

MARKEL CORP  
Form 10-Q  
May 06, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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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: 001-15811

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

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Virginia  
(State or other jurisdiction of  
incorporation or organization)

54-1959284  
(I.R.S. Employer  
Identification No.)

4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148

(Address of principal executive offices)

(Zip Code)

(804) 747-0136

(Registrant's telephone number, including area code)

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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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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  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

Number of shares of the registrant's common stock outstanding at April 29, 2015: 13,945,734

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets  
(dollars in thousands)

	March 31, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>		
Investments, available-for-sale, at estimated fair value:		
Fixed maturities (amortized cost of \$9,371,731 in 2015 and \$9,929,137 in 2014)	\$9,971,814	\$10,422,882
Equity securities (cost of \$2,096,586 in 2015 and \$1,951,658 in 2014)	4,340,849	4,137,576
Short-term investments (estimated fair value approximates cost)	1,731,872	1,594,849
Total Investments	16,044,535	16,155,307
Cash and cash equivalents	1,958,087	1,960,169
Restricted cash and cash equivalents	550,610	522,225
Receivables	1,193,405	1,135,217
Reinsurance recoverable on unpaid losses	1,949,974	1,868,669
Reinsurance recoverable on paid losses	113,816	102,206
Deferred policy acquisition costs	369,632	353,410
Prepaid reinsurance premiums	365,496	365,458
Goodwill	1,039,911	1,049,115
Intangible assets	680,357	702,747
Other assets	987,566	985,834
Total Assets	\$25,253,389	\$25,200,357
<b>LIABILITIES AND EQUITY</b>		
Unpaid losses and loss adjustment expenses	\$10,280,037	\$10,404,152
Life and annuity benefits	1,189,140	1,305,818
Unearned premiums	2,316,508	2,245,690
Payables to insurance and reinsurance companies	286,102	276,122
Senior long-term debt and other debt (estimated fair value of \$2,525,000 in 2015 and \$2,493,000 in 2014)	2,249,554	2,253,594
Other liabilities	999,542	1,051,931
Total Liabilities	17,320,883	17,537,307
Redeemable noncontrolling interests	55,108	61,048
Commitments and contingencies		
Shareholders' equity:		
Common stock	3,320,323	3,308,395
Retained earnings	2,753,963	2,581,866
Accumulated other comprehensive income	1,795,372	1,704,557
Total Shareholders' Equity	7,869,658	7,594,818
Noncontrolling interests	7,740	7,184
Total Equity	7,877,398	7,602,002
Total Liabilities and Equity	\$25,253,389	\$25,200,357

See accompanying notes to consolidated financial statements.



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## MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income and Comprehensive Income  
(Unaudited)

	Three Months Ended March 31,		
	2015	2014	
	(dollars in thousands, except per share data)		
<b>OPERATING REVENUES</b>			
Earned premiums	\$943,650	\$949,375	
Net investment income	92,875	86,715	
Net realized investment gains:			
Other-than-temporary impairment losses	(5,092	) —	
Net realized investment gains, excluding other-than-temporary impairment losses	10,663	17,394	
Net realized investment gains	5,571	17,394	
Other revenues	260,058	186,171	
Total Operating Revenues	1,302,154	1,239,655	
<b>OPERATING EXPENSES</b>			
Losses and loss adjustment expenses	446,995	542,303	
Underwriting, acquisition and insurance expenses	340,685	355,505	
Amortization of intangible assets	14,640	13,999	
Other expenses	231,001	182,168	
Total Operating Expenses	1,033,321	1,093,975	
Operating Income	268,833	145,680	
Interest expense	29,312	29,699	
Income Before Income Taxes	239,521	115,981	
Income tax expense	45,515	28,480	
Net Income	194,006	87,501	
Net income (loss) attributable to noncontrolling interests	3,014	(215	)
Net Income to Shareholders	\$190,992	\$87,716	
<b>OTHER COMPREHENSIVE INCOME</b>			
Change in net unrealized gains on investments, net of taxes:			
Net holding gains arising during the period	\$121,022	\$147,296	
Change in unrealized other-than-temporary impairment losses on fixed maturities arising during the period	167	(20	)
Reclassification adjustments for net gains included in net income	(9,053	) (5,944	)
Change in net unrealized gains on investments, net of taxes	112,136	141,332	
Change in foreign currency translation adjustments, net of taxes	(21,814	) 913	
Change in net actuarial pension loss, net of taxes	463	319	
Total Other Comprehensive Income	90,785	142,564	
Comprehensive Income	284,791	230,065	
Comprehensive income (loss) attributable to noncontrolling interests	2,984	(208	)
Comprehensive Income to Shareholders	\$281,807	\$230,273	
<b>NET INCOME PER SHARE</b>			
Basic	\$13.57	\$6.28	
Diluted	\$13.49	\$6.25	

See accompanying notes to consolidated financial statements.

