FBL FINANCIAL GROUP INC
Form 10-Q
November 03, 2015

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

FORM 10-Q

(Mark one)

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended September 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: 1-11917
(Exact name of registrant as specified in its charter)

Iowa (State or other jurisdiction of incorporation or organization)	42-1411715 (I.R.S. Employer Identification No.)
5400 University Avenue, West Des Moines, Iowa (Address of principal executive offices)	50266-5997 (Zip Code)

(515) 225-5400
(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. [X] 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 (Section 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). [X] 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ]   Accelerated filer [X]   Non-accelerated filer [ ]   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 [X] No

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

Title of each class	Outstanding at October 30, 2015
Class A Common Stock, without par value	24,769,873
Class B Common Stock, without par value	11,413

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FBL FINANCIAL GROUP, INC.
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015
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ITEM 1. FINANCIAL STATEMENTS

FBL FINANCIAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollars in thousands)

	September 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturities - available for sale, at fair value (amortized cost: 2015 - $6,332,977; 2014 - $6,111,433)	$6,720,128	$6,700,698
Equity securities - available for sale, at fair value (cost: 2015 - $116,822; 2014 - $107,410)	120,543	112,623
Mortgage loans	694,069	629,296
Real estate	3,438	3,622
Policy loans	185,353	182,502
Short-term investments	17,314	48,585
Other investments	1,075	3,644
Total investments	7,741,920	7,680,970
Cash and cash equivalents	32,637	76,632
Securities and indebtedness of related parties	141,089	129,872
Accrued investment income	83,959	76,445
Amounts receivable from affiliates	5,436	2,666
Reinsurance recoverable	102,845	101,247
Deferred acquisition costs	292,450	220,760
Value of insurance in force acquired	21,053	22,497
Other assets	74,235	70,286
Assets held in separate accounts	617,172	683,033
Total assets	$9,112,796	$9,064,408

FBL FINANCIAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS (Continued)
(Dollars in thousands)

	September 30, 2015	December 31, 2014
Liabilities and stockholders' equity		
Liabilities:		
Future policy benefits:		
Interest sensitive products	$4,722,977	$4,543,980
Traditional life insurance and accident and health products	1,620,174	1,581,138
Other policy claims and benefits	39,645	34,895
Supplementary contracts without life contingencies	342,260	341,955
Advance premiums and other deposits	256,973	248,679
Amounts payable to affiliates	679	188
Long-term debt payable to non-affiliates	97,000	97,000
Current income taxes	13,514	2,764
Deferred income taxes	153,028	205,698
Other liabilities	82,065	72,196
Liabilities related to separate accounts	617,172	683,033
Total liabilities	7,945,487	7,811,526
Stockholders' equity:		
FBL Financial Group, Inc. stockholders' equity:		
Preferred stock, without par value, at liquidation value - authorized 10,000,000 shares, issued and outstanding 5,000,000 Series B shares	3,000	3,000
Class A common stock, without par value - authorized 88,500,000 shares, issued and outstanding 24,766,512 shares in 2015 and 24,703,903 shares in 2014	148,016	144,625
Class B common stock, without par value - authorized 1,500,000 shares, issued and outstanding 11,413 shares in 2015 and 2014	72	72
Accumulated other comprehensive income	169,560	258,410
Retained earnings	846,630	846,737
Total FBL Financial Group, Inc. stockholders' equity	1,167,278	1,252,844
Noncontrolling interest	31	38
Total stockholders' equity	1,167,309	1,252,882
Total liabilities and stockholders' equity	$9,112,796	$9,064,408

See accompanying notes.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues:				
Interest sensitive product charges	$29,856	$27,633	$86,250	$82,085
Traditional life insurance premiums	46,719	45,020	142,758	137,956
Net investment income	95,882	95,744	292,144	283,590
Net realized capital gains (losses) on sales of investments	(93)	1,273	7,509	3,539
Total other-than-temporary impairment losses	(559)	(273)	(719)	(273)
Non-credit portion in other comprehensive income (loss)	146	—	146	—
Net impairment losses recognized in earnings	(413)	(273)	(573)	(273)
Other income	3,543	4,023	12,097	10,895
Total revenues	175,494	173,420	540,185	517,792
Benefits and expenses:				
Interest sensitive product benefits	53,940	53,002	163,121	158,145
Traditional life insurance benefits	41,604	38,375	131,967	121,863
Policyholder dividends	2,885	2,834	8,802	9,086
Underwriting, acquisition and insurance expenses	36,176	34,829	107,535	103,547
Interest expense	1,213	1,197	3,637	3,495
Other expenses	4,277	3,488	13,425	11,999
Total benefits and expenses	140,095	133,725	428,487	408,135
	35,399	39,695	111,698	109,657
Income taxes	(11,520)	(12,535)	(36,057)	(35,102)
Equity income, net of related income taxes	2,761	2,992	6,932	7,171
Net income	26,640	30,152	82,573	81,726
Net loss attributable to noncontrolling interest	19	7	49	67
Net income attributable to FBL Financial Group, Inc.	$26,659	$30,159	$82,622	$81,793
Earnings per common share	$1.07	$1.21	$3.31	$3.28
Earnings per common share - assuming dilution	$1.06	$1.21	$3.30	$3.26
Cash dividends per common share	$0.40	$0.35	$1.20	$1.05
Special cash dividend per common share	$—	$—	$2.00	$—

See accompanying notes.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(Dollars in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income	$26,640	$30,152	$82,573	$81,726
Other comprehensive income (loss) (1)				
Change in net unrealized investment gains/losses	(2,802)	(8,154)	(89,488)	114,758
Non-credit impairment losses	(85)	—	(85)	—
Change in underfunded status of postretirement benefit plans	246	181	723	536
Total other comprehensive income (loss), net of tax	(2,641)	(7,973)	(88,850)	115,294
Total comprehensive income (loss), net of tax	23,999	22,179	(6,277)	197,020
Comprehensive loss attributable to noncontrolling interest	19	7	49	67
Total comprehensive income (loss) applicable to FBL Financial Group, Inc.	$24,018	$22,186	$(6,228)	$197,087

(1) Other comprehensive income (loss) is recorded net of deferred income taxes and other adjustments for assumed changes in deferred acquisition costs, value of insurance in force acquired, unearned revenue reserve and policyholder liabilities.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)
(Dollars in thousands)

	FBL Financial Group, Inc. Stockholders' Equity					
	Preferred Stock	Common Stock	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
Balance at January 1, 2014	$3,000	$135,065	$ 119,067	$787,609	$50	$ 1,044,791
Net income - nine months ended September 30, 2014	—	—	—	81,793	(67)	81,726
Other comprehensive income	—	—	115,294	—	—	115,294
Issuance of common stock under compensation plans	—	9,560	—	—	—	9,560
Purchase of common stock	—	(2,201)	—	(14,741)	—	(16,942)
Dividends on preferred stock	—	—	—	(112)	—	(112)
Dividends on common stock	—	—	—	(25,948)	—	(25,948)
Receipts related to noncontrolling interest	—	—	—	—	93	93
Balance at September 30, 2014	$3,000	$142,424	$ 234,361	$828,601	$76	$ 1,208,462
Balance at January 1, 2015	$3,000	$144,697	$ 258,410	$846,737	$38	$ 1,252,882
	—	—	—	82,622	(49)	82,573

Net income - nine months ended September 30, 2015						
Other comprehensive loss	—	—	(88,850)	—	—	(88,850)
Issuance of common stock under compensation plans	—	3,790	—	—	—	3,790
Purchase of common stock	—	(399)	—	(3,343)	—	(3,742)
Dividends on preferred stock	—	—	—	(112)	—	(112)
Dividends on common stock	—	—	—	(79,274)	—	(79,274)
Receipts related to noncontrolling interest	—	—	—	—	42	42
Balance at September 30, 2015	$3,000	$148,088	$ 169,560	$846,630	$31	$ 1,167,309

See accompanying notes.

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	Nine months ended September 30, 2015	2014
Operating activities		
Net income	$82,573	$81,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest credited to account balances	113,783	111,324
Charges for mortality, surrenders and administration	(81,011)	(78,708)
Net realized gains on investments	(6,936)	(3,266)
Change in fair value of derivatives	292	(777)
Increase in traditional life and accident and health benefit liabilities	39,037	47,853
Deferral of acquisition costs	(30,682)	(30,223)
Amortization of deferred acquisition costs and value of insurance in force	28,617	25,546
Change in reinsurance recoverable	(1,598)	140
Provision for deferred income taxes	(4,818)	692
Other	4,126	(7,869)
Net cash provided by operating activities	143,383	146,438
Investing activities		
Sales, maturities or repayments:		
Fixed maturities - available for sale	471,774	373,020
Equity securities - available for sale	13,620	1,360
Mortgage loans	32,841	34,733
Derivative instruments	3,078	696
Policy loans	26,615	24,802
Securities and indebtedness of related parties	18,091	2,972
Acquisitions:		
Fixed maturities - available for sale	(680,727)	(570,403)
Equity securities - available for sale	(23,022)	(17,025)
Mortgage loans	(97,510)	(88,023)
Derivative instruments	(2,675)	(1,584)
Policy loans	(29,466)	(29,154)
Securities and indebtedness of related parties	(22,930)	(15,886)
Short-term investments, net change	31,271	64,489
Purchases and disposals of property and equipment, net	(8,330)	(7,434)
Net cash used in investing activities	(267,370)	(227,437)

FBL FINANCIAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)

	Nine months ended September 30,	
	2015	2014
Financing activities		
Contract holder account deposits	$476,664	$457,913
Contract holder account withdrawals	(316,925)	(306,882)
Receipts related to noncontrolling interests, net	42	93
Excess tax deductions on stock-based compensation	1,088	828
Issuance or repurchase of common stock, net	(1,491)	(8,065)
Dividends paid	(79,386)	(26,060)
Net cash provided by financing activities	79,992	117,827
Increase (decrease) in cash and cash equivalents	(43,995)	36,828
Cash and cash equivalents at beginning of period	76,632	6,370
Cash and cash equivalents at end of period	$32,637	$43,198
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$3,638	$3,638
Income taxes	16,501	10,701

See accompanying notes.

FBL FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
September 30, 2015

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of FBL Financial Group, Inc. (we or the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and 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. Our financial statements include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of our financial position and results of operations.

Operating results for the nine-month period ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. We encourage you to refer to our consolidated financial statements and notes for the year ended December 31, 2014 included in our Annual Report on Form 10-K for a complete description of our material accounting policies. Also included in the Form 10-K is a description of areas of judgments and estimates and other information necessary to understand our financial position and results of operations.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, which supersedes most current revenue recognition guidance, including industry-specific guidance. Although insurance contracts are specifically excluded from the scope of this guidance, almost all entities will be affected to some extent by the significant increase in required disclosures. The new guidance is based on the principle that an entity should recognize revenue to reflect the transfer of 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. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard, which becomes effective for fiscal years beginning after December 15, 2017; early adoption is not permitted. We are currently evaluating the impact of this new guidance on our consolidated financial statements.

In February 2015, the FASB issued guidance that amends existing consolidation guidance. The new guidance modifies the consolidation framework for certain investment entities and all limited partnerships. It also eliminates certain criteria used to determine whether fees paid to a decision maker are a variable interest. The amendment allows for either a full retrospective or modified approach at adoption of the new standard, which becomes effective for fiscal years beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We are currently evaluating the impact of this new guidance on our consolidated financial statements.

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2. Investment Operations

Fixed Maturity and Equity Securities

Available-For-Sale Fixed Maturity and Equity Securities by Investment Category

	September 30, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit losses on other-than-temporary impairments (1)
	(Dollars in thousands)				
Fixed maturities:					
Corporate (2)	$3,454,960	$245,670	$(84,290)	$3,616,340	$ 415
Residential mortgage-backed	440,014	40,202	(4,731)	475,485	(3,560)
Commercial mortgage-backed	510,629	49,983	(1,452)	559,160	—
Other asset-backed	568,039	15,655	(4,581)	579,113	4,804
United States Government and agencies	40,648	4,057	(5)	44,700	—
State, municipal and other governments	1,318,687	128,776	(2,133)	1,445,330	—
Total fixed maturities	$6,332,977	$484,343	$(97,192)	$6,720,128	$ 1,659
Equity securities:					
Non-redeemable preferred stocks	$87,029	$4,635	$(1,301)	$90,363	
Common stocks	29,793	454	(67)	30,180	
Total equity securities	$116,822	$5,089	$(1,368)	$120,543	

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit losses on other-than-temporary impairments (1)
	(Dollars in thousands)				
Fixed maturities:					
Corporate (2)	$3,335,535	$348,937	$(17,566)	$3,666,906	$ 211
Residential mortgage-backed	453,607	42,510	(4,583)	491,534	(3,694)
Commercial mortgage-backed	485,934	45,573	(812)	530,695	—
Other asset-backed	508,090	17,188	(4,017)	521,261	5,223
United States Government and agencies	38,227	4,581	(4)	42,804	—
State, municipal and other governments	1,290,040	157,571	(113)	1,447,498	—
Total fixed maturities	$6,111,433	$616,360	$(27,095)	$6,700,698	$ 1,740
Equity securities:					
Non-redeemable preferred stocks	$80,566	$5,135	$(660)	$85,041	
Common stocks	26,844	738	—	27,582	
Total equity securities	$107,410	$5,873	$(660)	$112,623	

(1) Non-credit losses, subsequent to the initial impairment measurement date, on other-than-temporary impairment (OTTI) losses are included in the gross unrealized gains and gross unrealized losses columns above. The non-credit loss component of OTTI losses for corporate and other asset-backed securities were in an unrealized gain position at September 30, 2015 and December 31, 2014 due to increases in estimated fair value subsequent to initial recognition of non-credit losses on such securities.

(2) Corporate securities include hybrid preferred securities with a carrying value of $48.2 million at September 30, 2015 and $80.9 million at December 31, 2014. Corporate securities also include redeemable preferred stock with a carrying value of $24.9 million at September 30, 2015 and $29.9 million at December 31, 2014.

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Available-For-Sale Fixed Maturities by Maturity Date

	September 30, 2015	
	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
Due in one year or less	$104,470	$106,544
Due after one year through five years	720,973	784,894
Due after five years through ten years	830,380	875,297
Due after ten years	3,158,472	3,339,635
	4,814,295	5,106,370
Mortgage-backed and other asset-backed	1,518,682	1,613,758
Total fixed maturities	$6,332,977	$6,720,128

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Fixed maturities not due at a single maturity date have been included in the above table in the year of final contractual maturity.

Net Unrealized Gains (Losses) on Investments in Accumulated Other Comprehensive Income

	September 30, 2015	December 31, 2014
	(Dollars in thousands)	
Net unrealized appreciation on:		
Fixed maturities - available for sale	$387,151	$589,265
Equity securities - available for sale	3,721	5,213
	390,872	594,478
Adjustments for assumed changes in amortization pattern of:		
Deferred acquisition costs	(112,780)	(179,544)
Value of insurance in force acquired	(3,537)	(3,939)
Unearned revenue reserve	5,473	11,461
Adjustments for assumed changes in policyholder liabilities	(6,567)	(11,182)
Provision for deferred income taxes	(95,692)	(143,932)
Net unrealized investment gains	$177,769	$267,342

Net unrealized investment gains and losses are recorded net of deferred income taxes and other adjustments for assumed changes in deferred acquisition costs, value of insurance in force acquired, unearned revenue reserve and policyholder liabilities. Subsequent changes in the fair value of securities for which a previous non-credit OTTI loss was recognized in accumulated other comprehensive income, are reported along with changes in fair value for which no OTTI losses were previously recognized.

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Fixed Maturity and Equity Securities with Unrealized Losses by Length of Time

Description of Securities	September 30, 2015 Less than one year Estimated Fair Value (Dollars in thousands)	Unrealized Losses	One year or more Estimated Fair Value	Unrealized Losses	Total Estimated Fair Value	Unrealized Losses	Percent of Total
Fixed maturities:							
Corporate	$802,548	$(64,347)	$96,958	$(19,943)	$899,506	$(84,290)	86.7 %
Residential mortgage-backed	22,564	(273)	26,843	(4,458)	49,407	(4,731)	4.9
Commercial mortgage-backed	44,129	(881)	7,626	(571)	51,755	(1,452)	1.5
Other asset-backed	71,000	(900)	66,455	(3,681)	137,455	(4,581)	4.7
United States Government and agencies	2,010	(5)	—	—	2,010	(5)	—
State, municipal and other governments	86,915	(2,133)	—	—	86,915	(2,133)	2.2
Total fixed maturities	$1,029,166	$(68,539)	$197,882	$(28,653)	$1,227,048	$(97,192)	100.0 %
Equity securities:							
Non-redeemable preferred stocks	$33,034	$(551)	$4,250	$(750)	$37,284	$(1,301)	
Common stocks	1,241	(67)	—	—	1,241	(67)	
Total equity securities	$34,275	$(618)	$4,250	$(750)	$38,525	$(1,368)	

Description of Securities	December 31, 2014 Less than one year Estimated Fair Value (Dollars in thousands)	Unrealized Losses	One year or more Estimated Fair Value	Unrealized Losses	Total Estimated Fair Value	Unrealized Losses	Percent of Total
Fixed maturities:							
Corporate	$203,764	$(9,756)	$142,600	$(7,810)	$346,364	$(17,566)	64.8 %
Residential mortgage-backed	27,889	(315)	19,084	(4,268)	46,973	(4,583)	16.9
Commercial mortgage-backed	—	—	20,900	(812)	20,900	(812)	3.0
Other asset-backed	128,516	(2,349)	55,526	(1,668)	184,042	(4,017)	14.8
United States Government and agencies	500	—	470	(4)	970	(4)	—
State, municipal and other governments	—	—	12,472	(113)	12,472	(113)	0.5
Total fixed maturities	$360,669	$(12,420)	$251,052	$(14,675)	$611,721	$(27,095)	100.0 %
Equity securities:							
Non-redeemable preferred stocks	$14,838	$(110)	$4,450	$(550)	$19,288	$(660)	
Total equity securities	$14,838	$(110)	$4,450	$(550)	$19,288	$(660)	

Fixed maturities in the above tables include 368 securities from 299 issuers at September 30, 2015 and 185 securities from 160 issuers at December 31, 2014. We do not have plans to sell or believe we will be required to sell any of our temporarily-impaired fixed maturities before recovery of their amortized cost basis. The following summarizes the more significant unrealized losses of fixed maturities and equity securities by investment category as of September 30, 2015.

Corporate securities: The largest unrealized losses were in the energy sector ($142.3 million carrying value and $25.4 million unrealized loss) and the basic industrial sector ($126.6 million carrying value and $19.5 million unrealized loss). The largest unrealized losses in the energy sector were in the oil field services ($32.5 million carrying value and $12.8 million unrealized loss) and energy-independent ($54.7 million carrying value and $7.2 million unrealized loss) sub-sectors. The largest unrealized losses in the basic industrial sector were in the metal/mining ($62.3 million carrying value and $14.5 million unrealized loss) and the chemicals ($47.1 million carrying value and $4.6 million unrealized loss) sub-sectors. The majority of losses were primarily attributable to credit spread widening across the energy sector and metal/mining sub-sectors associated with sharp declines in commodity prices.

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Residential mortgage-backed securities: The unrealized losses on residential mortgage-backed securities were primarily due to continued uncertainty regarding mortgage defaults on Alt-A loans. We purchased most of these investments at a discount to their face amount and the contractual cash flows of these investments are based on mortgages and other assets backing the securities.

Other asset-backed securities: The unrealized losses on other asset-backed securities were primarily due to market concerns regarding defaults on subprime mortgages and home equity loans. We purchased most of these investments at a discount to their face amount and the contractual cash flows of these investments are based on mortgages and other assets backing the securities.

State, municipal and other governments: The unrealized losses on state, municipal and other governments were primarily due to general spread widening relative to spreads at which we acquired the bonds.

Equity securities: Our gross unrealized losses on equity securities were on investment grade non-redeemable perpetual preferred securities within the finance sector. These securities provide periodic cash flows, contain call features and are similarly rated and priced like other long-term callable bonds and are evaluated for OTTIs similar to fixed maturities. The decline in fair value is primarily due to market concerns regarding the finance sector. We have evaluated the near-term prospects of our equity securities in relation to the severity and duration of their impairment as well as our intent and ability to hold these investments until recovery of fair value, and have concluded they are not other-than-temporarily impaired.

Excluding mortgage- and asset-backed securities, no securities from the same issuer had an aggregate unrealized loss in excess of $3.7 million at September 30, 2015, with the largest unrealized loss from an energy service provider. With respect to mortgage- and asset-backed securities not backed by the United States Government, our largest aggregate unrealized loss from the same issuer at September 30, 2015 was $3.7 million, consisting of two different securities that are backed by different pools of Alt-A residential mortgage loans. Both securities are rated non-investment grade and the largest unrealized loss totaled $2.2 million.

The carrying values of all our investments are reviewed on an ongoing basis for credit deterioration. When our review indicates a decline in fair value for a fixed maturity security is an OTTI and we do not intend to sell or believe we will be required to sell the security before recovery of our amortized cost, a specific write down is charged to earnings for the credit loss and a specific charge is recognized in accumulated other comprehensive income for the non-credit loss component. If we intend to sell or believe we will be required to sell a fixed maturity security before its recovery, the full amount of the impairment write down to fair value is charged to earnings. For all equity securities, the full amount of an OTTI write down is recognized as a realized loss on investments in the consolidated statements of operations and the new cost basis for the security is equal to its fair value.

We monitor the financial condition and operations of the issuers of fixed maturities and equity securities that could potentially have a credit impairment that is an OTTI. In determining whether or not an unrealized loss is an OTTI, we review factors such as:

- historical operating trends;
- business prospects;
- status of the industry in which the company operates;
- analyst ratings on the issuer and sector;
- quality of management;
- size of unrealized loss;
- level of current market interest rates compared to market interest rates when the security was purchased; and
- length of time the security has been in an unrealized loss position.

In order to determine the credit and non-credit impairment loss for fixed maturities, every quarter we estimate the future cash flows we expect to receive over the remaining life of the instrument as well as review our plans to hold or sell the instrument. Significant assumptions regarding the present value of expected cash flows for each security are used when an OTTI occurs and there is a non-credit portion of the unrealized loss that won't be recognized in earnings. Our assumptions for residential mortgage-backed securities, commercial mortgage-backed securities and other asset-backed securities include collateral pledged, guarantees, vintage, anticipated principal and interest payments, prepayments, default levels, severity assumptions, delinquency rates and the level of nonperforming assets for the remainder of the investments' expected term. We use a single best estimate of cash flows approach and use the effective yield prior to the date of impairment to calculate the present value of cash flows. Our assumptions for corporate and other fixed maturities include anticipated principal and interest payments and an estimated recovery value, generally based on a percentage return of the current fair value.

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After an OTTI write down of all equity securities and any fixed maturities with a credit-only impairment, the cost basis is not adjusted for subsequent recoveries in fair value. For fixed maturities for which we can reasonably estimate future cash flows after a write down, the discount or reduced premium recorded, based on the new cost basis, is amortized over the remaining life of the security. Amortization in this instance is computed using the prospective method and the current estimate of the amount and timing of future cash flows.

Credit Loss Component of Other-Than-Temporary Impairments on Fixed Maturities

	Nine months ended September 30,	
	2015	2014
	(Dollars in thousands)	
Balance at beginning of period	$(16,772)	$(21,592)
Increases to previously impaired investments	(363)	—
Reductions due to investments sold	757	4,468
Balance at end of period	$(16,378)	$(17,124)

The table above sets forth the amount of credit loss impairments on fixed maturities held by the Company as of the dates indicated for which a portion of the OTTI was recognized in other comprehensive income (loss) and corresponding changes in such amounts.
Realized Gains (Losses) - Recorded in Income

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Realized gains (losses) on sales of investments				
Fixed maturities:				
Gross gains	$136	$1,437	$2,884	$4,345
Gross losses	(229)	(164)	(1,832)	(806)
Securities and indebtedness of related parties	—	—	6,457	—
Net realized gains on investments recorded in income	$(93)	$1,273	7,509	3,539
Impairment losses recognized in earnings:				
Credit-related portion of fixed maturity losses (1)	(363)	—	(363)	—
Other credit-related (2)	(50)	(273)	(210)	(273)
Net realized gains (losses) on investments recorded in income	$(506)	$1,000	$6,936	$3,266

(1) Amount represents the credit-related losses recognized for fixed maturities which were impaired through income but not written down to fair value. As discussed above, the non-credit portion of the losses have been recognized in other comprehensive income (loss).

(2) Amount represents credit-related losses recognized for real estate, other investments and fixed maturities written down to fair value through income.

Proceeds from sales of fixed maturities totaled $88.3 million during the nine months ended September 30, 2015 and $47.5 million during the nine months ended September 30, 2014.

The realized gain on securities and indebtedness of related parties relates to a partnership investment's underlying asset sold at a gain and the dissolution of the partnership during 2015.

Realized gains and losses on sales of investments are determined on the basis of specific identification.

Mortgage Loans

Our mortgage loan portfolio consists principally of commercial mortgage loans that we have originated. Our lending policies require that the loans be collateralized by the value of the related property, establish limits on the amount that can be loaned to

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one borrower and require diversification by geographic location and collateral type. We originate loans with an initial loan-to-value ratio that provides sufficient excess collateral to absorb losses should we be required to foreclose and take possession of the collateral. In order to identify impairment losses, management maintains and regularly reviews a watch list of mortgage loans that have heightened risk. These loans may include those with borrowers delinquent on contractual payments, borrowers experiencing financial difficulty, increases in rental real estate vacancies and significant declines in collateral value. We evaluate each of our mortgage loans individually and establish an estimated loss, if needed, for each impaired loan identified. An estimated loss is needed for loans for which we do not believe we will collect all amounts due according to the contractual terms of the respective loan agreements.

Any loan delinquent on contractual payments is considered non-performing. At September 30, 2015 and December 31, 2014, there were no non-performing loans over 90 days past due on contractual payments. Interest income is accrued on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis. Once mortgage loans are classified as non-accrual loans, the resumption of the interest accrual would commence only after all past-due interest has been collected or the mortgage loan has been restructured such that the collection of interest is considered likely.

Mortgage Loans by Collateral Type

	September 30, 2015			December 31, 2014		
Collateral Type	Carrying Value	Percent of Total		Carrying Value	Percent of Total	
	(Dollars in thousands)					
Office	$312,177	45.0	%	$269,308	42.8	%
Retail	215,600	31.0		214,710	34.1	
Industrial	124,673	18.0		125,425	19.9	
Other	41,619	6.0		19,853	3.2	
Total	$694,069	100.0	%	$629,296	100.0	%

Mortgage Loans by Geographic Location within the United States

	September 30, 2015			December 31, 2014		
Region of the United States	Carrying Value	Percent of Total		Carrying Value	Percent of Total	
	(Dollars in thousands)					
South Atlantic	$217,000	31.2	%	$191,835	30.5	%
West North Central	103,723	14.9		85,664	13.6	
Pacific	96,284	13.9		94,770	15.1	
East North Central	76,854	11.1		80,999	12.9	
Mountain	68,523	9.9		62,473	9.9	
West South Central	64,662	9.3		50,010	7.9	
Other	67,023	9.7		63,545	10.1	
Total	$694,069	100.0	%	$629,296	100.0	%

Mortgage Loans by Loan-to-Value Ratio

	September 30, 2015		December 31, 2014	
Loan-to-Value Ratio	Carrying Value	Percent of Total	Carrying Value	Percent of Total

	(Dollars in thousands)					
0% - 50%	$236,618	34.1	%	$180,884	28.7	%
51% - 60%	178,501	25.7		189,210	30.1	
61% - 70%	202,993	29.2		198,336	31.5	
71% - 80%	67,152	9.7		53,480	8.5	
81% - 90%	8,805	1.3		7,386	1.2	
Total	$694,069	100.0	%	$629,296	100.0	%

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The loan-to-value ratio is determined using the most recent appraised value. Appraisals are updated periodically including when there is indication of a possible significant collateral decline or there are loan modifications or refinance requests.

Mortgage Loans by Year of Origination

	September 30, 2015		December 31, 2014	
Year of Origination	Carrying Value	Percent of Total	Carrying Value	Percent of Total
	(Dollars in thousands)			
2015	$96,592	13.9 %	$—	— %
2014	84,221	12.1	86,174	13.7
2013	79,694	11.5	81,802	13.0
2012	66,472	9.6	70,274	11.2
2011	45,730	6.6	46,813	7.4
2010 and prior	321,360	46.3	344,233	54.7
Total	$694,069	100.0 %	$629,296	100.0 %

Impaired Mortgage Loans

	September 30, 2015	December 31, 2014
	(Dollars in thousands)	
Unpaid principal balance	$21,868	$22,103
Less:		
Related allowance	(851)	(857)
Discount	(132)	(267)
Carrying value of impaired mortgage loans	$20,885	$20,979

Allowance on Mortgage Loans

	Nine months ended September 30, 2015	2014
	(Dollars in thousands)	
Balance at beginning of period	$857	$888
Charge offs	(6)	(24)
Balance at end of period	$851	$864

Mortgage Loan Modifications

Our commercial mortgage loan portfolio includes loans that have been modified. We assess loan modifications on a loan-by-loan basis to evaluate whether a troubled debt restructuring has occurred. Generally, the types of concessions include: reduction of the contractual interest rate to a below-market rate, extension of the maturity date and/or a reduction of accrued interest. The amount, timing and extent of the concession granted is considered in determining if an impairment loss is needed for the restructuring.

There were no loan modifications during the first three quarters of 2015 or of 2014.

Variable Interest Entities

We evaluate our variable interest entity (VIE) investees to determine whether the level of our direct ownership interest, our rights to manage operations or our obligation to provide ongoing financial support are such that we are the primary beneficiary of the entity, and would therefore be required to consolidate it for financial reporting purposes. None of our VIE investees were required to be consolidated for any reporting periods presented in this Form 10-Q. Our VIE investments are as follows:

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	September 30, 2015		December 31, 2014	
	Carrying Value	Maximum Exposure to Loss	Carrying Value	Maximum Exposure to Loss
	(Dollars in thousands)			
Real estate limited partnerships	$15,486	$15,486	$17,046	$17,046

We make commitments to fund partnership investments in the normal course of business. We did not have any commitments to investees designated as VIEs as of September 30, 2015 or December 31, 2014.

Other

At September 30, 2015, we had committed to provide $35.2 million of additional funds for limited partnerships and limited liability companies in which we invest.

Derivative Instruments

We are not significantly involved in hedging activities and have limited exposure to derivatives. We do not apply hedge accounting to any of our derivative positions. Derivative assets, which are primarily reported in reinsurance recoverable and other investments, totaled $4.2 million at September 30, 2015 and $7.1 million at December 31, 2014. At September 30, 2015, we had master netting agreements with counterparties covering cash collateral payable totaling $0.4 million. This amount was invested and included in the consolidated balance sheets with corresponding amounts netted against the derivative instruments. We also received collateral of $0.5 million at September 30, 2015 which is held in a separate custodial account and not recorded on the balance sheet. Our derivative assets consist of derivatives embedded within our modified coinsurance agreements and call options which provide an economic hedge for our index annuity contracts. Derivative liabilities totaled $8.5 million at September 30, 2015 and $8.7 million at December 31, 2014 and include derivatives embedded within our index annuity contracts and derivatives embedded within our modified coinsurance agreements. The net gain recognized on these derivatives is included in net investment income and interest sensitive benefits.

Net gain (loss) recognized on these derivatives totaled $(2.0) million for the quarter ended September 30, 2015 and $(0.1) million for the same period in 2014 and totaled $(2.1) million for the nine months ended September 30, 2015 and $1.6 million for the same period in 2014.

