

ASSURANT INC  
Form 424B4  
January 21, 2005

**Table of Contents**

Filed Pursuant to Rule 424(B)(4)  
Registration No. 333-121820

*PROSPECTUS*

*27,200,000 Shares*

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*Common Stock*

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*Fortis Insurance N.V., the selling stockholder in this offering, is offering 27,200,000 shares of our common stock in an underwritten offering. All of the shares of common stock being sold in this offering are being sold by the selling stockholder. We will not receive any of the proceeds from the sale of shares by the selling stockholder.*

*Our shares of common stock are listed on the New York Stock Exchange under the symbol AIZ. The last reported sale price of our common stock on the New York Stock Exchange on January 20, 2005 was \$30.60 per share.*

***Investing in our common stock involves risks. See Risk Factors beginning on page 11.***

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*PRICE \$30.60 A SHARE*

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	<b>Price to Public</b>	<b>Underwriting Discounts and Commissions</b>	<b>Proceeds to Selling Stockholder</b>
Per Share	\$30.60	\$.9945	\$29.6055
Total	\$832,320,000	\$27,050,400	\$805,269,600

*The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.*

The underwriters expect to deliver the shares to purchasers on January 26, 2005.

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*MORGAN STANLEY*

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*CITIGROUP*

*CREDIT SUISSE FIRST BOSTON*

*LEHMAN BROTHERS*

*MERRILL LYNCH & CO.*

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*GOLDMAN, SACHS & CO.*

*JPMORGAN*

*KEYBANC CAPITAL MARKETS*

*UBS INVESTMENT BANK*

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*COCHRAN, CARONIA & CO.*

*FORTIS SECURITIES*

FOX-PITT, KELTON

RAYMOND JAMES

SUNTRUST ROBINSON HUMPHREY

January 20, 2005

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**TABLE OF CONTENTS**

	<u>Page</u>
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	11
<u>Forward-Looking Statements</u>	35
<u>Use of Proceeds</u>	36
<u>Price Range of Common Stock</u>	36
<u>Dividend Policy</u>	37
<u>Capitalization</u>	38
<u>Selected Consolidated Financial Information</u>	39
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
<u>Business</u>	92
<u>Regulation</u>	127
<u>Management</u>	138
<u>Principal and Selling Stockholders</u>	158
<u>Certain Relationships and Related Transactions</u>	160
<u>Certain United States Tax Consequences to Non-U.S. Holders</u>	164
<u>Description of Share Capital</u>	166
<u>Description of Indebtedness</u>	170
<u>Shares Eligible for Future Sale</u>	172
<u>Underwriting</u>	173
<u>Legal Matters</u>	176
<u>Experts</u>	176
<u>Where You Can Find More Information</u>	176
Index to Consolidated Financial Statements	F-1
<u>Glossary of Selected Insurance and Reinsurance Terms</u>	G-1

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different from that contained in this prospectus. We are offering to sell and seeking offers to buy these securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

The states in which our insurance subsidiaries are domiciled have enacted laws which require regulatory approval for the acquisition of control of insurance companies. Under these laws, there exists a presumption of control when an acquiring party acquires 10% or more (5% or more, in the case of Florida) of the voting securities of an insurance company or of a company which itself controls an insurance company. Therefore, any person acquiring 10% or more (5% or more, in the case of Florida) of our common stock would need the prior approval of the state insurance regulators of these states, or a determination from such regulators that control has not been acquired.

In this prospectus, references to the Company, Assurant, we, us or our refer to Assurant, Inc., a Delaware corporation, and its subsidiaries or its predecessor Fortis, Inc., a Nevada corporation, and its subsidiaries. References to Fortis refer to Fortis Insurance N.V., a public company with limited liability incorporated as a naamloze vennootschap under Dutch law. References to Fortis Group refer to the group of companies, including Fortis, jointly owned and/or controlled either directly or indirectly by Fortis SA/NV, a public company with limited liability incorporated as a naamloze vennootschap/société anonyme under Belgian law, and Fortis N.V., a public company with limited liability incorporated as a naamloze vennootschap under Dutch law, such group including Fortis SA/NV and Fortis N.V.

For your convenience, we have provided a glossary, beginning on page G-1, of selected insurance and reinsurance terms.

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**Table of Contents**

**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. Although this summary highlights important information about us and what we believe to be the key aspects of this offering, you should read this summary together with the more detailed information and our financial statements and the notes to those financial statements appearing elsewhere in this prospectus. You should read this entire prospectus carefully, including the Risk Factors and Forward-Looking Statements sections before making an investment decision.*

**OUR COMPANY**

**Overview**

We pursue a differentiated strategy of building leading positions in specialized market segments for insurance products and related services in North America and selected other markets. We provide:

- creditor-placed homeowners insurance;
- manufactured housing homeowners insurance;
- debt protection administration;
- credit insurance;
- warranties and extended service contracts;
- individual health and small employer group health insurance;
- group dental insurance;
- group disability insurance;
- group life insurance; and
- pre-funded funeral insurance.

The markets we target are generally complex, have a relatively limited number of competitors and, we believe, offer attractive profit opportunities. In these markets, we leverage the experience of our management team and apply our expertise in risk management, underwriting and business-to-business management, as well as our technological capabilities in complex administration and systems. Through these activities, we seek to generate above-average returns by building on specialized market knowledge, well-established distribution relationships and economies of scale.

As a result of our strategy, we are a leader in many of our chosen markets and products. We have leadership positions or are aligned with clients who are leaders in creditor-placed homeowners insurance based on servicing volume, manufactured housing homeowners insurance based on number of homes built and debt protection administration based on credit card balances outstanding. We are also a leading writer of group dental plans sponsored by employers based on the number of subscribers and based on the number of master contracts in force and the market leader of pre-funded funeral insurance measured by face amount of new policies sold. We believe that our leadership positions give us a sustainable competitive advantage in our chosen markets.

We currently have four decentralized operating business segments to ensure focus on critical activities close to our target markets and customers, while simultaneously providing centralized support in key functions. Our four operating business segments are: Assurant Solutions, Assurant Health, Assurant Employee Benefits and Assurant PreNeed. Each operating business segment has its own experienced management team with the autonomy to make decisions on key operating matters. These managers are eligible to receive incentive-based compensation based in part on operating business segment performance and in part on company-wide performance, thereby encouraging strong business performance and cooperation across all our businesses. At the operating business segment level, we stress disciplined underwriting, careful analysis and constant improvement and product redesign. At the corporate level, we provide support services, including investment, asset/ liability matching and capital management, leadership development, information technology support and other administrative and finance functions, enabling the

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operating business segments to focus on their target markets and distribution relationships while enjoying the economies of scale realized by operating these businesses together. Also, our overall strategy and financial objectives are set and continuously monitored at the corporate level to ensure that our capital resources are being properly allocated.

