ATLANTIC AMERICAN CORP
Form 10-Q
May 12, 2016

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-3722

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

Georgia	58-1027114
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4370 Peachtree Road, N.E.,	30319
Atlanta, Georgia	(Zip Code)
(Address of principal executive offices)	

(404) 266-5500
(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 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 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

The total number of shares of the registrant's Common Stock, $1 par value, outstanding on May 9, 2016 was 20,419,486.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ATLANTIC AMERICAN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

ASSETS

	Unaudited March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 10,784	$ 15,622
Investments:		
Fixed maturities (cost: $206,819 and $210,450)	206,461	205,324
Common and non-redeemable preferred stocks (cost: $11,453 and $10,953)	20,367	23,131
Other invested assets (cost: $5,719 and $6,454)	5,719	6,454
Policy loans	2,204	2,200
Real estate	38	38
Investment in unconsolidated trusts	1,238	1,238
Total investments	236,027	238,385
Receivables:		
Reinsurance	9,035	11,759
Insurance premiums and other (net of allowance for doubtful accounts: $521 and $528)	8,416	11,988
Deferred income taxes, net	-	829
Deferred acquisition costs	27,669	27,866
Other assets	5,658	5,610
Intangibles	2,544	2,544
Total assets	$ 300,133	$ 314,603

LIABILITIES AND SHAREHOLDERS' EQUITY

Insurance reserves and policyholder funds:		
Future policy benefits	$ 72,468	$ 72,136
Unearned premiums	17,533	25,348
Losses and claims	57,673	63,870
Other policy liabilities	1,464	1,991
Total insurance reserves and policyholder funds	149,138	163,345
Accounts payable and accrued expenses	13,258	15,028
Deferred income taxes, net	175	-
Junior subordinated debenture obligations, net	33,738	33,738
Total liabilities	196,309	212,111
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, $1 par, 4,000,000 shares authorized; Series D preferred, 55,000 shares issued and outstanding; $5,500 redemption value	55	55
Common stock, $1 par, 50,000,000 shares authorized; shares issued: 22,400,894; shares outstanding: 20,391,363 and 20,426,536	22,401	22,401
Additional paid-in capital	56,633	56,623
Retained earnings	25,834	25,443

Accumulated other comprehensive income	5,561	4,584
Unearned stock grant compensation	(154)	(273)
Treasury stock, at cost: 2,009,531 and 1,974,358 shares	(6,506)	(6,341)
Total shareholders' equity	103,824	102,492
Total liabilities and shareholders' equity	$300,133	$314,603

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

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ATLANTIC AMERICAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenue:		
Insurance premiums	$38,458	$37,386
Investment income	2,507	2,597
Realized investment gains, net	752	951
Other income	30	15
Total revenue	41,747	40,949
Benefits and expenses:		
Insurance benefits and losses incurred	24,825	25,241
Commissions and underwriting expenses	11,827	10,721
Interest expense	373	349
Other expense	3,346	3,628
Total benefits and expenses	40,371	39,939
Income before income taxes	1,376	1,010
Income tax expense	478	319
Net income	898	691
Preferred stock dividends	(99)	(99)
Net income applicable to common shareholders	$799	$592
Earnings per common share (basic and diluted)	$.04	$.03

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

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ATLANTIC AMERICAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; Dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
Net income	$898	$691
Other comprehensive income:		
Available-for-sale securities:		
Gross unrealized holding gain arising in the period	2,256	5,721
Related income tax effect	(790)	(2,003)
Less: reclassification adjustment for net realized gains included in net income [1]	(752)	(951)
Related income tax effect [2]	263	333
Total other comprehensive income, net of tax	977	3,100
Total comprehensive income	$1,875	$3,791

(1) Realized gains on available-for-sale securities recognized in realized investment gains, net on the accompanying condensed consolidated statements of operations.
(2) Income tax effect on reclassification adjustment for net realized gains included in income tax expense on the accompanying condensed consolidated statements of operations.

