

HANOVER INSURANCE GROUP, INC.
Form 10-Q
August 01, 2014

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 June 30, 2014

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 1-13754

THE HANOVER INSURANCE GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware 04-3263626
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)
440 Lincoln Street, Worcester, Massachusetts 01653

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(Address of principal executive offices) (Zip Code)

(508) 855-1000

(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 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.

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

The number of shares outstanding of the registrant's common stock was 44,189,747 as of July 30, 2014.

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PART I - FINANCIAL INFORMATION
 ITEM 1 - FINANCIAL STATEMENTS

THE HANOVER INSURANCE GROUP, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In millions, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Revenues				
Premiums	\$ 1,174.7	\$ 1,090.8	\$ 2,337.7	\$ 2,185.1
Net investment income	67.0	67.9	134.0	135.2
Net realized investment gains (losses):				

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Net realized gains from sales and other	22.3	14.8	26.7	23.4
Net other-than-temporary impairment losses on investments recognized in earnings	(0.1)	(1.1)	(0.1)	(1.6)
Total net realized investment gains	22.2	13.7	26.6	21.8
Fees and other income	9.1	10.2	18.6	20.8
Total revenues	1,273.0	1,182.6	2,516.9	2,362.9
Losses and expenses				
Losses and loss adjustment expenses	725.5	692.1	1,476.0	1,375.5
Amortization of deferred acquisition costs	259.6	232.7	513.3	475.2
Interest expense	16.3	17.4	32.6	32.1
Other operating expenses	163.9	174.5	315.2	325.3
Total losses and expenses	1,165.3	1,116.7	2,337.1	2,208.1
Income before income taxes	107.7	65.9	179.8	154.8
Income tax expense (benefit):				
Current	(1.6)	(0.5)	7.6	3.5
Deferred	26.8	13.3	35.0	31.8
Total income tax expense	25.2	12.8	42.6	35.3
Income from continuing operations	82.5	53.1	137.2	119.5
Net gain from discontinued operations (net of tax benefit (expense) of \$0.1 and \$(0.1) for the three months ended June 30, 2014 and June 30, 2013 and \$0.2 for the six months ended June 30, 2014)	0.1	0.3	-	0.1
Net income	\$ 82.6	\$ 53.4	\$ 137.2	\$ 119.6
Earnings per common share:				
Basic:				
Income from continuing operations	\$ 1.87	\$ 1.21	\$ 3.12	\$ 2.70
Net gain from discontinued operations	0.01	-	-	-
Net income per share	\$ 1.88	\$ 1.21	\$ 3.12	\$ 2.70
Weighted average shares outstanding	44.1	44.0	44.0	44.3
Diluted:				
Income from continuing operations	\$ 1.84	\$ 1.19	\$ 3.06	\$ 2.65
Net gain from discontinued operations	-	-	-	0.01
Net income per share	\$ 1.84	\$ 1.19	\$ 3.06	\$ 2.66
Weighted average shares outstanding	44.9	44.8	44.8	45.0

The accompanying notes are an integral part of these interim consolidated financial statements.

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THE HANOVER INSURANCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In millions)	Three Months		Six Months Ended	
	Ended June 30, 2014	2013	June 30, 2014	2013
Net income	\$ 82.6	\$ 53.4	\$ 137.2	\$ 119.6
Other comprehensive income (loss), net of tax:				
Available-for-sale securities and derivative instruments:				
Net appreciation (depreciation) during the period	34.3	(138.2)	81.5	(132.7)
Change in other-than-temporary impairment losses recognized in other comprehensive income	-	0.8	1.6	0.7
Total available-for-sale securities and derivative instruments	34.3	(137.4)	83.1	(132.0)
Pension and postretirement benefits:				
Amortization recognized as net periodic benefit and postretirement cost	1.6	4.1	3.4	6.0
Cumulative foreign currency translation adjustment:				
Amount recognized as cumulative foreign currency translation during the period	3.1	(0.1)	3.0	(10.1)
Total other comprehensive income (loss), net of tax	39.0	(133.4)	89.5	(136.1)
Comprehensive income (loss)	\$ 121.6	\$ (80.0)	\$ 226.7	\$ (16.5)

The accompanying notes are an integral part of these interim consolidated financial statements.

