Fidelity National Financial, Inc.
Form 10-Q
November 08, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012
Commission File Number 1-32630
FIDELITY NATIONAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	16-1725106
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
601 Riverside Avenue, Jacksonville, Florida	32204
(Address of principal executive offices)	(Zip Code)

(904) 854-8100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of October 31, 2012, there were 225,336,598 shares of the Registrant's Common Stock outstanding.

FORM 10-Q
QUARTERLY REPORT
Quarter Ended September 30, 2012
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Part I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value, at September 30, 2012 and December 31, 2011 includes $274.1 and $274.2, respectively, of pledged fixed maturity securities related to secured trust deposits	$ 3,204.8	$ 3,200.2
Preferred stock available for sale, at fair value	203.7	71.4
Equity securities available for sale, at fair value	110.3	105.7
Investments in unconsolidated affiliates	366.7	546.5
Other long-term investments	100.4	77.5
Short-term investments	53.0	50.4
Total investments	4,038.9	4,051.7
Cash and cash equivalents, at September 30, 2012 and December 31, 2011 includes $269.6 and $161.3, respectively, of pledged cash related to secured trust deposits	1,077.9	665.7
Trade and notes receivables, net of allowance of $20.4 and $22.6, respectively, at September 30, 2012 and December 31, 2011	474.6	321.5
Goodwill	1,887.2	1,452.2
Prepaid expenses and other assets	713.3	681.7
Other intangible assets, net	543.4	130.7
Title plants	379.3	386.7
Property and equipment, net	621.3	166.1
Income taxes receivable	—	5.8
Total assets	$ 9,735.9	$ 7,862.1
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	$ 1,215.1	$ 857.1
Accounts payable to related parties	6.1	5.6
Notes payable	1,350.7	915.8
Reserve for title claim losses	1,842.3	1,912.8
Secured trust deposits	528.0	419.9
Income taxes payable	21.1	—
Deferred tax liability	156.4	95.0
Total liabilities	5,119.7	4,206.2
Equity:		
Common stock, Class A, $0.0001 par value; authorized 600,000,000 shares as of September 30, 2012 and December 31, 2011; issued 261,258,857 as of September 30, 2012 and 254,868,454 as of December 31, 2011	—	—
Preferred stock, $0.0001 par value; authorized 50,000,000 shares; issued and outstanding, none	—	—
Additional paid-in capital	3,913.5	3,798.6

Retained earnings	734.2	373.4
Accumulated other comprehensive earnings (loss)	55.3	(7.1)
Less: treasury stock, 36,056,085 shares and 34,190,969 shares as of September 30, 2012 and December 31, 2011, respectively, at cost	(568.0)	(532.2)
Total Fidelity National Financial, Inc. shareholders’ equity	4,135.0	3,632.7
Noncontrolling interests	481.2	23.2
Total equity	4,616.2	3,655.9
Total liabilities and equity	$ 9,735.9	$ 7,862.1

See Notes to Condensed Consolidated Financial Statements

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In millions, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Revenues:				
Direct title insurance premiums	$436.6	$374.0	$1,218.1	$1,054.1
Agency title insurance premiums	569.0	426.0	1,501.4	1,334.0
Escrow, title related and other fees	435.5	371.9	1,252.0	1,058.2
Auto parts revenue	143.0	—	143.0	—
Restaurant revenue	297.9	—	550.8	—
Interest and investment income	35.4	36.0	108.8	107.0
Realized gains and losses, net	122.5	(6.8)	192.6	13.4
Total revenues	2,039.9	1,201.1	4,966.7	3,566.7
Expenses:				
Personnel costs	472.8	397.0	1,330.4	1,169.8
Agent commissions	432.6	326.3	1,144.1	1,033.1
Other operating expenses	332.9	280.3	942.4	805.6
Cost of auto parts revenue, includes $6.3 million of depreciation and amortization	124.6	—	124.6	—
Cost of restaurant revenue	257.9	—	473.3	—
Depreciation and amortization	28.4	17.5	71.3	55.6
Provision for title claim losses	70.3	54.4	201.1	162.6
Interest expense	19.7	14.0	50.2	42.1
Total expenses	1,739.2	1,089.5	4,337.4	3,268.8
Earnings from continuing operations before income taxes and equity in earnings of unconsolidated affiliates	300.7	111.6	629.3	297.9
Income tax expense	70.6	38.9	188.8	107.3
Earnings from continuing operations before equity in earnings of unconsolidated affiliates	230.1	72.7	440.5	190.6
Equity in earnings of unconsolidated affiliates	5.0	3.7	12.8	7.7
Net earnings from continuing operations	235.1	76.4	453.3	198.3
Net (loss) earnings from discontinued operations, net of tax	(0.8)	0.5	5.1	5.7
Net earnings	234.3	76.9	458.4	204.0
Less: Net earnings attributable to noncontrolling interests	1.0	2.6	3.7	7.2
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	$233.3	$74.3	$454.7	$196.8
Earnings per share				
Basic				
Net earnings from continuing operations attributable to Fidelity National Financial, Inc. common shareholders	$1.05	$0.34	$2.04	$0.87
Net earnings from discontinued operations attributable to Fidelity National Financial, Inc. common shareholders	—	—	0.02	0.03
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	$1.05	$0.34	$2.06	$0.90
Diluted				
	$1.03	$0.33	$2.00	$0.85

Net earnings from continuing operations attributable to Fidelity National Financial, Inc. common shareholders				
Net earnings from discontinued operations attributable to Fidelity National Financial, Inc. common shareholders	—	—	0.02	0.03
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	$1.03	$0.33	$2.02	$0.88
Weighted average shares outstanding, basic basis	221.3	217.7	220.2	219.7
Weighted average shares outstanding, diluted basis	226.0	222.0	224.9	223.3
Cash dividends paid per share	$0.14	$0.12	$0.42	$0.36
Amounts attributable to Fidelity National Financial, Inc., common shareholders				
Basic and diluted net earnings from continuing operations attributable to FNF common shareholders	$234.1	$73.8	$449.6	$191.1
Basic and diluted net (loss) earnings from discontinued operations attributable to FNF common shareholders	(0.8)	0.5	5.1	5.7
Basic and diluted net earnings attributable to FNF common shareholders	$233.3	$74.3	$454.7	$196.8

