

PROGRESSIVE CORP/OH/
Form 10-Q
May 11, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2015

or
 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: 1-9518

THE PROGRESSIVE CORPORATION
(Exact name of registrant as specified in its charter)

Ohio 34-0963169
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

6300 Wilson Mills Road, Mayfield Village, Ohio 44143
(Address of principal executive offices) (Zip Code)
(440) 461-5000
(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 No

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 No

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 Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares, \$1.00 par value: 586,722,794 outstanding at April 30, 2015

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

| Three months ended March 31, | 2015 | 2014 | % Change |
|--|-----------|-----------|-------------|
| (millions—except per share amounts) | | | |
| Revenues | | | |
| Net premiums earned | \$4,666.3 | \$4,402.3 | 6 |
| Investment income | 105.1 | 103.3 | 2 |
| Net realized gains (losses) on securities: | | | |
| Other-than-temporary impairment (OTTI) losses: | | | |
| Total OTTI losses | (7.9 |) 0 | NM |
| Non-credit losses, net of credit losses recognized on previously recorded non-credit OTTI losses | 0 | 0 | NM |
| Net impairment losses recognized in earnings | (7.9 |) 0 | NM |
| Net realized gains (losses) on securities | 40.9 | 119.4 | (66) |
| Total net realized gains (losses) on securities | 33.0 | 119.4 | (72) |
| Fees and other revenues | 73.7 | 72.8 | 1 |
| Service revenues | 17.2 | 9.8 | 76 |
| Total revenues | 4,895.3 | 4,707.6 | 4 |
| Expenses | | | |
| Losses and loss adjustment expenses | 3,368.6 | 3,205.9 | 5 |
| Policy acquisition costs | 379.4 | 369.0 | 3 |
| Other underwriting expenses | 650.4 | 610.4 | 7 |
| Investment expenses | 5.3 | 4.1 | 29 |
| Service expenses | 15.9 | 9.7 | 64 |
| Interest expense | 32.5 | 26.7 | 22 |
| Total expenses | 4,452.1 | 4,225.8 | 5 |
| Net Income | | | |
| Income before income taxes | 443.2 | 481.8 | (8) |
| Provision for income taxes | 147.6 | 160.5 | (8) |
| Net income | \$295.6 | \$321.3 | (8) |
| Other Comprehensive Income (Loss), Net of Tax | | | |
| Changes in: | | | |
| Net unrealized gains (losses) on securities: | | | |
| Net non-credit related OTTI losses, adjusted for valuation changes | \$0 | \$0 | NM |
| Other net unrealized gains (losses) on securities | 35.4 | (0.1 |) NM |
| Total net unrealized gains (losses) on securities | 35.4 | (0.1 |) NM |
| Net unrealized gains (losses) on forecasted transactions | (8.7 |) (0.3 |) NM |
| Foreign currency translation adjustment | (0.5 |) 0 | NM |
| Other comprehensive income (loss) | 26.2 | (0.4 |) NM |
| Comprehensive income | \$321.8 | \$320.9 | 0 |
| Computation of Net Income Per Share | | | |
| Average shares outstanding - Basic | 587.6 | 593.9 | (1) |
| Net effect of dilutive stock-based compensation | 3.4 | 3.8 | (11) |
| Total equivalent shares - Diluted | 591.0 | 597.7 | (1) |
| Basic: Net income per share | \$0.50 | \$0.54 | (7) |

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| | | | |
|---|--------|--------|-----|
| Diluted: Net income per share | \$0.50 | \$0.54 | (7) |
| Dividends declared per share ¹ | \$0 | \$0 | |

NM = Not Meaningful

¹Progressive maintains an annual dividend program. See Note 8 - Dividends for further discussion.

See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
Consolidated Balance Sheets
(unaudited)

| (millions) | March 31, 2015 | 2014 | December 31, 2014 |
|--|-------------------|------------|----------------------|
| Assets | | | |
| Investments - Available-for-sale, at fair value: | | | |
| Fixed maturities (amortized cost: \$13,997.5, \$12,335.8, and \$13,374.2) | \$14,219.8 | \$12,506.2 | \$13,549.2 |
| Equity securities: | | | |
| Nonredeemable preferred stocks (cost: \$598.3, \$460.7, and \$590.4) | 828.1 | 737.9 | 827.5 |
| Common equities (cost: \$1,295.0, \$1,252.7, and \$1,289.2) | 2,515.7 | 2,278.7 | 2,492.3 |
| Short-term investments (amortized cost: \$2,267.0, \$1,872.9, and \$2,149.0) | 2,267.0 | 1,872.9 | 2,149.0 |
| Total investments | 19,830.6 | 17,395.7 | 19,018.0 |
| Cash | 101.5 | 96.7 | 108.4 |
| Accrued investment income | 84.7 | 82.3 | 87.3 |
| Premiums receivable, net of allowance for doubtful accounts of \$138.7, \$131.9, and \$152.2 | 3,777.0 | 3,515.9 | 3,537.5 |
| Reinsurance recoverables, including \$50.8, \$34.5, and \$46.0 on paid losses and loss adjustment expenses | 1,257.2 | 1,111.5 | 1,231.9 |
| Prepaid reinsurance premiums | 99.3 | 81.8 | 85.3 |
| Deferred acquisition costs | 484.0 | 466.9 | 457.2 |
| Property and equipment, net of accumulated depreciation of \$742.7, \$687.1, and \$731.0 | 957.5 | 950.0 | 960.6 |
| Other assets | 288.9 | 614.6 | 301.4 |
| Total assets | \$26,880.7 | \$24,315.4 | \$25,787.6 |
| Liabilities and Shareholders' Equity | | | |
| Unearned premiums | \$5,854.0 | \$5,460.1 | \$5,440.1 |
| Loss and loss adjustment expense reserves | 9,001.6 | 8,592.6 | 8,857.4 |
| Net deferred income taxes | 97.2 | 51.1 | 98.9 |
| Dividends payable | 0 | 0 | 404.1 |
| Accounts payable, accrued expenses, and other liabilities | 2,165.9 | 1,911.7 | 1,893.8 |
| Debt ¹ | 2,560.1 | 1,861.3 | 2,164.7 |
| Total liabilities | 19,678.8 | 17,876.8 | 18,859.0 |
| Common Shares, \$1.00 par value (authorized 900.0; issued 797.6, including treasury shares of 210.3, 204.5, and 209.8) | 587.3 | 593.1 | 587.8 |
| Paid-in capital | 1,196.7 | 1,159.0 | 1,184.3 |
| Retained earnings | 4,368.6 | 3,735.2 | 4,133.4 |
| Accumulated other comprehensive income, net of tax: | | | |
| Net non-credit related OTTI losses, adjusted for valuation changes | 0 | 0 | 0 |
| Other net unrealized gains (losses) on securities | 1,057.3 | 946.9 | 1,021.9 |
| Total net unrealized gains (losses) on securities | 1,057.3 | 946.9 | 1,021.9 |
| Net unrealized gains (losses) on forecasted transactions | (7.2 |) 3.8 | 1.5 |
| Foreign currency translation adjustment | (0.8 |) 0.6 | (0.3 |
| Total accumulated other comprehensive income | 1,049.3 | 951.3 | 1,023.1 |
| Total shareholders' equity | 7,201.9 | 6,438.6 | 6,928.6 |
| Total liabilities and shareholders' equity | \$26,880.7 | \$24,315.4 | \$25,787.6 |

