Employers Holdings, Inc.
Form 10-Q
November 05, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from ____ to ____
Commission file number: 001-33245

EMPLOYERS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**04-3850065**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10375 Professional Circle, Reno, Nevada 89521
(Address of principal executive offices and zip code)

(888) 682-6671
(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 þ No o

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 o No o

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 definitions of large accelerated filer, accelerated filer, non-accelerated filer, and smaller reporting company in Rule 12b-2 of t Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

Class	October 30, 2009
Common Stock, $0.01 par value per share	44,004,442 shares outstanding

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Employers Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands, except share data)

	As of September 30, 2009	As of December 31, 2008
	(unaudited)	
Assets		
Available for sale:		
Fixed maturity securities at fair value (amortized cost $1,915,852 at September 30, 2009 and $1,870,227 at December 31, 2008)	$ 2,046,116	$ 1,909,391
Equity securities at fair value (cost $40,252 at September 30, 2009 and $43,014 at December 31, 2008)	65,746	58,526
Short-term investments at fair value (amortized cost $2,998 at September 30, 2009 and $74,952 at December 31, 2008)	3,000	75,024
Total investments	2,114,862	2,042,941
Cash and cash equivalents	212,621	202,893
Accrued investment income	22,874	24,201
Premiums receivable, less bad debt allowance of $9,812 at September 30, 2009 and $7,911 at December 31, 2008	129,842	150,502
Reinsurance recoverable for:		
Paid losses	12,841	12,723
Unpaid losses, less allowance of $1,335 at each period	1,045,804	1,075,015
Funds held by or deposited with reinsureds	84,064	88,163
Deferred policy acquisition costs	36,764	41,521
Federal income taxes recoverable	6,312	11,042
Deferred income taxes, net	36,366	80,968
Property and equipment, net	12,509	14,098
Intangible assets, net	16,093	18,218
Goodwill	36,192	36,192
Other assets	22,369	26,621
Total assets	$ 3,789,513	$ 3,825,098
Liabilities and stockholders equity		
Claims and policy liabilities:		
Unpaid losses and loss adjustment expenses	$ 2,443,644	$ 2,506,478
Unearned premiums	174,471	196,695
Policyholders dividends accrued	8,428	8,737
Total claims and policy liabilities	2,626,543	2,711,910
Commissions and premium taxes payable	20,377	21,847
Accounts payable and accrued expenses	17,919	24,192
Deferred reinsurance gain - LPT Agreement	393,204	406,581
Notes payable	182,000	182,000
Other liabilities	24,864	33,840
Total liabilities	$ 3,264,907	$ 3,380,370

See accompanying unaudited notes to consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands, except share data)

	As of September 30, 2009	As of December 31, 2008
	(unaudited)	
Commitments and contingencies		
Stockholders equity:		
Common stock, $0.01 par value; 150,000,000 shares authorized; 53,563,299 and 53,528,207 shares issued and 44,248,831 and 48,830,140 shares outstanding at September 30, 2009, and December 31, 2008, respectively	536	535
Preferred stock, $0.01 par value; 25,000,000 shares authorized; none issued		
Additional paid-in capital	310,011	306,032
Retained earnings	257,852	194,509
Accumulated other comprehensive income, net	99,774	32,804
Treasury stock, at cost (9,314,468 shares at September 30, 2009 and 4,698,067 shares at December 31, 2008)	(143,567)	(89,152)
Total stockholders equity	524,606	444,728
Total liabilities and stockholders equity	$ 3,789,513	$ 3,825,098

See accompanying unaudited notes to consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries

Consolidated Statements of Income
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
		(unaudited)		
Revenues				
Net premiums earned	$ 98,240	$ 73,131	$ 314,221	$ 222,842
Net investment income	22,334	18,474	68,704	55,915
Realized gains (losses) on investments, net	3,564	(1,504)	1,060	(3,211)
Other income	183	295	388	1,155
Total revenues	124,321	90,396	384,373	276,701
Expenses				
Losses and loss adjustment expenses	53,395	25,588	166,657	80,344
Commission (benefit) expense	(1,276)	10,121	25,611	30,465
Dividends to policyholders	1,539	(8)	5,418	78
Underwriting and other operating expenses	33,688	21,915	102,624	66,536
Interest expense	1,824		5,608	
Total expenses	89,170	57,616	305,918	177,423
Net income before income taxes	35,151	32,780	78,455	99,278
Income tax expense (benefit)	4,594	(289)	6,698	13,349
Net income	$ 30,557	$ 33,069	$ 71,757	$ 85,929
Earnings per common share (Note 15):				
Basic	$ 0.68	$ 0.67	$ 1.54	$ 1.74
Diluted	$ 0.67	$ 0.67	$ 1.53	$ 1.74
Cash dividends declared per common share	$ 0.06	$ 0.06	$ 0.18	$ 0.18
Net realized gains on investments				
Net realized gains on investments before credit related impairments on fixed maturity securities	$ 3,564		$ 2,981	
Total other-than-temporary impairments on securities			(1,921)	
Portion of impairment recognized in other comprehensive income				
Credit related impairments included in net realized losses on investments			(1,921)	
Net realized gains on investments, net	$ 3,564		$ 1,060	

See accompanying unaudited notes to the consolidated financial statements.

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Employers Holdings, Inc. and Subsidiaries

Consolidated Statements of Stockholders Equity
(in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net	Treasury Stock, at Cost	Total Stockholders Equity
				(unaudited)			
Balance, January 1, 2008	53,527,907	$ 535	$ 302,862	$ 104,536	$ 46,520	$ (75,000)	$ 379,453
Stock-based compensation (Note 14)			2,459				2,459
Stock options exercised	300		5				5
Acquisition of treasury stock (Note 13)						(14,152)	(14,152)
Dividends to common stockholders			3	(8,881)			(8,878)
Comprehensive income:							
Net income for the period				85,929			85,929
Change in net unrealized gains on investments, net of taxes					(50,208)		(50,208)
Total comprehensive income							35,721
Balance, September 30, 2008	53,528,207	$ 535	$ 305,329	$ 181,584	$ (3,688)	$ (89,152)	$ 394,608
Balance, January 1, 2009	53,528,207	$ 535	$ 306,032	$ 194,509	$ 32,804	$ (89,152)	$ 444,728
Stock-based compensation (Note 14)			4,097				4,097
Vesting of restricted stock units, net of shares withheld to satisfy minimum tax withholding (Note 14)	35,092	1	(124)				(123)
Acquisition of treasury stock (Note 13)						(54,415)	(54,415)
Dividends to common stockholders			6	(8,414)			(8,408)
Comprehensive income:							
Net income for the period				71,757			71,757
Change in net unrealized gains on investments, net of taxes					66,970		66,970
Total comprehensive income							138,727
Balance, September 30, 2009	53,563,299	$ 536	$ 310,011	$ 257,852	$ 99,774	$ (143,567)	$ 524,606

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(unaudited)	
Operating activities		
Net income	$ 71,757	$ 85,929
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,834	5,334
Stock-based compensation	4,097	2,459
Amortization of premium on investments, net	3,668	4,814
Allowance for doubtful accounts premiums receivable	1,901	(717)
Deferred income tax expense	9,092	6,284
Realized (gains) losses on investments, net	(1,060)	3,211
Realized losses on retirement of assets	64	16
Change in operating assets and liabilities:		
Accrued investment income	1,327	492
Premiums receivable	18,759	14,894
Reinsurance recoverable on paid and unpaid losses	29,093	25,914
Funds held by or deposited with reinsureds	4,099	5,817
Federal income taxes	4,730	(11,744)
Unpaid losses and loss adjustment expenses	(62,834)	(57,310)
Unearned premiums	(22,224)	(7,177)
Accounts payable, accrued expenses and other liabilities	(14,503)	(2,040)
Deferred reinsurance gain LPT Agreement	(13,377)	(13,908)
Other	3,944	(7,073)
Net cash provided by operating activities	46,367	55,195
Investing activities		
Purchase of fixed maturities	(165,906)	(208,730)
Purchase of equity securities	(11,934)	(558)
Proceeds from sale of fixed maturities	56,557	149,487
Proceeds from sale of equity securities	19,475	4,010
Proceeds from maturities and redemptions of investments	131,413	41,462
Cash paid for acquisition, net of cash and cash equivalents acquired	(100)	(1,260)
Capital expenditures and other, net	(4,020)	(4,116)
Net cash provided by (used in) investing activities	25,485	(19,705)
Financing activities		
Acquisition of treasury stock	(53,593)	(14,152)
Cash transactions related to stock compensation	(123)	5
Dividends paid to stockholders	(8,408)	(8,878)
Debt issuance costs		(375)
Proceeds from notes payable		150,000
Net cash (used in) provided by financing activities	(62,124)	126,600
Net increase in cash and cash equivalents	9,728	162,090
Cash and cash equivalents at the beginning of the period	202,893	149,703