See Notes to Condensed Consolidated Financial Statements

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(In millions)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Net earnings	$234.3	$76.9	$458.4	$204.0
Other comprehensive earnings:				
Unrealized gain (loss) on investments and other financial instruments, net (excluding investments in unconsolidated affiliates) (1)	21.6	(14.1)	46.5	(0.2)
Unrealized gain on investments in unconsolidated affiliates (2)	19.3	1.0	17.4	11.1
Unrealized gain (loss) on foreign currency translation and cash flow hedging (3)	8.5	(1.8)	7.9	(0.8)
Reclassification adjustments for change in unrealized gains and losses included in net earnings (4)	(2.2)	(1.5)	(9.5)	(16.3)
Minimum pension liability adjustment (5)	0.1	—	0.1	—
Other comprehensive earnings (loss)	47.3	(16.4)	62.4	(6.2)
Comprehensive earnings	281.6	60.5	520.8	197.8
Less: Comprehensive earnings attributable to noncontrolling interests	1.0	2.6	3.7	7.2
Comprehensive earnings attributable to Fidelity National Financial, Inc. common shareholders	$280.6	$57.9	$517.1	$190.6

(1) Net of income tax expense (benefit) of $12.8 million and $(8.3) million for the three-month periods ended September 30, 2012 and 2011, respectively, and $27.4 million and $0.2 million for the nine-month periods ended September 30, 2012 and 2011, respectively.

(2) Net of income tax expense of $11.3 million and $0.6 million for the three-month periods ended September 30, 2012 and 2011, respectively, and $10.1 million and $6.8 million for the nine-month periods ended September 30, 2012 and 2011, respectively.

(3) Net of income tax expense (benefit) of $5.0 million and $(1.0) million for the three-month periods ended September 30, 2012 and 2011, respectively, and $4.8 million and $(0.4) million for the nine-month periods ended September 30, 2012 and 2011, respectively.

(4) Net of income tax expense of $1.5 million and $0.9 million for the three-month periods ended September 30, 2012 and 2011, respectively, and $5.8 million and $10.0 million for the nine-month periods ended September 30, 2012 and 2011, respectively.

(5) Net of income tax expense of less than $0.1 million for the three and nine-month periods ended September 30, 2012.

See Notes to Condensed Consolidated Financial Statements

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(In millions)
(Unaudited)

	Fidelity National Financial, Inc. Common Shareholders								
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury Stock		Noncontrolling	
	Shares	Amount	Capital	Earnings	Earnings (Loss)	Shares	Amount	Interests	Total Equity
Balance, December 31, 2011	254.9	$—	$3,798.6	$373.4	$(7.1)	34.2	$(532.2)	$23.2	$3,655.9
Acquisition of O'Charley's, Inc.	—	—	11.1	—	—	—	—	—	11.1
Exercise of stock options	6.3	—	80.5	—	—	0.7	(13.0)	—	67.5
Treasury stock repurchased	—	—	—	—	—	1.1	(21.7)	—	(21.7)
Tax benefit associated with the exercise of stock options	0.1	—	6.5	—	—	—	—	—	6.5
Other comprehensive earnings — unrealized gain on investments and other financial instruments (excluding investments in unconsolidated affiliates)	—	—	—	—	37.0	—	—	—	37.0
Other comprehensive earnings — unrealized gain on investments in unconsolidated affiliates	—	—	—	—	17.4	—	—	—	17.4
Other comprehensive earnings — unrealized gain on foreign currency translation and cash flow hedging	—	—	—	—	7.9	—	—	—	7.9
Other comprehensive earnings — minimum	—	—	—	—	0.1	—	—	—	0.1

pension liability adjustment									
Stock-based compensation	—	—	16.8	—	—	—	—	—	16.8
Shares withheld for taxes and in treasury	—	—	—	—	—	0.1	(1.1)	—	(1.1)
Dividends declared	—	—	—	(93.9)	—	—	—	—	(93.9)
Consolidation of previous minority-owned subsidiaries	—	—	—	—	—	—	—	461.9	461.9
Subsidiary dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(7.6)	(7.6)
Net earnings	—	—	—	454.7	—	—	—	3.7	458.4
Balance, September 30, 2012	261.3	$—	$3,913.5	$734.2	$55.3	36.1	$(568.0)	$481.2	$4,616.2

See Notes to Condensed Consolidated Financial Statements

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Nine months ended September 30, 2012	2011
	(Unaudited)	
Cash flows from operating activities:		
Net earnings	$458.4	$204.0
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	77.7	58.3
Equity in earnings of unconsolidated affiliates	(12.8)	(7.7)
Gain on sales of investments and other assets, net	(2.4)	(16.3)
Gain on consolidation of O'Charley's, Inc. and American Blue Ribbon Holdings, LLC	(72.5)	—
Bargain purchase gain on O'Charley's, Inc.	(48.1)	—
Gain on consolidation of Remy International Inc.	(78.8)	—
Stock-based compensation cost	16.8	20.1
Tax benefit associated with the exercise of stock options	(6.5)	(1.6)
Changes in assets and liabilities, net of effects from acquisitions:		
Net decrease (increase) in pledged cash, pledged investments, and secured trust deposits	0.1	(4.7)
Net (increase) decrease in trade receivables	(11.4)	9.6
Net (increase) decrease in prepaid expenses and other assets	(4.0)	10.0
Net decrease in accounts payable, accrued liabilities, deferred revenue and other	(14.3)	(111.5)
Net decrease in reserve for title claim losses	(64.3)	(192.3)
Net change in income taxes	139.1	87.4
Net cash provided by operating activities	377.0	55.3
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	402.4	524.1
Proceeds from sale of Sedgwick CMS	—	32.0
Proceeds from calls and maturities of investment securities available for sale	272.6	434.9
Collections of seller note from sale of flood insurance business	75.0	—
Proceeds from sale of other assets	2.3	16.9
Cash received as collateral on loaned securities, net	0.9	0.7
Additions to property and equipment	(42.7)	(22.9)
Additions to capitalized software	(4.2)	(5.8)
Purchases of investment securities available for sale	(821.8)	(1,051.2)
Net (purchases of) proceeds from short-term investment securities	(2.6)	78.7
Contributions to investments in unconsolidated affiliates	—	(26.0)
Distributions from unconsolidated affiliates	4.9	1.0
Net other investing activities	(0.5)	(5.8)
Acquisition of O'Charley's, Inc. and American Blue Ribbon Holdings, LLC, net of cash acquired	(122.2)	—
Acquisition of J. Alexanders Corporation, net of cash acquired	(72.4)	—
Acquisition of Remy International, Inc., net of cash acquired	64.2	—
Proceeds from sale of personal lines insurance business	119.0	—
Other acquisitions/disposals of businesses, net of cash acquired	(25.8)	(0.3)
Net cash used in investing activities	(150.9)	(23.7)
Cash flows from financing activities:		
Borrowings	633.8	500.0