¹Consists of long-term debt. See Note 4 - Debt.
See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

| Three months ended March 31, (millions — except per share amounts) | 2015 | 2014 |
|---|-----------|-----------|
| Common Shares, \$1.00 Par Value | | |
| Balance, Beginning of period | \$587.8 | \$595.8 |
| Treasury shares purchased | (2.5) | (3.9) |
| Net restricted equity awards issued/vested/(forfeited) | 2.0 | 1.2 |
| Balance, End of period | \$587.3 | \$593.1 |
| Paid-In Capital | | |
| Balance, Beginning of period | \$1,184.3 | \$1,142.0 |
| Tax benefit from vesting of equity-based compensation | 6.3 | 10.7 |
| Treasury shares purchased | (5.0) | (7.5) |
| Net restricted equity awards (issued)/(vested)/forfeited | (2.0) | (1.2) |
| Amortization of equity-based compensation | 13.1 | 15.2 |
| Reinvested dividends on restricted stock units | 0 | (0.2) |
| Balance, End of period | \$1,196.7 | \$1,159.0 |
| Retained Earnings | | |
| Balance, Beginning of period | \$4,133.4 | \$3,500.0 |
| Net income | 295.6 | 321.3 |
| Treasury shares purchased | (58.4) | (83.3) |
| Cash dividends declared on common shares | 0 | 1.1 |
| Other, net | (2.0) | (3.9) |
| Balance, End of period | \$4,368.6 | \$3,735.2 |
| Accumulated Other Comprehensive Income, Net of Tax | | |
| Balance, Beginning of period | \$1,023.1 | \$951.7 |
| Other comprehensive income (loss) | 26.2 | (0.4) |
| Balance, End of period | \$1,049.3 | \$951.3 |
| Total Shareholders' Equity | \$7,201.9 | \$6,438.6 |

There are 20.0 million Serial Preferred Shares authorized; no such shares are issued or outstanding.

There are 5.0 million Voting Preference Shares authorized; no such shares have been issued.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited)

Three months ended March 31,

(millions)

Cash Flows From Operating Activities

| | 2015 | 2014 | |
|---|-----------|-----------|---|
| Net income | \$295.6 | \$321.3 | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 23.8 | 22.8 | |
| Amortization of fixed-income securities | 17.3 | 19.0 | |
| Amortization of equity-based compensation | 13.1 | 15.2 | |
| Net realized (gains) losses on securities | (33.0) | (119.4) |) |
| Net (gains) losses on disposition of property and equipment | 0.1 | 2.1 | |
| Changes in: | | | |
| Premiums receivable | (239.6) | (205.2) |) |
| Reinsurance recoverables | (25.3) | (21.3) |) |
| Prepaid reinsurance premiums | (14.0) | (6.9) |) |
| Deferred acquisition costs | (26.8) | (19.3) |) |
| Income taxes | 80.6 | 149.6 | |
| Unearned premiums | 414.4 | 285.6 | |
| Loss and loss adjustment expense reserves | 144.4 | 112.9 | |
| Accounts payable, accrued expenses, and other liabilities | 106.9 | 77.0 | |
| Other, net | 13.6 | 27.2 | |
| Net cash provided by operating activities | 771.1 | 660.6 | |
| Cash Flows From Investing Activities | | | |
| Purchases: | | | |
| Fixed maturities | (3,023.8) | (1,731.6) |) |
| Equity securities | (77.2) | (86.6) |) |
| Sales: | | | |
| Fixed maturities | 1,534.6 | 2,107.1 | |
| Equity securities | 88.9 | 362.5 | |
| Maturities, paydowns, calls, and other: | | | |
| Fixed maturities | 855.1 | 697.0 | |
| Equity securities | 0 | 14.3 | |
| Net sales (purchases) of short-term investments | (117.7) | (600.4) |) |
| Net unsettled security transactions | 64.5 | (411.3) |) |
| Purchases of property and equipment | (22.2) | (16.2) |) |
| Sales of property and equipment | 1.4 | 2.2 | |
| Net cash provided by (used in) investing activities | (696.4) | 337.0 |) |
| Cash Flows From Financing Activities | | | |
| Tax benefit from vesting of equity-based compensation | 6.3 | 10.7 | |
| Proceeds from debt issuance | 382.0 | 0 | |
| Dividends paid to shareholders ¹ | (403.6) | (892.6) |) |
| Acquisition of treasury shares | (65.9) | (94.7) |) |
| Net cash used in financing activities | (81.2) | (976.6) |) |
| Effect of exchange rate changes on cash | (0.4) | 0.6 |) |
| Increase (decrease) in cash | (6.9) | 21.6 |) |
| Cash, January 1 | 108.4 | 75.1 | |
| Cash, March 31 | \$101.5 | \$96.7 | |

¹Progressive maintains an annual dividend program. See Note 8 - Dividends for further discussion. See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

Note 1 Basis of Presentation — The consolidated financial statements include the accounts of The Progressive Corporation, its subsidiaries, a mutual insurance company affiliate, and a limited partnership investment affiliate. All of the subsidiaries and affiliates are wholly owned or controlled. The consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, were necessary for a fair statement of the results for the interim periods presented. The results of operations for the period ended March 31, 2015, are not necessarily indicative of the results expected for the full year. These consolidated financial statements and the notes thereto should be read in conjunction with Progressive's audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Included in other assets in the consolidated balance sheets for March 31, 2015 and 2014 and December 31, 2014, is \$8.7 million of "held for sale" property, which represents the fair value of this property less the estimated costs to sell.

