UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from to

Commission File Number 001-11339

Protective Life Corporation

(Exact name of registrant as specified in its charter)

Delaware	**95-2492236**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2801 Highway 280 South

Birmingham, Alabama 35223

(Address of principal executive offices and zip code)

(205) 268-1000

(Registrant s telephone number, including area code)

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 **x** 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 **x** No o

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

Large accelerated filer **x**	Accelerated Filer o
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 Act). Yes o No **x**

Number of shares of Common Stock, $0.50 Par Value, outstanding as of October 29, 2010: 85,666,562

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PROTECTIVE LIFE CORPORATION

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	For The Three Months Ended September 30, 2010	For The Three Months Ended September 30, 2009	For The Nine Months Ended September 30, 2010	For The Nine Months Ended September 30, 2009
	(Dollars In Thousands, Except Per Share Amounts)			
Revenues				
Premiums and policy fees	$ 640,265	$ 652,497	$ 1,948,278	$ 1,991,638
Reinsurance ceded	(334,040)	(351,664)	(1,019,598)	(1,104,188)
Net of reinsurance ceded	306,225	300,833	928,680	887,450
Net investment income	429,548	409,956	1,264,045	1,262,785
Realized investment gains (losses):				
Derivative financial instruments	(94,034)	(195,540)	(236,994)	(201,098)
All other investments	110,787	165,576	226,390	291,532
Other-than-temporary impairment losses	(12,898)	(14,873)	(71,437)	(181,064)
Portion of loss recognized in other comprehensive income (before taxes)	5,283	(16,095)	35,155	19,299
Net impairment losses recognized in earnings	(7,615)	(30,968)	(36,282)	(161,765)
Other income	58,190	41,222	161,134	119,471
Total revenues	803,101	691,079	2,306,973	2,198,375
Benefits and expenses				
Benefits and settlement expenses, net of reinsurance ceded: (three months: 2010 - $308,594; 2009 - $308,979; nine months: 2010 - $971,061; 2009 - $1,014,907)	549,567	521,218	1,582,233	1,503,725
Amortization of deferred policy acquisition costs and value of business acquired	42,386	47,240	146,761	250,837
Other operating expenses, net of reinsurance ceded: (three months: 2010 - $48,851; 2009 - $54,791; nine months: 2010 - $142,932; 2009 - $161,819)	104,151	80,985	305,246	229,803
Total benefits and expenses	696,104	649,443	2,034,240	1,984,365
Income before income tax	106,997	41,636	272,733	214,010
Income tax expense	36,626	14,051	91,412	73,533
Net income	70,371	27,585	181,321	140,477
Less: Net income (loss) attributable to noncontrolling interests	(77)		(277)	
Net income available to PLC s common shareowners(1)	$ 70,448	$ 27,585	$ 181,598	$ 140,477
Net income available to PLC s common shareowners - basic	$ 0.81	$ 0.32	$ 2.10	$ 1.79
Net income available to PLC s common shareowners - diluted	$ 0.80	$ 0.32	$ 2.07	$ 1.77
Cash dividends paid per share	$ 0.14	$ 0.12	$ 0.40	$ 0.36
Average shares outstanding - basic	86,603,569	86,481,240	86,555,761	78,465,685
Average shares outstanding - diluted	87,701,592	87,372,659	87,640,221	79,156,305

(1) Protective Life Corporation (PLC   )

