HANOVER INSURANCE GROUP, INC.
Form 10-Q
October 30, 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 September 30, 2015

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 incorporation or organization)	(I.R.S. Employer Identification No.)

440 Lincoln Street, Worcester, Massachusetts 01653

(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 43,247,266 as of October 27, 2015.

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PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

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

	Three Months Ended	Nine Months Ended

(In millions, except per share data)	September 30, 2015	2014	September 30, 2015	2014
Revenues				
Premiums	$ 1,150.1	$ 1,184.0	$ 3,566.9	$ 3,521.7
Net investment income	68.3	67.5	209.1	201.5
Net realized investment gains (losses):				
Net realized gains from sales and other	12.2	5.2	38.8	31.9
Net other–than–temporary impairment losses on investments recognized in earnings	(4.2)	(0.3)	(8.8)	(0.4)
Total net realized investment gains	8.0	4.9	30.0	31.5
Fees and other income	7.1	9.2	23.3	27.8
Total revenues	1,233.5	1,265.6	3,829.3	3,782.5
Losses and expenses				
Losses and loss adjustment expenses	690.7	755.6	2,208.7	2,231.6
Amortization of deferred acquisition costs	259.0	260.0	781.6	773.3
Interest expense	14.7	16.3	45.5	48.9
Gain on disposal of U.K. motor business	-	-	(37.7)	-
Other operating expenses	158.7	158.4	491.2	473.6
Total losses and expenses	1,123.1	1,190.3	3,489.3	3,527.4
Income before income taxes	110.4	75.3	340.0	255.1
Income tax expense (benefit):				
Current	11.8	(1.1)	46.7	6.5
Deferred	21.4	21.4	40.3	56.4
Total income tax expense	33.2	20.3	87.0	62.9
Income from continuing operations	77.2	55.0	253.0	192.2
Net gain (loss) from discontinued operations (net of tax benefit of $0.3 and $0.2 for the three months ended September 30, 2015 and September 30, 2014 and $0.5 and $0.4 for the nine months ended September 30, 2015 and September 30, 2014)	1.1	(0.1)	0.9	(0.1)
Net income	$ 78.3	$ 54.9	$ 253.9	$ 192.1
Earnings per common share:				
Basic:				
Income from continuing operations	$ 1.75	$ 1.25	$ 5.73	$ 4.37
Net gain (loss) from discontinued operations	0.03	-	0.02	-
Net income per share	$ 1.78	$ 1.25	$ 5.75	$ 4.37
Weighted average shares outstanding	44.0	44.1	44.1	44.0
Diluted:				
Income from continuing operations	$ 1.72	$ 1.22	$ 5.62	$ 4.29
Net gain (loss) from discontinued operations	0.02	-	0.02	(0.01)
Net income per share	$ 1.74	$ 1.22	$ 5.64	$ 4.28
Weighted average shares outstanding	44.9	44.9	45.0	44.9

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2015	2014	2015	2014
Net income	$ 78.3	$ 54.9	$ 253.9	$ 192.1
Other comprehensive income (loss), net of tax:				
Available-for-sale securities and derivative instruments:				
Net (depreciation) appreciation during the period	(31.2)	(48.7)	(94.7)	32.8
Change in other-than-temporary impairment losses recognized in other comprehensive income	(3.9)	-	(8.3)	1.6
Total available-for-sale securities and derivative instruments	(35.1)	(48.7)	(103.0)	34.4
Pension and postretirement benefits:				
Net actuarial losses and prior service costs arising in the period	-	-	(1.4)	-
Amortization recognized as net periodic benefit and postretirement cost	1.7	1.6	6.8	5.0
Total pension and postretirement benefits	1.7	1.6	5.4	5.0
Cumulative foreign currency translation adjustment:				
Amount recognized as cumulative foreign currency translation during the period	(2.6)	(5.9)	(4.8)	(2.9)
Total other comprehensive (loss) income, net of tax	(36.0)	(53.0)	(102.4)	36.5

Comprehensive income	$ 42.3	$ 1.9	$ 151.5	$ 228.6

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 BALANCE SHEETS (UNAUDITED)