Debt service payments	(495.0)	(415.9)
Make-whole call penalty on early extinguishment of debt	(5.2)	—
Dividends paid	(92.6)	(79.0)
Subsidiary dividends paid to noncontrolling interest shareholders	(7.6)	(2.2)
Exercise of stock options	67.5	5.7
Debt issuance costs	(7.9)	(7.9)
Tax benefit associated with the exercise of stock options	6.5	1.6
Purchases of treasury stock	(21.7)	(86.2)
Net cash provided by (used in) financing activities	77.8	(83.9)
Net increase (decrease) in cash and cash equivalents, excluding pledged cash related to secured trust deposits	303.9	(52.3)
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at beginning of period	504.4	434.6
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at end of period	$808.3	$382.3
Supplemental cash flow information:		
Income taxes paid	$62.5	$19.9
Interest paid	$46.2	$39.9

See Notes to Condensed Consolidated Financial Statements

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note A — Basis of Financial Statements

The unaudited financial information in this report includes the accounts of Fidelity National Financial, Inc. and its subsidiaries (collectively, “we,” “us,” “our,” or “FNF”) prepared in accordance with generally accepted accounting principles and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. This report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011.

Certain reclassifications have been made in the 2011 Condensed Consolidated Financial Statements to conform to classifications used in 2012. In addition, we have corrected an immaterial prior period error in the Condensed Consolidated Statement of Cash Flows. The correction was between cash flows from operating activities and cash flows from investing activities for the nine months ended September 30, 2011 and resulted in a decrease in cash provided by operating activities and a decrease in cash used in investing activities of $20.0 million. There was no impact on our other Condensed Consolidated Financial Statements presented.

Description of Business

We are a leading provider of title insurance, mortgage services and other diversified services. FNF is the nation's largest title insurance company through its title insurance underwriters - Fidelity National Title, Chicago Title, Commonwealth Land Title and Alamo Title - that collectively issue more title insurance policies than any other title company in the United States. We also hold a 55% ownership interest in American Blue Ribbon Holdings, LLC ("ABRH"), the owner and operator of the O'Charley's, Ninety Nine Restaurants, Max & Erma's, Village Inn, Bakers Square, and Stoney River Legendary Steaks concepts. We also recently acquired 100% of J. Alexander's Corporation ("J. Alexander's"). In addition, we own a 51% ownership interest in Remy International, Inc. ("Remy"), a leading designer, manufacturer, remanufacturer, marketer and distributor of aftermarket and original equipment electrical components for automobiles, light trucks, heavy-duty trucks and other vehicles. FNF also owns a minority interest in Ceridian Corporation ("Ceridian"), a leading provider of global human capital management and payment solutions.

Discontinued Operations

On May 1, 2012, we completed the sale of an 85% interest in our remaining subsidiaries that write personal lines insurance to WT Holdings, Inc. for $119.0 million. Accordingly, the results of this business through the date of sale (which we refer to as our "at-risk" insurance business) for all periods presented are reflected in the Condensed Consolidated Statements of Earnings as discontinued operations. The at-risk insurance business sale resulted in a pre-tax loss of $15.1 million, which was recorded in the fourth quarter of 2011. Total revenues from the at-risk insurance business included in discontinued operations are $39.4 million for the three months ending September 30, 2011 and $57.1 million and $124.4 million for the nine months ending September 30, 2012 and 2011, respectively. Pre-tax (loss) earnings from the at-risk insurance business included in discontinued operations are $(14.4) million for the three months ending September 30, 2011, and $10.4 million and $(22.4) million for the nine months ending September 30, 2012 and 2011, respectively.

On October 31, 2011, we completed the sale of our flood insurance business to WRM America Holdings LLC (“WRM America”) for $135.0 million in cash and dividends, and a $75.0 million seller note. The seller note was paid in full during the third quarter of 2012. The flood insurance business sale resulted in a pre-tax gain of approximately $154.1 million ($94.9 million after tax), which was recorded in the fourth quarter of 2011. Total revenues from the flood business included in discontinued operations were $55.0 million and $137.1 million for the three and nine months ending September 30, 2011, respectively. Pre-tax earnings from the flood business included in discontinued operations were $12.7 million and $26.7 million for the three and nine months ended September 30, 2011, respectively.

Transactions with Related Parties

Agreements with Fidelity National Information Services ("FIS")

A summary of the agreements that were in effect with FIS through September 30, 2012, is as follows:

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Technology (“IT”) and data processing services from FIS. These agreements govern IT support services provided to us by FIS, primarily consisting of infrastructure support and data center management. Subject to certain early termination provisions, the agreement expires on or about June 30, 2013 with an option to renew for one or two additional years.

- Administrative corporate support and cost-sharing services to FIS. We have provided certain administrative corporate support services such as corporate aviation and other administrative support services to FIS.

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A detail of net revenues and expenses between us and FIS that were included in our results of operations for the periods presented is as follows:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(In millions)			
Corporate services and cost-sharing revenue	$1.3	$1.1	$3.7	$3.5
Data processing expense	(8.1)	(8.2)	(24.7)	(26.7)
Net expense	$(6.8)	$(7.1)	$(21.0)	$(23.2)

We believe the amounts earned by us or charged to us under each of the foregoing arrangements are fair and reasonable. The information technology infrastructure support and data center management services provided to us are priced within the range of prices that FIS offers to its unaffiliated third party customers for the same types of services. However, the amounts we earned or were charged under these arrangements were not negotiated at arm's-length, and may not represent the terms that we might have obtained from an unrelated third party. The amounts due to FIS as a result of these agreements were $6.1 million as of September 30, 2012 and $5.6 million as of December 31, 2011.

Included in equity securities available for sale are 1,603,860 shares of FIS stock which were purchased during the fourth quarter of 2009 in connection with a merger between FIS and Metavante Technologies, Inc. The fair value of our investment was $50.1 million and $42.6 million as of September 30, 2012 and December 31, 2011, respectively. Also included in fixed maturities available for sale are FIS bonds with a fair value of $51.8 million and $23.6 million as of September 30, 2012 and December 31, 2011, respectively. At December 31, 2011, we also held an FIS term loan with a fair value of $13.0 million.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") updated Accounting Standards Codification ("ASC") Topic 350, to allow an entity to utilize qualitative factors to determine if events and circumstances exist which will lead to a determination that the fair value of an indefinite-lived intangible asset is greater than its carrying amount, prior to performing a full fair-value assessment. This update is effective for interim and annual periods beginning after September 15, 2012, with early adoption permitted. We elected to adopt this update in the third quarter of 2012 and the update did not have a material impact on our financial condition or results of operations.

In December 2011, the FASB issued ASU No. 2011-11 which updated ASC Topic 210, Disclosures about Offsetting Assets and Liabilities, which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU No. 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. The adoption of ASU No. 2011-11 is expected to increase our disclosures, but is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Note B — Acquisitions

The results of operations and financial position of the entities acquired during any year are included in the Condensed Consolidated Financial Statements from and after the date of acquisition.

Acquisition of Remy International, Inc.

During the third quarter of 2012, we acquired 1.5 million additional shares of Remy International, Inc. ("Remy"), increasing our ownership interest to 16.3 million shares or 51% of Remy's total outstanding common shares. As a result of this acquisition we began to consolidate the results of Remy effective August 14, 2012. We previously held a 47% ownership interest in Remy. Total consideration paid for the additional 1.5 million shares was $31.3 million and cash acquired upon consolidation of Remy was $95.5 million. Goodwill has been recorded based on the amount that the purchase price exceeded the fair value of the net assets acquired. Our 47% equity method investment prior to consolidation of $179.2 million was included in Investments in unconsolidated affiliates on the Condensed Consolidated Balance Sheets. A realized gain of $78.8 million was recognized in the three months ended September 30, 2012 for the difference between our basis in our equity method investment of Remy prior to consolidation and the fair value of our investment in Remy at August 14, 2012, the date we acquired control and began to consolidate its operations.

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — continued

The initial purchase price is as follows (in millions):

Fair value of our 47% investment in Remy prior to consolidation	$258.0
Cash paid for additional ownership in Remy	31.3
Less: cash acquired in consolidation of Remy	(95.5)
	$193.8

The purchase price has been initially allocated to the Remy assets acquired and liabilities assumed based on our best estimates of their fair values as of the acquisition date. Goodwill has been recorded based on the amount that the purchase price exceeds the fair value of the net assets acquired. This estimate is preliminary and subject to adjustments as we complete our valuation process over property and equipment, other intangible assets and goodwill, which we expect to have substantially complete by the end of 2012. The initial purchase price allocation is as follows (in millions):

Trade and notes receivables, net of allowance for doubtful accounts	$202.2
Prepaid expenses and other assets	214.3
Property and equipment	154.7
Deferred taxes	7.5
Other intangible assets	287.1
Goodwill	287.0
Total assets	1,152.8
Accounts payable and other liabilities	352.6
Notes payable	304.7
Total liabilities	657.3
Net assets acquired	495.5
Less: noncontrolling interest	(301.7)
	$193.8

As a result of our acquisition of Remy, the following additions have been made to our significant accounting policies during the third quarter of 2012.

Auto parts revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, ownership has transferred, the seller’s price to the buyer is fixed and determinable and collectability is reasonably assured. Sales are recorded upon shipment of product to customers and transfer of title and risk of loss under standard commercial terms (typically, F.O.B. shipping point). We recognize shipping and handling costs as costs of auto parts revenue with the related amounts billed to customers as sales. Accruals for sales returns, price protection and other allowances are provided at the time of shipment based upon past experience. Adjustments to such accruals are made as new information becomes available. We accrue for rebates, price protection and other customer sales allowances in accordance with specific customer arrangements. Such rebates are recorded as a reduction of auto parts revenue.

Core accounting

Remanufacturing is the process where failed or used components, commonly known as cores, are disassembled into subcomponents, cleaned, inspected, tested, combined with new subcomponents and reassembled into saleable, finished products. With many customers, a deposit is charged for the core. Upon return of a core, we grant the customer a credit based on the core deposit value. Core deposits are excluded from auto parts revenue. We generally limit core returns to the quantity of similar, remanufactured cores previously sold to the customer. We record a liability for core returns based on cores expected to be returned. This liability is recorded in Accounts payable and accrued liabilities in the accompanying Condensed Consolidated Balance Sheets. The liability represents the difference between the core deposit value to be credited to the customer and the estimated core inventory value of the core to be returned. Revisions to these estimates are made periodically to consider current costs and customer return trends. Upon receipt of a core, we record inventory at lower of cost or fair market value. The value of a core declines over its estimated useful life (ranging from 4 to 30 years) and is devalued accordingly. Carrying value of the core inventory

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is evaluated by comparing current prices obtained from core brokers to carrying cost. The devaluation of core carrying value is reflected as a charge to cost of auto parts revenue. Core inventory that is deemed to be obsolete or in excess of current and future projected demand is written down to the lower of cost or market and charged to cost of auto parts revenue. Core inventories are classified as Prepaid expenses and other assets in the accompanying Condensed Consolidated Balance Sheet.