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

	As of September 30, 2010	As of December 31, 2009
	(Dollars In Thousands)	
Assets		
Fixed maturities, at fair value (amortized cost: 2010 - $23,605,857; 2009 - $23,228,317)	$ 24,838,626	$ 22,830,427
Equity securities, at fair value (cost: 2010 - $327,045; 2009 - $280,615)	335,151	275,497
Mortgage loans (2010 includes: $951,105 related to securitizations)	4,884,102	3,877,087
Investment real estate, net of accumulated depreciation (2010 - $1,073; 2009 - $803)	24,669	25,188
Policy loans	767,214	794,276
Other long-term investments	256,093	204,754
Short-term investments	483,698	1,049,609
Total investments	31,589,553	29,056,838
Cash	151,340	205,325
Accrued investment income	320,668	285,350
Accounts and premiums receivable, net of allowance for uncollectible amounts (2010 - $4,570; 2009 - $5,170)	65,948	56,216
Reinsurance receivables	5,563,824	5,333,401
Deferred policy acquisition costs and value of business acquired	3,642,484	3,663,350
Goodwill	115,532	117,856
Property and equipment, net of accumulated depreciation (2010 - $128,947; 2009 - $123,709)	37,722	37,037
Other assets	207,198	176,303
Income tax receivable	2,438	115,447
Assets related to separate accounts		
Variable annuity	3,899,308	2,948,457
Variable universal life	336,299	316,007
Total Assets	$ 45,932,314	$ 42,311,587
Liabilities		
Policy liabilities and accruals	$ 19,129,506	$ 18,548,267
Stable value product account balances	3,105,822	3,581,150
Annuity account balances	10,451,322	9,911,040
Other policyholders funds	577,275	515,078
Other liabilities	1,115,755	715,110
Mortgage loan backed certificates	74,324	
Deferred income taxes	1,113,532	553,062
Non-recourse funding obligations	548,000	575,000
Long-term debt	1,485,852	1,644,852
Subordinated debt securities	524,743	524,743
Liabilities related to separate accounts		
Variable annuity	3,899,308	2,948,457
Variable universal life	336,299	316,007
Total liabilities	42,361,738	39,832,766
Commitments and contingencies - Note 7		
Shareowners equity		
Preferred Stock, $1 par value, shares authorized: 4,000,000; Issued: None		
Common Stock, $.50 par value, shares authorized: 2010 and 2009 - 160,000,000; shares issued: 2010 and 2009 - 88,776,960	44,388	44,388

Additional paid-in-capital		584,865		576,887
Treasury stock, at cost (2010 - 3,112,442 shares; 2009 - 3,196,157 shares)		(26,101)		(25,929)
Retained earnings		2,366,276		2,204,644
Accumulated other comprehensive income (loss):				
Net unrealized gains (losses) on investments, net of income tax: (2010 -$364,723; 2009 - $(121,737))		677,343		(225,648)
Net unrealized (losses) gains relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2010 - $(7,698); 2009 - $(16,704))		(14,296)		(31,021)
Accumulated loss - derivatives, net of income tax: (2010 - $(9,002); 2009 - $(10,182))		(16,718)		(18,327)
Postretirement benefits liability adjustment, net of income tax: (2010 -$(23,889); 2009 - $(24,862))		(44,365)		(46,173)
Total Protective Life Corporation s shareowners equity		3,571,392		2,478,821
Noncontrolling interest		(816)		
Total equity		3,570,576		2,478,821
Total liabilities and shareowners equity	$	45,932,314	$	42,311,587

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF SHAREOWNERS EQUITY

(Unaudited)

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss) Net Unrealized Gains / (Losses) on Investments	Accumulated Other Comprehensive Income (Loss) Accumulated Gain / (Loss) Derivatives	Accumulated Other Comprehensive Income (Loss) Minimum Pension Liability Adjustments	Total Protective Life Corporation s shareowners equity	Non controlling Interest	Total Equity
	(Dollars In Thousands)									
Balance, December 31, 2009	$ 44,388	$ 576,887	$ (25,929)	$ 2,204,644	$ (256,669)	$ (18,327)	$ (46,173)	$ 2,478,821	$	$ 2,478,821
Net income for the three months ended March 31, 2010				69,779				69,779	(73)	69,706
Change in net unrealized gains/losses on investments (net of income tax - $142,481)					263,959			263,959		263,959
Reclassification adjustment for investment amounts included in net income (net of income tax - $1,725)					3,418			3,418		3,418
Change in net unrealized gains/losses relating to other-than-temporary impaired investments for which a portion has been recognized in earnings (net of income tax $(3,495))					(6,492)			(6,492)		(6,492)
Change in accumulated gain (loss) derivatives (net of income tax - $3,423)						5,718		5,718		5,718
Reclassification adjustment for derivative amounts included in net income (net of income tax - $(974))						(1,752)		(1,752)		(1,752)
Change in minimum pension liability adjustment (net of income tax - $324)							602	602		602
Comprehensive income for the three months ended March 31, 2010								335,232	(73)	335,159
Cash dividends ($0.120 per share)				(10,270)				(10,270)		(10,270)
Cumulative effect adjustments				14,290				14,290		14,290
Noncontrolling interest									(418)	(418)
Stock-based compensation		3,028	(68)					2,960		2,960
Balance, March 31, 2010	$ 44,388	$ 579,915	$ (25,997)	$ 2,278,443	$ 4,216	$ (14,361)	$ (45,571)	$ 2,821,033	$ (491)	$ 2,820,542
Net income for the three months ended June 30, 2010				41,371				41,371	(127)	41,244
Change in net unrealized gains/losses on investments (net of income tax - $130,774)					242,856			242,856		242,856
Reclassification adjustment for investment amounts included in net income (net of income tax - $3,894)					7,241			7,241		7,241
Change in net unrealized gains/losses relating to other-than-temporary impaired					(12,924)			(12,924)		(12,924)