(In millions, except share data)	September 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturities, at fair value (amortized cost of $6,943.1 and $7,145.7)	$ 7,084.9	$ 7,378.1
Equity securities, at fair value (cost of $527.4 and $506.6)	550.7	580.8
Other investments	334.9	291.4
Total investments	7,970.5	8,250.3
Cash and cash equivalents	385.1	373.3
Accrued investment income	66.2	66.9
Premiums and accounts receivable, net	1,495.1	1,360.9
Reinsurance recoverable on paid and unpaid losses and unearned premiums	2,731.4	2,268.2
Deferred acquisition costs	527.1	525.7
Deferred income taxes	130.3	131.2
Goodwill	184.0	184.6
Other assets	469.5	486.6
Assets of discontinued operations	81.8	112.0
Total assets	$ 14,041.0	$ 13,759.7
Liabilities		
Loss and loss adjustment expense reserves	$ 6,606.3	$ 6,391.7
Unearned premiums	2,719.0	2,583.9
Expenses and taxes payable	689.3	695.4
Reinsurance premiums payable	246.5	226.8
Debt	812.8	903.5
Liabilities of discontinued operations	89.6	114.4
Total liabilities	11,163.5	10,915.7
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	1,833.5	1,830.7
Accumulated other comprehensive income	104.0	206.4
Retained earnings	1,749.8	1,558.7
Treasury stock at cost (17.3 and 16.6 million shares)	(810.4)	(752.4)
Total shareholders’ equity	2,877.5	2,844.0
Total liabilities and shareholders’ equity	$ 14,041.0	$ 13,759.7

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)

	Nine Months Ended September 30,	
(In millions)	2015	2014
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	1,830.7	1,830.1
Employee and director stock-based awards and other	2.8	(2.7)
Balance at end of period	1,833.5	1,827.4
Accumulated Other Comprehensive Income (Loss), net of tax		
Net Unrealized Appreciation on Investments and Derivative Instruments:		
Balance at beginning of period	300.9	259.3
Net (depreciation) appreciation on available-for-sale securities and derivative instruments	(103.0)	34.4
Balance at end of period	197.9	293.7
Defined Benefit Pension and Postretirement Plans:		
Balance at beginning of period	(84.3)	(76.1)
Net amount arising in the period	(1.4)	-
Net amount recognized as net periodic benefit cost	6.8	5.0
Balance at end of period	(78.9)	(71.1)
Cumulative Foreign Currency Translation Adjustment:		
Balance at beginning of period	(10.2)	(5.6)
Amount recognized as cumulative foreign currency translation during the period	(4.8)	(2.9)
Balance at end of period	(15.0)	(8.5)
Total accumulated other comprehensive income	104.0	214.1
Retained Earnings		
Balance at beginning of period	1,558.7	1,349.1
Net income	253.9	192.1
Dividends to shareholders	(54.3)	(48.9)
Stock-based compensation	(8.5)	(3.1)
Balance at end of period	1,749.8	1,489.2
Treasury Stock		
Balance at beginning of period	(752.4)	(762.9)
Shares purchased at cost	(85.3)	(20.4)
Net shares reissued at cost under employee stock-based compensation plans	27.3	23.9
Balance at end of period	(810.4)	(759.4)
Total shareholders' equity	$ 2,877.5	$ 2,771.9

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)	Nine Months Ended September 30, 2015		2014	
Cash Flows From Operating Activities				
Net income	$	253.9	$	192.1
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on disposal of U.K. motor business		(37.7)		-
Net loss on repurchase of debt		24.1		0.1
Net realized investment gains		(29.6)		(31.5)
Net amortization and depreciation		22.8		25.3
Stock-based compensation expense		9.4		11.1
Amortization of defined benefit plan costs		10.0		7.7
Deferred income tax expense		40.3		56.4
Change in deferred acquisition costs		(21.6)		(34.3)
Change in premiums receivable, net of reinsurance premiums payable		(114.6)		(147.0)
Change in loss, loss adjustment expense and unearned premium reserves		323.8		415.1
Change in reinsurance recoverable		(123.0)		(50.5)
Change in expenses and taxes payable		(5.1)		(55.9)

Other, net	1.7	19.5
Net cash provided by operating activities	354.4	408.1
Cash Flows From Investing Activities		
Proceeds from disposals and maturities of fixed maturities	1,272.9	908.9
Proceeds from disposals of equity securities and other investments	243.1	113.2
Purchase of fixed maturities	(1,376.3)	(1,099.4)
Purchase of equity securities and other investments	(285.8)	(261.4)
Cash received from disposal of U.K. motor business, net of cash transferred	44.3	-
Capital expenditures	(14.5)	(8.5)
Other investing activities	4.5	-
Net cash used in investing activities	(111.8)	(347.2)
Cash Flows From Financing Activities		
Proceeds from exercise of employee stock options	14.3	8.3
Change in cash collateral related to securities lending program	14.1	28.3
Dividends paid to shareholders	(54.3)	(48.9)
Repurchases of debt	(114.3)	(0.7)
Repurchases of common stock	(85.3)	(20.4)
Other financing activities	(3.7)	(2.5)
Net cash used in financing activities	(229.2)	(35.9)
Effect of exchange rate changes on cash	(1.6)	(1.6)
Net change in cash and cash equivalents	11.8	23.4
Net change in cash related to discontinued	-	-

operations				
Cash and cash equivalents, beginning of period		373.3		486.2
Cash and cash equivalents, end of period	$	385.1	$	509.6

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 Limited (“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 10 – “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 nine months ended September 30, 2015 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 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 24, 2015.

2. New Accounting Pronouncements

Recently Implemented Standards

In April 2014, the FASB issued Accounting Standards Codification (“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 was effective for all disposals (or classifications as held for sale) of components of an entity that occurred within annual and interim periods beginning on or after December 15, 2014 and for all businesses that, on acquisition, were classified as held for sale that also occurred within interim and annual periods beginning on or after December 15, 2014. The Company implemented this guidance effective January 1, 2015. The effect of implementing this guidance was not material to the Company’s financial position or results of operations.

Recently Issued Standards

In May 2015, the FASB issued ASC Update No. 2015-09, (Topic 944) Financial Services- Insurance: Disclosures about Short-Duration Contracts. This ASC update requires several additional disclosures regarding short-duration insurance contracts, including; disaggregated incurred and paid claims development information, quantitative and qualitative information about claim frequency and duration, and the sum of incurred but not reported ("IBNR") liabilities plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses along with a description of reserving methodologies. This information is required to be presented by accident year, for the number of years for which claims typically remain outstanding, but need not exceed 10 years. A reconciliation of the claims development disclosures to the aggregate carrying amount of the liability for unpaid claims and claim adjustment expenses, including a separate disclosure for reinsurance recoverables is also required for each period presented in the statement of financial position. In addition, this ASC requires insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including reasons for the change and the effects on the financial statements. The updated guidance is effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of ASC Update 2015-09 to have a material impact on its financial position or results of operations, as the update is disclosure related.

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In April 2015, the FASB issued ASC Update No. 2015-03, (Subtopic 835-30) Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. This ASC update requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of a debt liability, consistent with debt discounts or premiums, and amortization of debt issuance cost shall be reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASC update. The updated guidance is to be applied on a retrospective basis and early adoption is permitted. The update is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not expect the adoption of ASC update 2015-03 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. In August 2015, the FASB issued ASC Update No. 2015-14, (Topic 606) Revenue from Contracts with Customers, which deferred the effective date of ASC Update No. 2014-09 by one year. Accordingly, the updated guidance is effective for periods beginning after December 15, 2017 and is not expected to have a material effect on the Company's financial position or results of operations.

In August 2014, the FASB issued ASC update No. 2014-15, (Subtopic 205-40) Presentation of Financial Statement-Going Concern. This ASC update provides guidance on determining when and how to disclose going concern uncertainties in the financial statements, and requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. The updated guidance is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The Company does not expect the adoption of ASC update 2014-15 to have a material impact on its financial position or results of operations.

3. Disposal of U.K. Motor Business

Effective June 30, 2015, the Company transferred its U.K. motor business to an unaffiliated U.K.-based insurance provider. The transaction was executed through a 100 percent reinsurance arrangement for prior claim liabilities and in-force policies written by this division and the sale of two entities associated with this business. Total consideration from the sale of the Chaucer subsidiaries was $64.9 million and the transaction resulted in a net gain of $40.3 million.

The components of the gain are as follows:

(in millions)		
Total consideration	$	64.9
Less:		
Carrying value of subsidiaries		(7.6)
Intangibles and goodwill disposed (1)		(17.7)
Transaction expenses and employee-related and other costs (2)		(7.7)
Realized gain on investments transferred as part of reinsurance agreement (3)		5.8
Pre-tax gain		37.7
Income tax benefit		2.6

Net gain	$ 40.3

(1) Reflects $17.2 million of indefinite-lived intangible assets associated with the U.K. motor business upon THG's purchase of Chaucer in July 2011 and $0.5 million of goodwill.
(2) Transaction costs include legal, actuarial and other professional fees.
(3) As part of the reinsurance agreement, investments were transferred, resulting in the recognition of net realized investment gains that were previously reflected in accumulated other comprehensive income.