Note 2 Investments — Our securities are reported at fair value, with the changes in fair value of these securities (other than hybrid securities and derivative instruments) reported as a component of accumulated other comprehensive income, net of deferred income taxes. The changes in fair value of the hybrid securities and derivative instruments are recorded as a component of net realized gains (losses) on securities.

The following tables present the composition of our investment portfolio by major security type, consistent with our classification of how we manage, monitor, and measure the portfolio:

| (\$ in millions) | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Net Realized Gains (Losses) ¹ | Fair Value | % of Total Fair Value | |
|--|------------|------------------------------|-------------------------------|---|---------------|--------------------------------|---|
| March 31, 2015 | | | | | | | |
| Fixed maturities: | | | | | | | |
| U.S. government obligations | \$2,678.1 | \$30.1 | \$0 | \$0 | \$2,708.2 | 13.7 | % |
| State and local government obligations | 2,224.8 | 50.0 | (1.0) |) 0 | 2,273.8 | 11.5 | |
| Foreign government obligations | 20.0 | 0 | 0 | 0 | 20.0 | 0.1 | |
| Corporate debt securities | 2,851.6 | 54.4 | (3.8) |) 1.8 | 2,904.0 | 14.6 | |
| Residential mortgage-backed securities | 1,629.2 | 32.4 | (13.1) |) (0.3) | 1,648.2 | 8.3 | |
| Commercial mortgage-backed securities | 2,437.4 | 50.1 | (1.1) |) 0.7 | 2,487.1 | 12.5 | |
| Other asset-backed securities | 1,896.1 | 4.9 | (0.3) |) 0.8 | 1,901.5 | 9.6 | |
| Redeemable preferred stocks | 260.3 | 23.3 | (6.6) |) 0 | 277.0 | 1.4 | |
| Total fixed maturities | 13,997.5 | 245.2 | (25.9) |) 3.0 | 14,219.8 | 71.7 | |
| Equity securities: | | | | | | | |
| Nonredeemable preferred stocks | 598.3 | 192.5 | (5.9) |) 43.2 | 828.1 | 4.2 | |
| Common equities | 1,295.0 | 1,226.7 | (6.0) |) 0 | 2,515.7 | 12.7 | |
| Short-term investments | 2,267.0 | 0 | 0 | 0 | 2,267.0 | 11.4 | |
| Total portfolio ^{2,3} | \$18,157.8 | \$1,664.4 | \$(37.8) |) \$46.2 | \$19,830.6 | 100.0 | % |

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| (\$ in millions) | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Net Realized Gains (Losses) ¹ | Fair Value | % of Total Fair Value |
|--|------------|------------------------|-------------------------|--|------------|-----------------------|
| March 31, 2014 | | | | | | |
| Fixed maturities: | | | | | | |
| U.S. government obligations | \$3,197.8 | \$39.0 | \$(6.8) | \$0 | \$3,230.0 | 18.5 % |
| State and local government obligations | 2,131.0 | 33.1 | (9.2) | 0 | 2,154.9 | 12.4 |
| Foreign government obligations | 17.9 | 0 | 0 | 0 | 17.9 | 0.1 |
| Corporate debt securities | 2,461.6 | 45.4 | (7.2) | 1.8 | 2,501.6 | 14.4 |
| Residential mortgage-backed securities | 1,286.7 | 32.6 | (11.9) | 0 | 1,307.4 | 7.5 |
| Commercial mortgage-backed securities | 2,037.7 | 41.5 | (17.6) | 0 | 2,061.6 | 11.9 |
| Other asset-backed securities | 936.2 | 6.6 | (0.6) | 0.3 | 942.5 | 5.4 |
| Redeemable preferred stocks | 266.9 | 29.6 | (6.2) | 0 | 290.3 | 1.7 |
| Total fixed maturities | 12,335.8 | 227.8 | (59.5) | 2.1 | 12,506.2 | 71.9 |
| Equity securities: | | | | | | |
| Nonredeemable preferred stocks | 460.7 | 263.7 | (1.2) | 14.7 | 737.9 | 4.2 |
| Common equities | 1,252.7 | 1,028.8 | (2.8) | 0 | 2,278.7 | 13.1 |
| Short-term investments | 1,872.9 | 0 | 0 | 0 | 1,872.9 | 10.8 |
| Total portfolio ^{2,3} | \$15,922.1 | \$1,520.3 | \$(63.5) | \$16.8 | \$17,395.7 | 100.0 % |

| (\$ in millions) | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Net Realized Gains (Losses) ¹ | Fair Value | % of Total Fair Value |
|--|------------|------------------------|-------------------------|--|------------|-----------------------|
| December 31, 2014 | | | | | | |
| Fixed maturities: | | | | | | |
| U.S. government obligations | \$2,641.1 | \$27.3 | \$(1.3) | \$0 | \$2,667.1 | 14.0 % |
| State and local government obligations | 2,095.7 | 44.6 | (1.1) | 0 | 2,139.2 | 11.2 |
| Foreign government obligations | 14.2 | 0 | 0 | 0 | 14.2 | 0.1 |
| Corporate debt securities | 2,813.9 | 32.9 | (10.4) | 0.3 | 2,836.7 | 14.9 |
| Residential mortgage-backed securities | 1,635.5 | 34.5 | (10.8) | (0.7) | 1,658.5 | 8.7 |
| Commercial mortgage-backed securities | 2,278.7 | 39.3 | (2.6) | 0.2 | 2,315.6 | 12.2 |
| Other asset-backed securities | 1,634.9 | 3.8 | (0.8) | 0.8 | 1,638.7 | 8.6 |
| Redeemable preferred stocks | 260.2 | 24.7 | (5.7) | 0 | 279.2 | 1.5 |
| Total fixed maturities | 13,374.2 | 207.1 | (32.7) | 0.6 | 13,549.2 | 71.2 |
| Equity securities: | | | | | | |
| Nonredeemable preferred stocks | 590.4 | 201.1 | (6.4) | 42.4 | 827.5 | 4.4 |
| Common equities | 1,289.2 | 1,213.2 | (10.1) | 0 | 2,492.3 | 13.1 |
| Short-term investments | 2,149.0 | 0 | 0 | 0 | 2,149.0 | 11.3 |
| Total portfolio ^{2,3} | \$17,402.8 | \$1,621.4 | \$(49.2) | \$43.0 | \$19,018.0 | 100.0 % |

¹Represents net holding period gains (losses) on certain hybrid securities (discussed below).