investments for which a portion has been recognized in earnings (net of income tax $(6,960))										
Change in accumulated gain (loss) derivatives (net of income tax - $(3,229))						(5,952)		(5,952)		(5,952)
Reclassification adjustment for derivative amounts included in net income (net of income tax - $768)						1,382		1,382		1,382
Change in minimum pension liability adjustment (net of income tax - $325)							603	603		603
Comprehensive income for the three months ended June 30, 2010								274,577	(127)	274,450
Cash dividends ($0.14 per share)				(11,994)				(11,994)		(11,994)
Cumulative effect adjustments										
Noncontrolling interest									(121)	(121)
Stock-based compensation		1,731	252					1,983		1,983
Balance, June 30, 2010	$ 44,388	$ 581,646	$ (25,745)	$ 2,307,820	$ 241,389	$ (18,931)	$ (44,968)	$ 3,085,599	$ (739)	$ 3,084,860

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF SHAREOWNERS EQUITY

(Unaudited)

(continued)

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Net Unrealized Gains / (Losses) on Investments	Accumulated Gain / (Loss) Derivatives	Minimum Pension Liability Adjustments	Total Protective Life Corporation s shareowners equity	Non controlling Interest	Total Equity
	(Dollars In Thousands)									
Net income for the three months ended September 30, 2010				70,448				70,448	(77)	70,371
Change in net unrealized gains/losses on investments (net of income tax - $211,169)					392,180			392,180		392,180
Reclassification adjustment for investment amounts included in net income (net of income tax - $(3,583))					(6,663)			(6,663)		(6,663)
Change in net unrealized gains/losses relating to other-than-temporary impaired investments for which a portion has been recognized in earnings (net of income tax $19,461)					36,141			36,141		36,141
Change in accumulated gain (loss) derivatives (net of income tax - $1,951)						3,581		3,581		3,581
Reclassification adjustment for derivative amounts included in net income (net of income tax - $(760))						(1,368)		(1,368)		(1,368)
Change in minimum pension liability adjustment (net of income tax - $325)							603	603		603
Comprehensive income for the three months ended September 30, 2010								494,922	(77)	494,845
				(11,992)				(11,992)		(11,992)

Cash dividends ($0.14 per share)										
Cumulative effect adjustments										
Noncontrolling interest										
Stock-based compensation		3,219	(356)					2,863		2,863
Balance, September 30, 2010	$ 44,388	$ 584,865	$ (26,101)	$ 2,366,276	$ 663,047	$ (16,718)	$ (44,365)	$ 3,571,392	$ (816)	$ 3,570,576

