MARKEL CORP
Form 10-Q
August 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2012

or

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _______ to _______

Commission File Number: 001-15811

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

Virginia	54-1959284
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148
(Address of principal executive offices)
(Zip Code)
(804) 747-0136
(Registrant's telephone number, including area code)

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares of the registrant's common stock outstanding at August 1, 2012: 9,622,683

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARKEL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2012	December 31, 2011
	(dollars in thousands)	
ASSETS		
Investments, available-for-sale, at estimated fair value:		
Fixed maturities (amortized cost of $4,916,699 in 2012 and $5,172,952 in 2011)	$5,326,511	$5,538,174
Equity securities (cost of $1,313,186 in 2012 and $1,156,294 in 2011)	2,180,069	1,873,927
Short-term investments (estimated fair value approximates cost)	465,734	541,014
Total Investments	7,972,314	7,953,115
Cash and cash equivalents	837,208	775,032
Receivables	476,462	350,237
Reinsurance recoverable on unpaid losses	765,043	791,102
Reinsurance recoverable on paid losses	43,406	38,208
Deferred policy acquisition costs	174,274	194,674
Prepaid reinsurance premiums	112,399	97,074
Goodwill and intangible assets	991,430	867,558
Other assets	592,697	465,103
Total Assets	$11,965,233	$11,532,103
LIABILITIES AND EQUITY		
Unpaid losses and loss adjustment expenses	$5,273,275	$5,398,869
Unearned premiums	1,036,444	915,930
Payables to insurance companies	139,858	64,327
Senior long-term debt and other debt (estimated fair value of $1,446,000 in 2012 and $1,391,000 in 2011)	1,309,530	1,293,520
Other liabilities	463,222	397,111
Total Liabilities	8,222,329	8,069,757
Redeemable noncontrolling interests	87,613	74,231
Commitments and contingencies		
Shareholders’ equity:		
Common stock	904,047	891,507
Retained earnings	1,957,778	1,835,086
Accumulated other comprehensive income	793,341	660,920
Total Shareholders’ Equity	3,655,166	3,387,513
Noncontrolling interests	125	602
Total Equity	3,655,291	3,388,115
Total Liabilities and Equity	$11,965,233	$11,532,103

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(dollars in thousands, except per share data)			
OPERATING REVENUES				
Earned premiums	$513,056	$490,201	$1,042,652	$953,312
Net investment income	63,602	64,253	143,396	134,352
Net realized investment gains:				
Other-than-temporary impairment losses	(992)	(1,707)	(992)	(1,707)
Other-than-temporary impairment losses recognized in other comprehensive income (loss)	—	(3,168)	—	(3,168)
Other-than-temporary impairment losses recognized in net income	(992)	(4,875)	(992)	(4,875)
Net realized investment gains, excluding other-than-temporary impairment losses	9,208	6,219	21,117	17,459
Net realized investment gains	8,216	1,344	20,125	12,584
Other revenues	108,373	91,370	220,209	168,514
Total Operating Revenues	693,247	647,168	1,426,382	1,268,762
OPERATING EXPENSES				
Losses and loss adjustment expenses	221,094	306,683	509,615	621,011
Underwriting, acquisition and insurance expenses	224,784	196,845	463,481	399,195
Amortization of intangible assets	8,315	5,555	17,119	11,563
Other expenses	97,719	79,473	198,123	147,968
Total Operating Expenses	551,912	588,556	1,188,338	1,179,737
Operating Income	141,335	58,612	238,044	89,025
Interest expense	22,209	21,898	44,376	40,860
Income Before Income Taxes	119,126	36,714	193,668	48,165
Income tax expense	28,358	5,065	45,187	6,655
Net Income	$90,768	$31,649	$148,481	$41,510
Net income attributable to noncontrolling interests	1,081	1,335	1,541	2,924
Net Income to Shareholders	$89,687	$30,314	$146,940	$38,586
OTHER COMPREHENSIVE INCOME (LOSS)				
Change in net unrealized gains on investments, net of taxes:				
Net holding gains (losses) arising during the period	$(8,029)	$64,403	$145,426	$84,724
Unrealized other-than-temporary impairment losses on fixed maturities arising during the period	130	1,644	(8)	1,468
Reclassification adjustments for net gains included in net income	(5,739)	(827)	(13,670)	(7,291)
Change in net unrealized gains on investments, net of taxes	(13,638)	65,220	131,748	78,901
Change in foreign currency translation adjustments, net of taxes	(3,162)	156	(339)	2,595
Change in net actuarial pension loss, net of taxes	482	355	965	701
Total Other Comprehensive Income (Loss)	(16,318)	65,731	132,374	82,197
Comprehensive Income	$74,450	$97,380	$280,855	$123,707
	1,034	1,335	1,494	2,924

Comprehensive income attributable to noncontrolling interests				
Comprehensive Income to Shareholders	$73,416	$96,045	$279,361	$120,783
NET INCOME PER SHARE				
Basic	$8.44	$3.12	$14.38	$3.97
Diluted	$8.42	$3.11	$14.35	$3.95

