REINSURANCE GROUP OF AMERICA INC
Form 10-Q
November 06, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

Commission File Number 1-11848

REINSURANCE GROUP OF AMERICA, INCORPORATED

(Exact name of Registrant as specified in its charter)

MISSOURI	**43-1627032**
(State or other jurisdiction of incorporation or organization)	**(IRS employer identification number)**

1370 Timberlake Manor Parkway

Chesterfield, Missouri 63017

(Address of principal executive offices)

(636) 736-7000

(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 _X_ 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 _X_ No ______

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer _X_ 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 _X____

As of October 31, 2012, 73,853,716 shares of the registrant s common stock were outstanding.

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2012	December 31, 2011
	(Dollars in thousands, except share data)	
Assets		
Fixed maturity securities:		
Available-for-sale at fair value (amortized cost of $18,905,283 and $14,182,880 at September 30, 2012 and December 31, 2011, respectively)	$ 21,658,414	$ 16,200,950
Mortgage loans on real estate (net of allowances of $13,333 and $11,793 at September 30, 2012 and December 31, 2011, respectively)	2,256,881	991,731
Policy loans	1,243,498	1,260,400
Funds withheld at interest	5,608,640	5,410,424
Short-term investments	90,789	88,566
Other invested assets	1,236,616	1,012,541
Total investments	32,094,838	24,964,612
Cash and cash equivalents	1,603,730	962,870
Accrued investment income	250,048	144,334
Premiums receivable and other reinsurance balances	1,179,687	1,059,572
Reinsurance ceded receivables	623,954	626,194
Deferred policy acquisition costs	3,630,877	3,543,925
Other assets	540,879	332,466
Total assets	$ 39,924,013	$ 31,633,973
Liabilities and Stockholders Equity		
Future policy benefits	$ 11,093,483	$ 9,903,886
Interest-sensitive contract liabilities	13,254,859	8,394,468
Other policy claims and benefits	3,132,526	2,841,373
Other reinsurance balances	218,057	118,219
Deferred income taxes	1,806,186	1,679,834
Other liabilities	1,217,788	810,775
Long-term debt	1,815,111	1,414,688
Collateral finance facility	651,968	652,032
Total liabilities	33,189,978	25,815,275
Commitments and contingent liabilities (See Note 8)		
Stockholders Equity:		
Preferred stock (par value $.01 per share; 10,000,000 shares authorized; no shares issued or outstanding)	--	--
Common stock (par value $.01 per share; 140,000,000 shares authorized; shares issued: 79,137,758 at September 30, 2012 and December 31, 2011)	791	791
Additional paid-in-capital	1,743,822	1,727,774
Retained earnings	3,154,317	2,818,429
Treasury stock, at cost; 5,285,409 and 5,770,024 shares at September 30, 2012 and December 31, 2011, respectively	(316,542)	(346,449)
Accumulated other comprehensive income	2,151,647	1,618,153
Total stockholders equity	6,734,035	5,818,698
Total liabilities and stockholders equity	$ 39,924,013	$ 31,633,973

See accompanying notes to condensed consolidated financial statements (unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(Dollars in thousands, except per share data)			
Revenues:				
Net premiums	$ 1,912,746	$ 1,776,165	$ 5,726,889	$ 5,300,971
Investment income, net of related expenses	396,781	268,210	1,066,055	976,686
Investment related gains (losses), net:				
Other-than-temporary impairments on fixed maturity securities	(1,996)	(11,911)	(11,562)	(19,049)
Other-than-temporary impairments on fixed maturity securities transferred to (from) accumulated other comprehensive income	(559)	3,089	(7,618)	3,381
Other investment related gains (losses), net	78,608	(130,778)	162,554	27,076
Total investment related gains (losses), net	76,053	(139,600)	143,374	11,408
Other revenues	63,501	90,132	181,491	192,254
Total revenues	2,449,081	1,994,907	7,117,809	6,481,319
Benefits and Expenses:				
Claims and other policy benefits	1,662,625	1,514,765	4,868,220	4,504,227
Interest credited	130,341	35,251	285,080	237,510
Policy acquisition costs and other insurance expenses	318,106	164,372	961,679	785,138
Other operating expenses	103,786	94,029	319,425	297,340
Interest expense	29,749	27,025	76,431	77,412
Collateral finance facility expense	2,995	3,069	8,840	9,372
Total benefits and expenses	2,247,602	1,838,511	6,519,675	5,910,999
Income before income taxes	201,479	156,396	598,134	570,320
Provision for income taxes	57,004	21,794	189,230	162,854
Net income	$ 144,475	$ 134,602	$ 408,904	$ 407,466
Earnings per share:				
Basic earnings per share	$ 1.96	$ 1.82	$ 5.55	$ 5.53
Diluted earnings per share	$ 1.95	$ 1.81	$ 5.52	$ 5.49
Dividends declared per share	$ 0.24	$ 0.18	$ 0.60	$ 0.42

See accompanying notes to condensed consolidated financial statements (unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Comprehensive income:				
Net income	$ 144,475	$ 134,602	$ 408,904	$ 407,466
Other comprehensive income, net of income tax:				
Change in foreign currency translation adjustments	36,248	(101,842)	43,463	(65,948)
Change in net unrealized gain on investments	315,501	354,709	483,242	470,473
Change in other-than-temporary impairment losses on fixed maturity securities	364	(2,008)	4,952	(2,198)
Changes in pension and other postretirement plan adjustments	336	708	1,837	1,280
Total other comprehensive income	352,449	251,567	533,494	403,607
Total comprehensive income, net of income tax	$ 496,924	$ 386,169	$ 942,398	$ 811,073

See accompanying notes to condensed consolidated financial statements.

