UNITED INSURANCE HOLDINGS CORP.
Form 10-Q
May 09, 2018

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
Commission File Number 001-35761

United Insurance Holdings Corp.
(Exact name of Registrant as specified in its charter)

Delaware	75-3241967
(State of Incorporation)	(IRS Employer Identification Number)

800 2nd Avenue S
St. Petersburg, Florida 33701
(Address, including zip code, of principal executive offices)
727-895-7737
(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 R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R 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.

Large accelerated filer £	Accelerated filer þ
Non-accelerated filer £	Smaller reporting company £
	Emerging growth company £

If an emerging growth company, indicate by check mark if the registrant has elected 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 R
As of May 4, 2018, 42,745,937 shares of common stock, par value $0.0001 per share, were outstanding.

Throughout this Quarterly Report on Form 10-Q (Form 10-Q), we present amounts in all tables in thousands, except for share amounts, per share amounts, policy counts or where more specific language or context indicates a different presentation. In the narrative sections of this Form 10-Q, we show full values rounded to the nearest thousand.

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-Q contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements about anticipated growth in revenues, gross written premium growth expectations, earnings per share, estimated unpaid losses on insurance policies, investment returns, diversification and expectations about our liquidity, and our ability to meet our investment objectives and to manage and mitigate market risk with respect to our investments. Without limiting the generality of the foregoing, words such as “may,” “will,” “expect,” “endeavor,” “project,” “believe,” "plan," “anticipate,” “inte “could,” “would,” “estimate,” or “continue” or the negative variations there of or comparable terminology are intended to identify forward-looking statements. These statements are based on current expectations, estimates and projections about the industry and market in which we operate, and management's beliefs and assumptions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The risks and uncertainties include, without limitation:

- our exposure to catastrophic events and severe weather conditions;
- the regulatory, economic and weather conditions present in Florida, the state in which we are most concentrated;
- the effectiveness of our diversification strategy;
- our ability to cultivate and maintain agent relationships, particularly our relationship with AmRisc, LLC;
- the possibility that actual claims incurred may exceed our loss reserves for claims;
- assessments charged by various governmental agencies;
- our ability to implement and maintain adequate internal controls over financial reporting;
- our ability to maintain adequate technology, data security, and outsourcing relationships;
- our reliance on key vendor relationships, and the ability of our vendors to protect the personal information of our customers;
- our ability to attract and retain the services of senior management;
- risks and uncertainties relating to our acquisitions, including our ability to successfully integrate the acquired companies:
- our ability to increase or maintain our market share;
- changes in the regulatory environment present in the states in which we operate;
- the impact of new federal or state regulations that affect the property and casualty insurance market;
- the cost, variability and availability of reinsurance;
- our ability to collect from our reinsurers on our reinsurance claims;
- dependence on investment income and the composition of our investment portfolio and related market risks;
- the possibility of the pricing and terms for our products to decline due to the historically cyclical nature of the property and casualty insurance and reinsurance industry;
- the outcome of litigation pending against us, including the terms of any settlements;
- downgrades in our financial strength ratings;
- the impact of future sales of substantial amounts of our common stock by us to our existing stockholders on our stock price;
- our ability to pay dividends in the future;
- the ability of R. Daniel Peed and his affiliates to exert significant control over us due to substantial ownership of our common stock, subject to certain restrictive covenants that may restrict our ability to pursue certain opportunities;
- the ability of others to obtain control of us due to provisions in our charter documents; and
- other risks and uncertainties described in the section entitled "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2017.