Customer contract intangibles

Upon entering into new or extending existing contracts, we may be required to purchase certain cores and inventory from our customers at retail prices, or be obligated to provide certain agreed support. The excess of the prices paid for the cores and inventory over fair value, and the value of any agreed support, are recorded as contract intangibles and amortized as a reduction to auto parts revenue on a method to reflect the pattern of economic benefit consumed. Customer contract intangibles which are not paid to customers, are amortized and recorded in cost of auto parts revenue. Contract intangibles are included in Other intangible assets, net in the accompanying Condensed Consolidated Balance Sheet.

Customer obligations

Customer obligations relate to new or amended existing customer contracts. These contracts designate us as the exclusive supplier to the respective customer, product line or distribution center and require us to compensate these customers over several years.

In addition, we enter into arrangements with certain customers where we purchase cores held in their inventory. Credits to be issued for these arrangements are recorded at net present value and are reflected in Accounts payable and accrued liabilities in the accompanying Condensed Consolidated Balance Sheet. Subsequent to the initial arrangements, the inventory owned by these customers will represent the exchange value of the remanufactured product.

Right of core return

When we enter into arrangements to purchase certain cores held in a customer's inventory or when the customer is not charged a deposit for the core, we have the right to receive a core from the customer in return for every exchange unit supplied to them. We classify such rights as "Core return rights" in Prepaid expenses and other assets in the accompanying Condensed Consolidated Balance Sheet. The core return rights are valued based on the underlying core inventory values. Devaluation of these rights is charged to cost of auto parts revenue. On a periodic basis, we settle with customers for cores that have not been returned.

Research and development

We conduct research and development programs that are expected to contribute to future earnings. Such costs are included in Other operating expenses in the Condensed Consolidated Statements of Earnings. Customer-funded research and development expenses are recorded as an offset to research and development expense in Other operating expenses.

Government grants

We record government grants when there is reasonable assurance that the grant will be received and we will comply with the conditions attached to the grants received. Grants related to revenue are recorded as an offset to the related expense in the accompanying Condensed Consolidated Statements of Earnings. Grants related to assets are recorded as deferred revenue in Accounts payable and accrued liabilities and are recognized on a straight-line basis over the useful life of the related asset. We continue to evaluate our compliance with the conditions attached to the related grants.

On August 5, 2009, the U.S. government announced its intention to enter into negotiations with us regarding the awarding of a grant to us of approximately $60.2 million for investments in equipment and manufacturing capability to manufacture electric drive motor technology for use in electric drive vehicles. We finalized the negotiation on this grant on April 8, 2010. The grant will reimburse certain capital expenditures, labor, subcontract and other allowable costs at a rate of fifty percent (50%) of the amount expended during a three-year period. In March 2011, the grant was

extended through December 16, 2013. As of September 30, 2012, we have $25.9 million of the grant award remaining.
In addition, we receive various grants and subsidies from foreign jurisdictions.
Foreign currency translation
Each of our foreign subsidiaries' functional currency as of September 30, 2012, is its local currency, with the exception of our subsidiaries in Mexico for which the U.S. dollar is the functional currency since substantially all of the purchases and sales are denominated in U.S. dollars and Hungary for which the Euro is the functional currency, since substantially all of their purchases and sales are denominated in Euro. Financial statements of foreign subsidiaries for which the functional currency is their local currency are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and at the

average exchange rate for each year for revenue and expenses. Translation adjustments are recorded as a separate component of shareholders' equity and reflected in other comprehensive earnings (loss). For each of our foreign subsidiaries, gains and losses arising from transactions denominated in a currency other than the functional currency are included in the accompanying Condensed Consolidated Statements of Earnings. We evaluate our foreign subsidiaries' functional currency on an ongoing basis.

Derivative financial instruments

In the normal course of business, our operations are exposed to continuing fluctuations in foreign currency values, interest rates and commodity prices that can affect the cost of operating, investing and financing. Accordingly, we address a portion of these risks through a controlled program of risk management that includes the use of derivative financial instruments. We have historically used derivative financial instruments for the purpose of hedging currency, interest rate and commodity exposures, which exist as a part of ongoing business operations.

As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue derivative financial instruments for trading purposes. Our objectives for holding derivatives are to minimize risks using the most effective and cost-efficient methods available. Management routinely reviews the effectiveness of the use of derivative financial instruments.

We recognize all of our derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated, and is effective, as a hedge and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. Gains and losses related to a hedge are either recognized in earnings immediately to offset the gain or loss on the hedged item or are deferred and reported as a component of accumulated other comprehensive earnings (loss) and subsequently recognized in earnings when the hedged item affects earnings. The change in fair value of the ineffective portion of a financial instrument that has been designated as a hedge, determined using the change in fair value method, is recognized in earnings immediately. The gain or loss related to derivative financial instruments that are not designated as hedges is recognized immediately in earnings.

Warranty

We provide certain warranties relating to quality and performance of our products. An allowance for the estimated future cost of product warranties and other defective product returns is based on management's estimate of product failure rates and customer eligibility. If these factors differ from management's estimates, revisions to the estimated warranty liability may be required. The specific terms and conditions of the warranties vary depending upon the customer and the product sold.

Acquisition of O'Charley's Inc. and Merger with ABRH

On April 9, 2012, we successfully closed a tender offer for the outstanding common stock of O'Charley's Inc. ("O'Charley's"). We have consolidated the results of O'Charley's as of April 9, 2012. On May 11, 2012, we merged O'Charley's with our investment in ABRH in exchange for an increase in our ownership position in ABRH from 45% to 55%. As of September 30, 2012, there were 322 company-owned restaurants in the O'Charley's group of companies and 219 company-owned restaurants in the legacy ABRH group of companies. Total consideration paid was $122.2 million in cash, net of cash acquired of $35.0 million. Our investment in ABRH, prior to the merger was $37.0 million and was included in investments in unconsolidated affiliates on the Condensed Consolidated Balance Sheet. Our investment in O'Charley's prior to the tender offer of $13.8 million was included in equity securities available for sale on the Condensed Consolidated Balance Sheet. We have consolidated the operations of ABRH with the O'Charley's group of companies, beginning on May 11, 2012. Restaurant revenue on the Condensed Consolidated Statements of Earnings consists of restaurant sales and, to a lesser extent, franchise revenue and other revenue. Restaurant sales include food and beverage sales and are net of applicable state and local sales taxes and discounts.

The total purchase price has been allocated to the restaurant group assets acquired and liabilities assumed based on our best estimates of the fair value of the assets acquired and liabilities assumed as of the respective acquisition dates. The purchase price allocation was completed at the end of the third quarter of 2012. In the case of ABRH, goodwill has been recorded based on the amount that the purchase price exceeded the fair value of the net assets acquired. A realized gain of $65.8 million, which is included in Realized gains and losses on the Condensed Consolidated Statement of Earnings, was recognized in the nine months ending September 30, 2012 for the difference between our basis in our equity method investment of ABRH prior to consolidation and the fair value of our investment in ABRH at the date of consolidation. The fair value of our investment in ABRH was estimated using relative market based comparable information. In regards to O'Charley's, a realized gain of $48.1 million and $54.8 million was recognized in the three and nine months ending September 30, 2012, respectively. The gain in the three-month period was a bargain purchase gain and is discussed further below. The gain in the nine-month period also includes the gain recognized in the second quarter of 2012 of $6.7 million for the difference in the basis of our holdings in O'Charley's common stock prior to consolidation and the fair value of O'Charley's common stock at the date of consolidation. As a result of the final valuation, we recognized and measured the identifiable assets acquired and liabilities assumed from the O'Charley's purchase at fair value. Upon completion of the fair value process, the net assets of O'Charley's received by FNF exceeded the purchase price resulting in a bargain purchase gain of $48.1 million, which is included in Realized gains and losses on the Condensed Consolidated Statement of Earnings for the three and nine months ended September 30, 2012. The bargain purchase gain was due to the release of a valuation allowance on O'Charley's net deferred tax assets. O'Charley's previously had recorded a valuation allowance on the deferred tax assets, due to their history of net losses and the low probability of being able to utilize these assets. We also recorded a $10.8 million increase to our Additional paid-in capital during the nine months ended September 30, 2012, related to the fair value of the non-controlling interest portion of our ownership in O'Charley's.

The purchase price was as follows (in millions):

Fair value of our investment in O'Charley's and ABRH as of consolidation	$182.2
Net cash paid for majority ownership in O'Charley's and ABRH	122.2
	$304.4

The purchase price has been allocated to the O'Charley's and ABRH assets acquired and liabilities assumed based on our best estimates of their fair values as of the acquisition dates. Goodwill has been recorded based on the amount that the purchase price exceeds the fair value of the net assets acquired. The purchase price allocation was completed at the end of the third quarter of 2012. The purchase price allocation is as follows (in millions):

Trade and notes receivables	$10.8
Prepaid expenses and other assets	77.4
Property and equipment	241.9
Other intangible assets	114.4
Deferred tax assets	71.5
Goodwill	107.5
Total assets	623.5
Total liabilities	169.2
Net assets acquired	454.3
Less: noncontrolling interest	(149.9)
	$304.4

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Pro-forma Financial Results

For comparative purposes, selected unaudited pro-forma consolidated results of operations of FNF for the three months and nine months ending September 30, 2012 and 2011 are presented below. Pro-forma results presented assume the consolidation of ABRH, O'Charley's and Remy occurred as of the beginning of each respective period. Amounts reflect our 55% ownership interest in ABRH and O'Charley's and our 51% ownership interest in Remy and were adjusted to exclude transaction and integration costs related to the acquisitions and earnings attributable to our prior investments in ABRH and Remy. We have also excluded the earnings effects attributable to the fair value adjustments of our prior investments and the bargain purchase gain related to the purchase of O'Charley's.

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Total revenues	$2,026.7	$1,780.8	$5,903.0	$5,435.6
Net earnings attributable to FNF common shareholders	158.9	66.5	349.1	211.2

Acquisition of J. Alexander's Corporation

In September 2012, we successfully completed a tender offer for the outstanding common stock of J. Alexander's Corporation ("J. Alexander's") for $14.50 per share. Total consideration paid was $77.3 million in cash, net of cash acquired of $4.9 million. Effective October 29, 2012, following a one-month waiting period required under the Tennessee Business Corporation Act, we completed the closing of the short-form merger with J. Alexander's and subsequently own 100% of J. Alexander's. We have consolidated the operations of J. Alexander's beginning September 26, 2012. J. Alexander's operates 33 J. Alexander's restaurants in 13 states.

Note C — Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. In periods when earnings are positive, diluted earnings per share is calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding plus the impact of assumed conversions of potentially dilutive securities. For periods when we recognize a net loss, diluted earnings per share is equal to basic earnings per share as the impact of assumed conversions of potentially dilutive securities is considered to be antidilutive. We have granted certain options and shares of restricted stock which have been treated as common share equivalents for purposes of calculating diluted earnings per share for periods in which positive earnings have been reported.

The following table presents the computation of basic and diluted earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(In millions, except per share amounts)			
Basic and diluted net earnings from continuing operations attributable to FNF common shareholders	$234.1	$73.8	$449.6	$191.1
Basic and diluted net (loss) earnings from discontinued operations attributable to FNF common shareholders	(0.8)	0.5	5.1	5.7
Basic and diluted net earnings attributable to FNF common shareholders	$233.3	$74.3	$454.7	$196.8
Weighted average shares outstanding during the period, basic basis	221.3	217.7	220.2	219.7
Plus: Common stock equivalent shares assumed from conversion of options	4.7	4.3	4.7	3.6
Weighted average shares outstanding during the period, diluted basis	226.0	222.0	224.9	223.3
Basic net earnings per share from continuing operations attributable to FNF common shareholders	$1.05	$0.34	$2.04	$0.87
Basic net earnings per share from discontinued operations attributable to FNF common shareholders	—	—	0.02	0.03
Basic earnings per share attributable to FNF common shareholders	$1.05	$0.34	$2.06	$0.90
Diluted net earnings per share from continuing operations attributable to FNF common shareholders	$1.03	$0.33	$2.00	$0.85
Diluted net earnings per share from discontinued operations attributable to FNF common shareholders	—	—	0.02	0.03
Diluted earnings per share attributable to FNF common shareholders	$1.03	$0.33	$2.02	$0.88

Options to purchase shares of our common stock that are antidilutive are excluded from the computation of diluted earnings per share. Antidilutive options totaled 3.1 million shares and 7.4 million shares for the three months ended September 30, 2012 and 2011, respectively, and 3.2 million shares and 8.5 million shares for the nine months ended September 30, 2012 and 2011, respectively.

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Note D — Fair Value Measurements
The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011, respectively:

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Assets:				
Fixed maturity securities available for sale:				
U.S. government and agencies	$—	$147.8	$—	$147.8
State and political subdivisions	—	1,332.8	—	1,332.8
Corporate debt securities	—	1,508.5	—	1,508.5
Mortgage-backed/asset-backed securities	—	167.3	—	167.3
Foreign government bonds	—	48.4	—	48.4
Preferred stock available for sale	111.5	92.2	—	203.7
Equity securities available for sale	110.3	—	—	110.3
Other long-term investments	—	—	43.2	43.2
Foreign exchange contracts	—	2.7	—	2.7
Total assets	$221.8	$3,299.7	$43.2	$3,564.7
Liabilities:				
Interest rate swap contracts	$—	$(2.8)	$—	$(2.8)
Commodity contracts	—	(0.8)	—	(0.8)
Total liabilities	$—	$(3.6)	$—	$(3.6)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed maturity securities available for sale (1):				
U.S. government and agencies	$—	$174.6	$—	$174.6
State and political subdivisions	—	1,439.5	—	1,439.5
Corporate debt securities	—	1,569.1	—	1,569.1
Mortgage-backed/asset-backed securities	—	226.7	—	226.7
Foreign government bonds	—	47.1	—	47.1
Preferred stock available for sale (2)	14.2	71.4	—	85.6
Equity securities available for sale	105.7	—	—	105.7
Other long-term investments	—	—	40.8	40.8
Total	$119.9	$3,528.4	$40.8	$3,689.1

(1) Includes $256.7 million relating to the at-risk insurance business that have been reclassed into prepaid and other assets on the Condensed Consolidated Balance Sheet as they are considered held for sale as of December 31, 2011.
(2) Includes $14.2 million relating to the at-risk insurance business that have been reclassed into prepaid and other assets on the Condensed Consolidated Balance Sheet as they are considered held for sale as of December 31, 2011.

Our Level 2 fair value measures for fixed-maturities available for sale are provided by third-party pricing services. We utilize one firm for our taxable bond and preferred stock portfolio and another for our tax-exempt bond portfolio. These pricing services are leading global providers of financial market data, analytics and related services to financial institutions. We rely on one price for each instrument to determine the carrying amount of the assets on our balance sheet. The inputs utilized in these pricing methodologies include observable measures such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two

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sided markets, benchmark securities, bids, offers and reference data including market research publications. We review the pricing methodologies for all of our Level 2 securities by obtaining an understanding of the valuation models and assumptions used by the third-party as well as independently comparing the resulting prices to other publicly available measures of fair value and internally developed models. The pricing methodologies used by the relevant third party pricing services are as follows:

U.S. government and agencies: These securities are valued based on data obtained for similar securities in active markets and from inter-dealer brokers.

State and political subdivisions: These securities are valued based on data obtained for similar securities in active markets and from inter-dealer brokers. Factors considered include relevant trade information, dealer quotes and other relevant market data.

Corporate debt securities: These securities are valued based on dealer quotes and related market trading activity. Factors considered include the bond's yield, its terms and conditions, or any other feature which may influence its risk and thus marketability, as well as relative credit information and relevant sector news.

Mortgage-backed/asset-backed securities: These securities are comprised of agency mortgage-backed securities, commercial mortgage-backed securities, collaterized mortgage obligations, and asset-backed securities. They are valued based on available trade information, dealer quotes, cash flows, relevant indices and market data for similar assets in active markets.

Foreign government bonds: These securities are valued based on a discounted cash flow model incorporating observable market inputs such as available broker quotes and yields of comparable securities.

Preferred stock: Preferred stocks are valued by calculating the appropriate spread over a comparable U.S. Treasury security. Inputs include benchmark quotes and other relevant market data.

Our Level 2 fair value measures for our interest rate swap, foreign exchange contracts, and commodity contracts are valued using the income approach. This approach uses techniques to convert future amounts to a single present value amount based upon market expectations (including present value techniques, option-pricing and excess earnings models).

Our Level 3 investments consist of structured notes that were purchased in the third quarter of 2009. The structured notes had a par value of $37.5 million and fair value of $43.2 million at September 30, 2012 and a par value of $37.5 million and fair value of $40.8 million at December 31, 2011. The structured notes are held for general investment purposes and represent approximately one percent of our total investment portfolio. The structured notes are classified as other long-term investments and are measured in their entirety at fair value with changes in fair value recognized in earnings. The fair value of these instruments represents exit prices obtained from a broker-dealer. These exit prices are the product of a proprietary valuation model utilized by the trading desk of the broker-dealer and contain assumptions relating to volatility, the level of interest rates, and the value of the underlying commodity indices. We reviewed the pricing methodologies for our Level 3 investments to ensure that they are reasonable and believe they represent an exit price for the securities as of September 30, 2012.

The following table presents the changes in our investments that are classified as Level 3 for the period ended September 30, 2012 (in millions):

Balance, December 31, 2011	$40.8
Net realized gain	2.4

Balance, September 30, 2012	$43.2

The carrying amounts of short-term investments, accounts receivable and notes receivable approximate fair value due to their short-term nature. Additional information regarding the fair value of our investment portfolio is included in Note E. Additional information regarding the fair value of our notes payable is included in Note G.

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Note E — Investments

The carrying amounts and fair values of our available for sale securities at September 30, 2012 and December 31, 2011 are as follows:

	September 30, 2012				
	Carrying Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)				
Fixed maturity securities available for sale:					
U.S. government and agencies	$147.8	$137.6	$10.2	$—	$147.8
State and political subdivisions	1,332.8	1,262.4	70.4	—	1,332.8
Corporate debt securities	1,508.5	1,447.4	75.8	(14.7)	1,508.5
Foreign government bonds	48.4	45.5	2.9	—	48.4
Mortgage-backed/asset-backed securities	167.3	157.7	9.6	—	167.3
Preferred stock available for sale	203.7	194.5	9.5	(0.3)	203.7
Equity securities available for sale	110.3	75.7	36.6	(2.0)	110.3
Total	$3,518.8	$3,320.8	$215.0	$(17.0)	$3,518.8

	December 31, 2011				
	Carrying Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)				
Fixed maturity securities available for sale:					
U.S. government and agencies	$159.1	$148.2	$10.9	$—	$159.1
State and political subdivisions	1,330.1	1,266.1	64.1	(0.1)	1,330.1
Corporate debt securities	1,463.4	1,442.7	48.3	(27.6)	1,463.4
Foreign government bonds	46.0	44.2	1.8	—	46.0
Mortgage-backed/asset-backed securities	201.6	191.8	9.8	—	201.6
Preferred stock available for sale	71.4	74.8	0.4	(3.8)	71.4
Equity securities available for sale	105.7	83.2	25.5	(3.0)	105.7
Total	$3,377.3	$3,251.0	$160.8	$(34.5)	$3,377.3

The cost basis of fixed maturity securities available for sale includes an adjustment for amortized premium or discount since the date of purchase.

The following table presents certain information regarding contractual maturities of our fixed maturity securities at September 30, 2012:

	September 30, 2012			
Maturity	Amortized Cost	% of Total	Fair Value	% of Total
	(Dollars in millions)			
One year or less	$279.2	9.1%	$282.3	8.8%
After one year through five years	1,579.9	51.8	1,654.4	51.6
After five years through ten years	1,009.9	33.1	1,076.0	33.6
After ten years	23.9	0.8	24.8	0.8
Mortgage-backed/asset-backed securities	157.7	5.2	167.3	5.2
Total	$3,050.6	100.0%	$3,204.8	100.0%
Subject to call	$1,478.3	48.5%	$1,539.6	48.0%

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Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Included above in amounts subject to call are $1,111.1 million and $1,154.9 million in amortized cost and fair value, respectively, of fixed maturity securities with make-whole call provisions as of September 30, 2012.

The balance of equity securities includes an investment in FIS stock. The fair value of our investment in the FIS stock was $50.1 million and $42.6 million at September 30, 2012 and December 31, 2011, respectively.

Included in our other long-term investments are fixed maturity structured notes purchased in the third quarter of 2009 and various cost-method investments. The structured notes are carried at fair value (see Note D) and changes in the fair value of these structured notes are recorded as realized gains and losses in the Condensed Consolidated Statements of Earnings. The carrying value of the structured notes was $43.2 million and $40.8 million as of September 30, 2012 and December 31, 2011, respectively; and we recorded a net gain of $4.0 million and $2.4 million related to the structured notes in the three-month and nine-month periods ended September 30, 2012, respectively, and recorded a net loss of $5.7 million and $3.5 million in the three-month and nine-month periods ended September 30, 2011, respectively.

Net unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2012 and December 31, 2011, were as follows (in millions):

September 30, 2012

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	$37.8	$(2.7)	$63.7	$(12.0)	$101.5	$(14.7)
Preferred stock available for sale	43.0	(0.3)	—	—	43.0	(0.3)
Equity securities available for sale	5.7	(1.4)	0.6	(0.6)	6.3	(2.0)
Total temporarily impaired securities	$86.5	$(4.4)	$64.3	$(12.6)	$150.8	$(17.0)

December 31, 2011

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State and political subdivisions	$10.6	$(0.1)	$—	$—	$10.6	$(0.1)
Corporate debt securities	339.0	(26.6)	7.3	(1.0)	346.3	(27.6)
Preferred stock available for sale	52.9	(3.8)	—	—	52.9	(3.8)
Equity securities available for sale	16.1	(3.0)	—	—	16.1	(3.0)
Total temporarily impaired securities	$418.6	$(33.5)	$7.3	$(1.0)	$425.9	$(34.5)

During the three-month and nine-month periods ended September 30, 2012, we determined that no investments in our portfolio were considered other-than-temporarily impaired. We expect to recover the entire amortized cost basis of our temporarily impaired fixed maturity securities as we do not intend to sell these securities and we do not believe that we will be required to sell the fixed maturity securities before recovery of the cost basis. As of September 30, 2012, we held no fixed maturity securities for which other-than-temporary impairment had been previously recognized. It is possible that future events may lead us to recognize potential future impairment losses related to our investment portfolio and that unanticipated future events may lead us to dispose of certain investment holdings and recognize the effects of any market movements in our condensed consolidated financial statements.

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The following table presents realized gains and losses on investments and other assets and proceeds from the sale or maturity of investments and other assets for the three-month and nine-month periods ending September 30, 2012 and 2011, respectively: