PROASSURANCE CORP
Form 10-Q
August 06, 2015

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 June 30, 2015 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 0-16533
ProAssurance Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	63-1261433
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
100 Brookwood Place, Birmingham, AL	35209
(Address of Principal Executive Offices)	(Zip Code)
(205) 877-4400	
(Registrant’s Telephone Number, Including Area Code)	(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. Yes ý 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 ý 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	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 ¨ No ý
As of July 31, 2015, there were 53,667,668 shares of the registrant’s common stock outstanding.

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Glossary of Terms and Acronyms

When the following terms and acronyms appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AOCI	Accumulated other comprehensive income (loss)
BOLI	Business owned life insurance
DPAC	Deferred policy acquisition costs
Eastern Re	Eastern Re, LTD, S.P.C.
EBUB	Earned, but unbilled premium
FAL	Funds at Lloyd's
FASB	Financial Accounting Standards Board
FHLB	Federal Home Loan Bank
GAAP	Generally accepted accounting principles in the United States of America
HCPL	Healthcare professional liability
IRS	Internal Revenue Service
LLC	Limited liability company
Lloyd's	Lloyd's of London market
LP	Limited partnership
Medical Technology Liability	Medical technology and life sciences products liability
NAV	Net asset value
NYSE	New York Stock Exchange
NRSRO	Nationally recognized statistical rating organization
OCI	Other comprehensive income (loss)
OTTI	Other-than-temporary impairment
PCAOB	Public Company Accounting Oversight Board
Revolving Credit Agreement	ProAssurance's $250 million revolving credit agreement
ROE	Return on equity
SEC	Securities and Exchange Commission
SPC	Segregated portfolio cell
Specialty P&C	Specialty Property and Casualty
Syndicate 1729	Lloyd's of London Syndicate 1729
Syndicate Credit Agreement	Unconditional revolving credit agreement with the Premium Trust Fund of Syndicate 1729
TIPS	Treasury Inflation Protected Securities
U.K.	United Kingdom of Great Britain and Northern Ireland
ULAE	Unallocated loss adjustment expense
VIE	Variable interest entity

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Forward-Looking Statements

Any statements in this Form 10-Q that are not historical facts are specifically identified as forward-looking statements. These statements are based upon our estimates and anticipation of future events and are subject to certain risks and uncertainties that could cause actual results to vary materially from the expected results described in the forward-looking statements. Forward-looking statements are identified by words such as, but not limited to, "anticipate," "believe," "estimate," "expect," "hope," "hopeful," "intend," "likely," "may," "optimistic," "possible," "potential," "preliminary," "project," "should," "will" and other analogous expressions. There are numerous factors that could cause our actual results to differ materially from those in the forward-looking statements. Thus, sentences and phrases that we use to convey our view of future events and trends are expressly designated as forward-looking statements as are sections of this Form 10-Q that are identified as giving our outlook on future business.

Forward-looking statements relating to our business include among other things: statements concerning future liquidity and capital requirements, investment valuation and performance, return on equity, financial ratios, net income, premiums, losses and loss reserve, premium rates and retention of current business, competition and market conditions, the expansion of product lines, the development or acquisition of business in new geographical areas, the availability of acceptable reinsurance, actions by regulators and rating agencies, court actions, legislative actions, payment or performance of obligations under indebtedness, payment of dividends, and other matters.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following factors that could affect the actual outcome of future events:

- changes in general economic conditions, including the impact of inflation or deflation and unemployment;
- our ability to maintain our dividend payments;
- regulatory, legislative and judicial actions or decisions that could affect our business plans or operations;
- the enactment or repeal of tort reforms;
- formation or dissolution of state-sponsored insurance entities providing coverages now offered by ProAssurance which could remove or add sizable numbers of insureds from or to the private insurance market;
- changes in the interest rate environment;
- changes in U.S. laws or government regulations regarding financial markets or market activity that may affect the U.S. economy and our business;
- changes in the ability of the U.S. government to meet its obligations that may affect the U.S. economy and our business;
- performance of financial markets affecting the fair value of our investments or making it difficult to determine the value of our investments;
- changes in requirements or accounting policies and practices that may be adopted by our regulatory agencies, the FASB, the SEC, the PCAOB, or the NYSE and that may affect our business;
- changes in laws or government regulations affecting the financial services industry, the property and casualty insurance industry or particular insurance lines underwritten by our subsidiaries;
- the effect on our insureds, particularly the insurance needs of our insureds, and our loss costs, of changes in the healthcare delivery system, including changes attributable to the Patient Protection and Affordable Care Act;
- consolidation of our insureds into or under larger entities which may be insured by competitors, or may not have a risk profile that meets our underwriting criteria or which may not use external providers for insuring or otherwise managing substantial portions of their liability risk;
- uncertainties inherent in the estimate of our loss and loss adjustment expense reserve and reinsurance recoverable;
- changes in the availability, cost, quality, or collectability of insurance/reinsurance;
- the results of litigation, including pre- or post-trial motions, trials and/or appeals we undertake;
- effects on our claims costs from mass tort litigation that are different from that anticipated by us;
- allegations of bad faith which may arise from our handling of any particular claim, including failure to settle;

loss or consolidation of independent agents, agencies, brokers, or brokerage firms;
changes in our organization, compensation and benefit plans;
changes in the business or competitive environment may limit the effectiveness of our business strategy and impact our revenues;
our ability to retain and recruit senior management;

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- the availability, integrity and security of our technology infrastructure or that of our third party providers of technology infrastructure, including any susceptibility to cyber-attacks which might result in a loss of information or operating capability;
- the impact of a catastrophic event, as it relates to both our operations and our insured risks;
- the impact of acts of terrorism and acts of war;
- the effects of terrorism related insurance legislation and laws;
- assessments from guaranty funds;
- our ability to achieve continued growth through expansion into new markets or through acquisitions or business combinations;
- changes to the ratings assigned by rating agencies to our insurance subsidiaries, individually or as a group;
- provisions in our charter documents, Delaware law and state insurance laws may impede attempts to replace or remove management or may impede a takeover;
- state insurance restrictions may prohibit assets held by our insurance subsidiaries, including cash and investment securities, from being used for general corporate purposes;
- taxing authorities can take exception to our tax positions and cause us to incur significant amounts of legal and accounting costs and, if our defense is not successful, additional tax costs, including interest and penalties; and
- expected benefits from completed and proposed acquisitions may not be achieved or may be delayed longer than expected due to business disruption; loss of customers, employees and key agents; increased operating costs or inability to achieve cost savings; and assumption of greater than expected liabilities, among other reasons.

Additional risks that could arise from our membership in the Lloyd's of London market and our participation in Syndicate 1729 include, but are not limited to, the following:

- members of Lloyd's are subject to levies by the Council of Lloyd's based on a percentage of the member's underwriting capacity, currently a maximum of 3%, but can be increased by Lloyd's;
- Syndicate operating results can be affected by decisions made by the Council of Lloyd's over which the management of Syndicate 1729 has little ability to control, such as a decision to not approve the business plan of the Syndicate, or a decision to increase the capital required to continue operations, and by our obligation to pay levies to Lloyd's;
- Lloyd's insurance and reinsurance relationships and distribution channels could be disrupted or Lloyd's trading licenses could be revoked making it more difficult for Syndicate 1729 to distribute and market its products; and
- rating agencies could downgrade their ratings of Lloyd's as a whole.

Our results may differ materially from those we expect and discuss in any forward-looking statements. The principal risk factors that may cause these differences are described in "Item 1A, Risk Factors" in our Form 10-K and other documents we file with the SEC, such as our current reports on Form 8-K, and our regular reports on Form 10-Q. We caution readers not to place undue reliance on any such forward-looking statements, which are based upon conditions existing only as of the date made, and advise readers that these factors could affect our financial performance and could cause actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. Except as required by law or regulations, we do not undertake and specifically decline any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

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ProAssurance Corporation and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share data)

	June 30, 2015	December 31, 2014
Assets		
Investments		
Fixed maturities, available for sale, at fair value; amortized cost, $2,903,152 and $3,055,477, respectively	$2,967,353	$3,145,027
Equity securities, trading, at fair value; cost, $290,811 and $283,107 respectively	307,326	314,482
Short-term investments	144,351	131,259
Business owned life insurance	56,090	56,381
Investment in unconsolidated subsidiaries	291,661	276,501
Other investments, $31,600 and $28,958 at fair value, respectively, otherwise at cost or amortized cost	91,110	86,057
Total Investments	3,857,891	4,009,707
Cash and cash equivalents	151,366	197,040
Premiums receivable	219,993	202,528
Receivable from reinsurers on paid losses and loss adjustment expenses	9,024	6,494
Receivable from reinsurers on unpaid losses and loss adjustment expenses	237,801	237,966
Prepaid reinsurance premiums	35,673	32,115
Deferred policy acquisition costs	44,398	38,790
Real estate, net	39,374	39,799
Intangible assets	96,598	100,733
Goodwill	210,725	210,725
Other assets	98,648	93,263
Total Assets	$5,001,491	$5,169,160
Liabilities and Shareholders' Equity		
Liabilities		
Policy liabilities and accruals		
Reserve for losses and loss adjustment expenses	$2,026,697	$2,058,266
Unearned premiums	370,459	345,828
Reinsurance premiums payable	24,143	17,451
Total Policy Liabilities	2,421,299	2,421,545
Deferred tax liability	11,142	18,818
Other liabilities	161,866	320,853
Long-term debt	350,000	250,000
Total Liabilities	2,944,307	3,011,216
Shareholders' Equity		
Common shares, par value $0.01 per share, 100,000,000 shares authorized, 62,496,623 and 62,297,214 shares issued, respectively	625	623
Additional paid-in capital	362,230	359,577
Accumulated other comprehensive income (loss), net of deferred tax expense (benefit) of $21,784 and $31,342, respectively	41,049	58,204
Retained earnings	2,028,745	1,991,704
Treasury shares, at cost, 8,481,567 shares and 5,763,388 shares, respectively	(375,465)	(252,164)
Total Shareholders' Equity	2,057,184	2,157,944
Total Liabilities and Shareholders' Equity	$5,001,491	$5,169,160

See accompanying notes.