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
	(dollars in thousands)						
December 31, 2010	$884,457	$1,735,973	$ 551,093	$3,171,523	$ 871	$3,172,394	$ 15,298
Net income		38,586	—	38,586	(136)	38,450	3,060
Change in net unrealized gains on investments, net of taxes		—	78,901	78,901	—	78,901	—
Change in foreign currency translation adjustments, net of taxes		—	2,595	2,595	—	2,595	—
Change in net actuarial pension loss, net of taxes		—	701	701	—	701	—
Comprehensive Income				120,783	(136)	120,647	3,060
Issuance of common stock	848	—	—	848	—	848	—
Repurchase of common stock	—	(13,492)	—	(13,492)	—	(13,492)	—
Restricted stock units expensed	3,129	—	—	3,129	—	3,129	—
Acquisitions	—	—	—	—	—	—	47,292
Other	182	—	—	182	—	182	(1,279)
June 30, 2011	$888,616	$1,761,067	$ 633,290	$3,282,973	$ 735	$3,283,708	$ 64,371
December 31, 2011	$891,507	$1,835,086	$ 660,920	$3,387,513	$ 602	$3,388,115	$ 74,231
Net income		146,940	—	146,940	(477)	146,463	2,018
Change in net unrealized gains on investments, net of taxes		—	131,748	131,748	—	131,748	—
Change in foreign currency translation adjustments, net of taxes		—	(292)	(292)	—	(292)	(47)
Change in net actuarial pension loss, net of taxes		—	965	965	—	965	—
Comprehensive Income				279,361	(477)	278,884	1,971
	8,413	—	—	8,413	—	8,413	—

Issuance of common stock							
Repurchase of common stock	—	(16,062)	—	(16,062)	—	(16,062)	—
Restricted stock units expensed	3,806	—	—	3,806	—	3,806	—
Acquisitions	—	—	—	—	—	—	7,896
Adjustment of redeemable noncontrolling interests	—	(8,186)	—	(8,186)	—	(8,186)	8,186
Other	321	—	—	321	—	321	(4,671)
June 30, 2012	$904,047	$1,957,778	$ 793,341	$3,655,166	$ 125	$3,655,291	$ 87,613

See accompanying notes to consolidated financial statements.

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MARKEL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2012	2011
	(dollars in thousands)	
OPERATING ACTIVITIES		
Net income	$148,481	$41,510
Adjustments to reconcile net income to net cash provided by operating activities	(43,734)	58,833
Net Cash Provided By Operating Activities	104,747	100,343
INVESTING ACTIVITIES		
Proceeds from sales of fixed maturities and equity securities	143,429	107,131
Proceeds from maturities, calls and prepayments of fixed maturities	256,503	202,269
Cost of fixed maturities and equity securities purchased	(285,988)	(312,173)
Net change in short-term investments	75,539	(275,238)
Acquisitions, net of cash acquired	(143,620)	(5,841)
Additions to property and equipment	(22,885)	(27,158)
Cost of equity method investments	(38,250)	(10,600)
Other	(1,509)	10,970
Net Cash Used By Investing Activities	(16,781)	(310,640)
FINANCING ACTIVITIES		
Additions to senior long-term debt and other debt	73,705	295,352
Repayments of senior long-term debt and other debt	(71,529)	(53,038)
Repurchases of common stock	(16,062)	(13,492)
Other	(11,245)	(1,017)
Net Cash Provided (Used) By Financing Activities	(25,131)	227,805
Effect of foreign currency rate changes on cash and cash equivalents	(659)	5,187
Increase in cash and cash equivalents	62,176	22,695
Cash and cash equivalents at beginning of period	775,032	745,259
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$837,208	$767,954

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Markel Corporation is a diverse financial holding company serving a variety of niche markets. Markel Corporation's principal business markets and underwrites specialty insurance products and programs. Markel Corporation also owns interests in various industrial and service businesses that operate outside of the specialty insurance marketplace.

The consolidated balance sheet as of June 30, 2012, the related consolidated statements of income and comprehensive income for the quarters and six months ended June 30, 2012 and 2011, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2012 and 2011 are unaudited. In the opinion of management, all adjustments necessary for fair presentation of such consolidated financial statements have been included. Such adjustments consist only of normal, recurring items. Interim results are not necessarily indicative of results of operations for the entire year. The consolidated balance sheet as of December 31, 2011 was derived from Markel Corporation's audited annual consolidated financial statements.

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

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

The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. Readers are urged to review the Company's 2011 Annual Report on Form 10-K for a more complete description of the Company's business and accounting policies.

ParkLand Ventures, Inc. (ParkLand), a subsidiary of the Company, has formed subsidiaries for the purpose of acquiring and financing real estate (the real estate subsidiaries). The assets of the real estate subsidiaries, which are not material to the Company, are consolidated in accordance with U.S. GAAP but are not available to satisfy the debt and other obligations of the Company or any affiliates other than the real estate subsidiaries.

2. Net Income per Share

Net income per share was determined by dividing adjusted net income to shareholders by the applicable weighted average shares outstanding.