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## MARKEL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
(Unaudited)

(in thousands)	Common Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
December 31, 2013	13,986	\$3,288,863	\$2,294,909	\$ 1,089,805	\$ 6,673,577	\$ 4,433	\$ 6,678,010	\$ 72,183
Net income (loss)			87,716	—	87,716	(324 )	87,392	109
Other comprehensive income			—	142,557	142,557	—	142,557	7
Comprehensive Income (Loss)					230,273	(324 )	229,949	116
Issuance of common stock	22	4,363	—	—	4,363	—	4,363	—
Repurchase of common stock	(39 )	—	(17,282 )	—	(17,282 )	—	(17,282 )	—
Restricted stock units expensed	—	8,421	—	—	8,421	—	8,421	—
Adjustment of redeemable noncontrolling interests	—	—	117	—	117	—	117	(117 )
Purchase of noncontrolling interest	—	647	—	—	647	—	647	(18,405 )
Other	—	7	9	—	16	3,945	3,961	(862 )
March 31, 2014	13,969	\$3,302,301	\$2,365,469	\$ 1,232,362	\$ 6,900,132	\$ 8,054	\$ 6,908,186	\$ 52,915
December 31, 2014	13,962	\$3,308,395	\$2,581,866	\$ 1,704,557	\$ 7,594,818	\$ 7,184	\$ 7,602,002	\$ 61,048
Net income			190,992	—	190,992	511	191,503	2,503
Other comprehensive income (loss)			—	90,815	90,815	—	90,815	(30 )
Comprehensive Income					281,807	511	282,318	2,473
Issuance of common stock	5	429	—	—	429	—	429	—
Repurchase of common stock	(21 )	—	(17,548 )	—	(17,548 )	—	(17,548 )	—
Restricted stock units expensed	—	10,632	—	—	10,632	—	10,632	—
	—	—	(1,347 )	—	(1,347 )	—	(1,347 )	1,347

Adjustment of  
redeemable  
noncontrolling  
interests

Purchase of noncontrolling interest	—	(903	)	—	—	(903	)	—	(903	)	(8,609	)
Other	—	1,770	—	—	—	1,770	45	—	1,815	—	(1,151	)
March 31, 2015	13,946	\$3,320,323	\$2,753,963	\$1,795,372	\$7,869,658	\$7,740	—	—	\$7,877,398	—	\$55,108	—

See accompanying notes to consolidated financial statements.

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## MARKEL CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(dollars in thousands)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 194,006	\$ 87,501
Adjustments to reconcile net income to net cash provided by operating activities	(171,174	) (65,084
Net Cash Provided By Operating Activities	22,832	22,417
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales of fixed maturities and equity securities	71,721	660,447
Proceeds from maturities, calls and prepayments of fixed maturities	388,522	440,891
Cost of fixed maturities and equity securities purchased	(232,551	) (1,114,736
Net change in short-term investments	(146,545	) 130,557
Proceeds from sales of equity method investments	15,003	82,518
Cost of equity method investments	(600	) (8,050
Change in restricted cash and cash equivalents	(40,841	) 152,897
Additions to property and equipment	(23,606	) (10,725
Acquisitions, net of cash acquired	—	(153,735
Other	(441	) 384
Net Cash Provided By Investing Activities	30,662	180,448
<b>FINANCING ACTIVITIES</b>		
Additions to senior long-term debt and other debt	27,711	10,120
Repayment of senior long-term debt and other debt	(29,160	) (8,608
Repurchases of common stock	(17,548	) (17,282
Issuance of common stock	429	4,363
Purchase of noncontrolling interests	(10,314	) (17,758
Distributions to noncontrolling interests	(1,159	) (1,168
Other	(3,407	) (609
Net Cash Used By Financing Activities	(33,448	) (30,942
Effect of foreign currency rate changes on cash and cash equivalents	(22,128	) 971
Increase (decrease) in cash and cash equivalents	(2,082	) 172,894
Cash and cash equivalents at beginning of period	1,960,169	1,978,526
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 1,958,087</b>	<b>\$ 2,151,420</b>