²Our portfolio reflects the effect of unsettled security transactions and collateral on open derivative positions; at March 31, 2015, \$95.8 million was included in "other liabilities," compared to \$350.0 million included in "other assets" at March 31, 2014 and \$31.3 million included in "other liabilities" at December 31, 2014.

³The total fair value of the portfolio at March 31, 2015 and 2014, and December 31, 2014 included \$1.7 billion, \$0.8 billion, and \$1.9 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding

company, net of any unsettled security transactions.

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Short-Term Investments Our short-term investments may include commercial paper and other investments that are expected to mature within one year. We did not hold any repurchase transactions where we lent collateral at March 31, 2015, March 31, 2014, or December 31, 2014. To the extent our repurchase transactions were with the same counterparty and subject to an enforceable master netting arrangement, we could elect to offset these transactions. Consistent with past practice, we have elected not to offset these transactions and therefore report these transactions on a gross basis on our balance sheets.

Also included in short-term investments are reverse repurchase commitment transactions, where we loan cash to internally approved counterparties and receive U.S. Treasury Notes pledged as collateral against the cash borrowed. Our exposure to credit risk is limited due to the nature of the collateral (i.e., U.S. Treasury Notes) received. We have counterparty exposure on these trades in the event of a counterparty default to the extent the general collateral security's value is below the amount of cash we delivered to acquire the collateral. The short-term duration of the transactions (primarily overnight) reduces that exposure.

We had no open reverse repurchase commitments at March 31, 2015 or December 31, 2014, compared to \$140.0 million with one counterparty at March 31, 2014. For the three months ended March 31, 2015, our largest outstanding balance of reverse repurchase commitments was \$215.0 million, which was open for one day; the average daily balance of reverse repurchase commitments was \$137.7 million.

Hybrid Securities Included in our fixed-maturity and equity securities are hybrid securities, which are reported at fair value:

| (millions) | March 31, 2015 | 2014 | December 31, 2014 |
|--|-------------------|----------------|----------------------|
| Fixed maturities: | | | |
| Corporate debt securities | \$ 132.9 | \$ 145.7 | \$ 139.8 |
| Residential mortgage-backed securities | 111.7 | 0 | 120.7 |
| Commercial mortgage-backed securities | 18.0 | 0 | 31.2 |
| Other asset-backed securities | 13.1 | 13.9 | 13.7 |
| Total fixed maturities | 275.7 | 159.6 | 305.4 |
| Equity securities: | | | |
| Nonredeemable preferred stocks | 137.2 | 63.8 | 122.3 |
| Total hybrid securities | \$412.9 | \$223.4 | \$427.7 |

Certain corporate debt securities are accounted for as hybrid securities since they were acquired at a premium and contain a change-in-control put option (derivative) that permits the investor, at its sole option if and when a change in control is triggered, to put the security back to the issuer at a 1% premium to par. Due to this change-in-control put option and the substantial market premium paid to acquire these securities, there is the potential that the election to put, upon the change in control, would result in an acceleration of the recognition of the remaining premium paid on these securities in our results of operations. This would result in a loss of \$8.2 million as of March 31, 2015, if all of the bonds experienced a simultaneous change in control and we elected to exercise all of our put options. The put feature limits the potential loss in value that could be experienced in the event a corporate action occurs that results in a change in control that materially diminishes the credit quality of the issuer. We are under no obligation to exercise the put option we hold if a change in control occurs.

The residential mortgage-backed securities accounted for as hybrid securities are obligations of the issuer with payments of principal based on the performance of a reference pool of loans. This embedded derivative results in the securities incorporating the risk of default from both the issuer and the related loan pool.

The commercial mortgage-backed securities in the table above contain fixed interest rate reset features that will increase the coupons in the event the securities are not fully paid off on the anticipated repayment date. These reset features have the potential to more than double our initial purchase yield for each security.

The other asset-backed security in the table above represents one hybrid security that was acquired at a deep discount to par due to a failing auction, and contains a put option that allows the investor to put that security back to the auction at par if the auction is restored. This embedded derivative has the potential to more than double our initial investment yield at acquisition.

The hybrid securities in our nonredeemable preferred stock portfolio are perpetual preferred stocks that have call features with fixed-rate coupons, whereby the change in value of the call features is a component of the overall change in value of the preferred stocks.

Fixed Maturities The composition of fixed maturities by maturity at March 31, 2015, was:

| (millions) | Cost | Fair Value |
|----------------------|------------|------------|
| Less than one year | \$3,839.1 | \$3,878.2 |
| One to five years | 6,771.6 | 6,848.9 |
| Five to ten years | 3,318.8 | 3,413.5 |
| Ten years or greater | 67.9 | 79.1 |
| Total ¹ | \$13,997.4 | \$14,219.7 |

¹Excludes \$0.1 million related to our open interest rate swap positions.

Asset-backed securities are classified in the maturity distribution table based upon their projected cash flows. All other securities which do not have a single maturity date are reported based upon expected average maturity. Contractual maturities may differ from expected maturities because the issuers of the securities may have the right to call or prepay obligations.

Gross Unrealized Losses As of March 31, 2015, we had \$31.8 million of gross unrealized losses in our fixed-income securities (i.e., fixed-maturity securities, nonredeemable preferred stocks, and short-term investments) and \$6.0 million in our common equities. We currently do not intend to sell the fixed-income securities and determined that it is more likely than not that we will not be required to sell these securities for the period of time necessary to recover their cost bases. A review of our fixed-income securities indicated that the issuers were current with respect to their interest obligations and that there was no evidence of any deterioration of the current cash flow projections that would indicate we would not receive the remaining principal at maturity. For common equities, 89% of our common stock portfolio was indexed to the Russell 1000; as such, this portfolio may contain securities in a loss position for an extended period of time, subject to possible write-downs, as described below. We may retain these securities as long as the portfolio and index correlation remain similar. To the extent there is issuer-specific deterioration, we may write-down the securities of that issuer. The remaining 11% of our common stocks were part of a managed equity strategy selected and administered by external investment advisors. If our review of loss position securities indicates there was a fundamental, or market, impairment on these securities that was determined to be other-than-temporary, we would recognize a write-down in accordance with our stated policy.

