Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark one)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2020.

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: 1-11917

FBL Financial Group, Inc.

FBL FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Iowa	42-1411715
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5400 University Avenue, West Des Moines, Iowa	50266-5997
(Address of principal executive offices)	(Zip Code)

(515) 225-5400

(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, without par value	FFG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

Title of each class	Outstanding at May 4, 2020
Class A Common Stock, without par value	24,630,677
Class B Common Stock, without par value	11,413

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FBL FINANCIAL GROUP, INC.
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020
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ITEM 1. FINANCIAL STATEMENTS

FBL FINANCIAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	March 31, 2020	December 31, 2019
Assets		
Investments:		
Fixed maturities - available for sale, at fair value (amortized cost 2020 - $7,115,265, 2019 - $7,015,269; and allowance for credit losses 2020 - $12,146, 2019 - $0)	$ 7,617,165	$ 7,702,628
Equity securities at fair value (cost: 2020 - $96,882, 2019 - $95,269)	88,610	100,228
Mortgage loans (net of allowance for credit losses 2020 - $3,279, 2019 - $0)	988,854	1,011,678
Real estate	955	955
Policy loans	202,227	201,589
Short-term investments	29,580	11,865
Other investments	41,777	62,680
Total investments	8,969,168	9,091,623
Cash and cash equivalents	17,524	17,277
Securities and indebtedness of related parties	77,641	74,791
Accrued investment income	77,263	72,332
Amounts receivable from affiliates	3,916	4,357
Reinsurance recoverable	105,438	107,498
Deferred acquisition costs	337,972	289,456
Value of insurance in force acquired	2,829	2,624
Current income taxes recoverable	7,570	6,427
Other assets	168,045	167,940
Assets held in separate accounts	525,582	645,881
Total assets	$ 10,292,948	$ 10,480,206

FBL FINANCIAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS (Continued)
(Dollars in thousands)

	March 31, 2020	December 31, 2019
Liabilities and stockholders' equity		
Liabilities:		
Future policy benefits:		
Interest sensitive products	$ 5,646,263	$ 5,548,212
Traditional life insurance and accident and health products	1,856,580	1,845,337
Other policy claims and benefits	47,713	46,883
Supplementary contracts without life contingencies	293,016	296,915
Advance premiums and other deposits	254,523	253,458
Amounts payable to affiliates	1,015	1,218
Short-term debt	10,000	—
Long-term debt	97,000	97,000
Deferred income taxes	119,093	152,373
Other liabilities	107,841	107,013
Liabilities related to separate accounts	525,582	645,881
Total liabilities	8,958,626	8,994,290
Stockholders' equity:		
FBL Financial Group, Inc. stockholders' equity:		
Preferred stock, without par value, at liquidation value - authorized 10,000,000 shares, issued and outstanding 5,000,000 Series B shares	3,000	3,000
Class A common stock, without par value - authorized 88,500,000 shares, issued and outstanding 24,630,777 shares in 2020 and 24,652,802 shares in 2019	152,754	152,661
Class B common stock, without par value - authorized 1,500,000 shares, issued and outstanding 11,413 shares in 2020 and 2019	72	72
Accumulated other comprehensive income	258,422	354,764
Retained earnings	920,032	975,260
Total FBL Financial Group, Inc. stockholders' equity	1,334,280	1,485,757
Noncontrolling interest	42	159
Total stockholders' equity	1,334,322	1,485,916
Total liabilities and stockholders' equity	$ 10,292,948	$ 10,480,206

See accompanying notes.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars in thousands, except per share data)

	Three months ended March 31,	
	2020	**2019**
Revenues:		
Interest sensitive product charges	$ 31,720	$ 31,266
Traditional life insurance premiums	49,308	49,392
Net investment income	74,917	109,640
Net realized capital gains (losses)	(13,401)	10,157
Change in allowance for credit losses on investments	(12,261)	—
Other-than-temporary impairment losses	—	(869)
Other income	4,980	3,970
Total revenues	135,263	203,556
Benefits and expenses:		
Interest sensitive product benefits	44,351	70,596
Traditional life insurance benefits	46,208	46,675
Policyholder dividends	2,529	2,534
Underwriting, acquisition and insurance expenses	39,421	36,189
Interest expense	1,213	1,212
Other expenses	7,421	6,250
Total benefits and expenses	141,143	163,456
	(5,880)	40,100
Income tax benefit (expense)	3,081	(6,276)
Equity income, net of related income taxes	228	220
Net income (loss)	(2,571)	34,044
Net (income) loss attributable to noncontrolling interest	56	(1)
Net income (loss) attributable to FBL Financial Group, Inc.	$ (2,515)	$ 34,043
Earnings (loss) per common share	$ (0.10)	$ 1.37
Earnings (loss) per common share - assuming dilution	$ (0.10)	$ 1.37

See accompanying notes.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(Dollars in thousands)

	Three months ended March 31,	
	2020	2019
Net income (loss)	$ (2,571)	$ 34,044
Other comprehensive income (loss) (1)		
Change in net unrealized investment gains/losses	(96,589)	97,640
Change in underfunded status of postretirement benefit plans	247	208
Total other comprehensive income (loss), net of tax	(96,342)	97,848
Total comprehensive income (loss), net of tax	(98,913)	131,892
Comprehensive (income) loss attributable to noncontrolling interest	56	(1)
Total comprehensive income (loss) applicable to FBL Financial Group, Inc.	$ (98,857)	$ 131,891

(1) Other comprehensive income (loss) is recorded net of deferred income taxes and other adjustments for assumed changes in deferred acquisition costs, value of insurance in force acquired, unearned revenue reserve and policyholder liabilities.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)
(Dollars in thousands)

	FBL Financial Group, Inc. Stockholders' Equity					
	Series B Preferred Stock	Class A and Class B Common Stock	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
Balance at January 1, 2019	$ 3,000	$ 152,724	$ 91,318	$ 937,097	$ 120	$ 1,184,259
Cumulative effect of change in accounting principle related to leases	—	—	—	595	—	595
Net income - three months ended March 31, 2019	—	—	—	34,043	1	34,044
Other comprehensive income	—	—	97,848	—	—	97,848
Stock-based compensation	—	202	—	—	—	202
Purchase of common stock	—	(410)	—	(4,167)	—	(4,577)
Dividends on preferred stock	—	—	—	(38)	—	(38)
Dividends on common stock	—	—	—	(48,812)	—	(48,812)
Balance at March 31, 2019	$ 3,000	$ 152,516	$ 189,166	$ 918,718	$ 121	$ 1,263,521
Balance at January 1, 2020	$ 3,000	$ 152,733	$ 354,764	$ 975,260	$ 159	$ 1,485,916
Cumulative effect of change in accounting principle related to current expected credit loss	—	—	—	(2,685)	—	(2,685)
Net loss - three months ended March 31, 2020	—	—	—	(2,515)	(56)	(2,571)
Other comprehensive loss	—	—	(96,342)	—	—	(96,342)
Stock-based compensation	—	245	—	—	—	245
Purchase of common stock	—	(152)	—	(657)	—	(809)
Dividends on preferred stock	—	—	—	(38)	—	(38)
Dividends on common stock	—	—	—	(49,333)	—	(49,333)
Disbursements related to noncontrolling interest	—	—	—	—	(61)	(61)
Balance at March 31, 2020	$ 3,000	$ 152,826	$ 258,422	$ 920,032	$ 42	$ 1,334,322

See accompanying notes.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	Three months ended March 31,	
	2020	2019
Operating activities		
Net income (loss)	$ (2,571)	$ 34,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest credited to account balances	40,980	38,531
Charges for mortality, surrenders and administration	(33,127)	(31,201)
Net realized (gains) losses on investments	25,662	(9,288)
Change in fair value of derivatives	1,567	(29)
Increase in liabilities for life insurance and other future policy benefits	21,183	17,507
Deferral of acquisition costs	(9,155)	(11,739)
Amortization of deferred acquisition costs and value of insurance in force	9,597	7,774
Change in reinsurance recoverable	688	(805)
Provision for deferred income taxes	(6,958)	1,822
Other	(20,186)	(1,923)
Net cash provided by operating activities	27,680	44,693
Investing activities		
Sales, maturities or repayments:		
Fixed maturities - available for sale	120,845	128,274
Equity securities	699	—
Mortgage loans	35,295	24,603
Derivative instruments	9,451	2,121
Policy loans	9,913	9,095
Securities and indebtedness of related parties	841	1,133
Other investments	1,333	1,210
Acquisitions:		
Fixed maturities - available for sale	(203,333)	(128,578)
Equity securities	(2,149)	(11,069)
Mortgage loans	(15,750)	(5,650)
Derivative instruments	(5,804)	(4,432)
Policy loans	(10,551)	(10,959)
Securities and indebtedness of related parties	(3,990)	(4,710)
Other long-term investments	(6,100)	(975)
Short-term investments, net change	(17,715)	4,198
Purchases and disposals of property and equipment, net	(1,763)	(4,049)
Net cash provided by (used in) investing activities	(88,778)	212

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)

	Three months ended March 31,	
	2020	2019
Financing activities		
Contract holder account deposits	$ 271,542	$ 135,844
Contract holder account withdrawals	(170,003)	(143,456)
Dividends paid	(49,371)	(48,850)
Proceeds from issuance of short-term debt	10,000	4,000
Issuance or repurchase of common stock, net	(762)	(5,421)
Other financing activities	(61)	—
Net cash provided by (used in) financing activities	61,345	(57,883)
Increase (decrease) in cash and cash equivalents	247	(12,978)
Cash and cash equivalents at beginning of period	17,277	19,035
Cash and cash equivalents at end of period	$ 17,524	$ 6,057
Supplemental disclosures of cash flow information		
Cash (paid) received during the period for:		
Interest	$ (1,213)	$ (1,213)
Income taxes	(1,915)	—

See accompanying notes.

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of FBL Financial Group, Inc. (we or the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. Our financial statements include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of our financial position and results of operations.

Operating results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020, especially when considering the risks and uncertainties associated with the novel coronavirus ("COVID-19") and the impact it may have on our business, results of operations and financial condition. We encourage you to refer to the notes to our consolidated financial statements included in Item 8 of our Form 10-K for the year ended December 31, 2019 for a complete description of our material accounting policies. Also included in the Form 10-K is a description of areas of judgments and estimates and other information necessary to understand our financial position and results of operations. Our estimates and assumptions could change in the future as more information becomes known about the impact of COVID-19. Our results of operations and financial condition may also be impacted by evolving regulatory, legislative and accounting interpretations and guidance.

New Accounting Pronouncements

Description	Date of adoption	Effect on our consolidated financial statements or other significant matters
Standards adopted:		
Leases In February 2016, the FASB issued a new lease accounting standard, which, for most lessees, results in a gross-up of the balance sheet. Under the new standard, lessees recognize the leased assets on the balance sheet and recognize a corresponding liability for the present value of lease payments over the lease term. The new standard requires the application of judgment and estimates. Also, there are accounting policy elections that may be taken both at transition and for the accounting post-transition, including whether to adopt a short-term lease recognition exemption.	January 1, 2019	Upon adoption using the modified retrospective approach, a cumulative effect adjustment of $0.6 million was recorded to retained earnings, representing the elimination of a deferred gain on a sale-leaseback transaction, and both other assets and other liabilities increased by $7.2 million. We elected the practical expedients provided for under the guidance but did not use hindsight in determining lease term. We have no finance leases and have elected to treat leases with terms of twelve months or less as short-term leases.

Description	Date of adoption	Effect on our consolidated financial statements or other significant matters
Standards adopted:		
Financial instruments - credit impairment In June 2016, the FASB issued guidance amending the accounting for the credit impairment of certain financial instruments. Under the new guidance, credit losses are estimated using an expected loss model under which an allowance for credit losses is established and reflected as a charge to earnings. The allowance is based on the probability of loss over the life of the instrument, considering historical, current and forecast information. The new guidance differs significantly from the incurred loss model used historically, and results in the earlier recognition of credit losses. The new guidance may increase the volatility of earnings to the extent the assumptions used in estimating the allowance are revised as changes in the allowance will be reflected in earnings. Our available-for-sale fixed maturities will continue to apply the incurred loss model; however, such losses will also be in the form of an allowance for credit losses rather than an adjustment to the cost basis of the security. The new guidance permits entities to recognize improvements in credit loss estimates on fixed maturity available-for-sale securities by reducing the allowance account immediately through earnings.	January 1, 2020	Upon adoption using the modified retrospective approach, a cumulative effect adjustment of $2.7 million after offsets was recorded to retained earnings as of the first reporting period in which the new guidance was effective. The cumulative effect adjustment arose from the establishment of an allowance for credit losses on our mortgage loan investments totaling $3.1 million and reinsurance recoverable totaling $0.9 million, before offsets. See the discussion that follows for further information. Application of this guidance resulted in a decrease to net income of $0.1 million (less than $0.01 per basic and diluted share) for the quarter ended March 31, 2020. Prior periods were not restated.
Standards not yet adopted:		
Targeted improvements: long-duration contracts In August 2018, the FASB issued guidance that will change the accounting for long-duration insurance contracts. The new guidance impacts several facets of the accounting for such contracts including the accounting for future policy benefits associated with traditional non-participating and limited payment insurance contracts as well as for guaranteed minimum benefits and the amortization model used for deferred acquisition costs. Disclosures as well as presentation of financial results will also change under the new guidance.	January 1, 2022	We are currently evaluating the impact of this guidance on our consolidated financial statements but expect the impact to the timing of profit emergence for the impacted insurance contracts to be significant. Adoption of certain portions of the guidance may be applied on a modified retrospective basis and others on a full retrospective basis.

Allowance for Credit Losses

As discussed above, effective January 1, 2020 we were required to apply new accounting guidance for the treatment of potential credit losses within certain financial instruments. Our accounting policies and practices as they pertain to the financial instruments impacted by this new guidance are as follows:

Fixed Maturities

When the fair value of a fixed maturity security is below its amortized cost, an impairment has occurred. To the extent we decide to sell the security or are required to sell the security prior to its recovery of fair value, a charge is taken to realized investment losses as reported within the Consolidated Statement of Operations, and the amortized cost basis of the security is adjusted for the loss. Under the accounting guidance we followed in 2019 and prior periods, to the extent we had no plan or requirement to sell an impaired security, but believed the impairment was other-than-temporary, we similarly recorded a charge to realized investment losses and the amortized cost basis of the security was adjusted for the loss. Beginning in 2020, to the extent an unrealized loss is due to credit, an allowance for credit loss is recognized within the Consolidated Statement of Operations. While fixed maturities are reported net of the allowance for credit losses in our Consolidated Balance Sheet, the allowance is not considered an adjustment to the amortized cost of the security. Accordingly the allowance may increase or decrease over the life of the security based on changes in the assumptions used to determine the allowance, with such changes reported as “Change in the allowance for credit losses on investments” within the Consolidated Statement of Operations. Fixed maturity securities are written-off to realized investment losses if we determine that no additional payments of principal or interest will be received. The factors considered in determining whether an allowance for credit losses is required are consistent with those considered in determining whether an other-than-temporary impairment loss had occurred under the accounting guidance we followed during 2019 and prior periods as discussed in Item 8 of our Form 10-K for the year ended December 31, 2019. We have elected the policy to exclude accrued interest receivable from our allowance calculation since uncollectible accrued interest will continue to be evaluated for collectability and written off as warranted.

Mortgage Loans

The allowance for credit losses on our mortgage loan investments is based on an estimate of credit losses that may occur over the life of the loans, which differs from the accounting guidance applied in 2019 and prior periods, which was based on incurred losses of individual loans. In determining the allowance, we segregate our mortgage loans with a similar risk profile based on an internal loan rating. Loss factors based on the potential frequency and severity of credit losses at different points in time of the portfolio life are applied to future cash flows to estimate the allowance for credit losses. In determining the loss factors, we consider the potential severity and likelihood of loss based on our historical loan loss experience along with that of other similar organizations as well as economic forecasts. We have elected the policy to exclude accrued interest receivable from our allowance calculation since uncollectible accrued interest will continue to be evaluated for collectability and written off as warranted. Mortgage loans are reported in our Consolidated Balance Sheet net of the allowance for credit losses. Changes in the allowance are reported within the Consolidated Statement of Operations as “Changes in allowance for credit losses on investments.” See Note 2 for further information.

Reinsurance Recoverable

The allowance for credit losses on our reinsurance recoverable is based on an estimate of credit losses that may occur over the life of the underlying ceded insurance business, which differs from the accounting guidance applied in 2019 and prior periods, which was based on incurred losses. We develop loss factors which are applied to the amounts due from each reinsurer which considers the potential severity and likelihood of loss based on the relative risk profile of each reinsurer, our internal loss history and those of other organizations, along with economic forecasts. We also consider other sources of information regarding individual reinsurers, as applicable, including amounts past-due according to the terms of the reinsurance contracts. Reinsurance recoverable assets are reported in our Consolidated Balance Sheet net of the allowance for credit losses. Amounts deemed to be uncollectible are written off against the allowance. Changes in the allowance are reported within the Consolidated Statement of Operations as “Underwriting, acquisition and insurance expenses.”

Allowance on Reinsurance Recoverables

	Three months ended March 31, 2020
	(Dollars in thousands)
Beginning balance of the allowance for credit losses	$ 868
Change in allowance for credit losses	7
Ending balance of the allowance for credit losses	$ 875

No reinsurance recoverables were considered past due as of March 31, 2020.

Income Taxes

Income taxes for interim reporting periods are generally recognized based on an estimated annual effective tax rate which is computed based on earnings forecasts for the year. During the first quarter of 2020, the spread of COVID-19 negatively impacted the U.S. economy, causing unusual market volatility which has impacted our first quarter earnings. At this time, we are unable to forecast our 2020 earnings primarily due to uncertainty regarding COVID-19’s potential impact on future investment credit losses. Accordingly, for purposes of estimating tax expense for the first quarter of 2020, we are applying an estimated year-to-date effective tax rate, which is based on estimated taxable earnings incurred through the end of the quarter. We expect to return to an estimated annual effective tax rate at such time as earnings can be reasonably forecast.

2. Investment Operations

Fixed Maturity Securities

Available-For-Sale Fixed Maturity Securities by Investment Category

	March 31, 2020				
	Amortized Cost	Gross Unrealized Gains (1)	Gross Unrealized Losses (1)	Allowance for Credit Losses	Fair Value
	(Dollars in thousands)				
Fixed maturities:					
Corporate	$ 3,460,539	$ 312,121	$ (103,191)	$ (12,146)	$ 3,657,323
Residential mortgage-backed	624,574	44,124	(14,931)	—	653,767
Commercial mortgage-backed	977,147	167,839	(3,344)	—	1,141,642
Other asset-backed	742,954	4,191	(48,205)	—	698,940
United States Government and agencies	10,829	3,375	—	—	14,204
States and political subdivisions	1,299,222	152,500	(433)	—	1,451,289
Total fixed maturities	$ 7,115,265	$ 684,150	$ (170,104)	$ (12,146)	$ 7,617,165

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains (1)	Gross Unrealized Losses (1)	Fair Value
	(Dollars in thousands)			
Fixed maturities:				
Corporate	$ 3,376,432	$ 418,049	$ (15,531)	$ 3,778,950
Residential mortgage-backed	626,663	47,654	(1,929)	672,388
Commercial mortgage-backed	969,453	77,433	(1,413)	1,045,473
Other asset-backed	697,390	19,745	(2,614)	714,521
United States Government and agencies	12,417	1,711	(5)	14,123
States and political subdivisions	1,332,914	145,125	(866)	1,477,173
Total fixed maturities	$ 7,015,269	$ 709,717	$ (22,358)	$ 7,702,628

(1) Includes $0.5 million and $2.5 million as of March 31, 2020 and December 31, 2019, respectively, of net unrealized gains on impaired fixed maturities related to changes in fair value subsequent to the impairment date, which are included in AOCI.

The amount of accrued interest excluded from the amortized cost basis of fixed maturities and included in accrued investment income on the balance sheet totaled $72.4 million at March 31, 2020. Any fixed maturity delinquent on contractual payments over 90 days past due is placed on non-accrual status. If the fixed maturity is placed on non-accrual status the prior accrued interest income is reversed off through net investment income. Interest income received on non-performing fixed maturities is generally recognized on a cash basis. Once fixed maturities are classified as non-accrual, the resumption of the interest accrual would commence only after all past due interest has been collected. There are currently no fixed maturities in non-accrual status.

Available-For-Sale Fixed Maturities by Maturity Date

	March 31, 2020	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Due in one year or less	$ 83,447	$ 83,726
Due after one year through five years	571,783	572,846
Due after five years through ten years	786,392	817,847
Due after ten years	3,328,968	3,648,397
	4,770,590	5,122,816
Mortgage-backed and other asset-backed	2,344,675	2,494,349
Total fixed maturities	$ 7,115,265	$ 7,617,165

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Fixed maturities not due at a single maturity date have been included in the above table in the year of final contractual maturity.

Net Unrealized Gains on Investments in Accumulated Other Comprehensive Income

	March 31, 2020	December 31, 2019
	(Dollars in thousands)	
Net unrealized appreciation on:		
Fixed maturities - available for sale	$ 514,046	$ 687,359
Adjustments for assumed changes in amortization pattern of:		
Deferred acquisition costs	(152,526)	(200,227)
Value of insurance in force acquired	(11,747)	(12,498)
Unearned revenue reserve	17,362	18,025
Adjustments for assumed changes in policyholder liabilities	(27,382)	(30,642)
Provision for deferred income taxes	(71,348)	(97,023)
Net unrealized investment gains	$ 268,405	$ 364,994

Net unrealized investment gains exclude the allowance for credit losses.

Fixed Maturity Securities with Unrealized Losses by Length of Time without an Allowance for Credit Losses

	March 31, 2020						
	Less than one year		One year or more		Total		
Description of Securities	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Percent of Total
	(Dollars in thousands)						
Fixed maturities:							
Corporate	$ 797,924	$ (83,568)	$ 39,182	$ (19,623)	$ 837,106	$ (103,191)	60.7%
Residential mortgage-backed	283,851	(13,927)	4,956	(1,004)	288,807	(14,931)	8.8
Commercial mortgage-backed	27,094	(3,344)	—	—	27,094	(3,344)	2.0
Other asset-backed	494,386	(35,401)	81,185	(12,804)	575,571	(48,205)	28.3
States and political subdivisions	8,389	(56)	2,602	(377)	10,991	(433)	0.2
Total fixed maturities	$ 1,611,644	$ (136,296)	$ 127,925	$ (33,808)	$ 1,739,569	$ (170,104)	100.0%

Fixed Maturity Securities with Unrealized Losses by Length of Time

	December 31, 2019						
	Less than one year		One year or more		Total		
Description of Securities	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Fair Value	Unrealized Losses (1)	Percent of Total
	(Dollars in thousands)						
Fixed maturities:							
Corporate	$ 114,520	$ (2,476)	$ 84,719	$ (13,055)	$ 199,239	$ (15,531)	69.5%
Residential mortgage-backed	68,743	(1,435)	6,941	(494)	75,684	(1,929)	8.6
Commercial mortgage-backed	46,537	(1,266)	2,610	(147)	49,147	(1,413)	6.3
Other asset-backed	112,462	(519)	102,439	(2,095)	214,901	(2,614)	11.7
United States Government and agencies	—	—	2,494	(5)	2,494	(5)	—
States and political subdivisions	19,367	(379)	5,936	(487)	25,303	(866)	3.9
Total fixed maturities	$ 361,629	$ (6,075)	$ 205,139	$ (16,283)	$ 566,768	$ (22,358)	100.0%

(1) Non-credit losses reported in AOCI are included with gross unrealized losses resulting in total gross unrealized losses for fixed maturities, available-for-sale being reported in the table.

Fixed maturities in the above tables include 566 securities from 407 issuers at March 31, 2020 and 189 securities from 145 issuers at December 31, 2019. Unrealized losses increased during the three months ended March 31, 2020 primarily due to wider credit spreads. We do not consider securities declines in fair value below amortized cost to be due to a credit loss when the market decline is attributable to factors such as interest rate movements, market volatility, liquidity or spread widening when recovery of all amounts due under the contractual terms of the security is anticipated. Based on our intent not to sell or our belief that we will not be required to sell these securities before recovery of their amortized cost basis, we do not consider these investments to have a credit loss, and they do not require a loss allowance established at March 31, 2020. The following summarizes the more significant unrealized losses of fixed maturity securities by investment category as of March 31, 2020.

Corporate securities: The largest unrealized losses were in the energy sector ($208.0 million fair value and $55.4 million unrealized loss) and in the consumer non-cyclical sector ($100.5 million fair value and $11.4 million unrealized loss). The majority of losses were attributable to credit spread widening across the energy sector associated with sharp declines in crude oil prices. The price of crude oil has decreased from $61.06 per barrel at December 31, 2019 to $20.48 per barrel at March 31, 2020. Energy-related companies have been negatively impacted by the rapid decline in oil prices due to a decrease in demand and an increase in supply, which has pressured revenues and margins. Spreads widened during the quarter somewhat recovering towards the end of the quarter as the U.S. Federal Reserve Bank has taken a number of actions to stabilize the markets. This includes the establishment of two additional facilities to provide credit to large employers - the Primary Market Corporate Credit Facility (PMCCF) for new bond and loan issuance and the Secondary Market Corporate Credit Facility (SMCCF) to provide liquidity for outstanding investment-grade corporate bonds (with a target of maturities 5 years and less).

Residential mortgage-backed securities: The unrealized losses on residential mortgage-backed securities were primarily due to price declines on legacy and newer issue bonds. The legacy bonds are still at an unrealized gain overall, but many individual securities are now at an unrealized loss that were previously at a gain. We purchased many of these investments at a discount to their face amount and the contractual cash flows of these investments are based on mortgages and other assets backing the securities. The newer issue residential mortgage-backed securities are comprised of bonds issued during and after 2013 with strong underwriting and collateral characteristics. The majority of losses were attributable to credit spread widening across the asset class, partially offset by lower U.S. Treasury rates. The wider spreads at quarter end were caused by market uncertainty and reduced trading from economic contractions due to the COVID-19 virus.

Commercial mortgage-backed securities: The unrealized losses on commercial mortgage-backed securities were primarily due to spread widening, partially offset by lower U.S. Treasury rate during the quarter. The wider spreads were caused by market uncertainty from economic contractions due to the COVID-19 virus. The contractual cash flows of these investments are based on mortgages backing the securities.

Other asset-backed securities: The unrealized losses on asset-backed securities (ABS) were primarily due to concerns regarding COVID-19 and the resulting impact on consumer and commercial loans. Spreads widened during the quarter somewhat recovering towards the end of the quarter as the U.S. Federal Reserve Bank has taken a number of actions to stabilize the markets. This includes establishment of a Term Asset-Backed Securities Loan Facility (TALF) to facilitate the issuance of ABS collateralized by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA) and certain other assets. The majority of our ABS have a sequential-pay structure that increases credit support as the pool amortizes. The average life of our portfolio is 3.6 years, down from 5.4 years at purchase. Average credit support for the portfolio has increased from 11 percent at time of purchase to 18 percent as of March 31, 2020. The portfolio is rated nearly 70 percent NAIC-1. The unrealized losses on collateralized loan obligations (CLO) are due to concerns regarding COVID-19 and the resulting impact on leveraged loans.

The CLO market will also benefit from the programs that the U.S. Federal Reserve Bank is providing to the market. Our CLO portfolio is higher quality, with all of the securities rated NAIC-1. Internal stress testing has indicated that the weighted average constant default rate (CDR) of our portfolio without suffering loss is 17%. The CDR is the constant default rate (annually) that a CLO must suffer before our tranche takes its first dollar loss.

State, municipal and other governments: The unrealized losses on state, municipal and other government securities were primarily due to general spread widening relative to spreads at which we acquired the bonds.

An allowance for credit losses for the three months ended March 31, 2020 includes an energy sector bond and two financial sector bonds experiencing ongoing weakness in operating performance. These securities were also impacted by the recent market stresses discussed above. The allowance was established as the difference between the fair value of the securities and their amortized cost and was considered to be entirely credit related.

Available-For-Sale Fixed Maturities Allowance for Credit Losses

	Three months ended March 31, 2020	
	(Dollars in thousands)	
Corporate securities:		
Beginning balance of the allowance for credit losses	$	—
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded		12,146
Ending balance of the allowance for credit losses	$	12,146

Mortgage Loans

Our mortgage loan portfolio consists of commercial mortgage loans that we have originated. Our lending policies require that the loans be collateralized by the value of the related property, establish limits on the amount that can be loaned to one borrower and require diversification by geographic location and collateral type. We originate loans with an initial loan-to-value ratio that provides sufficient collateral to absorb losses should we be required to foreclose and take possession of the collateral.

The amount of accrued interest excluded from the cost basis of the mortgage loans and included in accrued investment income on the balance sheet totaled $3.7 million at March 31, 2020. Any loan delinquent on contractual payments is considered non-performing. Mortgage loans are placed on non-accrual status if the loan is over 90 days past due. If the loan is placed on non-accrual status the prior accrued interest income is reversed off through net investment income. Interest income received on non-performing loans is generally recognized on a cash basis. Once mortgage loans are classified as non-accrual loans, the resumption of the interest accrual would commence only after all past due interest has been collected or the mortgage loan has been restructured such that the collection of interest is considered likely. At March 31, 2020 and December 31, 2019, there were no non-performing loans over 30 days past due on contractual payments. At March 31, 2020, we had committed to provide additional funding for mortgage loans totaling $6.0 million. These commitments arose in the normal course of business at terms that are comparable to similar investments.

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Mortgage Loans by Collateral Type

Collateral Type	March 31, 2020		December 31, 2019	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
	(Dollars in thousands)			
Office	$ 407,723	41.1%	$ 417,746	41.3%
Retail	333,975	33.7	345,870	34.2
Industrial	232,748	23.4	235,274	23.2
Apartment	9,005	0.9	—	—
Other	8,682	0.9	12,788	1.3
Total	$ 992,133	100.0%	$ 1,011,678	100.0%

Mortgage Loans by Geographic Location within the United States

Region of the United States	March 31, 2020		December 31, 2019	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
	(Dollars in thousands)			
South Atlantic	$ 275,752	27.8%	$ 288,299	28.5%
Pacific	168,456	17.0	164,996	16.3
East North Central	126,112	12.7	117,053	11.6
West North Central	101,559	10.2	108,942	10.8
Mountain	95,827	9.7	96,857	9.6
East South Central	80,523	8.1	81,275	8.0
West South Central	67,059	6.8	76,650	7.6
Middle Atlantic	45,337	4.6	45,687	4.5
New England	31,508	3.1	31,919	3.1
Total	$ 992,133	100.0%	$ 1,011,678	100.0%

Mortgage Loans by Loan-to-Value Ratio

Loan-to-Value Ratio	March 31, 2020		December 31, 2019	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
	(Dollars in thousands)			
0% - 50%	$ 430,798	43.4%	$ 412,973	40.8%
51% - 60%	322,097	32.5	310,869	30.7
61% - 70%	209,801	21.1	256,280	25.4
71% - 80%	29,437	3.0	31,556	3.1
Total	$ 992,133	100.0%	$ 1,011,678	100.0%

The loan-to-value ratio is determined using the most recent appraised value. Appraisals are updated periodically when there is indication of a possible significant collateral decline or there are loan modifications or refinance requests.

Mortgage loans are rated internally to provide a current qualitative rating of each loan. We review the capital structure, collateral strength, physical occupancy, financial stability of the operating income stream, debt service coverage ratio, outstanding loan balance to estimated value of the collateral, property improvements and the financial strength of the borrower when determining the internal loan rating. Loans of high quality, low risk and with little concern of default or extension risk are rated an A; loans of moderate quality and moderate risk are rated a B; loans of low quality and high risk are rated a C, and loans for which there is concern of credit default are rated a W.
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