	Quarter Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts)	2012	2011	2012	2011
Net income to shareholders	$89,687	$30,314	$146,940	$38,586
Adjustment of redeemable noncontrolling interests	8,186	—	8,186	—
Adjusted net income to shareholders	$81,501	$30,314	$138,754	$38,586
Basic common shares outstanding	9,651	9,717	9,646	9,720

Dilutive potential common shares	25	40	26	40
Diluted shares outstanding	9,676	9,757	9,672	9,760
Basic net income per share	$8.44	$3.12	$14.38	$3.97
Diluted net income per share	$8.42	$3.11	$14.35	$3.95

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3. Reinsurance

The following tables summarize the effect of reinsurance on premiums written and earned.

(dollars in thousands)	Quarter Ended June 30, 2012 Written	2012 Earned	2011 Written	2011 Earned
Direct	$530,144	$490,607	$508,006	$461,962
Assumed	116,778	91,107	89,187	87,323
Ceded	(80,308)	(68,658)	(66,505)	(59,084)
Net premiums	$566,614	$513,056	$530,688	$490,201

(dollars in thousands)	Six Months Ended June 30, 2012 Written	2012 Earned	2011 Written	2011 Earned
Direct	$1,048,684	$1,000,196	$981,216	$908,100
Assumed	246,856	174,949	206,760	168,773
Ceded	(147,760)	(132,493)	(138,276)	(123,561)
Net premiums	$1,147,780	$1,042,652	$1,049,700	$953,312

Incurred losses and loss adjustment expenses were net of reinsurance recoverables (ceded incurred losses and loss adjustment expenses) of $24.2 million and $45.3 million, respectively, for the quarters ended June 30, 2012 and 2011 and $64.3 million and $93.8 million, respectively, for the six months ended June 30, 2012 and 2011.

4. Investments

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

June 30, 2012 (dollars in thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Unrealized Other-Than-Temporary Impairment Losses	Estimated Fair Value
Fixed maturities:					
U.S. Treasury securities and obligations of U.S. government agencies	$312,540	$21,330	$(38)	$—	$333,832
Obligations of states, municipalities and political subdivisions	2,663,600	231,887	(409)	—	2,895,078
Foreign governments	552,873	52,629	(32)	—	605,470
Residential mortgage-backed securities	297,664	21,638	(3)	(2,258)	317,041
Asset-backed securities	15,069	629	—	—	15,698
Public utilities	64,132	5,093	—	—	69,225
All other corporate bonds	1,010,821	86,101	(130)	(6,625)	1,090,167
Total fixed maturities	4,916,699	419,307	(612)	(8,883)	5,326,511
Equity securities:					
Insurance companies, banks and trusts	443,857	358,808	(488)	—	802,177
Industrial, consumer and all other	869,329	515,267	(6,704)	—	1,377,892
Total equity securities	1,313,186	874,075	(7,192)	—	2,180,069

Short-term investments	465,739	1	(6)	—	465,734
Investments, available-for-sale	$6,695,624	$1,293,383	$(7,810)	$(8,883)	$7,972,314

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(dollars in thousands)	December 31, 2011 Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Unrealized Other-Than-Temporary Impairment Losses	Estimated Fair Value
Fixed maturities:					
U.S. Treasury securities and obligations of U.S. government agencies	$299,413	$22,789	$(9)	$—	$322,193
Obligations of states, municipalities and political subdivisions	2,729,838	201,477	(794)	—	2,930,521
Foreign governments	572,253	45,629	(1,068)	—	616,814
Residential mortgage-backed securities	366,859	24,601	(18)	(2,258)	389,184
Asset-backed securities	16,096	731	(9)	—	16,818
Public utilities	63,965	5,462	—	—	69,427
All other corporate bonds	1,124,528	78,053	(2,750)	(6,614)	1,193,217
Total fixed maturities	5,172,952	378,742	(4,648)	(8,872)	5,538,174
Equity securities:					
Insurance companies, banks and trusts	389,421	296,648	(1,366)	—	684,703
Industrial, consumer and all other	766,873	425,131	(2,780)	—	1,189,224
Total equity securities	1,156,294	721,779	(4,146)	—	1,873,927
Short-term investments	541,014	4	(4)	—	541,014
Investments, available-for-sale	$6,870,260	$1,100,525	$(8,798)	$(8,872)	$7,953,115

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

	June 30, 2012					
	Less than 12 months		12 months or longer		Total	
(dollars in thousands)	Estimated Fair Value	Gross Unrealized Holding and Other-Than-Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than-Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than-Temporary Impairment Losses
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	$55,792	$(35)	$3,483	$(3)	$59,275	$(38)
Obligations of states, municipalities and political subdivisions	9,387	(95)	6,284	(314)	15,671	(409)
Foreign governments	14,270	(32)	—	—	14,270	(32)
Residential mortgage-backed securities	856	(2,261)	—	—	856	(2,261)
All other corporate bonds	12,049	(6,698)	3,920	(57)	15,969	(6,755)
Total fixed maturities	92,354	(9,121)	13,687	(374)	106,041	(9,495)
Equity securities:						

Insurance companies, banks and trusts	21,265	(488)	—	—	21,265	(488)
Industrial, consumer and all other	95,989	(6,574)	17,499	(130)	113,488	(6,704)
Total equity securities	117,254	(7,062)	17,499	(130)	134,753	(7,192)
Short-term investments	154,995	(6)	—	—	154,995	(6)
Total	$364,603	$(16,189)	$31,186	$(504)	$395,789	$(16,693)

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At June 30, 2012, the Company held 55 securities with a total estimated fair value of $395.8 million and gross unrealized losses of $16.7 million. Of these 55 securities, 12 securities had been in a continuous unrealized loss position for greater than one year and had a total estimated fair value of $31.2 million and gross unrealized losses of $0.5 million. Of these securities, 10 were fixed maturities and two were equity securities. The Company does not intend to sell or believe it will be required to sell these fixed maturities before recovery of their amortized cost.