Table of ContentsTHE HANOVER INSURANCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In millions, except share data)	June 30, 2014	December 31, 2013
Assets		
Investments:		
Fixed maturities, at fair value (amortized cost of \$6,785.1 and \$6,815.2)	\$ 7,058.5	\$ 6,970.6
Equity securities, at fair value (cost of \$446.4 and \$366.5)	530.5	430.2
Other investments	238.5	192.5
Total investments	7,827.5	7,593.3
Cash and cash equivalents	606.2	486.2
Accrued investment income	70.0	68.0
Premiums and accounts receivable, net	1,515.9	1,324.6
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,416.7	2,335.0
Deferred acquisition costs	540.6	506.0
Deferred income taxes	145.6	239.7
Goodwill	185.2	184.9
Other assets	542.1	526.1
Assets of discontinued operations	115.0	114.9
Total assets	\$ 13,964.8	\$ 13,378.7
Liabilities		
Loss and loss adjustment expense reserves	\$ 6,448.0	\$ 6,231.5
Unearned premiums	2,689.0	2,515.8
Expenses and taxes payable	569.7	637.2
Reinsurance premiums payable	443.2	374.7
Debt	903.9	903.9
Liabilities of discontinued operations	115.9	121.1
Total liabilities	11,169.7	10,784.2
Commitments and contingencies		
Shareholders' Equity		
Preferred stock, par value \$0.01 per share; 20.0 million shares authorized; none issued	-	-
Common stock, par value \$0.01 per share; 300.0 million shares authorized; 60.5 million shares issued	0.6	0.6
Additional paid-in capital	1,824.5	1,830.1
Accumulated other comprehensive income	267.1	177.6
Retained earnings	1,451.7	1,349.1
Treasury stock at cost (16.6 and 16.8 million shares)	(748.8)	(762.9)
Total shareholders' equity	2,795.1	2,594.5
Total liabilities and shareholders' equity	\$ 13,964.8	\$ 13,378.7

The accompanying notes are an integral part of these interim consolidated financial statements.

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THE HANOVER INSURANCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(In millions)	Six Months Ended	
	June 30, 2014	2013
Preferred Stock		
Balance at beginning and end of period	\$ -	\$ -
Common Stock		
Balance at beginning and end of period	0.6	0.6
Additional Paid-in Capital		
Balance at beginning of period	1,830.1	1,787.1
Employee and director stock-based awards and other	(5.6)	6.0
Balance at end of period	1,824.5	1,793.1
Accumulated Other Comprehensive Income (Loss), net of tax		
Net Unrealized Appreciation on Investments and Derivative Instruments:		
Balance at beginning of period	259.3	426.0
Net appreciation (depreciation) on available-for-sale securities and derivative instruments	83.1	(132.0)
Balance at end of period	342.4	294.0
Defined Benefit Pension and Postretirement Plans:		
Balance at beginning of period	(76.1)	(96.6)
Net amount recognized as net periodic benefit cost	3.4	6.0
Balance at end of period	(72.7)	(90.6)
Cumulative Foreign Currency Translation Adjustment:		
Balance at beginning of period	(5.6)	(3.6)
Amount recognized as cumulative foreign currency translation during the period	3.0	(10.1)
Balance at end of period	(2.6)	(13.7)
Total accumulated other comprehensive income	267.1	189.7
Retained Earnings		
Balance at beginning of period	1,349.1	1,211.6
Net income	137.2	119.6
Dividends to shareholders	(32.6)	(29.3)
Stock-based compensation	(2.0)	(19.5)
Balance at end of period	1,451.7	1,282.4
Treasury Stock		
Balance at beginning of period	(762.9)	(729.7)
Shares purchased at cost	(6.7)	(72.3)
Net shares reissued at cost under employee stock-based compensation plans	20.8	31.9
Balance at end of period	(748.8)	(770.1)
Total shareholders' equity	\$ 2,795.1	\$ 2,495.7

The accompanying notes are an integral part of these interim consolidated financial statements.