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ProAssurance Corporation and Subsidiaries
Condensed Consolidated Statements of Changes in Capital (Unaudited)
(In thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2014	$623	$359,577	$ 58,204	$1,991,704	$(252,164)	$2,157,944
Common shares reacquired	—	—	—	—	(123,301)	(123,301)
Common shares issued for compensation	—	2,082	—	—	—	2,082
Share-based compensation	—	4,966	—	—	—	4,966
Net effect of restricted and performance shares issued and stock options exercised	2	(4,395)	—	—	—	(4,393)
Dividends to shareholders	—	—	—	(33,931)	—	(33,931)
Other comprehensive income (loss)	—	—	(17,155)	—	—	(17,155)
Net income	—	—	—	70,972	—	70,972
Balance at June 30, 2015	$625	$362,230	$ 41,049	$2,028,745	$(375,465)	$2,057,184

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2013	$621	$349,894	$ 59,661	$2,015,603	$(31,365)	$2,394,414
Common shares reacquired	—	—	—	—	(122,281)	(122,281)
Common shares issued for compensation	—	2,685	—	—	—	2,685
Share-based compensation	—	5,641	—	—	—	5,641
Net effect of restricted and performance shares issued and stock options exercised	2	(2,821)	—	—	—	(2,819)
Dividends to shareholders	—	—	—	(35,534)	—	(35,534)
Other comprehensive income (loss)	—	—	21,992	—	—	21,992
Net income	—	—	—	96,673	—	96,673
Balance at June 30, 2014	$623	$355,399	$ 81,653	$2,076,742	$(153,646)	$2,360,771

See accompanying notes.

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ProAssurance Corporation and Subsidiaries
Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Revenues				
Net premiums earned	$175,293	$176,303	$347,192	$348,032
Net investment income	27,955	30,225	55,258	59,957
Equity in earnings (loss) of unconsolidated subsidiaries	2,420	719	4,041	2,470
Net realized investment gains (losses):				
Other-than-temporary impairment (OTTI) losses	(1,209)	—	(4,480)	(50)
Portion of OTTI losses recognized in (reclassified from) other comprehensive income before taxes	348	—	1,789	—
Net impairment losses recognized in earnings	(861)	—	(2,691)	(50)
Other net realized investment gains (losses)	(2,967)	13,046	3,702	15,840
Total net realized investment gains (losses)	(3,828)	13,046	1,011	15,790
Other income	1,576	2,154	3,745	4,249
Total revenues	203,416	222,447	411,247	430,498
Expenses				
Losses and loss adjustment expenses	112,747	104,052	230,915	200,104
Reinsurance recoveries	(8,808)	(5,139)	(21,837)	(11,683)
Net losses and loss adjustment expenses	103,939	98,913	209,078	188,421
Underwriting, policy acquisition and operating expenses	53,525	52,157	104,881	104,672
Segregated portfolio cells dividend expense	1,230	1,789	3,414	2,838
Interest expense	3,710	3,521	7,341	7,091
Total expenses	162,404	156,380	324,714	303,022
Income before income taxes	41,012	66,067	86,533	127,476
Provision for income taxes				
Current expense (benefit)	13,776	14,389	14,128	22,294
Deferred expense (benefit)	(5,922)	1,736	1,433	8,509
Total income tax expense (benefit)	7,854	16,125	15,561	30,803
Net income	33,158	49,942	70,972	96,673
Other comprehensive income (loss), after tax, net of reclassification adjustments	(24,828)	11,247	(17,155)	21,992
Comprehensive income	$8,330	$61,189	$53,817	$118,665
Earnings per share:				
Basic	$0.60	$0.84	$1.27	$1.60
Diluted	$0.60	$0.84	$1.26	$1.59
Weighted average number of common shares outstanding:				
Basic	55,445	59,524	56,016	60,383
Diluted	55,645	59,742	56,226	60,615
Cash dividends declared per common share	$0.31	$0.30	$0.62	$0.60

See accompanying notes.

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ProAssurance Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six Months Ended June 30			
	2015		2014	
Operating Activities				
Net income	$70,972		$96,673	
Adjustments to reconcile income to net cash provided by operating activities:				
Depreciation and amortization, net of accretion	23,668		23,974	
Net realized investment gains	(1,011	)	(15,790	)
Share-based compensation	4,966		5,641	
Deferred income taxes	1,433		8,509	
Policy acquisition costs, net amortization (net deferral)	(5,608	)	(4,535	)
Equity in earnings of unconsolidated subsidiaries, excluding distributions received and tax credit partnership amortization	(7,973	)	(5,941	)
Other	(674	)	(439	)
Other changes in assets and liabilities, excluding effect of business combinations:				
Premiums receivable	(17,465	)	(27,786	)
Reinsurance related assets and liabilities	769		(17,128	)
Other assets	(5,909	)	(6,017	)
Reserve for losses and loss adjustment expenses	(31,569	)	(50,284	)
Unearned premiums	24,631		27,441	
Other liabilities	(2,478	)	(5,184	)
Net cash provided (used) by operating activities	$53,752		$29,134	
Investing Activities				
Purchases of:				
Fixed maturities, available for sale	$(375,552	)	$(365,421	)
Equity securities, trading	(153,610	)	(56,006	)
Other investments	(15,786	)	(19,535	)
Funding of tax credit limited partnerships	(659	)	(5,348	)
Investment in unconsolidated subsidiaries	(26,275	)	(16,603	)
Proceeds from sales or maturities of:				
Fixed maturities, available for sale	520,169		342,347	
Equity securities, trading	157,005		85,477	
Other investments	11,918		10,288	
Distributions from unconsolidated subsidiaries	13,619		—	
Net sales or maturities (purchases) of short-term investments	(13,130	)	99,244	
Cash received in acquisitions	—		35,013	
Unsettled security transactions, net change	1,229		19,866	
(Increase) decrease in restricted cash	—		78,000	
Other	(5,266	)	6,065	
Net cash provided (used) by investing activities	$113,662		$213,387	

Continued on following page.

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	Six Months Ended June 30	
	2015	2014
Financing Activities		
Borrowing under revolving credit agreement	$100,000	$—
Repurchase of common stock	(123,301)	(119,593)
Dividends to shareholders	(184,411)	(36,223)
Other	(5,376)	(5,429)
Net cash provided (used) by financing activities	(213,088)	(161,245)
Increase (decrease) in cash and cash equivalents	(45,674)	81,276
Cash and cash equivalents at beginning of period	197,040	129,383
Cash and cash equivalents at end of period	$151,366	$210,659
Significant non-cash transactions		
Deposit transferred as consideration for acquisition	$—	$205,244
Dividends declared and not yet paid	$16,728	$17,607

See accompanying notes.

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ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
June 30, 2015

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of ProAssurance Corporation and its consolidated subsidiaries (ProAssurance, PRA or the Company). The financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting of normal recurring adjustments, have been included. ProAssurance's results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes contained in ProAssurance's December 31, 2014 report on Form 10-K. In connection with its preparation of the Condensed Consolidated Financial Statements, ProAssurance evaluated events that occurred subsequent to June 30, 2015 for recognition or disclosure in its financial statements and notes to financial statements.

ProAssurance operates in four reportable segments as follows: Specialty P&C, Workers' Compensation, Lloyd's Syndicate, and Corporate. For more information on the nature of products and services provided and for financial information by segment, refer to Note 12 of the Notes to Condensed Consolidated Financial Statements.

Other Liabilities

Other liabilities consisted of the following:

(In millions)	June 30, 2015	December 31, 2014
SPC dividends payable	$18.6	$15.8
Unpaid dividends	16.7	167.7
All other	126.6	137.4
Total other liabilities	$161.9	$320.9

SPC dividends payable are the cumulative undistributed earnings contractually payable to the external preferred shareholders of SPCs operated by ProAssurance's Cayman Islands subsidiary, Eastern Re.