## **Table of Contents**

Our Assurant Solutions segment, which we began operating with the acquisition of American Security Group in 1980, provides specialty property solutions and consumer protection solutions. Specialty property solutions primarily include creditor-placed homeowners insurance (including tracking services) and manufactured housing homeowners insurance. Consumer protection solutions primarily include debt protection administration, credit insurance and warranties and extended service contracts. Our Assurant Health segment, which we began operating in 1978, provides individual health insurance, including short-term and student medical insurance, and small employer group health insurance. Most of the health insurance products we sell are preferred provider organization (PPO) plans. In Assurant Employee Benefits, which we began operating with the acquisition of Mutual Benefit Life Group Division (now Fortis Benefits Insurance Company) in 1991, we provide employer- and employee-paid group dental insurance, as well as group disability insurance and group life insurance. In Assurant PreNeed, which we began operating with the acquisition of United Family Life Insurance Company in 1980, we provide pre-funded funeral insurance, which provides whole life insurance death benefits or annuity benefits used to fund costs incurred in connection with pre-arranged funerals.

We have created strong relationships with our distributors and clients in each of the niche markets we serve. In Assurant Solutions, we have strong long-term relationships in the United States with six of the ten largest mortgage lenders and servicers based on servicing volume, three of the six largest manufactured housing builders based on number of homes built, eight of the ten largest general purpose credit card issuers based on credit card balances outstanding and five of the ten largest consumer electronics and appliances retailers based on combined product sales. Assurant Solutions' relationships with these distributors and clients average more than ten years. In Assurant Health, we have exclusive distribution relationships with leading insurance companies based on total assets, through which we gain access to a broad distribution network and a significant number of potential customers, as well as relationships with independent brokers. In Assurant Employee Benefits, we distribute our products primarily through our sales representatives who work through independent employee benefits advisors, including brokers and other intermediaries. In Assurant PreNeed, we have an exclusive distribution relationship with Service Corporation International (SCI), the largest funeral provider in North America based on total revenues, as well as relationships with approximately 2,000 funeral homes.

## **Recent Accomplishments**

Our business has exhibited strong performance through the first three fiscal quarters of 2004, which we believe demonstrates the strength of our diversified specialty insurance operating model. We generated higher net income than during the comparable period in 2003 and the book value of our stockholders' equity increased by 6% from December 31, 2003 through September 30, 2004 (pro forma to include in the December 31, 2003 stockholders' equity the \$725.5 million capital contribution we received from Fortis in February 2004 in connection with our initial public offering). Over this period, we generated total revenues of \$5,536 million and net income of \$264 million. This was achieved in a period of unprecedented hurricane activity during which we incurred substantial claims associated with these storms.

We continued to focus on deploying our capital in an efficient manner. Using cash flow generated from operations as well as capital released as a result of our ongoing effort to consolidate legal entities, we returned capital to our stockholders through both quarterly cash dividends of \$0.07 per share and the repurchase of 2.4 million outstanding shares of common stock through December 31, 2004.

We also executed on our strategy of strengthening our existing distribution relationships and adding new partners. For example, we renewed our exclusive health insurance distribution agreement with State Farm, and expanded our agreement with General Electric signed in 2003 to provide extended service contracts on home appliances.

Our operating segments continue to build their positions in their specialty market niches. In Assurant Solutions, we have seen strong top-line growth in specialty property, resulting in improved operating results when hurricane losses are excluded. Our consumer protection solutions revenues have also grown. Extended service contract revenues in both domestic and international markets as well as international credit insurance revenues have grown as well. This growth has helped to offset the continued run-off of our U.S. credit insurance business. In Assurant Health, individual medical insurance premiums have grown significantly in

**Table of Contents**

2004. Our underwriting strength and pricing discipline, combined with favorable claims development, drove combined ratios in Assurant Health to historical lows in 2004. Additionally we have seen an increasing percentage of our individual health insurance sales sold in conjunction with Health Savings Accounts (HSAs). In Assurant Employee Benefits, we have continued to focus on the attractive employee-paid, or voluntary, market segment. In Assurant PreNeed, we instituted several expense management initiatives to help offset the negative impact of continued low interest rates.

For the nine-month period ended September 30, 2004, Assurant Solutions generated total revenues of \$2,072 million, versus \$1,978 million in the previous nine-month period. Assurant Health generated \$1,753 million of total revenues in this period, versus \$1,536 million in the previous nine-month period. Assurant Employee Benefits generated \$1,066 million of total revenues in this period, versus \$1,062 million in the previous nine-month period. Assurant PreNeed generated \$559 million in total revenues in this period, versus \$544 million in the previous nine-month period.

**Competitive Strengths**

We believe our competitive strengths include:

*Leadership Positions in Specialized Markets.* We are a market leader in many of our chosen markets, and we believe that our leadership positions provide us with the opportunity to generate high returns in these niche markets.

*Strong Relationships with Key Clients and Distributors.* As a result of our expertise in business-to-business management, we have created strong relationships with our distributors and clients in each of the niche markets we serve. We believe these relationships enable us to market our products and services to our customers in an effective and efficient manner that would be difficult for our competitors to replicate.

*History of Product Innovation and Ability to Adapt to Changing Market Conditions.* We are able to adapt quickly to changing market conditions by tailoring our product and service offerings to the specific needs of our clients. By understanding the dynamics of our core markets, we design innovative products and services to seek to sustain profitable growth and market leading positions.

*Disciplined Approach to Underwriting and Risk Management.* We focus on generating profitability through careful analysis of risks, drawing on our experience in core specialized markets and continually seeking to improve and redesign our product offerings based on our underwriting experience. In addition, we closely monitor regulatory and market developments and adapt our approach as we deem necessary to achieve our underwriting and risk management goals.

*Prudent Capital Management.* We focus on generating above-average returns on a risk-adjusted basis from our operating activities. We believe we have benefited from having the discipline and flexibility to deploy capital opportunistically and prudently to maximize returns to our stockholders. We invest capital in our business segments when we identify attractive profit opportunities in our target markets and also take a disciplined approach towards withdrawing capital when businesses are no longer anticipated to meet our expectations.

*Diverse Business Mix and Excellent Financial Strength.* We have four operating business segments, which are generally not affected in the same way by economic and operating trends. All of our domestic operating insurance subsidiaries rated by A.M. Best Company (A.M. Best) have financial strength ratings of A ( Excellent ) or A- ( Excellent ) from A.M. Best. Ratings of A and A- are the second highest of ten ratings categories and the highest and lowest, respectively, within the category based on modifiers (i.e., A and A- are Excellent ). Six of our domestic operating insurance subsidiaries have financial strength ratings of A2 ( Good ) or A3 ( Good ) from Moody s Investors Service, Inc. (Moody s). Ratings of A2 and A3 are the third highest of nine ratings categories and mid-range and the lowest, respectively, within the category based on modifiers (i.e., A1, A2 and

## **Table of Contents**

A3 are Good ). In addition, seven of our domestic operating insurance subsidiaries have financial strength ratings of A ( Strong ) or A- ( Strong ) from Standard & Poor s (S&P). Ratings of A and A- are the third highest of nine ratings categories and mid-range and the lowest, respectively, within the category based on modifiers (i.e., A+, A and A- are Strong ). We believe our solid capital base and overall financial strength allow us to distinguish ourselves from our competitors and continue to enable us to attract clients that are seeking long-term financial stability.