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THE HANOVER INSURANCE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In millions)	Six Months Ended June 30, 2014	2013
Cash Flows From Operating Activities		
Net income	\$ 137.2	\$ 119.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on repurchase of debt	-	11.3
Net realized investment gains	(26.6)	(21.8)
Net amortization and depreciation	16.9	17.4
Stock-based compensation expense	7.3	5.7
Amortization of defined benefit plan costs	5.2	9.2
Deferred income taxes expense	34.9	31.8
Change in deferred acquisition costs	(34.6)	(20.2)
Change in premiums receivable, net of reinsurance premiums payable	(122.8)	(115.7)
Change in loss, loss adjustment expense and unearned premium reserves	352.2	80.8
Change in reinsurance recoverable	(69.9)	45.3
Change in expenses and taxes payable	(101.8)	(111.4)
Other, net	(30.6)	(18.7)
	167.4	33.3

Net cash provided by
operating activities

Cash Flows From
Investing Activities

Proceeds from disposals and maturities of fixed maturities	669.0	869.5
Proceeds from disposals of equity securities and other investments	95.3	85.1
Purchase of fixed maturities	(583.4)	(603.8)
Purchase of equity securities and other investments	(196.4)	(206.9)
Capital expenditures	(7.4)	(10.7)
Net cash (used in) provided by investing activities	(22.9)	133.2

Cash Flows From
Financing Activities

Proceeds from exercise of employee stock options	6.7	15.1
Proceeds from debt borrowings, net	-	169.5
Change in cash collateral related to securities lending program	2.0	(17.7)
Dividends paid to shareholders	(32.6)	(29.3)
Repurchases of debt	(0.1)	(96.8)
Repurchases of common stock	(6.7)	(72.3)
Other financing activities	(2.3)	(3.3)
Net cash used in financing activities	(33.0)	(34.8)
Effect of exchange rate changes on cash	8.5	(6.2)
Net change in cash and cash equivalents	120.0	125.5
Net change in cash related to discontinued operations	-	0.1
Cash and cash equivalents, beginning of period	486.2	564.8

Cash and cash equivalents, end of period	\$	606.2	\$	690.4
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The accompanying notes are an integral part of these interim consolidated financial statements.

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THE HANOVER INSURANCE GROUP, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements of The Hanover Insurance Group, Inc. and subsidiaries (“THG” or the “Company”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and with the requirements of Form 10-Q. Certain financial information that is provided in annual financial statements, but is not required in interim reports, has been omitted.

The interim consolidated financial statements of THG include the accounts of The Hanover Insurance Company (“Hanover Insurance”) and Citizens Insurance Company of America, THG’s principal U.S. domiciled property and casualty companies; Chaucer Holdings plc (“Chaucer”), a specialist insurance underwriting group which operates through the Society and Corporation of Lloyd’s (“Lloyd’s”) and certain other insurance and non-insurance subsidiaries. These legal entities conduct their operations through several business segments discussed in Note 8 – “Segment Information”. Additionally, the interim consolidated financial statements include the Company’s discontinued operations, consisting primarily of the Company’s former life insurance businesses and its accident and health business. All intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with U.S. GAAP requires the Company 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of the Company’s management, the accompanying interim consolidated financial statements reflect all adjustments, consisting of normal recurring items, necessary for a fair presentation of the financial position and results of operations. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the Company’s 2013 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 25, 2014.

2. New Accounting Pronouncements

Recently Implemented Standards

In July 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) Update No. 2013-11 (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force). This ASC update clarifies the applicable guidance for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward as long as it is available, at the reporting date under the tax law of the applicable jurisdiction, to settle any additional income taxes that would result from the disallowance of a tax position (with certain exceptions). The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. This guidance was applicable for reporting periods beginning after December 15, 2013, with early adoption permitted, and was to be

applied prospectively to all unrecognized tax benefits that existed at the effective date. Retrospective application to all prior periods upon the date of adoption was permitted. The Company implemented this guidance effective January 1, 2014. The effect of implementing this guidance was not material to the Company's financial position or results of operations.