	December 31, 2011					
	Less than 12 months		12 months or longer		Total	
(dollars in thousands)	Estimated Fair Value	Gross Unrealized Holding and Other-Than-Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than-Temporary Impairment Losses	Estimated Fair Value	Gross Unrealized Holding and Other-Than-Temporary Impairment Losses
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	$32,384	$(9)	$—	$—	$32,384	$(9)
Obligations of states, municipalities and political subdivisions	1,016	(2)	17,261	(792)	18,277	(794)
Foreign governments	40,340	(1,068)	—	—	40,340	(1,068)
Residential mortgage-backed securities	489	(2,263)	2,045	(13)	2,534	(2,276)
Asset-backed securities	—	—	32	(9)	32	(9)
All other corporate bonds	74,812	(7,829)	7,923	(1,535)	82,735	(9,364)
Total fixed maturities	149,041	(11,171)	27,261	(2,349)	176,302	(13,520)
Equity securities:						
Insurance companies, banks and trusts	26,514	(1,366)	—	—	26,514	(1,366)
Industrial, consumer and all other	70,555	(2,774)	18,525	(6)	89,080	(2,780)
Total equity securities	97,069	(4,140)	18,525	(6)	115,594	(4,146)
Short-term investments	295,991	(4)	—	—	295,991	(4)
Total	$542,101	$(15,315)	$45,786	$(2,355)	$587,887	$(17,670)

At December 31, 2011, the Company held 76 securities with a total estimated fair value of $587.9 million and gross unrealized losses of $17.7 million. Of these 76 securities, 17 securities had been in a continuous unrealized loss position for greater than one year and had a total estimated fair value of $45.8 million and gross unrealized losses of $2.4 million. Of these securities, 16 securities were fixed maturities and one was an equity security.

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

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

When assessing whether it intends to sell a fixed maturity or if it is likely to be required to sell a fixed maturity before recovery of its amortized cost, the Company evaluates facts and circumstances including, but not limited to, decisions to reposition the investment portfolio, potential sales of investments to meet cash flow needs and potential sales of investments to capitalize on favorable pricing. Additional information on the methodology and significant inputs, by security type, that the Company used to determine the amount of credit loss recognized on fixed maturities with declines in fair value below amortized cost that were considered to be other-than-temporary is provided below.

Residential mortgage-backed securities. For mortgage-backed securities, credit impairment is assessed by estimating future cash flows from the underlying mortgage loans and interest payments. The cash flow estimate incorporates actual cash flows from the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including prepayment rates, default rates, recovery rates on foreclosed properties and loss severity assumptions. Management develops specific assumptions using market data and internal estimates, as well as estimates from rating agencies and other third party sources. Default rates are estimated by considering current underlying mortgage loan performance and expectations of future performance. Estimates of future cash flows are discounted to present value. If the present value of expected cash flows is less than the amortized cost, the Company recognizes the estimated credit loss in net income.

Corporate bonds. For corporate bonds, credit impairment is assessed by evaluating the underlying issuer. As part of this assessment, the Company analyzes various factors, including the following:

- fundamentals of the issuer, including current and projected earnings, current liquidity position and ability to raise capital;
- fundamentals of the industry in which the issuer operates;
- expectations of defaults and recovery rates;
- changes in ratings by rating agencies;
- other relevant market considerations; and
- receipt of interest payments

Default probabilities and recovery rates from rating agencies are key factors used in calculating the credit loss. Additional research of the industry and issuer is completed to determine if there is any current information that may affect the fixed maturity or its issuer in a negative manner and require an adjustment to the cash flow assumptions.

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c) The amortized cost and estimated fair value of fixed maturities at June 30, 2012 are shown below by contractual maturity.

(dollars in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$308,649	$314,640
Due after one year through five years	1,283,202	1,389,784
Due after five years through ten years	1,599,929	1,742,051
Due after ten years	1,412,186	1,547,297
	4,603,966	4,993,772
Residential mortgage-backed securities	297,664	317,041
Asset-backed securities	15,069	15,698
Total fixed maturities	$4,916,699	$5,326,511

d) The following table summarizes the activity for credit losses recognized in net income on fixed maturities where other-than-temporary impairment was identified and a portion of the other-than-temporary impairment was included in other comprehensive income (loss).

	Quarter Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2012	2011	2012	2011
Cumulative credit loss, beginning balance	$21,370	$10,307	$21,370	$10,307
Additions:				
Increases related to other-than-temporary impairment losses previously recognized	—	4,875	—	4,875
Total additions	—	4,875	—	4,875
Reductions:				
Sales of fixed maturities on which credit losses were recognized	—	(15)	—	(15)
Cumulative credit loss, ending balance	$21,370	$15,167	$21,370	$15,167

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

	Quarter Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2012	2011	2012	2011
Realized gains:				
Sales of fixed maturities	$3,570	$2,877	$5,422	$10,858
Sales of equity securities	5,820	3,747	15,514	5,818
Other	134	94	655	1,519
Total realized gains	9,524	6,718	21,591	18,195
Realized losses:				
Sales of fixed maturities	(316)	(499)	(474)	(736)
Other-than-temporary impairments	(992)	(4,875)	(992)	(4,875)
Total realized losses	(1,308)	(5,374)	(1,466)	(5,611)
Net realized investment gains	$8,216	$1,344	$20,125	$12,584
Change in net unrealized gains on investments:				
Fixed maturities	$27,921	$80,819	$44,590	$64,423
Equity securities	(47,744)	16,061	149,250	52,918
Short-term investments	(2)	18	(5)	21
Net increase (decrease)	$(19,825)	$96,898	$193,835	$117,362

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f) The following table presents other-than-temporary impairment losses recognized in net income and included in net realized investment gains by investment type.

(dollars in thousands)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Fixed maturities:				
Residential mortgage-backed securities	$—	$(4,875)	$—	$(4,875)
Total fixed maturities	—	(4,875)	—	(4,875)
Equity securities:				
Insurance companies, banks and trusts	(992)	—	(992)	—
Total equity securities	(992)	—	(992)	—
Total	$(992)	$(4,875)	$(992)	$(4,875)

5. Segment Reporting Disclosures

The Company operates in three segments of the specialty insurance marketplace: the Excess and Surplus Lines, the Specialty Admitted and the London markets. The Company considers many factors, including the nature of its insurance products, production sources, distribution strategies and regulatory environment in determining how to aggregate operating segments.

All investing activities related to our insurance operations are included in the Investing segment. For purposes of segment reporting, the Other Insurance (Discontinued Lines) segment includes lines of business that have been discontinued in conjunction with acquisitions. The Company's non-insurance operations primarily consist of controlling interests in various industrial and service businesses. For purposes of segment reporting, the Company's non-insurance operations are not considered to be a reportable operating segment.

Segment profit or loss for each of the Company's operating segments is measured by underwriting profit or loss. The property and casualty insurance industry commonly defines underwriting profit or loss as earned premiums net of losses and loss adjustment expenses and underwriting, acquisition and insurance expenses. Underwriting profit or loss does not replace operating income or net income computed in accordance with U.S. GAAP as a measure of profitability. Underwriting profit or loss provides a basis for management to evaluate the Company's underwriting performance. Segment profit for the Investing segment is measured by net investment income and net realized investment gains or losses.

For management reporting purposes, the Company allocates assets to its underwriting, investing and non-insurance operations. Underwriting assets are all assets not specifically allocated to the Investing segment or to the Company's non-insurance operations. Underwriting assets are not allocated to the Excess and Surplus Lines, Specialty Admitted, London Insurance Market or Other Insurance (Discontinued Lines) segments since the Company does not manage its assets by operating segment. Invested assets related to our insurance operations are allocated to the Investing segment since these assets are available for payment of losses and expenses for all operating segments. The Company does not allocate capital expenditures for long-lived assets to any of its operating segments for management reporting purposes.

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a) The following tables summarize the Company's segment disclosures.

Quarter Ended June 30, 2012

(dollars in thousands)	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Other Insurance (Discontinued Lines)	Investing	Consolidated
Gross premium volume	$229,906	$180,150	$236,874	$ (8)	$—	$646,922
Net written premiums	193,291	169,276	204,054	(7)	—	566,614
Earned premiums	189,668	144,695	178,699	(6)	—	513,056
Losses and loss adjustment expenses:						
Current accident year	(127,683)	(101,378)	(118,931)	—	—	(347,992)
Prior accident years	50,686	11,917	64,785	(490)	—	126,898
Underwriting, acquisition and insurance expenses:						
Prospective adoption of ASU 2010-26 (1)	(6,040)	(4,499)	(3,732)	—	—	(14,271)
All other expenses	(81,345)	(53,837)	(74,947)	(384)	—	(210,513)
Underwriting profit (loss)	25,286	(3,102)	45,874	(880)	—	67,178
Net investment income	—	—	—	—	63,602	63,602
Net realized investment gains	—	—	—	—	8,216	8,216
Other revenues (insurance)	—	14,081	147	—	—	14,228
Other expenses (insurance)	—	(11,802)	(778)	—	—	(12,580)
Segment profit (loss)	$25,286	$(823)	$45,243	$ (880)	$71,818	$140,644
Other revenues (non-insurance)						94,145
Other expenses (non-insurance)						(85,139)
Amortization of intangible assets						(8,315)
Interest expense						(22,209)
Income before income taxes						$119,126
U.S. GAAP combined ratio (2)	87%	102%	74%	NM (3)		87%

