

PROGRESSIVE CORP/OH/
Form 10-Q
May 05, 2016

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, 2016

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: 1-9518

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

Ohio 34-0963169
(State or other jurisdiction of (I.R.S.
incorporation or organization) Employer
Identification
No.)

6300 Wilson Mills Road, Mayfield Village, Ohio 44143
(Address of principal executive offices) (Zip Code)
(440) 461-5000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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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.

Common Shares, \$1.00 par value: 582,996,534 outstanding at March 31, 2016

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(unaudited)

Three Months Ended March 31, 2016	2016	2015	% Change
(millions—except per share amounts)			
Revenues			
Net premiums earned	\$5,317.4	\$4,666.3	14
Investment income	118.8	105.1	13
Net realized gains (losses) on securities:			
Net impairment losses recognized in earnings	0	(7.9)	(100)
Net realized gains (losses) on securities	17.4	40.9	(57)
Total net realized gains (losses) on securities	17.4	33.0	(47)
Fees and other revenues	78.9	73.7	7
Service revenues	25.0	17.2	45
Total revenues	5,557.5	4,895.3	14
Expenses			
Losses and loss adjustment expenses	3,913.4	3,368.6	16
Policy acquisition costs	440.3	379.4	16
Other underwriting expenses	755.8	650.4	16
Investment expenses	4.8	5.3	(9)
Service expenses	21.6	15.9	36
Interest expense	34.2	32.5	5
Total expenses	5,170.1	4,452.1	16
Net Income			
Income before income taxes	387.4	443.2	(13)
Provision for income taxes	128.7	147.6	(13)
Net income	258.7	295.6	(12)
Net income attributable to noncontrolling interest (NCI), net of tax	0.5	0	NM
Net income attributable to Progressive	\$258.2	\$295.6	(13)
Other Comprehensive Income (Loss), Net of Tax			
Changes in:			
Total net unrealized gains (losses) on securities	\$69.5	\$35.4	96
Net unrealized gains (losses) on forecasted transactions	(0.3)	(8.7)	(97)
Foreign currency translation adjustment	0.5	(0.5)	(200)
Other comprehensive income	69.7	26.2	166
Other comprehensive (income) loss attributable to NCI	(2.1)	0	NM
Comprehensive income attributable to Progressive	\$325.8	\$321.8	1
Computation of Per Share Earnings			
Average shares outstanding - Basic	583.2	587.6	(1)
Net effect of dilutive stock-based compensation	2.3	3.4	(32)
Total equivalent shares - Diluted	585.5	591.0	(1)
Basic: Net income per share	\$0.44	\$0.50	(12)
Diluted: Net income per share	\$0.44	\$0.50	(12)
Dividends declared per share ¹	\$0	\$0	

NM = Not Meaningful

¹Progressive maintains an annual dividend program. See Note 8 - Dividends for further discussion.

See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
Consolidated Balance Sheets
(unaudited)