*Experienced Management Team with Proven Track Record and Entrepreneurial Culture.* We have a talented and experienced management team both at the corporate level and at each of our business segments. Our management team has successfully managed our business and executed our specialized niche strategy through numerous business cycles and political and regulatory challenges.

### **Growth Strategy**

Our objective is to achieve superior financial performance by enhancing our leading positions in our specialized niche insurance and related businesses. We intend to achieve this objective by continuing to execute the following strategies in pursuit of profitable growth:

*Enhance Market Position in Our Business Lines.* We have been selective in developing our product and service offerings and will continue to focus on providing products and services to those markets that we believe offer attractive growth opportunities. We will also seek to continue penetrating our target markets and expand our market positions by developing and introducing new products and services that are tailored to the specific needs of our clients.

*Develop New Distribution Channels and Strategic Alliances.* Our strong, multi-channel distribution network comprised of leading market participants has been critical to our market penetration and growth. We will continue to be selective in developing new distribution channels as we seek to expand our market share, enter new geographic markets and develop new niche businesses.

*Deploy Capital and Resources to Maintain Flexibility and Establish or Enhance Market Leading Positions.* We seek to deploy our capital and resources in a manner that provides us with the flexibility to grow internally through product development, new distribution relationships and investments in technology, as well as to pursue acquisitions. As we expand through internal growth and acquisitions, we intend to leverage our expertise in risk management, underwriting and business-to-business management, as well as our technological capabilities in running complex administration systems and support services.

*Maintain Disciplined Pricing Approach.* We intend to maintain our disciplined pricing approach by seeking to focus on profitable products and markets and by pursuing a flexible approach to product design. We will continue to pursue pricing strategies and adjust our mix of businesses by geography and by product so that we can maintain attractive pricing and margins.

*Continue to Manage Capital Prudently.* We intend to manage our capital prudently relative to our risk exposure to maximize profitability and long-term growth in stockholder value. Our capital management strategy is to maintain financial strength through conservative and disciplined risk management practices. We will also maintain our conservative investment portfolio management philosophy and properly manage our invested assets in order to match the duration of our insurance product liabilities.

### **Risks Relating to Our Company**

As part of your evaluation of our Company, you should take into account the risks associated with our business. These risks include:

*Reliance on Relationships with Significant Clients, Distributors and Other Parties.* If our significant clients, distributors or other parties with which we do business decline to renew or seek to terminate our relationships or contractual arrangements, our results of operations and financial condition could



**Table of Contents**

be materially adversely affected. We are also subject to the risk that these parties may face financial difficulties, reputational issues or problems with respect to their own products and services, which may lead to decreased sales of products and services.

*Failure to Attract and Retain Sales Representatives or Develop and Maintain Distribution Sources.* Our sales representatives interface with clients and third party distributors. Our inability to attract and retain our sales representatives or an interruption in, or changes to, our relationships with various third-party distributors could impair our ability to compete and market our insurance products and services and materially adversely affect our results of operations and financial condition. In addition, our ability to market our products and services depends on our ability to tailor our channels of distribution to comply with changes in the regulatory environment.

*Effect of General Economic, Financial Market and Political Conditions.* Our results of operations and financial condition may be materially adversely affected by general economic, financial market and political conditions, including:

insurance industry cycles;

levels of employment;

levels of consumer lending;

levels of inflation and movements of the financial markets;

fluctuations in interest rates;

monetary policy;

demographics; and

legislative and competitive factors.

*Failure to Accurately Predict Benefits and Other Costs and Claims.* We may be unable to accurately predict benefits, claims and other costs or to manage such costs through our loss limitation methods, which could have a material adverse effect on our results of operations and financial condition if claims substantially exceed our expectations.

*Risks Related to Litigation and Regulatory Actions.* The United States Senate, the United States Department of Labor, the National Association of Insurance Commissioners as well as the attorneys general, other enforcement authorities and insurance regulatory officials of various states are currently investigating certain practices within the insurance industry. Our involvement in any investigations or lawsuits would cause us to incur legal costs, and if we were found to have violated any laws, we could be required to pay fines and damages. We could also be materially adversely affected by the negative publicity for the insurance industry related to these proceedings, and by any new industry-wide regulations or practices that may result from these proceedings.

*Changes in Regulation.* Legislation or other regulatory reform that increases the regulatory requirements imposed on us or that changes the way we are able to do business may significantly harm our business or results of operations in the future.

For more information about these and other risks, see **Risk Factors** beginning on page 11. You should carefully consider these risk factors together with all the other information included in this prospectus.

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Assurant, Inc. was incorporated in Delaware in October 2003. Our predecessor, Fortis, Inc., was incorporated in Nevada in April 1969. Fortis, Inc. was merged with and into Assurant, Inc. on February 4, 2004. Our principal executive offices are located at One Chase Manhattan Plaza, 41st Floor, New York, New York 10005. Our telephone number is (212) 859-7000.

**Table of Contents**

**OUR RELATIONSHIP WITH FORTIS**

Fortis currently owns approximately 36% of our outstanding shares of common stock. Upon completion of this offering, Fortis will own 22,999,130 shares, or approximately 16%, of our outstanding common stock. Pursuant to our shareholders' agreement with Fortis, Fortis has the right to nominate designees to our board of directors and, subject to limited exceptions, our board of directors will nominate those designees as follows: (i) so long as Fortis owns at least 10% of our outstanding shares of common stock, two designees (out of a maximum of 12 directors); and (ii) so long as Fortis owns less than 10% but at least 5% of our outstanding shares of common stock, one designee. Currently, Fortis has two designees on our board of directors. However, we have agreed with Fortis to terminate the shareholders' agreement effective upon the closing of this offering, at which time other corporate governance arrangements will come into effect. These arrangements include that, if at any time while there are no vacancies on our 12-member board of directors, our board of directors, or a committee thereof, adopts a resolution (i) recommending to our shareholders that a particular candidate be elected to our board of directors to replace one of the Fortis designees or (ii) appointing to our board of directors a new member, then Fortis will cause one of the Fortis designees to resign from our board of directors promptly following the adoption of such resolution. In addition, if at any time Fortis ceases to own more than 5% of our outstanding common stock, Fortis will promptly cause any remaining Fortis designees to resign from our board of directors.

Pursuant to our shareholders' agreement with Fortis, for so long as Fortis continues to own at least 10% of our outstanding common stock, certain significant corporate actions may only be taken with the approval of Fortis, as stockholder. However, under our new corporate governance arrangements with Fortis, which will become effective upon the closing of this offering, we will no longer be required to obtain Fortis' approval for such corporate actions, and Fortis will agree to vote its shares of our common stock in favor of any such corporate action if, at any time while at least one Fortis designee remains on our board of directors, our board of directors, including any Fortis designee, votes in favor of such corporate action. We may have conflicts of interest with Fortis that may be resolved in a manner that is unfavorable to us. See Risk Factors Risks Related to Our Relationship with Fortis, Description of Share Capital Anti-takeover Effects of Certain Provisions of the Certificate of Incorporation, By-Laws and Delaware General Corporation Law Certificate of Incorporation and By-Laws and Certain Relationships and Related Transactions.