In March 2013, the FASB issued ASC Update No. 2013-05 (Topic 830) Foreign Currency Matters-Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force). This ASC update clarifies the applicable guidance for the release of the cumulative translation adjustment into net income when a parent either sells all or a portion of its investment in a foreign entity. This guidance is also required to be applied when an entity no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity (with certain exceptions). Additionally, this update clarifies that the sale of an investment in a foreign entity includes events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date in a business combination achieved in stages. This guidance was applicable for reporting periods beginning after December 15, 2013, with early adoption permitted, and was to be applied prospectively to derecognition events occurring after the effective date. The Company implemented this guidance effective January 1, 2014. The effect of implementing this guidance was not material to the Company's financial position or results of operations.

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Recently Issued Standards

In April 2014, the FASB issued ASC Update No. 2014-08 (Topic 205 and Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASC update modifies the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. Also, this update requires additional financial statement disclosures about discontinued operations, as well as disposals of an individually significant component of an entity that do not qualify for discontinued operations presentation. This ASC update is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual and interim periods beginning on or after December 15, 2014 and for all businesses that, on acquisition, are classified as held for sale that also occur within interim and annual periods beginning on or after December 15, 2014. Early adoption is permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company does not expect the adoption of ASC Update 2014-08 to have a material impact on its financial position or results of operations.

In May 2014, the FASB issued ASC Update No. 2014-09 (Topic 606) Revenue from Contracts with Customers. This ASC was issued to clarify the principles for recognizing revenue. Insurance Contracts and financial instrument transactions are not within the scope of this updated guidance, and; therefore, only an insignificant amount of the Company's revenue is subject to this updated guidance. The updated guidance is effective for periods beginning after December 15, 2016 and is not expected to have a material effect on the Company's financial position or results of operations.

3. Income Taxes

Income tax expense for the six months ended June 30, 2014 and 2013 has been computed using estimated annual effective tax rates. These rates are revised, if necessary, at the end of each successive interim period to reflect current estimates of the annual effective tax rates.

For the six months ended June 30, 2014, the tax provision is comprised of a \$24.7 million U.S. federal income tax expense and a \$17.9 million foreign income tax expense. For the six months ended June 30, 2013, the tax provision was comprised of a \$17.6 million U.S. federal income tax expense and a \$17.7 million foreign income tax expense. Income tax expense for the six months ended June 30, 2014 included a benefit of \$4.4 million related to foreign exchange losses that will be deductible on the Company's 2013 U.S. tax return. This permanent tax item is not otherwise recognized in the Company's U.S. GAAP financial statements.

Although most of the Company's non-U.S. income is subject to U.S. federal income tax, certain of its non-U.S. income is not subject to U.S. federal income tax until repatriated. Foreign taxes on this non-U.S. income are accrued at the local foreign tax rate, as opposed to the higher U.S. statutory rate, since these earnings currently are expected to be indefinitely reinvested overseas. This assumption could change as a result of a sale of the subsidiaries, the receipt of dividends from the subsidiaries, a change in management's intentions, or as a result of various other events. The Company has not made a provision for U.S. taxes on \$5.6 million and \$10.3 million of non-U.S. income for the six months ended June 30, 2014 and 2013, respectively. However, in the future, if such earnings were distributed to the Company, taxes of \$14.9 million would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be indefinitely reinvested overseas, assuming all foreign tax credits are realized.

In May 2014, the Company reached a final settlement with the IRS for years 2007 and 2008, related to the disallowance of deductions for certain loss reserves. As a result, a liability for uncertain tax positions was established for \$4.8 million, with an offsetting deferred tax asset. The IRS audits of the years 2009 and 2010 commenced in June 2012 and final settlement was reached in May 2014 with no additional tax liability.

The Company or its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state jurisdictions, as well as foreign jurisdictions. With few exceptions, the Company and its subsidiaries are no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011. The Company and its subsidiaries are still subject to U.S. state income tax examinations by tax authorities for years after 2006 and foreign examinations for years after 2011.