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

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ATLANTIC AMERICAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited; Dollars in thousands)

Three Months Ended March 31, 2016	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Stock Grant Compensation	Treasury Stock	Total
Balance, December 31, 2015	$ 55	$ 22,401	$ 56,623	$ 25,443	$ 4,584	$ (273)	$ (6,341)	$ 102,492
Net income	-	-	-	898	-	-	-	898
Other comprehensive income, net of tax	-	-	-	-	977	-	-	977
Dividends declared on common stock	-	-	-	(408)	-	-	-	(408)
Dividends accrued on preferred stock	-	-	-	(99)	-	-	-	(99)
Amortization of unearned compensation	-	-	-	-	-	119	-	119
Purchase of shares for treasury	-	-	-	-	-	-	(170)	(170)
Issuance of shares under stock plans	-	-	10	-	-	-	5	15
Balance, March 31, 2016	$ 55	$ 22,401	$ 56,633	$ 25,834	$ 5,561	$ (154)	$ (6,506)	$ 103,824
Three Months Ended March 31, 2015								
Balance, December 31, 2014	$ 55	$ 22,401	$ 56,491	$ 21,866	$ 9,279	$ (460)	$ (5,437)	$ 104,195
Net income	-	-	-	691	-	-	-	691
Other comprehensive income, net of tax	-	-	-	-	3,100	-	-	3,100
Dividends declared on common stock	-	-	-	(412)	-	-	-	(412)
Dividends accrued on preferred stock	-	-	-	(99)	-	-	-	(99)
Amortization of unearned compensation	-	-	-	-	-	65	-	65
Purchase of shares for treasury	-	-	-	-	-	-	(94)	(94)
Issuance of shares under stock plans	-	-	7	-	-	-	4	11
Balance, March 31, 2015	$ 55	$ 22,401	$ 56,498	$ 22,046	$ 12,379	$ (395)	$ (5,527)	$ 107,457

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

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ATLANTIC AMERICAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; Dollars in thousands)

	Three Months Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$898	$691
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization of deferred acquisition costs	2,492	2,961
Acquisition costs deferred	(2,295)	(2,780)
Realized investment gains, net	(752)	(951)
Decrease in insurance reserves	(14,207)	(8,284)
Compensation expense related to share awards	119	65
Depreciation and amortization	291	283
Deferred income tax expense	478	308
Decrease in receivables, net	8,304	4,690
Decrease in other liabilities	(2,277)	(1,289)
Other, net	(8)	65
Net cash used in operating activities	(6,957)	(4,241)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments sold, called or matured	18,657	28,049
Investments purchased	(16,157)	(20,338)
Additions to property and equipment	(226)	(67)
Net cash provided by investing activities	2,274	7,644
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from shares issued under stock plans	15	11
Purchase of shares for treasury	(170)	(94)
Net cash used in financing activities	(155)	(83)
Net (decrease) increase in cash and cash equivalents	(4,838)	3,320
Cash and cash equivalents at beginning of period	15,622	16,375
Cash and cash equivalents at end of period	$10,784	$19,695
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$367	$351
Cash paid for income taxes	$-	$215

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

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ATLANTIC AMERICAN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; Dollars in thousands, except per share amounts)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Atlantic American Corporation (the “Parent”) and its subsidiaries (collectively with the Parent, the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for audited annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The unaudited condensed consolidated financial statements included herein and these related notes should be read in conjunction with the Company’s consolidated financial statements, and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. The Company’s financial condition and results of operations as of and for the three month period ended March 31, 2016 are not necessarily indicative of the financial condition or results of operations that may be expected for the year ending December 31, 2016 or for any other future period.

The Company’s significant accounting policies have not changed materially from those set out in the Company’s 2015 Annual Report.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Note 2. Recently Issued Accounting Standards

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). This guidance applies to all entities that issue share-based payment awards to their employees and is designed to simplify several areas of the accounting for share-based payment transactions. The areas for simplification include income tax consequences, forfeitures, classification of awards as either equity or liabilities and classification on the statement of cash flows. In addition, ASU 2016-09 eliminates the guidance in Topic 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), Share-Based Payment. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016. The Company does not expect the adoption of ASU 2016-09 to have a material impact on its financial condition or results of operations.

In March 2016, the FASB issued ASU No. 2016-07, Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting (“ASU 2016-07”). This guidance eliminates the requirement to retroactively adopt the equity method of accounting when an investment qualifies for the use of the equity method as a result of an increase in the level of ownership or degree of influence. In contrast, the equity method entity or investor is required to add the cost of acquiring the additional interest in the investee to the current basis of the previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. ASU 2016-07 is effective for interim and annual reporting periods beginning after December 15, 2016. The Company does not expect the adoption of ASU 2016-07 to have a material impact on its financial condition or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”). Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018 and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the expected impact on its consolidated financial statements upon the adoption of this guidance.