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30, 2012	2011
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net income	$ 408,904	$ 407,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accrued investment income	(60,684)	(64,464)
Premiums receivable and other reinsurance balances	(102,447)	(86,339)
Deferred policy acquisition costs	(70,107)	(60,792)
Reinsurance ceded receivable balances	2,240	42,409
Future policy benefits, other policy claims and benefits, and other reinsurance balances	1,406,844	669,174
Deferred income taxes	(99,200)	58,207
Other assets and other liabilities, net	225,749	(46,320)
Amortization of net investment premiums, discounts and other	(61,644)	(100,328)
Investment related gains, net	(143,374)	(11,408)
Gain on repurchase of collateral finance facility securities	--	(55,840)
Excess tax benefits from share-based payment arrangement	262	(4,418)
Other, net	22,533	86,630
Net cash provided by operating activities	1,529,076	833,977
Cash Flows from Investing Activities:		
Sales of fixed maturity securities available-for-sale	3,970,569	2,338,405
Maturities of fixed maturity securities available-for-sale	122,405	195,582
Purchases of fixed maturity securities available-for-sale	(4,660,131)	(3,104,714)
Cash invested in mortgage loans	(350,823)	(117,697)
Cash invested in policy loans	(8,032)	(8,928)
Cash invested in funds withheld at interest	(81,602)	(23,784)
Principal payments on mortgage loans on real estate	85,921	60,764
Principal payments on policy loans	24,934	8,456
Change in short-term investments and other invested assets	(129,874)	(86,895)
Net cash used in investing activities	(1,026,633)	(738,811)
Cash Flows from Financing Activities:		
Dividends to stockholders	(44,220)	(31,039)
Repurchase of collateral finance facility securities	--	(111,831)
Proceeds from long-term debt issuance	400,000	397,788
Debt issuance costs	(6,255)	(3,400)
Proceeds from redemption and remarketing of trust preferred securities	--	154,588
Maturity of trust preferred securities	--	(159,473)
Purchases of treasury stock	(6,924)	(380,345)
Excess tax benefits from share-based payment arrangement	(262)	4,418
Exercise of stock options, net	4,096	8,680
Change in cash collateral for derivative positions	(62,896)	163,250
Deposits on universal life and other investment type policies and contracts	89,458	328,903
Withdrawals on universal life and other investment type policies and contracts	(249,190)	(119,180)
Net cash provided by financing activities	123,807	252,359
Effect of exchange rate changes on cash	14,610	(8,535)
Change in cash and cash equivalents	640,860	338,990

Cash and cash equivalents, beginning of period	962,870	463,661
Cash and cash equivalents, end of period	$ 1,603,730	$ 802,651
Supplementary information:		
Cash paid for interest	$ 76,514	$ 57,821
Cash paid for income taxes, net of refunds	$ 81,391	$ 110,075

Non-cash supplementary information - See Note 4 - Investments

See accompanying notes to condensed consolidated financial statements (unaudited).

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REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Basis of Presentation

Reinsurance Group of America, Incorporated (RGA) is an insurance holding company that was formed on December 31, 1992. The accompanying unaudited condensed consolidated financial statements of RGA and its subsidiaries (collectively, the Company) have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. There were no subsequent events that would require disclosure or adjustments to the accompanying condensed consolidated financial statements through the date the financial statements were issued. These unaudited condensed consolidated financial statements include the accounts of RGA and its subsidiaries, all intercompany accounts and transactions have been eliminated. The December 31, 2011 consolidated balance sheet data was derived from the Company s 2011 Annual Report on Form 10-K (2011 Annual Report) filed with the Securities and Exchange Commission (SEC) on February 29, 2012 and the revised 2011 consolidated financial statements and notes thereto included in the Company s 2012 Current Report on Form 8-K (DAC Current Report) filed with the SEC on July 13, 2012. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the DAC Current Report.

In October 2010, the Financial Accounting Standards Board (FASB) amended the general accounting principles for *Financial Services Insurance* as it relates to accounting for costs associated with acquiring or renewing insurance contracts. This amendment clarified that only those costs that result directly from and are essential to the contract transaction and that would not have been incurred had the contract transaction not occurred can be capitalized. It also defined acquisitions costs as costs that are related directly to the successful acquisition of new or renewal insurance contracts.

The Company filed the DAC Current Report in response to its adoption of the amendment described above on January 1, 2012 on a retrospective basis. The DAC Current Report reflects the impact of the adoption of this amendment on the Company s previously filed financial statements and other disclosures included in the 2011 Annual Report, including that (i) only costs related directly to the successful acquisition of new or renewal contracts can be capitalized as deferred acquisition costs and (ii) all other acquisition-related costs must be expensed as incurred. In connection therewith, the Company adjusted the presentation of certain prior-period information to conform to the new accounting principle. The Company believes retrospective adoption provides the most comparable and useful financial information for financial statement users. Likewise, the financial statements and notes thereto presented in this Quarterly Report on Form 10-Q have been adjusted to reflect the retrospective adoption of this accounting principle.

The following tables present the effects of the retrospective adoption of the new accounting principle on the Company s previously reported condensed consolidated statement of income and condensed consolidated statement of cash flows for the three and nine months ended September 30, 2011 (in thousands, except share amounts):

	Three months ended September 30, 2011		
	As Reported	Adjustments	As Amended
Benefits and Expenses:			
Policy acquisition costs and other insurance expenses	$ 149,228	$ 15,144	$ 164,372
Income before income taxes	171,540	(15,144)	156,396
Provision for income taxes	24,155	(2,361)	21,794
Net income	$ 147,385	$ (12,783)	$ 134,602
Earnings per share:			

Basic earnings per share	$ 2.00	$ (0.18)	$ 1.82
Diluted earnings per share	$ 1.98	$ (0.17)	$ 1.81