3. Fair Values

The carrying and estimated fair values of our financial instruments are as follows:

Fair Values and Carrying Values

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(Dollars in thousands)			
Assets				
Fixed maturities - available for sale	$6,720,128	$6,720,128	$6,700,698	$6,700,698
Equity securities - available for sale	120,543	120,543	112,623	112,623
Mortgage loans	694,069	739,554	629,296	667,913

Policy loans	185,353	234,651	182,502	230,070
Other investments	988	988	3,558	3,558
Cash, cash equivalents and short-term investments	49,951	49,951	125,217	125,217
Reinsurance recoverable	2,820	2,820	3,562	3,562
Assets held in separate accounts	617,172	617,172	683,033	683,033

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Fair Values and Carrying Values (continued)

	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(Dollars in thousands)			
Liabilities				
Future policy benefits	$3,715,477	$3,663,602	$3,563,558	$3,666,960
Supplemental contracts without life contingencies	342,260	305,842	341,955	329,651
Advance premiums and other deposits	247,887	247,887	239,700	239,700
Long-term debt	97,000	69,394	97,000	69,772
Other liabilities	60	60	173	173
Liabilities related to separate accounts	617,172	612,301	683,033	677,040

Fair value is based on an exit price, which is 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. As not all financial instruments are actively traded, various valuation methods may be used to estimate fair value. These methods rely on observable market data and where observable market data is not available, the best information available. Significant judgment may be required to interpret the data and select the assumptions used in the valuation estimates, particularly when observable market data is not available.

In the discussion that follows, we have ranked our financial instruments by the level of judgment used in the determination of the fair values presented above. The levels are defined as follows:

- Level 1 - Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 - Fair values are based on inputs, other than quoted prices from active markets, that are observable for the asset or liability, either directly or indirectly.

- Level 3 - Fair values are based on significant unobservable inputs for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. From time to time there may be movements between levels as inputs become more or less observable, which may depend on several factors including the activity of the market for the specific security, the activity of the market for similar securities, the level of risk spreads and the source from which we obtain the information. Transfers into or out of any level are measured as of the beginning of the period.

The following methods and assumptions were used in estimating the fair value of our financial instruments:

Fixed maturities:

Level 1 fixed maturities consist of U.S. Treasury issues that are actively traded, allowing us to use current market prices as an estimate of their fair value.

Level 2 fixed maturities consist of corporate, mortgage- and asset-backed, United States Government agencies, state and municipal and private placement corporate securities with observable market data, and in some circumstances recent trade activity. When quoted prices of identical assets in active markets are not available, our first priority is to obtain prices from third party pricing vendors. We have regular interaction with these vendors to ensure we understand their pricing methodologies and to confirm they are utilizing observable market information. Their methodologies vary by asset class and include inputs such as estimated cash flows, benchmark yields, reported trades, credit quality, industry events and economic events. Fixed maturities with validated prices from pricing services, which includes the majority of our public fixed maturities in all asset classes, are generally reflected in Level 2.

Also included in Level 2 are private placement corporate bonds where quoted market prices are not available, for which an internal model using substantially all observable inputs or a matrix pricing valuation approach is used. In the matrix approach, securities are grouped into pricing categories that vary by sector, rating and average life. Each pricing category is assigned a

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risk spread based on studies of observable public market data. The expected cash flows of the security are then discounted back at the current Treasury curve plus the appropriate risk spread.

Level 3 fixed maturities include corporate, mortgage- and asset-backed, United States Government agencies and private placement corporate securities for which there is little or no current market data available. We use external pricing sources, or if prices are not available we will estimate fair value internally. Fair values of private corporate investments in Level 3 are determined by reference to the public market, private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. For other securities where an exit price based on relevant observable inputs is not obtained, the fair value is determined using a matrix calculation. Fair values estimated through the use of matrix pricing methods rely on an estimate of credit spreads to a risk-free U.S. Treasury yield. Selecting the credit spread requires judgment based on an understanding of the security and may include a market liquidity premium. Our selection of comparable companies as well as the level of spread requires significant judgment. Increases in spreads used in our matrix models, or those used to value comparable companies, will result in a decrease in discounted cash flows used, and accordingly in the estimated fair value of the security.

We obtain fixed maturity fair values from a variety of external independent pricing services, including brokers, with access to observable data including recent trade information, if available. In certain circumstances in which an external price is not available for a Level 3 security, we will internally estimate its fair value. Our process for evaluation and selection of the fair values includes:

- We follow a “pricing waterfall” policy, which establishes the pricing source preference for a particular security or security type. The order of preference is based on our evaluation of the valuation methods used, the source's knowledge of the instrument and the reliability of the prices we have received from the source in the past. Our valuation policy dictates that fair values are initially sought from third party pricing services. If our review of the prices received from our preferred source indicates an inaccurate price, we will use an alternative source within the waterfall and document the decision. In the event that fair values are not available from one of our external pricing services or upon review of the fair values provided it is determined that they may not be reflective of market conditions, those securities are submitted to brokers familiar with the security to obtain non-binding price quotes. Broker quotes tend to be used in limited circumstances such as for newly issued, private placement corporate bonds and other instruments that are not widely traded. For those securities for which an externally provided fair value is not available, we use cash flow modeling techniques to estimate fair value.

- We evaluate third party pricing source estimation methodologies to assess whether they will provide a fair value which approximates a market exit price.

- We perform an overall analysis of portfolio fair value movement against general movements in interest rates and spreads.

- We compare period-to-period price trends to detect unexpected price fluctuation based on our knowledge of the market and the particular instrument. As fluctuations are noted, we will perform further research which may include discussions with the original pricing source or other external sources to ensure we are in agreement with the valuation.

- We compare prices between different pricing sources for unusual disparity.

- We meet at least quarterly with our Investment Committee, the group that oversees our valuation process, to discuss valuation practices and observations during the pricing process.

Equity securities:

Level 1 equity securities consist of listed common stocks and mutual funds that are actively traded, allowing us to use current market prices as an estimate of their fair value.

Level 2 equity securities consist of common stock issued by the Federal Home Loan Bank of Des Moines (FHLB), with estimated fair value based on the current redemption value of the shares and non-redeemable preferred stock. Estimated fair value is obtained from external pricing sources using a matrix pricing approach.

Level 3 equity securities consist of non-redeemable preferred stock for which no active market exists, and fair value estimates for these securities is based on the values of comparable securities which are actively traded. Increases in spreads used in our

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matrix models, or those used to value comparable companies, will result in a decrease in discounted cash flows used, and accordingly in the estimated fair value of the security.

In the case where external pricing services are used for certain Level 1 and Level 2 equity securities, our review process is consistent with the process used to determine the fair value of fixed maturities discussed above.

Mortgage loans:

Mortgage loans are not measured at fair value on a recurring basis. Mortgage loans are a Level 3 measurement as there is no current market for the loans. The fair value of our mortgage loans is estimated internally using a matrix pricing approach. Along with specific loan terms, two key management assumptions are required including the risk rating of the loan (our current rating system is A-highest quality, B-moderate quality, C-low quality, W-watch or F-foreclosure) and estimated spreads for new loans over the U.S. Treasury yield curve. Spreads are updated quarterly and loans are reviewed and rated annually with quarterly adjustments should significant changes occur. Our determination of each loan's risk rating as well as selection of the credit spread requires significant judgment. A higher risk rating, as well as an increase in spreads, would result in a decrease in discounted cash flows used, and accordingly the fair value of the loan.

Policy loans:

Policy loans are not measured at fair value on a recurring basis. Policy loans are a Level 3 measurement as there is no current market since they are specifically tied to the underlying insurance policy. The loans are relatively risk free as they cannot exceed the cash surrender value of the insurance policy. Fair values are estimated by discounting expected cash flows using a risk-free interest rate based on the U.S. Treasury curve. An increase in the risk-free interest rate would result in a decrease in discounted cash flows used, and accordingly the fair value of the loan.

Other investments:

Level 2 other investments include call options with fair values based on counterparty market prices adjusted for a credit component of the counterparty, net of collateral received.

Cash, cash equivalents and short-term investments:

Level 1 cash, cash equivalents and short-term investments are highly liquid instruments for which historical cost approximates fair value.

Reinsurance recoverable:

Level 2 reinsurance recoverable includes embedded derivatives in our modified coinsurance contracts under which we cede or assume business. Fair values of these embedded derivatives are based on the difference between the fair value and the cost basis of the underlying fixed maturities, which are valued consistent with the discussion of fixed maturities above.

Assets held in separate accounts:

Level 1 assets held in separate accounts consist of mutual funds that are actively traded, allowing us to use current market prices as an estimate of their fair value.

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Future policy benefits, supplemental contracts without life contingencies and advance premiums and other deposits:

Level 3 policy-related financial instruments of investment-type contracts are those not involving significant mortality or morbidity risks. No active market exists for these contracts and they are not measured at fair value on a recurring basis. Fair values for our insurance contracts, other than investment-type contracts, are not required to be disclosed. Fair values for our investment-type contracts with expected maturities, including deferred annuities, funding agreements and supplementary contracts, are determined using discounted cash flow valuation techniques based on current interest rates adjusted to reflect our credit risk and an additional provision for adverse deviation. For certain deposit liabilities with no defined maturities and no surrender charges, including pension-related deposit administration funds, advance premiums and other deposits, fair value is the account value or amount payable on demand. Significant judgment is required in selecting the assumptions used to estimate the fair values of these financial instruments. For contracts with known maturities, increases in current rates will result in a decrease in discounted cash flows and a decrease in the estimated fair value of the policy obligation.

Certain annuity contracts include embedded derivatives and are measured at fair value on a recurring basis. These embedded derivatives are a Level 3 measurement. The fair value of the embedded derivatives is based on the discounted excess of projected account values (including a risk margin) over projected guaranteed account values. The key unobservable inputs required in the projection of future values which require management judgment include the risk margin as well as the credit risk of our company. Should the risk margin increase or the credit risk decrease, the discounted cash flows and the estimated fair value of the obligation will increase.

Long-term debt:

Long-term debt is not measured at fair value on a recurring basis. Long-term debt is a Level 3 measurement. The fair value of our outstanding debt is estimated using a discounted cash flow method based on the market's assessment or our current incremental borrowing rate for similar types of borrowing arrangements adjusted, as needed, to reflect our credit risk. Our selection of the credit spread requires significant judgment. A decrease in the spread will increase the estimated fair value of the outstanding debt.

Other liabilities:

Level 2 other liabilities include the embedded derivatives in our modified coinsurance contracts under which we cede business. Fair values for the embedded derivatives are based on the difference between the fair value and the cost basis of the underlying fixed maturities.

Liabilities related to separate accounts:

Separate account liabilities are not measured at fair value on a recurring basis. Level 3 separate account liabilities' fair value is based on the cash surrender value of the underlying contract, which is the cost we would incur to extinguish the liability.

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Valuation of our Financial Instruments Measured on a Recurring Basis by Hierarchy Levels

	September 30, 2015			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(Dollars in thousands)			
Assets				
Corporate securities	$—	$3,565,630	$50,710	$3,616,340
Residential mortgage-backed securities	—	469,521	5,964	475,485
Commercial mortgage-backed securities	—	469,014	90,146	559,160
Other asset-backed securities	—	521,067	58,046	579,113
United States Government and agencies	14,559	21,132	9,009	44,700
State, municipal and other governments	—	1,445,330	—	1,445,330
Non-redeemable preferred stocks	—	82,579	7,784	90,363
Common stocks	4,492	25,688	—	30,180
Other investments	—	988	—	988
Cash, cash equivalents and short-term investments	49,951	—	—	49,951
Reinsurance recoverable	—	2,820	—	2,820
Assets held in separate accounts	617,172	—	—	617,172
Total assets	$686,174	$6,603,769	$221,659	$7,511,602
Liabilities				
Future policy benefits - index annuity embedded derivatives	$—	$—	$8,441	$8,441
Other liabilities	—	60	—	60
Total liabilities	$—	$60	$8,441	$8,501

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Valuation of our Financial Instruments Measured on a Recurring Basis by Hierarchy Levels

	December 31, 2014			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(Dollars in thousands)			
Assets				
Corporate securities	$—	$3,602,667	$64,239	$3,666,906
Residential mortgage-backed securities	—	491,534	—	491,534
Commercial mortgage-backed securities	—	452,804	77,891	530,695
Other asset-backed securities	—	405,120	116,141	521,261
United States Government and agencies	15,170	18,569	9,065	42,804
State, municipal and other governments	—	1,447,498	—	1,447,498
Non-redeemable preferred stocks	—	76,987	8,054	85,041
Common stocks	3,501	24,081	—	27,582
Other investments	—	3,558	—	3,558
Cash, cash equivalents and short-term investments	125,217	—	—	125,217
Reinsurance recoverable	—	3,562	—	3,562
Assets held in separate accounts	683,033	—	—	683,033
Total assets	$826,921	$6,526,380	$275,390	$7,628,691
Liabilities				
Future policy benefits - index annuity embedded derivatives	$—	$—	$8,681	$8,681
Other liabilities	—	173	—	173
Total liabilities	$—	$173	$8,681	$8,854

Level 3 Fixed Maturities by Valuation Source - Recurring Basis

	September 30, 2015		
	Third-party vendors	Priced internally	Total
	(Dollars in thousands)		
Corporate securities	$17,240	$33,470	$50,710
Residential mortgage-backed securities	5,964	—	5,964
Commercial mortgage-backed securities	90,146	—	90,146
Other asset-backed securities	37,586	20,460	58,046
United States Government and agencies	—	9,009	9,009
Total	$150,936	$62,939	$213,875
Percent of total	70.6 %	29.4 %	100.0 %

	December 31, 2014		
	Third-party vendors	Priced internally	Total
	(Dollars in thousands)		
Corporate securities	$40,095	$24,144	$64,239
Commercial mortgage-backed securities	77,891	—	77,891

Other asset-backed securities	95,271	20,870	116,141
United States Government and agencies	—	9,065	9,065
Total	$213,257	$54,079	$267,336
Percent of total	79.8 %	20.2 %	100.0 %

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Quantitative Information about Level 3 Fair Value Measurements - Recurring Basis

	September 30, 2015			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(Dollars in thousands)			
Assets				
Corporate securities	$38,214	Discounted cash flow	Credit spread	1.00% - 12.50% (7.68%)
Commercial mortgage-backed	73,084	Discounted cash flow	Credit spread	1.50% - 4.65% (3.12%)
Other asset-backed securities	13,846	Discounted cash flow	Credit spread	1.21% - 7.70% (5.59%)
United States Government and agencies	9,009	Discounted cash flow	Credit spread	2.02% (2.02%)
Non-redeemable preferred stocks	7,784	Discounted cash flow	Credit spread	4.23% (4.23%)
Total Assets	$141,937			
Liabilities				
Future policy benefits - index annuity embedded derivatives	$8,441	Discounted cash flow	Credit risk Risk margin	0.85% - 2.15% (1.45%) 0.15% - 0.40% (0.25%)

	December 31, 2014			
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(Dollars in thousands)			
Assets				
Corporate securities	$41,491	Discounted cash flow	Credit spread	0.95% - 6.80% (4.92%)
Commercial mortgage-backed	77,891	Discounted cash flow	Credit spread	1.75% - 4.00% (2.89%)
Other asset-backed securities	26,937	Discounted cash flow	Credit spread	0.96% - 6.17% (4.31%)
United States Government and agencies	9,065	Discounted cash flow	Credit spread	1.80% (1.80%)
Non-redeemable preferred stocks	8,054	Discounted cash flow	Credit spread	3.34% (3.34%)
Total Assets	$163,438			
Liabilities				
Future policy benefits - index annuity embedded derivatives	$8,681	Discounted cash flow	Credit risk Risk margin	0.70% - 1.70% (1.10%) 0.15% - 0.40% (0.25%)

The tables above exclude certain securities for which the fair value was based on non-binding broker quotes where we could not reasonably obtain the quantitative unobservable inputs.