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In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10) (“ASU 2016-01”). ASU 2016-01 provides updated guidance for the recognition and measurement of financial instruments. The new guidance will require investments in equity securities to be measured at fair value with changes in fair value reported in net income except for those equity securities that result in consolidation or are accounted for under the equity method of accounting. Under existing guidance, the Company measures investments in equity securities, available-for-sale, at fair value with changes in fair value reported in accumulated other comprehensive income. The Company is required to adopt the guidance effective January 1, 2018 through a cumulative effect adjustment to retained earnings. Early adoption is not allowed. The impact on the Company’s consolidated financial statements will depend on the composition of the Company’s investment portfolio on the date of adoption. As of March 31, 2016, equity securities available-for-sale totaled $20,367, with unrealized gains, net of tax, of $5,794 in accumulated other comprehensive income that would have been classified in retained earnings.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This amendment defers the effective date of the previously issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), until the interim and annual reporting periods beginning after December 15, 2017. Earlier adoption is permitted for interim and annual reporting periods beginning after December 15, 2016. ASU 2014-09 provides updated guidance for recognizing revenue. The guidance excludes insurance contracts and financial instruments. Revenue is to be recognized when, or as, goods or services are transferred to customers in an amount that reflects the consideration that an entity is expected to be entitled in exchange for those goods or services. The Company is currently evaluating the impact on its consolidated financial statements upon the adoption of this guidance.

In May 2015, the FASB issued ASU No. 2015-09, Financial Services – Insurance (Topic 944): Disclosures about Short-Duration Contracts (“ASU 2015-09”). The main objective of ASU 2015-09 is to enhance disclosures about the liability for unpaid claims and claim adjustment expenses, specifically the development of claims, the frequency and severity of claims, and expanded disclosures about reserves that are discounted. ASU 2015-09 will also require 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 effects on the financial statements. The amendments in ASU 2015-09 are effective for annual reporting periods beginning after December 15, 2015, and interim reporting periods within annual reporting periods beginning after December 15, 2016. Since ASU 2015-09 is a disclosure only update, the Company does not expect the adoption to have an impact on its financial condition or results of operations.

Note 3. Segment Information

The Company’s primary operating subsidiaries, American Southern Insurance Company and American Safety Insurance Company (together known as “American Southern”) and Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company (together known as “Bankers Fidelity”) operate in two principal business units, each focusing on specific products. American Southern operates in the property and casualty insurance market, while Bankers Fidelity operates in the life and health insurance market. Each business unit is managed independently and is evaluated on its individual performance. The following sets forth the revenue and income before income taxes for each business unit for the three month periods ended March 31, 2016 and 2015.

Revenues	Three Months Ended March 31,	
	2016	2015
American Southern	$14,811	$14,772
Bankers Fidelity	26,839	26,070
Corporate and Other	97	107

Total revenue	$41,747	$40,949

Income Before Income Taxes	Three Months Ended March 31,	
	2016	2015
American Southern	$2,231	$1,849
Bankers Fidelity	998	1,190
Corporate and Other	(1,853)	(2,029)
Income before income taxes	$1,376	$1,010

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Note 4. Junior Subordinated Debentures

The Company has two unconsolidated Connecticut statutory business trusts, which exist for the exclusive purposes of: (i) issuing trust preferred securities ("Trust Preferred Securities") representing undivided beneficial interests in the assets of the trusts; (ii) investing the gross proceeds of the Trust Preferred Securities in junior subordinated deferrable interest debentures ("Junior Subordinated Debentures") of Atlantic American; and (iii) engaging in those activities necessary or incidental thereto.

The financial structure of each of Atlantic American Statutory Trust I and II as of March 31, 2016 was as follows:

	Atlantic American Statutory Trust I	Atlantic American Statutory Trust II
JUNIOR SUBORDINATED DEBENTURES (1) (2)		
Principal amount owed	$18,042	$23,196
Balance March 31, 2016	$18,042	$23,196
Less: Treasury debt (3)	-	(7,500)
Net balance March 31, 2016	$18,042	$15,696
Net balance December 31, 2015	$18,042	$15,696
Coupon rate	LIBOR + 4.00%	LIBOR + 4.10%
Interest payable	Quarterly	Quarterly
Maturity date	December 4, 2032	May 15, 2033
Redeemable by issuer	Yes	Yes
TRUST PREFERRED SECURITIES		
Issuance date	December 4, 2002	May 15, 2003
Securities issued	17,500	22,500
Liquidation preference per security	$1	$1
Liquidation value	$17,500	$22,500
Coupon rate	LIBOR + 4.00%	LIBOR + 4.10%
Distribution payable	Quarterly	Quarterly
Distribution guaranteed by (4)	Atlantic American Corporation	Atlantic American Corporation

(1) For each of the respective debentures, the Company has the right at any time, and from time to time, to defer payments of interest on the Junior Subordinated Debentures for a period not exceeding 20 consecutive quarters up to the debentures' respective maturity dates. During any such period, interest will continue to accrue and the Company may not declare or pay any cash dividends or distributions on, or purchase, the Company's common stock nor make any principal, interest or premium payments on or repurchase any debt securities that rank equally with or junior to the Junior Subordinated Debentures. The Company has the right at any time to dissolve each of the trusts and cause the Junior Subordinated Debentures to be distributed to the holders of the Trust Preferred Securities.

(2) The Junior Subordinated Debentures are unsecured and rank junior and subordinate in right of payment to all senior debt of the Parent and are effectively subordinated to all existing and future liabilities of its subsidiaries.

(3) On August 4, 2014, the Company acquired $7,500 of the Junior Subordinated Debentures.

(4) The Parent has guaranteed, on a subordinated basis, all of the obligations under the Trust Preferred Securities, including payment of the redemption price and any accumulated and unpaid distributions to the extent of available funds and upon dissolution, winding up or liquidation.

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Note 5. Earnings Per Common Share

A reconciliation of the numerator and denominator used in the earnings per common share calculations is as follows:

	Three Months Ended March 31, 2016		
	Income	Shares (In thousands)	Per Share Amount
Basic and Diluted Earnings Per Common Share:			
Net income	$898	20,406	
Less preferred stock dividends	(99)	-	
Net income applicable to common shareholders	$799	20,406	$ .04

	Three Months Ended March 31, 2015		
	Income	Shares (In thousands)	Per Share Amount
Basic and Diluted Earnings Per Common Share:			
Net income	$691	20,591	
Less preferred stock dividends	(99)	-	
Net income applicable to common shareholders	$592	20,591	$ .03

The assumed conversion of the Company's Series D preferred stock was excluded from the earnings per common share calculation for all periods presented since its impact would have been antidilutive.

Note 6. Income Taxes

A reconciliation of the differences between income taxes computed at the federal statutory income tax rate and income tax expense is as follows:

	Three Months Ended March 31,	
	2016	2015
Federal income tax provision at statutory rate of 35%	$482	$354
Dividends-received deduction	(22)	(27)
Small life insurance company deduction	-	(18)
Other permanent differences	18	10
Income tax expense	$478	$319

The components of income tax expense were:

	Three Months Ended March 31,	
	2016	2015

Current – Federal	$-	$11
Deferred – Federal	478	308
Total	$478	$319

The primary difference between the effective tax rate and the federal statutory income tax rate for the three month period ended March 31, 2016 resulted from the dividends-received deduction ("DRD"). The current estimated DRD is adjusted as underlying factors change and can vary from estimates based on, but not limited to, actual distributions from investments as well as the amount of the Company's taxable income.

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The primary differences between the effective tax rate and the federal statutory income tax rate for the three month period ended March 31, 2015 resulted from the DRD and the small life insurance company deduction (“SLD”). The SLD varies in amount and is determined at a rate of 60 percent of the tentative life insurance company taxable income (“LICTI”). The SLD for any taxable year is reduced (but not below zero) by 15 percent of the tentative LICTI for such taxable year as it exceeds $3,000 and is ultimately phased out at $15,000.

Note 7. Commitments and Contingencies

From time to time, the Company is, and expects to continue to be, involved in various claims and lawsuits incidental to and in the ordinary course of its businesses. In the opinion of management, any such known claims are not expected to have a material effect on the financial condition or results of operations of the Company.

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Note 8. Investments

The following tables set forth the carrying value, gross unrealized gains, gross unrealized losses and amortized cost of the Company's investments, aggregated by type and industry, as of March 31, 2016 and December 31, 2015.