	Nine months ended September 30, 2011		
	As Reported	Adjustments	As Amended
Benefits and Expenses:			
Policy acquisition costs and other insurance expenses	$ 741,663	$ 43,475	$ 785,138
Income before income taxes	613,795	(43,475)	570,320
Provision for income taxes	172,706	(9,852)	162,854
Net income	$ 441,089	$ (33,623)	$ 407,466
Earnings per share:			
Basic earnings per share	$ 5.99	$ (0.46)	$ 5.53
Diluted earnings per share	$ 5.94	$ (0.45)	$ 5.49

	Nine months ended September 30, 2011		
	As Reported	Adjustments	As Amended
Cash Flows from Operating Activities:			
Net Income	$ 441,089	$ (33,623)	$ 407,466
Change in operating assets and liabilities			
Deferred policy acquisition costs	(104,267)	43,475	(60,792)
Deferred income taxes	68,059	(9,852)	58,207

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share on net income (in thousands, except per share information):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Earnings:				
Net income (numerator for basic and diluted calculations)	$ 144,475	$ 134,602	$ 408,904	$ 407,466
Shares:				
Weighted average outstanding shares (denominator for basic calculation)	73,776	73,856	73,690	73,680
Equivalent shares from outstanding stock options(1)	362	398	388	527
Denominator for diluted calculation	74,138	74,254	74,078	74,207
Earnings per share:				
Basic	$ 1.96	$ 1.82	$ 5.55	$ 5.53
Diluted	$ 1.95	$ 1.81	$ 5.52	$ 5.49

(1) Year-to-date amounts are the weighted average of the individual quarterly amounts.

The calculation of common equivalent shares does not include the impact of options having a strike or conversion price that exceeds the average stock price for the earnings period, as the result would be antidilutive. The calculation of common equivalent shares also excludes the impact of outstanding performance contingent shares, as the conditions necessary for their issuance have not been satisfied as of the end of the reporting period. For the three months ended September 30, 2012, approximately 0.7 million stock options and approximately 0.7 million performance contingent shares were excluded from the calculation. For the three months ended September 30, 2011, approximately 1.1 million stock options and approximately 0.8 million performance contingent shares were excluded from the calculation.

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3. Accumulated Other Comprehensive Income

The balance of and changes in each component of accumulated other comprehensive income (AOCI) for the nine months ended September 30, 2012 and 2011 are as follows (dollars in thousands):

	Accumulated Other Comprehensive Income (Loss), Net of Income Tax			
	Accumulated Currency Translation Adjustments	Unrealized Appreciation of Securities	Pension and Postretirement Benefits	Total
Balance, December 31, 2011	$ 229,795	$ 1,419,318	$ (30,960)	$ 1,618,153
Change in component during the period	43,463	488,194	1,837	533,494
Balance, September 30, 2012	$ 273,258	$ 1,907,512	$ (29,123)	$ 2,151,647

	Accumulated Other Comprehensive Income (Loss), Net of Income Tax			
	Accumulated Currency Translation Adjustments	Unrealized Appreciation of Securities	Pension and Postretirement Benefits	Total
Balance, December 31, 2010	$ 255,295	$ 651,449	$ (14,560)	$ 892,184
Change in component during the period	(65,948)	468,275	1,280	403,607
Balance, September 30, 2011	$ 189,347	$ 1,119,724	$ (13,280)	$ 1,295,791

4. Investments

All investments held by the Company are monitored for conformance to the qualitative and quantitative limits prescribed by the applicable jurisdiction s insurance laws and regulations. In addition, the operating companies boards of directors periodically review their respective investment portfolios. The Company s investment strategy is to maintain a predominantly investment-grade, fixed maturity securities portfolio, which will provide adequate liquidity for expected reinsurance obligations and maximize total return through prudent asset management. The Company s asset/liability duration matching differs between operating companies. Based on Canadian reserve requirements, the Canadian liabilities are matched with long-duration Canadian assets. The duration of the Canadian portfolio exceeds twenty years, however, the average duration for all portfolios, when consolidated, ranges between eight and ten years.

Investment Income, Net of Related Expenses

Major categories of investment income, net of related expenses consist of the following (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Fixed maturity securities available-for-sale	$ 221,212	$ 190,990	$ 633,110	$ 566,581
Mortgage loans on real estate	26,938	14,474	67,258	41,801
Policy loans	16,519	16,454	49,637	49,549
Funds withheld at interest	127,855	41,267	305,861	306,028
Short-term investments	960	393	3,027	2,201
Other invested assets	13,117	11,470	35,803	31,680
Investment revenue	406,601	275,048	1,094,696	997,840
Investment expense	(9,820)	(6,838)	(28,641)	(21,154)

Investment income, net of related expenses	$ 396,781	$ 268,210	$ 1,066,055	$ 976,686

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Investment Related Gains (Losses), Net

Investment related gains (losses), net, consist of the following *(*dollars in thousands*)*:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Fixed maturity and equity securities available for sale:				
Other-than-temporary impairment losses on fixed maturities	$ (1,996)	$ (11,911)	$ (11,562)	$ (19,049)
Portion of loss recognized in accumulated other comprehensive income (before taxes)	(559)	3,089	(7,618)	3,381
Net other-than-temporary impairment losses on fixed maturities recognized in earnings	(2,555)	(8,822)	(19,180)	(15,668)
Impairment losses on equity securities	--	--	(3,025)	(3,680)
Gain on investment activity	53,173	34,840	102,078	92,423
Loss on investment activity	(6,668)	(7,182)	(23,090)	(20,749)
Other impairment losses and change in mortgage loan provision	(10,301)	(2,370)	(14,382)	(4,980)
Derivatives and other, net	42,404	(156,066)	100,973	(35,938)
Total investment related gains (losses), net	$ 76,053	$ (139,600)	$ 143,374	$ 11,408

The net other-than-temporary impairment losses on fixed maturity securities recognized in earnings of $19.2 million and $15.7 million in the first nine months of 2012 and 2011, respectively, are primarily due to a decline in value of structured securities with exposure to commercial mortgages and general credit deterioration in select corporate and foreign securities. The gain on investment activity increased primarily due to repositioning of securities for duration matching during the third quarter of 2012. The increase in other impairment losses was primarily due to $7.5 million of impairments in the limited partnership asset class in the third quarter of 2012. The volatility in derivatives and other for the three and nine months ended September 30, 2012 is primarily due to changes in the fair value of embedded derivative liabilities associated with modified coinsurance and funds withheld treaties and guaranteed minimum benefit riders.