Unpaid dividends represents common stock dividends declared by ProAssurance's Board of Directors that have not yet been paid. Unpaid dividends at December 31, 2014 reflect a special dividend declared in late 2014 that was paid in January 2015.

Accounting Changes Adopted

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

Effective for fiscal years beginning after December 15, 2014, the FASB issued guidance regarding the requirements for reporting discontinued operations. Under the new guidance, reporting entities are required to report disposals of business components only if the disposal represents a strategic shift in the entity's operations that will have a major effect on the entity's operations and financial results. The new guidance expands disclosure requirements for reported discontinued operations and requires disclosure of pre-tax profit or loss attributable to significant disposals that are not reported as discontinued operations. ProAssurance adopted the guidance as of January 1, 2015. Adoption of the guidance had no effect on ProAssurance's results of operations or financial position.

Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)

Effective for fiscal years beginning after December 15, 2015, the FASB issued guidance which removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also revised other disclosure requirements for investments measured or eligible to be measured at fair value using the net asset value per share practical expedient. ProAssurance adopted the guidance as of June 30, 2015 as early adoption is permitted. Adoption of the guidance had no effect on ProAssurance's results of operations or financial position as it affected disclosures only.

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Accounting Changes Not Yet Adopted

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

Effective for fiscal years beginning after December 15, 2015, the FASB issued guidance for share-based payments in which the terms of the award provide that a performance target can be achieved after completion of the requisite service period. The new guidance provides that compensation cost for such awards should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. ProAssurance plans to adopt the guidance beginning January 1, 2016. Adoption of the guidance is expected to have no effect on ProAssurance’s results of operations or financial position as ProAssurance has no awards with performance targets extending beyond the requisite service period.

Revenue from Contracts with Customers

Effective for fiscal years beginning after December 15, 2016, the FASB issued guidance related to revenue from contracts with customers. The core principle of the new guidance is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ProAssurance plans to adopt the guidance beginning January 1, 2017. As the majority of ProAssurance's revenues come from insurance contracts which fall under the scope of other FASB standards, adoption of the guidance is expected to have no material effect on ProAssurance’s results of operations or financial position.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

Effective for fiscal years ending after December 15, 2016 and interim periods beginning after December 15, 2016, the FASB issued guidance that establishes principles and definitions related to management's evaluation of whether there is substantial doubt about the organization's ability to continue as a going concern. For each interim and annual reporting period, the new guidance requires management to evaluate the organization's ability to meet its obligations as they are due within one year of the date the financial statements are issued and requires disclosure when there is substantial doubt regarding the organization's ability to continue as a going concern. ProAssurance plans to adopt the guidance on its effective date. Adoption is expected to have no effect on ProAssurance’s results of operations or financial position.

Simplifying the Presentation of Debt Issuance Costs

Effective for fiscal years beginning after December 15, 2015, the FASB issued guidance related to the presentation of debt issuance costs. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ProAssurance plans to adopt the guidance beginning January 1, 2016. Adoption of the guidance is not expected to have a material effect on ProAssurance’s results of operations or financial position.

Amendments to the Consolidation Analysis

Effective for fiscal years beginning after December 15, 2015, the FASB issued additional guidance regarding the consolidation of legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The new standard modifies the evaluation of whether or not entities are VIEs and the consolidation analysis of entities involved with VIEs, particularly those having fee arrangements and related party relationships. ProAssurance is in the process of evaluating the effect, if any, of the new guidance on its results of operations and financial position and plans to adopt the guidance beginning January 1, 2016. The effect is not expected to be material.

Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement

Effective for fiscal years beginning after December 15, 2015, the FASB issued additional guidance regarding accounting for cloud computing arrangements. Under the new guidance, customers participating in cloud computing arrangements that include a software license should account for the software license element of the arrangement consistent with the acquisition of other software licenses. Customers should account for cloud computing arrangements that do not include a software license as a service contract, following existing guidance for service contracts. ProAssurance is in the process of evaluating the effect that the use of the new method would have on its results of operations and financial position and plans to adopt the guidance beginning January 1, 2016. The effect is not expected to be material.

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Disclosures about Short-Duration Contracts

Effective for fiscal years beginning after December 15, 2015, the FASB issued guidance that requires insurance entities to provide detailed discloses relative to the reserve for losses and loss adjustment expenses in annual reporting periods and a roll-forward of the reserve for losses and loss adjustment expenses in interim reporting periods. The guidance also requires disclosures regarding significant changes in the methodologies and assumptions used to calculate the reserve for losses and loss adjustment expenses, including reasons for and the effects of such changes. ProAssurance plans to adopt the guidance beginning January 1, 2016. Adoption of the guidance is not expected to have a material effect on ProAssurance's results of operations or financial position as it affects disclosures only.

2. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level hierarchy has been established for valuing assets and liabilities based on how transparent (observable) the inputs are that are used to determine fair value, with the inputs considered most observable categorized as Level 1 and those that are the least observable categorized as Level 3. Hierarchy levels are defined as follows:

Level 1:	quoted (unadjusted) market prices in active markets for identical assets and liabilities. For ProAssurance, Level 1 inputs are generally quotes for debt or equity securities actively traded in exchange or over-the-counter markets.
Level 2:	market data obtained from sources independent of the reporting entity (observable inputs). For ProAssurance, Level 2 inputs generally include quoted prices in markets that are not active, quoted prices for similar assets or liabilities, and results from pricing models that use observable inputs such as interest rates and yield curves that are generally available at commonly quoted intervals.
Level 3:	the reporting entity's own assumptions about market participant assumptions based on the best information available in the circumstances (non-observable inputs). For ProAssurance, Level 3 inputs are used in situations where little or no Level 1 or 2 inputs are available or are inappropriate given the particular circumstances. Level 3 inputs include results from pricing models for which some or all of the inputs are not observable, discounted cash flow methodologies, single non-binding broker quotes and adjustments to externally quoted prices that are based on management judgment or estimation.

Fair values of assets measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 are shown in the following tables. The tables also indicate the fair value hierarchy of the valuation techniques utilized to determine those fair values. For some assets, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When this is the case, the asset is categorized based on the level of the most significant input to the fair value measurement. Assessments of the significance of a particular input to the fair value measurement require judgment and consideration of factors specific to the assets being valued.

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	June 30, 2015			
	Fair Value Measurements Using			Total
(In thousands)	Level 1	Level 2	Level 3	Fair Value
Assets:				
Fixed maturities, available for sale				
U.S. Treasury obligations	$—	$99,506	$—	$99,506
U.S. Government-sponsored enterprise obligations	—	29,735	—	29,735
State and municipal bonds	—	1,003,611	—	1,003,611
Corporate debt, multiple observable inputs	2,262	1,396,416	—	1,398,678
Corporate debt, limited observable inputs:				
Other corporate debt, NRSRO ratings available	—	—	7,927	7,927
Other corporate debt, NRSRO ratings not available	—	—	541	541
Residential mortgage-backed securities	—	267,273	—	267,273
Agency commercial mortgage-backed securities	—	11,348	—	11,348
Other commercial mortgage-backed securities	—	45,617	—	45,617
Other asset-backed securities	—	98,340	4,777	103,117
Equity securities				
Financial	71,102	—	—	71,102
Utilities/Energy	38,219	—	—	38,219
Consumer oriented	48,270	—	76	48,346
Industrial	40,846	—	—	40,846
Bond funds	79,419	—	—	79,419
All other	16,391	13,003	—	29,394
Short-term investments	141,496	2,855	—	144,351
Other investments	3,346	27,294	960	31,600
Total assets categorized within the fair value hierarchy	$441,351	$2,994,998	$14,281	$3,450,630
LP/LLC interests carried at NAV which approximates fair value. These interests, reported as a part of Investment in unconsolidated subsidiaries, are not categorized within the fair value hierarchy.				149,083
Total assets at fair value				$3,599,713

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	December 31, 2014			
	Fair Value Measurements Using			Total
(In thousands)	Level 1	Level 2	Level 3	Fair Value
Assets:				
Fixed maturities, available for sale				
U.S. Treasury obligations	$—	$166,512	$—	$166,512
U.S. Government-sponsored enterprise obligations	—	39,563	—	39,563
State and municipal bonds	—	1,057,590	5,025	1,062,615
Corporate debt, multiple observable inputs	—	1,404,020	—	1,404,020
Corporate debt, limited observable inputs:				
Other corporate debt, NRSRO ratings available	—	—	10,474	10,474
Other corporate debt, NRSRO ratings not available	—	—	2,607	2,607
Residential mortgage-backed securities	—	276,056	—	276,056
Agency commercial mortgage-backed securities	—	15,493	—	15,493
Other commercial mortgage-backed securities	—	51,063	—	51,063
Other asset-backed securities	—	111,855	4,769	116,624
Equity securities				
Financial	79,341	—	—	79,341
Utilities/Energy	25,629	—	—	25,629
Consumer oriented	65,670	—	—	65,670
Industrial	55,460	—	—	55,460
Bond funds	55,196	—	—	55,196
All other	33,186	—	—	33,186
Short-term investments	131,199	60	—	131,259
Other investments	6,050	22,908	—	28,958
Total assets categorized within the fair value hierarchy	$451,731	$3,145,120	$22,875	$3,619,726
LP/LLC interests carried at NAV which approximates fair value. These interests, reported as a part of Investment in unconsolidated subsidiaries, are not categorized within the fair value hierarchy.				133,250
Total assets at fair value				$3,752,976

The fair values for securities included in the Level 2 category, with the few exceptions described below, were developed by one of several third party, nationally recognized pricing services, including services that price only certain types of securities. Each service uses complex methodologies to determine values for securities and subject the values they develop to quality control reviews. Management selected a primary source for each type of security in the portfolio and reviewed the values provided for reasonableness by comparing data to alternate pricing services and to available market and trade data. Values that appeared inconsistent were further reviewed for appropriateness. If a value did not appear reasonable, the valuation was discussed with the service that provided the value and would have been adjusted, if necessary. No such adjustments were necessary in 2015 or 2014.