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	For The Nine Months Ended September 30, 2010	2009
	(Dollars In Thousands)	
Cash flows from operating activities		
Net income	$ 181,321	$ 140,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment losses (gains)	46,886	71,331
Amortization of deferred policy acquisition costs and value of business acquired	146,761	250,837
Capitalization of deferred policy acquisition costs	(365,499)	(316,914)
Depreciation expense	7,184	5,928
Deferred income tax	(5,813)	(48,926)
Accrued income tax	112,281	25,077
Interest credited to universal life and investment products	658,488	749,552
Policy fees assessed on universal life and investment products	(471,383)	(441,410)
Change in reinsurance receivables	(230,423)	(81,583)
Change in accrued investment income and other receivables	(38,996)	(24,104)
Change in policy liabilities and other policyholders funds of traditional life and health products	328,042	170,502
Trading securities:		
Maturities and principal reductions of investments	262,153	446,993
Sale of investments	555,904	595,676
Cost of investments acquired	(769,120)	(587,057)
Other net change in trading securities	20,078	(152,691)
Change in other liabilities	23,478	(89,588)
Other, net	113,153	9,882
Net cash provided by operating activities	574,495	723,982
Cash flows from investing activities		
Maturities and principal reductions of investments, available-for-sale	1,372,385	2,003,690
Sale of investments, available-for-sale	2,807,438	1,250,831
Cost of investments acquired, available-for sale	(5,274,565)	(3,304,310)
Mortgage loans:		
New borrowings	(231,931)	(203,490)
Repayments	249,363	199,271
Change in investment real estate, net	(1,127)	(3,347)
Change in policy loans, net	27,062	22,531
Change in other long-term investments, net	(138,419)	(6,896)
Change in short-term investments, net	517,278	118,993
Net unsettled security transactions	80,412	48,742
Purchase of property and equipment	(7,050)	(5,989)
Net cash (used in) provided by investing activities	(599,154)	120,026
Cash flows from financing activities		
Borrowings under line of credit arrangements and long-term debt	116,000	212,000
Principal payments on line of credit arrangement and long-term debt	(275,000)	(122,000)
Issuance (repayment) of non-recourse funding obligations	(27,000)	
Dividends to shareowners	(34,257)	(27,069)
Issuance of common stock		132,575

Investments product deposits and change in universal life deposits		2,652,811		1,956,715
Investment product withdrawals		(2,459,566)		(2,902,277)
Other financing activities, net		(2,314)		(18,008)
Net cash used in financing activities		(29,326)		(768,064)
Change in cash		(53,985)		75,944
Cash at beginning of period		205,325		149,358
Cash at end of period	$	151,340	$	225,302

See Notes to Consolidated Condensed Financial Statements

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PROTECTIVE LIFE CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements of Protective Life Corporation and subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements reflect all adjustments (consisting only of normal recurring items) necessary for a fair statement of the results for the interim periods presented. Operating results for the three and nine months period ended September 30, 2010, are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The year-end consolidated condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. For further information, refer to the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

The operating results of companies in the insurance industry have historically been subject to significant fluctuations due to changing competition, economic conditions, interest rates, investment performance, insurance ratings, claims, persistency, and other factors.

Reclassifications

Certain reclassifications have been made in the previously reported financial statements and accompanying notes to make the prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net income or shareowners equity.

Entities Included

The consolidated condensed financial statements include the accounts of Protective Life Corporation and subsidiaries and its affiliate companies in which the Company holds a majority voting or economic interest. Intercompany balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Pronouncements Recently Adopted

Accounting Standard Update (ASU or Update) No. 2010-06 Fair Value Measurements and Disclosures Improving Disclosures about Fair Value Measurements. In January of 2010, Financial Accounting Standards Board (FASB) issued ASU No. 2010-06 Fair Value Measurements and Disclosures Improving Disclosures about Fair Value Measurements. This Update provides amendments to Subtopic 820-10 that requires the following new disclosures. 1) A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number).

This Update provides amendments to Subtopic 820-10 that clarifies existing disclosures. 1) A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. 2) A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. This Update also includes conforming amendments to the guidance on employers disclosures about postretirement benefit plan assets (Subtopic 715-20). The conforming amendments to Subtopic 715-20 change the terminology from *major categories* of assets to *classes* of assets and provide a cross reference to the guidance in Subtopic 820-10 on how to determine appropriate classes to present fair value disclosures. This Update is effective for interim and annual reporting periods beginning after December 15, 2009, which became

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effective for the Company for the period ending March 31, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. This Update did not have a material impact on the Company s consolidated results of operations or financial position.

ASU No. 2009-16 Transfers and Servicing Accounting for Transfers of Financial Assets. In December of 2009, FASB issued ASU No. 2009-16 Transfers and Services Accounting for Transfers of Financial Assets. The amendments in this Update incorporate FASB Statement No. 166, *Accounting for Transfers of Financial Assets an amendment of SFAS No. 140* into the Accounting Standards Codification (ASC). That Statement was issued by the Board on June 12, 2009. This Update enhances the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a continuing interest in transferred financial assets. This Update also eliminates the concept of a qualifying special-purpose entity (QSPE), changes the requirements for de-recognition of financial assets, and calls upon sellers of the assets to make additional disclosures. This Update is effective for interim or annual reporting periods beginning after November 15, 2009. This guidance was effective for the Company on January 1, 2010. As of January 1, 2010, the Company held interests in two previous transfers of financial assets to QSPEs, the 2007 Commercial Mortgage Securitization and the 1996 1999 Commercial Mortgage Securitization. As part of adoption of this guidance the Company reviewed these entities as part of our consolidation analysis of variable interest entities (VIEs). The conclusion of the review was that the former QSPEs should be consolidated by the Company. Please refer to Note 4, *Variable Interest Entities* for more information. The Company has not transferred any financial assets since the adoption of this standard. The Company will apply this guidance to all future transfers of financial assets.