During the three months ended September 30, 2012 and 2011, the Company sold fixed maturity and equity securities with fair values of $220.5 million and $57.2 million at losses of $6.7 million and $7.2 million, respectively. During the nine months ended September 30, 2012 and 2011, the Company sold fixed maturity and equity securities with fair values of $622.1 million and $388.9 million at losses of $23.1 million and $20.7 million, respectively. The Company generally does not engage in short-term buying and selling of securities.

Other-Than-Temporary Impairments

As discussed in Note 2 Summary of Significant Accounting Policies of the DAC Current Report, a portion of certain other-than-temporary impairment (OTTI) losses on fixed maturity securities are recognized in AOCI. For these securities the net amount recognized in earnings (credit loss impairments) represents the difference between the amortized cost of the security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment. Any remaining difference between the fair value and amortized cost is recognized in AOCI. The following table sets forth the amount of pre-tax credit loss impairments on fixed maturity securities held by the Company as of the dates indicated, for which a portion of the OTTI loss was recognized in AOCI, and the corresponding changes in such amounts (dollars in thousands):

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	Three months ended September 30, 2012	2011
Balance, beginning of period	$ 45,903	$ 52,484
Initial impairments - credit loss OTTI recognized on securities not previously impaired	--	5,259
Additional impairments - credit loss OTTI recognized on securities previously impaired	1,306	2,432
Credit loss OTTI previously recognized on securities impaired to fair value during the period	(2,622)	--
Credit loss OTTI previously recognized on securities which matured, paid down, prepaid or were sold during the period	(20,725)	(752)
Balance, end of period	$ 23,862	$ 59,423

	Nine months ended September 30, 2012	2011
Balance, beginning of period	$ 63,947	$ 47,291
Initial impairments - credit loss OTTI recognized on securities not previously impaired	1,962	6,731
Additional impairments - credit loss OTTI recognized on securities previously impaired	10,187	6,871
Credit loss OTTI previously recognized on securities impaired to fair value during the period	(22,291)	--
Credit loss OTTI previously recognized on securities which matured, paid down, prepaid or were sold during the period	(29,943)	(1,470)
Balance, end of period	$ 23,862	$ 59,423

Fixed Maturity and Equity Securities Available-for-Sale

The following tables provide information relating to investments in fixed maturity and equity securities by sector as of September 30, 2012 and December 31, 2011 (dollars in thousands):

September 30, 2012:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
Corporate securities	$ 10,885,071	$ 1,059,275	$ 44,624	$ 11,899,722	55.0 %	$ --
Canadian and Canadian provincial governments	2,653,761	1,438,124	2	4,091,883	18.9	--
Residential mortgage-backed securities	980,655	80,614	5,461	1,055,808	4.9	(477)
Asset-backed securities	588,851	18,050	34,201	572,700	2.6	(2,295)
Commercial mortgage-backed securities	1,663,493	137,153	60,255	1,740,391	8.0	(6,111)
U.S. government and agencies	251,417	33,458	18	284,857	1.3	--
State and political subdivisions	254,845	38,784	6,212	287,417	1.3	--
Other foreign government, supranational and foreign government-sponsored enterprises	1,627,190	100,539	2,093	1,725,636	8.0	--
Total fixed maturity securities	$ 18,905,283	$ 2,905,997	$ 152,866	$ 21,658,414	100.0 %	$ (8,883)
Non-redeemable preferred stock	$ 69,182	$ 6,332	$ 834	$ 74,680	35.7 %	
Other equity securities	133,037	1,555	-	134,592	64.3	
Total equity securities	$ 202,219	$ 7,887	$ 834	$ 209,272	100.0 %	

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December 31, 2011:	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total	Other-than-temporary impairments in AOCI
Available-for-sale:						
Corporate securities	$ 6,931,958	$ 654,519	$ 125,371	$ 7,461,106	46.0 %	$ --
Canadian and Canadian provincial governments	2,507,802	1,362,160	29	3,869,933	23.9	--
Residential mortgage-backed securities	1,167,265	76,393	16,424	1,227,234	7.6	(1,042)
Asset-backed securities	443,974	11,692	53,675	401,991	2.5	(5,256)
Commercial mortgage-backed securities	1,233,958	87,750	79,489	1,242,219	7.7	(12,225)
U.S. government and agencies	341,087	32,976	61	374,002	2.3	--
State and political subdivisions	184,308	24,419	3,341	205,386	1.3	--
Other foreign government, supranational and foreign government-sponsored enterprises	1,372,528	50,127	3,576	1,419,079	8.7	--
Total fixed maturity securities	$ 14,182,880	$ 2,300,036	$ 281,966	$ 16,200,950	100.0 %	$ (18,523)
Non-redeemable preferred stock	$ 82,488	$ 4,677	$ 8,982	$ 78,183	68.6 %	
Other equity securities	35,352	1,903	1,538	35,717	31.4	
Total equity securities	$ 117,840	$ 6,580	$ 10,520	$ 113,900	100.0 %	

The Company enters into various collateral arrangements that require both the pledging and acceptance of fixed maturity securities as collateral, which are excluded from the tables above. The Company pledged fixed maturity securities as collateral to derivative and reinsurance counterparties with an amortized cost of $32.0 million and $29.0 million, and an estimated fair value of $37.2 million and $32.6 million, as of September 30, 2012 and December 31, 2011 respectively, which are included in other invested assets in the condensed consolidated balance sheets.