Fortis is selling exchangeable bonds concurrently with the closing of this offering. The bonds are mandatorily exchangeable into 22,999,130 shares of our common stock, or the cash value thereof, three years from issuance, although the date could be accelerated in some cases. Fortis will have the option to exchange the bonds into the cash equivalent of the value of the shares which would have been delivered at maturity. The exchangeable bonds and the shares of Assurant common stock into which they are exchangeable have not been and will not be registered under the Securities Act of 1933, as amended (Securities Act), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

**Table of Contents**

**THE OFFERING**

Common stock offered by the selling stockholder	27,200,000 shares
Common stock to be outstanding after this offering(1)	139,766,177 shares
Use of proceeds	We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder. The selling stockholder will receive all net proceeds from the sale of the shares of our common stock in this offering.
Dividend policy	We paid dividends of \$0.07 per share of common stock on June 8, 2004, September 7, 2004 and December 7, 2004. Any determination to pay future dividends will be at the discretion of our board of directors and will be dependent upon our subsidiaries' payment of dividends and/or other statutorily permissible payments to us, our results of operations and cash flows, our financial position and capital requirements, general business conditions, any legal, tax, regulatory and contractual restrictions on the payment of dividends and any other factors our board of directors deems relevant.
<u>New York Stock Exchange symbol</u>	AIZ

(1) The number of shares shown to be outstanding after this offering excludes:

51,966 shares of restricted stock distributed to our officers that have not yet vested;

approximately 70,000 shares of common stock that we will issue during 2005 with respect to the 2004 enrollment period under our Employee Stock Purchase Plan, the aggregate value of which will be approximately \$1.7 million based on a purchase price of \$23.67 per share; and

shares reserved for issuance under our equity compensation and incentive plans. See Management.

There is no over-allotment option for this offering.

**Table of Contents**

**SUMMARY CONSOLIDATED FINANCIAL INFORMATION**

The following table sets forth our summary historical consolidated financial information for the periods ended and as of the dates indicated.

The summary consolidated statement of operations data for each of the three years in the period ended December 31, 2003 are derived from the audited consolidated financial statements of Assurant, Inc. and its consolidated subsidiaries included elsewhere in this prospectus, which have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The summary consolidated statement of operations data for the nine months ended September 30, 2004 and September 30, 2003 and the summary consolidated balance sheet data at September 30, 2004 and September 30, 2003 are derived from the unaudited interim financial statements of Assurant, Inc. and its consolidated subsidiaries included elsewhere in this prospectus. The unaudited interim financial statements have been prepared on the same basis as the audited consolidated financial statements of Assurant, Inc. and in our opinion, include all adjustments consisting only of normal recurring adjustments, that we consider necessary for a fair statement of our results of operations and financial condition for these periods and as of such dates. These historical results are not necessarily indicative of expected results for any future period. The results for the nine months ended September 30, 2004 are not necessarily indicative of results to be expected for the full year. You should read the following summary consolidated financial information together with the other information contained in this prospectus, including Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

**Table of Contents**

	At September 30,		At December 31,				
	2004	2003	2003	2002	2001	2000	1999
(in thousands, except share amounts and per share data)							
<b>Summary</b>							
<b>Consolidated</b>							
<b>Statement of</b>							
<b>Operations Data:</b>							
<b>Revenues</b>							
Net earned premiums and other considerations	\$ 4,844,259	\$ 4,533,503	\$ 6,156,772	\$ 5,681,596	\$ 5,242,185	\$ 5,144,375	\$ 4,508,795
Net investment income	471,486	456,608	607,313	631,828	711,782	690,732	590,487
Net realized gain (loss) on investments	22,447	14,808	1,868	(118,372)	(119,016)	(44,977)	13,616
Amortization of deferred gain on disposal of businesses	43,298	52,235	68,277	79,801	68,296	10,284	
Gain on disposal of businesses				10,672	61,688	11,994	
Fees and other income	154,511	172,764	231,983	246,675	221,939	399,571	357,878
<b>Total revenues</b>	<b>5,536,001</b>	<b>5,229,918</b>	<b>7,066,213</b>	<b>6,532,200</b>	<b>6,186,874</b>	<b>6,211,979</b>	<b>5,470,776</b>
<b>Benefits, losses and expenses</b>							
Policyholder benefits	2,888,948	2,656,325	3,657,763	3,435,175	3,240,091	3,208,054	3,061,488
Amortization of deferred acquisition costs and value of businesses acquired	651,178	640,642	863,647	732,010	648,918	486,284	576,978
Underwriting, general and administrative expenses	1,547,317	1,451,348	1,965,491	1,876,222	1,846,550	2,081,816	1,566,833
Amortization of goodwill					113,300	106,773	57,717
Interest expense	41,104		1,175		14,001	24,726	39,893
Loss on disposal of business	9,232						
Distributions on mandatorily redeemable preferred securities	2,163	87,854	112,958	118,396	118,370	110,142	53,824
Interest premiums on redemption of preferred securities			205,822				
<b>Total benefits, losses and expenses</b>	<b>5,139,942</b>	<b>4,836,169</b>	<b>6,806,856</b>	<b>6,161,803</b>	<b>5,981,230</b>	<b>6,017,795</b>	<b>5,356,733</b>
Income before income taxes and cumulative effect of change in accounting principle	396,059	393,749	259,357	370,397	205,644	194,184	114,043
Income taxes	131,627	130,464	73,705	110,657	107,591	104,500	57,657
<b>Net Income</b>							
Net income before cumulative effect of change in accounting principle	264,432	263,285	185,652	259,740	98,053	89,684	56,386

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Cumulative effect of  
change in accounting  
principle(1)

(1,260,939)

Net income (loss)	\$ 264,432	\$ 263,285	\$ 185,652	\$ (1,001,199)	\$ 98,053	\$ 89,684	\$ 56,386
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**Per Share Data:**

Basic and dilutive net income per share before cumulative effect of change in accounting principle	\$ 1.92	\$ 2.41	\$ 1.70	\$ 2.38	\$ 0.90	\$ 0.85	\$ 0.85
Basic and dilutive net income (loss) per share	\$ 1.92	\$ 2.41	\$ 1.70	\$ (9.17)	\$ 0.90	\$ 0.85	\$ 0.85
Weighted average of basic shares of common stock outstanding	137,818,397	109,222,276	109,222,276	109,222,276	109,222,276	104,915,373	66,122,451
Dividends per share:							
Common Stock	\$ 0.14	\$ 1.66	\$ 1.66	\$ 0.38	\$ 1.00	\$ 0.20	\$

**Table of Contents**

	At September 30,		At December 31,				
	2004	2003	2003	2002	2001	2000	1999
(in thousands, except share amounts and per share data)							
<b>Summary Consolidated Balance Sheet Data:</b>							
Cash and cash equivalents and investments	\$ 12,126,576	\$ 11,155,385	\$ 11,881,802	\$ 10,694,772	\$ 10,319,117	\$ 10,750,554	\$ 10,110,136
Total assets	23,619,537	22,853,763	23,707,977	22,257,699	24,431,412	24,095,760	22,215,111
Policy liabilities(2)	13,192,085	12,780,855	12,881,796	12,388,623	12,064,643	11,534,891	10,336,265
Debt	971,593		1,750,000			238,983	1,007,243
Mandatorily redeemable preferred securities		1,446,074	196,224	1,446,074	1,446,074	1,449,738	899,850
Mandatorily redeemable preferred stock	24,160	24,160	24,160	24,660	25,160	25,160	22,160
Total stockholders' equity	3,555,051	2,753,223	2,632,103	2,555,059	3,452,405	3,367,713	3,164,297
<b>Per Share Data:</b>							
Total book value per share(3)	\$ 25.25	\$ 25.21	\$ 24.10	\$ 23.39	\$ 31.61	\$ 30.83	\$ 37.95

- (1) On January 1, 2002 we adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* (FAS 142). As a result, we recognized a non-cash goodwill impairment charge of \$1,261 million. See Management's Discussion and Analysis of Financial Condition and Results of Operation - Significant Accounting Standard Affecting Our Business.
- (2) Policy liabilities include future policy benefits and expenses, unearned premiums and claims and benefits payable.
- (3) Total stockholders' equity divided by the basic shares of common stock outstanding. At September 30, 2004 and 2003, there were 140,821,350 and 109,222,276 shares of common stock outstanding, respectively. At December 31, 2003, 2002, 2001 and 2000, there were 109,222,276 shares of common stock outstanding. At December 31, 1999, there were 83,380,858 shares of common stock outstanding.

**Table of Contents**

**RISK FACTORS**

*An investment in our common stock involves a number of risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before investing in our common stock. Any of the events or circumstances described as risks below could result in a significant or material adverse effect on our business, results of operations or financial condition and a corresponding decline in the market price of our common stock.*

***Risks Related to Our Company***

**Our profitability may decline if we are unable to maintain our relationships with significant clients, distributors and other parties important to the success of our business.**

Our relationships and contractual arrangements with significant clients, distributors and other parties with which we do business are important to the success of our business segments. Many of these arrangements are exclusive. For example, in Assurant Solutions, we have exclusive relationships with several mortgage lenders and servicers, retailers, credit card issuers and other financial institutions through which we distribute our products. In Assurant Health, we have exclusive distribution relationships for our individual health insurance products with Insurance Placement Services, Inc. (IPSI), a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company (State Farm), and United Services Automobile Association (USAA), as well as a relationship with Health Advocates Alliance, the association through which we provide many of our individual health insurance products, through Assurant Health's agreement dated September 1, 2003 with its administrator, National Administration Company, Inc. An association in the health insurance market is an entity formed and maintained in good faith for purposes other than obtaining insurance and does not make health insurance coverage offered through the association available other than in connection with membership in the association. The agreement that provides for our exclusive distribution relationship with IPSI terminates in June 2008, but may be extended if agreed to by both parties. We also maintain contractual relationships with several separate networks of health and dental care providers, each referred to as a PPO, through which we obtain discounts. A PPO is an entity that acts as an intermediary between an insurer and a network of hospitals, physicians, dentists or other providers of health care who have agreed to provide care to insureds subject to contractually established reimbursement rates. In Assurant PreNeed, we have an exclusive distribution relationship with SCI. Many of these arrangements have terms ranging from one to five years. Although we believe we have generally been successful in maintaining our client, distribution and related relationships, if these parties decline to renew or seek to terminate these arrangements, our results of operations and financial condition could be materially adversely affected. In addition, we are subject to the risk that these parties may face financial difficulties, reputational issues or problems with respect to their own products and services, which may lead to decreased sales of our products and services. Moreover, if one or more of our clients or distributors consolidate or align themselves with other companies, we may lose business or suffer decreased revenues. A loss of the discount arrangements with PPOs could also lead to higher medical or dental costs and/or a loss of members to other medical or dental plans.

For example, Assurant Solutions lost a few clients over the last three years as a result of bankruptcies and termination of contracts either by it or its clients; however, none of the clients lost was significant to its business. At Assurant Health, client turnover has been stable over the last three years as none of the clients lost was significant to its business. Assurant PreNeed terminated several client relationships with three funeral home groups in 2003 because of profitability issues with the business; none of the clients terminated was significant to its business.

**Sales of our products and services may be reduced if we are unable to attract and retain sales representatives or develop and maintain distribution sources.**

We distribute our insurance products and services through a variety of distribution channels, including:

independent employee benefits specialists;

brokers;



**Table of Contents**

managing general agents;

life agents;

financial institutions;

funeral directors;

association groups; and

other third-party marketing organizations.

Our relationships with these various distributors are significant both for our revenues and profits. We do not distribute our insurance products and services through captive or affiliated agents. In Assurant Health, we depend in large part on the services of independent agents and brokers and on associations, including Health Advocates Alliance, in the marketing of our products. In Assurant Employee Benefits, independent agents and brokers who act as advisors to our customers market and distribute our products. Independent agents and brokers are typically not exclusively dedicated to us and usually also market products of our competitors. Strong competition exists among insurers to form relationships with agents and brokers of demonstrated ability. We compete with other insurers for sales representatives, agents and brokers primarily on the basis of our financial position, support services, compensation and product features. In addition, by relying on independent agents and brokers to distribute products for us, we face continued competition from our competitors' products. Moreover, our ability to market our products and services depends on our ability to tailor our channels of distribution to comply with changes in the regulatory environment. Recently, the marketing of health insurance through association groups and broker compensation arrangements have come under increased scrutiny. An interruption in, or changes to, our relationships with various third-party distributors or our inability to respond to regulatory changes could impair our ability to compete and market our insurance products and services and materially adversely affect our results of operations and financial condition.

We have our own sales representatives whose role in the distribution process varies by segment. We depend in large part on our sales representatives to develop and maintain client relationships. Our inability to attract and retain effective sales representatives could materially adversely affect our results of operations and financial condition.

**General economic, financial market and political conditions may adversely affect our results of operations and financial condition.**

Our results of operations and financial condition may be materially adversely affected from time to time by general economic, financial market and political conditions. These conditions include economic cycles such as:

insurance industry cycles;

levels of employment;

levels of consumer lending;

levels of inflation; and

movements of the financial markets.

Fluctuations in interest rates, monetary policy, demographics, and legislative and competitive factors also influence our performance. During periods of economic downturn:

individuals and businesses may choose not to purchase our insurance products and other related products and services, may terminate existing policies or contracts or permit them to lapse, may choose to reduce the amount of coverage purchased or, in Assurant Employee Benefits and in small group employer health insurance in Assurant Health, may have fewer employees requiring insurance coverage due to rising unemployment levels;

**Table of Contents**

new disability insurance claims and claims on other specialized insurance products tend to rise;

there is a higher loss ratio on credit card and installment loan insurance due to rising unemployment levels; and

insureds tend to increase their utilization of health and dental benefits if they anticipate becoming unemployed or losing benefits.

In addition, general inflationary pressures may affect the costs of medical and dental care, as well as repair and replacement costs on our real and personal property lines, increasing the costs of paying claims. Inflationary pressures may also affect the costs associated with our pre-funded funeral insurance policies, particularly those that are guaranteed to grow with the Consumer Price Index. Pre-funded funeral insurance provides benefits to fund the costs incurred in connection with a pre-arranged funeral contract, which is an arrangement between a funeral firm and an individual whereby the funeral firm agrees to perform a selected funeral upon the individual's death.

**Our actual claims losses may exceed our reserves for claims, which may require us to establish additional reserves that may materially reduce our earnings, profitability and capital.**

We maintain reserves to cover our estimated ultimate exposure for claims and claim adjustment expenses with respect to reported and unreported claims incurred but not reported as of the end of each accounting period. Reserves, whether calculated under GAAP or statutory accounting principles (SAP), do not represent an exact calculation of exposure, but instead represent our best estimates, generally involving actuarial projections at a given time, of what we expect the ultimate settlement and administration of a claim or group of claims will cost based on our assessment of facts and circumstances then known. The adequacy of reserves will be impacted by future trends in claims severity, frequency, judicial theories of liability and other factors. These variables are affected by both external and internal events, such as:

changes in the economic cycle;

changes in the social perception of the value of work;

emerging medical perceptions regarding physiological or psychological causes of disability;

emerging health issues and new methods of treatment or accommodation;

inflation;

judicial trends;

legislative changes; and

claims handling procedures.

Many of these items are not directly quantifiable, particularly on a prospective basis. Reserve estimates are refined as experience develops. Adjustments to reserves, both positive and negative, are reflected in the statement of operations of the period in which such estimates are updated. Because establishment of reserves is an inherently uncertain process involving estimates of future losses, there can be no certainty that ultimate losses will not exceed existing claims reserves. During the past three years, we did not experience substantial deviations in actual claims losses from reserve estimates previously established. However, future loss development could require reserves to be increased, which could have a material adverse effect on our earnings in the periods in which such increases are made.

**We may be unable to accurately predict benefits, claims and other costs or to manage such costs through our loss limitation methods, which could have a material adverse effect on our results of operations and financial condition.**

Our profitability depends in large part on accurately predicting benefits, claims and other costs, including medical and dental costs, and predictions regarding the frequency and magnitude of claims on our disability and property coverages. It also depends on our ability to manage future benefit and other costs through

**Table of Contents**

product design, underwriting criteria, utilization review or claims management and, in health and dental insurance, negotiation of favorable provider contracts. Utilization review is a review process designed to control and limit medical expenses, which includes, among other things, requiring certification for admission to a health care facility and cost-effective ways of handling patients with catastrophic illnesses. Claims management entails the use of a variety of means to mitigate the extent of losses incurred by insureds and the corresponding benefit cost, which includes efforts to improve the quality of medical care provided to insureds and to assist them with vocational services. The aging of the population and other demographic characteristics and advances in medical technology continue to contribute to rising health care costs. Our ability to predict and manage costs and claims, as well as our business, results of operations and financial condition may be adversely affected by:

changes in health and dental care practices;

inflation;

new technologies;

the cost of prescription drugs;

clusters of high cost cases;

changes in the regulatory environment;

economic factors;

the occurrence of catastrophes; and

numerous other factors affecting the cost of health and dental care and the frequency and severity of claims in all our business segments.

The judicial and regulatory environments, changes in the composition of the kinds of work available in the economy, market conditions and numerous other factors may also materially adversely affect our ability to manage claim costs. As a result of one or more of these factors or other factors, claims could substantially exceed our expectations, which could have a material adverse effect on our results of operations and financial condition.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues relating to claims and coverage may emerge. These issues could materially adversely affect our results of operations and financial condition by either extending coverage beyond our underwriting intent or by increasing the number or size of claims or both. We may be limited in our ability to respond to such changes, by insurance regulations, existing contract terms, contract filing requirements, market conditions or other factors.

**Our investment portfolio is subject to several risks that may diminish the value of our invested assets and affect our sales and profitability.**

*Our investment portfolio may suffer reduced returns or losses that could reduce our profitability.*

Investment returns are an important part of our overall profitability and significant fluctuations in the fixed income market could impair our profitability, financial condition and/or cash flows. Our investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. In particular, volatility of claims may force us to liquidate securities prior to maturity, which may cause us to incur capital losses. If we do not structure our investment portfolio so that it is appropriately matched with our insurance liabilities, we may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. For the nine-month period ended September 30, 2004, our net investment income was \$471 million and our net realized gains on investments were \$22 million, which collectively accounted for approximately 9% of our total revenues during such period. For the year ended December 31, 2003, our net investment income was \$607 million and our net realized gains on investments were \$2 million, which collectively accounted for approximately 9% of our total revenues during such period.



**Table of Contents**

*The performance of our investment portfolio is subject to fluctuations due to changes in interest rates and market conditions.*

Changes in interest rates can negatively affect the performance of some of our investments. Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Fluctuations in interest rates affect our returns on, and the market value of, fixed maturity and short-term investments, which comprised \$9,272 million, or 81%, of the fair value of our total investments as of September 30, 2004 and \$9,005 million, or 82%, as of December 31, 2003.

The fair market value of the fixed maturity securities in our portfolio and the investment income from these securities fluctuate depending on general economic and market conditions. The fair market value generally increases or decreases in an inverse relationship with fluctuations in interest rates, while net investment income realized by us from future investments in fixed maturity securities will generally increase or decrease with interest rates. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities, commercial mortgage obligations and bonds in our investment portfolio are more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates, and we may be required to reinvest those funds in lower interest-bearing investments. As of September 30, 2004, mortgage-backed and other asset-backed securities represented approximately \$1,780 million, or 20%, of the fair value of our total investments.

Because substantially all of our fixed maturity securities are classified as available for sale, changes in the market value of these securities are reflected in our balance sheet. Similar treatment is not available for liabilities. Therefore, interest rate fluctuations affect the value of our investments and could materially adversely affect our results of operations and financial condition.

We employ asset/ liability matching strategies to reduce the adverse effects of interest rate volatility and to ensure that cash flows are available to pay claims as they become due. Our asset/ liability matching strategies include:

asset/ liability duration management;

structuring our bond and commercial mortgage loan portfolios to limit the effects of prepayments; and

consistent monitoring of, and appropriate changes to, the pricing of our products.

However, these strategies may fail to eliminate or reduce the adverse effects of interest rate volatility, and no assurances can be given that significant fluctuations in the level of interest rates will not have a material adverse effect on our results of operations and financial condition.

In addition, Assurant PreNeed generally writes whole life insurance policies with increasing death benefits and obtains much of its profits through interest rate spreads. Whole life insurance refers to a form of life insurance that provides guaranteed death benefits and guaranteed cash values to policyholders. Interest rate spreads refer to the difference between the death benefit growth rates on pre-funded funeral insurance policies and the investment returns generated on the assets we hold related to those policies. As of September 30, 2004, approximately 83% of Assurant PreNeed's in force insurance policy reserves related to policies that provide for death benefit growth, some of which provide for minimum death benefit growth pegged to changes in the Consumer Price Index. In extended periods of declining interest rates or high inflation, there may be compression in the spread between Assurant PreNeed's death benefit growth rates and its investment earnings or a negative spread. As a result, declining interest rates or high inflation rates may have a material adverse effect on our results of operations and our overall financial condition.

Assurant Employee Benefits calculates reserves for long-term disability and life waiver of premium claims using net present value calculations based on current interest rates at the time claims are funded and expectations regarding future interest rates. Waiver of premium refers to a provision in a life insurance policy

**Table of Contents**

pursuant to which an insured with total disability that lasts for a specified period no longer has to pay premiums for the duration of the disability or for a stated period, during which time the life insurance coverage provides continued coverage. If interest rates decline, reserves for open and/or new claims would need to be calculated using lower discount rates thereby increasing the net present value of those claims and the required reserves. Depending on the magnitude of the decline, this could have a material adverse effect on our results of operations and financial condition. In addition, investment income may be lower than that assumed in setting premium rates.

*Our investment portfolio is subject to credit risk.*

We are subject to credit risk in our investment portfolio, primarily from our investments in corporate bonds and preferred stocks. Defaults by third parties in the payment or performance of their obligations could reduce our investment income and realized investment gains or result in investment losses. Further, the value of any particular fixed maturity security is subject to impairment based on the creditworthiness of a given issuer. As of September 30, 2004, we held \$9,046 million of fixed maturity securities, or 79% of the fair value of our total invested assets at such date. Our fixed maturity portfolio also includes below investment grade securities, which comprised 6% of the fair value of our total fixed maturity securities at September 30, 2004 and December 31, 2003. These investments generally provide higher expected returns but present greater risk and can be less liquid than investment grade securities. A significant increase in defaults and impairments on our fixed maturity securities portfolio could materially adversely affect our results of operations and financial condition. Other-than-temporary impairment losses on our available for sale securities totaled \$0.8 million for the nine months ended September 30, 2004 and \$20 million for the year ended December 31, 2003.

As of September 30, 2004, less than 1% of the fair value of our total investments was invested in common stock; however, we have had higher percentages in the past and may make more such investments in the future. Investments in common stock generally provide higher expected total returns, but present greater risk to preservation of principal than our fixed income investments.

In addition, while currently we do not utilize derivative instruments to hedge or manage our interest rate or equity risk, we may do so in the future. Derivative instruments generally present greater risk than fixed income investments or equity investments because of their greater sensitivity to market fluctuations. Effective as of August 1, 2003, we utilize derivative instruments in managing Assurant PreNeed's exposure to inflation risk. While these instruments seek to protect a portion of Assurant PreNeed's existing business that is tied to the Consumer Price Index, a sharp increase in inflation could have a material adverse effect on our results of operations and financial condition.

*Our commercial mortgage loans and real estate investments subject us to liquidity risk.*

As of September 30, 2004, commercial mortgage loans on real estate investments represented approximately 9% of the fair value of our total investments. These types of investments are relatively illiquid, thus increasing our liquidity risk. In addition, if we require extremely large amounts of cash on short notice, we may have difficulty selling these investments at attractive prices, in a timely manner, or both.

*The risk parameters of our investment portfolio may not target an appropriate level of risk, thereby reducing our profitability and diminishing our ability to compete and grow.*

We seek to earn returns on our investments to enhance our ability to offer competitive rates and prices to our customers. Accordingly, our investment decisions and objectives are a function of the underlying risks and product profiles of each of our business segments. However, we may not succeed in targeting an appropriate overall risk level for our investment portfolio. As a result, the return on our investments may be insufficient to meet our profit targets over the long term, thereby reducing our profitability. If, in response, we choose to increase our product prices to maintain profitability, we may diminish our ability to compete and grow.

**Table of Contents**

*Environmental liability exposure may result from our commercial mortgage loan portfolio and real estate investments.*

Liability under environmental protection laws resulting from our commercial mortgage loan portfolio and real estate investments may harm our financial strength and reduce our profitability. Under the laws of several states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of the cleanup. In some states, this kind of lien has priority over the lien of an existing mortgage against the property, which would impair our ability to foreclose on that property should the related loan be in default. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, under certain circumstances, we may be liable for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property securing a mortgage loan held by us. We also may face this liability after foreclosing on a property securing a mortgage loan held by us after a loan default.

**Catastrophe losses, including man-made catastrophe losses, could materially reduce our profitability and have a material adverse effect on our results of operations and financial condition.**

Our insurance operations expose us to claims arising out of catastrophes, particularly in our homeowners, life and other personal business lines. We have experienced, and expect in the future to experience, catastrophe losses that may materially reduce our profitability or have a material adverse effect on our results of operations and financial condition. Catastrophes can be caused by various natural events, including hurricanes, windstorms, earthquakes, hailstorms, severe winter weather, fires and epidemics, or can be man-made catastrophes, including terrorist attacks or accidents such as airplane crashes. The frequency and severity of catastrophes are inherently unpredictable. Catastrophe losses can vary widely and could significantly exceed our recent historic results. It is possible that both the frequency and severity of man-made catastrophes will increase and that we will not be able to implement exclusions from coverage in our policies or obtain reinsurance for such catastrophes.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most of our catastrophe claims in the past have related to homeowners and other personal lines coverages, which for the nine months ended September 30, 2004 represented approximately 26% of our net earned premiums and other consideration in our Assurant Solutions segment. In addition, as of September 30, 2004, approximately 35% of the insurance in force in our homeowners and other personal lines related to properties located in California, Florida and Texas. As a result of our creditor-placed homeowners insurance product, which typically provides coverage against an insured's property being destroyed or damaged by various perils, our concentration in these areas may increase in the future. This is because in our creditor-placed homeowners insurance line, we agree to provide homeowners insurance coverage automatically. If other insurers withdraw coverage in these or other states, this may lead to adverse selection and increased utilization of our creditor-placed homeowners insurance in these areas. Adverse selection refers to the process by which an applicant who believes himself to be uninsurable, or at greater than average risk, seeks to obtain an insurance policy at a standard premium rate.

Claims resulting from natural or man-made catastrophes could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Our ability to write new business also could be affected. Increases in the value and geographic concentration of insured property and the effects of inflation could increase the severity of claims from catastrophes in the future.

Pre-tax catastrophe losses in excess of \$1 million (before the benefits of reinsurance) that we have experienced in recent years include:

a loss of approximately \$10 million incurred in 2001 in connection with tropical storm Allison;

total losses of approximately \$12 million incurred in 2002 in connection with Arizona wildfires, Texas floods and Hurricane Lili;

**Table of Contents**

total losses of approximately \$30 million incurred in 2003 in connection with various catastrophes caused by windstorms, hailstorms and tornadoes, Hurricane Isabel and the California wildfires; and

total losses of approximately \$101 million incurred through September 30, 2004 in connection with the four Florida hurricanes. Subsequent to September 30, 2004, we incurred an additional \$21 million of losses related to these hurricanes. Total reinsurance recoveries related to these events are anticipated to be approximately \$32 million. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

No liquidation in investments was required in connection with these catastrophes as the claims were paid from current cash flow, cash on hand or short-term investments.