Investments were comprised of the following:

	March 31, 2016			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Fixed maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$ 18,445	$ 449	$ 11	$ 18,007
Obligations of states and political subdivisions	18,046	814	36	17,268
Corporate securities:				
Utilities and telecom	17,617	1,794	613	16,436
Financial services	57,648	2,464	1,392	56,576
Other business – diversified	66,390	1,572	5,036	69,854
Other consumer – diversified	27,867	603	972	28,236
Total corporate securities	169,522	6,433	8,013	171,102
Redeemable preferred stocks:				
Financial services	256	6	-	250
Other consumer – diversified	192	-	-	192
Total redeemable preferred stocks	448	6	-	442
Total fixed maturities	206,461	7,702	8,060	206,819
Equity securities:				
Common and non-redeemable preferred stocks:				
Utilities and telecom	1,622	658	-	964
Financial services	5,672	844	-	4,828
Other business – diversified	213	166	-	47
Other consumer – diversified	12,860	7,246	-	5,614
Total equity securities	20,367	8,914	-	11,453
Other invested assets	5,719	-	-	5,719
Policy loans	2,204	-	-	2,204
Real estate	38	-	-	38
Investments in unconsolidated trusts	1,238	-	-	1,238
Total investments	$ 236,027	$ 16,616	$ 8,060	$ 227,471

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	December 31, 2015			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Fixed maturities:				
Bonds:				
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$22,234	$ 290	$ 175	$22,119
Obligations of states and political subdivisions	25,479	621	552	25,410
Corporate securities:				
Utilities and telecom	17,589	1,357	692	16,924
Financial services	54,035	1,797	1,351	53,589
Other business – diversified	60,960	729	5,898	66,129
Other consumer – diversified	24,581	136	1,391	25,836
Total corporate securities	157,165	4,019	9,332	162,478
Redeemable preferred stocks:				
Financial services	253	3	-	250
Other consumer – diversified	193	-	-	193
Total redeemable preferred stocks	446	3	-	443
Total fixed maturities	205,324	4,933	10,059	210,450
Equity securities:				
Common and non-redeemable preferred stocks:				
Utilities and telecom	1,386	422	-	964
Financial services	5,175	847	-	4,328
Other business – diversified	198	151	-	47
Other consumer – diversified	16,372	10,758	-	5,614
Total equity securities	23,131	12,178	-	10,953
Other invested assets	6,454	-	-	6,454
Policy loans	2,200	-	-	2,200
Real estate	38	-	-	38
Investments in unconsolidated trusts	1,238	-	-	1,238
Total investments	$238,385	$ 17,111	$ 10,059	$231,333

Bonds having an amortized cost of $11,159 and $11,259 and included in the tables above were on deposit with insurance regulatory authorities at March 31, 2016 and December 31, 2015, respectively, in accordance with statutory requirements.

The carrying value and amortized cost of the Company’s investments in fixed maturities at March 31, 2016 by contractual maturity were as follows. Actual maturities may differ from contractual maturities because issuers may call or prepay obligations with or without call or prepayment penalties.

	March 31, 2016	
	Carrying Value	Amortized Cost
Due in one year or less	$2,465	$2,441
Due after one year through five years	21,162	20,941
Due after five years through ten years	110,924	111,976
Due after ten years	70,751	70,465
Varying maturities	1,159	996
Totals	$206,461	$206,819

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The following table sets forth the carrying value, amortized cost, and net unrealized gains (losses) of the Company's investments aggregated by industry as of March 31, 2016 and December 31, 2015.

	March 31, 2016			December 31, 2015		
	Carrying Value	Amortized Cost	Unrealized Gains (Losses)	Carrying Value	Amortized Cost	Unrealized Gains (Losses)
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$18,445	$18,007	$ 438	$22,234	$22,119	$ 115
Obligations of states and political subdivisions	18,046	17,268	778	25,479	25,410	69
Utilities and telecom	19,239	17,400	1,839	18,975	17,888	1,087
Financial services	63,576	61,654	1,922	59,463	58,167	1,296
Other business – diversified	66,603	69,901	(3,298)	61,158	66,176	(5,018)
Other consumer – diversified	40,919	34,042	6,877	41,146	31,643	9,503
Other investments	9,199	9,199	-	9,930	9,930	-
Investments	$236,027	$227,471	$ 8,556	$238,385	$231,333	$ 7,052

The following tables present the Company's unrealized loss aging for securities by type and length of time the security was in a continuous unrealized loss position as of March 31, 2016 and December 31, 2015.

	March 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$2,626	$ 10	$501	$ 1	$3,127	$ 11
Obligations of states and political subdivisions	-	-	5,010	36	5,010	36
Corporate securities	38,092	1,821	25,402	6,192	63,494	8,013
Total temporarily impaired securities	$40,718	$ 1,831	$30,913	$ 6,229	$71,631	$ 8,060

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	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government agencies and authorities	$9,209	$ 120	$2,243	$ 55	$11,452	$ 175
Obligations of states and political subdivisions	16,079	552	-	-	16,079	552
Corporate securities	79,482	4,284	16,131	5,048	95,613	9,332
Total temporarily impaired securities	$104,770	$ 4,956	$18,374	$ 5,103	$123,144	$ 10,059

The evaluation for an other than temporary impairment is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other than temporary. Potential risks and uncertainties include, among other things, changes in general economic conditions, an issuer's financial condition or near term recovery prospects and the effects of changes in interest rates. In evaluating a potential impairment, the Company considers, among other factors, management's intent and ability to hold the securities until price recovery, the nature of the investment and the expectation of prospects for the issuer and its industry, the status of an issuer's continued satisfaction of its obligations in accordance with their contractual terms, and management's expectation as to the issuer's ability and intent to continue to do so, as well as ratings actions that may affect the issuer's credit status.

As of March 31, 2016, there were fifty-one securities in an unrealized loss position which primarily included certain of the Company's investments in fixed maturities within the other diversified business, other diversified consumer, utilities and telecom and financial services sectors. Securities in an unrealized loss position reported in the other diversified business sector included gross unrealized losses of $3,856 related to investments in fixed maturities of twelve different issuers, all related to the oil and gas industry. The oil and gas investee companies represent a diversified group of businesses which include, among others, refiners, pipeline owners and operators, deep water offshore rig owners and operators, all of which we believe are in continuing stages of rationalizing their current investments, future capital expenditures and assessing capital and liquidity requirements. To our knowledge, the companies are continuing to assess and revise short-term, intermediate and long-term business plans in response to the current trends in oil and gas markets. While these companies have generally experienced credit downgrades or may be currently under credit rating review, the Company believes that many of the downgrades are in response to external market forces and not necessarily specific credit events of any obligor which would currently indicate that an other than temporary impairment need be recorded. All of the investees have continued to make regular interest payments on their debt when and as due and the Company continues to perform in-depth analysis of the financial disclosures of each of the investees on a regular basis. The Company does not currently intend to sell nor does it expect to be required to sell any of the securities in an unrealized loss position. Based upon the Company's expected continuation of receipt of contractually required principal and interest payments and its intent and ability to retain the securities until price recovery, as well as the Company's evaluation of other relevant factors, including those described above, the Company has deemed these securities to be temporarily impaired as of March 31, 2016.

The following describes the fair value hierarchy and provides information as to the extent to which the Company uses fair value to measure the value of its financial instruments and information about the inputs used to value those financial instruments. The fair value hierarchy prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels.

Level 1	Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. The Company's financial instruments valued using Level 1 criteria include cash equivalents and exchange traded common stocks.

Level 2	Observable inputs, other than quoted prices included in Level 1, for an asset or liability or prices for similar assets or liabilities. The Company's financial instruments valued using Level 2 criteria include significantly all of its fixed maturities, which consist of U.S. Treasury securities and U.S. Government securities, obligations of states and political subdivisions, and certain corporate fixed maturities, as well as its non-redeemable preferred stocks. In determining fair value measurements using Level 2 criteria, the Company utilizes data from outside sources, including nationally recognized pricing services and broker/dealers, in establishing the fair value of its fixed maturities and non-redeemable preferred stocks. Prices for the majority of the Company's Level 2 fixed maturities and non-redeemable preferred stocks were determined using unadjusted prices received from pricing services that utilize a matrix pricing concept, which is a mathematical technique used widely in the industry to value debt securities based on various relationships to other benchmark quoted prices.

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Level 3	Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Fair value is based on criteria that use assumptions or other data that are not readily observable from objective sources. The Company's financial instruments valued using Level 3 criteria consist of a limited number of fixed maturities. As of March 31, 2016 and December 31, 2015, the value of the Company's fixed maturities valued using Level 3 criteria was $2,300 and $2,237, respectively. The use of different criteria or assumptions regarding data may have yielded materially different valuations.

As of March 31, 2016, financial instruments carried at fair value were measured on a recurring basis as summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Fixed maturities	$ -	$ 204,161	$ 2,300 (1)	$ 206,461
Equity securities	14,945	5,422 (1)	-	20,367
Cash equivalents	10,784	-	-	10,784
Total	$ 25,729	$ 209,583	$ 2,300	$ 237,612

(1) All underlying securities are financial service industry related.

As of December 31, 2015, financial instruments carried at fair value were measured on a recurring basis as summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				