Quarter Ended June 30, 2011

(dollars in thousands)	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Other Insurance (Discontinued Lines)	Investing	Consolidated
Gross premium volume	$225,979	$143,530	$227,682	$ 2	$—	$597,193
Net written premiums	194,048	136,292	200,472	(124)	—	530,688
Earned premiums	187,206	131,364	171,754	(123)	—	490,201
Losses and loss adjustment expenses:						
Current accident year	(142,550)	(94,324)	(146,546)	—	—	(383,420)
Prior accident years	52,649	1,771	22,605	(288)	—	76,737
Underwriting, acquisition and insurance expenses	(82,932)	(47,789)	(65,835)	(289)	—	(196,845)
Underwriting profit (loss)	14,373	(8,978)	(18,022)	(700)	—	(13,327)
Net investment income	—	—	—	—	64,253	64,253
Net realized investment gains	—	—	—	—	1,344	1,344
Other revenues (insurance)	—	12,375	—	—	—	12,375
Other expenses (insurance)	—	(12,588)	(39)	—	—	(12,627)

Segment profit (loss)	$14,373	$(9,191)	$(18,061)	$ (700)	$65,597	$52,018
Other revenues (non-insurance)						78,995
Other expenses (non-insurance)						(66,846)
Amortization of intangible assets						(5,555)
Interest expense						(21,898)
Income before income taxes						$36,714
U.S. GAAP combined ratio [2]	92%	107%	110%	NM [3]		103%

(1) Effective January 1, 2012, the Company prospectively adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. At December 31, 2011, deferred policy acquisition costs included approximately $43 million of costs that no longer met the criteria for deferral as of January 1, 2012 and will be recognized into income primarily over the first nine months of 2012, consistent with policy terms. The quarter ended June 30, 2012 included $14.3 million of underwriting, acquisition and insurance expenses that were deferred as of December 31, 2011 and no longer met the criteria for deferral as of January 1, 2012.

(2) The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums.

(3) NM – Ratio is not meaningful.

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	Six Months Ended June 30, 2012					
(dollars in thousands)	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Other Insurance (Discontinued Lines)	Investing	Consolidated
Gross premium volume	$452,835	$328,272	$514,440	$ (7)	$—	$1,295,540
Net written premiums	386,204	309,828	451,754	(6)	—	1,147,780
Earned premiums	389,046	278,170	375,441	(5)	—	1,042,652
Losses and loss adjustment expenses:						
Current accident year	(255,750)	(194,071)	(250,677)	—	—	(700,498)
Prior accident years	81,273	16,243	86,250	7,117	—	190,883
Underwriting, acquisition and insurance expenses:						
Prospective adoption of ASU 2010-26 (1)	(14,527)	(10,263)	(9,769)	—	—	(34,559)
All other expenses	(167,202)	(111,103)	(149,950)	(667)	—	(428,922)
Underwriting profit (loss)	32,840	(21,024)	51,295	6,445	—	69,556
Net investment income	—	—	—	—	143,396	143,396
Net realized investment gains	—	—	—	—	20,125	20,125
Other revenues (insurance)	—	24,529	4,530	—	—	29,059
Other expenses (insurance)	—	(23,003)	(1,752)	—	—	(24,755)
Segment profit (loss)	$32,840	$(19,498)	$54,073	$ 6,445	$163,521	$237,381
Other revenues (non-insurance)						191,150
Other expenses (non-insurance)						(173,368)
Amortization of intangible assets						(17,119)
Interest expense						(44,376)
Income before income taxes						$193,668
U.S. GAAP combined ratio (2)	92 %	108 %	86 %	NM (3)		93 %

	Six Months Ended June 30, 2011					
(dollars in thousands)	Excess and Surplus Lines	Specialty Admitted	London Insurance Market	Other Insurance (Discontinued Lines)	Investing	Consolidated
Gross premium volume	$427,350	$277,851	$482,683	$ 92	$—	$1,187,976
Net written premiums	369,585	263,531	416,611	(27)	—	1,049,700
Earned premiums	368,263	253,840	331,237	(28)	—	953,312
Losses and loss adjustment expenses:						
Current accident year	(265,057)	(172,794)	(334,422)	—	—	(772,273)
Prior accident years	109,441	1,969	35,239	4,613	—	151,262
Underwriting, acquisition and insurance expenses	(168,852)	(97,262)	(132,560)	(521)	—	(399,195)
Underwriting profit (loss)	43,795	(14,247)	(100,506)	4,064	—	(66,894)
Net investment income	—	—	—	—	134,352	134,352
Net realized investment gains	—	—	—	—	12,584	12,584
Other revenues (insurance)	—	21,561	—	—	—	21,561
Other expenses (insurance)	—	(24,328)	(47)	—	—	(24,375)
Segment profit (loss)	$43,795	$(17,014)	$(100,553)	$ 4,064	$146,936	$77,228

Other revenues (non-insurance)					146,953
Other expenses (non-insurance)					(123,593)
Amortization of intangible assets					(11,563)
Interest expense					(40,860)
Income before income taxes					$48,165
U.S. GAAP combined ratio [2]	88 %	106 %	130 %	NM [3]	107 %

(1) Effective January 1, 2012, the Company prospectively adopted FASB ASU No. 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. At December 31, 2011, deferred policy acquisition costs included approximately $43 million of costs that no longer met the criteria for deferral as of January 1, 2012 and will be recognized into income primarily over the first nine months of 2012, consistent with policy terms. The six months ended June 30, 2012 included $34.6 million of underwriting, acquisition and insurance expenses that were deferred as of December 31, 2011 and no longer met the criteria for deferral as of January 1, 2012.

(2) The U.S. GAAP combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and underwriting, acquisition and insurance expenses to earned premiums.