The following tables show the composition of gross unrealized losses by major security type and by the length of time that individual securities have been in a continuous unrealized loss position:

| (\$ in millions) | Total No. of Sec. | Total Fair Value | Gross Unrealized Losses | Less than 12 Months | | | 12 Months or Greater | | |
|--|-------------------|------------------|-------------------------|---------------------|------------|-------------------|----------------------|------------|-------------------|
| | | | | No. of Sec. | Fair Value | Unrealized Losses | No. of Sec. | Fair Value | Unrealized Losses |
| March 31, 2015 | | | | | | | | | |
| Fixed maturities: | | | | | | | | | |
| U.S. government obligations | 1 | \$7.2 | \$0 | 1 | \$7.2 | \$0 | 0 | \$0 | \$0 |
| State and local government obligations | 57 | 270.3 | (1.0) | 42 | 231.8 | (0.5) | 15 | 38.5 | (0.5) |
| Corporate debt securities | 25 | 390.3 | (3.8) | 17 | 242.4 | (2.3) | 8 | 147.9 | (1.5) |
| Residential mortgage-backed securities | 80 | 1,013.9 | (13.1) | 34 | 540.6 | (3.1) | 46 | 473.3 | (10.0) |
| Commercial mortgage-backed securities | 59 | 564.2 | (1.1) | 53 | 560.8 | (1.0) | 6 | 3.4 | (0.1) |
| Other asset-backed securities | 30 | 490.9 | (0.3) | 29 | 472.4 | (0.1) | 1 | 18.5 | (0.2) |
| Redeemable preferred stocks | 3 | 102.1 | (6.6) | 1 | 33.0 | (1.0) | 2 | 69.1 | (5.6) |
| Total fixed maturities | 255 | 2,838.9 | (25.9) | 177 | 2,088.2 | (8.0) | 78 | 750.7 | (17.9) |
| Equity securities: | | | | | | | | | |

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| | | | | | | | | | | |
|--------------------------------|-----|-----------|---------|-------|-----------|---------|------|---------|---------|---|
| Nonredeemable preferred stocks | 5 | 183.1 | (5.9 |) 2 | 74.5 | (2.2 |) 3 | 108.6 | (3.7 |) |
| Common equities | 40 | 58.3 | (6.0 |) 40 | 58.3 | (6.0 |) 0 | 0 | 0 | |
| Total equity securities | 45 | 241.4 | (11.9 |) 42 | 132.8 | (8.2 |) 3 | 108.6 | (3.7 |) |
| Total portfolio | 300 | \$3,080.3 | \$(37.8 |) 219 | \$2,221.0 | \$(16.2 |) 81 | \$859.3 | \$(21.6 |) |

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| (\$ in millions) | Total No. of Sec. | Total Fair Value | Gross Unrealized Losses | Less than 12 Months | | | 12 Months or Greater | | |
|--|-------------------|------------------|-------------------------|---------------------|------------|-------------------|----------------------|------------|-------------------|
| | | | | No. of Sec. | Fair Value | Unrealized Losses | No. of Sec. | Fair Value | Unrealized Losses |
| March 31, 2014 | | | | | | | | | |
| Fixed maturities: | | | | | | | | | |
| U.S. government obligations | 18 | \$930.4 | \$(6.8) | 5 | \$163.1 | \$(0.3) | 13 | \$767.3 | \$(6.5) |
| State and local government obligations | 106 | 603.0 | (9.2) | 28 | 76.8 | (0.6) | 78 | 526.2 | (8.6) |
| Corporate debt securities | 31 | 594.3 | (7.2) | 7 | 101.6 | (0.4) | 24 | 492.7 | (6.8) |
| Residential mortgage-backed securities | 66 | 812.6 | (11.9) | 24 | 359.7 | (1.9) | 42 | 452.9 | (10.0) |
| Commercial mortgage-backed securities | 59 | 783.7 | (17.6) | 19 | 116.7 | (0.2) | 40 | 667.0 | (17.4) |
| Other asset-backed securities | 8 | 112.7 | (0.6) | 4 | 36.8 | (0.1) | 4 | 75.9 | (0.5) |
| Redeemable preferred stocks | 3 | 93.5 | (6.2) | 0 | 0 | 0 | 3 | 93.5 | (6.2) |
| Total fixed maturities | 291 | 3,930.2 | (59.5) | 87 | 854.7 | (3.5) | 204 | 3,075.5 | (56.0) |
| Equity securities: | | | | | | | | | |
| Nonredeemable preferred stocks | 3 | 84.3 | (1.2) | 0 | 0 | 0 | 3 | 84.3 | (1.2) |
| Common equities | 9 | 34.0 | (2.8) | 7 | 23.1 | (1.6) | 2 | 10.9 | (1.2) |
| Total equity securities | 12 | 118.3 | (4.0) | 7 | 23.1 | (1.6) | 5 | 95.2 | (2.4) |
| Total portfolio | 303 | \$4,048.5 | \$(63.5) | 94 | \$877.8 | \$(5.1) | 209 | \$3,170.7 | \$(58.4) |
| (\$ in millions) | Total No. of Sec. | Total Fair Value | Gross Unrealized Losses | Less than 12 Months | | | 12 Months or Greater | | |
| | | | | No. of Sec. | Fair Value | Unrealized Losses | No. of Sec. | Fair Value | Unrealized Losses |
| December 31, 2014 | | | | | | | | | |
| Fixed maturities: | | | | | | | | | |
| U.S. government obligations | 11 | \$428.2 | \$(1.3) | 5 | \$150.7 | \$(0.3) | 6 | \$277.5 | \$(1.0) |
| State and local government obligations | 46 | 234.2 | (1.1) | 28 | 177.9 | (0.4) | 18 | 56.3 | (0.7) |
| Corporate debt securities | 53 | 843.2 | (10.4) | 43 | 647.5 | (6.1) | 10 | 195.7 | (4.3) |
| Residential mortgage-backed securities | 70 | 844.2 | (10.8) | 33 | 465.2 | (3.1) | 37 | 379.0 | (7.7) |
| Commercial mortgage-backed securities | 63 | 723.4 | (2.6) | 54 | 667.5 | (1.4) | 9 | 55.9 | (1.2) |
| Other asset-backed securities | 44 | 741.8 | (0.8) | 42 | 715.7 | (0.7) | 2 | 26.1 | (0.1) |
| Redeemable preferred stocks | 3 | 103.0 | (5.7) | 1 | 33.0 | (1.0) | 2 | 70.0 | (4.7) |
| Total fixed maturities | 290 | 3,918.0 | (32.7) | 206 | 2,857.5 | (13.0) | 84 | 1,060.5 | (19.7) |
| Equity securities: | | | | | | | | | |
| Nonredeemable preferred stocks | 8 | 231.4 | (6.4) | 5 | 143.2 | (3.6) | 3 | 88.2 | (2.8) |
| Common equities | 20 | 68.4 | (10.1) | 19 | 61.8 | (9.6) | 1 | 6.6 | (0.5) |
| Total equity securities | 28 | 299.8 | (16.5) | 24 | 205.0 | (13.2) | 4 | 94.8 | (3.3) |
| Total portfolio | 318 | \$4,217.8 | \$(49.2) | 230 | \$3,062.5 | \$(26.2) | 88 | \$1,155.3 | \$(23.0) |

Since both March 31, 2014 and December 31, 2014, the number of securities in our fixed-maturity portfolio with unrealized losses decreased, reflecting a combination of an increase in prices associated with a general decline in interest rates at certain maturities, as well as sales of securities for portfolio management reasons. We had no material decreases in valuation as a result of credit rating downgrades on our fixed-maturity securities. All of the

fixed-maturity securities in an unrealized loss position at March 31, 2015 in the table above are current with respect to required principal and interest payments. Since December 31, 2014, our nonredeemable preferred stocks decreased to five securities with unrealized losses, averaging approximately 3% of their total cost. We reviewed these securities and concluded that the unrealized losses are market-related adjustments to the values, which we determined not to be other-than-temporary; we expect to recover our initial investments on these securities. The number of issuers with unrealized losses in our common stock portfolio increased during the first quarter 2015, though the total gross unrealized loss for the portfolio decreased during the period. A review of the securities in a loss position did not uncover fundamental issues with the issuers that would indicate other-than-temporary impairments existed. Additionally, expectations for recovery in the next 12 months would put the fair values at or above our current book values. Lastly, we determined, as of the balance sheet date, that it was not likely these securities would be sold prior to that recovery.

Other-Than-Temporary Impairment (OTTI) The following table shows the total non-credit portion of the OTTI recorded in accumulated other comprehensive income, reflecting the original non-credit loss at the time the credit impairment was determined:

| (millions) | March 31, 2015 | 2014 | December 31, 2014 |
|--|-------------------|-----------|----------------------|
| Fixed maturities: | | | |
| Residential mortgage-backed securities | \$(44.1 |) \$(44.1 |) \$(44.1 |
| Commercial mortgage-backed securities | (0.6 |) (0.9 |) (0.6 |
| Total fixed maturities | \$(44.7 |) \$(45.0 |) \$(44.7 |

The following tables provide rollforwards of the amounts related to credit losses recognized in earnings for the periods ended March 31, 2015 and 2014, for which a portion of the OTTI losses were also recognized in accumulated other comprehensive income at the time the credit impairments were determined and recognized:

| (millions) | Three Months Ended March 31, 2015 | | |
|---|-----------------------------------|------------|--------|
| | Mortgage-Backed | | |
| | Residential | Commercial | Total |
| Balance at December 31, 2014 | \$12.7 | \$ 0.4 | \$13.1 |
| Change in recoveries of future cash flows expected to be collected ¹ | (0.5 |) 0 | (0.5 |
| Balance at March 31, 2015 | \$12.2 | \$ 0.4 | \$12.6 |

| (millions) | Three Months Ended March 31, 2014 | | |
|---|-----------------------------------|------------|--------|
| | Mortgage-Backed | | |
| | Residential | Commercial | Total |
| Balance at December 31, 2013 | \$19.2 | \$ 0.4 | \$19.6 |
| Change in recoveries of future cash flows expected to be collected ¹ | (0.1 |) 0 | (0.1 |
| Balance at March 31, 2014 | \$19.1 | \$ 0.4 | \$19.5 |

¹Reflects the current period change in the expected recovery of prior impairments that will be accreted into income over the remaining life of the security.

Although we determined it is more likely than not that we will not be required to sell the securities prior to the recovery of their respective cost bases (which could be maturity), we are required to measure the amount of potential credit losses on the securities that were in an unrealized loss position. In that process, we considered a number of factors and inputs related to the individual securities. The methodology and significant inputs used to measure the amount of credit losses in our portfolio included: current performance indicators on the underlying assets (e.g., delinquency rates, foreclosure rates, and default rates); credit support (via current levels of subordination); historical credit ratings; and updated cash flow expectations based upon these performance indicators. In order to determine the amount of credit loss, if any, the net present value of the cash flows expected (i.e., expected recovery value) was calculated using the current book yield for each security, and was compared to its current amortized value. In the event that the net present value was below the amortized value, a credit loss was deemed to exist, and the security was written down. We did not have any credit impairment write-downs as of March 31, 2015 or 2014.

Realized Gains (Losses) The components of net realized gains (losses) for the three months ended March 31, were:

| (millions) | 2015 | 2014 | | |
|--|--------|---------|---|--|
| Gross realized gains on security sales | | | | |
| Fixed maturities: | | | | |
| U.S. government obligations | \$4.9 | \$6.5 | | |
| State and local government obligations | 0 | 4.4 | | |
| Corporate and other debt securities | 9.1 | 23.1 | | |
| Residential mortgage-backed securities | 0.1 | 1.0 | | |
| Commercial mortgage-backed securities | 10.8 | 6.1 | | |
| Total fixed maturities | 24.9 | 41.1 | | |
| Equity securities: | | | | |
| Nonredeemable preferred stocks | 15.8 | 25.9 | | |
| Common equities | 17.8 | 83.0 | | |
| Subtotal gross realized gains on security sales | 58.5 | 150.0 | | |
| Gross realized losses on security sales | | | | |
| Fixed maturities: | | | | |
| U.S. government obligations | (0.8 |) (4.7 |) | |
| State and local government obligations | 0 | (0.1 |) | |
| Corporate and other debt securities | (0.8 |) (2.2 |) | |
| Commercial mortgage-backed securities | (0.2 |) (2.7 |) | |
| Redeemable preferred stocks | 0 | (3.2 |) | |
| Total fixed maturities | (1.8 |) (12.9 |) | |
| Equity securities: | | | | |
| Common equities | (0.4 |) (3.4 |) | |
| Subtotal gross realized losses on security sales | (2.2 |) (16.3 |) | |
| Net realized gains (losses) on security sales | | | | |
| Fixed maturities: | | | | |
| U.S. government obligations | 4.1 | 1.8 | | |
| State and local government obligations | 0 | 4.3 | | |
| Corporate and other debt securities | 8.3 | 20.9 | | |
| Residential mortgage-backed securities | 0.1 | 1.0 | | |
| Commercial mortgage-backed securities | 10.6 | 3.4 | | |
| Redeemable preferred stocks | 0 | (3.2 |) | |
| Total fixed maturities | 23.1 | 28.2 | | |
| Equity securities: | | | | |
| Nonredeemable preferred stocks | 15.8 | 25.9 | | |
| Common equities | 17.4 | 79.6 | | |
| Subtotal net realized gains (losses) on security sales | 56.3 | 133.7 | | |
| Other-than-temporary impairment losses | | | | |
| Equity securities: | | | | |
| Common equities | (7.9 |) 0 | | |
| Subtotal other-than-temporary impairment losses | (7.9 |) 0 | | |
| Other gains (losses) | | | | |
| Hybrid securities | 3.3 | 3.8 | | |
| Derivative instruments | (18.8 |) (19.3 |) | |
| Litigation settlements | 0.1 | 1.2 | | |
| Subtotal other gains (losses) | (15.4 |) (14.3 |) | |
| Total net realized gains (losses) on securities | \$33.0 | \$119.4 | | |

