NATIONAL WESTERN LIFE INSURANCE CO
Form 10-Q
May 12, 2014

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2014
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 2-17039

NATIONAL WESTERN LIFE INSURANCE COMPANY
(Exact name of Registrant as specified in its charter)

COLORADO	84-0467208
(State of Incorporation)	(I.R.S. Employer Identification Number)
850 EAST ANDERSON LANE	
AUSTIN, TEXAS 78752-1602	(512) 836-1010
(Address of Principal Executive Offices)	(Telephone Number)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated file" in Rule 12b-2 of the Exchange Act.
Large accelerated filer £ Accelerated filer R Non-accelerated filer £

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

As of May 8, 2014, the number of shares of Registrant's common stock outstanding was: Class A – 3,434,765 and Class B - 200,000.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	(Unaudited) March 31, 2014	December 31, 2013
Investments:		
Securities held to maturity, at amortized cost (fair value: $6,853,264 and $6,656,144)	$6,605,854	6,510,320
Securities available for sale, at fair value (cost: $2,534,116 and $2,535,264)	2,681,662	2,651,544
Mortgage loans, net of allowance for possible losses ($650 and $650)	128,506	132,765
Policy loans	65,144	65,969
Derivatives, index options	134,916	169,314
Other long-term investments	30,682	30,991
Total investments	9,646,764	9,560,903
Cash and short-term investments	132,839	120,859
Deferred policy acquisition costs	774,741	785,706
Deferred sales inducements	163,038	169,570
Accrued investment income	98,564	95,367
Federal income tax receivable	1,786	—
Other assets	94,885	98,011
Total assets	$10,912,617	10,830,416

See accompanying notes to condensed consolidated financial statements (unaudited).

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2014	December 31, 2013
LIABILITIES:		
Future policy benefits:		
Universal life and annuity contracts	$9,019,804	8,987,062
Traditional life reserves	138,064	138,072
Other policyholder liabilities	143,738	142,587
Deferred Federal income tax liability	22,622	7,199
Federal income tax payable	—	10,067
Other liabilities	110,701	97,481
Total liabilities	9,434,929	9,382,468
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Common stock:		
Class A - $1 par value; 7,500,000 shares authorized; 3,434,765 issued and outstanding in 2014 and 2013	3,435	3,435
Class B - $1 par value; 200,000 shares authorized, issued, and outstanding in 2014 and 2013	200	200
Additional paid-in capital	37,767	37,767
Accumulated other comprehensive income	47,994	38,080
Retained earnings	1,388,292	1,368,466
Total stockholders' equity	1,477,688	1,447,948
Total liabilities and stockholders' equity	$10,912,617	10,830,416

Note: The Condensed Consolidated Balance Sheet at December 31, 2013 has been derived from the audited Consolidated Financial Statements as of that date.

See accompanying notes to condensed consolidated financial statements (unaudited).

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)
(In thousands, except per share amounts)

	2014	2013
Premiums and other revenues:		
Universal life and annuity contract charges	$38,005	37,899
Traditional life premiums	4,271	3,864
Net investment income	108,451	180,814
Other revenues	5,763	6,142
Net realized investment gains (losses):		
Total other-than-temporary impairment (“OTTI”) gains (losses)	(32)	382
Portion of OTTI (gains) losses recognized in other comprehensive income	(3)	(443)
Net OTTI losses recognized in earnings	(35)	(61)
Other net investment gains (losses)	1,548	2,374
Total net realized investment gains (losses)	1,513	2,313
Total revenues	158,003	231,032
Benefits and expenses:		
Life and other policy benefits	12,963	12,690
Amortization of deferred policy acquisition costs	28,579	30,804
Universal life and annuity contract interest	62,936	140,300
Other operating expenses	23,463	21,924
Total benefits and expenses	127,941	205,718
Earnings before Federal income taxes	30,062	25,314
Federal income taxes	10,236	8,682
Net earnings	$19,826	16,632
Basic earnings per share:		
Class A	$5.61	4.71
Class B	$2.80	2.35
Diluted earnings per share:		
Class A	$5.61	4.70
Class B	$2.80	2.35

See accompanying notes to condensed consolidated financial statements (unaudited).

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)
(In thousands)

	2014	2013
Net earnings	$19,826	16,632
Other comprehensive income, net of effects of deferred costs and taxes:		
Unrealized gains (losses) on securities:		
Net unrealized holding gains (losses) arising during period	11,002	(1,125)
Net unrealized liquidity gains (losses)	23	138
Reclassification adjustment for net amounts included in net earnings	(425)	(1,359)
Amortization of net unrealized (gains) losses related to transferred securities	—	—
Net unrealized gains (losses) on securities	10,600	(2,346)
Foreign currency translation adjustments	(511)	590
Benefit plans:		
Amortization of net prior service cost and net loss	(176)	381
Other comprehensive income	9,913	(1,375)
Comprehensive income	$29,739	15,257

See accompanying notes to condensed consolidated financial statements (unaudited).

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)
(In thousands)

	2014	2013
Common stock:		
Balance at beginning of period	$3,635	3,635
Shares exercised under stock option plan	—	—
Balance at end of period	3,635	3,635
Additional paid-in capital:		
Balance at beginning of period	37,767	37,767
Shares exercised under stock option plan	—	—
Balance at end of period	37,767	37,767
Accumulated other comprehensive income:		
Unrealized gains on non-impaired securities:		
Balance at beginning of period	46,693	91,972
Change in unrealized gains during period, net of tax	10,578	(2,483)
Balance at end of period	57,271	89,489
Unrealized losses on impaired held to maturity securities:		
Balance at beginning of period	(1,287)	(1,426)
Amortization	57	—
Other-than-temporary impairments, non-credit, net of tax	—	—
Additional credit loss on previously impaired securities	—	25
Change in shadow deferred policy acquisition costs	(35)	(17)
Balance at end of period	(1,265)	(1,418)
Unrealized losses on impaired available for sale securities:		
Balance at beginning of period	(2)	(196)
Other-than-temporary impairments, non-credit, net of tax	—	—
Change in shadow deferred policy acquisition costs	(1)	(133)
Recoveries, net of tax	2	263
Balance at end of period	(1)	(66)

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY(continued)
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)
(In thousands)

	2014	2013
Foreign currency translation adjustments:		
Balance at beginning of period	3,241	2,589
Change in translation adjustments during period	(511)	590
Balance at end of period	2,730	3,179
Benefit plan liability adjustment:		
Balance at beginning of period	(10,565)	(16,153)
Amortization of net prior service cost and net loss, net of tax	(176)	381
Balance at end of period	(10,741)	(15,772)
Accumulated other comprehensive income at end of period	47,994	75,412
Retained earnings:		
Balance at beginning of period	1,368,466	1,273,492
Net earnings	19,826	16,632
Stockholder dividends	—	—
Balance at end of period	1,388,292	1,290,124
Total stockholders' equity	$1,477,688	$1,406,938

See accompanying notes to condensed consolidated financial statements (unaudited).

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)
(In thousands)

	2014	2013
Cash flows from operating activities:		
Net earnings	$19,826	16,632
Adjustments to reconcile net earnings to net cash from operating activities:		
Universal life and annuity contract interest	62,936	140,300
Surrender charges and other policy revenues	(4,148)	(3,605)
Realized (gains) losses on investments	(1,513)	(2,313)
Accretion/amortization of discounts and premiums, investments	(216)	(447)
Depreciation and amortization	883	1,406
(Increase) decrease in value of index options	(548)	(74,432)
(Increase) decrease in deferred policy acquisition and sales inducement costs	2,344	(453)
(Increase) decrease in accrued investment income	(3,197)	(4,933)
(Increase) decrease in other assets	(1,515)	(500)
Increase (decrease) in liabilities for future policy benefits	(648)	2,748
Increase (decrease) in other policyholder liabilities	1,151	6,921
Increase (decrease) in Federal income taxes	(2,138)	8,281
Increase (decrease) in other liabilities	(213)	(7,324)
Other, net	1	—
Net cash provided by operating activities	73,005	82,281
Cash flows from investing activities:		
Proceeds from sales of:		
Securities held to maturity	—	—
Securities available for sale	2,042	609
Other investments	579	2,884
Proceeds from maturities and redemptions of:		
Securities held to maturity	134,670	403,974
Securities available for sale	53,872	66,052
Index options	54,133	14,980
Purchases of:		
Securities held to maturity	(212,725)	(509,924)
Securities available for sale	(57,141)	(121,242)
Index options	(15,507)	(12,169)
Other investments	(164)	(15)
Principal payments on mortgage loans	5,845	17,000
Cost of mortgage loans acquired	(1,537)	(253)
Decrease (increase) in policy loans	825	406
Other, net	—	(2)
Net cash used in investing activities	(35,108)	(137,700)

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, (continued)
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)
(In thousands)

	2014	2013
Cash flows from financing activities:		
Deposits to account balances for universal life and annuity contracts	199,563	231,749
Return of account balances on universal life and annuity contracts	(224,969)	(214,665)
Issuance of common stock under stock option plan	—	—
Net cash (used in) provided by financing activities	(25,406)	17,084
Effect of foreign exchange	(511)	590
Net increase (decrease) in cash and short-term investments	11,980	(37,745)
Cash and short-term investments at beginning of period	120,859	124,561
Cash and short-term investments at end of period	$132,839	$86,816
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$10	$20
Income taxes	$11,918	$2,484
Noncash operating activities:		
Deferral of sales inducements	$(3,450)	$714

See accompanying notes to condensed consolidated financial statements (unaudited).

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements 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 footnotes required by GAAP for annual financial statements. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position of National Western Life Insurance Company and its subsidiaries (“Company” or "National Western") as of March 31, 2014, and the results of its operations and its cash flows for the three months ended March 31, 2014 and 2013. The results of operations for the three months ended March 31, 2014 and 2013 are not necessarily indicative of the results to be expected for the full year. It is recommended that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 accessible free of charge through the Company's internet site at www.nationalwesternlife.com or the Securities and Exchange Commission internet site at www.sec.gov. The condensed consolidated balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements as of that date.

The accompanying unaudited condensed consolidated financial statements include the accounts of National Western Life Insurance Company and its wholly-owned subsidiaries: The Westcap Corporation, NWL Investments, Inc., NWL Services, Inc., NWL Financial, Inc., NWLSM, Inc. and Regent Care San Marcos Holdings, LLC. All significant intercorporate transactions and accounts have been eliminated in consolidation.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates in the accompanying condensed consolidated financial statements include (1) liabilities for future policy benefits, (2) valuation of derivative instruments, (3) recoverability and amortization of deferred policy acquisition costs, (4) valuation allowances for deferred tax assets, (5) other-than-temporary impairment losses on debt securities, (6) commitments and contingencies, and (7) valuation allowances for mortgage loans and real estate.

The table below shows the amounts included in the condensed consolidated statements of earnings that were reclassified from accumulated other comprehensive income during the three months ended March 31, 2014 and 2013.

	Amount Reclassified From Accumulated Other Comprehensive Income Three Months Ended March 31,		Affected Line Item In The Statements of Earnings
	2014	2013	
	(In thousands)		
Unrealized gains and losses on available-for-sale securities			
	$ 689	2,114	Other net investment gains (losses)
	(35)	(23)	

		Net OTTI losses recognized in earnings
654	2,091	Earnings before Federal income taxes
229	732	Federal income taxes
$ 425	1,359	Net earnings

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(2) NEW ACCOUNTING PRONOUNCEMENTS

During February 2013, the Financial Accounting Standards Board ("FASB") issued new guidance related to the presentation of amounts reclassified out of accumulated other comprehensive income. The new guidance requires disclosure regarding the statement of income amounts affected by the reclassification. This information is provided in Note 1 of the condensed consolidated financial statements. Implementation of the new guidance did not have an impact on the Company's condensed consolidated financial statements and results of operations.

In July 2013, the FASB issued guidance to amend the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as reduction to deferred tax assets for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This guidance is effective for annual reporting periods beginning on or after December 15, 2013 and interim periods within those annual periods. The Company adopted this guidance as of January 1, 2014 and the adoption did not have an effect on the deferred tax asset or liability classification on the Company's balance sheet and did not result in any additional disclosures to the financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Pubic Accountants ("AICPA"), and the SEC did not, or are not believed by management to, have a material impact on the Company’s present or future condensed consolidated financial statements.

(3) STOCKHOLDERS' EQUITY

The Company is restricted by state insurance laws as to dividend amounts which may be paid to stockholders without prior approval from the Colorado Division of Insurance. The restrictions are based on the greater of statutory earnings from operations excluding capital gains or 10% of statutory capital and surplus of the Company. The maximum dividend payment which may be made without prior approval in 2014 is $112.3 million. The Company did not declare or pay cash dividends on common stocks during the three months ended March 31, 2014 and 2013.

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(4) EARNINGS PER SHARE

Basic earnings per share of common stock are computed by dividing net income by the weighted-average basic common shares outstanding during the period. Diluted earnings per share assumes the issuance of common shares applicable to stock options in the denominator.

	Three Months Ended March 31,			
	2014		2013	
	Class A	Class B	Class A	Class B
	(In thousands except per share amounts)			
Numerator for Basic and Diluted Earnings Per Share:				
Net income	$19,826		16,632	
Dividends - Class A shares	—		—	
Dividends - Class B shares	—		—	
Undistributed income	$19,826		16,632	
Allocation of net income:				
Dividends	$—	—	—	—
Allocation of undistributed income	19,265	561	16,162	470
Net income	$19,265	561	16,162	470
Denominator:				
Basic earnings per share - weighted-average shares	3,435	200	3,435	200
Effect of dilutive stock options	2	—	5	—
Diluted earnings per share - adjusted weighted-average shares for assumed conversions	3,437	200	3,440	200
Basic Earnings Per Share	$5.61	2.80	4.71	2.35
Diluted Earnings Per Share	$5.61	2.80	4.70	2.35

Stock options that were outstanding during the three months ended March 31, 2014 and 2013, but were not included in the computation of diluted earnings per share because the effect was antidilutive were approximately 22,000 and 32,000, respectively.

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(5) PENSION AND OTHER POSTRETIREMENT PLANS

(A) Defined Benefit Pension Plans

The Company sponsors a qualified defined benefit pension plan covering substantially all employees. The plan provides benefits based on the participants' years of service and compensation. The Company makes annual contributions to the plan that complies with the minimum funding provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). On October 19, 2007, the Company's Board of Directors approved an amendment to freeze the Pension Plan as of December 31, 2007. The freeze ceased future benefit accruals to all participants and closed the plan to any new participants. In addition, all participants became immediately 100% vested in their accrued benefits as of that date. Going forward, future pension expense is projected to be minimal. Fair values of plan assets and liabilities are measured as of the prior December 31 for each respective year. The following table summarizes the components of net periodic benefit cost.

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Service cost	$42	47
Interest cost	240	218
Expected return on plan assets	(320)	(283)
Amortization of prior service cost	1	1
Amortization of net loss	105	203
Net periodic benefit cost	$68	186

The service costs shown in the above table represent plan expenses expected to be paid out of plan assets. Under clarification provided by the Pension Protection Act, plan expenses paid from plan assets are to be included in the plan's service cost component.

The Company's minimum required contribution for the 2014 plan year is zero. In addition, the Company had a remaining contribution payable for the 2013 plan year of $0.2 million as of March 31, 2014 which it will pay during the remainder of 2014. As of March 31, 2014, the Company had contributed a total of $0.1 million to the plan for the 2014 and 2013 plan years.

The Company also sponsors a non-qualified defined benefit plan primarily for senior officers. The plan provides benefits based on the participants' years of service and compensation. The pension obligations and administrative responsibilities of the plan are maintained by a pension administration firm, which is a subsidiary of American National Insurance Company ("ANICO"). ANICO has guaranteed the payment of pension obligations under the plan. However, the Company has a contingent liability with respect to the plan should these entities be unable to meet their obligations under the existing agreements. Also, the Company has a contingent liability with respect to the plan in the event that a plan participant continues employment with the Company beyond age seventy, the aggregate average annual participant salary increases exceed 10% per year, or any additional employees become eligible to participate in the plan. If any of these conditions are met, the Company would be responsible for any additional pension obligations resulting from these items. Amendments were made to the plan to allow an additional employee to participate and to change the benefit formula for the Chairman of the Company. As previously mentioned, these additional obligations are a liability to the Company. Effective December 31, 2004, this plan was frozen with respect to the continued accrual of benefits of the Chairman and the President of the Company in order to comply with law changes under the American Jobs Creation Act of 2004 ("Act").

Effective July 1, 2005, the Company established a second non-qualified defined benefit plan for the benefit of the Chairman of the Company. This plan is intended to provide for post-2004 benefit accruals that mirror and supplement the pre-2005 benefit accruals under the previously discussed non-qualified defined benefit plan, while complying with the requirements of the Act.

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Effective November 1, 2005, the Company established a third non-qualified defined benefit plan for the benefit of the President of the Company. This plan is intended to provide for post-2004 benefit accruals that supplement the pre-2005 benefit accruals under the first non-qualified defined benefit plan as previously discussed, while complying with the requirements of the Act.

The following table summarizes the components of net periodic benefit costs for the Chairman and President non-qualified defined benefit plans.

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Service cost	$73	44
Interest cost	251	200
Amortization of prior service cost	15	15
Amortization of net loss	323	294
Net periodic benefit cost	$662	553

The Company expects to contribute $2.0 million to these plans in 2014. As of March 31, 2014, the Company has contributed $0.4 million to the plans.

(B) Defined Benefit Postretirement Healthcare Plans

The Company sponsors two healthcare plans to provide postretirement benefits to certain fully-vested individuals. The following table summarizes the components of net periodic benefit costs.

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Interest cost	$28	29
Amortization of prior service cost	26	26
Amortization of net loss	(1)	8
Net periodic benefit cost	$53	63

The Company expects to contribute minimal amounts to the plan in 2014.

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(6) SEGMENT AND OTHER OPERATING INFORMATION

The Company defines its reportable operating segments as domestic life insurance, international life insurance, and annuities. These segments are organized based on product types and geographic marketing areas. A summary of segment information for the quarters ended March 31, 2014 and March 31, 2013 is provided below.

Selected Segment Information:

	Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
			(In thousands)		
March 31, 2014					
Selected Condensed Consolidated Balance Sheet Items:					
Deferred policy acquisition costs and sales inducements	$53,815	239,432	644,532	—	937,779
Total segment assets	634,334	1,188,473	8,627,243	264,435	10,714,485
Future policy benefits	554,247	920,665	7,682,956	—	9,157,868
Other policyholder liabilities	11,867	15,587	116,284	—	143,738
Three Months Ended March 31, 2014					
Condensed Consolidated Income Statements:					
Premiums and contract revenues	$8,165	29,108	5,003	—	42,276
Net investment income	6,283	10,718	86,617	4,833	108,451
Other revenues	18	241	37	5,467	5,763
Total revenues	14,466	40,067	91,657	10,300	156,490
Life and other policy benefits	2,492	5,035	5,436	—	12,963
Amortization of deferred acquisition costs	2,400	6,745	19,434	—	28,579
Universal life and annuity contract interest	5,105	10,205	47,626	—	62,936
Other operating expenses	4,279	7,025	7,096	5,063	23,463
Federal income taxes (benefit)	65	3,759	4,102	1,780	9,706
Total expenses	14,341	32,769	83,694	6,843	137,647
Segment earnings (loss)	$125	7,298	7,963	3,457	18,843

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NATIONAL WESTERN LIFE INSURANCE COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Selected Segment Information:

	Domestic Life Insurance	International Life Insurance	Annuities	All Others	Totals
			(In thousands)		
March 31, 2013					
Selected Condensed Consolidated Balance Sheet Items:					
Deferred policy acquisition costs and sales inducements	$41,026	227,263	595,713	—	864,002
Total segment assets	496,778	1,148,773	8,418,536	257,309	10,321,396
Future policy benefits	427,006	861,854	7,436,521	—	8,725,381
Other policyholder liabilities	12,547	10,139	132,796	—	155,482
Three Months Ended March 31, 2013					
Condensed Consolidated Income Statements:					
Premiums and contract revenues	$9,610	28,019	4,134	—	41,763
Net investment income	7,773	18,630	150,378	4,033	180,814
Other revenues	12	43	39	6,048	6,142
Total revenues	17,395	46,692	154,551	10,081	228,719
Life and other policy benefits	3,030	3,645	6,015	—	12,690
Amortization of deferred acquisition costs	2,035	5,787	22,982	—	30,804
Universal life and annuity contract interest	7,191	21,991	111,118	—	140,300
Other operating expenses	3,767	6,708	6,086	5,363	21,924
Federal income taxes (benefit)	470	2,930	2,857	1,615	7,872
Total expenses	16,493	41,061	149,058	6,978	213,590
Segment earnings (loss)	$902	5,631	5,493	3,103	15,129

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Reconciliations of segment information to the Company's condensed consolidated financial statements are provided below.

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Premiums and Other Revenues:		
Premiums and contract revenues	$42,276	41,763
Net investment income	108,451	180,814
Other revenues	5,763	6,142
Realized gains (losses) on investments	1,513	2,313
Total condensed consolidated premiums and other revenues	$158,003	231,032

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Federal Income Taxes:		
Total segment Federal income taxes	$9,706	7,872
Taxes on realized gains (losses) on investments	530	810
Total condensed consolidated Federal income taxes	$10,236	8,682

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Net Earnings:		
Total segment earnings	$18,843	15,129
Realized gains (losses) on investments, net of taxes	983	1,503
Total condensed consolidated net earnings	$19,826	16,632

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	March 31, 2014	2013
	(In thousands)	
Assets:		
Total segment assets	$10,714,485	10,321,396
Other unallocated assets	198,132	155,105
Total condensed consolidated assets	$10,912,617	10,476,501

(7) SHARE-BASED PAYMENTS

The Company had a stock and incentive plan ("1995 Plan") which provided for the grant of any or all of the following types of awards to eligible employees: (1) stock options, including incentive stock options and nonqualified stock options; (2) stock appreciation rights, in tandem with stock options or freestanding; (3) restricted stock; and, (4) performance awards. The 1995 Plan began on April 21, 1995, and was amended on June 25, 2004 to extend the termination date to April 20, 2010. The number of shares of Class A, $1.00 par value, common stock which were allowed to be issued under the 1995 Plan, or as to which stock appreciation rights or other awards were allowed to be granted, could not exceed 300,000. Effective June 20, 2008, the Company's shareholders approved a 2008 Incentive Plan (“2008 Plan”). The 2008 Plan is substantially similar to the 1995 Plan and authorized an additional number of Class A, $1.00 par value, common stock shares eligible for issue not to exceed 300,000. These shares may be authorized and unissued shares. The Company has issued only nonqualified stock options and stock appreciation rights under these plans.

All of the employees of the Company and its subsidiaries are eligible to participate in the current 2008 Plan (as well as previously in the expired 1995 Plan). In addition, directors of the Company are eligible to receive the same types of awards as employees except that they are not eligible to receive incentive stock options. Company directors, including members of the Compensation and Stock Option Committee, are eligible for nondiscretionary stock options. The directors' grants vest 20% annually following one full year of service to the Company from the date of grant. The employees' grants vest 20% annually following three full years of service to the Company from the date of grant. All grants issued expire after ten years. No awards were issued during the first three months of 2014 or 2013.

Effective during March 2006, the Company adopted and implemented a limited stock buy-back program with respect to the 1995 Plan which provides option holders the additional alternative of selling shares acquired through the exercise of options directly back to the Company. Option holders may elect to sell such acquired shares back to the Company at any time within ninety (90) days after the exercise of options at the prevailing market price as of the date of notice of election. The buy-back program did not alter the terms and conditions of the 1995 Plan; however, the program necessitated a change in accounting from the equity classification to the liability classification.

In August 2008, the Company implemented another limited stock buy-back program, substantially similar to the 2006 program, for shares issued under the 2008 Plan.

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The Company uses the current fair value method to measure compensation cost. As of March 31, 2014 and 2013, the liability balance was $7.1 million and $4.1 million, respectively. A summary of shares available for grant and stock option activity is detailed below.

		Options Outstanding	
	Shares Available For Grant	Shares	Weighted-Average Exercise Price
Stock Options:			
Balance at January 1, 2014	291,000	36,668	$229.24
Exercised	—	(3,000)	$150.00
Forfeited	—	(250)	$255.13
Expired	—	—	$—
Stock options granted	—	—	$—
Balance at March 31, 2014	291,000	33,418	$236.16

	Stock Appreciation Rights Outstanding	
	Awards	Weighted-Average Exercise Price
Stock Appreciation Rights:		
Balance at January 1, 2014	99,461	$156.93
Exercised	(1,475)	$114.64
Forfeited	(1,400)	$158.38
Granted	—	$—
Balance at March 31, 2014	96,586	$157.56

Stock options and stock appreciation rights (SARs) shown as forfeited in the above tables represent vested and unvested awards not exercised by plan participants prior to their termination from the Company. Forfeited stock options during the three months ended March 31, 2014 were awarded under the 1995 Plan. As the 1995 Plan terminated during calendar year 2010, the forfeited shares are not shown as being added back to the "Shares Available For Grant" balance.

The total intrinsic value of options exercised was $0.5 million and $0.1 million for the three months ended March 31, 2014 and 2013, respectively. The total share-based liabilities paid were $0.5 million and $0.1 million for the three months ended March 31, 2014 and 2013, respectively. The total fair value of shares vested during the three months ended March 31, 2014 and 2013 was $0.4 million and $0.3 million, respectively. For the quarters ended March 31, 2014 and 2013, the total cash received from the exercise of options under the Plans was $0 and $0, respectively.

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The following table summarizes information about stock options and SARs outstanding at March 31, 2014.

	Options/SARs Outstanding		
	Number Outstanding	Weighted-Average Remaining Contractual Life	Options Exercisable
Exercise prices:			
150.00 (options)	2,000	0.2 years	2,000
255.13 (options)	22,418	4.0 years	13,511
208.05 (options)	9,000	4.2 years	9,000
236.00 (SARs)	250	4.4 years	150
114.64 (SARs)	27,068	4.9 years	18,111
132.56 (SARs)	32,268	7.8 years	3,600
210.22 (SARs)	37,000	9.7 years	—
Totals	130,004		46,372
Aggregate intrinsic value (in thousands)	$7,646		$3,273

The aggregate intrinsic value in the table above is based on the closing stock price of $244.50 per share on March 31, 2014.

In estimating the fair value of the options outstanding at March 31, 2014 and December 31, 2013, the Company employed the Black-Scholes option pricing model with assumptions as detailed below.

	March 31, 2014	December 31, 2013
Expected term of options	0 to 10 years	0 to 10 years
Expected volatility:		
Range	16.13% to 39.12%	21.03% to 42.71%
Weighted-average	20.83 %	30.50 %
Expected dividend yield	0.15 %	0.16 %
Risk-free rate:		
Range	0.12% to 1.52%	0.12% to 3.93%
Weighted-average	0.35 %	2.10 %

The Company reviewed the contractual term relative to the options as well as perceived future behavior patterns of exercise. Volatility is based on the Company’s historical volatility over the expected term of the option’s expected exercise date.

The pre-tax compensation cost recognized in the financial statements related to the two plans defined above was $1.7 million and $1.5 million for the three months ended March 31, 2014 and 2013, respectively. The related tax expense recognized was $0.6 million and $0.5 million for the three months ended March 31, 2014 and 2013, respectively.

As of March 31, 2014, the total compensation cost related to nonvested options not yet recognized was $3.4 million. This amount is expected to be recognized over a weighted-average period of 2.5 years. The Company recognizes compensation cost over the graded vesting periods.

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(8) COMMITMENTS AND CONTINGENCIES

(A) Legal Proceedings

In the normal course of business, the Company is involved or may become involved in various legal actions in which claims for alleged economic and punitive damages have been or may be asserted, some for substantial amounts. In recent years, carriers offering life insurance and annuity products have faced litigation, including class action lawsuits, alleging improper product design, improper sales practices, and similar claims. The Company has been a defendant over the past several years in two such class action lawsuits. Given the uncertainty involved in these types of actions, the ability to make a reliable evaluation of the likelihood of an unfavorable outcome or an estimate of the amount of or range of potential loss is endemic to the particular circumstances and evolving developments of each individual matter on its own merits.

The Company has resolved a class action lawsuit pending since June 12, 2006, in the U.S. District Court for the Southern District of California. The case is titled In Re National Western Life Insurance Deferred Annuities Litigation. The complaint asserted claims for RICO violations, Financial Elder Abuse, Violation of Cal. Bus. & Prof. Code 17200, et seq, Violation of Cal. Bus. & Prof. Code 17500, et seq, Breach of Fiduciary Duty, Aiding and Abetting Breach of Fiduciary Duty, Fraudulent Concealment, Cal. Civ. Code 1710, et seq, Breach of the Duty of Good Faith and Fair Dealing, and Unjust Enrichment and Imposition of Constructive Trust. On July 12, 2010 the Court certified a nationwide class of policyholders under the RICO allegation and a California class under all of the remaining causes of action except breach of fiduciary duty. The parties entered into a Settlement and Release Agreement in August of 2013 ("Settlement") which was finally approved by the Court on February 11, 2014. On February 12, 2014, the Court issued a redacted final approval order granting the Motion for Final Approval of Class Action Settlement. The Settlement became final and non-appealable on April 12, 2014. The Settlement Agreement and Plaintiffs' Request for Attorneys' Fees and Costs were approved by the Court, and the Company paid the Court-approved amount of attorneys’ fees and costs in April 2014. The Company will also make certain payments to surrendered and annualized policyholders, and has agreed to provide bonuses on annuitization for active policyholders who choose a 10-year or a 20-year certain and life settlement option. At December 31, 2013, the Company had reserved $6.5 million for the matter which it still maintained as of March 31, 2014.

In addition to the class action lawsuit described above, the Company was the named defendant in the case of Sheila Newman vs. National Western Life Insurance Company, which alleged mishandling of policyholder funds by an agent. On February 3, 2010, the 415th Judicial District Court of Parker County in Weatherford, Texas, entered a Final Judgment against the Company of approximately $208,000 including actual damages of $113,000 and amounts for attorney's fees, and prejudgment interest on the actual damages. In addition, the Final Judgment included $150 million for exemplary damages. The Company vigorously defended this case and appealed the Final Judgment to the Court of Appeals Second District of Texas in Fort Worth. The Court of Appeals on August 11, 2011, reversed the trial court judgment in its entirety and rendered a take nothing verdict in favor of National Western. Plaintiffs (Appellees) filed a motion for a rehearing which the Court ruled on October 13, 2011, that the trial court's judgment was still reversed and judgment was still entered that Newman take nothing, all in favor of National Western. The Plaintiffs (Appellees) filed a Motion for Reconsideration En Banc which the Court of Appeals denied on October 27, 2011. The Plaintiffs (Appellees) then filed a Motion for Rehearing of the Court's amended decision, which the Court of Appeals denied on December 22, 2011. On March 21, 2012, Plaintiffs (Appellees) filed a petition for review with the Texas Supreme Court and the Company filed its response on April 20, 2012. The Supreme Court asked the parties for briefs on the issues before deciding on whether to hear the case and both parties submitted their briefs. On February 14, 2013, the Supreme Court denied the Plaintiffs petition for review. On April 3, 2013, Plaintiff filed a Motion for Rehearing. The Supreme Court denied Plaintiff's Motion for Rehearing on June 7, 2013. As a result, this case is now over.

On October 26, 2011 the Brazilian Superintendence of Private Insurance ("SUSEP") attempted to serve the Company with a subpoena regarding an administrative proceeding initiated by SUSEP in which it alleged that the Company was operating as an insurance company in Brazil without due authorization. The Company has been informed that SUSEP is attempting to impose a penal fine of approximately $6.0 billion on the Company. SUSEP has unsuccessfully attempted to serve the Company with notice regarding this matter. The Company does not transact business in Brazil and has no officers, employees, property, or assets in Brazil. The Company and its legal advisors believe that SUSEP has no jurisdiction over the Company, that SUSEP's attempts at service of process have been invalid, and that any penal fine would be unenforceable. For the reasons described above, the Company does not believe that this matter meets the definition of a material pending legal proceeding as such term is defined in Item 103 of Regulation S-K but has included the foregoing description solely due to the purported amount of the fine sought.

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Although there can be no assurances, at the present time, the Company does not anticipate that the ultimate liability arising from such other potential, pending, or threatened legal actions will have a material adverse effect on the financial condition or operating results of the Company.

(B) Financial Instruments

In order to meet the financing needs of its customers in the normal course of business, the Company is a party to financial instruments with off-balance sheet risk. These financial instruments are commitments to extend credit which involve elements of credit and interest rate risk in excess of the amounts recognized in the condensed consolidated balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amounts, assuming that the amounts are fully advanced and that collateral or other security is of no value. Commitments to extend credit are legally binding agreements to lend to a customer that generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments do not necessarily represent future liquidity requirements, as some could expire without being drawn upon. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Company controls the credit risk of these transactions through credit approvals, limits, and monitoring procedures.

The Company had $28.0 million of commitments to extend credit relating to mortgage loans at March 31, 2014. The Company evaluates each customer's creditworthiness on a case-by-case basis.

(9) INVESTMENTS

(A) Investment Gains and Losses

The table below presents realized investment gains and losses, excluding impairment losses, for the periods indicated.

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Available for sale debt securities:		
Realized gains on disposal	$692	1,796
Realized losses on disposal	(8)	—
Held to maturity debt securities:		
Realized gains on disposal	782	329
Realized losses on disposal	(11)	(69)
Equity securities realized gains (losses)	4	318
Real estate gains (losses)	89	—
Mortgage loans write-downs	—	—
Other	—	—

Totals	$1,548	2,374

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The Company uses the specific identification method in computing realized gains and losses. Approximately 96.9% of the gains on bonds are due to calls of securities rather than sales. This includes calls out of the Company's available for sale portfolio of debt securities.

The table below presents net impairment losses recognized in earnings for the periods indicated.

	Three Months Ended March 31, 2014	2013
	(In thousands)	
Total other-than-temporary impairment gains (losses) on debt securities	$(4)	382
Portion of loss (gain) recognized in comprehensive income	(3)	(443)
Net impairment losses on debt securities recognized in earnings	(7)	(61)
Equity securities impairments	(28)	—
Totals	$(35)	(61)

The table below presents a roll forward of credit losses on securities for which the Company also recorded non-credit other-than-temporary impairments in other comprehensive loss.

	Three months ended March 31, 2014	Twelve Months Ended December 31, 2013
Beginning balance, cumulative credit losses related to other-than-temporary impairments	$2,472	2,247
Reductions for securities sold during current period	—	(17)
Additions for credit losses not previously recognized in other-than-temporary impairments	7	242
Ending balance, cumulative credit losses related to other-than-temporary impairments	$2,479	2,472

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(B) Debt and Equity Securities

The table below presents amortized costs and fair values of securities held to maturity at March 31, 2014.

	Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
U.S. agencies	$23,082	1,426	—	24,508
U.S. Treasury	1,915	433	—	2,348
States and political subdivisions	425,741	21,586	(5,059)	442,268
Foreign governments	9,999	43	—	10,042
Public utilities	866,304	58,534	(3,912)	920,926
Corporate	3,535,559	173,952	(44,891)	3,664,620
Mortgage-backed	1,716,534	59,658	(19,568)	1,756,624
Home equity	19,953	4,834	(29)	24,758
Manufactured housing	6,767	403	—	7,170
Totals	$6,605,854	320,869	(73,459)	6,853,264

The table below presents amortized costs and fair values of securities available for sale at March 31, 2014.

	Securities Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
States and political subdivisions	$593	—	(64)	529
Foreign governments	9,933	92	—	10,025
Public utilities	218,776	14,300	(818)	232,258
Corporate	2,214,837	139,585	(15,037)	2,339,385
Mortgage-backed	63,301	4,589	—	67,890
Home equity	11,978	266	(5)	12,239
Manufactured housing	3,532	117	—	3,649
	2,522,950	158,949	(15,924)	2,665,975
Equity public	11,166	5,006	(485)	15,687
Totals	$2,534,116	163,955	(16,409)	2,681,662

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The table below presents amortized costs and fair values of securities held to maturity at December 31, 2013.

	Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
U.S. agencies	$23,088	1,700	—	24,788
U.S. Treasury	1,913	434	—	2,347
States and political subdivisions	423,286	13,433	(10,944)	425,775
Foreign governments	9,997	159	—	10,156
Public utilities	864,324	53,222	(9,687)	907,859
Corporate	3,463,521	153,442	(81,760)	3,535,203
Mortgage-backed	1,696,887	54,035	(33,376)	1,717,546
Home equity	20,179	4,738	(32)	24,885
Manufactured housing	7,125	460	—	7,585
Totals	$6,510,320	281,623	(135,799)	6,656,144

The table below presents amortized costs and fair values of securities available for sale at December 31, 2013.

	Securities Available for Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities:				
States and political subdivisions	$594	—	(110)	484
Foreign governments	9,931	—	(156)	9,775
Public utilities	233,788	15,014	(1,397)	247,405
Corporate	2,195,124	124,519	(30,732)	2,288,911
Mortgage-backed	68,799	5,040	—	73,839
Home equity	12,079	245	(7)	12,317
Manufactured housing	3,803	132	—	3,935
	2,524,118	144,950	(32,402)	2,636,666
Equity public	11,146	4,489	(757)	14,878
Totals	$2,535,264	149,439	(33,159)	2,651,544

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The following table shows the gross unrealized losses and fair values of the Company's held to maturity investments by investment category and length of time the individual securities have been in a continuous unrealized loss position at March 31, 2014.

	Securities Held to Maturity					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
U.S. agencies	$—	—	—	—	—	—
U.S. Treasury	—	—	—	—	—	—
States and political subdivisions	40,723	(2,744)	19,738	(2,315)	60,461	(5,059)
Foreign governments	—	—	—	—	—	—
Public utilities	158,771	(2,696)	22,260	(1,216)	181,031	(3,912)
Corporate	850,901	(28,017)	305,147	(16,874)	1,156,048	(44,891)
Mortgage-backed	488,373	(17,572)	29,282	(1,996)	517,655	(19,568)
Home equity	—	—	2,567	(29)	2,567	(29)
Manufactured housing	—	—	—	—	—	—
Total temporarily impaired securities	$1,538,768	(51,029)	378,994	(22,430)	1,917,762	(73,459)

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The following table shows the gross unrealized losses and fair values of the Company's available for sale investments by investment category and length of time the individual securities have been in a continuous unrealized loss position at March 31, 2014.

	Securities Available for Sale					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
U.S. agencies	$—	—	—	—	—	—
U.S. Treasury	—	—	—	—	—	—
States and political subdivisions	—	—	529	(64)	529	(64)
Foreign governments	—	—	—	—	—	—
Public utilities	20,645	(790)	987	(28)	21,632	(818)
Corporate	265,794	(9,275)	113,874	(5,762)	379,668	(15,037)
Mortgage-backed	—	—	—	—	—	—
Home equity	4,830	(5)	—	—	4,830	(5)
Manufactured housing	—	—	—	—	—	—
	291,269	(10,070)	115,390	(5,854)	406,659	(15,924)
Equity public	3,985	(485)	29	—	4,014	(485)
Total temporarily impaired securities	$295,254	(10,555)	115,419	(5,854)	410,673	(16,409)

Unrealized losses have decreased during the first quarter of 2014 due primarily to the decline in market interest rates. The Company does not consider these investments to be other-than-temporarily impaired as the Company does not intend to sell these securities nor does it think it will be forced to sell until recovery in fair value or maturity, and expects to receive all amounts due relative to principal and interest.

The Company does not consider securities to be other-than-temporarily impaired when the market decline is attributable to factors such as interest rate movements, market volatility, liquidity, spread widening and credit quality and when recovery of all amounts due under the contractual terms of the security is anticipated. Based on the review and the Company's ability and intent not to sell these securities until maturity, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2014. The Company will monitor the investment portfolio for future changes in issuer facts and circumstances that could result in future impairments beyond those currently identified.

During the first quarter of 2014, the Company recorded an other-than-temporary impairment on one asset-backed security. The security had a $7 thousand credit impairment which is reported in the Condensed Consolidated Statements of Earnings and there were minimal liquidity gains which did not affect current earnings. The Company intends to hold the security until recovery of fair market value or maturity.

Debt securities. The gross unrealized losses for debt securities are made up of 303 individual issues, or 23.5% of the total debt securities held by the Company. The market value of these bonds as a percent of amortized cost averages 96.3%. Of the 303 securities, 83, or approximately 27.4%, fall in the 12 months or greater aging category; and 297 were rated investment grade at March 31, 2014.

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Equity securities. The gross unrealized losses for equity securities are made up of 15 individual issues. These holdings are reviewed quarterly for impairment. One equity security was other-than-temporarily impaired during the three months ended March 31, 2014, in accordance with Company policy. The following table shows the gross unrealized losses and fair values of the Company's held to maturity investments by investment category and length of time the individual securities have been in a continuous unrealized loss position at December 31, 2013.

	Securities Held to Maturity					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
U.S. agencies	$—	—	—	—	—	—
U.S. Treasury	—	—	—	—	—	—
States and political subdivisions	128,711	(9,249)	8,080	(1,695)	136,791	(10,944)
Foreign governments	—	—	—	—	—	—
Public utilities	260,982	(8,998)	7,821	(689)	268,803	(9,687)
Corporate	1,335,088	(71,330)	117,179	(10,430)	1,452,267	(81,760)
Mortgage-backed	581,373	(32,043)	13,861	(1,333)	595,234	(33,376)
Home equity	—	—	2,617	(32)	2,617	(32)
Manufactured housing	—	—	—	—	—	—
Total temporarily impaired securities	$2,306,154	(121,620)	149,558	(14,179)	2,455,712	(135,799)

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The following table shows the gross unrealized losses and fair values of the Company's available for sale investments by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2013.

	Securities Available for Sale					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Debt securities:						
U.S. agencies	$—	—	—	—	—	—
U.S. Treasury	—	—	—	—	—	—
States and political subdivisions	—	—	484	(110)	484	(110)
Foreign governments	9,775	(156)	—	—	9,775	(156)
Public utilities	20,090	(1,343)	962	(54)	21,052	(1,397)
Corporate	532,310	(26,376)	46,187	(4,356)	578,497	(30,732)
Mortgage-backed	—	—	—	—	—	—
Home equity	4,833	(7)	—	—	4,833	(7)
Manufactured housing	—	—	—	—	—	—
	567,008	(27,882)	47,633	(4,520)	614,641	(32,402)
Equity public	3,707	(757)				