UNITED FIRE GROUP INC
Form 10-Q
August 05, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended June 30, 2014

Commission File Number 001-34257

UNITED FIRE GROUP, INC.
(Exact name of registrant as specified in its charter)

Iowa	45-2302834
(State of Incorporation)	(IRS Employer Identification No.)

118 Second Avenue, S.E., Cedar Rapids, Iowa 52401
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (319) 399-5700

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES R NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES R NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer o Accelerated filer R Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO R
As of August 1, 2014, 25,212,125 shares of common stock were outstanding.

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United Fire Group, Inc.
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June 30, 2014

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FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements about our operations, anticipated performance and other similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor under the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for forward-looking statements. The forward-looking statements are not historical facts and involve risks and uncertainties that could cause actual results to differ from those expected and/or projected. Such forward-looking statements are based on current expectations, estimates, forecasts and projections about United Fire Group, Inc. (the "Company", "we", "us", or "our"), the industry in which we operate, and beliefs and assumptions made by management. Words such as "expect(s)," "anticipate(s)," "intend(s)," "plan(s)," "believe(s)," "continue(s)," "seek(s)," "estimate(s)," "goal(s)," "target(s)," "forecast(s)," "project(s)," "predict(s)," "should," "could," "may," "will continue," "might," "hope," "can" and other words and terms of similar meaning or expression in connection with a discussion of future operations, financial performance or financial condition, are intended to identify forward-looking statements. See Part I, Item 1A "Risk Factors" in our 2013 Annual Report on Form 10-K and Part II, Item 1A "Risk Factors" of this report for more information concerning factors that could cause actual results to differ materially from those in the forward-looking statements.

Risks and uncertainties that may affect the actual financial condition and results of the Company include but are not limited to the following:

- The frequency and severity of claims, including those related to catastrophe losses and the impact those claims have on our loss reserve adequacy;
- The adequacy of our reserves for property and casualty insurance losses and loss settlement expenses and our life insurance reserve for future policy benefits;
- Geographic concentration risk in both property and casualty insurance and life insurance segments;
- Unauthorized data access, cyber-attacks and other security breaches;
- Occurrence of catastrophic events, occurrence of significant severe weather conditions, climate change, acts of terrorism, acts of war and pandemics;
- Developments in the domestic and global financial markets and other-than-temporary impairment losses that could affect our investment portfolio;
- Our ability to effectively underwrite and adequately price insured risks;
- The calculation and recovery of deferred policy acquisition costs ("DAC");
- The valuation of pension and other postretirement benefit obligations;
- Our relationship with our agencies and agents;
- Our relationship with and financial strength of our reinsurers;
- Our exposure to international catastrophes through our assumed reinsurance program;
- Lowering of one or more of the financial strength ratings of our operating subsidiaries or our issuer credit ratings and the adverse impact such action may have on our premium writings, policy retention, profitability and liquidity;
- Changes in general economic conditions, interest rates, industry trends, increase in competition and significant industry developments;
- Competitive, legal, regulatory or tax changes that affect the distribution cost or demand for our products;
- Litigation or regulatory actions that could require us to pay significant damages or change the way we do business;
- Governmental actions, policies and regulations, including, but not limited to, domestic health care reform, financial services regulatory reform, corporate governance, new laws or regulations or court decisions interpreting existing laws and regulations or policy provisions; and
- NASDAQ policies or regulations relating to corporate governance and the cost to comply.