The Company received fixed maturity securities as collateral from derivative and reinsurance counterparties with an estimated fair value of $95.3 million and $1.0 million, as of September 30, 2012 and December 31, 2011, respectively. The collateral is held in separate custodial accounts and is not recorded on the Company s condensed consolidated balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral; however, as of September 30, 2012 and December 31, 2011, none of the collateral had been sold or re-pledged.

The Company participates in a securities borrowing program whereby securities, which are not reflected on the Company s condensed consolidated balance sheets, are borrowed from a third party. The Company is required to maintain a minimum of 100% of the market value of the borrowed securities as collateral. The Company had borrowed securities with an amortized cost and an estimated fair value of $237.5 million and $150.0 million as of September 30, 2012 and December 31, 2011, respectively. The borrowed securities are used to provide collateral under an affiliated reinsurance transaction.

As of September 30, 2012, the Company held securities with a fair value of $1,261.0 million that were issued by the Canadian province of Ontario and $1,187.2 million that were issued by an entity that is guaranteed by the Canadian province of Quebec, both of which exceeded 10% of total stockholders equity. As of December 31, 2011, the Company held securities with a fair value of $1,171.2 million that were issued by the Canadian province of Ontario and $1,107.7 million that were issued by an entity that is guaranteed by the Canadian province of Quebec, both of which exceeded 10% of total stockholders equity.

The amortized cost and estimated fair value of fixed maturity securities available-for-sale at September 30, 2012 are shown by contractual maturity in the table below. Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. At September 30, 2012, the contractual maturities of investments in fixed maturity securities were as follows (dollars in thousands):

	Amortized Cost	Fair Value
Available-for-sale:		

Due in one year or less	$	247,507	$	251,672
Due after one year through five years		3,767,244		3,950,306
Due after five year through ten years		6,172,841		6,757,674
Due after ten years		5,484,692		7,329,863
Asset and mortgage-backed securities		3,232,999		3,368,899
Total	$	18,905,283	$	21,658,414

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The tables below show the major industry types of the Company s corporate fixed maturity holdings as of September 30, 2012 and December 31, 2011 (dollars in thousands):

September 30, 2012:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 3,551,382	$ 3,802,951	32.0 %
Industrial	5,583,541	6,146,069	51.6
Utility	1,715,512	1,914,809	16.1
Other	34,636	35,893	0.3
Total	$ 10,885,071	$ 11,899,722	100.0 %

December 31, 2011:	Amortized Cost	Estimated Fair Value	% of Total
Finance	$ 2,411,175	$ 2,442,149	32.7 %
Industrial	3,402,099	3,760,187	50.4
Utility	1,115,384	1,255,090	16.9
Other	3,300	3,680	-
Total	$ 6,931,958	$ 7,461,106	100.0 %

The creditworthiness of Greece, Ireland, Italy, Portugal and Spain, commonly referred to as Europe s peripheral region, is under ongoing stress and uncertainty due to high debt levels and economic weakness. The Company did not have exposure to sovereign fixed maturity securities, which includes global government agencies, from Europe s peripheral region as of September 30, 2012 and December 31, 2011. In addition, the Company did not purchase or sell credit protection, through credit default swaps, referenced to sovereign entities of Europe s peripheral region. The tables below show the Company s exposure to sovereign fixed maturity securities originated in countries other than Europe s peripheral region, included in Other foreign government, supranational and foreign government-sponsored enterprises, as of September 30, 2012 and December 31, 2011 (dollars in thousands):

September 30, 2012:	Amortized Cost	Estimated Fair Value	% of Total
Australia	$ 454,131	$ 470,628	33.3 %
Japan	221,977	228,478	16.2
United Kingdom	129,960	140,478	10.0
Cayman Islands	69,333	76,661	5.4
South Africa	63,037	67,240	4.8
New Zealand	54,077	54,716	3.9
Germany	42,360	45,229	3.2
South Korea	41,396	44,619	3.2
France	38,694	41,945	3.0
Other	215,586	240,896	17.0
Total	$ 1,330,551	$ 1,410,890	100.0 %

December 31, 2011:	Amortized Cost	Estimated Fair Value	% of Total
Australia	$ 437,713	$ 446,694	39.1 %
Japan	214,994	219,276	19.2
United Kingdom	118,618	130,106	11.4

Germany		72,926		75,741	6.6
New Zealand		51,547		51,544	4.5
South Africa		37,624		38,528	3.4
South Korea		30,592		32,025	2.8
Other		139,927		148,792	13.0
Total	$	1,103,941	$	1,142,706	100.0 %

The tables below show the Company s exposure to non-sovereign fixed maturity and equity securities, based on the security s country of issuance, from Europe s peripheral region as of September 30, 2012 and December 31, 2011 (dollars in thousands):

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September 30, 2012:	Amortized Cost	Estimated Fair Value	% of Total
Financial institutions:			
Ireland	$ 3,592	$ 4,057	4.4 %
Spain	23,347	23,215	25.0
Total financial institutions	26,939	27,272	29.4
Other:			
Ireland	26,346	27,528	29.7
Italy	6,393	6,394	6.9
Spain	31,694	31,525	34.0
Total other	64,433	65,447	70.6
Total	$ 91,372	$ 92,719	100.0 %

December 31, 2011:	Amortized Cost	Estimated Fair Value	% of Total
Financial institutions:			
Ireland	$ 4,084	$ 4,397	5.9 %
Spain	25,565	20,378	27.6
Total financial institutions	29,649	24,775	33.5
Other:			
Ireland	12,474	13,149	17.8
Italy	2,898	2,808	3.8
Spain	34,459	33,137	44.9
Total other	49,831	49,094	66.5
Total	$ 79,480	$ 73,869	100.0 %