We caution you not to place reliance on these forward-looking statements, which are valid only as of the date they were made. Except as may be required by applicable law, we undertake no obligation to update or revise any forward-looking statements to reflect new information, the occurrence of unanticipated events or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
Investments, at fair value:		
Fixed maturities, available-for-sale (amortized cost of $799,077 and $763,434, respectively)	$787,145	$762,855
Equity securities (adjusted cost of $67,300 and $50,996, respectively)	77,155	63,295
Other investments (amortized cost of $7,763 and $8,057, respectively)	8,144	8,381
Portfolio loans	20,000	20,000
Total investments	$892,444	$854,531
Cash and cash equivalents	216,703	276,275
Accrued investment income	5,488	5,577
Property and equipment, net	17,557	17,291
Premiums receivable, net	79,296	75,275
Reinsurance recoverable on paid and unpaid losses	496,619	395,774
Prepaid reinsurance premiums	127,888	201,904
Goodwill	73,045	73,045
Deferred policy acquisition costs	108,093	103,882
Intangible assets	35,446	45,271
Other assets	13,814	11,096
Total Assets	$2,066,393	$2,059,921
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	$544,249	$482,232
Unearned premiums	556,540	555,873
Reinsurance payable	86,079	149,117
Payments outstanding	55,119	41,786
Accounts payable and accrued expenses	51,404	46,594
Other liabilities	76,913	85,830
Notes payable	161,009	161,364
Total Liabilities	$1,531,313	$1,522,796
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.0001 par value; 50,000,000 shares authorized; 42,958,020 and 42,965,137 issued, respectively; 42,745,937 and 42,753,054 outstanding, respectively	4	4
Additional paid-in capital	387,631	387,145
Treasury shares, at cost: 212,083 shares	(431)	(431)
Accumulated other comprehensive income (loss)	(8,451)	9,221
Retained earnings	156,327	141,186
Total Stockholders' Equity	$535,080	$537,125
Total Liabilities and Stockholders' Equity	$2,066,393	$2,059,921

See accompanying Notes to Unaudited Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
REVENUE:		
Gross premiums written	$279,617	$168,842
Change in gross unearned premiums	(667)	13,223
Gross premiums earned	278,950	182,065
Ceded premiums earned	(116,275)	(74,882)
Net premiums earned	162,675	107,183
Investment income	5,686	2,951
Net realized investment gains (losses)	211	(351)
Net unrealized losses on equity securities	(2,444)	—
Other revenue	13,999	12,850
Total revenue	180,127	122,633
EXPENSES:		
Losses and loss adjustment expenses	77,246	63,333
Policy acquisition costs	57,135	35,436
Operating expenses	8,318	5,872
General and administrative expenses	23,325	11,333
Interest expense	2,458	759
Total expenses	168,482	116,733
Income before other income	11,645	5,900
Other income	71	38
Income before income taxes	11,716	5,938
Provision for income taxes	3,347	2,039
Net income	$8,369	$3,899
OTHER COMPREHENSIVE INCOME:		
Change in net unrealized gains (losses) on investments	(23,384)	3,731
Reclassification adjustment for net realized investment losses (gains)	(211)	351
Income tax benefit (expense) related to items of other comprehensive income	5,923	(1,542)
Total comprehensive income (loss)	$(9,303)	$6,439
Weighted average shares outstanding		
Basic	42,581,939	21,471,185
Diluted	42,748,627	21,688,733
Earnings per share		
Basic	$0.20	$0.18
Diluted	$0.20	$0.18
Dividends declared per share	$0.06	$0.06

See accompanying Notes to Unaudited Consolidated Financial Statements.

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Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 2018		2017	
OPERATING ACTIVITIES				
Net income	$ 8,369		$ 3,899	
Adjustments to reconcile net income to net cash used by operating activities:				
Depreciation and amortization	10,658		1,997	
Bond amortization and accretion	1,396		1,042	
Net realized losses (gains) on investments	(211	)	351	
Net unrealized losses (gains) on equity securities	2,444		—	
Provision for uncollectable premiums	(199	)	80	
Deferred income taxes, net	(4,031	)	(2,703	)
Stock based compensation	487		642	
Changes in operating assets and liabilities:				
Accrued investment income	89		90	
Premiums receivable	(3,822	)	1,129	
Reinsurance recoverable on paid and unpaid losses	(100,845	)	(11,760	)
Prepaid reinsurance premiums	74,016		39,819	
Deferred policy acquisition costs, net	(4,211	)	1,667	
Other assets	(2,718	)	3,166	
Unpaid losses and loss adjustment expenses	62,017		247	
Unearned premiums	667		(13,223	)
Reinsurance payable	(63,038	)	(42,931	)
	280		(8	)

Payments outstanding		
Accounts payable and accrued expenses	4,810	(1,956)
Other liabilities	(1,926)	13,521
Net cash used in operating activities	$ (15,768)	$ (4,931)
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	43,144	40,710
Purchases of investments	(95,982)	(50,480)
Cost of property, equipment and capitalized software acquired	(1,010)	(208)
Net cash used in investing activities	$ (53,848)	$ (9,978)
FINANCING ACTIVITIES		
Repayments of borrowings	(444)	(381)
Dividends	(2,565)	(1,301)
Outstanding checks in excess of funds on deposit	13,053	(9,878)
Net cash provided by (used in) financing activities	$ 10,044	$ (11,560)
Decrease in cash	(59,572)	(26,469)
Cash and cash equivalents at beginning of period	276,275	150,688
Cash and cash equivalents at end of period	$ 216,703	$ 124,219
Supplemental Cash Flows Information		
Interest paid	$ 99	$ 743
Income taxes paid	$ 1,551	$ 814

See accompanying Notes to Unaudited Consolidated Financial Statements.

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1) ORGANIZATION, CONSOLIDATION AND PRESENTATION

(a)Business

United Insurance Holdings Corp. (referred to in this document as we, our, us, the Company or UPC Insurance) is a property and casualty insurance holding company that sources, writes and services residential and commercial property and casualty insurance policies using a network of agents and four wholly-owned insurance subsidiaries. Our largest insurance subsidiary is United Property & Casualty Insurance Company (UPC), which was formed in Florida in 1999 and has operated continuously since that time. Our three other insurance subsidiaries are Family Security Insurance Company, Inc. (FSIC), acquired via merger on February 3, 2015, Interboro Insurance Company (IIC), acquired via merger on April 29, 2016, and American Coastal Insurance Company (ACIC), acquired via merger on April 3, 2017. See Note 4 in our Notes to Unaudited Consolidated Financial Statements for additional information regarding acquisitions.

Our other subsidiaries include United Insurance Management L.C. (UIM), a managing general agent that manages substantially all aspects of UPC, FSIC and IIC's business; Skyway Claims Services, LLC that provides services to UPC, FSIC and IIC; AmCo Holding Company (AmCo) and Family Security Holdings (FSH) (holding company subsidiaries) that consolidate their respective insurance companies; BlueLine Cayman Holdings that reinsures portfolios of excess and surplus policies; UPC Re that is not currently, but can provide a portion of the reinsurance protection purchased by our insurance subsidiaries when needed; and Skyway Reinsurance Services that provides reinsurance brokerage services for our insurance companies.

Our primary product is homeowners' insurance, which we currently offer in 12 states, under authorization from the insurance regulatory authorities in each state. In addition, we write commercial residential insurance in the state of Florida. We are also licensed to write property and casualty insurance in six states; however, we have not commenced writing in these states.

We conduct our operations under one business segment.

(b)Consolidation and Presentation

We prepare our unaudited consolidated interim financial statements in conformity with U.S. generally accepted accounting principles (GAAP). We have condensed or omitted certain information and footnote disclosures normally included in annual consolidated financial statements presented in accordance with GAAP. In management's opinion, the accompanying unaudited consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of interim periods. All significant intercompany balances and transactions have been eliminated. Our unaudited consolidated interim financial statements and footnotes should be read in conjunction with our consolidated financial statements and footnotes in our Annual Report on Form 10-K for the year ended December 31, 2017.

While preparing our unaudited consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited consolidated financial statements, as well as reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Reported amounts that require us to make extensive use of estimates include our reserves for unpaid losses and loss adjustment expenses, investments, and goodwill. Except for the captions on our Unaudited Consolidated Balance Sheets and Unaudited Consolidated Statements of Comprehensive Income, we generally use the term loss(es) to collectively refer to both loss and loss adjustment expenses.

We reclassified certain amounts in the 2017 financial statements to conform to the 2018 presentation. These reclassifications had no impact on our results of operations of stockholders' equity, as previously reported.

Our results of operations and our cash flows as of the end of the interim periods reported herein do not necessarily indicate our results for the remainder of the year or for any other future period.

2) SIGNIFICANT ACCOUNTING POLICIES

(a) Changes to significant accounting policies

We have made no changes to our significant accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2017, except as noted below.

(b) Income Taxes

As of March 31, 2018, we have not fully completed our accounting for the tax effects of the enactment of the legislation commonly known as the Tax Cuts and Jobs Act of 2017 with regard to the deductibility of compensation expense for certain covered executives due to uncertainty surrounding the appropriate tax treatment of outstanding performance-based awards, and uncertainty surrounding the discount factors to be applied for loss reserve discounting. We are waiting for the Internal Revenue Service to publish additional guidance or information for both items.

(c) Fair value assumptions

The carrying amounts for the following financial instrument categories approximate their fair values at March 31, 2018 and December 31, 2017, because of their short-term nature: cash and cash equivalents, accrued investment income, premiums receivable, reinsurance recoverable, reinsurance payable, other assets, and other liabilities. The carrying amount of the notes payable to the Florida State Board of Administration, the Branch Banking & Trust Corporation (BB&T) and our senior notes approximate fair value as the interest rates and terms are variable.

(d) Recently Adopted Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). This update substantially revises standards for the recognition, measurement and presentation of financial instruments. This standard revised our accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amended certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for certain requirements. We adopted this standard as of January 1, 2018, which resulted in a reclassification of a $9,338,000 gain, net of tax, on equity securities from accumulated other comprehensive income to retained earnings on our consolidated financial statements. Refer to Note 14 for a reconciliation. Additionally, as a result of the adoption of ASU 2016-01, we also recognized a $2,444,000 loss based on the change in fair value of equity securities in the Unaudited Consolidated Statements of Income for the three months ended March 31, 2018.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09). Insurance contracts are excluded from the scope of this standard. This standard provides guidance on revenue recognition for entities that enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets. The transaction price is attributed to underlying performance obligations in the contract and revenue is recognized as the entity satisfies the performance obligation and transfers control of the good or service to the customer. We adopted this standard on January 1, 2018. We note that the standard is not applicable to our insurance contracts or other revenue streams, and therefore the adoption of this new accounting standard did not have a material impact on our consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718)-Scope of Modification Accounting (ASU 2017-09). This standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for certain requirements. We did not early adopt and the new guidance did not impact the way in which we account for share-based payment transactions. Therefore, the adoption as of January 1, 2018 had no impact on our results of operations.

(d) Pending Accounting Pronouncements

We have evaluated recent accounting pronouncements that have had or may have a significant effect on our financial statements or on our disclosures.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04). This update simplifies the manner in which an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU 2017-07 is effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods, with early adoption permitted for certain requirements. We do not intend to early adopt and are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). This update is intended to replace existing lease guidance by requiring a lessee to recognize substantially all leases (whether operating or finance leases) on the balance sheet as a right-of-use asset and an associated lease liability. Short-term leases of 12 months or less are excluded from this amendment. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. We do not intend to early adopt and are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

3) INVESTMENTS

The following table details fixed maturity available-for-sale and equity securities, by major investment category, at March 31, 2018 and December 31, 2017:

	Cost or Adjusted/Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2018				
U.S. government and agency securities	$ 247,505	$ 71	$ 5,317	$242,259
Foreign government	2,020	—	8	2,012
States, municipalities and political subdivisions	187,419	657	2,208	185,868
Public utilities	24,587	26	444	24,169
Corporate securities	291,843	422	5,018	287,247
Asset backed securities	44,943	17	57	44,903
Redeemable preferred stocks	760	12	85	687
Total fixed maturities	$ 799,077	$ 1,205	$ 13,137	$787,145
Mutual funds	$ 44,272	$ 2,418	$ 454	$46,236
Public utilities	1,343	294	34	1,603
Other common stocks	19,967	7,841	231	27,577
Non-redeemable preferred stocks	1,718	38	17	1,739
Total equity securities	$ 67,300	$ 10,591	$ 736	$77,155
December 31, 2017				
U.S. government and agency securities	$ 237,809	$ 275	$ 2,193	$235,891
Foreign government	2,022	14	—	2,036
States, municipalities and political subdivisions	200,706	1,929	1,123	201,512
Public utilities	20,215	127	85	20,257
Corporate securities	287,025	1,746	1,209	287,562
Asset-backed securities	14,902	23	20	14,905
Redeemable preferred stocks	755	11	74	692
Total fixed maturities	$ 763,434	$ 4,125	$ 4,704	$762,855
Mutual fund	$ 29,079	$ 2,845	$ —	$31,924
Public utilities	1,343	359	—	1,702
Other common stocks	18,856	9,093	47	27,902
Non-redeemable preferred stocks	1,718	53	4	1,767
Total equity securities	$ 50,996	$ 12,350	$ 51	$63,295

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Notes to Unaudited Consolidated Financial Statements
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When we sell investments, we calculate the gain or loss realized on the sale by comparing the sales price (fair value) to the cost or adjusted/amortized cost of the security sold. We determine the cost or adjusted/amortized cost of the security sold using the specific-identification method. The following table details our realized gains (losses) by major investment category for the three months ended March 31, 2018 and 2017:

	2018		2017	
	Gains (Losses)	Fair Value at Sale	Gains (Losses)	Fair Value at Sale
Three Months Ended March 31,				
Fixed maturities	$42	$3,445	$99	$12,586
Equity securities	450	1,408	—	—
Total realized gains	492	4,853	99	12,586
Fixed maturities	(281)	32,228	(450)	23,548
Equity securities	—	—	—	—
Total realized losses	(281)	32,228	(450)	23,548
Net realized investment gains (losses)	$211	$37,081	$(351)	$36,134

The table below summarizes our fixed maturities at March 31, 2018 by contractual maturity periods. Actual results may differ as issuers may have the right to call or prepay obligations, with or without penalties, prior to the contractual maturities of those obligations.

	March 31, 2018			
	Cost or Amortized Cost	Percent of Total	Fair Value	Percent of Total
Due in one year or less	$61,999	7.8 %	$61,715	7.8 %
Due after one year through five years	325,696	40.8 %	321,403	40.8 %
Due after five years through ten years	185,127	23.2 %	181,628	23.1 %
Due after ten years	15,800	2.0 %	15,459	2.0 %
Asset and mortgage backed securities	210,455	26.2 %	206,940	26.3 %
Total	$799,077	100.0%	$787,145	100.0%

The following table summarizes our net investment income by major investment category:

	Three Months Ended March 31,	
	2018	2017
Fixed maturities	$4,812	$2,498
Equity securities	463	220
Cash and cash equivalents	222	70
Other investments	182	152
Other assets	7	11
Investment income	5,686	2,951
Investment expenses	(243)	(250)
Net investment income	$5,443	$2,701

Portfolio monitoring

We have a comprehensive portfolio monitoring process to identify and evaluate each fixed income and equity security whose carrying value may be other-than-temporarily impaired.

For each fixed income security in an unrealized loss position, we determine if the loss is temporary or other-than-temporary. If our management decides to sell the security or determines that it is more likely than not that we will be required to sell the security before recovery of the cost or amortized cost basis for reasons such as liquidity needs, contractual or regulatory requirements, then the security's decline in fair value is considered other-than-temporary and is recorded in earnings.

If we have not made the decision to sell the fixed income security and it is more likely than not that we will be required to sell the fixed income security before recovery of its amortized cost basis, we evaluate whether we expect the security to receive cash flows sufficient to recover the entire cost or amortized cost basis of the security. We calculate the estimated recovery value by discounting the best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compare this to the cost or amortized cost of the security. If we do not expect to receive cash flows sufficient to recover the entire cost or amortized cost basis of the fixed income security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors recognized in other comprehensive income.

Our portfolio monitoring process includes a quarterly review of all fixed-income securities to identify instances where the fair value of a security compared to its cost or amortized cost (for fixed income securities) is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which we may have a concern, are evaluated for potential other-than-temporary impairment using information relevant to the collectability or recovery of the security that is reasonably available. Inherent in our evaluation of other-than-temporary impairment for these fixed income and equity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value is other-than-temporary are: (1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; (2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and (3) the length of time and extent to which the fair value has been less than amortized cost or cost.

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March 31, 2018

The following table presents an aging of our unrealized investment losses by investment class:

	Less Than Twelve Months			Twelve Months or More		
	Number of Securities	Gross Unrealized Losses[1]	Fair Value	Number of Securities	Gross Unrealized Losses[1]	Fair Value
March 31, 2018						
U.S. government and agency securities	177	$ 3,252	$163,624	120	$ 2,065	$69,114
Foreign governments	2	8	2,012	—	—	—
States, municipalities and political subdivisions	159	1,773	133,508	24	435	16,616
Public utilities	39	381	21,114	5	63	994
Corporate securities	500	4,406	240,811	52	612	17,182
Asset backed securities	31	57	31,532	—	—	—
Redeemable preferred stocks	1	4	121	3	81	302
Total fixed maturities	909	9,881	592,722	204	3,256	104,208
Mutual Fund	2	454	14,743	—	—	—
Public utilities	2	34	416	—	—	—
Other common stocks	23	202	3,236	1	29	97
Non-redeemable preferred stocks	13	17	604	—	—	—
Total equity securities	40	707	18,999	1	29	97
Total	949	$ 10,588	$611,721	205	$ 3,285	$104,305
December 31, 2017						
U.S. government and agency securities	129	$ 641	$103,328	123	$ 1,552	$74,190
States, municipalities and political subdivisions	106	734	91,245	31	389	19,718
Public utilities	16	44	7,052	5	41	1,016
Corporate securities	263					