Gross realized gains and losses were predominantly the result of sales transactions in our fixed-income portfolio related to movements in credit spreads and interest rates and sales from our equity portfolios. In addition, gains and losses reflect recoveries from litigation settlements and holding period valuation changes on hybrids and derivatives. Also included are write-downs for securities determined to be other-than-temporarily impaired in our equity portfolio.

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Net Investment Income The components of net investment income for the three months ended March 31, were:

| (millions) | 2015 | 2014 |
|--|--------|--------|
| Fixed maturities: | | |
| U.S. government obligations | \$9.1 | \$13.0 |
| State and local government obligations | 11.9 | 12.8 |
| Foreign government obligations | 0.1 | 0.1 |
| Corporate debt securities | 22.9 | 22.0 |
| Residential mortgage-backed securities | 12.8 | 9.9 |
| Commercial mortgage-backed securities | 16.9 | 16.7 |
| Other asset-backed securities | 5.0 | 4.2 |
| Redeemable preferred stocks | 3.8 | 4.1 |
| Total fixed maturities | 82.5 | 82.8 |
| Equity securities: | | |
| Nonredeemable preferred stocks | 10.5 | 9.9 |
| Common equities | 11.7 | 10.4 |
| Short-term investments | 0.4 | 0.2 |
| Investment income | 105.1 | 103.3 |
| Investment expenses | (5.3 |)(4.1 |
| Net investment income | \$99.8 | \$99.2 |

Trading Securities At March 31, 2015 and 2014, and December 31, 2014, we did not hold any trading securities and did not have any net realized gains (losses) on trading securities for the three months ended March 31, 2015 and 2014.

Derivative Instruments For all derivative positions discussed below, realized holding period gains and losses are netted with any upfront cash that may be exchanged under the contract to determine if the net position should be classified either as an asset or liability. To be reported as a net derivative asset and a component of the available-for-sale portfolio, the inception-to-date realized gain on the derivative position at period end would have to exceed any upfront cash received. On the other hand, a net derivative liability would include any inception-to-date realized loss plus the amount of upfront cash received (or netted, if upfront cash was paid) and would be reported as a component of other liabilities. These net derivative assets/liabilities are not separately disclosed on the balance sheet due to their immaterial effect on our financial condition, cash flows, and results of operations.

The following table shows the status of our derivative instruments at March 31, 2015 and 2014, and December 31, 2014, and for the three months ended March 31, 2015 and 2014:

| (millions) | | | | | Balance Sheet ² | | | Comprehensive Income Statement | | |
|-----------------------------|-----------------------------|----------------|---------------|---------------------------|------------------------------|---------------------------------|----------------|------------------------------------|----------------|----------------|
| | Notional Value ¹ | | | Purpose | Classification | Assets (Liabilities) Fair Value | | Pretax Net Realized Gains (Losses) | | |
| | March 31, 2015 | March 31, 2014 | Dec. 31, 2014 | | | March 31, 2015 | March 31, 2014 | Dec. 31, 2014 | March 31, 2015 | March 31, 2014 |
| Derivatives designated as: | | | | | | | | | | |
| Hedging instruments | | | | | | | | | | |
| Closed: | | | | | | | | | | |
| Ineffective cash flow hedge | \$0 | \$0 | \$44 | Manage interest rate risk | NA | \$0 | \$0 | \$0 | \$0 | \$0 |
| Non-hedging instruments | | | | | | | | | | |
| Assets: | | | | | | | | | | |
| Interest rate swaps | 750 | 750 | 750 | Manage portfolio duration | Investments—fixed maturities | 0.1 | 51.9 | 15.8 | (18.8) | (19.3) |
| Total | NA | NA | NA | | | \$0.1 | \$51.9 | \$15.8 | \$(18.8) | \$(19.3) |

¹The amounts represent the value held at quarter and year end for open positions and the maximum amount held during the period for closed positions.

²To the extent we hold both derivative assets and liabilities with the same counterparty that are subject to an enforceable master netting arrangement, we expect that we will report them on a gross basis on our balance sheets, consistent with our historical presentation.

NA= Not Applicable

CASH FLOW HEDGES

In January 2015, upon issuance of \$400 million of 3.70% Senior Notes due 2045 (the "3.70% Senior Notes"), we closed a forecasted debt issuance hedge, which was entered into to hedge against a possible rise in interest rates, and recognized a \$12.9 million pretax loss as part of accumulated other comprehensive income (loss); the loss will be recognized as an adjustment to interest expense and amortized over the life of the 3.70% Senior Notes.

Our ineffective cash flow hedge, which is reflected in the table above, resulted from the repurchase of a portion of our 6.70% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067 during 2014, and we reclassified the unrealized gain on forecasted transactions to net realized gains on securities. There was no repurchase activity during the first quarter of 2015 or 2014.

See Note 4 – Debt for further discussion.

INTEREST RATE SWAPS

We use interest rate swap contracts primarily to manage the fixed-income portfolio duration. At March 31, 2015 and 2014, and December 31, 2014, we held interest rate swap positions for which we are paying a fixed rate and receiving a variable rate, effectively shortening the duration of our fixed-income portfolio. Since inception, interest rates have increased slightly; however, as interest rates fell during 2015, our fair value gain decreased by \$15.7 million.

As of March 31, 2015, the balance of the cash collateral that we delivered to the applicable counterparties on the positions was \$4.7 million. As of March 31, 2014 and December 31, 2014, the balance of the cash collateral that we had received from the applicable counterparties on the positions was \$43.3 million and \$16.1 million, respectively.

Note 3 Fair Value — We have categorized our financial instruments, based on the degree of subjectivity inherent in the method by which they are valued, into a fair value hierarchy of three levels, as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical instruments at the measurement date (e.g., U.S. government obligations, active exchange-traded equity securities, and certain short-term securities).