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4. Investments

A. Fixed maturities and equity securities

The amortized cost and fair value of available-for-sale fixed maturities and the cost and fair value of equity securities were as follows:

(in millions)	June 30, 2014				
	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI Unrealized Losses
Fixed maturities:					
U.S. Treasury and government agencies	\$ 403.5	\$ 6.0	\$ 6.3	\$ 403.2	\$ -
Foreign government	319.7	2.6	1.3	321.0	-
Municipal	1,080.4	59.5	6.4	1,133.5	-
Corporate	3,718.3	205.4	15.0	3,908.7	7.4
Residential mortgage-backed	697.3	22.1	5.8	713.6	0.4
Commercial mortgage-backed	395.1	12.5	1.5	406.1	-
Asset-backed	170.8	1.7	0.1	172.4	-
Total fixed maturities	\$ 6,785.1	\$ 309.8	\$ 36.4	\$ 7,058.5	\$ 7.8
Equity securities	\$ 446.4	\$ 84.9	\$ 0.8	\$ 530.5	\$ -

(in millions)	December 31, 2013				
	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI Unrealized Losses
Fixed maturities:					
U.S. Treasury and government agencies	\$ 417.5	\$ 3.3	\$ 14.2	\$ 406.6	\$ -
Foreign government	304.5	2.1	1.6	305.0	-
Municipal	1,108.0	37.4	19.1	1,126.3	-
Corporate	3,690.2	171.5	37.5	3,824.2	8.6
Residential mortgage-backed	722.8	20.1	14.1	728.8	1.6

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Commercial mortgage-backed	405.9	10.5	4.8	411.6	-
Asset-backed	166.3	2.0	0.2	168.1	-
Total fixed maturities	\$ 6,815.2	\$ 246.9	\$ 91.5	\$ 6,970.6	\$ 10.2
Equity securities	\$ 366.5	\$ 66.9	\$ 3.2	\$ 430.2	\$ -

Other-than-temporary impairments (“OTTI”) unrealized losses in the tables above represent OTTI recognized in accumulated other comprehensive income. This amount excludes net unrealized gains on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date of \$14.4 million and \$16.4 million as of June 30, 2014 and December 31, 2013, respectively.

The amortized cost and fair value by maturity periods for fixed maturities are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, or the Company may have the right to put or sell the obligations back to the issuers.

(in millions)	June 30, 2014	
	Amortized Cost	Fair Value
Due in one year or less	\$ 400.6	\$ 404.8
Due after one year through five years	2,329.2	2,437.4
Due after five years through ten years	2,116.5	2,215.1
Due after ten years	675.6	709.1
	5,521.9	5,766.4
Mortgage-backed and asset-backed securities	1,263.2	1,292.1
Total fixed maturities	\$ 6,785.1	\$ 7,058.5

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B. Securities in an unrealized loss position

The following tables provide information about the Company's fixed maturities and equity securities that were in an unrealized loss position at June 30, 2014 and December 31, 2013.

(in millions)	June 30, 2014					
	12 months or less		Greater than 12 months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Fixed maturities:						
Investment grade:						
U.S. Treasury and government agencies	\$ -	\$ 6.4	\$ 6.3	\$ 152.0	\$ 6.3	\$ 158.4
Foreign governments	0.8	100.7	0.5	56.1	1.3	156.8
Municipal	0.4	53.3	5.7	158.9	6.1	212.2
Corporate	2.6	198.4	10.1	259.7	12.7	458.1
Residential mortgage-backed	0.5	39.7	5.3	135.5	5.8	175.2
Commercial mortgage-backed	0.1	31.3	1.4	65.4	1.5	96.7
Asset-backed	-	10.7	0.1	14.2	0.1	24.9
Total investment grade	4.4	440.5	29.4	841.8	33.8	1,282.3
Below investment grade:						
Municipal	0.3	4.4	-	-	0.3	4.4
Corporate	0.5	16.2	1.8	25.0	2.3	41.2
Total below investment grade	0.8	20.6	1.8	25.0	2.6	45.6
Total fixed maturities	5.2	461.1	31.2	866.8	36.4	1,327.9
Equity securities	-	10.0	0.8	3.4	0.8	13.4
Total	\$ 5.2	\$ 471.1	\$ 32.0	\$ 870.2	\$ 37.2	\$ 1,341.3

(in millions)	December 31, 2013					
	12 months or less		Greater than 12 months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value

Fixed maturities: