Primerica, Inc.
Form 10-Q
May 08, 2012

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

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2012
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-34680

Primerica, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	27-1204330 (I.R.S. Employer Identification No.)
3120 Breckinridge Boulevard Duluth, Georgia	30099
(Address of principal executive offices)	(ZIP Code)

(770) 381-1000
(Registrant's telephone number, including area code)
Not applicable.
(Former name, former address and former fiscal year, if changed since last report)

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. ý 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). ý 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.

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

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

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

Class	As of April 30, 2012
Common Stock, $.01 Par Value	59,848,197 shares

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.
PRIMERICA, INC. AND SUBSIDIARIES
Condensed Balance Sheets

	March 31, 2012 (unaudited)	December 31, 2011
	(In thousands, except per-share amounts)	
Assets		
Investments:		
Fixed-maturity securities available for sale, at fair value (amortized cost: $1,784,891 in 2012 and $1,811,359 in 2011)	$1,948,497	$1,959,156
Equity securities available for sale, at fair value (cost: $24,678 in 2012 and $21,329 in 2011)	31,702	26,712
Trading securities, at fair value (cost: $5,824 in 2012 and $9,793 in 2011)	5,812	9,640
Policy loans	25,670	25,982
Other invested assets	14	14
Total investments	2,011,695	2,021,504
Cash and cash equivalents	155,536	136,078
Accrued investment income	22,904	21,579
Due from reinsurers	3,895,162	3,855,318
Deferred policy acquisition costs, net	948,087	904,485
Premiums and other receivables	159,085	163,845
Intangible assets	71,077	71,928
Other assets	269,057	268,485
Separate account assets	2,541,313	2,408,598
Total assets	$10,073,916	$9,851,820
Liabilities and Stockholders' Equity		
Liabilities:		
Future policy benefits	$4,676,374	$4,614,860
Unearned premiums	11,427	7,022
Policy claims and other benefits payable	248,904	241,754
Other policyholders' funds	346,461	340,766
Note payable	300,000	300,000
Income taxes	88,503	81,316
Other liabilities	331,112	381,496
Payable under securities lending	142,507	149,358
Separate account liabilities	2,541,313	2,408,598
Total liabilities	8,686,601	8,525,170
Stockholders' equity:		
Common stock ($.01 par value. Authorized 500,000 in 2012 and 2011 and issued 65,304 shares in 2012 and 64,883 shares in 2011)	653	649
Paid-in capital	842,613	835,232
Retained earnings	383,847	344,104
Accumulated other comprehensive income, net of income tax:		
Unrealized foreign currency translation gains	54,585	51,248
Net unrealized investment gains (losses):		
Net unrealized investment gains not other-than-temporarily impaired	107,598	97,082

Net unrealized investment losses other-than-temporarily impaired	(1,981)	(1,665)
Total stockholders’ equity	1,387,315	1,326,650
Total liabilities and stockholders’ equity	$10,073,916	$9,851,820

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Condensed Statements of Income - Unaudited

	Three months ended March 31, 2012	2011
	(In thousands, except per-share amounts)	
Revenues:		
Direct premiums	$561,037	$552,069
Ceded premiums	(418,163)	(422,238)
Net premiums	142,874	129,831
Commissions and fees	103,905	106,116
Net investment income	26,097	28,626
Realized investment gains, including other-than-temporary impairment losses	2,131	327
Other, net	11,594	11,452
Total revenues	286,601	276,352
Benefits and expenses:		
Benefits and claims	67,933	57,635
Amortization of deferred policy acquisition costs, net	26,531	23,229
Sales commissions	49,717	50,438
Insurance expenses	22,444	15,798
Insurance commissions	8,496	8,998
Interest expense	6,910	6,997
Other operating expenses	41,105	40,001
Total benefits and expenses	223,136	203,096
Income before income taxes	63,465	73,256
Income taxes	21,709	25,985
Net income	$41,756	$47,271
Earnings per share:		
Basic	$0.62	$0.62
Diluted	$0.61	$0.62
Weighted-average shares used in computing earnings per share:		
Basic	65,133	72,671
Diluted	66,275	73,826
Supplemental disclosures:		
Total impairment losses	$(701)	$(267)
Impairment losses recognized in other comprehensive income before income taxes	487	—
Net impairment losses recognized in earnings	(214)	(267)
Other net realized investment gains	2,345	594
Realized investment gains, including other-than-temporary impairment losses	$2,131	$327

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Condensed Statements of Stockholders' Equity - Unaudited

	Three months ended March 31, 2012	2011
	(In thousands, except per-share amounts)	
Common stock:		
Balance, beginning of period	$649	$728
Net issuance of common stock	4	4
Balance, end of period	653	732
Paid-in capital:		
Balance, beginning of period	835,232	1,010,635
Share-based compensation	5,424	5,322
Net issuance of common stock	(4)	(4)
Net capital contributed from Citi	1,961	1,020
Balance, end of period	842,613	1,016,973
Retained earnings:		
Balance, beginning of period	344,104	194,225
Net income	41,756	47,271
Dividends ($0.03 per share in 2012 and $0.01 per share in 2011)	(2,013)	(757)
Balance, end of period	383,847	240,739
Accumulated other comprehensive income:		
Balance, beginning of period	146,665	150,940
Change in foreign currency translation adjustment, net of income tax (benefit) expense of ($29) in 2012 and $0 in 2011	3,337	2,606
Change in net unrealized investment gains (losses) during the period, net of income taxes:		
Change in net unrealized investment gains (losses) not-other-than temporarily impaired, net of income tax expense (benefit) of $5,664 in 2012 and $(2,078) in 2011	10,516	(1,780)
Change in net unrealized investment (losses) gains other-than-temporarily impaired, net of income tax (benefit) expense of $(171) in 2012 and $0 in 2011	(316)	—
Balance, end of period	160,202	151,766
Total stockholders' equity	$1,387,315	$1,410,210

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES

Condensed Statements of Comprehensive Income - Unaudited

	Three months ended March 31,	
	2012	2011
	(In thousands)	
Net income	$41,756	$47,271
Other comprehensive income (loss) before income taxes:		
Unrealized investment gains (losses):		
Change in unrealized gains (losses) on investment securities	17,514	(3,638)
Reclassification adjustment for realized investment gains included in net income	(1,821)	(220)
Foreign currency translation adjustments:		
Change in unrealized foreign currency translation gains	3,308	2,606
Total other comprehensive income (loss) before income taxes	19,001	(1,252)
Income tax expense (benefit) related to items of other comprehensive income (loss)	5,464	(2,078)
Other comprehensive income, net of income taxes	13,537	826
Total comprehensive income	$55,293	$48,097

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Condensed Statements of Cash Flows - Unaudited

	Three months ended March 31, 2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net income	$41,756	$47,271
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Change in future policy benefits and other policy liabilities	70,976	43,934
Deferral of policy acquisition costs	(67,119)	(64,203)
Amortization of deferred policy acquisition costs, net	26,531	23,229
Change in income taxes	2,119	5,897
Realized investment gains, including other-than-temporary impairments	(2,131)	(327)
Accretion and amortization of investments	(278)	(1,867)
Depreciation and amortization	2,491	2,657
Change in due from reinsurers	(39,844)	(11,554)
Change in premiums and other receivables	4,785	(4,591)
Trading securities acquired (sold), net	3,807	(23,547)
Share-based compensation	5,027	5,320
Other, net	(64,244)	(19,011)
Net cash (used in) provided by operating activities	(16,124)	3,208
Cash flows from investing activities:		
Available-for-sale investments sold, matured or called:		
Fixed-maturity securities - sold	67,354	29,424
Fixed-maturity securities - matured or called	75,433	134,252
Equity securities	—	84
Available-for-sale investments acquired:		
Fixed-maturity securities	(107,467)	(176,073)
Equity securities	(3,040)	(38)
Other, net	(322)	(72)
Cash collateral (returned) received on loaned securities, net	(6,851)	4,363
Sales (purchases) of short-term investments using securities lending collateral, net	6,851	(4,363)
Net cash provided by (used in) investing activities	31,958	(12,423)
Cash flows from financing activities:		
Dividends	(2,013)	(757)
Net cash used in financing activities	(2,013)	(757)
Effect of foreign exchange rate changes on cash	5,637	(789)
Change in cash and cash equivalents	19,458	(10,761)
Cash and cash equivalents, beginning of period	136,078	126,038
Cash and cash equivalents, end of period	$155,536	$115,277

See accompanying notes to condensed financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Notes to Condensed Financial Statements - Unaudited

(1) Summary of Significant Accounting Policies

Description of Business. Primerica, Inc. (the Parent Company) together with its subsidiaries (collectively, we or the Company) is a leading distributor of financial products to middle income households in the United States and Canada. We assist our clients in meeting their needs for term life insurance, which we underwrite, and mutual funds, annuities and other financial products, which we distribute primarily on behalf of third parties. Our primary subsidiaries include the following entities: Primerica Financial Services, Inc., a general agency and marketing company; Primerica Life Insurance Company (Primerica Life), our principal life insurance company; Primerica Financial Services (Canada) Ltd., a holding company for our Canadian operations, which includes Primerica Life Insurance Company of Canada (Primerica Life Canada); and PFS Investments, Inc., an investment products company and broker-dealer. Primerica Life, domiciled in Massachusetts, owns National Benefit Life Insurance Company (NBLIC), a New York life insurance company. Each of these entities was indirectly wholly owned by Citigroup Inc. (together with its non-Primerica affiliates, Citi) through March 31, 2010.

We capitalized Peach Re, Inc. (Peach Re), a special purpose financial captive insurance company and wholly owned subsidiary of Primerica Life, and Primerica Life ceded to Peach Re certain level premium term life insurance policies pursuant to a coinsurance agreement, effective March 31, 2012 (see Notes 10 and 11 for additional information).

Basis of Presentation. We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). These principles are established primarily by the Financial Accounting Standards Board (FASB). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect financial statement balances, revenues and expenses and cash flows as well as the disclosure of contingent assets and liabilities. Management considers available facts and knowledge of existing circumstances when establishing the estimates included in our financial statements.

The most significant items that involve a greater degree of accounting estimates and actuarial determinations subject to change in the future are the valuation of investments, deferred policy acquisition costs assets (DAC), future policy benefit reserves and income taxes. Estimates for these and other items are subject to change and are reassessed by management in accordance with GAAP. Actual results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and those entities required to be consolidated under applicable accounting standards. All material intercompany profits, transactions, and balances among the consolidated entities have been eliminated.

The accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring accruals, which are necessary to fairly present the balance sheets as of March 31, 2012 and December 31, 2011, and the statements of income, stockholders' equity, comprehensive income, and cash flows for the three months ended March 31, 2012 and 2011. Results of operations for interim periods are not necessarily indicative of results for the entire year or of the results to be expected in future periods.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and the regulations of the Securities and Exchange Commission (the SEC). Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 Annual Report).

Reclassifications. Certain reclassifications have been made to prior-period amounts to conform to current-period reporting classifications. Concurrent with our adoption of ASU 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26), certain expenses have been reclassified among sales commission, insurance expenses, insurance commissions and other operating expenses. These reclassifications had no impact on net income, total stockholders’ equity or income before income taxes by segment.

Significant Accounting Policies. All significant accounting policies remain unchanged from the 2011 Annual Report with the exception of our accounting for deferred policy acquisition costs which is discussed further below.

New Accounting Principles. Accounting for Deferred Policy Acquisition Costs. In October 2010, the FASB issued ASU 2010-26. This update creates a more limited definition than the previous guidance, which had defined deferred

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policy acquisition costs as those that vary with, and primarily relate to, the acquisition of insurance contracts.
We retrospectively adopted ASU 2010-26 for our fiscal year beginning January 1, 2012. The impact of adoption was as follows:

	(In thousands, except per-share amounts)
Reduction as of January 1, 2011:	
Deferred policy acquisition costs, net	$114,265
Stockholders' equity	74,964
Reduction as of December 31, 2011:	
Deferred policy acquisition costs, net	$146,152
Stockholders' equity	95,991
Reduction for the three months ended March 31, 2011:	
Income before income taxes	$7,889
Net income	5,196
Basic earnings per share	0.07
Diluted earnings per share	0.06

The adoption of ASU 2010-26 had no impact on our cash flows or required capital.
In accordance with ASU 2010-26, we only defer the costs of acquiring new business to the extent that they result directly from and are essential to the contract transaction(s) and would not have been incurred had the contract transaction(s) not occurred. These deferred policy acquisition costs mainly include commissions and policy issue expenses. The recovery of such costs is dependent on the future profitability of the related policies, which, in turn, is dependent principally upon mortality, persistency, investment returns, and the expense of administering the business, as well as upon certain economic variables, such as inflation. DAC is subject to recoverability testing annually and when impairment indicators exist. We make certain assumptions regarding persistency, expenses, interest rates and claims. These assumptions may not be modified, or unlocked, unless recoverability testing deems them to be inadequate. We update assumptions for new business to reflect the most recent experience. DAC is amortized over the premium-paying period of the related policies in proportion to annual premium income. Due to the inherent uncertainties in making assumptions about future events, materially different experience from expected results in persistency could result in a material increase or decrease of DAC amortization in a particular period. All other acquisition-related costs, including unsuccessful acquisition and renewal efforts, are charged to expense as incurred. Administrative costs, rent, depreciation, occupancy, equipment, and all other general overhead costs are considered indirect costs and are charged to expense as incurred.
Deferrable acquisitions costs for Canadian segregated funds are amortized over the life of the policies in relation to historical and future estimated gross profits before amortization. The gross profits and resulting DAC amortization will vary with actual fund returns, redemptions and expenses. The adoption of ASU 2010-26 did not impact the accounting for acquisition costs related to Canadian segregated funds.
The balances of and changes in DAC were as follows:

	Three months ended March 31,	
	2012	2011
	(In thousands)	
DAC balance, beginning of period	$904,485	$738,946
Capitalization	67,119	64,203
Amortization	(26,531)	(23,229)
Foreign exchange and other	3,014	6,135
DAC balance, end of period	$948,087	$786,055

Fair Value Measurement Amendments. In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (ASU 2011-04). The primary provisions of ASU 2011-04 result in common fair value measurement and disclosure requirements for U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes the wording

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used to describe the requirements for measuring fair value and for disclosing information about fair value measurement, including requiring quantitative disclosures about the unobservable inputs used in fair value measurements. The amendments in the update have been applied prospectively for our fiscal year beginning January 1, 2012. This update did not result in a significant impact on our financial position or results of operations.

Future Application of Accounting Standards. Recent accounting guidance not discussed above is not applicable, is immaterial to our financial statements, or did not or will not have an impact on our business.

(2) Segment Information

We have two primary operating segments – Term Life Insurance and Investment and Savings Products. We also have a Corporate and Other Distributed Products segment. Assets by segment were as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Assets:		
Term life insurance segment	$6,133,764	$6,009,162
Investment and savings products segment	2,727,465	2,591,137
Corporate and other distributed products segment	1,212,687	1,251,521
Total assets	$10,073,916	$9,851,820

The Investment and Savings Products segment includes assets held in separate accounts. Excluding separate accounts, Investment and Savings Products segment assets were as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Investment and savings products segment assets, excluding separate accounts	$187,223	$183,622

Results of operations by segment were as follows:

	Three months ended March 31,	
	2012	2011
	(In thousands)	
Revenues:		
Term life insurance segment	$151,804	$136,962
Investment and savings products segment	100,134	100,846
Corporate and other distributed products segment	34,663	38,544
Total revenues	$286,601	$276,352
Income (loss) before income taxes:		
Term life insurance segment	$44,283	$49,716
Investment and savings products segment	28,870	31,039
Corporate and other distributed products segment	(9,688)	(7,499)
Total income before income taxes	$63,465	$73,256

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Results of operations by country were as follows:

	Three months ended March 31,	
	2012	2011
	(In thousands)	
Revenues by country:		
United States	$230,757	$222,403
Canada	55,844	53,949
Total revenues	$286,601	$276,352
Income before income taxes by country:		
United States	$47,773	$57,006
Canada	15,692	16,250
Total income before income taxes	$63,465	$73,256

(3) Investments

The period-end cost or amortized cost, gross unrealized gains and losses, and fair value of fixed-maturity and equity securities in our available-for-sale portfolio follow:

	March 31, 2012			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Securities available for sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	$10,016	$805	$—	$10,821
Foreign government	105,517	15,352	(93)	120,776
States and political subdivisions	26,235	2,980	—	29,215
Corporates (1)	1,239,213	121,364	(3,266)	1,357,311
Mortgage- and asset-backed securities	403,910	28,746	(2,282)	430,374
Total fixed-maturity securities	1,784,891	169,247	(5,641)	1,948,497
Equity securities	24,678	7,233	(209)	31,702
Total fixed-maturity and equity securities	$1,809,569	$176,480	$(5,850)	$1,980,199

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(1) Includes $3.0 million of other-than-temporary impairment losses recognized in accumulated other comprehensive income.

	December 31, 2011			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Securities available for sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	$10,050	$935	$—	$10,985
Foreign government	97,206	14,818	(179)	111,845
States and political subdivisions	28,264	2,671	—	30,935
Corporates (1)	1,250,702	111,346	(7,847)	1,354,201
Mortgage- and asset-backed securities	425,137	29,398	(3,345)	451,190
Total fixed-maturity securities	1,811,359	159,168	(11,371)	1,959,156
Equity securities	21,329	5,689	(306)	26,712
Total fixed-maturity and equity securities	$1,832,688	$164,857	$(11,677)	$1,985,868

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(1) Includes $2.6 million of other-than-temporary impairment losses recognized in accumulated other comprehensive income.

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The net effect on stockholders' equity of unrealized gains and losses on available-for-sale securities was as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Net unrealized investment gains including foreign currency translation adjustment and other-than-temporary impairments:		
Fixed-maturity and equity securities	$170,630	$153,180
Currency swaps	112	96
Less foreign currency translation adjustment	(8,254)	(6,481)
Other-than-temporary impairments	3,049	2,562
Net unrealized investment gains excluding foreign currency translation adjustment and other-than-temporary impairments	165,537	149,357
Less deferred income taxes	57,939	52,275
Net unrealized investment gains excluding foreign currency translation adjustment and other-than-temporary impairments, net of tax	$107,598	$97,082

We also maintain a portfolio of fixed-maturity securities that are classified as trading securities. The carrying value of these securities was as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Fixed-maturity securities classified as trading, carried at fair value	$5,812	$9,640

All of our available-for-sale mortgage- and asset-backed securities represent variable interests in variable interest entities (VIEs). We are not the primary beneficiary of these VIEs, because we do not have the power to direct the activities that most significantly impact the entities' economic performance. The maximum exposure to loss as a result of our involvement in these VIEs equals the carrying value of the securities.

As required by law, the Company has investments on deposit with governmental authorities and banks for the protection of policyholders. The fair values of investments on deposit were as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Fair value of investments on deposit with governmental authorities	$19,159	$19,100

We participate in securities lending transactions with broker-dealers and other financial institutions to increase investment income with minimal risk. We require minimum collateral on securities loaned equal to 102% of the fair value of the loaned securities. We accept collateral in the form of securities, which we are not able to sell or encumber, and to the extent the collateral declines in value below 100%, we require additional collateral from the borrower. Any securities collateral received is not reflected on our balance sheet. We also accept collateral in the form of cash, all of which we reinvest. For loans involving unrestricted cash collateral, the collateral is reported as an asset with a corresponding liability representing our obligation to return the collateral. We continue to carry the lent securities as investment assets on our balance sheet during the terms of the loans, and we do not report them as sales. Cash collateral received and reinvested was as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Securities lending collateral	$142,507	$149,358

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The scheduled maturity distribution of the available-for-sale fixed-maturity portfolio at March 31, 2012 follows.

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	$118,187	$120,277
Due after one year through five years	602,232	650,494
Due after five years through 10 years	615,184	693,679
Due after 10 years	45,378	53,673
	1,380,981	1,518,123
Mortgage- and asset-backed securities	403,910	430,374
Total fixed-maturity securities	$1,784,891	$1,948,497

Expected maturities may differ from scheduled contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

Investment Income. The components of net investment income were as follows:

	Three months ended March 31,	
	2012	2011
	(In thousands)	
Fixed-maturity securities	$25,762	$29,014
Equity securities	223	188
Policy loans and other invested assets	350	328
Cash and cash equivalents	135	70
Market return on deposit asset underlying 10% reinsurance agreement	1,030	508
Gross investment income	27,500	30,108
Less investment expenses	1,403	1,482
Net investment income	$26,097	$28,626

The components of net realized investment gains (losses) as well as details on gross realized investment gains and losses and proceeds from sales or other redemptions were as follows:

	Three months ended March 31,			
	2012		2011	
	(In thousands)			
Net realized investment gains:				
Gross gains from sales	$2,036		$812	
Gross losses from sales	(1	)	(325	)
Other-than-temporary impairment losses	(214	)	(267	)
Gains from bifurcated options	310		107	
Net realized investment gains	$2,131		$327	
Gross realized investment gains reclassified from accumulated other comprehensive income	$1,821		$220	
Proceeds from sales or other redemptions	$142,787		$163,760	

Other-Than-Temporary Impairment. We conduct a review each quarter to identify and evaluate impaired investments that have indications of possible other-than-temporary impairment (OTTI). An investment in a debt or equity security is impaired if its fair value falls below its cost. Factors considered in determining whether an unrealized loss is temporary include the length of time and extent to which fair value has been below cost, the financial condition and near-term prospects for the issue, and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery, which may be maturity. For additional information, see Note 3 to the consolidated and combined financial statements in our 2011 Annual Report.

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Investments in fixed-maturity and equity securities with a cost basis in excess of their fair values were as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Fixed-maturity and equity securities with cost basis in excess of fair value	$152,221	$286,718

The following tables summarize, for all securities in an unrealized loss position, the aggregate fair value and the gross unrealized loss by length of time such securities have continuously been in an unrealized loss position:

	March 31, 2012					
	Less than 12 months			12 months or longer		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
	(Dollars in thousands)					
Fixed-maturity securities:						
Foreign government	$7,868	$(93)	11	$—	$—	—
Corporates	93,856	(2,073)	120	8,260	(1,193)	19
Mortgage- and asset-backed securities	17,571	(220)	21	17,975	(2,062)	28
Total fixed-maturity securities	119,295	(2,386)		26,235	(3,255)	
Equity securities	841	(209)	14	—	—	—
Total fixed-maturity and equity securities	$120,136	$(2,595)		$26,235	$(3,255)	

	December 31, 2011					
	Less than 12 months			12 months or longer		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
	(Dollars in thousands)					
Fixed-maturity securities:						
Foreign government	$7,150	$(179)	10	$—		