(3) NM – Ratio is not meaningful.

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b) The following table reconciles segment assets to the Company’s consolidated balance sheets.

(dollars in thousands)	June 30, 2012	December 31, 2011
Segment assets:		
Investing	$8,766,935	$8,692,391
Underwriting	2,451,938	2,209,431
Total segment assets	$11,218,873	$10,901,822
Non-insurance operations	746,360	630,281
Total assets	$11,965,233	$11,532,103

6. Derivatives

The Company is a party to a credit default swap agreement, under which third party credit risk is transferred from a counterparty to the Company. The Company entered into the credit default swap agreement for investment purposes. At both June 30, 2012 and December 31, 2011, the notional amount of the credit default swap was $33.1 million, which represented the Company’s aggregate exposure to losses if specified credit events involving third party reference entities occur. These third party reference entities are specified under the terms of the agreement and represent a portfolio of names upon which the Company has assumed credit risk from the counterparty. The Company’s exposure to loss from any one reference entity is limited to $20.0 million. The credit default swap has a scheduled termination date of December 2014.

The credit default swap is accounted for as a derivative instrument and is recorded at fair value with any changes in fair value recorded in net investment income. At June 30, 2012 and December 31, 2011, the credit default swap had a fair value of $17.1 million and $29.3 million, respectively. The fair value of the credit default swap is included in other liabilities on the consolidated balance sheets. Net investment income for the quarter and six months ended June 30, 2012 included favorable changes in the fair value of the credit default swap of $1.1 million and $12.2 million, respectively. For the quarter ended June 30, 2011, net investment income included an adverse change in the credit default swap of $1.0 million. For the six months ended June 30, 2011, net investment income included a favorable change in the credit default swap of $0.6 million.

The fair value of the credit default swap is determined by the Company using a Gaussian copula valuation model, a market standard model for valuing credit default swaps. The fair value is dependent upon several inputs, including changes in interest rates, credit spreads, expected default rates, changes in credit quality, future expected recovery rates and other market factors. The significant unobservable inputs used in the fair value measurement of the credit default swap are expected default rates and future expected recovery rates. The Company determines these unobservable inputs based upon default rates and recovery rates used to price similar credit default swap indices. A significant increase in expected default rates in isolation results in a significantly higher fair value measurement, while a significant decrease in expected default rates results in a significantly lower fair value measurement. A significant increase in future expected recovery rates in isolation results in a significantly lower fair value measurement, while a significant decrease in future expected recovery rates results in a significantly higher fair value measurement. Generally, a change in the assumption used for expected default rates is accompanied by a directionally opposite change in future expected recovery rates. The fair value measurement of the credit default swap at June 30, 2012 included expected default rates ranging between 2% and 30%, with a weighted-average expected default rate of 5%, and future expected recovery rates ranging between 20% and 40%, with a weighted-average future expected recovery rate of 39%. The fair value measurement of the credit default swap at December 31, 2011 included expected default rates ranging between 2% and 37%, with a weighted-average expected default rate of 9%, and future expected recovery rates ranging between 19% and 52%, with a weighted-average future expected recovery rate of 39%.

The Company's valuation policies and procedures for the credit default swap are determined by an internal investment manager with oversight provided by the Company's Chief Financial Officer and Chief Investment Officer. Fair value measurements are analyzed quarterly to ensure the change in fair value from prior periods is reasonable relative to recent market trends. Additionally, the reported fair value of the credit default swap is compared to results from similar valuation models.

The Company had no other material derivative instruments at June 30, 2012.

7. Employee Benefit Plans

a) Expenses relating to the Company’s defined contribution plans were $4.7 million and $9.3 million, respectively, for the quarter and six months ended June 30, 2012 and $4.1 million and $8.5 million, respectively, for the same periods in 2011.

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b) The following table presents the components of net periodic benefit cost (income) for the Terra Nova Pension Plan, a defined benefit plan.

	Quarter Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2012	2011	2012	2011
Service cost	$89	$346	$179	$683
Interest cost	1,693	1,811	3,386	3,579
Expected return on plan assets	(2,431)	(2,504)	(4,863)	(4,947)
Amortization of net actuarial pension loss	644	486	1,287	960
Net periodic benefit cost (income)	$(5)	$139	$(11)	$275

The Company contributed $5.7 million to the Terra Nova Pension Plan during the six months ended June 30, 2012 and does not expect to make any additional contributions in 2012.

8. Commitments and Contingencies

The Company owns controlling interests in various non-insurance subsidiaries. Under the terms of certain of the acquisition agreements, the Company has the option to acquire the remaining equity interests and the remaining equity interests have the option to sell their interests to the Company in the future. The redemption value of the remaining equity interests is generally based on the respective company's earnings in specified periods preceding the redemption date. The redeemable noncontrolling interests generally become redeemable between 2012 and 2018.

The Company recognizes changes in the redemption value that exceed the carrying value of redeemable noncontrolling interests immediately through retained earnings as if the balance sheet date were also the redemption date. Changes in the redemption value also result in an adjustment to net income to shareholders in the calculation of basic and diluted net income per share. At June 30, 2012, the adjustment recorded to increase redeemable noncontrolling interests to redemption value was $8.2 million. At March 31, 2012 and December 31, 2011, the redemption values of the redeemable noncontrolling interests were less than or approximated their carrying values.