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Markel Corporation is a diverse financial holding company serving a variety of niche markets. Markel Corporation's principal business markets and underwrites specialty insurance products and programs. Through its wholly-owned subsidiary, Markel Ventures, Inc. (Markel Ventures), Markel Corporation also owns interests in various industrial and service businesses that operate outside of the specialty insurance marketplace.

The consolidated balance sheet as of March 31, 2015 and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015 and 2014 are unaudited. In the opinion of management, all adjustments necessary for fair presentation of such consolidated financial statements have been included. Such adjustments consist only of normal, recurring items. Interim results are not necessarily indicative of results of operations for the entire year. The consolidated balance sheet as of December 31, 2014 was derived from Markel Corporation's audited annual consolidated financial statements.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of Markel Corporation and its subsidiaries (the Company). All significant intercompany balances and transactions have been eliminated in consolidation. The Company consolidates the results of its Markel Ventures subsidiaries on a one-month lag. Certain prior year amounts have been reclassified to conform to the current presentation.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements.

The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. Readers are urged to review the Company's 2014 Annual Report on Form 10-K for a more complete description of the Company's business and accounting policies.

2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which creates a new comprehensive revenue recognition standard that will serve as a single source of revenue guidance for all companies in all industries. The guidance applies to all companies that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards, such as insurance contracts. ASU No. 2014-09's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 becomes effective for the Company during the first quarter of 2017 and may be applied retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. Early application is not permitted. On April 29, 2015, the FASB proposed a one-year deferral of the effective date for ASU 2014-09. Early application would be permitted for all entities, but not before the original effective date for public business entities. The Company is

currently evaluating ASU No. 2014-09 to determine the potential impact that adopting this standard will have on its consolidated financial statements. Adoption of this ASU is not expected to have a significant impact on the Company's insurance operations, but will impact the Company's non-insurance operations.

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In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The ASU also significantly changes how to evaluate voting rights for entities that are not similar to limited partnerships when determining whether the entity is a VIE, which may affect entities for which the decision making rights are conveyed through a contractual arrangement. ASU No. 2015-02 becomes effective for the Company during the first quarter of 2016 and may be applied retrospectively or under a modified retrospective method where the cumulative-effect adjustment to retained earnings is recognized as of the beginning of the fiscal year of adoption. Reporting enterprises may also restate previously issued financial statements for one or more years with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated. Early adoption is allowed. The Company is currently evaluating ASU No. 2015-02 to determine the potential impact that adopting this standard will have on its consolidated financial statements.

## 3. Investments

a)The following tables summarize the Company's available-for-sale investments.

(dollars in thousands)	March 31, 2015				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Unrealized Other-Than- Temporary Impairment Losses	Estimated Fair Value
Fixed maturities:					
U.S. Treasury securities and obligations of U.S. government agencies	\$612,368	\$17,212	\$(764)	) \$—	\$628,816
Obligations of states, municipalities and political subdivisions	3,956,064	251,023	(2,661)	) —	4,204,426
Foreign governments	1,336,176	213,901	(191)	) —	1,549,886
Commercial mortgage-backed securities	408,016	8,861	(1,255)	) —	415,622
Residential mortgage-backed securities	920,185	44,219	(1,774)	) (2,258)	) 960,372
Asset-backed securities	77,341	73	(295)	) —	77,119
Corporate bonds	2,061,581	78,801	(3,198)	) (1,611)	) 2,135,573
Total fixed maturities	9,371,731	614,090	(10,138)	) (3,869)	) 9,971,814
Equity securities:					
Insurance, banks and other financial institutions	588,140	798,628	(1,740)	) —	1,385,028
Industrial, consumer and all other	1,508,446	1,458,816	(11,441)	) —	2,955,821
Total equity securities	2,096,586	2,257,444	(13,181)	) —	4,340,849
Short-term investments	1,731,862	13	(3)	) —	1,731,872
Investments, available-for-sale	\$13,200,179	\$2,871,547	\$(23,322)	) \$(3,869)	) \$16,044,535