(millions)	March 31, 2016	2015	December 31, 2015
Assets			
Investments - Available-for-sale, at fair value:			
Fixed maturities (amortized cost: \$13,892.3, \$13,997.5, and \$15,347.9)	\$ 13,966.4	\$ 14,219.8	\$ 15,332.2
Equity securities:			
Nonredeemable preferred stocks (cost: \$731.9, \$598.3, and \$674.2)	832.2	828.1	782.6
Common equities (cost: \$1,524.0, \$1,295.0, and \$1,494.3)	2,705.0	2,515.7	2,650.5
Short-term investments (amortized cost: \$3,826.9, \$2,267.0, and \$2,172.0)	3,826.9	2,267.0	2,172.0
Total investments	21,330.5	19,830.6	20,937.3
Cash	209.9	101.5	224.4
Accrued investment income	93.6	84.7	102.2
Premiums receivable, net of allowance for doubtful accounts of \$157.6, \$138.7, and \$164.8	4,378.9	3,777.0	3,987.7
Reinsurance recoverables, including \$59.5, \$50.8, and \$46.1 on paid losses and loss adjustment expenses	1,568.2	1,257.2	1,488.8
Prepaid reinsurance premiums	216.7	99.3	199.3
Deferred acquisition costs	600.0	484.0	564.1
Property and equipment, net of accumulated depreciation of \$799.6, \$742.7, and \$778.3	1,061.9	957.5	1,037.2
Goodwill	447.6	1.6	447.6
Intangible assets, net of accumulated amortization of \$62.9, \$0.6, and \$47.4	479.4	11.3	494.9
Other assets	334.9	276.0	335.8
Total assets	\$ 30,721.6	\$ 26,880.7	\$ 29,819.3
Liabilities			
Unearned premiums	\$ 7,140.7	\$ 5,854.0	\$ 6,621.8
Loss and loss adjustment expense reserves	10,286.7	9,001.6	10,039.0
Net deferred income taxes	113.9	97.2	109.3
Dividends payable	0	0	519.2
Accounts payable, accrued expenses, and other liabilities	2,451.4	2,165.9	2,067.8
Debt ¹	2,701.6	2,560.1	2,707.9
Total liabilities	22,694.3	19,678.8	22,065.0
Redeemable noncontrolling interest (NCI) ²	467.4	0	464.9
Shareholders' Equity			
Common shares, \$1.00 par value (authorized 900.0; issued 797.6, including treasury shares of 214.6, 210.3, and 214.0)	583.0	587.3	583.6
Paid-in capital	1,231.3	1,196.7	1,218.8
Retained earnings	4,877.6	4,368.6	4,686.6
Accumulated other comprehensive income, net of tax:			
Net unrealized gains (losses) on securities	878.5	1,057.3	809.0
Net unrealized gains (losses) on forecasted transactions	(8.5	) (7.2	) (8.2
Foreign currency translation adjustment	(1.0	) (0.8	) (1.5
Accumulated other comprehensive (income) loss attributable to noncontrolling interest	(1.0	) 0	1.1
Total accumulated other comprehensive income	868.0	1,049.3	800.4
Total shareholders' equity	7,559.9	7,201.9	7,289.4

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Total liabilities, redeemable NCI, and shareholders' equity	\$30,721.6	\$26,880.7	\$29,819.3
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¹Consists of both short-term and long-term debt. See Note 4 - Debt for further discussion.

²See Note 11 – Redeemable Noncontrolling Interest for further discussion.

See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

Three months ended March 31, (millions — except per share amounts)	2016	2015
Common Shares, \$1.00 Par Value		
Balance, Beginning of period	\$583.6	\$587.8
Treasury shares purchased	(2.3)	(2.5)
Net restricted equity awards issued/vested/(forfeited)	1.7	2.0
Balance, End of period	\$583.0	\$587.3
Paid-In Capital		
Balance, Beginning of period	\$1,218.8	\$1,184.3
Tax benefit from vesting of equity-based compensation	6.6	6.3
Treasury shares purchased	(4.8)	(5.0)
Net restricted equity awards (issued)/(vested)/forfeited	(1.7)	(2.0)
Amortization of equity-based compensation	12.8	13.1
Reinvested dividends on restricted stock units	(0.3)	0
Adjustment to carrying amount of redeemable noncontrolling interest	(0.1)	0
Balance, End of period	\$1,231.3	\$1,196.7
Retained Earnings		
Balance, Beginning of period	\$4,686.6	\$4,133.4
Net income attributable to Progressive	258.2	295.6
Treasury shares purchased	(63.2)	(58.4)
Cash dividends declared on common shares	0.2	0
Reinvested dividends on restricted stock units	0.3	0
Other, net	(4.5)	(2.0)
Balance, End of period	\$4,877.6	\$4,368.6
Accumulated Other Comprehensive Income, Net of Tax		
Balance, Beginning of period	\$800.4	\$1,023.1
Attributable to noncontrolling interest	(2.1)	0
Other comprehensive income	69.7	26.2
Balance, End of period	\$868.0	\$1,049.3
Total Shareholders' Equity	\$7,559.9	\$7,201.9
There are 20.0 million Serial Preferred Shares authorized; no such shares are issued or outstanding.		
There are 5.0 million Voting Preference Shares authorized; no such shares have been issued.		
See notes to consolidated financial statements.		