Redeemable noncontrolling interests have been reclassified from other noncontrolling interests in the consolidated balance sheets and statements of changes in equity for all periods presented. The reclassification had no impact on previously reported shareholders' equity, net income or basic and diluted net income per share.

Contingencies arise in the normal course of the Company’s operations and are not expected to have a material impact on the Company’s financial condition or results of operations.

9. Fair Value Measurements

FASB Accounting Standards Codification (ASC) 820-10, Fair Value Measurements and Disclosures, establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability.

Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

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Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In accordance with FASB ASC 820, the Company determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods, including the market, income and cost approaches. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value, including an indication of the level within the fair value hierarchy in which each asset or liability is generally classified.

Investments available-for-sale. Investments available-for-sale are recorded at fair value on a recurring basis and include fixed maturities, equity securities and short-term investments. Short-term investments include certificates of deposit, commercial paper, discount notes and treasury bills with original maturities of one year or less. Fair value for investments available-for-sale is determined by the Company after considering various sources of information, including information provided by a third party pricing service. The pricing service provides prices for substantially all of the Company's fixed maturities and equity securities. In determining fair value, the Company generally does not adjust the prices obtained from the pricing service. The Company obtains an understanding of the pricing service's valuation methodologies and related inputs, which include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, duration, credit ratings, estimated cash flows and prepayment speeds. The Company validates prices provided by the pricing service by reviewing prices from other pricing sources and analyzing pricing data in certain instances.

The Company has evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange. Level 2 investments include U.S. Treasury securities and obligations of U.S. government agencies, municipal bonds, foreign government bonds, residential mortgage-backed securities and corporate debt securities.

Fair value for investments available-for-sale is measured based upon quoted prices in active markets, if available. Due to variations in trading volumes and the lack of quoted market prices, fixed maturities are classified as Level 2 investments. The fair value of fixed maturities is normally derived through recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable data described above. If there are no recent reported trades, the fair value of fixed maturities may be derived through the use of matrix pricing or model processes, where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Significant inputs used to determine the fair value of obligations of states, municipalities and political subdivisions, corporate bonds and obligations of foreign governments include reported trades, benchmark yields, issuer spreads, bids, offers, credit information and estimated cash flows. Significant inputs used to determine the fair value of residential mortgage-backed securities include the type of underlying mortgage loans, benchmark yields, prepayment speeds, collateral information, tranche type and volatility, estimated cash flows, credit information, default rates, recovery rates, issuer spreads and the year of issue.

Derivatives. Derivatives are recorded at fair value on a recurring basis and include a credit default swap. The fair value of the credit default swap is measured by the Company using an external valuation model. See note 6 for a discussion of the valuation model for the credit default swap, including the key inputs and assumptions used in the model and a description of the valuation processes used by the Company. Due to the significance of unobservable inputs required in measuring the fair value of the credit default swap, the credit default swap has been classified as Level 3 within the fair value hierarchy.

Senior long-term debt and other debt. Senior long-term debt and other debt is carried at amortized cost with the estimated fair value disclosed on the consolidated balance sheets. Senior long-term debt and other debt is classified as Level 2 within the fair value hierarchy due to variations in trading volumes and the lack of quoted market prices. Fair value for senior long-term debt and other debt is generally derived through recent reported trades for identical securities, making adjustments through the reporting date, if necessary, based upon available market observable data including U.S. Treasury securities and implied credit spreads. Significant inputs used to determine the fair value of senior long-term debt and other debt include reported trades, benchmark yields, issuer spreads, bids and offers.

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The following tables present the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy.

(dollars in thousands)	June 30, 2012 Level 1	Level 2	Level 3	Total
Assets:				
Investments available-for-sale:				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	$—	$333,832	$—	$333,832
Obligations of states, municipalities and political subdivisions	—	2,895,078	—	2,895,078
Foreign governments	—	605,470	—	605,470
Residential mortgage-backed securities	—	317,041	—	317,041
Asset-backed securities	—	15,698	—	15,698
Public utilities	—	69,225	—	69,225
All other corporate bonds	—	1,090,167	—	1,090,167
Total fixed maturities	—	5,326,511	—	5,326,511
Equity securities:				
Insurance companies, banks and trusts	802,177	—	—	802,177
Industrial, consumer and all other	1,377,892	—	—	1,377,892
Total equity securities	2,180,069	—	—	2,180,069
Short-term investments	391,822	73,912	—	465,734
Total investments available-for-sale	2,571,891	5,400,423	—	7,972,314
Liabilities:				
Derivative contracts	$—	$—	$17,130	$17,130

(dollars in thousands)	December 31, 2011 Level 1	Level 2	Level 3	Total
Assets:				
Investments available-for-sale:				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	$—	$322,193	$—	$322,193
Obligations of states, municipalities and political subdivisions	—	2,930,521	—	2,930,521
Foreign governments	—	616,814	—	616,814
Residential mortgage-backed securities	—	389,184	—	389,184
Asset-backed securities	—	16,818	—	16,818
Public utilities	—	69,427	—	69,427
All other corporate bonds	—	1,193,217	—	