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	December 31, 2014				
(dollars in thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Unrealized Other-Than- Temporary Impairment Losses	Estimated Fair Value
Fixed maturities:					
U.S. Treasury securities and obligations of U.S. government agencies	\$662,462	\$12,963	\$(2,163)	) \$—	\$673,262
Obligations of states, municipalities and political subdivisions	4,075,748	245,158	(3,359)	) —	4,317,547
Foreign governments	1,458,255	154,707	(1,041)	) —	1,611,921
Commercial mortgage-backed securities	427,904	5,325	(2,602)	) —	430,627
Residential mortgage-backed securities	954,263	34,324	(3,482)	) (2,258)	) 982,847
Asset-backed securities	100,073	99	(682)	) —	99,490
Corporate bonds	2,250,432	69,016	(10,441)	) (1,819)	) 2,307,188
Total fixed maturities	9,929,137	521,592	(23,770)	) (4,077)	) 10,422,882
Equity securities:					
Insurance, banks and other financial institutions	523,739	789,717	(1,531)	) —	1,311,925
Industrial, consumer and all other	1,427,919	1,403,566	(5,834)	) —	2,825,651
Total equity securities	1,951,658	2,193,283	(7,365)	) —	4,137,576
Short-term investments	1,594,819	36	(6)	) —	1,594,849
Investments, available-for-sale	\$13,475,614	\$2,714,911	\$(31,141)	) \$(4,077)	) \$16,155,307

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b)The following tables summarize gross unrealized investment losses by the length of time that securities have continuously been in an unrealized loss position.

(dollars in thousands)	March 31, 2015				Total	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses
	Less than 12 months		12 months or longer			
	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses	Estimated Fair Value	
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$5,716	\$(3 )	\$125,651	\$(761 )	\$131,367	\$(764 )
Obligations of states, municipalities and political subdivisions	95,257	(547 )	61,394	(2,114 )	156,651	(2,661 )
Foreign governments	16,965	(68 )	44,204	(123 )	61,169	(191 )
Commercial mortgage-backed securities	51,673	(157 )	107,698	(1,098 )	159,371	(1,255 )
Residential mortgage-backed securities	3,726	(2,277 )	167,295	(1,755 )	171,021	(4,032 )
Asset-backed securities	10,147	(17 )	45,378	(278 )	55,525	(295 )
Corporate bonds	74,273	(1,742 )	373,451	(3,067 )	447,724	(4,809 )
Total fixed maturities	257,757	(4,811 )	925,071	(9,196 )	1,182,828	(14,007 )
Equity securities:						
Insurance, banks and other financial institutions	16,810	(1,740 )	—	—	16,810	(1,740 )
Industrial, consumer and all other	158,284	(11,441 )	—	—	158,284	(11,441 )
Total equity securities	175,094	(13,181 )	—	—	175,094	(13,181 )
Short-term investments	440,985	(3 )	—	—	440,985	(3 )
Total	\$873,836	\$(17,995 )	\$925,071	\$(9,196 )	\$1,798,907	\$(27,191 )

At March 31, 2015, the Company held 424 securities with a total estimated fair value of \$1.8 billion and gross unrealized losses of \$27.2 million. Of these 424 securities, 281 securities had been in a continuous unrealized loss position for one year or longer and had a total estimated fair value of \$925.1 million and gross unrealized losses of \$9.2 million. All 281 securities were fixed maturities. The Company does not intend to sell or believe it will be required to sell these fixed maturities before recovery of their amortized cost.

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	December 31, 2014					
	Less than 12 months		12 months or longer		Total	
(dollars in thousands)	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than- Temporary Impairment Losses
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 108,250	\$(62 )	\$ 163,359	\$(2,101 )	\$ 271,609	\$(2,163 )
Obligations of states, municipalities and political subdivisions	58,583	(542 )	92,441	(2,817 )	151,024	(3,359 )
Foreign governments	18,856	(386 )	56,217	(655 )	75,073	(1,041 )
Commercial mortgage-backed securities	45,931	(210 )	147,558	(2,392 )	193,489	(2,602 )
Residential mortgage-backed securities	9,613	(2,285 )	207,374	(3,455 )	216,987	(5,740 )
Asset-backed securities	30,448	(20 )	45,160	(662 )	75,608	(682 )
Corporate bonds	141,176	(2,263 )	621,821	(9,997 )	762,997	(12,260 )
Total fixed maturities	412,857	(5,768 )	1,333,930	(22,079 )	1,746,787	(27,847 )
Equity securities:						
Insurance, banks and other financial institutions	16,219	(1,531 )	—	—	16,219	(1,531 )
Industrial, consumer and all other	86,062	(5,834 )	—	—	86,062	(5,834 )
Total equity securities	102,281	(7,365 )	—	—	102,281	(7,365 )
Short-term investments	181,964	(6 )	—	—	181,964	(6 )
Total	\$ 697,102	\$(13,139 )	\$ 1,333,930	\$(22,079 )	\$ 2,031,032	\$(35,218 )