ASU No. 2009-17 Consolidations Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. In December of 2009, FASB issued ASU No. 2009-17 Consolidations Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. The amendments to this Update incorporate FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS No. 167) into the ASC. SFAS No. 167 was issued by the Board on June 12, 2009. This Statement applies to all investments in VIEs beginning for the Company on January 1, 2010. This analysis will include QSPEs used for securitizations as SFAS No. 166 eliminated the concept of a QSPE which subjects former QSPEs to the provisions of FIN 46(R) as amended by this statement. Based on our review of our December 31, 2009 information, the impact of adoption of ASU No. 2009-17 (SFAS No. 167) resulted in the consolidation of two securitization trusts, the 2007 Commercial Mortgage Securitization and the 1996 1999 Commercial Mortgage Securitization. Please refer to Note 4, *Variable Interest Entities* for more information regarding the consolidation of these two trusts.

Accounting Pronouncements Not Yet Adopted

ASU No. 2010-15 Financial Services Insurance How Investments Held through Separate Accounts Affect an Insurer s Consolidation Analysis of Those Investments. The amendments in this Update clarify that an insurance entity should not consider any separate account interests held for the benefit of policy holders in an investment to be the insurer s interests. The entity should not combine general account and separate account interests in the same investment when assessing the investment for consolidation. Additionally, the amendments do not require an insurer to consolidate an investment in which a separate account holds a controlling financial interest if the investment is not or would not be consolidated in the standalone financial statements of the separate account. The amendments in this Update also provide guidance on how an insurer should consolidate an investment fund in situations in which the insurer concludes that consolidation is required. This Update is effective for fiscal years beginning after December 15, 2010. For the Company this Update will be effective January 1, 2011. The Company is currently evaluating the impact of this Update.

ASU No. 2010-20 Receivables Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The objective of this Update is to require disclosures that facilitate financial statement users in evaluating the nature of credit risk inherent in the portfolio of financing receivables (loans); how that risk is analyzed and assessed in arriving at the allowance for credit losses; and any changes and the reasons for those changes to the allowance for credit losses. The Update requires several new disclosures regarding the reserve for credit losses and other disclosures related to the credit quality of the Company s mortgage loan portfolio. These new disclosure requirements will be effective for reporting periods ending on or after December 15, 2010. For the Company this will be December 31, 2010. This standard does not change current accounting for Financing Receivables and Loans, but only requires additional disclosures. The Company is evaluating the impact this Update will have on the footnotes to the financial statements.

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ASU No. 2010-26 Financial Services Insurance - Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. The objective of this Update is to address diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify for deferral. This Update prescribes that certain incremental direct costs of successful initial or renewal contract acquisitions may be deferred. It defines incremental direct costs as those costs that result directly from and are essential to the contract transaction and would not have been incurred by the insurance entity had the contract transaction not occurred. This Update also clarifies the definition of the types of incurred costs that may be capitalized and the accounting and recognition treatment of advertising, research, and other administrative costs related to the acquisition of insurance contracts. This Update is effective for periods beginning after December 15, 2011 and is to be applied prospectively. Early adoption and retrospective application are optional. The Company is currently evaluating the impact this Update will have on our financial position and results of operations.

Significant Accounting Policies

For a full description of significant accounting policies, see Note 2 of Notes to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. There were no significant changes to the Company s accounting policies during the nine months ended September 30, 2010, except as noted above.

3. INVESTMENT OPERATIONS

Net realized investment gains (losses) for all other investments are summarized as follows:

	For The Three Months Ended September 30, 2010	For The Nine Months Ended September 30, 2010
	(Dollars In Thousands)	
Fixed maturities	$ 17,861	$ 30,237
Equity securities		13
Impairments on fixed maturity securities	(7,615)	(36,282)
Modco trading portfolio	96,689	204,749
Mortgage loans and other investments		