount of ACTUAL, United States unpaid prior losses is required.

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RATIOS

NOTE-- In the following, NET PREMIUMS mean DIRECT PREMIUMS plus REINSURANCE ASSUMED,
 Both net of RETURNED PREMIUMS and less NET REINSURANCE PREMIUMS CEDED.
 Report all Negative Results

49.	Net Premiums on Section 12002 Marine business written in United States in 2004 (Line 26, column 3)	\$	_____
50.	The same written in 2003		_____
51.	The same written in 2002		=====
52.	Total for 3-year period	\$	_____
53.	Average (1/3 of line 52)	\$	=====
54.	Net Premiums on Section 12002 Marine business written in California in 2004 (Line 26, column 4)	\$	_____
55.	The same written in 2003		_____
56.	The same written in 2002		=====
57.	Total for 3 year period	\$	_____
58.	Average (1/3 of line 57)	\$	=====
59.	Average California Marine Premiums (line 58)	\$	_____
	Average United States Marine Premiums (line 53)	\$	_____

* _____ %

* Carry decimal to six places

DECLARATION OF INSURER

(Must be completed, whether of not any tax is payable)

This return must be signed by an Executive Officer, United States Manager, or Manager residing within California, pursuant to Section 12303 of the Revenue and Taxation Code of the State of California.

I, _____, _____, of
 (Print Name & Sign Below) (Title)

_____, hereby declare under penalty of perjury
 (Company Name)

that this return (including any accompanying schedules and statements) has been examined by me and is a true, correct and complete return.

 (City)

 (State)

 (Date)

 (Signature)

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12103. **Basis for computation.** Except as otherwise provided in Section 12105, the tax shall be computed each year upon the average annual underwriting profit of the insurer from ocean marine insurance during the preceding three calendar years.

12104. **Computation on three-year basis.** If the insurer has transacted ocean marine insurance in this State in each of the three calendar years immediately preceding the year in which a tax return is required to be filed, the tax shall be computed as follows:

(a) Divide the average annual premiums of the insurer from ocean marine insurance written by it in this State during the preceding three calendar years by the average annual premiums of the insurer from all ocean marine insurance written in the United States during such calendar years.

(b) Multiply the insurer's average annual underwriting profit from ocean marine insurance written within the United States during the preceding three calendar years by the figure derived in (a).

(c) Multiply the amount derived in (b) by 5 percent.

12105. **Computation on less than three-year basis.** If the insurer has not transacted ocean marine insurance in this State in *each* of the three calendar years immediately preceding the year in which a tax return is required to be filed, its tax shall be computed on the basis of its premiums and underwriting profits in the last complete calendar year. As soon as the insurer comes within the terms of Section 12104, the taxes computed under the provisions of this section for the two preceding calendar years shall be adjusted to equal the amount of the first tax computed under Section 12104. The adjustment shall be shown as an addition to, or a credit against, the tax computed upon business done in the third calendar year or as soon thereafter as possible.

COMPUTATION

If the amount of tax for year 2004 is subject to adjustment for years 2002 and 2003 (Section 12105), compute below the adjusted amount of tax and carry the total to page 3, 19a.

NOTE: Attach an amended 2004 Retaliatory Tax Return when filing this return. See Revenue and Taxation Code Section 12281.