At December 31, 2014, the Company held 552 securities with a total estimated fair value of \$2.0 billion and gross unrealized losses of \$35.2 million. Of these 552 securities, 396 securities had been in a continuous unrealized loss position for one year or longer and had a total estimated fair value of \$1.3 billion and gross unrealized losses of \$22.1 million. All 396 securities were fixed maturities.

The Company completes a detailed analysis each quarter to assess whether the decline in the fair value of any investment below its cost basis is deemed other-than-temporary. All securities with unrealized losses are reviewed. The Company considers many factors in completing its quarterly review of securities with unrealized losses for other-than-temporary impairment, including the length of time and the extent to which fair value has been below cost and the financial condition and near-term prospects of the issuer. For equity securities, the ability and intent to hold the security for a period of time sufficient to allow for anticipated recovery is considered. For fixed maturities, the Company considers whether it intends to sell the security or if it is more likely than not that it will be required to sell the security before recovery, the implied yield-to-maturity, the credit quality of the issuer and the ability to recover all amounts outstanding when contractually due.

For equity securities, a decline in fair value that is considered to be other-than-temporary is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. For fixed maturities where the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, a decline in fair value is considered to be other-than-temporary and is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. If the decline in fair value of a fixed maturity below its amortized cost is considered to be other-than-temporary based upon other considerations, the Company compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the credit-related portion of the other-than-temporary impairment, which is recognized in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the non-credit portion of the other-than-temporary impairment, which is recognized in other comprehensive income. The discount rate used to calculate the estimated present value of the cash flows expected to be collected is the effective interest rate implicit for the security at the date of purchase.

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When assessing whether it intends to sell a fixed maturity or if it is likely to be required to sell a fixed maturity before recovery of its amortized cost, the Company evaluates facts and circumstances including decisions to reposition the investment portfolio, potential sales of investments to meet cash flow needs and, ultimately, current market prices.

c)The amortized cost and estimated fair value of fixed maturities at March 31, 2015 are shown below by contractual maturity.

(dollars in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	\$617,588	\$620,740
Due after one year through five years	1,904,996	1,962,240
Due after five years through ten years	1,925,821	2,054,347
Due after ten years	3,517,784	3,881,374
	7,966,189	8,518,701
Commercial mortgage-backed securities	408,016	415,622
Residential mortgage-backed securities	920,185	960,372
Asset-backed securities	77,341	77,119
Total fixed maturities	\$9,371,731	\$9,971,814

d)The following table presents the components of net investment income.

(dollars in thousands)	Three Months Ended March 31,	
	2015	2014
Interest:		
Municipal bonds (tax-exempt)	\$25,852	\$23,104
Municipal bonds (taxable)	14,100	8,996
Other taxable bonds	35,138	35,744
Short-term investments, including overnight deposits	1,251	1,474
Dividends on equity securities	19,024	16,856
Income from equity method investments	1,344	3,583
Other	61	1,179
	96,770	90,936
Investment expenses	(3,895)	(4,221)
Net investment income	\$92,875	\$86,715

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e)Cumulative credit losses recognized in net income on fixed maturities where other-than-temporary impairment was identified and a portion of the other-than-temporary impairment was included in other comprehensive income were \$10.7 million at March 31, 2015 and \$12.7 million at December 31, 2014.

f)The following table presents net realized investment gains and the change in net unrealized gains on investments.

(dollars in thousands)	Three Months Ended March	
	31, 2015	2014
Realized gains:		
Sales of fixed maturities	\$ 1,586	\$4,583
Sales of equity securities	15,957	12,145
Other		