In connection with the reinsurance arrangement, insurance liabilities of approximately $443 million were ceded, including $137.4 million of written premiums, and approximately $419 million of investments, cash, and premiums receivable were transferred. The $25 million difference between assets and liabilities equals the deferred acquisition costs ("DAC") balance associated with this business; hence, this portion of the transaction resulted in no net gain or loss.

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4. Income Taxes

Income tax expense for the nine months ended September 30, 2015 and 2014 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 nine months ended September 30, 2015, the tax provision is comprised of a $62.2 million U.S. federal income tax expense and a $24.8 million foreign income tax expense. For the nine months ended September 30, 2014, the tax provision was comprised of a $38.7 million U.S. federal income tax expense and a $24.2 million foreign income tax expense. Income tax expense for the nine months ended September 30, 2014 included a benefit of $4.4 million related to foreign exchange losses that was deductible on the Company's 2013 U.S. tax return. This permanent tax item was 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, a portion of its non–U.S. income is not subject to U.S. federal income tax until repatriated. Income taxes on this portion of 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 $65.2 million and $17.2 million of non-U.S. income for the nine months ended September 30, 2015 and 2014, respectively. However, in the future, if these and all other undistributed earnings from prior years were distributed to the Company, taxes of $44.0 million would be payable on all 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.

The Company or its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state jurisdictions, as well as foreign jurisdictions. The Company and its subsidiaries are subject to U.S. federal income tax examinations by tax authorities for years after 2011, U.S. state income tax examinations for years after 2006 and foreign examinations for years after 2011.

5. Debt

Debt consists of the following:

(in millions)	September 30, 2015	December 31, 2014
Senior debentures maturing June 15, 2021	$ 300.0	$ 300.0
Senior debentures maturing March 1, 2020	80.0	164.6
Senior debentures maturing October 15, 2025	74.6	81.1
Subordinated debentures maturing March 30, 2053	175.0	175.0
Subordinated debentures maturing February 3, 2027	59.7	59.7
FHLBB borrowings (secured)	125.0	125.0
Total principal debt	$ 814.3	$ 905.4
Unamortized debt discount	(1.5)	(1.9)
Total	$ 812.8	$ 903.5

During the first nine months of 2015, the Company repurchased senior debentures maturing March 1, 2020, with a carrying value of $83.7 million at a cost of $106.0 million, resulting in a loss of $22.3 million, and senior debentures maturing October 15, 2025, with a carrying value of $6.5 million at a cost of $8.3 million, resulting in a loss of $1.8 million. These losses are included in other operating expenses.

At September 30, 2015, the Company was in compliance with the covenants associated with its debt indentures and credit arrangements.

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6. 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:

	September 30, 2015				
(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI Unrealized Losses
Fixed maturities:					
U.S. Treasury and government agencies	$ 455.9	$ 8.8	$ 1.5	$ 463.2	$ -
Foreign government	266.9	3.4	1.7	268.6	-
Municipal	1,086.1	60.3	2.6	1,143.8	-
Corporate	3,702.1	117.8	73.2	3,746.7	19.6
Residential mortgage-backed	811.4	20.3	2.0	829.7	0.3
Commercial mortgage-backed	523.1	12.5	0.6	535.0	-
Asset-backed	97.6	0.5	0.2	97.9	-
Total fixed maturities	$ 6,943.1	$ 223.6	$ 81.8	$ 7,084.9	$ 19.9
Equity securities	$ 527.4	$ 45.9	$ 22.6	$ 550.7	$ -

	December 31, 2014				
(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI Unrealized Losses
Fixed maturities:					
U.S. Treasury and government agencies	$ 516.3	$ 7.6	$ 3.5	$ 520.4	$ -
Foreign government	349.4	5.2	0.6	354.0	-
Municipal	1,079.6	62.4	4.0	1,138.0	-
Corporate	3,746.3	166.3	31.8	3,880.8	7.4
Residential mortgage-backed	770.4	21.7	3.0	789.1	0.4
Commercial mortgage-backed	516.7	12.4	1.3	527.8	-
Asset-backed	167.0	1.2	0.2	168.0	-

Total fixed maturities	$ 7,145.7	$ 276.8	$ 44.4	$ 7,378.1	$ 7.8
Equity securities	$ 506.6	$ 76.8	$ 2.6	$ 580.8	$ -

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 $0.1 million and $12.3 million as of September 30, 2015 and December 31, 2014, 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.

	September 30, 2015	
	Amortized	Fair
(in millions)	Cost	Value
Due in one year or less	$ 411.5	$ 416.8
Due after one year through five years	2,422.4	2,484.4
Due after five years through ten years		