Unrealized Losses for Fixed Maturity and Equity Securities Available-for-Sale

The following table presents the total gross unrealized losses for the 618 and 940 fixed maturity and equity securities as of September 30, 2012 and December 31, 2011, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (dollars in thousands):

	September 30, 2012		December 31, 2011	
	Gross Unrealized Losses	% of Total	Gross Unrealized Losses	% of Total
Less than 20%	$ 55,930	36.4 %	$ 131,155	44.8 %
20% or more for less than six months	509	0.3	51,503	17.6
20% or more for six months or greater	97,261	63.3	109,828	37.6
Total	$ 153,700	100.0 %	$ 292,486	100.0 %

As of September 30, 2012 and December 31, 2011, respectively, 52.8% and 65.3% of these gross unrealized losses were associated with investment grade securities. The unrealized losses on these securities decreased primarily due to a decline in interest rates since December 31, 2011.

The Company s determination of whether a decline in value is other-than-temporary includes analysis of the underlying credit and the extent and duration of a decline in value. The Company s credit analysis of an investment includes determining whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment. The Company continues to consider valuation declines as a potential indicator of credit deterioration. The Company believes that due to fluctuating market conditions and an extended period of economic uncertainty, the extent and duration of a decline in value have become less indicative of when there has been credit deterioration with respect to a fixed maturity security since it may not have an impact on the ability of the issuer to service all scheduled payments and the Company s evaluation of the recoverability of all contractual cash flows or the ability to recover an amount at least equal to amortized cost. In the Company s impairment review process, the duration and severity of an unrealized loss position for equity securities are given greater weight and consideration given the lack of contractual cash flows or deferability features.

The following tables present the estimated fair values and gross unrealized losses, including other-than-temporary impairment losses reported in AOCI, for 618 and 940 fixed maturity and equity securities that have estimated fair values below amortized cost as of September 30, 2012 and December 31, 2011, respectively (dollars in thousands). These investments are presented by class and grade of security, as well as the length of time the related market value has remained below amortized cost.

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September 30, 2012:	Less than 12 months Estimated Fair Value	Gross Unrealized Losses	12 months or greater Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate securities	$ 436,908	$ 7,947	$ 168,366	$ 26,006	$ 605,274	$ 33,953
Canadian and Canadian provincial governments	589	2	--	--	589	2
Residential mortgage-backed securities	21,365	113	21,236	4,763	42,601	4,876
Asset-backed securities	55,260	1,286	101,691	20,960	156,951	22,246
Commercial mortgage-backed securities	117,736	1,350	40,110	9,546	157,846	10,896
U.S. government and agencies	6,715	18	--	--	6,715	18
State and political subdivisions	2,885	1,272	18,409	4,940	21,294	6,212
Other foreign government, supranational and foreign government-sponsored enterprises	53,671	1,068	16,589	1,025	70,260	2,093
Total investment grade securities	695,129	13,056	366,401	67,240	1,061,530	80,296
Non-investment grade securities:						
Corporate securities	133,893	4,330	63,817	6,341	197,710	10,671
Residential mortgage-backed securities	7,774	55	4,304	530	12,078	585
Asset-backed securities	--	--	18,244	11,955	18,244	11,955
Commercial mortgage-backed securities	12,157	492	60,373	48,867	72,530	49,359
Total non-investment grade securities	153,824	4,877	146,738	67,693	300,562	72,570
Total fixed maturity securities	$ 848,953	$ 17,933	$ 513,139	$ 134,933	$ 1,362,092	$ 152,866
Non-redeemable preferred stock	$ 734	$ 6	$ 6,744	$ 828	$ 7,478	$ 834
Total equity securities	$ 734	$ 6	$ 6,744	$ 828	$ 7,478	$ 834

December 31, 2011:	Less than 12 months Estimated Fair Value	Gross Unrealized Losses	12 months or greater Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate securities	$ 790,758	$ 40,180	$ 286,244	$ 63,117	$ 1,077,002	$ 103,297

Canadian and Canadian provincial governments	3,094	29	--	--	3,094	29
Residential mortgage-backed securities	128,622	3,549	58,388	10,382	187,010	13,931
Asset-backed securities	101,263	3,592	93,910	29,036	195,173	32,628
Commercial mortgage-backed securities	109,455	3,538	58,979	22,001	168,434	25,539
U.S. government and agencies	1,764	61	--	--	1,764	61
State and political subdivisions	21,045	1,845	12,273	1,268	33,318	3,113
Other foreign government, supranational and foreign government-sponsored enterprises	148,416	1,085	16,588	2,491	165,004	3,576
Total investment grade securities	1,304,417	53,879	526,382	128,295	1,830,799	182,174
Non-investment grade securities:						
Corporate securities	212,795	10,852	47,310	11,222	260,105	22,074
Residential mortgage-backed securities	23,199	712	10,459	1,781	33,658	2,493
Asset-backed securities	2,363	940	21,275	20,107	23,638	21,047
Commercial mortgage-backed securities	34,918	7,220	62,357	46,730	97,275	53,950
State and political subdivisions	4,000	228	--	--	4,000	228
Total non-investment grade securities	277,275	19,952	141,401	79,840	418,676	99,792
Total fixed maturity securities	$ 1,581,692	$ 73,831	$ 667,783	$ 208,135	$ 2,249,475	$ 281,966
Non-redeemable preferred stock	$ 19,516	$ 4,478	$ 15,694	$ 4,504	$ 35,210	$ 8,982
Other equity securities	1,662	602	5,905	936	7,567	1,538
Total equity securities	$ 21,178	$ 5,080	$ 21,599	$ 5,440	$ 42,777	$ 10,520

As of September 30, 2012, the Company does not intend to sell these fixed maturity securities and does not believe it is more likely than not that it will be required to sell these fixed maturity securities before the recovery of the fair value up to the current amortized cost of the investment, which may be maturity. However, unforeseen facts and circumstances may cause the Company to sell fixed maturity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality, asset-liability management and liquidity guidelines.