Level 2 Valuations

Below is a summary description of the valuation methodologies primarily used by the pricing services for securities in the Level 2 category, by security type:

U.S. Treasury obligations were valued based on quoted prices for identical assets, or, in markets that are not active, quotes for similar assets, taking into consideration adjustments for variations in contractual cash flows and yields to maturity.

U.S. Government-sponsored enterprise obligations were valued using pricing models that consider current and historical market data, normal trading conventions, credit ratings, and the particular structure and characteristics of the security being valued, such as yield to maturity, redemption options, and contractual cash flows. Adjustments to model inputs or model results were included in the valuation process when necessary to reflect recent regulatory, government or corporate actions or significant economic, industry or geographic events affecting the security’s fair value.

State and municipal bonds were valued using a series of matrices that considered credit ratings, the structure of the security, the sector in which the security falls, yields, and contractual cash flows. Valuations were further adjusted, when necessary, to reflect the expected effect on fair value of recent significant economic or geographic events or ratings changes.

Corporate debt with multiple observable inputs consisted primarily of corporate bonds, but also included a small number of bank loans. The methodology used to value Level 2 corporate bonds was the same as the methodology previously described for U.S. Government-sponsored enterprise obligations. Bank loans were valued based on an average of broker quotes for the loans in question, if available. If quotes were not available, the loans were valued based on quoted prices for comparable loans or, if the loan was newly issued, by comparison to similar seasoned issues. Broker quotes were compared to actual trade prices on a regular basis to permit assessment of the reliability of the quotes; unreliable quotes were not considered in quoted averages.

Residential and commercial mortgage backed securities. Agency pass-through securities were valued using a pricing matrix which considers the issuer type, coupon rate and longest cash flows outstanding. The matrix used was based on the most recently available market information. Agency and non-agency collateralized mortgage obligations were both valued using models that consider the structure of the security, current and historical information regarding prepayment speeds, ratings and ratings updates, and current and historical interest rate and interest rate spread data.

Other asset-backed securities were valued using models that consider the structure of the security, monthly payment information, current and historical information regarding prepayment speeds, ratings and ratings updates, and current and historical interest rate and interest rate spread data. Spreads and prepayment speeds considered collateral type.

Equity securities were securities not traded on an exchange on the valuation date. The securities were valued using the most recently available quotes for the securities.

Short-term investments are securities maturing within one year, carried at cost which approximated the fair value of the security due to the short term to maturity.

Other investments consisted of convertible bonds valued using a pricing model that incorporated selected dealer quotes as well as current market data regarding equity prices and risk free rates. If dealer quotes were unavailable for the security being valued, quotes for securities with similar terms and credit status were used in the pricing model. Dealer quotes selected for use were those considered most accurate based on parameters such as underwriter status and historical reliability.

Level 3 Valuations

Below is a summary description of the valuation processes and methodologies used as well as quantitative information regarding securities in the Level 3 category.

Level 3 Valuation Processes

- Level 3 securities are priced by the Chief Investment Officer.
- Level 3 valuations are computed quarterly. Prices are evaluated quarterly against prior period prices and the expected change in price.
- The securities noted in the disclosure are primarily NRSRO rated debt instruments for which comparable market inputs are commonly available for evaluating the securities in question. Valuation of these debt instruments is not overly sensitive to changes in the unobservable inputs used.

Level 3 Valuation Methodologies

State and municipal bonds consisted of auction rate municipal bonds valued internally using either published quotes for similar securities or values produced by discounted cash flow models using yields currently available on fixed rate securities with a similar term and collateral, adjusted to consider the effect of a floating rate and a premium for illiquidity.

Corporate debt with limited observable inputs consisted of corporate bonds valued using dealer quotes for similar securities or discounted cash flow models using yields currently available for similar securities. Similar securities are defined as securities of comparable credit quality that have like terms and payment features. Assessments of credit quality were based on NRSRO ratings, if available, or were subjectively determined by management if not available. At June 30, 2015, 94% of the securities were rated; the average rating was A-.

Other asset-backed securities consisted of securitizations of receivables valued using dealer quotes for similar securities or discounted cash flow models using yields currently available for similar securities.

Equity securities and Other investments consisted of common stock and convertible securities for which limited observable inputs were available at June 30, 2015. The securities were valued internally based on expected cash flows, including the expected final recovery, discounted at a yield that considered the lack of liquidity and the financial status of the issuer.

Quantitative Information Regarding Level 3 Valuations

(In millions)	Fair Value at June 30, 2015	December 31, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:					
State and municipal bonds	$—	$5.0	Market Comparable Securities	Comparability Adjustment	0% - 10% (5%)
			Discounted Cash Flows	Comparability Adjustment	0% - 10% (5%)
Corporate debt with limited observable inputs	$8.5	$13.1	Market Comparable Securities	Comparability Adjustment	0% - 5% (2.5%)
			Discounted Cash Flows	Comparability Adjustment	0% - 5% (2.5%)
Other asset-backed securities	$4.8	$4.8	Market Comparable Securities	Comparability Adjustment	0% - 5% (2.5%)
			Discounted Cash Flows	Comparability Adjustment	0% - 5% (2.5%)
Equity securities and Other investments	$1.1	$—	Discounted Cash Flows	Comparability Adjustment	0% - 10% (5%)

The significant unobservable inputs used in the fair value measurement of the above listed securities were the valuations of comparable securities with similar issuers, credit quality and maturity. Changes in the availability of comparable securities could result in changes in the fair value measurements.

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Fair Value Measurements - Level 3 Assets
The following tables (the Level 3 Tables) present summary information regarding changes in the fair value of assets measured at fair value using Level 3 inputs.

	June 30, 2015 Level 3 Fair Value Measurements – Assets					
(In thousands)	U.S. Government-sponsored Enterprise Obligations	State and Municipal Bonds	Corporate Debt	Asset-backed Securities	Equity Securities and Other Investments	Total
Balance March 30, 2015	$—	$5,025	$9,977	$ 4,788	$ —	$19,790
Total gains (losses) realized and unrealized:						
Included in earnings, as a part of:						
Net investment income	—	—	—	—	—	—
Net realized investment gains (losses)	—	—	—	—	—	—
Included in other comprehensive income	—	(459)	21	(11)	(80)	(529)
Purchases	—	—	—	—	1,116	1,116
Sales	—	—	(536)	—	—	(536)
Transfers in	—	—	—	—	—	—
Transfers out	—	(4,566)	(994)	—	—	(5,560)
Balance June 30, 2015	$—	$—	$8,468	$ 4,777	$ 1,036	$14,281
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets held at period-end	$—	$—	$—	$ —	$ —	$—

	June 30, 2015 Level 3 Fair Value Measurements – Assets					
(In thousands)	U.S. Government-sponsored Enterprise Obligations	State and Municipal Bonds	Corporate Debt	Asset-backed Securities	Equity Securities and Other Investments	Total
Balance December 31, 2014	$—	$5,025	$13,081	$ 4,769	$ —	$22,875
Total gains (losses) realized and unrealized:						
Included in earnings, as a part of:						
Net investment income	—	—	17	—	—	17
Net realized investment gains (losses)	—	—	2	—	—	2
Included in other comprehensive income	—	(459)	(262)	8	(80)	(793)
Purchases	—	—	1,515	—	1,116	2,631
Sales	—	—	(836)	—	—	(836)
Transfers in	—	—	—	—	—	—
Transfers out	—	(4,566)	(5,049)	—	—	(9,615)
Balance June 30, 2015	$—	$—	$8,468	$ 4,777	$ 1,036	$14,281

Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets held at period-end	$—	$—	$—	$ —	$ —	$—

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	June 30, 2014					
	Level 3 Fair Value Measurements – Assets					
(In thousands)	U.S. Government-sponsored Enterprise Obligations	State and Municipal Bonds	Corporate Debt	Asset-backed Securities	Equity Securities and Other Investments	Total
Balance March 30, 2014	$999	$7,490	$12,381	$ 7,226	$—	$28,096
Total gains (losses) realized and unrealized:						
Included in earnings, as a part of:						
Net investment income	—	(4)	16	—	—	12
Net realized investment gains (losses)	—	—	—	—	—	—
Included in other comprehensive income	2	(26)	(2)	25	—	(1)
Purchases	—	—	2,499	1,175	—	3,674
Sales	—	—	(350)	(61)	—	(411)
Transfers in	—	1,549	—	—	—	1,549
Transfers out	(1,001)	(1,861)	—	(2,405)	—	(5,267)
Balance June 30, 2014	$—	$7,148	$14,544	$ 5,960	$—	$27,652
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets held at period-end	$—	$—	$—	$ —	$—	$—

	June 30, 2014					
	Level 3 Fair Value Measurements – Assets					
(In thousands)	U.S. Government-sponsored Enterprise Obligations	State and Municipal Bonds	Corporate Debt	Asset-backed Securities	Equity Securities and Other Investments	Total
Balance December 31, 2013	$—	$7,338	$14,176	$ 6,814	$—	$28,328
Total gains (losses) realized and unrealized:						
Included in earnings, as a part of:						
Net investment income	—	(6)	32	—	—	26
Net realized investment gains (losses)	—	(95)	3	—	—	(92)
Included in other comprehensive income	1	42	667	69	—	779
Purchases	1,000	1,861	2,499	3,340	—	8,700
Sales	—	(257)	(808)	(61)	—	(1,126)
Transfers in	—	2,119	—	305	—	2,424
Transfers out	(1,001)	(3,854)	(2,025)	(4,507)	—	(11,387)
Balance June 30, 2014	$—	$7,148	$14,544	$ 5,960	$—	$27,652
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets held at	$—	$—	$—	$ —	$—	$—

period-end

Transfers

There were no transfers between the Level 1 and Level 2 categories during the three and six months ended June 30, 2015 or 2014.

Transfers shown in the preceding Level 3 tables were as of the end of the period and were to or from Level 2.

All transfers during the three and six months ended June 30, 2015 and June 30, 2014 related to securities held for which the level of market activity for identical or nearly identical securities varies from period to period. The securities were valued using multiple observable inputs when those inputs were available; otherwise the securities were valued using limited observable inputs.

Fair Values Not Categorized

Investments in unconsolidated subsidiaries at both June 30, 2015 and December 31, 2014 included interests in investment fund LPs/LLCs that measure fund assets at fair value on a recurring basis and that provide a NAV for the interest. The carrying value of these interests is based on the NAV provided, and was considered to approximate the fair value of the interests. In accordance with GAAP, the fair value of these investments was not classified within the fair value hierarchy. Additional information regarding these investments is as follows:

	Unfunded Commitments	Fair Value	
(In thousands)	June 30, 2015	June 30, 2015	December 31, 2014
Investments in LPs/LLCs:			
Private debt funds (1)	$25,946	$38,812	$37,296
Long equity fund (2)	None	7,058	6,747
Long/short equity funds (3)	None	25,356	25,301
Non-public equity funds (4)	$53,356	65,374	51,811
Multi-strategy fund of funds (5)	None	8,534	8,271
Structured credit fund (6)	None	3,949	3,824
		$149,083	$133,250

(1) Comprised of interests in two unrelated LP funds that are structured to provide interest distributions primarily through diversified portfolios of private debt instruments. One LP allows redemption by special consent; the other does not permit redemption. Income and capital are to be periodically distributed at the discretion of the LPs over an anticipated time frame that spans from 3 to 8 years.

(2) The fund is an LP that holds long equities of public international companies. Redemptions are allowed at the end of any calendar month with a prior notice requirement of 15 days and are paid within 10 days of the end of the calendar month of the redemption request.

(3) Comprised of interests in multiple unrelated LP funds. The funds hold primarily long and short North American equities, and target absolute returns using strategies designed to take advantage of event-driven market opportunities. The funds generally permit quarterly or semi-annual capital redemptions subject to notice requirements of 30 to 90 days. For some funds, redemptions above specified thresholds (lowest threshold is 90%) may be only partially payable until after a fund audit is completed and are then payable within 30 days.

(4) Comprised of interests in three unrelated LP funds, each structured to provide capital appreciation through diversified investments in private equity, which can include investments in buyout, venture capital, mezzanine debt, distressed debt and other private equity-oriented LPs. One LP allows redemption by special consent; the others do not permit redemption. Income and capital are to be periodically distributed at the discretion of the LP over time frames that are anticipated to span up to 9 years.

(5) This fund is an LLC structured to build and manage low volatility, multi-manager portfolios that have little or no correlation to the broader fixed income and equity security markets. Redemptions are not permitted but the LLC Board is permitted discretion to periodically extend offers to repurchase units of the LLC.

(6) This fund is an LP seeking to obtain superior risk-adjusted absolute returns by acquiring and actively managing a diversified portfolio of debt securities, including bonds, loans and other asset-backed instruments. Redemptions are allowed at any quarter-end with a prior notice requirement of 90 days.

ProAssurance may not sell, transfer or assign its interest in any of the above LPs/LLCs without special consent from the LP/LLC.

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Financial Instruments - Methodologies Other Than Fair Value

The following table provides the estimated fair value of our financial instruments that, in accordance with GAAP for the type of investment, are measured using a methodology other than fair value. All fair values provided fall within the Level 3 fair value category.

(In thousands)	June 30, 2015 Carrying Value	Fair Value	December 31, 2014 Carrying Value	Fair Value
Financial assets:				
BOLI	$56,090	$56,090	$56,381	$56,381
Other investments	$59,510	$56,672	$57,099	$57,994
Other assets	$23,079	$23,052	$22,440	$22,399
Financial liabilities:				
Senior notes due 2023	$250,000	$267,853	$250,000	$276,503
Revolving credit agreement	$100,000	$100,000	$—	$—
Other liabilities	$15,259	$15,253	$14,656	$14,645

The fair value of the BOLI was equal to the cash surrender value associated with the policies on the valuation date.

Other investments listed in the table above include interests in certain investment fund LPs/LLCs accounted for using the cost method, investments in FHLB common stock carried at cost, and an annuity investment carried at amortized cost. The estimated fair value of the LP/LLC interests was based on the equity value of the interest provided by the LP/LLC managers for the most recent quarter, which approximates the fair value of the interest. The estimated fair value of the FHLB common stock was based on the amount ProAssurance would receive if its membership were canceled, as the membership cannot be sold. The fair value of the annuity represents the present value of the expected future cash flows discounted using a rate available in active markets for similarly structured instruments.

Other assets and Other liabilities primarily consisted of related investment assets and liabilities associated with funded deferred compensation agreements. Fair values of the funded deferred compensation assets and liabilities were based on the NAVs provided by the underlying funds. Other assets also included a secured note receivable and an unsecured receivable under a revolving credit agreement. Fair value of these receivables was based on the present value of expected cash flows from the receivables, discounted at market rates on the valuation date for receivables with similar credit standings and similar payment structures. Other liabilities also included certain contractual liabilities related to prior business combinations. The fair values of the business combination liabilities were based on the present value of the expected future cash outflows, discounted at ProAssurance’s assumed incremental borrowing rate on the valuation date for unsecured liabilities with similar repayment structures.

The fair value of the long-term debt was estimated based on the present value of expected future cash outflows, discounted at rates available on the valuation date for similar debt issued by entities with a similar credit standing to ProAssurance.

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3. Investments

Available-for-sale securities at June 30, 2015 and December 31, 2014 included the following:

	June 30, 2015			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities				
U.S. Treasury obligations	$97,491	$2,223	$208	$99,506
U.S. Government-sponsored enterprise obligations	28,452	1,328	45	29,735
State and municipal bonds	969,667	36,244	2,300	1,003,611
Corporate debt	1,387,556	36,992	17,402	1,407,146
Residential mortgage-backed securities	261,015	7,738	1,480	267,273
Agency commercial mortgage-backed securities	11,135	238	25	11,348
Other commercial mortgage-backed securities	45,032	698	113	45,617
Other asset-backed securities	102,804	368	55	103,117
	$2,903,152	$85,829	$21,628	$2,967,353

	December 31, 2014			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities				
U.S. Treasury obligations	$163,714	$3,785	$987	$166,512
U.S. Government-sponsored enterprise obligations	38,022	1,641	100	39,563
State and municipal bonds	1,015,555	47,395	335	1,062,615
Corporate debt	1,389,970	44,234	17,103	1,417,101
Residential mortgage-backed securities	266,306	10,198	448	276,056
Agency commercial mortgage-backed securities	15,344	208	59	15,493
Other commercial mortgage-backed securities	50,025	1,137	99	51,063
Other asset-backed securities	116,541	288	205	116,624
	$3,055,477	$108,886	$19,336	$3,145,027

The recorded cost basis and estimated fair value of available-for-sale fixed maturities at June 30, 2015, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Amortized Cost	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total Fair Value
Fixed maturities, available for sale						
U.S. Treasury obligations	$97,491	$14,924	$69,645	$11,744	$3,193	$99,506
U.S. Government-sponsored enterprise obligations	28,452	2,649	19,404	7,345	337	29,735
State and municipal bonds	969,667	50,386	341,963	443,042	168,220	1,003,611
Corporate debt	1,387,556	106,506	731,107	540,308	29,225	1,407,146
Residential mortgage-backed securities	261,015					267,273
Agency commercial mortgage-backed securities	11,135					11,348
Other commercial mortgage-backed securities	45,032					45,617
Other asset-backed securities	102,804					103,117
	$2,903,152					$2,967,353

Excluding obligations of the U.S. Government or U.S. Government-sponsored enterprises, no investment in any entity or its affiliates exceeded 10% of Shareholders' equity at June 30, 2015.

Cash and securities with a carrying value of $49.6 million at June 30, 2015 were on deposit with various state insurance departments to meet regulatory requirements. ProAssurance also held securities with a carrying value of $126.4 million at June 30, 2015 that are pledged as collateral security for advances under the Revolving Credit Agreement (see Note 8 of the Notes to Condensed Consolidated Financial Statements for additional detail on the Revolving Credit Agreement).

As a member of Lloyd's and a capital provider to Syndicate 1729, ProAssurance is required to maintain capital at Lloyd's, referred to as FAL. ProAssurance investments at June 30, 2015 included fixed maturities with a fair value of $89.3 million and short term investments with a fair value of approximately $0.2 million on deposit with Lloyd's in order to satisfy these FAL requirements.

BOLI

ProAssurance holds BOLI policies that are carried at the current cash surrender value of the policies (original cost $33 million). All insured individuals were management employees at the time the policies were acquired. The primary purpose of the program is to offset future employee benefit expenses through earnings on the cash value of the policies. ProAssurance is the owner and principal beneficiary of these policies.

Other Investments

Other investments at June 30, 2015 and December 31, 2014 were comprised as follows:

(In thousands)	June 30, 2015	December 31, 2014
Investments in LPs/LLCs, at cost	$55,978	$53,258
Convertible securities, at fair value	31,600	28,958
Other, principally FHLB capital stock, at cost	3,532	3,841
	$91,110	$86,057

Investments in convertible securities are carried at fair value as permitted by the accounting guidance for hybrid financial instruments, with changes in fair value recognized in income as a component of Net realized investment gains or losses during the period of change. Interest on convertible securities is recorded on an accrual basis based on contractual interest rates and is included in Net investment income.

FHLB capital stock is not marketable, but may be liquidated by terminating membership in the FHLB. The liquidation process can take up to five years.

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Unconsolidated Subsidiaries

ProAssurance holds investments in unconsolidated subsidiaries, accounted for under the equity method. The investments include the following:

(In thousands)	June 30, 2015 Percentage Ownership	Carrying Value June 30, 2015	December 31, 2014
Investment in LPs/LLCs:			
Qualified affordable housing tax credit partnerships	See below	$126,440	$133,143
Other tax credit partnerships	See below	3,717	—
All other LPs/LLCs	< 25%	161,504	143,358
		$291,661	$276,501

Qualified affordable housing tax credit partnership interests held by ProAssurance generate investment returns by providing tax benefits to fund investors in the form of tax credits and project operating losses. The carrying value of these investments reflects our total commitments (both funded and unfunded) to the partnerships. ProAssurance's ownership percentage relative to two of the tax credit partnership interests is almost 100%; these interests had a carrying value of $55.7 million at June 30, 2015. ProAssurance's ownership percentage relative to the remaining tax credit partnership interests is less than 20%; these interests had a carrying value of $70.7 million at June 30, 2015. ProAssurance does not have the ability to exert control over the partnerships; all are accounted for using the equity method.

Other tax credit partnerships are comprised entirely of historic tax credits. The historic tax credits generate investment returns by providing benefits to fund investors in the form of tax credits, tax deductible project operating losses and positive cash flows. ProAssurance's ownership percentage relative to the tax credit partnerships is almost 100%. ProAssurance does not have the ability to exert control over the partnerships; the interests are accounted for using the equity method.

As discussed in additional detail in Note 2 of the Notes to Condensed Consolidated Financial Statements, ProAssurance holds interests in certain LPs/LLCs that are investment funds which measure fund assets at fair value on a recurring basis and the fund managers provide a NAV for the interest. The carrying value of these interests is based on the NAV provided, and is considered to approximate the fair value of the interests; such interests totaled $149.1 million at June 30, 2015 and $133.3 million at December 31, 2014. ProAssurance also holds interests in other LPs/LLCs where the carrying value is not considered to approximate the estimated fair value of the interest; such interests totaled $12.4 million at June 30, 2015 and $10.1 million at December 31, 2014.

Investments Held in a Loss Position

The following tables provide summarized information with respect to investments held in an unrealized loss position at June 30, 2015 and December 31, 2014, including the length of time the investment had been held in a continuous unrealized loss position.

	June 30, 2015					
	Total		Less than 12 months		12 months or longer	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities, available for sale						
U.S. Treasury obligations	$31,127	$207	$25,299	$150	$5,828	$57
U.S. Government-sponsored enterprise obligations	3,447	46	3,447	46	—	—
State and municipal bonds	130,171	2,300	124,146	2,014	6,025	286
Corporate debt	497,704	17,403	444,860	12,629	52,844	4,774
Residential mortgage-backed securities	82,512	1,480	72,839	1,215	9,673	265
Agency commercial mortgage-backed securities	609	25	187	—	422	25
Other commercial mortgage-backed securities	14,379	114	10,436	92	3,943	22
Other asset-backed securities	27,088	53	18,441	33	8,647	20
	$787,037	$21,628	$699,655	$16,179	$87,382	$5,449
Other investments						
Investments in LPs/LLCs carried at cost	$29,076	$4,552	$29,076	$4,552	$—	$—

	December 31, 2014					
	Total		Less than 12 months		12 months or longer	
(In thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities, available for sale						
U.S. Treasury obligations	$61,209	$987	$46,869	$617	$14,340	$370
U.S. Government-sponsored enterprise obligations	6,268	100	2,775	44	3,493	56
State and municipal bonds	39,831	335	18,910	84	20,921	251
Corporate debt	423,107	17,103	326,804	13,236	96,303	3,867
Residential mortgage-backed securities	45,006	448	14,406	31	30,600	417
Agency commercial mortgage-backed securities	4,783	59	70	—	4,713	59
Other commercial mortgage-backed securities	13,860	99	7,005	28	6,855	71
Other asset-backed securities	62,577	205	59,176	109	3,401	96
	$656,641	$19,336	$476,015	$14,149	$180,626	$5,187
Other investments						
Investments in LPs/LLCs carried at cost	$23,683	$3,948	$22,265	$3,711	$1,418	$237

As of June 30, 2015, excluding U.S. Government backed securities, there were 651 debt securities (23.5% of all available-for-sale fixed maturity securities held) in an unrealized loss position representing 475 issuers. The greatest and second greatest unrealized loss position among those securities were approximately $1.0 million and $0.8 million, respectively. The securities were evaluated for impairment as of June 30, 2015.

As of December 31, 2014, excluding U.S. Government backed securities, there were 588 debt securities (20.5% of all available-for-sale fixed maturity securities held) in an unrealized loss position representing 434 issuers. The greatest and second greatest unrealized loss position among those securities approximated $1.7 million and $0.7 million, respectively. The securities were evaluated for impairment as of December 31, 2014.

Each quarter, ProAssurance performs a detailed analysis for the purpose of assessing whether any of the securities it holds in an unrealized loss position have suffered an other-than-temporary impairment in value. A detailed discussion of the factors considered in the assessment is included in Note 1 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2014 Form 10-K.

Fixed maturity securities held in an unrealized loss position at June 30, 2015, excluding asset-backed securities, have paid all scheduled contractual payments and are expected to continue doing so. Expected future cash flows of asset-backed securities held in an unrealized loss position were estimated as part of the June 30, 2015 impairment evaluation using the most recently available six-month historical performance data for the collateral (loans) underlying the security or, if historical data was not available, sector based assumptions, and equaled or exceeded the current amortized cost basis of the security.

Net Investment Income

Net investment income by investment category was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands)	2015	2014	2015	2014
Fixed maturities	$25,025	$28,919	$49,984	$56,960
Equities	3,456	2,551	6,468	4,818
Short-term and Other investments	396	518	902	1,930
BOLI	474	452	930	898
Investment fees and expenses	(1,396)	(2,215)	(3,026)	(4,649)
Net investment income	$27,955	$30,225	$55,258	$59,957

Equity in Earnings (Loss) from Unconsolidated Subsidiaries

Equity in earnings (loss) from unconsolidated subsidiaries included losses due to amortization resulting from the allocable portion of the projected operating losses of qualified affordable housing project tax credits investments of $2.6 million and $5.2 million for the three- and six-month periods ended June 30, 2015, respectively, and $2.4 million and $4.0 million for the three- and six-month periods ended June 30, 2014, respectively.

Net Realized Investment Gains (Losses)

Realized investment gains and losses are recognized on the specific identification basis. The following table provides detailed information regarding net realized investment gains (losses):

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands)	2015	2014	2015	2014
Total OTTI losses:				
State and municipal bonds	$—	$—	$—	$(50)
Corporate debt	(1,209)	—	(4,480)	—
Portion recognized in (reclassified from) OCI:				
Corporate debt	348	—	1,789	—
Net impairments recognized in earnings	$(861)	$—	$(2,691)	$(50)
Gross realized gains, available-for-sale securities	3,627	2,170	7,640	2,975
Gross realized (losses), available-for-sale securities	(810)	(265)	(2,065)	(319)
Net realized gains (losses), trading securities	9,525	4,819	12,192	18,602
Net realized gains (losses), Other investments	602	68	718	266
Change in unrealized holding gains (losses), trading securities	(15,751)	5,443	(14,893)	(7,503)
Change in unrealized holding gains (losses), convertible securities, carried at fair value	(968)	811	(698)	1,819
Other	808	—	808	—
Net realized investment gains (losses)	$(3,828)	$13,046	$1,011	$15,790

ProAssurance recognized credit-related impairments totaling $0.9 million and $2.7 million for the three- and six-month periods ended June 30, 2015. The impairments related to high-yield securities from issuers in the energy industry. ProAssurance also recognized non-credit impairments related to these securities of $0.3 million and $1.8 million for the same respective periods, as the fair value of the securities was less than the future cash flows expected to be received from the securities.

The following table presents a roll forward of cumulative credit losses recorded in earnings related to impaired debt securities for which a portion of the OTTI was recorded in OCI.

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands)	2015	2014	2015	2014
Balance beginning of period	$2,062	$83	$232	$83
Additional credit losses recognized during the period, related to securities for which:				
No OTTI has been previously recognized	—	—	1,830	—
OTTI has been previously recognized	861	—	861	—
Reductions due to:				
Securities sold during the period (realized)	(293)	—	(293)	—
Balance June 30	$2,630	$83	$2,630	$83

Other information regarding sales and purchases of available-for-sale securities is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(In millions)	2015	2014	2015	2014
Proceeds from sales (exclusive of maturities and paydowns)	$95.1	$105.7	$301.0	$122.5
Purchases	$160.5	$235.1	$375.6	$365.4

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4. Income Taxes

ProAssurance estimates its annual effective tax rate at the end of each quarterly reporting period and uses this estimated rate to record the provision for income taxes in the interim financial statements. The provision for income taxes is different from that which would be obtained by applying the statutory Federal income tax rate to income before taxes primarily because a portion of ProAssurance’s investment income is tax-exempt, because ProAssurance utilizes tax credit benefits transferred from tax credit partnership investments, and because no tax benefit is received related to the operating loss or the U.K. tax expense associated with our Lloyd's Syndicate segment.

ProAssurance had receivables for federal income taxes of $7.3 million at June 30, 2015 and $1.1 million at December 31, 2014, both carried as a part of Other Assets. The liability for unrecognized tax benefits was $0.7 million at June 30, 2015 and $0.6 million at December 31, 2014.

5. Deferred Policy Acquisition Costs

Policy acquisition costs that are primarily and directly related to the successful production of new and renewal insurance contracts, most significantly agent commissions, premium taxes, and underwriting salaries and benefits, are capitalized as policy acquisition costs and amortized to expense, net of ceding commissions earned, as the related premium revenues are earned.

Amortization of DPAC was $19.9 million and $38.9 million for the three and six months ended June 30, 2015, respectively, and $21.4 million and $41.2 million for the three and six months ended June 30, 2014, respectively.

6. Reserve for Losses and Loss Adjustment Expenses

The reserve for losses is established based on estimates of individual claims and actuarially determined estimates of future losses based on ProAssurance’s past loss experience, available industry data and projections as to future claims frequency, severity, inflationary trends and settlement patterns. Estimating the reserve, particularly the reserve appropriate for liability exposures, is a complex process. Claims may be resolved over an extended period of time, often five years or more, and may be subject to litigation. Estimating losses requires ProAssurance to make and revise judgments and assessments regarding multiple uncertainties over an extended period of time. As a result, the reserve estimate may vary significantly from the eventual outcome. The assumptions used in establishing ProAssurance’s reserve are regularly reviewed and updated by management as new data becomes available. Changes to estimates of previously established reserves are included in earnings in the period in which the estimate is changed.

During the three and six months ended June 30, 2015, ProAssurance recognized favorable net loss development of $35.1 million and $68.6 million, respectively, related to prior accident years. The favorable net loss development primarily reflected reductions in the Company's estimates of claims severity related to the 2008 through 2012 accident years.

For the three and six months ended June 30, 2014, ProAssurance recognized favorable net loss development of $42.2 million and $90.4 million, respectively, to reflect reductions in estimated claims severity related to the 2007 through 2011 accident years.

7. Commitments and Contingencies

ProAssurance is involved in various legal actions related to insurance policies and claims handling including, but not limited to, claims asserted by policyholders. These types of legal actions arise in the Company's ordinary course of business and, in accordance with GAAP for insurance entities, are considered as a part of the Company's loss reserving process, which is described in detail under the heading "Losses and Loss Adjustment Expenses" in the Accounting Policies section in Note 1 of the Notes to Consolidated Financial Statements in ProAssurance's 2014 Form 10-K.

ProAssurance has funding commitments primarily related to non-public investment entities totaling approximately $143.4 million, expected to be paid as follows: $55.0 million in 2015, $87.0 million in 2016 and 2017 combined, $0.7 million in 2018 and 2019 combined and $0.7 million thereafter. Of these funding commitments, $13.3 million are related to qualified affordable housing project tax credit investments and are expected to be paid as follows: $11.9

million in 2015, $0.5 million in 2016 and 2017 combined, $0.3 million in 2018 and 2019 combined and $0.6 million thereafter.

As a member of Lloyd's and a capital provider to Syndicate 1729, ProAssurance is required to provide capital, referred to as FAL. At June 30, 2015, ProAssurance was satisfying the FAL requirement with investment securities on deposit with Lloyd's with a carrying value of $89.5 million (see Note 3 of the Notes to Condensed Consolidated Financial Statements).

ProAssurance has issued an unconditional revolving credit agreement of up to £10 million to the Premium Trust Fund of Syndicate 1729 for the purpose of providing working capital. Advances under this Syndicate Credit Agreement bear interest at 8.5% annually, and are repayable upon demand after December 31, 2016. As of June 30, 2015, the unused commitment under the Syndicate Credit Agreement approximated £2.0 million ($3.1 million as of June 30, 2015).

8. Long-term Debt

ProAssurance’s outstanding long-term debt consisted of the following:

(In thousands)	June 30, 2015	December 31, 2014
Senior notes due 2023, unsecured, interest at 5.3% annually	$250,000	$250,000
Revolving Credit Agreement, outstanding borrowings fully secured, see Note 3, and carried at an interest rate of 0.77%. The interest rate on the borrowing is set at the time the borrowing is initiated or renewed. The current borrowing can be repaid or renewed in October 2015. If renewed, the interest rate will reset.	100,000	—
	$350,000	$250,000

Revolving Credit Agreement

During June 2015, ProAssurance amended certain terms of its Revolving Credit Agreement to include the following:
(1) The available line of credit of $200 million has been expanded to include an additional $50 million accordion feature, which if subscribed successfully, would also be available for use.
(2) All borrowings are required to be repaid prior to the expiration date which has been extended to June 19, 2020.
(3) ProAssurance is required to pay a commitment fee, ranging from 12.5 to 25 basis points based on ProAssurance's credit ratings, on the average unused portion of the credit line during the term of the Revolving Credit Agreement.
(4) Borrowing under the Revolving Credit Agreement may be secured or unsecured and accrue interest at a selected base rate, adjusted by a margin, which can vary from 0 to 163 basis points, based on ProAssurance's credit rating and whether the borrowing is secured or unsecured.

In addition, the financial covenants were amended to replace the original minimum net worth calculation with a requirement that ProAssurance maintain a net worth, excluding AOCI, of at least $1.3 billion.

Covenant Compliance

There are no financial covenants associated with the Senior Notes due 2023.

The Revolving Credit Agreement contains customary representations, covenants and events constituting default, and remedies for default. The Revolving Credit Agreement also defines financial covenants regarding permitted leverage ratios. ProAssurance is currently in compliance with all covenants of the Agreement.

Additional Information

For additional information regarding ProAssurance's long-term debt, see Note 10 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2014 Form 10-K.

9. Shareholders' Equity

At June 30, 2015 and December 31, 2014, ProAssurance had 100 million shares of authorized common stock and 50 million shares of authorized preferred stock. The Board has the authority to determine provisions for the issuance of preferred shares, including the number of shares to be issued, the designations, powers, preferences and rights, and the qualifications, limitations or restrictions of such shares. To date, the Board has not approved the issuance of preferred stock.

ProAssurance declared cash dividends of $0.31 per share during the first and second quarters of 2015 totaling $33.9 million, which included the second quarter dividend of $16.7 million that was paid in July 2015. ProAssurance declared cash dividends of $0.30 per share during both the first and second quarters of 2014 totaling $35.5 million, which included the second quarter dividend of $17.6 million that was paid in July 2014.

At June 30, 2015, Board authorizations for the repurchase of common shares or the retirement of outstanding debt of $158.2 million remained available for use, which included a $100 million increase to the authorization approved by the Board in May 2015. ProAssurance repurchased approximately 2.7 million shares during each six-month period ending June 30, 2015 and 2014 at a total cost of $123.3 million and $122.3 million, respectively.

Share-based compensation expense was $2.3 million and $5.0 million for the three and six months ended June 30, 2015, respectively, and $2.4 million and $5.6 million for the three and six months ended June 30, 2014, respectively. Related tax benefits were $0.8 million and $1.7 million for the three and six months ended June 30, 2015, respectively, and $0.8 million and $2.0 million for the three and six months ended June 30, 2014, respectively.

ProAssurance awarded approximately 92,000 restricted share units and 106,500 base performance share units to employees in February 2015. The fair value of each unit awarded was estimated at $42.73, equal to the market value of a ProAssurance common share on the date of grant less the estimated present value of dividends during the vesting period. All awards are charged to expense as an increase to equity over the service period (generally the vesting period) associated with the award. Restricted share units and performance share units vest in their entirety at the end of a three-year period following the grant date based on a continuous service requirement and, for performance share units, achievement of a performance objective. Partial vesting is permitted for retirees. A ProAssurance common share is issued for each unit once vesting requirements are met, except that units sufficient to satisfy required tax withholdings are paid in cash. The number of common shares issued for performance share units varies from 75% to 125% of base awards depending upon the degree to which stated performance objectives are achieved. ProAssurance issued approximately 28,000 and 116,000 common shares to employees in February 2015 related to restricted share units and performance share units, respectively, granted in 2012. Performance share units for the 2012 award were issued at levels ranging from 104% to 125%.

ProAssurance issued approximately 28,000 common shares to employees in February 2015 as bonus compensation, as approved by the Compensation Committee of the Board. The shares issued were valued at fair value (the market price of a ProAssurance common share on the date of award).

Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

For the three and six months ended June 30, 2015 and June 30, 2014, OCI was primarily comprised of unrealized gains and losses, including non-credit impairment losses, arising during the period related to available-for-sale securities, less reclassification adjustments as shown in the table that follows, net of tax. For the six months ended June 30, 2015, OCI also included losses related to unrecognized changes in defined benefit plan liabilities of $1.0 million, net of tax, from the reestimation of two defined benefit plans assumed in the Eastern acquisition. Both plans are frozen as to the earning of additional benefits, but the unrecognized plan benefit liability is reestimated annually.

At June 30, 2015 and December 31, 2014, AOCI was primarily comprised of unrealized gains and losses from available-for-sale securities, including non-credit impairments recognized in OCI of $0.8 million and $0.5 million, respectively, net of tax. At June 30, 2015 AOCI also included losses of $1.0 million related to unrecognized changes in defined benefit plan liabilities, net of tax. All tax effects were computed using a 35% rate. OCI and AOCI also included immaterial amounts of foreign currency translation adjustments.

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Amounts reclassified from accumulated other comprehensive income to net income and the amounts of deferred tax expense (benefit) included in OCI were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands)	2015	2014	2015	2014
Reclassifications from AOCI to net income, available-for-sale securities:				
Realized investment gains (losses)	$1,956	$1,905	$2,884	$2,606
Tax effect (at 35%)	(685)	(667)	(1,009)	(912)
Net reclassification adjustments	$1,271	$1,238	$1,875	$1,694
Deferred tax expense (benefit) included in OCI	$(13,481)	$5,932	$(9,349)	$11,634

10. Variable Interest Entities

ProAssurance holds passive interests in a number of entities that are considered to be VIEs under GAAP guidance. ProAssurance's VIE interests principally consist of interests in LPs/LLCs formed for the purpose of achieving diversified equity and debt returns. ProAssurance's VIE interests carried as a part of Other investments totaled $36.0 million at June 30, 2015 and $33.3 million at December 31, 2014. ProAssurance's VIE interests carried as a part of Investment in unconsolidated subsidiaries totaled $72.9 million at June 30, 2015 and $65.0 million at December 31, 2014.

ProAssurance has not consolidated these VIEs because it has either very limited or no power to control the activities that most significantly affect the economic performance of these entities and is not the primary beneficiary of any of the entities. ProAssurance’s involvement with each entity is limited to its direct ownership interest in the entity. ProAssurance has no arrangements with any of the entities to provide other financial support to or on behalf of the entity. At June 30, 2015, ProAssurance’s maximum loss exposure relative to these investments was limited to the carrying value of ProAssurance’s investment in the VIE.

11. Earnings Per Share

Diluted weighted average shares is calculated as basic weighted average shares plus the effect, calculated using the treasury stock method, of assuming that dilutive stock options have been exercised and that performance, restricted and purchase share units have vested. All outstanding stock options, performance, restricted and purchase share units had a dilutive effect for the three and six months ended June 30, 2015 and 2014.

12. Segment Information

ProAssurance operates in four segments that are organized around the nature of the products and services provided: Specialty P&C, Workers' Compensation, Lloyd's Syndicate, and Corporate. A description of each segment follows.
Specialty P&C is primarily focused on professional liability insurance and medical technology liability insurance. The professional liability business primarily offers professional liability insurance to healthcare providers and institutions and to attorneys and their firms. Medical technology liability insurance is offered for medical technology and life sciences companies that manufacture or distribute products. The Specialty P&C segment cedes certain premium to the Lloyd's Syndicate segment under an agreement with Syndicate 1729. As discussed below, Syndicate 1729 operating results are reported on a quarter delay. The ceded premium associated with the Syndicate 1729 reinsurance agreement has been reported within the Specialty P&C segment on a similar delay, as this results in the ceded premium being reported in the same period in which the Lloyd's Syndicate segment reports the corresponding assumed premium.
Workers' Compensation provides workers' compensation products primarily to employers with 1,000 or fewer employees. The segment also offers alternative market solutions whereby policies written are 100% ceded either to a captive insurer unaffiliated with ProAssurance or to SPCs operated by a wholly owned subsidiary of ProAssurance. The SPCs are fully or partially owned by the employer (or employer group, association or affiliate) insured by the policies ceded. Financial results (underwriting profit or loss, plus investment results) of the SPCs accrue to the owners of that cell.
Lloyd's Syndicate includes operating results from ProAssurance's 58% participation in Lloyd's of London Syndicate 1729. Syndicate 1729 underwrites risks over a wide range of property and casualty insurance and reinsurance lines in both the U.S and international markets. The results of this segment are reported on a quarter delay, except that investment results associated with the FAL investments and certain U.S. paid administrative expenses, primarily start-up costs, are reported concurrently as that information is available on an earlier time frame.
Corporate includes ProAssurance's U.S. investment operations, interest expense and U.S. income taxes, all of which are managed at the corporate level, non-premium revenues generated outside of our insurance entities, and corporate expenses.
The accounting policies of the segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements in ProAssurance’s December 31, 2014 report on Form 10-K and Note 1 of the Notes to Condensed Consolidated Financial Statements. ProAssurance evaluates performance of its Specialty P&C and Workers' Compensation segments based on before tax underwriting profit or loss, and excludes investment performance. Performance of the Lloyd's Syndicate segment is evaluated based on underwriting profit or loss, plus investment results of investment assets solely allocated to Syndicate 1729 operations, net of U.K. income tax expense. Performance of the Corporate segment is evaluated based on the contribution made to consolidated after tax results. ProAssurance accounts for inter-segment transactions as if the transactions were to third parties at current market prices. Assets are not allocated to segments because investments and other assets are not managed at the segment level.

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ProAssurance Corporation and Subsidiaries
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June 30, 2015

Financial data by segment for the three and six months ended June 30, 2015 and 2014 were as follows:

	Three Months Ended June 30, 2015					
(In thousands)	Specialty P&C	Workers' Compensation	Lloyd's Syndicate	Corporate	Inter-segment Eliminations	Consolidated
Net premiums earned	$112,608	$ 53,581	$9,104	$—	$ —	$ 175,293
Net investment income	—	—	189	27,766	—	27,955
Equity in earnings (loss) of unconsolidated subsidiaries	—	—				