Cash and cash equivalents at the end of the period	$ 212,621	$ 311,793

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Employers Holdings, Inc. (EHI) is a holding company and successor to EIG Mutual Holding Company (EIG), which was incorporated in Nevada in 2005. Unless otherwise indicated, all references to the Company refer to EHI, together with its subsidiaries. On October 31, 2008 (Acquisition Date), the Company acquired 100% of the outstanding common stock of AmCOMP Incorporated (AmCOMP), including two insurance subsidiaries, AmCOMP Preferred Insurance Company and AmCOMP Assurance Corporation (the Acquisition) (Note 3). On December 16, 2008, the Florida Commissioner approved the name changes of AmCOMP Preferred Insurance Company and AmCOMP Assurance Corporation to Employers Preferred Insurance Company (EPIC) and Employers Assurance Company (EAC), respectively.

Through its four wholly-owned insurance subsidiaries, Employers Insurance Company of Nevada (EICN), Employers Compensation Insurance Company (ECIC), EPIC and EAC, EHI is engaged in the commercial property and casualty insurance industry, specializing in workers compensation products and services. EICN, domiciled in Nevada, ECIC, domiciled in California, and EPIC and EAC, both domiciled in Florida, provide insurance to employers against liability for workers compensation claims in 30 states.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation of the Company s consolidated financial position and results of operations for the periods presented have been included. The results of operations for an interim period are not necessarily indicative of the results for an entire year. These financial statements have been prepared consistent with the accounting policies described in the Company s 2008 Annual Report on Form 10-K for the year ended December 31, 2008 (Annual Report), and should be read together with the Annual Report, except for the change in financial presentation described in Note 2.

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 208, *Segment Reporting,* the Company considers an operating segment to be any component of its business whose operating results are regularly reviewed by the Company s chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance based on discrete financial information. Currently, the Company has one operating segment: workers compensation insurance and related services.

Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. As a result, actual results could differ from these estimates. The most significant areas that require management judgment are the estimate of unpaid losses and loss adjustment expenses (LAE), evaluation of reinsurance recoverables, recognition of premium revenue, deferred policy acquisition costs, deferred income taxes and the valuation of investments.

New Accounting Standards

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* (SFAS No. 168). SFAS No. 168 establishes the FASB Accounting Standards Codification as the single source of authoritative accounting principles in the preparation of financial statements in conformity with GAAP. SFAS No. 168 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission (SEC) under federal securities laws as authoritative GAAP for SEC registrants. SFAS No. 168 was effective for financial statements issued for periods ending after September 15, 2009. The Company adopted SFAS No. 168 on July 1, 2009 and it had no material impact on the Company s consolidated financial condition and results of operations.

In April 2009, the FASB issued FSP FAS 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2). FSP FAS 115-2 changes the accounting for other-than-temporary impairments (OTTI) on debt securities by: (a) replacing the current requirement that a holder has the positive intent to hold an impaired debt security to recovery with a requirement that a holder does not have the intent to sell an impaired debt security and it is not more likely than not that it will be required to sell the debt security before recovery; (b) requiring the OTTI to be separated into: (i) the amount representing the decrease in cash flows expected to be collected (credit loss), which is recognized in earnings and (ii) the amount representing all other factors, which is recognized in other comprehensive income; and (c) amending existing disclosure requirements, extending those requirements to interim periods and requiring new disclosures intended to provide further disaggregated information as well as information about how the amount of OTTI that was recognized in earnings was determined. Upon adoption, FSP FAS 115-2 requires entities to report a cumulative effect adjustment as of the beginning of the period of adoption to reclassify the non-credit loss component, previously recognized in earnings, from retained earnings to other comprehensive income. FSP FAS 115-2 was effective for interim and annual periods ending after June 15, 2009 and had no impact on the consolidated financial position or results of operations. The Company has included the required disclosures in Note 5. The guidance for FSP FAS 115-2 may now be found in the new codification as a component of ASC 320-10-35, *Investments Debt and Equity* Securities.

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Indentifying Transactions That Are Not Orderly* (FSP FAS 157-4). FSP FAS 157-4 provides additional guidance on: (a) estimating fair value when the volume of activity for an asset or liability has significantly decreased in relation to normal market activity for the asset or liability; and (b) identifying circumstances that may indicate that a transaction is not orderly. FSP FAS 157-4 requires additional interim disclosures of the inputs and valuation techniques used to measure fair value. Additionally FSP FAS 157-4 modifies the current fair value disclosure categories for debt and equity securities. FSP FAS 157-4 was effective for interim and annual periods ending after June 15, 2009 and did not have a material impact on the consolidated financial statements. The guidance for FSP FAS 157-4 may now be found in the new codification as a component of ASC 820-10-65-4, *Fair Value Measurements and Disclosures.*

In April 2009, the FASB issued FSP FAS 107-1, *Interim Disclosures About Fair Value of Financial Instruments* (FSP FAS 107-1). FSP FAS 107-1 extends the annual disclosure requirements of SFAS 107, *Fair Value of Financial Instruments,* to interim financial statements of publicly traded companies. FSP FAS 107-1 is effective for interim and annual periods ending after June 15, 2009. The Company has included required disclosures in these Notes to Consolidated Financial Statements. The guidance for FSP FAS 107-1 may now be found in the new codification as a component of ASC 825-10-65-1, *Financial Instruments.*

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for periods ending after June 15, 2009. SFAS No. 165 had no impact on our consolidated financial condition or results of operations. The guidance for SFAS No. 165 may now be found in the new codification as a component of ASC 855, *Subsequent Events.*

Reclassifications

Certain prior year information has been reclassified to conform to the current period presentation.

2. Change in Financial Presentation

Insurance companies that write workers compensation policies may recognize written premiums using different methodologies. Premiums can be recorded as written at the time the policy installments are billed (Billed Method) or at the inception of the policy recognizing 100% of the annual premium (Annual Method). EPIC, EAC and EICN record premiums using the Annual Method and ECIC has historically recorded premiums using the Billed Method. During the three months ended September 30, 2009, the Company elected to conform its method of recording written premiums for ECIC to the Annual Method in order to be consistent in methodologies across the Company. Prior period amounts have been reclassified for comparative purposes in these consolidated financial statements.

Conforming the method of recording ECIC s written premiums from the Billed Method to Annual Method has no impact on the accompanying Consolidated Income Statements or Statements of Stockholders Equity. The result of conforming the method impacts only premiums receivable and related unearned premium assets and liabilities, which are recorded as of the date the policy becomes effective. The following items in the Consolidated Balance Sheets were affected by the change:

September 30, 2009	As Computed under Annual Method	As Computed under Billed Method	Effect
Premiums receivable	$ 129,842	$ 75,095	$ 54,747
Deferred policy acquisition costs	36,764	28,145	8,619
Total assets	3,789,513	3,726,147	63,366
Unearned premiums	174,471	121,460	53,011
Total claims and policy liabilities	2,626,543	2,573,532	53,011
Commissions and premium taxes payable	20,377	11,758	8,619
Other liabilities	24,864	23,128	1,736
Total liabilities	3,264,907	3,201,541	63,366
Total liabilities and stockholders equity	3,789,513	3,726,147	63,366
December 31, 2008			
Premiums receivable	$ 150,502	$ 91,273	$ 59,229
Deferred policy acquisition costs	41,521	32,365	9,156
Total assets	3,825,098	3,756,713	68,385
Unearned premiums	196,695	139,310	57,385
Total claims and policy liabilities	2,711,910	2,654,525	57,385
Commissions and premium taxes payable	21,847	12,691	9,156
Other liabilities	33,840	31,996	1,844
Total liabilities	3,380,370	3,311,985	68,385
Total liabilities and stockholders equity	3,825,098	3,756,713	68,385

Conforming the method of recording written premiums had no effect on the retained earnings as of September 30, 2009 or December 31, 2008.

The change had no impact on the net change in cash provided by operating activities, but did impact the following items in the Consolidated Statements of Cash Flows.

September 30, 2009	As Computed under Annual Method	As Computed under Billed Method	Effect
Change in operating assets and liabilities:			
Premiums receivable	$ 18,759	$ 14,277	$ 4,482
Unearned premiums	(22,224)	(17,850)	(4,374)
Accounts payable, accrued expense and other liabilities	(14,503)	(14,395)	(108)
September 30, 2008			
Change in operating assets and liabilities:			
Premiums receivable	$ 14,894	$ 12,507	$ 2,387
Unearned premiums	(7,177)	(4,863)	(2,314)
Accounts payable, accrued expense and other liabilities	(2,040)	(1,967)	(73)

3. Acquisition of AmCOMP

On October 31, 2008, EHI acquired 100% of the outstanding common stock of AmCOMP for $188.4 million. The Company believes the Acquisition significantly advances its strategic goals and vision of being the leader in the property and casualty insurance industry specializing in workers compensation.

Pro forma financial information

Net income for the three and nine months ended September 30, 2009, presented in the accompanying consolidated statements of income, includes the results of AmCOMP. The financial information in the table below summarizes the combined historical results of operations of EHI and AmCOMP, on a pro forma basis, as though the companies had been combined as of January 1, 2008. The pro forma financial information is presented for information purposes only and is not indicative of the results that would have been achieved if the Acquisition had taken place at the beginning of the period presented, nor is the pro forma information intended to be indicative of the Company s future results of operations.

The historical financial information has been adjusted to give effect to pro forma items that are directly attributable to the Acquisition and are expected to have a continuing impact on the consolidated results. These items include adjustments for amortization of intangible assets acquired, increases in interest expense and decreases in underwriting and other expenses for integration and restructuring savings. The following table summarizes the pro forma financial information for the stated periods:

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
	(in thousands, except per share data)	
Net premiums earned	$ 122,321	$ 374,319
Net income	28,212	86,433
Earnings per common share basic	0.58	1.75
Earnings per common share diluted	0.57	1.75

4. Strategic Restructuring Plan

On January 23, 2009, the Company announced a strategic restructuring plan to achieve the corporate and operational objectives set forth as part of its acquisition and integration of AmCOMP, and in response to then current economic conditions.

The restructuring plan included a staff reduction of 14% of the Company s total workforce, and consolidation of corporate activities into the Company s Reno, Nevada headquarters. During the three months ended September 30, 2009, the Company incurred net integration, restructuring and severance charges of $0.6 million. During the nine months ended September 30, 2009, the Company incurred integration and restructuring charges of $4.9 million, including $2.5 million in personnel-related termination costs. These charges are included in underwriting and other operating expense in the consolidated statements of income. As of September 30, 2009, the Company had $0.6 million accrued for future restructuring costs that is included in accounts payable and accrued expenses on the accompanying consolidated balance sheet.

5. Investments

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of the Company s investments were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
At September 30, 2009				
Fixed maturity securities				
U.S. Treasuries	$ 156,549	$ 9,548	$ (72)	$ 166,025
U.S. Agencies	129,101	8,354		137,455
States and municipalities	983,993	69,731	(404)	1,053,320
Corporate	318,774	26,129	(693)	344,210
Residential mortgaged-backed securities	278,169	17,558	(769)	294,958
Commercial mortgaged-backed securities	36,046	616	(296)	36,366
Asset-backed securities	13,220	562		13,782
Total fixed maturity securities	1,915,852	132,498	(2,234)	2,046,116
Short-term investments	2,998	2		3,000
Total fixed maturity and short-term investments	1,918,850	132,500	(2,234)	2,049,116
Equity securities				
Consumer goods	14,739	6,991	(10)	21,720
Energy and utilities	4,715	4,708		9,423
Financial	6,611	2,914	(7)	9,518
Technology and communications	7,930	6,159	(3)	14,086
Industrial and other	6,257	4,743	(1)	10,999
Total equity securities	40,252	25,515	(21)	65,746
Total investments	$ 1,959,102	$ 158,015	$ (2,255)	$ 2,114,862

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
At December 31, 2008				
Fixed maturity securities				
U.S. Treasuries	$ 142,942	$ 18,344	$	$ 161,286
U.S. Agencies	125,302	10,566		135,868
States and municipalities	975,387	21,654	(18,828)	978,213
Corporate	248,002	7,716	(5,570)	250,148
Residential mortgage-backed securities	318,512	12,937	(2,002)	329,447
Commercial mortgage-backed securities	42,384	2	(4,797)	37,589
Asset-backed securities	17,698		(858)	16,840
Total fixed maturity securities	1,870,227	71,219	(32,055)	1,909,391
Short-term investments	74,952	306	(234)	75,024
Total fixed maturity and short-term investments	1,945,179	71,525	(32,289)	1,984,415

Equity securities				
Consumer goods	12,620	4,642	(333)	16,929
Energy and utilities	4,947	4,967	(12)	9,902
Financial	7,082	993	(243)	7,832
Technology and communications	10,268	2,765	(226)	12,807
Industrial and other	8,097	3,165	(206)	11,056
Total equity securities	43,014	16,532	(1,020)	58,526
Total investments	$ 1,988,193	$ 88,057	$ (33,309)	$ 2,042,941

The amortized cost and estimated fair value of fixed maturity securities and short-term investments at September 30, 2009, by contractual maturity are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	$ 118,622	$ 120,839
Due after one year through five years	483,065	514,728
Due after five years through ten years	566,097	613,040
Due after ten years	423,631	455,403
Mortgage and asset-backed securities	327,435	345,106
Total	$ 1,918,850	$ 2,049,116

The following is a summary of investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or greater, in each case as of September 30, 2009 and December 31, 2008:

	September 30, 2009					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Estimated Unrealized Losses
	(in thousands)					
Fixed maturity securities						
U.S. Treasuries	$ 5,697	$ (72)	$	$	$ 5,697	$ (72)
States and municipalities	4,140	(27)	16,124	(377)	20,264	(404)
Corporate	14,577	(33)	12,028	(660)	26,605	(693)
Residential mortgaged-backed	32		4,470	(769)	4,502	(769)
Commercial mortgage-backed securities			7,834	(296)	7,834	(296)
Asset-backed securities						
Total fixed maturity securities	24,446	(132)	40,456	(2,102)	64,902	(2,234)
Short-term investments						
Total fixed maturity and short-term investments	24,446	(132)	40,456	(2,102)	64,902	(2,234)
Equity securities						
Consumer goods	2,329	(10)			2,329	(10)
Energy and utilities						
Financial	1,484	(7)			1,484	(7)
Technology and communications	360	(3)			360	(3)
Industrial and other	320	(1)			320	(1)
Total equity securities	4,493	(21)			4,493	(21)
Total investments	$ 28,939	(153)	$ 40,456	$ (2,102)	$ 69,395	$ (2,255)

	December 31, 2008					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Estimated Unrealized Losses
	(in thousands)					
Fixed maturity securities						
U.S. Treasuries	$	$	$	$	$	$
States and municipalities	271,731	(11,206)	78,811	(7,622)	350,542	(18,828)
Corporate						