As of September 30, 2012, the Company has the ability and intent to hold the equity securities until the recovery of the fair value up to the current cost of the investment. However, unforeseen facts and circumstances may cause the Company to sell

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equity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality and liquidity guidelines.

Unrealized losses on non-investment grade securities are principally related to asset-backed securities, residential mortgage-backed securities and commercial mortgage-backed securities and were the result of wider credit spreads resulting from higher risk premiums since the time of initial purchase, largely due to macroeconomic conditions and credit market deterioration, including the impact of lower real estate valuations. As of September 30, 2012 and December 31, 2011, approximately $61.4 million and $68.6 million, respectively, of gross unrealized losses greater than 12 months was associated with non-investment grade asset and mortgage-backed securities. This class of securities was evaluated based on actual and projected collateral losses relative to the securities positions in the respective securitization trusts and security specific expectations of cash flows. This evaluation also takes into consideration credit enhancement, measured in terms of (i) subordination from other classes of securities in the trust that are contractually obligated to absorb losses before the class of security the Company owns, and (ii) the expected impact of other structural features embedded in the securitization trust beneficial to the class of securities the Company owns, such as overcollateralization and excess spread.

Purchased Credit Impaired Fixed Maturity Securities Available-for-Sale

In the third quarter of 2012, the Company began purchasing certain residential mortgage-backed securities that had experienced deterioration in credit quality since their issuance. Securities acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as purchased credit impaired securities. For each security, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. At the date of acquisition, the timing and amount of the cash flows expected to be collected was determined based on a best estimate using key assumptions, such as interest rates, default rates and prepayment speeds. If subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI.

The following tables present information on the Company s purchased credit impaired securities, which are included in fixed maturity securities available-for-sale (dollars in thousands):

	September 30, 2012	
Outstanding principal and interest balance(1)	$	36,090
Carrying value, including accrued interest(2)	$	31,196

(1) Represents the contractually required payments which is the sum of contractual principal, whether or not currently due, and accrued interest.
(2) Estimated fair value plus accrued interest.

The following table presents information about purchased credit impaired investments acquired during the nine months ended September 30, 2012 (dollars in thousands).

	At Date of Acquisition	
Contractually required payments (including interest)	$	50,268
Cash flows expected to be collected(1)	$	42,316
Fair value of investments acquired	$	30,853

(1) Represents undiscounted principal and interest cash flow expectations at the date of acquisition.

The following table presents activity for the accretable yield on purchased credit impaired securities for the nine months ended September 30, 2012 (dollars in thousands):

	Nine months ended September 30, 2012
Balance, beginning of period	$ --
Investments purchased	11,463
Accretion	(6)
Balance, end of period	$ 11,457

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Mortgage Loans on Real Estate

Mortgage loans represented approximately 6.7% and 3.8% of the Company s cash and invested assets as of September 30, 2012 and December 31, 2011, respectively. The Company makes mortgage loans on income producing properties, such as apartments, retail and office buildings, light warehouses and light industrial facilities. Loan-to-value ratios at the time of loan approval are 75% or less. The distribution of mortgage loans, gross of valuation allowances, by property type is as follows as of September 30, 2012 and December 31, 2011 (dollars in thousands):

	September 30, 2012		December 31, 2011	
Property type:	Recorded Investment	Percentage of Total	Recorded Investment	Percentage of Total
Apartment	$ 238,365	10.5 %	$ 124,674	12.4 %
Retail	618,896	27.3	335,745	33.5
Office building	803,889	35.4	264,584	26.4
Industrial	454,215	20.0	200,762	20.0
Other commercial	154,849	6.8	77,759	7.7
Total	$ 2,270,214	100.0 %	$ 1,003,524	100.0 %

As of September 30, 2012 and December 31, 2011, the Company s mortgage loans, gross of valuation allowances, were distributed throughout the United States as follows (dollars in thousands):

	September 30, 2012		December 31, 2011	
	Recorded Investment	Percentage of Total	Recorded Investment	Percentage of Total
Pacific	$ 613,425	27.0 %	$ 269,922	26.9 %
South Atlantic	470,722	20.7	233,534	23.3
Mountain	198,443	8.7	116,224	11.6
Middle Atlantic	311,192	13.7	86,590	8.6
West North Central	155,745	6.9	69,789	7.0
East North Central	221,085	9.7	92,861	9.2
West South Central	147,177	6.5	58,506	5.8
East South Central	60,121	2.7	40,767	4.1
New England	92,304	4.1	35,331	3.5
Total	$ 2,270,214	100.0 %	$ 1,003,524	100.0 %

The maturities of the mortgage loans, gross of valuation allowances, as of September 30, 2012 and December 31, 2011 are as follows (dollars in thousands):

	September 30, 2012	December 31, 2011
Due one year through five years	$ 1,234,191	$ 493,027
Due after five years	731,618	299,252
Due after ten years	304,405	211,245
Total	$ 2,270,214	$ 1,003,524

Information regarding the Company s credit quality indicators for its recorded investment in mortgage loans, gross of valuation allowances, as of September 30, 2012 and December 31, 2011 is as follows (dollars in thousands):

Internal credit risk grade:	September 30, 2012	December 31, 2011
High investment grade	$ 1,153,162	$ 252,333
Investment grade	871,508	526,608
Average	134,205	105,177
Watch list	73,977	91,037
In or near default	37,362	28,369
Total	$ 2,270,214	$ 1,003,524

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The age analysis of the Company s past due recorded investment in mortgage loans, gross of valuation allowances, as of September 30, 2012 and December 31, 2011 is as follows (dollars in thousands):

	September 30, 2012	December 31, 2011
31-60 days past due	$ 16,627	$ 21,800
61-90 days past due	--	--
Greater than 90 days	16,298	20,316
Total past due	32,925	42,116
Current	2,237,289	961,408
Total	$ 2,270,214	$ 1,003,524

The following table presents the recorded investment in mortgage loans, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, at (dollars in thousands):

	September 30, 2012	December 31, 2011
Mortgage loans:		
Evaluated individually for credit losses	$ 44,394	$ 60,904
Evaluated collectively for credit losses	2,225,820	942,620
Mortgage loans, gross of valuation allowances	2,270,214	1,003,524
Valuation allowances:		
Specific for credit losses	8,343	8,188
Non-specifically identified credit losses	4,990	3,605
Total valuation allowances	13,333	11,793
Mortgage loans, net of valuation allowances	$ 2,256,881	$ 991,731

Information regarding the Company s loan valuation allowances for mortgage loans for the three months ended September 30, 2012 and 2011 is as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Balance, beginning of period	$ 11,011	$ 7,692	$ 11,793	$ 6,239
Charge-offs	(526)	--	(4,595)	(1,157)
Provision	2,848	2,370	6,135	4,980
Balance, end of period	$ 13,333	$ 10,062	$ 13,333	$ 10,062

Information regarding the portion of the Company s mortgage loans that were impaired as of September 30, 2012 and December 31, 2011 is as follows (dollars in thousands):

	Unpaid	Recorded	Related	Carrying Value

	Principal Balance	Investment	Allowance	
September 30, 2012:				
Impaired mortgage loans with no valuation allowance recorded	$ 13,127	$ 12,585	$ --	$ 12,585
Impaired mortgage loans with valuation allowance recorded	31,939	31,809	8,343	23,466
Total impaired mortgage loans	$ 45,066	$ 44,394	$ 8,343	$ 36,051
December 31, 2011:				
Impaired mortgage loans with no valuation allowance recorded	$ 32,088	$ 31,496	$ --	$ 31,496
Impaired mortgage loans with valuation allowance recorded	29,724	29,408	8,188	21,220
Total impaired mortgage loans	$ 61,812	$ 60,904	$ 8,188	$ 52,716

The Company s average investment in impaired mortgage loans and the related interest income are reflected in the table below for the periods indicated (dollars in thousands):

	Three Months Ended			
	September 30, 2012		September 30, 2011	
	Average Investment(1)	Interest Income	Average Investment(1)	Interest Income
Impaired mortgage loans with no valuation allowance recorded	$ 11,054	$ 109	$ 4,706	$ 32
Impaired mortgage loans with valuation allowance recorded	35,047	461	31,351	202
Total	$ 46,101	$ 570	$ 36,057	$ 234

	Nine Months Ended							
	September 30, 2012				September 30, 2011			
	Average Investment(1)		Interest Income		Average Investment(1)		Interest Income	
Impaired mortgage loans with no valuation allowance recorded	$	16,312	$	305	$	11,228	$	102
Impaired mortgage loans with valuation allowance recorded		36,178		1,180		25,046		678
Total	$	52,490	$	1,485	$	36,274	$	780

(1) Average recorded investment represents the average loan balances as of the beginning of period and all subsequent quarterly end of period balances.

The Company did not acquire any impaired mortgage loans during the nine months ended September 30, 2012 and 2011. The Company had $16.3 million and $20.3 million of mortgage loans, gross of valuation allowances, that were on nonaccrual status at September 30, 2012 and December 31, 2011, respectively.

Other Invested Assets

Other invested assets include equity securities, limited partnership interests, structured loans and derivative contracts. Other invested assets represented approximately 3.7% and 3.9% of the Company s cash and invested assets as of September 30, 2012 and December 31, 2011, respectively. Carrying values of these assets as of September 30, 2012 and December 31, 2011 are as follows (dollars in thousands):

	September 30, 2012		December 31, 2011	
Equity securities	$	209,272	$	113,900
Limited partnerships and joint ventures		350,643		251,315
Structured loans		341,795		281,022
Derivatives		212,322		257,050
Other		122,584		109,254
Total other invested assets	$	1,236,616	$	1,012,541

Investments Transferred to the Company

During the second quarter of 2012, the Company added a large fixed deferred annuity reinsurance transaction in its U.S. Asset Intensive sub-segment. This transaction increased the Company s invested asset base by approximately $5.4 billion which was reflected on the condensed consolidated balance sheet as of June 30, 2012 as an investment receivable. In satisfaction of this investment receivable, the Company received the following on July 31, 2012 and August 3, 2012 (dollars in thousands):

	Amortized Cost/ Recorded Investment		Estimated Fair Value	
Fixed maturity securities available for sale:				
Corporate securities	$	2,585,095	$	2,606,816
Asset-backed securities		137,251		138,918
Commercial mortgage-backed securities		703,313		704,065
U.S. Government and agencies securities		240,952		256,168
State and political subdivision securities		27,297		27,555
Other foreign government, supranational, and foreign government-sponsored enterprises		56,776		55,437
Total fixed maturity securities available for sale		3,750,684		3,788,959

Mortgage loans on real estate		1,009,454		1,021,661
Short-term investments		101,428		101,338
Cash and cash equivalents		501,593		501,593
Accrued interest		43,739		43,739
Total	$	5,406,898	$	5,457,290

The securities transferred to the Company related to the transaction are considered a non-cash transaction in the condensed consolidated statement of cash flows.

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5. Derivative Instruments

The following table presents the notional amounts and fair value of derivative instruments as of September 30, 2012 and December 31, 2011 (dollars in thousands):

	September 30, 2012			December 31, 2011		
	Notional Amount	Carrying Value/Fair Value Assets	Liabilities	Notional Amount	Carrying Value/Fair Value Assets	Liabilities
Derivatives not designated as hedging instruments:						
Interest rate swaps(1)	$ 2,236,718	$				