These are representative of the risks, uncertainties, and assumptions that could cause actual outcomes and results to differ materially from what is expressed in forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report or as of the date they are made. Except as required under the federal securities laws and the rules and regulations of the Securities and

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Exchange Commission ("SEC"), we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

United Fire Group, Inc.
Consolidated Balance Sheets

(In Thousands, Except Share Data)	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Investments		
Fixed maturities		
Held-to-maturity, at amortized cost (fair value $640 in 2014 and $669 in 2013)	$630	$656
Available-for-sale, at fair value (amortized cost $2,749,458 in 2014 and $2,733,557 in 2013)	2,824,018	2,751,256
Trading securities, at fair value (amortized cost $15,467 in 2014 and $8,049 in 2013)	18,305	9,940
Equity securities		
Available-for-sale, at fair value (cost $71,685 in 2014 and $70,957 in 2013)	239,244	229,368
Trading securities, at fair value (cost $2,740 in 2014 and $2,367 in 2013)	3,206	2,487
Mortgage loans	4,313	4,423
Policy loans	6,200	6,261
Other long-term investments	48,707	44,946
Short-term investments	475	800
	3,145,098	3,050,137
Cash and cash equivalents	90,276	92,193
Accrued investment income	27,159	27,923
Premiums receivable (net of allowance for doubtful accounts of $993 in 2014 and $896 in 2013)	268,094	218,635
Deferred policy acquisition costs	143,314	150,092
Property and equipment (primarily land and buildings, at cost, less accumulated depreciation of $39,109 in 2014 and $36,972 in 2013)	48,001	47,218
Reinsurance receivables and recoverables	81,314	87,451
Prepaid reinsurance premiums	3,770	3,160
Income taxes receivable	3,891	1,786
Goodwill and intangible assets	26,662	27,047
Other assets	14,331	15,030
TOTAL ASSETS	$3,851,910	$3,720,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Future policy benefits and losses, claims and loss settlement expenses		
Property and casualty insurance	$981,927	$960,651
Life insurance	1,470,647	1,472,132
Unearned premiums	395,146	340,464
Accrued expenses and other liabilities	140,058	142,677
Deferred income taxes	37,866	21,915
TOTAL LIABILITIES	$3,025,644	$2,937,839
Stockholders' Equity		
	$25	$25

Common stock, $0.001 par value; authorized 75,000,000 shares; 25,240,105 and 25,360,893 shares issued and outstanding in 2014 and 2013, respectively		
Additional paid-in capital	208,366	211,574
Retained earnings	498,470	484,084
Accumulated other comprehensive income, net of tax	119,405	87,150
TOTAL STOCKHOLDERS’ EQUITY	$826,266	$782,833
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$3,851,910	$3,720,672

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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United Fire Group, Inc.
Consolidated Statements of Income and Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands, Except Share Data)	2014	2013	2014	2013
Revenues				
Net premiums earned	$201,827	$186,367	$395,168	$363,184
Investment income, net of investment expenses	27,603	29,019	54,365	55,483
Net realized investment gains (includes reclassifications for net unrealized investment gains on available-for-sale securities of $1,606 and $3,088 in 2014; and $4,417 and $5,653 in 2013; previously included in accumulated other comprehensive income (loss))	2,708	4,151	4,902	6,060
Other income	535	182	1,142	297
Total revenues	$232,673	$219,719	$455,577	$425,024
Benefits, Losses and Expenses				
Losses and loss settlement expenses	$142,716	$120,435	$267,953	$217,905
Increase in liability for future policy benefits	8,077	9,869	15,898	18,105
Amortization of deferred policy acquisition costs	40,196	36,708	79,730	74,789
Other underwriting expenses (includes reclassifications for employee benefit costs of $768 and $1,536 in 2014; and $1,243 and $2,485 in 2013; previously included in accumulated other comprehensive income (loss))	20,776	23,308	47,204	45,656
Interest on policyholders' accounts	7,852	9,081	15,839	18,401
Total benefits, losses and expenses	$219,617	$199,401	$426,624	$374,856
Income before income taxes	$13,056	$20,318	$28,953	$50,168
Federal income tax expense (includes reclassifications of $293 and $543 in 2014; and $1,111 and $1,109 in 2013; previously included in accumulated other comprehensive income (loss))	2,371	4,822	4,937	12,279
Net income	$10,685	$15,496	$24,016	$37,889
Other comprehensive income (loss)				
Change in net unrealized appreciation on investments	$27,108	$(51,782)	$51,177	$(37,294)
Change in liability for underfunded employee benefit plans	—	—	—	—
Other comprehensive income (loss), before tax and reclassification adjustments	$27,108	$(51,782)	$51,177	$(37,294)
Income tax effect	(9,488)	18,115	(17,913)	13,045
Other comprehensive income (loss), after tax, before reclassification adjustments	$17,620	$(33,667)	$33,264	$(24,249)
Reclassification adjustment for net realized investment gains included in income	$(1,606)	$(4,417)	$(3,088)	$(5,653)
Reclassification adjustment for employee benefit costs included in expense	768	1,243	1,536	2,485
Total reclassification adjustments, before tax	$(838)	$(3,174)	$(1,552)	$(3,168)
Income tax effect	293	1,111	$543	$1,109

Total reclassification adjustments, after tax	$(545)	$(2,063)	$(1,009)	$(2,059)
Comprehensive income (loss)	$27,760	$(20,234)	$56,271	$11,581
Weighted average common shares outstanding	25,330,066	25,297,718	25,351,056	25,271,752
Basic earnings per common share	$0.42	$0.61	$0.95	$1.50
Diluted earnings per common share	0.42	0.61	0.94	1.49

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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United Fire Group, Inc.
Consolidated Statement of Stockholders' Equity (Unaudited)

(In Thousands, Except Share Data)	Six Months Ended June 30, 2014	
Common stock		
Balance, beginning of year	$25	
Shares repurchased (201,516 shares)	—	
Shares issued for stock-based awards (69,050 shares)	—	
Balance, end of period	$25	
Additional paid-in capital		
Balance, beginning of year	$211,574	
Compensation expense and related tax benefit for stock-based award grants	902	
Shares repurchased	(5,567	)
Shares issued for stock-based awards	1,457	
Balance, end of period	$208,366	
Retained earnings		
Balance, beginning of year	$484,084	
Net income	24,016	
Dividends on common stock ($0.38 per share)	(9,630	)
Balance, end of period	$498,470	
Accumulated other comprehensive income, net of tax		
Balance, beginning of year	$87,150	
Change in net unrealized investment appreciation[(1)]	31,257	
Change in liability for underfunded employee benefit plans[(2)]	998	
Balance, end of period	$119,405	
Summary of changes		
Balance, beginning of year	$782,833	
Net income	24,016	
All other changes in stockholders' equity accounts	19,417	
Balance, end of period	$826,266	

(1) The change in net unrealized appreciation is net of reclassification adjustments and income taxes.
(2) The change in liability for underfunded employee benefit plans is net of reclassification adjustments and income taxes.

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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United Fire Group, Inc.
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
(In Thousands)	2014	2013
Cash Flows From Operating Activities		
Net income	$24,016	$37,889
Adjustments to reconcile net income to net cash provided by operating activities		
Net accretion of bond premium	7,601	7,989
Depreciation and amortization	3,757	2,930
Stock-based compensation expense	944	818
Net realized investment gains	(4,902)	(6,060)
Net cash flows from trading investments	(7,481)	1,285
Deferred income tax benefit	(1,346)	(2,096)
Changes in:		
Accrued investment income	764	994
Premiums receivable	(49,459)	(49,357)
Deferred policy acquisition costs	(11,143)	(3,288)
Reinsurance receivables	6,137	9,625
Prepaid reinsurance premiums	(610)	(573)
Income taxes receivable	(2,105)	16,536
Other assets	699	1,182
Future policy benefits and losses, claims and loss settlement expenses	37,769	10,716
Unearned premiums	54,682	42,827
Accrued expenses and other liabilities	(1,083)	(2,465)
Income taxes payable	—	1,567
Deferred income taxes	(72)	2,720
Other, net	(2,975)	(2,834)
Total adjustments	$31,177	$32,516
Net cash provided by operating activities	$55,193	$70,405
Cash Flows From Investing Activities		
Proceeds from sale of available-for-sale investments	$10	$5,971
Proceeds from call and maturity of held-to-maturity investments	26	180
Proceeds from call and maturity of available-for-sale investments	249,251	238,639
Proceeds from short-term and other investments	1,648	1,882
Purchase of available-for-sale investments	(270,194)	(295,586)
Purchase of short-term and other investments	(1,938)	(2,575)
Net purchases and sales of property and equipment	(4,154)	(2,659)
Net cash used in investing activities	$(25,351)	$(54,148)
Cash Flows From Financing Activities		
Policyholders' account balances		
Deposits to investment and universal life contracts	$96,119	$52,086
Withdrawals from investment and universal life contracts	(114,096)	(87,827)
Payment of cash dividends	(9,630)	(8,342)
Repurchase of common stock	(5,567)	(99)
Issuance of common stock	1,457	1,465
Tax impact from issuance of common stock	(42)	(217)
Net cash used in financing activities	$(31,759)	$(42,934)
Net Change in Cash and Cash Equivalents	$(1,917)	$(26,677)

Cash and Cash Equivalents at Beginning of Period	92,193	107,466
Cash and Cash Equivalents at End of Period	$90,276	$80,789

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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UNITED FIRE GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, unless otherwise noted)

NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Business

United Fire Group, Inc. ("United Fire", the "Registrant", the "Company", "we", "us", or "our") and its consolidated subsidiaries and affiliates are engaged in the business of writing property and casualty insurance and life insurance and selling annuities through a network of independent agencies. We report our operations in two business segments: property and casualty insurance and life insurance. Our insurance company subsidiaries are licensed as a property and casualty insurer in 43 states and the District of Columbia, and as a life insurer in 37 states.

Basis of Presentation

The unaudited consolidated interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and with the instructions to Form 10-Q and Regulation S-X promulgated by the SEC. Certain financial information that is included in our Annual Report on Form 10-K, including certain financial statement footnote disclosures, are not required by the rules and regulations of the SEC for interim financial reporting and have been condensed or omitted.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The financial statement categories that are most dependent on management estimates and assumptions include: investments; deferred policy acquisition costs; reinsurance receivables and recoverables (for net realizable value); future policy benefits and losses, claims and loss settlement expenses; and pension and postretirement benefit obligations.

In the preparation of the accompanying unaudited Consolidated Financial Statements, we have evaluated all material subsequent events or transactions that occurred after the balance sheet date through the date on which the financial statements were issued for potential recognition or disclosure.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Management of United Fire believes the accompanying unaudited Consolidated Financial Statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. All significant intercompany transactions have been eliminated in consolidation. The results reported for the interim periods are not necessarily indicative of the results of operations that may be expected for the year. The unaudited Consolidated Financial Statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013. The review report of Ernst & Young LLP as of June 30, 2014 and for the three- and six-month periods ended June 30, 2014 and 2013 accompanies the unaudited Consolidated Financial Statements included in Part I, Item 1 "Financial Statements."

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, money market accounts, and non-negotiable certificates of deposit with original maturities of three months or less.

For the six-month periods ended June 30, 2014 and 2013, we made payments for income taxes totaling $9,115 and $2,512, respectively. We received tax refunds of $615 and $8,744, respectively, during the six-month periods ended June 30, 2014 and 2013.

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For the six-month periods ended June 30, 2014 and 2013, we made no interest payments (excluding interest credited to policyholders’ accounts).

Deferred Policy Acquisition Costs ("DAC")

Certain costs associated with underwriting new business (primarily commissions, premium taxes and variable underwriting and policy issue expenses associated with successful acquisition efforts) are deferred. The following table is a summary of the components of DAC, including the related amortization recognized for the six-month period ended June 30, 2014.

	Property & Casualty Insurance	Life Insurance	Total
Recorded asset at beginning of period	$67,663	$82,429	$150,092
Underwriting costs deferred	87,193	3,680	90,873
Amortization of deferred policy acquisition costs	(76,378)	(3,352)	(79,730)
Ending unamortized deferred policy acquisition costs	$78,478	$82,757	$161,235
Change in "shadow" deferred policy acquisition costs	—	(17,921)	(17,921)
Recorded asset at end of period	$78,478	$64,836	$143,314

Property and casualty insurance policy acquisition costs deferred are amortized as premium revenue is recognized. The method followed in computing DAC limits the amount of such deferred costs to their estimated realizable value. This takes into account the premium to be earned, losses and loss settlement expenses expected to be incurred and certain other costs expected to be incurred as the premium is earned.

For traditional life insurance policies, DAC is amortized to income over the premium-paying period in proportion to the ratio of the expected annual premium revenue to the expected total premium revenue. Expected premium revenue and gross profits are based on the same mortality and withdrawal assumptions used in determining future policy benefits. These assumptions are not revised after policy issuance unless the recorded DAC asset is deemed to be unrecoverable from future expected profits.

For non-traditional life insurance policies, DAC is amortized over the anticipated terms in proportion to the ratio of the expected annual gross profits to the total expected gross profits. Changes in the amount or timing of expected gross profits result in adjustments to the cumulative amortization of these costs. The effect on amortization of DAC for revisions to estimated gross profits is reported in earnings in the period the estimated gross profits are revised.

The effect on DAC that results from the assumed realization of unrealized gains (losses) on investments allocated to non-traditional life insurance business is recognized with an offset, or "shadow" DAC, to net unrealized investment appreciation as of the balance sheet date. The "shadow" DAC adjustment decreased the DAC asset by $14,514 at June 30, 2014 and increased the DAC asset by $3,407 at December 31, 2013.

Income Taxes

Deferred tax assets and liabilities are established based on differences between the financial statement bases of assets and liabilities and the tax bases of those same assets and liabilities, using the currently enacted statutory tax rates. Deferred income tax expense is measured by the year-to-year change in the net deferred tax asset or liability, except for certain changes in deferred tax amounts that affect stockholders' equity and do not impact federal income tax expense.

We reported a federal income tax expense of $4,937 and $12,279 for the six-month periods ended June 30, 2014 and 2013, respectively. Our effective tax rate is different than the federal statutory rate of 35.0 percent due principally to the effect of tax-exempt municipal bond interest income and non-taxable dividend income.

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We did not recognize any liability for unrecognized tax benefits at June 30, 2014 or December 31, 2013. In addition, we have not accrued for interest and penalties related to unrecognized tax benefits. However, if interest and penalties would need to be accrued related to unrecognized tax benefits, such amounts would be recognized as a component of federal income tax expense.

We file a consolidated federal income tax return. We also file income tax returns in various state jurisdictions. We are no longer subject to federal or state income tax examination for years before 2009. The Internal Revenue Service is conducting a routine examination of our income tax return for the 2011 tax year.

Recently Issued Accounting Standards

Adopted Accounting Standards in 2014

Unrecognized tax benefit

In July 2013, the FASB issued guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance was effective for annual and interim periods beginning after December 15, 2013. The Company currently does not have any liability for unrecognized tax benefits. The Company adopted the new guidance effective January 1, 2014. The adoption of the new guidance had no impact on the Company's financial position or results of operations.

Pending Adoption of Accounting Standards

Share Based Payments

In June 2014, the FASB issued new guidance on the accounting for share based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance requires a performance target that affects vesting and that could be achieved after the service period, be treated as a performance condition. The guidance is effective for interim and annual periods beginning after December 15, 2015. The amendments can be applied prospectively or retrospectively and early adoption is permitted. The Company will adopt the guidance on January 1, 2016 and is currently evaluating the impact on the Company's financial position and results of operations.

Revenue Recognition

In May 2014, the FASB issued comprehensive new guidance on revenue recognition which supersedes nearly all existing revenue recognition guidance under GAAP. The new guidance requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard creates a five-step model that requires companies to exercise judgment when considering the terms of the contract(s) and all relevant facts and circumstances. The new guidance is effective for annual and interim periods beginning after December 15, 2016. The Company will adopt the guidance on January 1, 2017 and is currently evaluating the impact on the Company's financial position and results of operations. Management does not expect insurance contracts to be in the scope of this new guidance.

Discontinued Operations

In April 2014, the FASB issued new guidance on reporting discontinued operations and disclosures of disposals of components of an entity. The new guidance raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. It is effective for annual periods beginning after December 15, 2014. Early adoption is permitted but only for disposals that have not been reported in financial statements previously issued. The Company will adopt the guidance on January 1, 2015 and is currently evaluating the impact on the Company's financial position and results of operations.

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NOTE 2. SUMMARY OF INVESTMENTS

Fair Value of Investments

A reconciliation of the amortized cost (cost for equity securities) to fair value of investments in held-to-maturity and available-for-sale fixed maturity and equity securities as of June 30, 2014 and December 31, 2013, is as follows:

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June 30, 2014

Type of Investment	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
HELD-TO-MATURITY				
Fixed maturities:				
Bonds				
States, municipalities and political subdivisions	$249	$2	$—	$251
Corporate bonds - financial services	200	—	—	200
Mortgage-backed securities	181	8	—	189
Total Held-to-Maturity Fixed Maturities	$630	$10	$—	$640
AVAILABLE-FOR-SALE				
Fixed maturities:				
Bonds				
U.S. Treasury	$30,468	$298	$63	$30,703
U.S. government agency	360,249	3,018	6,586	356,681
States, municipalities and political subdivisions	705,556	33,895	2,683	736,768
Foreign bonds	143,172	7,054	1	150,225
Public utilities	212,385	8,114	155	220,344
Corporate bonds				
Energy	149,380	5,593	373	154,600
Industrials	216,342	7,888	429	223,801
Consumer goods and services	159,084	5,455	213	164,326
Health care	78,429	3,679	148	81,960
Technology, media and telecommunications	128,124	4,485	785	131,824
Financial services	223,412	10,199	68	233,543
Mortgage-backed securities	19,654	610	76	20,188
Collateralized mortgage obligations	320,180	3,559	8,003	315,736
Asset-backed securities	3,023	296	—	3,319
Total Available-for-Sale Fixed Maturities	$2,749,458	$94,143	$19,583	$2,824,018
Equity securities:				
Common stocks				
Public utilities	$7,231	$11,435	$—	$18,666
Energy	5,094	11,391	—	16,485
Industrials	13,286	33,378	40	46,624
Consumer goods and services	10,287	11,492	2	21,777
Health care	7,920	18,846	—	26,766
Technology, media and telecommunications	6,205	7,779	61	13,923
Financial services	16,678	73,260	54	89,884
Nonredeemable preferred stocks	4,984	140	5	5,119
Total Available-for-Sale Equity Securities	$71,685	$167,721	$162	$239,244
Total Available-for-Sale Securities	$2,821,143	$261,864	$19,745	$3,063,262

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December 31, 2013

Type of Investment	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
HELD-TO-MATURITY				
Fixed maturities:				
Bonds				
States, municipalities and political subdivisions	$250	$4	$—	$254
Corporate bonds - financial services	200	—	—	200
Mortgage-backed securities	206	9	—	215
Total Held-to-Maturity Fixed Maturities	$656	$13	$—	$669
AVAILABLE-FOR-SALE				
Fixed maturities:				
Bonds				
U.S. Treasury	$33,612	$423	$140	$33,895
U.S. government agency	287,988	258	18,663	269,583
States, municipalities and political subdivisions	690,461	34,151	10,705	713,907
Foreign bonds	167,390	5,863	397	