The Progressive Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited) (millions)

Three months ended March 31,	2016		2015
Cash Flows From Operating Activities			
Net income	\$	258.7	\$ 295.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		27.5	23.8
Amortization of intangible assets		15.5	0
Amortization of fixed-income securities		20.5	17.3
Amortization of equity-based compensation		12.8	13.1
Net realized (gains) losses on securities	(17.4	)	(33.0
Net (gains) losses on disposition of property and equipment	0.1		0.1
Changes in:			
Premiums receivable	(391.1	)	(239.6
Reinsurance recoverables	(79.4	)	(25.3
Prepaid reinsurance premiums	(17.4	)	(14.0
Deferred acquisition costs	(35.9	)	(26.8
Income taxes	91.8		80.6
Unearned premiums	518.6		414.4
Loss and loss adjustment expense reserves	247.6		144.4
Accounts payable, accrued expenses, and other liabilities	200.1		106.9
Other, net	(27.5	)	13.6
Net cash provided by operating activities	824.5		771.1
Cash Flows From Investing Activities			
Purchases:			
Fixed maturities	(2,468.2	)	(3,023.8
Equity securities	(180.1	)	(77.2
Sales:			
Fixed maturities	2,105.9		1,534.6
Equity securities	97.9		88.9

Maturities, paydowns, calls, and other:				
Fixed maturities	1,829.8		855.1	
Net sales (purchases) of short-term investments	(1,653.0	)	(117.7)
Net unsettled security transactions	70.4		64.5	
Purchases of property and equipment	(54.3	)	(22.2)
Sales of property and equipment	2.0		1.4	
Net cash used in investing activities	(249.6	)	(696.4)
Cash Flows From Financing Activities				
Tax benefit from vesting of equity-based compensation	6.6		6.3	
Proceeds from debt issuance	0		382.0	
Payment of debt	(6.8	)	0	
Dividends paid to shareholders ¹	(519.0	)	(403.6)
Acquisition of treasury shares	(70.3	)	(65.9)
Net cash used in financing activities	(589.5	)	(81.2)
Effect of exchange rate changes on cash	0.1		(0.4)
Decrease in cash	(14.5	)	(6.9)
Cash, January 1	224.4		108.4	
Cash, March 31	\$ 209.9		\$ 101.5	

¹Progressive maintains an annual dividend program. See Note 8 - Dividends for further discussion.
See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

Note 1 Basis of Presentation — The accompanying consolidated financial statements include the accounts of The Progressive Corporation and ARX Holding Corp. (ARX), and their respective wholly owned insurance and non-insurance subsidiaries and affiliates, in which Progressive or ARX has a controlling financial interest. The Progressive Corporation owned 69.2% of the outstanding capital stock of ARX at March 31, 2016. All intercompany accounts and transactions are eliminated in consolidation.

The consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, were necessary for a fair statement of the results for the interim periods presented. The results of operations for the period ended March 31, 2016, are not necessarily indicative of the results expected for the full year. These consolidated financial statements and the notes thereto should be read in conjunction with Progressive's audited financial statements and accompanying notes included in Exhibit 13 to our Annual Report on Form 10-K for the year ended December 31, 2015 ("2015 Annual Report to Shareholders").

Included in other assets in the consolidated balance sheets are properties that are considered "held for sale." The fair value of these properties, less the estimated cost to sell them, was \$8.7 million at March 31, 2016 and 2015, and December 31, 2015.

Note 2 Investments — Our securities are reported at fair value, with the changes in fair value of these securities (other than hybrid securities and derivative instruments) reported as a component of accumulated other comprehensive income, net of deferred income taxes. The changes in fair value of the hybrid securities and derivative instruments are recorded as a component of net realized gains (losses) on securities.

The following tables present the composition of our investment portfolio by major security type, consistent with our classification of how we manage, monitor, and measure the portfolio. The net holding period gains (losses) represent the amounts realized on our hybrid securities only.

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses) ¹	Fair Value	% of Total Fair Value
March 31, 2016						
Fixed maturities:						
U.S. government obligations	\$1,375.8	\$12.2	\$0	\$0	\$1,388.0	6.5 %
State and local government obligations	2,452.0	57.4	(1.2)	0	2,508.2	11.8
Foreign government obligations	21.9	0	0	0	21.9	0.1
Corporate debt securities	3,795.2	50.6	(6.2)	0.4	3,840.0	18.0
Residential mortgage-backed securities	1,810.9	19.5	(28.5)	(0.4)	1,801.5	8.4
Agency residential pass-through obligations	46.5	0.2	(0.1)	0	46.6	0.2
Commercial mortgage-backed securities	2,418.7	26.4	(18.9)	0	2,426.2	11.4
Other asset-backed securities	1,706.3	1.3	(4.2)	0.3	1,703.7	8.0
Redeemable preferred stocks	265.0	14.2	(48.9)	0	230.3	1.1
Total fixed maturities	13,892.3	181.8	(108.0)	0.3	13,966.4	65.5
Equity securities:						
Nonredeemable preferred stocks	731.9	124.7	(24.4)	0	832.2	3.9
Common equities	1,524.0	1,186.7	(5.7)	0	2,705.0	12.7
Short-term investments	3,826.9	0	0	0	3,826.9	17.9
Total portfolio ^{2,3}	\$19,975.1	\$1,493.2	\$(138.1)	\$0.3	\$21,330.5	100.0 %

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(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses) ¹	Fair Value	% of Total Fair Value
March 31, 2015						
Fixed maturities:						
U.S. government obligations	\$2,678.1	\$ 30.1	\$ 0	\$ 0	\$2,708.2	13.7 %
State and local government obligations	2,224.8	50.0	(1.0)	0	2,273.8	11.5
Foreign government obligations	20.0	0	0	0	20.0	0.1
Corporate debt securities	2,851.6	54.4	(3.8)	1.8	2,904.0	14.6
Residential mortgage-backed securities	1,629.2	32.4	(13.1)	(0.3)	1,648.2	8.3
Agency residential pass-through obligations	0	0	0	0	0	0
Commercial mortgage-backed securities	2,437.4	50.1	(1.1)	0.7	2,487.1	12.5
Other asset-backed securities	1,896.1	4.9	(0.3)	0.8	1,901.5	9.6
Redeemable preferred stocks	260.3	23.3	(6.6)	0	277.0	1.4
Total fixed maturities	13,997.5	245.2	(25.9)	3.0	14,219.8	71.7
Equity securities:						
Nonredeemable preferred stocks	598.3	192.5	(5.9)	43.2	828.1	4.2
Common equities	1,295.0	1,226.7	(6.0)	0	2,515.7	12.7
Short-term investments	2,267.0	0	0	0	2,267.0	11.4
Total portfolio ^{2,3}	\$18,157.8	\$ 1,664.4	\$ (37.8)	\$ 46.2	\$19,830.6	100.0 %

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses) ¹	Fair Value	% of Total Fair Value
December 31, 2015						
Fixed maturities:						
U.S. government obligations	\$2,425.4	\$ 4.4	\$ (0.6)	\$ 0	\$2,429.2	11.6 %
State and local government obligations	2,677.6	47.5	(3.7)	0	2,721.4	13.0
Foreign government obligations	18.6	0	0	0	18.6	0.1
Corporate debt securities	3,713.2	11.3	(33.0)	0.1	3,691.6	17.6
Residential mortgage-backed securities	1,726.0	22.1	(20.6)	(0.8)	1,726.7	8.3
Agency residential pass-through obligations	90.3	0.1	(1.1)	0	89.3	0.4
Commercial mortgage-backed securities	2,665.7	16.9	(29.4)	0	2,653.2	12.7
Other asset-backed securities	1,771.1	1.4	(5.1)	0.5	1,767.9	8.4
Redeemable preferred stocks	260.0	17.6	(43.3)	0	234.3	1.1
Total fixed maturities	15,347.9	121.3	(136.8)	(0.2)	15,332.2	73.2
Equity securities:						
Nonredeemable preferred stocks	674.2	122.8	(15.7)	1.3	782.6	3.7
Common equities	1,494.3	1,170.4	(14.2)	0	2,650.5	12.7
Short-term investments	2,172.0	0	0	0	2,172.0	10.4
Total portfolio ^{2,3}	\$19,688.4	\$ 1,414.5	\$ (166.7)	\$ 1.1	\$20,937.3	100.0 %

¹Represents net holding period gains (losses) realized on certain hybrid securities (discussed below).

²Our portfolio reflects the effect of unsettled security transactions and collateral on open derivative positions; at March 31, 2016, \$47.3 million was included in "other liabilities," compared to \$95.8 million in "other liabilities" at March 31, 2015 and \$23.1 million in "other assets" at December 31, 2015.

³The total fair value of the portfolio at March 31, 2016 and 2015, and December 31, 2015 included \$0.7 billion, \$1.7 billion, and \$1.3 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions.

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Short-Term Investments Our short-term investments may include commercial paper and other investments that are expected to mature within one year. We did not enter into any repurchase commitment transactions during the first three months of 2016 or 2015, and we had no open repurchase commitments at March 31, 2016, March 31, 2015, or December 31, 2015.

Also included in short-term investments are reverse repurchase commitment transactions, where we loan cash to approved counterparties and receive U.S. Treasury Notes pledged as collateral against the cash borrowed. Our exposure to credit risk is limited due to the nature of the collateral (i.e., U.S. Treasury Notes) received. We have counterparty exposure on these trades in the event of a counterparty default to the extent the collateral security's value is below the amount of cash we delivered to acquire the collateral. The short-term duration of the transactions (primarily overnight) reduces that exposure.

We had no open reverse repurchase commitments at March 31, 2016, March 31, 2015, or December 31, 2015. For the three months ended March 31, 2016, our largest outstanding balance of reverse repurchase commitments was \$265.0 million, which was open for one day; the average daily balance of reverse repurchase commitments was \$160.7 million.

To the extent our repurchase and reverse repurchase transactions were with the same counterparty and subject to an enforceable master netting arrangement, we could elect to offset these transactions. Consistent with past practice, we have elected not to offset these transactions and therefore report these transactions on a gross basis on our balance sheets.

Hybrid Securities Included in our fixed-maturity and equity securities are hybrid securities, which are reported at fair value:

(millions)	March 31,		December 31,	
	2016	2015	2016	2015
Fixed maturities:				
Corporate debt securities	\$39.2	\$132.9	\$ 49.1	
Residential mortgage-backed securities	174.4	111.7	144.3	
Commercial mortgage-backed securities	0	18.0	17.3	
Other asset-backed securities	10.6	13.1	11.3	
Total fixed maturities	224.2	275.7	222.0	
Equity securities:				
Nonredeemable preferred stocks	49.5	137.2	50.7	
Total hybrid securities	\$273.7	\$412.9	\$ 272.7	

Certain corporate debt securities are accounted for as hybrid securities since they were acquired at a premium and contain a change-in-control put option (derivative) that permits the investor, at its sole option if and when a change in control is triggered, to put the security back to the issuer at a 1% premium to par. Due to this change-in-control put option and the substantial market premium paid to acquire these securities, there is the potential that the election to put, upon the change in control, would result in an acceleration of the recognition of the remaining premium paid on these securities in our results of operations. This would result in a loss of \$1.4 million as of March 31, 2016, if all of the bonds experienced a simultaneous change in control and we elected to exercise all of our put options. The put feature limits the potential loss in value that could be experienced in the event a corporate action occurs that results in a change in control that materially diminishes the credit quality of the issuer. We are under no obligation to exercise the put option we hold if a change in control occurs.

The residential mortgage-backed securities accounted for as hybrid securities are obligations of the issuer with payments of principal based on the performance of a reference pool of loans. This embedded derivative results in the securities incorporating the risk of default from both the issuer and the related loan pool.

The commercial mortgage-backed securities in the table above contain fixed interest rate reset features that will increase the coupons in the event the securities are not fully paid off on the anticipated repayment date. These reset features have the potential to more than double our initial purchase yield for each security. These securities were no longer held at March 31, 2016.

The other asset-backed security in the table above represents one hybrid security that was acquired at a deep discount to par due to a failing auction, and contains a put option that allows the investor to put that security back to the auction at par if the auction is restored. This embedded derivative has the potential to more than double our initial investment yield at acquisition.

The hybrid securities in our nonredeemable preferred stock portfolio are perpetual preferred stocks with fixed-rate coupons that have call features, whereby the change in value of the call features is a component of the overall change in value of the preferred stocks. In the second quarter 2015, we acquired a controlling interest in ARX and transferred our previous 5%

preferred stock investment in ARX to a component of our total ownership interest (see Note 15 – Acquisition in our 2015 Annual Report to Shareholders for further discussion).

Fixed Maturities The composition of fixed maturities by maturity at March 31, 2016, was:

(millions)	Cost	Fair Value
Less than one year	\$3,604.9	\$3,596.3
One to five years	7,016.5	7,030.3
Five to ten years	3,195.6	3,259.6
Ten years or greater	75.3	80.2
Total	\$13,892.3	\$13,966.4

Asset-backed securities are classified in the maturity distribution table based upon their projected cash flows. All other securities which do not have a single maturity date are reported based upon expected average maturity. Contractual maturities may differ from expected maturities because the issuers of the securities may have the right to call or prepay obligations.

Gross Unrealized Losses As of March 31, 2016, we had \$132.4 million of gross unrealized losses in our fixed-income securities (i.e., fixed-maturity securities, nonredeemable preferred stocks, and short-term investments) and \$5.7 million in our common equities. We currently do not intend to sell the fixed-income securities and determined that it is more likely than not that we will not be required to sell these securities for the period of time necessary to recover their cost bases. A review of our fixed-income securities indicated that the issuers were current with respect to their interest obligations and that there was no evidence of any deterioration of the current cash flow projections that would indicate we would not receive the remaining principal at maturity. For common equities, 95% of our common stock portfolio was indexed to the Russell 1000; as such, this portfolio may contain securities in a loss position for an extended period of time, subject to possible write-downs, as described below. We may retain these securities as long as the portfolio and index correlation remain similar. To the extent there is issuer-specific deterioration, we may write-down the securities of that issuer. The remaining 5% of our common stocks were part of a managed equity strategy selected and administered by an external investment advisor. If our review of loss position securities indicates there was a fundamental, or market, impairment on these securities that was determined to be other-than-temporary, we would recognize a write-down in accordance with our stated policy.

The following tables show the composition of gross unrealized losses by major security type and by the length of time that individual securities have been in a continuous unrealized loss position:

(\$ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months		12 Months or Greater			
				No. of Sec.	Fair Value	No. of Sec.	Fair Value	Unrealized Losses	
March 31, 2016									
Fixed maturities:									
U.S. government obligations	5	\$74.9	\$ 0	5	\$74.9	\$ 0	0	\$0	\$ 0
State and local government obligations	112	267.8	(1.2)	63	132.8	(0.3)	49	135.0	(0.9)
Corporate debt securities	60	672.3	(6.2)	21	169.2	(0.4)	39	503.1	(5.8)
Residential mortgage-backed securities	157	1,345.1	(28.5)	52	426.9	(3.9)	105	918.2	(24.6)
Agency residential pass-through obligations	25	9.1	(0.1)	3	0.4	0	22	8.7	(0.1)
Commercial mortgage-backed securities	130	1,185.4	(18.9)	49	395.4	(2.2)	81	790.0	(16.7)
Other asset-backed securities	86	1,175.2	(4.2)	70	999.3	(3.2)	16	175.9	(1.0)

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Redeemable preferred stocks	9	198.8	(48.9)4	88.0	(16.1) 5	110.8	(32.8)
Total fixed maturities	584	4,928.6	(108.0)267	2,286.9	(26.1) 317	2,641.7	(81.9)
Equity securities:										
Nonredeemable preferred stocks	13	344.4	(24.4	)4	79.0	(2.6	) 9	265.4	(21.8)
Common equities	73	87.4	(5.7	)67	84.3	(5.5	) 6	3.1	(0.2)
Total equity securities	86	431.8	(30.1)71	163.3	(8.1) 15	268.5	(22.0)
Total portfolio	670	\$5,360.4	\$(138.1) 338	\$2,450.2	\$(34.2) 332	\$2,910.2	\$(103.9)

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(\$ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months No. of Sec.	Fair Value	Unrealized Losses	12 Months or Greater No. of Sec.	Fair Value	Unrealized Losses
March 31, 2015									
Fixed maturities:									
U.S. government obligations	1	\$7.2	\$ 0	1	\$7.2	\$ 0	0	\$0	\$ 0
State and local government obligations	57	270.3	(1.0)	42	231.8	(0.5)	15	38.5	(0.5)
Corporate debt securities	25	390.3	(3.8)	17	242.4	(2.3)	8	147.9	(1.5)
Residential mortgage-backed securities	80	1,013.9	(13.1)	34	540.6	(3.1)	46	473.3	(10.0)
Agency residential pass-through obligations	0	0	0	0	0	0	0	0	0
Commercial mortgage-backed securities	59	564.2	(1.1)	53	560.8	(1.0)	6	3.4	(0.1)
Other asset-backed securities	30	490.9	(0.3)	29	472.4	(0.1)	1	18.5	(0.2)
Redeemable preferred stocks	3	102.1	(6.6)	1	33.0	(1.0)	2	69.1	(5.6)
Total fixed maturities	255	2,838.9	(25.9)	177	2,088.2	(8.0)	78	750.7	(17.9)
Equity securities:									
Nonredeemable preferred stocks	5	183.1	(5.9)	2	74.5	(2.2)	3	108.6	(3.7)
Common equities	40	58.3	(6.0)	40	58.3	(6.0)	0	0	0
Total equity securities	45	241.4	(11.9)	42	132.8	(8.2)	3	108.6	(3.7)
Total portfolio	300	\$3,080.3	\$ (37.8)	219	\$2,221.0	\$ (16.2)	81	\$859.3	\$ (21.6)

(\$ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months No. of Sec.	Fair Value	Unrealized Losses	12 Months or Greater No. of Sec.	Fair Value	Unrealized Losses
December 31, 2015									
Fixed maturities:									
U.S. government obligations	22	\$897.1	\$ (0.6)	22	\$897.1	\$ (0.6)	0	\$ 0	\$ 0
State and local government obligations	290	606.7	(3.7)	264	500.7	(2.6)	26	106.0	(1.1)
Corporate debt securities	215	2,580.6	(33.0)	197	2,294.6	(25.2)	18	286.0	(7.8)
Residential mortgage-backed securities	188	1,294.7	(20.6)	115	493.4	(3.7)	73	801.3	(16.9)
Agency residential pass-through obligations	61	84.9	(1.1)	61	84.9	(1.1)	0	0	0
Commercial mortgage-backed securities	207	2,046.5	(29.4)	171	1,694.6	(25.8)	36	351.9	(3.6)
Other asset-backed securities	101	1,548.6	(5.1)	92	1,472.0	(4.5)	9	76.6	(0.6)
Redeemable preferred stocks	9	199.4	(43.3)	6	119.4	(14.5)	3	80.0	(28.8)
Total fixed maturities	1,093	9,258.5	(136.8)	928	7,556.7	(78.0)	165	1,701.8	(58.8)
Equity securities:									
Nonredeemable preferred stocks	10	301.8	(15.7)	5	124.2	(1.7)	5	177.6	(14.0)
Common equities	64	164.8	(14.2)	60	161.4	(14.2)	4	3.4	0