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly (e.g., certain corporate and municipal bonds and certain preferred stocks). This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are unobservable. Unobservable inputs reflect our subjective evaluation about the assumptions market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).

Determining the fair value of the investment portfolio is the responsibility of management. As part of the responsibility, we evaluate whether a market is distressed or inactive in determining the fair value for our portfolio. We review certain market level inputs to evaluate whether sufficient activity, volume, and new issuances exist to create an active market. Based on this evaluation, we concluded that there was sufficient activity related to the sectors and securities for which we obtained valuations.

The composition of the investment portfolio by major security type and our outstanding debt was:

| (millions) | Fair Value | | | Total | Cost |
|--|------------|------------|---------|------------|------------|
| | Level 1 | Level 2 | Level 3 | | |
| March 31, 2015 | | | | | |
| Fixed maturities: | | | | | |
| U.S. government obligations | \$2,708.2 | \$0 | \$0 | \$2,708.2 | \$2,678.1 |
| State and local government obligations | 0 | 2,273.8 | 0 | 2,273.8 | 2,224.8 |
| Foreign government obligations | 20.0 | 0 | 0 | 20.0 | 20.0 |
| Corporate debt securities | 0 | 2,904.0 | 0 | 2,904.0 | 2,851.6 |
| Subtotal | 2,728.2 | 5,177.8 | 0 | 7,906.0 | 7,774.5 |
| Asset-backed securities: | | | | | |
| Residential mortgage-backed | 0 | 1,648.2 | 0 | 1,648.2 | 1,629.2 |
| Commercial mortgage-backed | 0 | 2,475.7 | 11.4 | 2,487.1 | 2,437.4 |
| Other asset-backed | 0 | 1,901.5 | 0 | 1,901.5 | 1,896.1 |
| Subtotal asset-backed securities | 0 | 6,025.4 | 11.4 | 6,036.8 | 5,962.7 |
| Redeemable preferred stocks: | | | | | |
| Financials | 0 | 98.2 | 0 | 98.2 | 77.3 |
| Utilities | 0 | 64.4 | 0 | 64.4 | 65.0 |
| Industrials | 0 | 114.4 | 0 | 114.4 | 118.0 |
| Subtotal redeemable preferred stocks | 0 | 277.0 | 0 | 277.0 | 260.3 |
| Total fixed maturities | 2,728.2 | 11,480.2 | 11.4 | 14,219.8 | 13,997.5 |
| Equity securities: | | | | | |
| Nonredeemable preferred stocks: | | | | | |
| Financials | 181.7 | 576.5 | 69.9 | 828.1 | 598.3 |
| Subtotal nonredeemable preferred stocks | 181.7 | 576.5 | 69.9 | 828.1 | 598.3 |
| Common equities: | | | | | |
| Common stocks | 2,515.4 | 0 | 0 | 2,515.4 | 1,294.7 |
| Other risk investments | 0 | 0 | 0.3 | 0.3 | 0.3 |
| Subtotal common equities | 2,515.4 | 0 | 0.3 | 2,515.7 | 1,295.0 |
| Total fixed maturities and equity securities | 5,425.3 | 12,056.7 | 81.6 | 17,563.6 | 15,890.8 |
| Short-term investments | 2,267.0 | 0 | 0 | 2,267.0 | 2,267.0 |
| Total portfolio | \$7,692.3 | \$12,056.7 | \$81.6 | \$19,830.6 | \$18,157.8 |
| Debt | \$0 | \$2,910.9 | \$0 | \$2,910.9 | \$2,560.1 |

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| (millions) | Fair Value | | | Total | Cost |
|--|------------|-----------|---------|------------|------------|
| | Level 1 | Level 2 | Level 3 | | |
| March 31, 2014 | | | | | |
| Fixed maturities: | | | | | |
| U.S. government obligations | \$3,230.0 | \$0 | \$0 | \$3,230.0 | \$3,197.8 |
| State and local government obligations | 0 | 2,154.9 | 0 | 2,154.9 | 2,131.0 |
| Foreign government obligations | 17.9 | 0 | 0 | 17.9 | 17.9 |
| Corporate debt securities | 0 | 2,501.6 | 0 | 2,501.6 | 2,461.6 |
| Subtotal | 3,247.9 | 4,656.5 | 0 | 7,904.4 | 7,808.3 |
| Asset-backed securities: | | | | | |
| Residential mortgage-backed | 0 | 1,307.4 | 0 | 1,307.4 | 1,286.7 |
| Commercial mortgage-backed | 0 | 2,033.0 | 28.6 | 2,061.6 | 2,037.7 |
| Other asset-backed | 0 | 942.5 | 0 | 942.5 | 936.2 |
| Subtotal asset-backed securities | 0 | 4,282.9 | 28.6 | 4,311.5 | 4,260.6 |
| Redeemable preferred stocks: | | | | | |
| Financials | 0 | 107.4 | 0 | 107.4 | 84.2 |
| Utilities | 0 | 65.2 | 0 | 65.2 | 64.9 |
| Industrials | 0 | 117.7 | 0 | 117.7 | 117.8 |
| Subtotal redeemable preferred stocks | 0 | 290.3 | 0 | 290.3 | 266.9 |
| Total fixed maturities | 3,247.9 | 9,229.7 | 28.6 | 12,506.2 | 12,335.8 |
| Equity securities: | | | | | |
| Nonredeemable preferred stocks: | | | | | |
| Financials | 284.0 | 411.8 | 42.1 | 737.9 | 460.7 |
| Subtotal nonredeemable preferred stocks | 284.0 | 411.8 | 42.1 | 737.9 | 460.7 |
| Common equities: | | | | | |
| Common stocks | 2,278.3 | 0 | 0 | 2,278.3 | 1,252.3 |
| Other risk investments | 0 | 0 | 0.4 | 0.4 | 0.4 |
| Subtotal common equities | 2,278.3 | 0 | 0.4 | 2,278.7 | 1,252.7 |
| Total fixed maturities and equity securities | 5,810.2 | 9,641.5 | 71.1 | 15,522.8 | 14,049.2 |
| Short-term investments | 1,611.7 | 261.2 | 0 | 1,872.9 | 1,872.9 |
| Total portfolio | \$7,421.9 | \$9,902.7 | \$71.1 | \$17,395.7 | \$15,922.1 |
| Debt | \$0 | \$2,152.5 | \$0 | \$ | |