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Level 3 Financial Instruments Changes in Fair Value - Recurring Basis

	September 30, 2015								
				Realized and unrealized gains (losses), net					
	Balance, December 31, 2014	Purchases	Disposals	Included in net income	Included in other compre-hensive income	Transfers into Level 3 (1)	Transfers out of Level 3 (1)	Amort-ization included in net income	Balance, September 30, 2015
	(Dollars in thousands)								
Assets									
Corporate securities	$64,239	$12,993	$(16,061)	$—	$ (4,321)	$18,451	$(25,174)	$ 583	$50,710
Residential mortgage-backed securities	—	19,353	—	—	273	—	(13,667)	5	5,964
Commercial mortgage-backed securities	77,891	17,286	(688)	—	(2,088)	—	(2,334)	79	90,146
Other asset-backed securities	116,141	46,216	(5,225)	—	(324)	—	(98,759)	(3)	58,046
United States Government and agencies	9,065	—	—	—	(61)	—	—	5	9,009
Non-redeemable preferred stocks	8,054	—	—	—	(270)	—	—	—	7,784
Total Assets	$275,390	$95,848	$(21,974)	$—	$ (6,791)	$18,451	$(139,934)	$ 669	$221,659
Liabilities									
Future policy benefits - index annuity embedded derivatives	$8,681	$3,219	$(713)	$(2,746)	$ —	$—	$—	$ —	$8,441
Total Liabilities	$8,681	$3,219	$(713)	$(2,746)	$ —	$—	$—	$ —	$8,441

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Level 3 Financial Instruments Changes in Fair Value - Recurring Basis

	September 30, 2014								
				Realized and unrealized gains (losses), net					
	Balance, December 31, 2013	Purchases	Disposals	Included in net income	Included in other compre-hensive income	Transfers into Level 3 (1)	Transfers out of Level 3 (1)	Amort-ization included in net income	Balance, September 30, 2014
	(Dollars in thousands)								
Assets									
Corporate securities	$81,994	$262	$(12,957)	$(273)	$ (171)	$13,624	$(14,960)	$ (25)	$67,494
Commercial mortgage-backed securities	71,712	2,920	(558)	—	4,669	—	(4,820)	71	73,994
Other asset-backed securities	85,835	44,671	(13,730)	—	(32)	1,974	(15,477)	1,087	104,328
United States Government and agencies	8,044	—	—	—	121	—	—	5	8,170
Non-redeemable preferred stocks	7,795	—	—	—	352	—	—	—	8,147
Total Assets	$255,380	$47,853	$(27,245)	$(273)	$ 4,939	$15,598	$(35,257)	$ 1,138	$262,133
Liabilities									
Future policy benefits - index annuity embedded derivatives	$286	$6,000	$(344)	$(286)	$ —	$—	$—	$ —	$5,656
Total Liabilities	$286	$6,000	$(344)	$(286)	$ —	$—	$—	$ —	$5,656

(1) Transfers into Level 3 represent assets previously priced using an external pricing service with access to observable inputs no longer available and therefore, were priced using non-binding broker quotes. Transfers out of Level 3 include those assets that we are now able to obtain pricing from a third party pricing vendor that uses observable inputs. The fair values of newly issued securities often require additional estimation until a market is created, generally within a few months after issuance. Once a market is created, as was the case for the majority of the security transfers out of the Level 3 category above, Level 2 valuation sources become available. There were no transfers between Level 1 and Level 2 during the periods presented above.

Valuation of our Financial Instruments Not Reported at Fair Value by Hierarchy Levels

	September 30, 2015			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(Dollars in thousands)			
Assets				

Mortgage loans	$—	$—	$739,554	$739,554
Policy loans	—	—	234,651	234,651
Total assets	$—	$—	$974,205	$974,205
Liabilities				
Future policy benefits	$—	$—	$3,655,161	$3,655,161
Supplemental contracts without life contingencies	—	—	305,842	305,842
Advance premiums and other deposits	—	—	247,887	247,887
Long-term debt	—	—	69,394	69,394
Liabilities related to separate accounts	—	—	612,301	612,301
Total liabilities	$—	$—	$4,890,585	$4,890,585

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Valuation of our Financial Instruments Not Reported at Fair Value by Hierarchy Levels

	December 31, 2014			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(Dollars in thousands)			
Assets				
Mortgage loans	$—	$—	$667,913	$667,913
Policy loans	—	—	230,070	230,070
Total assets	$—	$—	$897,983	$897,983
Liabilities				
Future policy benefits	$—	$—	$3,658,279	$3,658,279
Supplemental contracts without life contingencies	—	—	329,651	329,651
Advance premiums and other deposits	—	—	239,700	239,700
Long-term debt	—	—	69,772	69,772
Liabilities related to separate accounts	—	—	677,040	677,040
Total liabilities	$—	$—	$4,974,442	$4,974,442

Level 3 Financial Instruments Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis, generally mortgage loans or real estate which have been deemed to be impaired during the reporting period. On May 22, 2015, one real estate property was impaired to fair value totaling $1.0 million which resulted in an impairment charge of $0.2 million. There were no mortgage loans or real estate impaired to fair value during the nine months ended September 30, 2014.

4. Defined Benefit Plan

We participate with several affiliates and an unaffiliated organization in various defined benefit plans, including a multiemployer plan. Our share of net periodic pension cost for the plans is recorded as expense in our consolidated statements of operations.

Components of Net Periodic Pension Cost for FBL and Affiliates Combined - Multiemployer Plan

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Service cost	$1,488	$1,319	$4,464	$3,959
Interest cost	3,300	3,505	9,900	10,515
Expected return on assets	(4,463)	(4,385)	(13,389)	(13,155)
Amortization of prior service cost	36	36	108	108
Amortization of actuarial loss	2,598	1,361	7,794	4,083
Effect of settlement	2,944	1,341	7,434	5,941
Net periodic pension cost	$5,903	$3,177	$16,311	$11,451

FBL Financial Group, Inc. share of net periodic pension costs	$1,913	$1,018	$5,286	$3,672

Pension settlement charges are recognized when total cash payments exceed the sum of the service and interest cost for the year.

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Components of Net Periodic Pension Cost for FBL and Affiliates Combined - Other Plans

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Service cost	$109	$68	$327	$202
Interest cost	250	269	750	807
Amortization of prior service cost	(3)	(3)	(9)	(9)
Amortization of actuarial loss	382	283	1,146	849
Net periodic pension cost	$738	$617	$2,214	$1,849
FBL Financial Group, Inc. share of net periodic pension costs	$418	$343	$1,254	$1,029

5. Commitments and Contingencies

Legal Proceedings

In the normal course of business, we may be involved in litigation in which damages are alleged that are substantially in excess of contractual policy benefits or certain other agreements. In recent years, companies in the life insurance and annuity business have faced litigation, including class action lawsuits, alleging improper product design, improper sales practices and similar claims. We are not aware of any such matters threatened or pending against FBL Financial Group, Inc. or any of its subsidiaries.

6. Stockholders' Equity

Share Repurchases

During 2012 and 2014, our Board of Directors approved plans to repurchase our Class A common stock. These repurchase plans authorize us to make repurchases in the open market or through privately negotiated transactions, with the timing and terms of the purchases to be determined by management based on market conditions. Under these programs, we repurchased 66,904 shares for $3.7 million during the nine months ended September 30, 2015 and 395,816 shares for $16.9 million during the nine months ended September 30, 2014. At September 30, 2015, $39.0 million remains available for repurchase under the 2014 plan. Completion of the program is dependent on market conditions and other factors. There is no guarantee as to the exact timing of any repurchases or the number of shares that we will repurchase. The share repurchase program may be modified or terminated at any time without prior notice.

Special Dividend

On March 6, 2015, the Board of Directors approved a special $2.00 per share cash dividend to Class A and Class B common shareholders of record as of March 16, 2015. The aggregate dividend totaling $49.5 million was paid on March 26, 2015.

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Reconciliation of Outstanding Common Stock

	Class A Shares	Dollars	Class B Shares	Dollars	Total Shares	Dollars
	(Dollars in thousands)					
Outstanding at January 1, 2014	24,742,942	$134,993	11,413	$72	24,754,355	$135,065
Issuance of common stock under compensation plans	314,273	9,560	—	—	314,273	9,560
Purchase of common stock	(395,816)	(2,201)	—	—	(395,816)	(2,201)
Outstanding at September 30, 2014	24,661,399	$142,352	11,413	$72	24,672,812	$142,424
Outstanding at January 1, 2015	24,703,903	$144,625	11,413	$72	24,715,316	$144,697
Issuance of common stock under compensation plans	129,513	3,790	—	—	129,513	3,790
Purchase of common stock	(66,904)	(399)	—	—	(66,904)	(399)
Outstanding at September 30, 2015	24,766,512	$148,016	11,413	$72	24,777,925	$148,088

Accumulated Other Comprehensive Income, Net of Tax and Other Offsets

	Unrealized Net Investment Gains (Losses) on Available For Sale Securities (1)	Accumulated Non-Credit Impairment Losses	Underfunded Status of Postretirement Benefit Plans	Total
	(Dollars in thousands)			
Balance at January 1, 2014	$126,587	$(1,366)	$ (6,154)	$119,067
Other comprehensive income before reclassifications	114,698	2,247	—	116,945
Reclassification adjustments	(2,187)	—	536	(1,651)
Balance at September 30, 2014	$239,098	$881	$ (5,618)	$234,361
Balance at January 1, 2015	$266,211	$1,131	$ (8,932)	$258,410
Other comprehensive income (loss) before reclassifications	(88,917)	32	—	(88,885)
Reclassification adjustments	(603)	$(85)	723	35
Balance at September 30, 2015	$176,691	$1,078	$ (8,209)	$169,560

(1) Includes the impact of taxes, deferred acquisition costs, value of insurance in force acquired, unearned revenue reserves and policyholder liabilities. See Note 2 for further information.

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Accumulated Other Comprehensive Income Reclassification Adjustments

	Nine months ended September 30, 2015			
	Unrealized Net Investment Gains (Losses) on Available For Sale Securities (1)	Accumulated Non-Credit Impairment Losses (1)	Underfunded Status of Postretirement Benefit Plans	Total
	(Dollars in thousands)			
Realized capital losses on sales of investments	$(1,052)	$—	$—	$(1,052)
Adjustments for assumed changes in deferred policy acquisition costs, value of insurance in force acquired, unearned revenue reserve and policyholder liabilities	125	7	—	132
Other-than-temporary impairment losses	—	(146)	—	(146)
Other expenses: Change in unrecognized postretirement items:				
Prior service costs	—	—	(9)	(9)
Net actuarial loss	—	—	1,122	1,122
Reclassifications before income taxes	(927)	(139)	1,113	47
Income taxes	324	54	(390)	(12)
Reclassification adjustments	$(603)	$(85)	$ 723	$35

	Nine months ended September 30, 2014			
	Unrealized Net Investment Gains (Losses) on Available For Sale Securities (1)	Accumulated Non-Credit Impairment Losses (1)	Unfunded Status of Postretirement Benefit Plans	Total
	(Dollars in thousands)			
Realized capital losses on sales of investments	$(3,539)	$—	$—	$(3,539)
Adjustments for assumed changes in deferred policy acquisition costs, value of insurance in force acquired, unearned revenue reserve and policyholder liabilities	175	—	—	175
Other expenses: Change in unrecognized postretirement items:				
Prior service costs	—	—	(9)	(9)
Net actuarial loss	—	—	834	834
Reclassifications before income taxes	(3,364)	—	825	(2,539)
Income taxes	1,177	—	(289)	888
Reclassification adjustments	$(2,187)	$—	$ 536	$(1,651)

(1) See Note 2 for further information.

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7. Earnings Per Share

Computation of Earnings Per Common Share

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands, except per share data)			
Numerator:				
Net income attributable to FBL Financial Group, Inc.	$26,659	$30,159	$82,622	$81,793
Less: Dividends on Series B preferred stock	37	37	112	112
Income available to common stockholders	$26,622	$30,122	$82,510	$81,681
Denominator:				
Weighted average shares - basic	24,923,202	24,858,021	24,926,188	24,877,424
Effect of dilutive securities - stock-based compensation	79,850	130,966	93,275	152,660
Weighted average shares - diluted	25,003,052	24,988,987	25,019,463	25,030,084
Earnings per common share	$1.07	$1.21	$3.31	$3.28
Earnings per common share - assuming dilution:	$1.06	$1.21	$3.30	$3.26

There were no antidilutive stock options outstanding in either period presented.

8. Segment Information

We analyze operations by reviewing financial information regarding our primary products that are aggregated into the Annuity and Life Insurance product segments. In addition, our Corporate and Other segment includes various support operations, corporate capital and other product lines that are not currently underwritten by the Company.

We analyze our segment results based on pre-tax operating income. Accordingly, income taxes are not allocated to the segments. In addition, operating results are reported net of transactions between the segments. Operating income represents net income excluding the impact of realized gains and losses on investments and changes in net unrealized gains and losses on derivatives.

We use operating income, in addition to net income, to measure our performance since realized gains and losses on investments and the change in net unrealized gains and losses on derivatives can fluctuate greatly from quarter to quarter. A view of our operating performance without the impact of these items enhances the analysis of our results. We use operating income for goal setting, determining short-term incentive compensation and evaluating performance on a basis comparable to that used by many in the investment community.

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Financial Information Concerning our Operating Segments

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Operating revenues:				
Annuity	$53,415	$51,070	$159,638	$150,145
Life Insurance	101,431	97,935	305,897	292,589
Corporate and Other	23,530	23,046	70,978	69,670
	178,376	172,051	536,513	512,404
Net realized gains (losses) on investments (1)	(511)	1,000	6,934	3,266
Change in net unrealized gains/losses on derivatives (1)	(2,371)	369	(3,262)	2,122
Consolidated revenues	$175,494	$173,420	$540,185	$517,792
Pre-tax operating income (loss):				
Annuity	$19,762	$16,971	$53,681	$47,067
Life Insurance	18,355	14,623	41,784	36,596
Corporate and Other	(2,774)	6,789	5,673	18,348
	35,343	38,383	101,138	102,011
Income taxes on operating income	(8,059)	(8,920)	(22,234)	(23,317)
Net realized gains/losses on investments (1)	(307)	597	4,421	2,006
Change in net unrealized gains/losses on derivatives (1)	(318)	99	(703)	1,093
Consolidated net income attributable to FBL Financial Group, Inc.	$26,659	$30,159	$82,622	$81,793

(1) Amounts are net of adjustments, as applicable, to amortization of unearned revenue reserves, deferred acquisition costs, value of insurance in force acquired and income taxes attributable to these items.

Our investment in equity method investees, the related equity income and interest expense are attributable to the Corporate and Other segment. Expenditures for long-lived assets were not significant during the periods presented above. Goodwill at September 30, 2015 and December 31, 2014 was allocated among the segments as follows: Annuity ($3.9 million) and Life Insurance ($6.1 million).

Premiums collected, which is not a measure used in financial statements prepared according to GAAP, includes premiums received on life insurance policies and deposits on annuities and universal life-type products. Net premiums collected totaled $184.0 million for the quarter ended September 30, 2015 and $149.4 million for the same period in 2014. Net premiums collected totaled $508.4 million for the nine months ended September 30, 2015 and $504.4 million for the same period in 2014.

Under GAAP, premiums on whole life and term life policies are recognized as revenues over the premium-paying period and reported in the Life Insurance segment. The following chart provides a reconciliation of life insurance premiums collected to those reported in the GAAP financial statements.

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Reconciliation of Traditional Life Insurance Premiums, Net of Reinsurance

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Traditional and universal life insurance premiums collected	$68,159	$67,657	$210,461	$214,081
Premiums collected on interest sensitive products	(21,638)	(22,743)	(68,664)	(76,165)
Traditional life insurance premiums collected	46,521	44,914	141,797	137,916
Change in due premiums and other	198	106	961	40
Traditional life insurance premiums	$46,719	$45,020	$142,758	$137,956

There is no comparable GAAP financial measure for premiums collected on annuities and universal life-type products. GAAP revenues for those interest sensitive and variable products consist of various policy charges and fees assessed on those contracts, as summarized in the chart below.

Interest Sensitive Product Charges by Segment

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Annuity				
Surrender charges and other	$542	$327	$1,810	$1,392
Life Insurance				
Administration charges	$3,558	$3,394	$10,763	$10,433
Cost of insurance charges	11,947	11,625	35,162	33,901
Surrender charges	254	209	740	615
Amortization of policy initiation fees	1,235	425	2,251	799
Total	$16,994	$15,653	$48,916	$45,748
Corporate and Other				
Administration charges	$1,392	$1,484	$4,426	$4,759
Cost of insurance charges	7,500	7,391	22,311	22,188
Surrender charges	46	123	238	364
Separate account charges	2,204	2,252	6,722	6,813
Amortization of policy initiation fees	1,178	403	1,827	821
Total	$12,320	$11,653	$35,524	$34,945
Consolidated interest sensitive product charges	$29,856	$27,633	$86,250	$82,085

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section includes a summary of FBL Financial Group, Inc.'s consolidated results of operations, financial condition and where appropriate, factors that management believes may affect future performance. Unless noted otherwise, all references to FBL Financial Group, Inc. (we or the Company) include all of its direct and indirect subsidiaries, including its life insurance subsidiary, Farm Bureau Life Insurance Company (Farm Bureau Life). Please read this discussion in conjunction with the accompanying consolidated financial statements and related notes. In addition, we encourage you to refer to our Form 10-K for the fiscal year ended December 31, 2014 for a complete description of our significant accounting policies and estimates. Familiarity with this information is important in understanding our financial position and results of operations.

This Form 10-Q includes statements relating to anticipated financial performance, business prospects, new products, and similar matters. These statements and others, which include words such as "expect," "anticipate," "believe," "intend" and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. A variety of factors could cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. See Part 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for additional information on the risks and uncertainties that may affect the operations, performance, development and results of our business.

Overview

We operate predominantly in the life insurance industry through our principal subsidiary, Farm Bureau Life. Farm Bureau Life markets individual life insurance policies and annuity contracts to Farm Bureau members and other individuals and businesses in the Midwestern and Western sections of the United States through an exclusive agency force. Several subsidiaries support various functional areas of Farm Bureau Life and other affiliates by providing investment advisory, marketing and distribution, and leasing services. In addition, we manage two Farm Bureau-affiliated property-casualty companies.

We analyze operations by reviewing financial information regarding our primary products that are aggregated in Annuity and Life Insurance product segments. In addition, our Corporate and Other segment includes various support operations, corporate capital and other product lines that are not currently underwritten by the Company. We analyze our segment results based on pre-tax operating income, which excludes the impact of certain items that are included in net income. See Note 8 to our consolidated financial statements for further information regarding how we define our segments and operating income.

We also include within our analysis “premiums collected,” which is not a measure used in financial statements prepared in accordance with GAAP, but is a common industry measure of agent productivity. See Note 8 to our consolidated financial statements for further information regarding this measure and its relationship to GAAP revenues.

Impact of Recent Business Environment

Our business generally benefits from moderate to strong economic expansion. Conversely, a lackluster economy characterized by higher unemployment, lower family income, lower consumer spending, muted corporate earnings growth and lower business investment could adversely impact the demand for our products in the future. We also may experience a higher incidence of claims, lapses or surrenders of policies during such times. We cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on our business, results of operations, cash flows or financial condition.

Economic and other environmental factors which may impact our business include, but are not limited to, the following:

- Gross Domestic Product increased at an annual rate of 1.5% during the third quarter 2015 based on recent estimates.
- U.S. unemployment was estimated to be 5.1% during September 2015.
- U.S. net farm income is forecast to decrease 36.0% and farm real estate value is forecast to decrease 2.1% during 2015 according to recent U.S. Department of Agriculture forecasts.
- The U.S. 10-year Treasury yield decreased during the third quarter of 2015 to 2.06% at September 30, 2015.
- Continued uncertainty as to actions the United States Congress will take to address the national debt, including potential actions to change the tax advantages of life insurance.
- The Department of Labor recently proposed to expand an insurance company's fiduciary responsibilities for sales of insurance products to be used in retirement plans. See Part 2, Item 1A for further discussion of this proposal.

The low market interest rate environment continues to impact our investment yields as well as the interest we credit on our interest sensitive products. The benchmark 10-year U.S. Treasury yield decreased during the quarter and credit spreads rose moderately, but available investment yields remain low. Our average investment portfolio yield declined during the quarter as yields on new acquisitions were generally lower than the average portfolio yield. As a result we proactively reduced customer crediting rates on certain annuity products during the third quarter of 2015. Low crediting rates pose challenges to maintaining attractive annuity and universal life products, although our rates are comparable to other insurance companies, allowing us to maintain our competitive position within the market. We continue to reassess the future profitability of our interest sensitive products as future profit expectations impact the valuation of deferred policy acquisition costs. During 2014 and 2015 we unlocked assumptions used to amortize deferred policy acquisition costs to reflect the expectation of lower earned spread rates, primarily driven by the expected continuation of low market interest rates. We experienced a slight decrease in the fair value of our fixed maturity security portfolio during the third quarter of 2015 due to a modest increase in market yields. See the segment discussion and “Financial Condition” section that follows for additional information regarding the impact of low market interest rates on our business.

Results of Operations for the Periods Ended September 30, 2015 and 2014

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
	(Dollars in thousands, except per share data)					
Pre-tax operating income (loss):						
Annuity segment	$19,762	$16,971	16 %	$53,681	$47,067	14 %
Life Insurance segment	18,355	14,623	26 %	41,784	36,596	14 %
Corporate and Other segment	(2,774)	6,789	(141)%	5,673	18,348	(69)%
Total pre-tax operating income	35,343	38,383	(8)%	101,138	102,011	(1)%
Income taxes on operating income	(8,059)	(8,920)	(10)%	(22,234)	(23,317)	(5)%
Operating income	27,284	29,463	(7)%	78,904	78,694	— %
Realized gains/losses on investments (1)	(307)	597	(151)%	4,421	2,006	120 %
Change in net unrealized gains/losses on derivatives (1)	(318)	99	(421)%	(703)	1,093	(164)%
Net income attributable to FBL Financial Group, Inc.	$26,659	$30,159	(12)%	$82,622	$81,793	1 %
Operating income per common share - assuming dilution	$1.09	$1.18	(8)%	$3.15	$3.14	— %
Earnings per common share - assuming dilution	1.06	1.21	(12)%	3.30	3.26	1 %
Effective tax rate on operating income	23 %	23 %		22 %	23 %	
Average invested assets, at amortized cost				$7,231,934	$6,885,291	5 %
Annualized yield on average invested assets				5.58 %	5.60 %	
Impact on operating income of unlocking deferred acquisition costs, value of insurance in force acquired, unearned revenue reserve and certain	$197	$—	N/A	$197	$42	369 %

product reserves, net of tax

(1) Amounts are net of adjustments, as applicable, to amortization of unearned revenue reserves, deferred acquisition costs, value of insurance in force acquired and income taxes attributable to these items.

Our operating and net income decreased in the third quarter of 2015, compared to the prior year period, primarily due to an increase in death benefits, partially offset by the impact of an increase in the volume of business in force. Operating and net income increased in the nine months ended September 30, 2015, compared to the prior year period, primarily due to increases in the volume of business in force and investment fee income, partially offset by an increase in death benefits. Net income for

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the nine-month period, compared to the prior year period, was also impacted by an increase in net realized gains, partially offset by a decrease in net unrealized gains/losses on derivatives. See the discussion that follows for details regarding operating income by segment.

We periodically revise key assumptions used in the calculation of the amortization of deferred acquisition costs, value of insurance in force acquired, unearned revenue reserve for participating life insurance and interest sensitive products, as well as certain reserves on interest sensitive products, as applicable, through an “unlocking” process. These assumptions typically consist of withdrawal and lapse rates, earned spreads and mortality with revisions based on historical results and our best estimate of future experience. The impact of unlocking is recorded in the current period as an increase or decrease to amortization of the respective balances. While the unlocking process can take place at any time, as needs dictate, the process typically takes place annually. See the discussion that follows for further details of the unlocking impact to our operating segments.

Annuity Segment

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
	(Dollars in thousands)					
Operating revenues:						
Interest sensitive product charges and other income	$542	$327	66 %	$1,810	$1,392	30 %
Net investment income	52,873	50,743	4 %	157,828	148,753	6 %
Total operating revenues	53,415	51,070	5 %	159,638	150,145	6 %
Benefits and expenses:						
Interest sensitive product benefits	26,490	25,896	2 %	82,105	78,698	4 %
Underwriting, acquisition and insurance expenses:						
Commissions net of deferrals	441	560	(21)%	1,422	1,576	(10)%
Amortization of deferred acquisition costs	1,477	2,685	(45)%	6,957	7,886	(12)%
Amortization of value of insurance in force	288	183	57 %	740	909	(19)%
Other underwriting expenses	4,957	4,775	4 %	14,733	14,009	5 %
Total underwriting, acquisition and insurance expenses	7,163	8,203	(13)%	23,852	24,380	(2)%
Total benefits and expenses	33,653	34,099	(1)%	105,957	103,078	3 %
Pre-tax operating income	$19,762	$16,971	16 %	$53,681	$47,067	14 %

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Annuity Segment - continued

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
	(Dollars in thousands)					
Other data						
Annuity premiums collected, direct	$101,971	$67,756	50 %	$248,330	$238,582	4 %
Policy liabilities and accruals, end of period				3,890,679	3,683,054	6 %
Average invested assets, at amortized cost				3,943,774	3,728,141	6 %
Investment fee income included in net investment income (1)	2,439	1,730	41 %	7,655	2,782	175 %
Average individual annuity account value				2,668,600	2,521,584	6 %
Earned spread on individual annuity products:						
Weighted average yield on cash and invested assets				5.59 %	5.58 %	
Weighted average interest crediting rate				2.78 %	2.88 %	
Spread				2.81 %	2.70 %	
Individual annuity withdrawal rate				4.2 %	4.8 %	

(1) Includes prepayment fee income and adjustments to the amortization of premium or discounts from changes in our prepayment speed assumptions.

Pre-tax operating income for the Annuity segment increased in the third quarter of 2015 and the nine months ended September 30, 2015, compared to the prior year periods, primarily due to higher spread income earned from an increase in the volume of business in force and higher investment fee income.

The average aggregate account value for individual annuity contracts in force increased in 2015, compared to the prior year period, due to continued sales and the crediting of interest. Continued growth in our business in force contributes to increases in net investment income, interest sensitive product charges and interest sensitive benefits. Premiums collected were higher in the 2015 periods primarily due to increased sales of fixed rate deferred annuity products in the third quarter of 2015. The amount of premiums collected is highly dependent upon the relationship between the current crediting rates of our products compared to those of competing products.

The Annuity segment also includes advances on our funding agreements with the Federal Home Loan Bank of Des Moines (FHLB). Outstanding funding agreements totaled $398.9 million at September 30, 2015 and $326.4 million at September 30, 2014.

Amortization of deferred acquisition costs and the value of insurance in force changed during the quarter and nine months ended September 30, 2015, compared to prior year periods, due to changes in the actual profits on the underlying business. Amortization, as well as reserves held on certain products, also changed due to the impact of unlocking. Unlocking generally reflects changes in our projected earned spreads, withdrawal and mortality assumptions. The impact of unlocking on pre-tax operating income for the quarter and nine months ended September 30, 2015 and 2014 was as follows:

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Impact of Unlocking on Pre-tax Operating Income

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Amortization of deferred acquisition costs	$1,419	$—	$1,419	$197
Amortization of value of insurance in force acquired	(52)	—	(52)	(403)
Changes in certain product reserves reported in interest sensitive product benefits	(722)	—	(722)	—
Increase (decrease) to pre-tax operating income	$645	$—	$645	$(206)

The weighted average yield on cash and invested assets for individual annuities increased for the nine months ended September 30, 2015, compared to the prior year period, primarily due to higher investment fee income, partially offset by lower yields on new investment acquisitions from premium receipts and reinvestment of the proceeds from maturing investments, compared with the average existing portfolio yield. See the "Financial Condition" section which follows for additional information regarding the yields obtained on investment acquisitions. Weighted average interest crediting rates on our individual annuity products decreased due to crediting rate actions taken in 2015 and 2014 in response to the declining portfolio yield and a change in the underlying product mix.

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Life Insurance Segment

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
	(Dollars in thousands)					
Operating revenues:						
Interest sensitive product charges and other income	$16,969	$15,565	9 %	$48,715	$45,496	7 %
Traditional life insurance premiums	46,719	45,020	4 %	142,758	137,956	3 %
Net investment income	37,743	37,350	1 %	114,424	109,137	5 %
Total operating revenues	101,431	97,935	4 %	305,897	292,589	5 %
Benefits and expenses:						
Interest sensitive product benefits:						
Interest credited	8,692	8,348	4 %	24,942	24,450	2 %
Death benefits and other	10,856	11,847	(8)%	33,490	34,298	(2)%
Total interest sensitive product benefits	19,548	20,195	(3)%	58,432	58,748	(1)%
Traditional life insurance benefits:						
Death benefits	21,768	14,120	54 %	67,197	52,134	29 %
Surrender and other benefits	7,242	7,025	3 %	21,568	23,234	(7)%
Increase in traditional life future policy benefits	12,594	17,226	(27)%	43,201	46,491	(7)%
Total traditional life insurance benefits	41,604	38,371	8 %	131,966	121,859	8 %
Distributions to participating policyholders	2,885	2,834	2 %	8,802	9,086	(3)%
Underwriting, acquisition and insurance expenses:						
Commission expense, net of deferrals	4,065	4,753	(14)%	12,815	13,778	(7)%
Amortization of deferred acquisition costs	147	3,776	(96)%	8,162	10,886	(25)%
Amortization of value of insurance in force	379	381	(1)%	1,102	798	38 %
Other underwriting expenses	14,448	13,002	11 %	42,834	40,838	5 %
Total underwriting, acquisition and insurance expenses	19,039	21,912	(13)%	64,913	66,300	(2)%
Total benefits and expenses	83,076	83,312	— %	264,113	255,993	3 %
Pre-tax operating income	$18,355	$14,623	26 %	$41,784	$36,596	14 %

Life Insurance Segment - continued

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
	(Dollars in thousands)					
Other data						
Life premiums collected, net of reinsurance	$68,159	$67,657	1 %	$210,461	$214,081	(2)%
Policy liabilities and accruals, end of period				2,648,057	2,548,951	4 %
Life insurance in force, end of period				53,476,684	50,987,664	5 %
Average invested assets, at amortized cost				2,668,728	2,532,057	5 %
Investment fee income included in net investment income (1)	536	1,008	(47)%	3,771	1,062	255 %
Average interest sensitive life account value				788,353	756,575	4 %
Interest sensitive life insurance spread:						
Weighted average yield on cash and invested assets				5.96 %	5.88 %	
Weighted average interest crediting rate				3.90 %	4.02 %	
Spread				2.06 %	1.86 %	
Life insurance lapse and surrender rates				5.6 %	5.4 %	
Death benefits, net of reinsurance and reserves released	22,072	17,140	29 %	$66,919	$57,039	17 %

(1) Includes prepayment fee income and adjustments to the amortization of premium or discounts from changes in our prepayment speed assumptions.

Pre-tax operating income for the Life Insurance segment increased in the third quarter of 2015 and the nine months ended September 30, 2015, compared to the prior year periods, primarily due to increases in the volume of business in force and the impact of unlocking, partially offset by increases in death benefits. The increase for the nine-month period also reflected higher investment fee income.

Continued growth in our business in force contributes to the increase in revenues and expenses. Increases in other underwriting expenses for the quarter and nine-month periods ended September 30, 2015, compared to prior year periods, were also due to increases in our defined benefit plan expenses related to a change in the discount rate used in our pension benefit obligations and increases in settlement charges.

Amortization of deferred acquisition costs, the value of insurance in force and unearned revenue reserves changed during the quarter and nine months ended September 30, 2015, compared to prior year periods, due to changes in the actual profits on the underlying business. Amortization, as well as reserves held on certain interest sensitive products, also changed due to the impact of unlocking. Unlocking generally reflects changes in projected earned spreads, policy lapses and mortality assumptions. The impact of unlocking on pre-tax operating income for the quarter and nine months ended September 30, 2015 and 2014 was as follows:

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Impact of Unlocking on Pre-tax Operating Income

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Amortization of unearned revenue reserve reported in interest sensitive product charges and other income	$617	$—	$617	$97
Amortization of deferred acquisition costs	4,400	—	4,400	60
Amortization of value of insurance in force acquired	—	—	—	234
Changes in certain product reserves reported in interest sensitive product benefits	(513)	—	(513)	(300)
Increase (decrease) to pre-tax operating income	$4,504	$—	$4,504	$91

Death benefits, net of reinsurance and reserves released, increased in the third quarter of 2015 and the nine months ended September 30, 2015 compared to the prior year periods, due to increases in the number of claims. The third quarter, compared to the prior year period, was also impacted by lower reinsurance received on our claims.

Comparability between the periods was also impacted by the correction of an immaterial error which increased pre-tax earnings by $1.3 million in the third quarter of 2015. The correction was related to a reduction of interest sensitive reserves, reducing other interest sensitive product benefits by $1.7 million, partially offset by a $0.4 million increase in amortization of deferred acquisition costs.

The weighted average yield on cash and invested assets for interest sensitive life insurance products increased in the first nine months of 2015, compared to the prior year period, due to an increase in investment fee income from prepayment fees, partially offset by lower yields on new investment acquisitions from premium receipts and reinvestment of the proceeds from maturing investments, compared with the average existing portfolio yield. See the "Financial Condition" section which follows for additional information regarding the yields obtained on investment acquisitions. Weighted average interest crediting rates on our interest sensitive life insurance products decreased due to crediting rate decreases taken in 2015 and 2014 in response to the declining portfolio yield, partially offset by sales of products with higher crediting rates.

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Corporate and Other Segment

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
	(Dollars in thousands)					
Operating revenues:						
Interest sensitive product charges	$12,321	$11,653	6 %	$35,522	$34,945	2 %
Net investment income	7,637	7,282	5 %	23,154	23,578	(2)%
Other income	3,572	4,111	(13)%	12,302	11,147	10 %
Total operating revenues	23,530	23,046	2 %	70,978	69,670	2 %
Benefits and expenses:						
Interest sensitive product benefits	9,478	6,556	45 %	24,377	20,469	19 %
Underwriting, acquisition and insurance expenses:						
Commission expense, net of deferrals	737	914	(19)%	2,491	2,712	(8)%
Amortization of deferred acquisition costs	7,880	2,213	256 %	11,452	4,482	156 %
Other underwriting expenses	1,703	1,650	3 %	5,085	5,287	(4)%
Total underwriting, acquisition and insurance expenses	10,320	4,777	116 %	19,028	12,481	52 %
Interest expense	1,213	1,197	1 %	3,637	3,495	4 %
Other expenses	4,277	3,488	23 %	13,425	11,999	12 %
Total benefits and expenses	25,288	16,018	58 %	60,467	48,444	25 %
	(1,758)	7,028	(125)%	10,511	21,226	(50)%
Net loss attributable to noncontrolling interest	19	7	171 %	49	67	(27)%
Equity loss, before tax	(1,035)	(246)	321 %	(4,887)	(2,945)	66 %
Pre-tax operating income (loss)	$(2,774)	$6,789	(141)%	$5,673	$18,348	(69)%
Other data						
Average invested assets, at amortized cost				$619,432	$625,092	(1)%
Investment fee income included in net investment income (1)	$83	$198	(58)%	434	1,128	(62)%
Average interest sensitive life account value				340,645	331,308	3 %
Death benefits, net of reinsurance and reserves released	5,256	3,632	45 %	14,112	11,644	21 %
Estimated impact on pre-tax income from separate account performance on amortization of deferred acquisition costs	(2,000)	(650)	(208)%	(2,398)	(540)	344 %

(1) Includes prepayment fee income and adjustments to the amortization of premium or discounts from changes in our prepayment speed assumptions.

Pre-tax operating income decreased for the Corporate and Other segment in the third quarter of 2015 and the nine months ended September 30, 2015, compared to the prior year periods, primarily due to an increase in pre-tax equity loss, increases in death benefits and an increase in the amortization of deferred acquisition costs from the impact of unlocking and market performance on our variable business.

Death benefits, net of reinsurance and reserves released, increased in the third quarter of 2015 and the nine months ended September 30, 2015 compared to the prior year periods, due to increases in the number of claims in addition to an increase in the average size of claims for the nine-month period.

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Amortization of deferred acquisition costs and unearned revenue reserves changed over the prior periods primarily due to the impact of unlocking and market performance in the separate accounts. Unlocking generally reflects changes in projected earned spreads and withdrawal and mortality assumptions. The impact of unlocking on pre-tax operating income for the quarter and nine months ended September 30, 2015 and 2014 was as follows:

Impact of Unlocking on Pre-tax Operating Income

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Amortization of unearned revenue reserve reported in interest sensitive product charges	$607	$—	$607	$(160)
Amortization of deferred acquisition costs	(4,375)	—	(4,375)	640
Changes in certain product reserves reported in interest sensitive product benefits	(1,078)	—	(1,078)	(300)
Increase (decrease) to pre-tax operating income	$(4,846)	$—	$(4,846)	$180

Other income and other expenses includes fees and expenses from sales of brokered products and operating results of our non-insurance subsidiaries, which include management, advisory, marketing and distribution services and leasing activities.

Equity income (loss) includes our proportionate share of gains and losses attributable to our ownership interest in partnerships, joint ventures and certain companies where we exhibit some control but have a minority ownership interest. Given the timing of availability of financial information from our equity investees, we will consistently use information that is as much as three months in arrears for certain of these entities. Several of these entities are investment companies whose operating results are derived primarily from unrealized and realized gains and losses generated by their investment portfolios. As is normal with these types of entities, the level of these gains and losses is subject to fluctuation from period to period depending on the prevailing economic environment, changes in prices of bond and equity securities held by the investment partnerships, the timing and success of initial public offerings or exit strategies, and the timing of the sale of investments held by the partnerships and joint ventures. We have increased our investments in low income housing tax credit partnerships which generate pre-tax losses, but after-tax gains, as the related tax credits are realized. The timing of the realization of tax credits is subject to fluctuation from period to period due to the timing of housing project completions and the approval of tax credits. Equity income, net of related income taxes, was as follows:

Equity Income, Net of Related Income Taxes

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Equity income (loss):				
Low income housing tax credit partnerships	$(1,554)	$(1,355)	$(5,396)	$(4,785)
Other equity method investments	519	1,109	509	1,840
	(1,035)	(246)	(4,887)	(2,945)
Income taxes:				
Taxes on equity income (loss)	362	93	1,710	1,038

Investment tax credits	3,434	3,145	10,109	9,078
Equity income, net of related income taxes	$2,761	$2,992	$6,932	$7,171

Income Taxes on Operating Income

The effective tax rate on operating income was 22.8% for the third quarter of 2015 and 22.0% for the nine months ended September 30, 2015, compared with 23.2% for the third quarter of 2014, and 22.9% for the nine months ended September 30, 2014. The effective tax rates differ from the federal statutory rate of 35% primarily due to the impact of low-income housing

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tax credits and tax-exempt interest and dividend income. The 2015 effective tax rate decreased, compared to the prior year period, primarily due to an increase in tax credits from low income housing tax credit partnerships.

Impact of Operating Income Adjustments on FBL Net Income

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Realized gains (losses) on investments	$(506)	$1,000	$6,936	$3,266
Change in net unrealized gains/losses on derivatives	(796)	14	(1,470)	1,892
Change in amortization of:				
Deferred acquisition costs	346	59	263	(383)
Value of insurance in force acquired	1	—	(5)	(7)
Unearned revenue reserve	(5)	—	(2)	—
Income tax offset	335	(377)	(2,004)	(1,669)
Net impact of operating income adjustments	$(625)	$696	$3,718	$3,099
Summary of adjustments noted above after offsets and income taxes:				
Realized gains/losses on investments	$(307)	$597	$4,421	$2,006
Change in net unrealized gains/losses on derivatives	(318)	99	(703)	1,093
Net impact of operating income adjustments	$(625)	$696	$3,718	$3,099
Net impact per common share - basic	$(0.03)	$0.03	$0.15	$0.12
Net impact per common share - assuming dilution	$(0.03)	$0.03	$0.15	$0.12

Income taxes on operating income adjustments on continuing operations are recorded at 35% as there are no permanent differences between book and taxable income relating to these adjustments.

Realized Gains (Losses) on Investments

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Realized gains (losses) on investments:				
Realized gains on sales	$136	$1,437	$9,341	$4,345
Realized losses on sales	(229)	(164)	(1,832)	(806)
Total other-than-temporary impairment charges	(559)	(273)	(719)	(273)
Net realized investment gains (losses)	(652)	1,000	6,790	3,266
Non-credit losses included in other comprehensive income (loss)	146	—	146	—
Total reported in statements of operations	$(506)	$1,000	$6,936	$3,266

The level of realized gains (losses) is subject to fluctuation from period to period depending on the prevailing interest rate, economic environment and timing of the sale of investments. See "Financial Condition - Investments" and Note 2 to our consolidated financial statements for details regarding our unrealized gains and losses on available-for-sale securities at September 30, 2015 and December 31, 2014.

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Investment Credit Impairment Losses Recognized in Net Income

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Corporate securities:				
Manufacturing	$—	$273	$—	$273
Residential mortgage-backed	363	—	363	—
Real estate and other	50	—	210	—
Total other-than-temporary impairment losses reported in net income	$413	$273	$573	$273

Other-than-temporary credit impairment losses for the three months ended September 30, 2015 were incurred within residential mortgage-backed securities due to changes in the amount and timing of future cash flows resulting in a decline in the present value and within other assets due to uncollectibility. Losses for the nine months ended September 30, 2015 were also incurred in real estate due to an appraisal declining below our current carrying value. Impairment losses for the three and nine months ended September 30, 2014 occurred in the manufacturing sector due to our plans to sell a security in the future.

Financial Condition

Investments

Our investment portfolio increased 0.8% to $7,741.9 million at September 30, 2015 compared to $7,681.0 million at December 31, 2014. The portfolio increased due to positive cash flows from operating and financing activities, offset by a reduction of $202.1 million of net unrealized appreciation of fixed maturities during 2015. Additional details regarding securities in an unrealized loss position at September 30, 2015 are included in the discussion that follows and in Note 2 to our consolidated financial statements. Details regarding investment impairments are discussed above in the "Realized Gains (Losses) on Investments" section under "Results of Operations."

We manage the investment portfolio to optimize risk-adjusted yield within the context of prudent asset-liability management. We evaluate multiple cash flow testing scenarios as part of this process. The Company's investment policy calls for investing primarily in high quality fixed maturities and commercial mortgage loans.

Fixed Maturity Acquisitions Selected Information

	Nine months ended September 30,	
	2015	2014
	(Dollars in thousands)	
Cost of acquisitions:		
Corporate	$346,104	$284,527
Mortgage- and asset-backed	235,349	278,280
United States Government and agencies	6,834	499
Tax-exempt municipals	41,903	8,000
Taxable municipals	60,569	20,955
Total	$690,759	$592,261
Effective annual yield	4.33 %	4.60 %

Credit quality				
NAIC 1 designation	62.9	%	68.3	%
NAIC 2 designation	36.4	%	31.7	%
Non-investment grade	0.7	%	—	%
Weighted-average life in years	17.0		17.0	

The table above summarizes selected information for fixed maturity purchases. The effective annual yield shown is the yield calculated to the "worst-call date." For noncallable bonds, the worst-call date is always the maturity date. For callable bonds,

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the worst-call date is the call or maturity date that produces the lowest yield. The weighted-average maturity is calculated using scheduled pay-downs and expected prepayments for amortizing securities. For non-amortizing securities, the weighted-average maturity is equal to the stated maturity date.

A portion of the securities acquired during the nine months ended September 30, 2015 and September 30, 2014, were acquired with the proceeds from advances on our funding agreements with the FHLB. The securities acquired to support these funding agreements often carry a lower average yield than securities acquired to support our other insurance products, due to the shorter maturity and relatively low interest rate paid on those advances. In addition, certain municipal securities acquired are exempt from federal income taxes, and accordingly have a higher actual return than reflected in the yields stated above. The average yield of the securities acquired, excluding the securities supporting the funding agreements and using a tax-adjusted yield for the municipal securities, was 4.61% during the nine-month period ended September 30, 2015 and 4.78% during the nine-month period ended September 30, 2014.

Investment Portfolio Summary

	September 30, 2015			December 31, 2014		
	Carrying Value	Percent		Carrying Value	Percent	
	(Dollars in thousands)					
Fixed maturities - available for sale:						
Public	$5,156,472	66.6	%	$5,151,922	67.1	%
144A private placement	1,291,949	16.7		1,245,474	16.2	
Private placement	271,707	3.5		303,302	4.0	
Total fixed maturities - available for sale	6,720,128	86.8		6,700,698	87.3	
Equity securities	120,543	1.6		112,623	1.5	
Mortgage loans	694,069	9.0		629,296	8.2	
Real estate	3,438	—		3,622	—	
Policy loans	185,353	2.4		182,502	2.4	
Short-term investments	17,314	0.2		48,585	0.6	
Other investments	1,075	—		3,644	—	
Total investments	$7,741,920	100.0	%	$7,680,970	100.0	%

As of September 30, 2015, 96.1% (based on carrying value) of the available-for-sale fixed maturities were investment grade debt securities, defined as being in the highest two National Association of Insurance Commissioners (NAIC) designations. Non-investment grade debt securities generally provide higher yields and involve greater risks than investment grade debt securities because their issuers typically are more highly leveraged and more vulnerable to adverse economic conditions than investment grade issuers. In addition, the trading market for these securities is usually more limited than for investment grade debt securities. We regularly review the percentage of our portfolio that is invested in non-investment grade debt securities (NAIC designations 3 through 6). As of September 30, 2015, no single non-investment grade holding exceeded 0.2% of total investments.

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Credit Quality by NAIC Designation and Equivalent Rating

NAIC Designation	Equivalent Rating (1)	September 30, 2015 Carrying Value	Percent	December 31, 2014 Carrying Value	Percent
		(Dollars in thousands)			
1	AAA, AA, A	$4,329,489	64.4 %	$4,252,851	63.5 %
2	BBB	2,127,876	31.7	2,204,791	32.9
	Total investment grade	6,457,365	96.1	6,457,642	96.4
3	BB	190,786	2.8	166,757	2.5
4	B	43,367	0.6	37,887	0.5
5	CCC	11,061	0.2	18,771	0.3
6	In or near default	17,549	0.3	19,641	0.3
	Total below investment grade	262,763	3.9	243,056	3.6
	Total fixed maturities - available for sale	$6,720,128	100.0 %	$6,700,698	100.0 %

(1) Equivalent ratings are based on those provided by nationally recognized rating agencies with some exceptions for certain residential mortgage, commercial mortgage- and asset-backed securities where they are based on the expected loss of the security rather than the probability of default.

See Note 2 to our consolidated financial statements for a summary of fixed maturities by contractual maturity date.

Gross Unrealized Gains and Gross Unrealized Losses by Internal Industry Classification

	September 30, 2015 Total Carrying Value	Carrying Value of Securities with Gross Unrealized Gains	Gross Unrealized Gains	Carrying Value of Securities with Gross Unrealized Losses	Gross Unrealized Losses
	(Dollars in thousands)				
Corporate securities:					
Basic industrial	$351,180	$224,558	$15,879	$126,622	$(19,530)
Capital goods	228,896	182,052	18,003	46,844	(2,930)
Communications	133,662	97,624	8,044	36,038	(2,735)
Consumer cyclical	125,532	125,532	9,137	—	—
Consumer non-cyclical	405,741	250,786	19,496	154,955	(6,748)
Energy	378,104	235,799	20,469	142,305	(25,375)
Finance	759,312	648,948	47,852	110,364	(3,751)
Transportation	103,463	84,920	6,584	18,543	(2,706)
Utilities	972,945	761,779	94,683	211,166	(17,759)
Other	157,505	104,836	5,523	52,669	(2,756)
Total corporate securities	3,616,340	2,716,834	245,670	899,506	(84,290)
Mortgage- and asset-backed securities	1,613,758	1,375,141	105,840	238,617	(10,764)
United States Government and agencies	44,700	42,690	4,056	2,010	(5)
State, municipal and other governments	1,445,330	1,358,415	128,776	86,915	(2,133)
Total	$6,720,128	$5,493,080	$484,342	$1,227,048	$(97,192)

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Gross Unrealized Gains and Gross Unrealized Losses by Internal Industry Classification

	December 31, 2014				
	Total Carrying Value	Carrying Value of Securities with Gross Unrealized Gains	Gross Unrealized Gains	Carrying Value of Securities with Gross Unrealized Losses	Gross Unrealized Losses
	(Dollars in thousands)				
Corporate securities:					
Basic industrial	$356,761	$299,688	$25,221	$57,073	$(3,505)
Capital goods	229,901	221,692	22,954	8,209	(73)
Communications	124,387	117,560	12,420	6,827	(123)
Consumer cyclical	196,957	187,587	14,536	9,370	(22)
Consumer non-cyclical	402,033	365,482	32,353	36,551	(1,653)
Energy	409,642	319,393	35,579	90,249	(6,571)
Finance	777,484	738,003	61,405	39,481	(491)
Transportation	87,172	84,190	8,457	2,982	(295)
Utilities	1,008,174	923,312	130,003	84,862	(4,807)
Other	74,395	63,635	6,009	10,760	(26)
Total corporate securities	3,666,906	3,320,542	348,937	346,364	(17,566)
Mortgage- and asset-backed securities	1,543,490	1,291,575	105,271	251,915	(9,412)
United States Government and agencies	42,804	41,834	4,581	970	(4)
State, municipal and other governments	1,447,498	1,435,026	157,571	12,472	(113)
Total	$6,700,698	$6,088,977	$616,360	$611,721	$(27,095)

Non-Sovereign European Debt Exposure

	September 30, 2015		December 31, 2014	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
	(Dollars in thousands)			
Italy	$19,712	$21,273	$19,707	$22,547
Spain	15,430	19,802	15,430	20,281
Ireland	14,045	15,739	12,744	15,028
Subtotal	49,187	56,814	47,881	57,856
United Kingdom	181,130	185,364	182,879	196,476
Netherlands	60,175	63,469	54,576	60,225
France	28,203	31,011	37,218	41,086
Other countries	89,506	91,864	86,370	93,955
Subtotal	359,014	371,708	361,043	391,742
Total European exposure	$408,201	$428,522	$408,924	$449,598

The table above reflects our exposure to non-sovereign European debt. This represents 6.4% of total fixed maturities as of September 30, 2015 and 6.7% as of December 31, 2014. The exposures are primarily in the industrial, financial and utility sectors. We do not own any securities issued by European governments or companies based in Greece.

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Credit Quality of Available-for-Sale Fixed Maturities with Unrealized Losses

NAIC Designation	Equivalent Rating	September 30, 2015 Carrying Value of Securities with Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses	Percent of Total
		(Dollars in thousands)			
1	AAA, AA, A	$594,771	48.5 %	$(20,539)	21.1 %
2	BBB	517,959	42.2	(53,902)	55.5
	Total investment grade	1,112,730	90.7	(74,441)	76.6
3	BB	81,126	6.6	(18,896)	19.5
4	B	25,169	2.0	(3,411)	3.5
5	CCC	3,601	0.3	(338)	0.3
6	In or near default	4,422	0.4	(106)	0.1
	Total below investment grade	114,318	9.3	(22,751)	23.4
	Total	$1,227,048	100.0 %	$(97,192)	100.0 %

NAIC Designation	Equivalent Rating	December 31, 2014 Carrying Value of Securities with Gross Unrealized Losses	Percent of Total	Gross Unrealized Losses	Percent of Total
		(Dollars in thousands)			
1	AAA, AA, A	$296,390	48.5 %	$(7,410)	27.4 %
2	BBB	240,308	39.3	(10,795)	39.8
	Total investment grade	536,698	87.8	(18,205)	67.2
3	BB	61,995	10.1	(7,667)	28.3
4	B	6,134	1.0	(636)	2.3
5	CCC	6,894	1.1	(587)	2.2
	Total below investment grade	75,023	12.2	(8,890)	32.8
	Total	$611,721	100.0 %	$(27,095)	100.0 %

Available-For-Sale Fixed Maturities with Unrealized Losses by Length of Time

	September 30, 2015 Amortized Cost		Gross Unrealized Losses	
	Fair Value is Less than 75% of Cost	Fair Value is 75% or Greater than Cost	Fair Value is Less than 75% of Cost	Fair Value is 75% or Greater than Cost
	(Dollars in thousands)			
Three months or less	$5,323	$251,135	$(1,779)	$(8,407)
Greater than three months to six months	5,945	660,974	(1,586)	(30,665)
Greater than six months to nine months	22,947	90,163	(6,288)	(7,202)

Greater than nine months to twelve months	28,202	33,015	(9,965)	(2,647)
Greater than twelve months	36,086	190,449	(11,183)	(17,470)
Total	$98,503	$1,225,736	$(30,801)	$(66,391)

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Available-For-Sale Fixed Maturities with Unrealized Losses by Length of Time

	December 31, 2014			
	Amortized Cost		Gross Unrealized Losses	
	Fair Value is Less than 75% of Cost	Fair Value is 75% or Greater than Cost	Fair Value is Less than 75% of Cost	Fair Value is 75% or Greater than Cost
	(Dollars in thousands)			
Three months or less	$—	$223,846	$—	$(5,883)
Greater than three months to six months	—	110,035	—	(5,425)
Greater than six months to nine months	—	16,353	—	(625)
Greater than nine months to twelve months	—	22,855	—	(487)
Greater than twelve months	7,397	258,330	(2,341)	(12,334)
Total	$7,397	$631,419	$(2,341)	$(24,754)

Available-For-Sale Fixed Maturities with Unrealized Losses by Maturity Date

	September 30, 2015		December 31, 2014	
	Carrying Value of Securities with Gross Unrealized Losses	Gross Unrealized Losses	Carrying Value of Securities with Gross Unrealized Losses	Gross Unrealized Losses
	(Dollars in thousands)			
Due in one year or less	$4,414	$(56)	$4,518	$(496)
Due after one year through five years	39,102	(4,688)	17,499	(477)
Due after five years through ten years	132,781	(12,068)	61,928	(4,332)
Due after ten years	812,134	(69,616)	275,861	(12,378)
	988,431	(86,428)	359,806	(17,683)
Mortgage- and asset-backed	238,617	(10,764)	251,915	(9,412)
Total	$1,227,048	$(97,192)	$611,721	$(27,095)

See Note 2 to our consolidated financial statements for additional analysis of these unrealized losses.

Mortgage- and Asset-Backed Securities

Mortgage-backed and other asset-backed securities are purchased when we believe these types of investments provide superior risk-adjusted returns compared to returns of more conventional investments such as corporate bonds and mortgage loans. These securities are diversified as to collateral types, cash flow characteristics and maturity.

Mortgage- and Asset-Backed Securities by Type

	September 30, 2015			
	Amortized Cost	Par Value	Carrying Value	Percent of Fixed Maturities
	(Dollars in thousands)			
Residential mortgage-backed securities:				

Sequential	$279,502	$330,745	$302,328	4.5	%
Pass-through	17,470	17,463	19,513	0.3	
Planned and targeted amortization class	136,908	137,729	146,252	2.2	
Other	6,134	8,604	7,392	0.1	
Total residential mortgage-backed securities	440,014	494,541	475,485	7.1	
Commercial mortgage-backed securities	510,629	533,517	559,160	8.3	
Other asset-backed securities	568,039	603,314	579,113	8.6	
Total	$1,518,682	$1,631,372	$1,613,758	24.0	%

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Mortgage and Asset-Backed Securities by Type

	December 31, 2014				
	Amortized Cost	Par Value	Carrying Value	Percent of Fixed Maturities	
	(Dollars in thousands)				
Residential mortgage-backed securities:					
Sequential	$291,569	$346,546	$316,556	4.7	%
Pass-through	20,223	20,193	22,407	0.3	
Planned and targeted amortization class	135,534	133,976	144,670	2.2	
Other	6,281	9,019	7,901	0.1	
Total residential mortgage-backed securities	453,607	509,734	491,534	7.3	
Commercial mortgage-backed securities	485,934	506,091	530,695	7.9	
Other asset-backed securities	508,090	546,440	521,261	7.8	
Total	$1,447,631	$1,562,265	$1,543,490	23.0	%

The residential mortgage-backed portfolio includes government agency pass-through and collateralized mortgage obligation (CMO) securities. With a government agency pass-through security, we receive a pro rata share of principal payments as payments are made on the underlying mortgage loans. CMOs consist of pools of mortgages divided into sections or "tranches" which provide sequential retirement of the bonds.

The commercial mortgage-backed securities are primarily sequential securities. Commercial mortgage-backed securities typically have cash flows that are less subject to refinance risk than residential mortgage-backed securities principally due to prepayment restrictions on many of the underlying commercial mortgage loans.

The other asset-backed securities are backed by both residential and non-residential collateral. The collateral for residential asset-backed securities primarily consists of second lien fixed-rate home equity loans. The cash flows of these securities are less subject to prepayment risk than residential mortgage-backed securities as the borrowers are less likely to refinance than those with only a first lien mortgage. The collateral for non-residential asset-backed securities primarily includes securities backed by credit card receivables, auto dealer receivables, auto installment loans, aircraft leases, middle market and syndicated business loans, timeshare receivables and trade and account receivables. These securities are high quality, short-duration assets with limited cash flow variability.

Our direct exposure to the Alt-A home equity and subprime first-lien sectors is limited to investments in structured securities collateralized by senior tranches of residential mortgage loans. We also have a partnership interest in two funds at September 30, 2015 and at December 31, 2014, that own securities backed by Alt-A home equity, subprime first-lien and adjustable rate mortgage collateral. The funds are reported as securities and indebtedness of related parties in our consolidated balance sheets with a fair value of $11.0 million at September 30, 2015 and $14.2 million at December 31, 2014.

Mortgage- and Asset-Backed Securities by Collateral Type

	September 30, 2015				December 31, 2014			
	Amortized Cost	Carrying Value	Percent of Fixed Maturities		Amortized Cost	Carrying Value	Percent of Fixed Maturities	
	(Dollars in thousands)							
Government agency	$207,290	$225,299	3.4	%	$206,397	$223,478	3.3	%

Prime	127,227	138,149	2.1	127,434	139,954	2.1
Alt-A	141,632	153,446	2.3	160,111	174,230	2.6
Subprime	75,194	71,451	1.1	72,132	69,421	1.0
Commercial mortgage	510,629	559,160	8.3	485,934	530,695	7.9
Non-mortgage	456,710	466,253	6.9	395,623	405,712	6.1
Total	$1,518,682	$1,613,758	24.1 %	$1,447,631	$1,543,490	23.0 %

The mortgage- and asset-backed securities can be summarized into three broad categories: residential, commercial and other asset-backed securities.

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Residential Mortgage-Backed Securities by Collateral Type and Origination Year

	September 30, 2015							
	Government & Prime		Alt-A		Subprime		Total	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
	(Dollars in thousands)							
2015-2008	$193,975	$207,995	$142	$142	$—	$—	$194,117	$208,137
2007	25,996	30,892	22,658	23,932	—	—	48,654	54,824
2006	15,625	18,568	23,947	27,662	—	—	39,572	46,230
2005	9,836	11,272	6,029	6,480	938	925	16,803	18,677
2004 and prior	71,175	76,456	69,693	71,161	—	—	140,868	147,617
Total	$316,607	$345,183	$122,469	$129,377	$938	$925	$440,014	$475,485

	December 31, 2014							
	Government & Prime		Alt-A		Subprime		Total	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
	(Dollars in thousands)							
2014-2008	$169,261	$181,427	$260	$261	$—	$—	$169,521	$181,688
2007	27,881	33,557	26,052	27,232	—	—	53,933	60,789
2006	18,004	21,248	25,318	30,301	—	—	43,322	51,549
2005	10,969	12,560	6,278	6,928	912	921	18,159	20,409
2004 and prior	88,941	95,158	79,731	81,941	—	—	168,672	177,099
Total	$315,056	$343,950	$137,639	$146,663	$912	$921	$453,607	$491,534

Residential Mortgage-Backed Securities by NAIC Designation and Equivalent Rating

NAIC Designation	Equivalent Rating	September 30, 2015 Carrying Value	Percent of Total	December 31, 2014 Carrying Value	Percent of Total
		(Dollars in thousands)			
1	AAA, AA, A	$445,601	93.7 %	$455,505	92.7 %
2	BBB	9,309	2.0	10,944	2.2
3	BB	14,736	3.1	13,065	2.7
4	B	5,826	1.2	12,006	2.4
5	CCC	13	—	14	—
	Total	$475,485	100.0 %	$491,534	100.0 %

Commercial Mortgage-Backed Securities by Origination Year

	September 30, 2015		December 31, 2014	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
	(Dollars in thousands)			
2015	$47,589	$49,388	$—	$—
2014	131,846	144,904	131,365	140,872
2013	28,753	30,062	28,732	29,409
2011	95,849	106,468	95,935	103,485

2010 and prior	206,592	228,338	229,902	256,929
Total	$510,629	$559,160	$485,934	$530,695

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Commercial Mortgage-Backed Securities by NAIC Designation and Equivalent Rating

NAIC Designation	Equivalent Rating	September 30, 2015 Carrying Value	September 30, 2015 Percent of Total	December 31, 2014 Carrying Value	December 31, 2014 Percent of Total
		(Dollars in thousands)			
1	GNMA	$364,212	65.1 %	$324,315	61.1 %
1	FNMA	14,109	2.5	14,110	2.7
1	AAA, AA, A				
	Generic	97,010	17.3	91,035	17.2
	Super Senior	12,819	2.3	19,725	3.7
	Mezzanine	11,547	2.1	17,528	3.3
	Junior	17,900	3.2	20,097	3.8
	Total AAA, AA, A	139,276	24.9	148,385	28.0
2	BBB	31,106	5.6	32,904	6.2
3	BB	8,309	1.5	8,493	1.6
4	B	2,148	0.4	2,488	0.4
	Total	$559,160	100.0 %	$530,695	100.0 %

The Government National Mortgage Association (GNMA) guarantees principal and interest on mortgage-backed securities. The guarantee is backed by the full faith and credit of the United States Government. The Federal National Mortgage Association (FNMA) is a government-sponsored enterprise (GSE) that was chartered by Congress to reduce borrowing costs for certain homeowners. GSEs carry an implicit backing of the U.S. Government but do not have explicit guarantees like GNMA.

The AAA, AA and A-rated commercial mortgage-backed securities are broken down into categories based on subordination levels. Rating agencies disclose subordination levels, which measure the amount of credit support that the bonds (or tranches) have from subordinated bonds (or tranches). Generic is a term used for securities issued prior to 2005. The super senior securities have subordination levels greater than 27%, the mezzanine securities have subordination levels in the 17% to 27% range and the junior securities have subordination levels in the 9% to 16% range. Also included in the commercial mortgage-backed securities are military housing bonds totaling $125.3 million at September 30, 2015 and $120.5 million at December 31, 2014. These bonds are used to fund the construction of multi-family homes on United States military bases. The bonds are backed by a first mortgage lien on residential military housing projects.

Other Asset-Backed Securities by Collateral Type and Origination Year

	September 30, 2015									
	Government & Prime		Alt-A		Subprime		Non-Mortgage		Total	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
	(Dollars in thousands)									
2015	$—	$—	$—	$—	$—	$—	$115,942	$116,720	$115,942	$116,720
2014	—	—	—	—	—	—	113,095	113,838	113,095	113,838
2013	—	—	—	—	—	—	50,977	51,386	50,977	51,386
2012	—	—	—	—	—	—	88,572	89,896	88,572	89,896
2011	—	—	—	—	—	—	13,176	13,231	13,176	13,231
	17,910	18,265	19,163	24,069	74,256	70,526	74,948	81,182	186,277	194,042

2010 and prior										
Total	$17,910	$18,265	$19,163	$24,069	$74,256	$70,526	$456,710	$466,253	$568,039	$579,113

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Other Asset-Backed Securities by Collateral Type and Origination Year

	December 31, 2014									
	Government & Prime		Alt-A		Subprime		Non-Mortgage		Total	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
	(Dollars in thousands)									
2014	$—	$—	$—	$—	$—	$—	102,612	102,405	$102,612	$102,405
2013	—	—	—	—	—	—	60,296	60,600	60,296	60,600
2012	—	—	—	—	—	—	115,851	117,975	115,851	117,975
2011	—	—	—	—	—	—	16,736	16,942	16,736	16,942
2010 and prior	18,775	19,482	22,472	27,567	71,220	68,500	100,128	107,790	212,595	223,339
Total	$18,775	$19,482	$22,472	$27,567	$71,220	$68,500	$395,623	$405,712	$508,090	$521,261

Other Asset-Backed Securities by NAIC Designation and Equivalent Rating

NAIC Designation	Equivalent Ratings	September 30, 2015 Carrying Value	Percent of Total	December 31, 2014 Carrying Value	Percent of Total
		(Dollars in thousands)			
1	AAA, AA, A	$484,113	83.6 %	$457,154	87.7 %
2	BBB	51,515	8.9	32,664	6.3
3	BB	14,478	2.5	11,400	2.2
4	B	9,100	1.6	1,561	0.3
5	CCC	7,289	1.3	6,400	1.2
6	In or near default	12,618	2.1	12,082	2.3
	Total	$579,113	100.0 %	$521,261	100.0 %

State, Municipal and Other Government Securities

State, municipal and other government securities totaled $1,445.3 million, or 21.5% of total fixed maturities, at September 30, 2015, and $1,447.5 million, or $21.6% of total fixed maturities at December 31, 2014 and include investments in general obligation, revenue and municipal housing bonds. Our investment strategy is to utilize municipal bonds in addition to corporate bonds, as we believe they provide additional diversification and have historically low default rates compared with similarly rated corporate bonds. We evaluate the credit strength of the underlying issues on both a quantitative and qualitative basis, excluding insurance, prior to acquisition. The majority of the municipal bonds we hold are investment grade credits without consideration of insurance. Our municipal bonds are well diversified by type and geography with the top exposure being water and sewer revenue bonds. We do not hold any Puerto Rico-related bonds, which has been in the news given its financial issues. Exposure to the state of Illinois and municipalities within the state accounted for 1.7% of our total fixed maturities at September 30, 2015. As of September 30, 2015, our Illinois-related portfolio holdings were rated investment grade, and were trading at 108.1% of amortized cost. Our municipal bond exposure had an average rating of Aa2/AA and our holdings were trading at 109.6% of amortized cost at September 30, 2015.

Equity Securities

Equity securities totaled $120.5 million at September 30, 2015 and $112.6 million at December 31, 2014. Gross unrealized gains totaled $5.1 million and gross unrealized losses totaled $1.4 million at September 30, 2015. At December 31, 2014, gross unrealized gains totaled $5.9 million and gross unrealized losses totaled $0.7 million on these securities. The unrealized losses were primarily attributable to nonredeemable perpetual preferred securities from issuers in the financial sector. See Note 2 to our consolidated financial statements for further discussion regarding our analysis of unrealized losses related to these securities.

Mortgage Loans

Mortgage loans totaled $694.1 million at September 30, 2015 and $629.3 million at December 31, 2014. Our mortgage loans are diversified as to property type, location and loan size, and are collateralized by the related properties. The total number of commercial mortgage loans outstanding was 156 at September 30, 2015 and 146 at December 31, 2014. In the first nine months of 2015, new loans ranged from $1.9 million to $10.2 million in size, with an average loan size of $6.1 million, an average loan term of 15 years and an average yield of 4.22%. Our mortgage lending policies establish limits on the amount that can be loaned to one borrower and require diversification by geographic location and collateral type. The majority of our mortgage loans amortize principal, with 2.2% that are interest only loans at September 30, 2015. At September 30, 2015, the average loan-to-value of the current outstanding principal balance using the most recent appraised value was 56.1% and the weighted average debt service coverage ratio was 1.6 based on the results of our 2014 annual study. See Note 2 to our consolidated financial statements for further discussion regarding our mortgage loans.

Asset-Liability Management

Our asset-liability management program includes (i) designing and developing products that encourage persistency and help ensure targeted spreads are earned and, as a result, create a stable liability structure, and (ii) structuring the investment portfolio with duration and cash flow characteristics consistent with the duration and cash flow characteristics of our insurance liabilities. The weighted average life of the fixed maturity and mortgage loan portfolio based on fair values was approximately 10.9 years at September 30, 2015 and 10.6 years at December 31, 2014. The effective duration of the fixed maturity and mortgage loan portfolios backing our annuity products was 6.0 years at September 30, 2015 and 5.9 years at December 31, 2014. The effective duration of our annuity liabilities was approximately 6.5 years at September 30, 2015 and 6.4 years at December 31, 2014. While it can be difficult to maintain asset and liability durations that are closely matched in a dynamic environment, we have identified various strategies that can be implemented if duration mismatches exceed acceptable tolerances.

Other Assets

Deferred acquisition costs increased 32.5% to $292.5 million at September 30, 2015, primarily due to a $66.8 million decrease in the impact of the change in net unrealized appreciation on fixed maturity securities during the period. Assets held in separate accounts decreased 9.6% to $617.2 million primarily due to market performance on the underlying investment portfolios. Cash and cash equivalents decreased 57.4% to $32.6 million primarily due to payment of a special $2.00 per share dividend on common stock in the first quarter of 2015 and normal fluctuations in timing of payments made and received.

Liabilities

Future policy benefits increased 3.6% to $6,343.2 million at September 30, 2015, primarily due to an increase in the volume of annuity and life business in force. Liabilities related to separate accounts decreased 9.6% to $617.2 million primarily due to the impact of changes in market performance. Deferred income taxes decreased 25.6% to $153.0 million primarily due to the tax impact of the change in unrealized appreciation/depreciation on investments.

Stockholders' Equity

As discussed in Note 6 to our consolidated financial statements, stockholders' equity was impacted by capital deployment actions during the first quarter of 2015. We paid a special cash dividend of $2.00 per share on Class A and Class B common stock and increased our regular quarterly dividend by 14% to $0.40 per share during March 2015.

Our stockholders' equity decreased 6.8% to $1,167.3 million at September 30, 2015, compared to $1,252.8 million at December 31, 2014, primarily due to the change in unrealized appreciation of fixed maturity securities during the period and dividends paid, partially offset by net income.

At September 30, 2015, FBL's common stockholders' equity was $1,164.3 million, or $46.99 per share, compared to $1,249.8 million, or $50.57 per share, at December 31, 2014. Included in stockholders' equity per common share is $6.84 at September 30, 2015 and $10.46 at December 31, 2014 attributable to accumulated other comprehensive income.

Liquidity and Capital Resources

Cash Flows

During the first nine months of 2015, our operating activities generated cash flows totaling $143.4 million, consisting of net income of $82.6 million adjusted for non-cash operating revenues and expenses netting to $60.8 million. We used cash of $267.4 million in our investing activities during the 2015 period. The primary uses were $856.3 million of investment

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acquisitions, mostly in fixed maturity securities, partially offset by $566.0 million in sales, maturities and repayments of investments. Our financing activities provided cash of $80.0 million during the 2015 period. The primary financing source was $476.7 million in receipts from interest sensitive products credited to policyholder account balances, which was partially offset by $316.9 million for return of policyholder account balances on interest sensitive products and $79.4 million for dividends paid to stockholders.

Sources and Uses of Capital Resources

Parent company cash inflows from operations consist primarily of fees that it charges various subsidiaries and affiliates for management of their operations, expense reimbursements and tax settlements from subsidiaries and affiliates, proceeds from the exercise of employee stock options, investment income and dividends from subsidiaries, if declared and paid. Revenue sources for the parent company during the nine months ended September 30, 2015 included management fees from subsidiaries and affiliates totaling $6.1 million and dividends of $37.5 million. Cash outflows are principally for salaries, taxes and other expenses related to providing management services, dividends on outstanding stock, stock repurchases and interest on our parent company debt.

As discussed in Note 6 to our consolidated financial statements, we have periodically taken advantage of opportunities to repurchase our outstanding Class A common stock through Class A common stock repurchase plans approved by our Board of Directors. There was $39.0 million remaining available for repurchases at September 30, 2015 under the current $50 million Class A common stock repurchase plan. Under this plan, we repurchased 66,904 shares for $3.7 million during the nine months ended September 30, 2015. Completion of this program is dependent on market conditions and other factors. There is no guarantee as to the exact timing of any repurchases or the number of shares that we will repurchase. The share repurchase program may be modified or terminated at any time without prior notice.

Interest payments on our debt totaled $3.6 million for the nine months ended September 30, 2015 and September 30, 2014. Interest payments on our debt outstanding at September 30, 2015 are estimated to be $1.2 million for the remainder of 2015.

Farm Bureau Life's cash inflows primarily consist of premiums; deposits to policyholder account balances; income from investments; sales, maturities and calls of investments; and repayments of investment principal. Farm Bureau Life's cash outflows are primarily related to withdrawals of policyholder account balances, investment purchases, payment of policy acquisition costs, policyholder benefits, income taxes, current operating expenses and dividends. Life insurance companies generally produce a positive cash flow which may be measured by the degree to which cash inflows are adequate to meet benefit obligations to policyholders and normal operating expenses as they are incurred. The remaining cash flow is generally used to increase the asset base to provide funds to meet the need for future policy benefit payments and for writing new business. Continuing operations and financing activities from Farm Bureau Life relating to interest sensitive products provided funds totaling $303.4 million for the nine months ended September 30, 2015 and $300.0 million for the prior year period.

Farm Bureau Life's ability to pay dividends to the parent company is limited by law to earned profits (statutory unassigned surplus) as of the date the dividend is paid, as determined in accordance with accounting practices prescribed by insurance regulatory authorities of the State of Iowa. At December 31, 2014, Farm Bureau Life’s statutory unassigned surplus was $418.5 million. There are certain additional limits on the amount of dividends that may be paid within a year without approval of the Insurance Division, Department of Commerce of the State of Iowa (the Iowa Insurance Division) as discussed in Note 7 to our consolidated financial statements for the year ended December 31, 2014 included in our Annual Report on Form 10-K. During the remainder of 2015, the maximum amount legally available for distribution to the parent company without further regulatory approval is $60.3 million. However, due to the timing of dividend payments during the prior 12 months, the maximum dividend available to be paid without further regulatory approval during the period from September 30, 2015 to December 19, 2015 is $15.3 million.

We paid regular cash dividends on our common and preferred stock during the nine-month period ended September 30 totaling $29.9 million in 2015 and $26.1 million in 2014. In addition, we paid a special $2.00 per common share cash dividend on March 26, 2015 totaling $49.5 million. It is anticipated that quarterly cash dividend requirements for 2015 will be $0.0075 per Series B preferred share and $0.40 per common share. The level of common stock dividends are analyzed quarterly and are dependent upon our capital and liquidity positions. In addition, alternative uses of excess capital may impact future dividend levels. Assuming these quarterly dividend rates, the common and preferred dividends would total approximately $9.9 million for the remainder of 2015. The parent company expects to have sufficient resources and cash flows to meet its interest and dividend payments throughout 2015. The parent company had available cash and investments totaling $63.3 million at September 30, 2015. FBL Financial Group, Inc. expects to rely on available cash resources, dividends from Farm Bureau Life

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and management fee income to make dividend payments to its stockholders and interest payments on its debt. We had no material commitments for capital expenditures as of September 30, 2015.

We manage the amount of capital held by our insurance subsidiaries to ensure we meet regulatory requirements. State laws specify regulatory actions if an insurer's risk-based capital (RBC) ratio, a measure of solvency, falls below certain levels. The NAIC has a standard formula for annually assessing RBC based on the various risk factors related to an insurance company's capital and surplus, including insurance, business, asset and interest rate risks. The insurance regulators monitor the level of RBC against a statutory "authorized control level" RBC at which point regulators have the option to assume control of the insurance company. The company action level RBC is 200% of the authorized control level and is the first point at which any action would be triggered. Our adjusted capital and RBC is reported to our insurance regulators annually based on formulas which may be revised throughout the year. We estimate our adjusted capital and RBC quarterly; however, these estimates may differ from annual results should the regulatory formulas change. As of September 30, 2015, our statutory total adjusted capital is estimated at $651.2 million, resulting in a RBC ratio of 564%, based on company action level capital of $115.5 million.

On a consolidated basis, we anticipate that funds to meet our short-term and long-term capital expenditures, cash dividends to stockholders and operating cash needs will come from existing capital and internally-generated funds. However, there can be no assurance that future experience regarding benefits and surrenders will be similar to historic experience since benefits and surrender levels are influenced by such factors as the interest rate environment, our financial strength ratings, the economy and other factors that impact policyholder behavior. Farm Bureau Life is a member of the FHLB, which provides a source for additional liquidity, if needed. This membership allows us to utilize fixed or floating rate advances offered by the FHLB and secured by qualifying collateral. Our total capacity to utilize such advances is impacted by multiple factors including the market value of eligible collateral, our level of statutory admitted assets and excess reserves and our willingness or capacity to hold activity-based FHLB common stock.

Contractual Obligations

In the normal course of business, we enter into insurance contracts, financing transactions, lease agreements or other commitments which are necessary or beneficial to our operations. These commitments may obligate us to certain cash flows during future periods. There have been no material changes to our total contractual obligations since December 31, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks of Financial Instruments

There have been no material changes in the market risks from the information provided in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Form 10-K for the fiscal year ended December 31, 2014.

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ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities and Exchange Act of 1934 (the Act) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our internal control over financial reporting changes from time-to-time as we modify and enhance our systems and processes to meet our dynamic needs. Changes are also made as we strive to be more efficient in how we conduct our business. While changes have taken place in our internal controls during the quarter ended September 30, 2015, there have been no changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

The performance of our company is subject to a variety of risks which you should review. Occurrence of these risks could materially affect our business, results of operations or financial condition, cause the trading price of our common stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward looking statements made by or on behalf of the Company.

Please refer to Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.We are updating the risk factor labeled "All segments of our business are highly regulated and these regulations or changes in them could affect our profitability" by adding the following to the existing language set forth under such risk factor:

During the second quarter of 2015, the U.S. Department of Labor (DOL) proposed regulations addressing when a person providing investment advice with respect to an employee benefit plan or individual retirement account (IRA) is considered a fiduciary under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code. The proposed regulations offer a very broad definition of fiduciary investment advice which includes sales and services currently offered to our customers with such plans or IRAs. The DOL has also proposed a new set of prohibited transaction exemptions (PTEs) and amendments to existing PTEs to permit certain common fee and compensation practices to continue. Under the proposal the agents who sell our fixed annuities, variable annuities and investment products for use in employee benefit plans or IRAs, would subject themselves and the Company to additional disclosures, reporting, record keeping and other regulatory requirements. It is common for our customers to utilize products we offer in such plans and the proposals could have an adverse impact to our operations. It is uncertain if the proposals will be adopted in their current form. The impact of the proposed regulations on sales and operating expenses is uncertain at this time.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

The following table sets forth issuer purchases of equity securities for the quarter ended September 30, 2015.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2015 through July 31, 2015	38,743	$55.96	38,743	$40,533,393
August 1, 2015 through August 31, 2015	24,716	55.84	24,716	$39,153,341
September 1, 2015 through September 30, 2015	3,445	56.01	3,445	$38,960,397
Total	66,904	$55.92		

Activity in this table represents Class A common shares repurchased by the Company in connection with the repurchase plan announced February 20, 2014, which will expire on March 31, 2016. The plan authorizes us to make repurchases of Class A common stock in the open market or through privately negotiated transactions, with the timing and terms of the purchases to be determined by management based on market conditions. Completion of the program is dependent on market conditions and other factors. There is no guarantee as to the exact timing of any repurchases or the number of shares, if any, that we will repurchase. The share repurchase program may be modified or terminated at any time without prior notice.

ITEM 6. EXHIBITS

(a) Exhibits:

31.1+	Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32+	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101+#	Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language) from FBL Financial Group, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 as follows: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statement of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Financial Statements

+	Filed or furnished herewith
#	In accordance with Rule 402 of Regulation S-T, the XBRL related information in this report shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration

statement or other document filed under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 3, 2015

FBL FINANCIAL GROUP, INC.

By /s/ James P. Brannen
James P. Brannen
Chief Executive Officer (Principal Executive Officer)

By /s/ Donald J. Seibel
Donald J. Seibel
Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)