In addition, our group life and health insurance operations could be materially impacted by catastrophes such as terrorist attacks or by an epidemic that causes a widespread increase in mortality, morbidity or disability rates or that causes an increase in the need for medical care. The mortality rate refers to the relationship of the frequency of deaths of individual members of a group to the entire group membership over a specified period of time. The morbidity rate refers to the relationship of the incidence of disease or disability contracted by individual members of a group to the entire group membership over a specified period of time. For example, the influenza epidemic of 1918 caused several million deaths. Losses due to catastrophes would not generally be covered by reinsurance and could have a material adverse effect on our results of operations and financial condition. In addition, in Assurant PreNeed the average age of policyholders is in excess of 72 years. This group is more susceptible to epidemics than the overall population, and an epidemic resulting in a higher incidence of mortality could have a material adverse effect on our results of operations and financial condition.

Our ability to manage these risks depends in part on our successful utilization of catastrophic property and life reinsurance to limit the size of property and life losses from a single event or multiple events, and life and disability reinsurance to limit the size of life or disability insurance exposure on an individual insured life. It also depends in part on state regulation that may prohibit us from excluding such risks or from withdrawing from or increasing premium rates in catastrophe-prone areas. As discussed further below, catastrophe reinsurance for our group insurance lines is not currently widely available. This means that the occurrence of a significant catastrophe could materially reduce our profitability and have a material adverse effect on our results of operations and financial condition.

**Reinsurance may not be available or adequate to protect us against losses, and we are subject to the credit risk of reinsurers.**

As part of our overall risk and capacity management strategy, we purchase reinsurance for certain risks underwritten by our various business segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. For example, subsequent to the terrorist assaults of September 11, 2001, reinsurance for man-made catastrophes became generally unavailable due to capacity constraints and, to the limited extent available, much more expensive. The high cost of reinsurance or lack of affordable coverage could adversely affect our results. If we fail to obtain sufficient reinsurance, it could adversely affect our ability to write future business.

As part of our business, we have reinsured certain life, property and casualty and health risks to reinsurers. Although the reinsurer is liable to us to the extent of the ceded reinsurance, we remain liable as the direct insurer on all risks reinsured. As a result, ceded reinsurance arrangements do not eliminate our obligation to pay claims. We are subject to credit risk with respect to our ability to recover amounts due from reinsurers. Our reinsurers may not pay the reinsurance recoverables that they owe to us or they may not pay such recoverables on a timely basis. A reinsurer's insolvency, underwriting results or investment returns may affect its ability to fulfill reinsurance obligations.

Our reinsurance facilities are generally subject to annual renewal. We may not be able to maintain our current reinsurance facilities and, even where highly desirable or necessary, we may not be able to obtain other reinsurance facilities in adequate amounts and at favorable rates. If we are unable to renew our expiring



**Table of Contents**

facilities or to obtain new reinsurance facilities, either our net exposures would increase or, if we are unwilling to bear an increase in net exposures, we may have to reduce the level of our underwriting commitments. Either of these potential developments could materially adversely affect our results of operations and financial condition.

Historically, we have maintained reinsurance on a significant portion of our Assurant Health business, but we will not renew or replace this reinsurance effective as of December 31, 2004 and therefore, we will not be entitled to certain reinsurance recoverables to which we were previously entitled.

**We have sold businesses through reinsurance that could again become our direct financial and administrative responsibility if the purchasing companies were to become insolvent.**

We have sold businesses through reinsurance ceded to third parties, such as our 2001 sale of the insurance operations of our Fortis Financial Group (FFG) division to The Hartford Financial Services Group Inc. (The Hartford). The assets backing the liabilities on these businesses are held in a trust, and the separate accounts relating to the FFG business are still reflected on our balance sheet. Such separate accounts represent assets allocated under certain policies and contracts that are segregated from the general account and other separate accounts. The policyholder or contractholder bears the risk of investments held in a separate account. However, we would be responsible for administering this business in the event of a default by the reinsurer. We do not have the administrative systems and capabilities to process this business today. Accordingly, we would need to obtain those capabilities in the event of an insolvency of one or more of the reinsurers of these businesses. We might be forced to obtain such capabilities on unfavorable terms, with a resulting material adverse effect on our results of operations and financial condition. In addition, under the reinsurance agreement, The Hartford is obligated to contribute funds to increase the value of the separate accounts relating to the business sold if such value declines. If The Hartford fails to fulfill these obligations, we will be obligated to make these payments.

**We are exposed to the credit risk of our agents in Assurant PreNeed and our clients in Assurant Solutions.**

We advance agents' commissions as part of our pre-funded funeral insurance product offerings. These advances are a percentage of the total face amount of coverage as opposed to a percentage of the first-year premium paid, the formula that is more common in other life insurance markets. There is a one-year payback provision against the agency if death or lapse occurs within the first policy year. There is a very large producer within Assurant PreNeed and if it were unable to fulfill its payback obligations, it could have an adverse effect on our results of operations and financial condition. However, we have not had any loss experience with this very large producer to date. In addition, we are subject to the credit risk of the parties with which we contract in Assurant Solutions. If these parties fail to remit payments owed to us or pass on payments they collect on our behalf, it could have an adverse effect on our results of operations.

**A further decline in the manufactured housing market may adversely affect our results of operations and financial condition.**

The manufactured housing industry has experienced a significant decline in both shipments and retail sales in the last six years. Manufactured housing shipments have decreased from approximately 350,000 in 1999 to approximately 120,000 (annualized) in 2004, representing a 66% decline. Repossessions are at an all time high, resale values have been significantly reduced and several lenders, dealers, manufacturers and vertically integrated manufactured housing companies have either ceased operations or gone bankrupt. This downturn in the industry is the result of several factors, including excess production, aggressive sales practices, reduced underwriting standards and poor lending practices. As a result of this downturn, the industry has experienced consolidation, with the leaders purchasing the weaker competitors. If these downward trends continue, our results of operations and financial condition may be adversely affected.

## Table of Contents

**The financial strength of our insurance company subsidiaries is rated by A.M. Best, Moody's and S&P, and a decline in these ratings could affect our standing in the insurance industry and cause our sales and earnings to decrease.**

Ratings have become an increasingly important factor in establishing the competitive position of insurance companies. Most of our domestic operating insurance subsidiaries are rated by A.M. Best. Six of our domestic operating insurance subsidiaries are rated by Moody's and seven of our domestic operating insurance subsidiaries are rated by S&P. The ratings reflect A.M. Best's, Moody's and S&P's opinions of our subsidiaries' financial strength, operating performance, strategic position and ability to meet their obligations to policyholders. The ratings are not evaluations directed to investors and are not recommendations to buy, sell or hold our securities. These ratings are subject to periodic review by A.M. Best, Moody's and S&P, and we cannot assure you that we will be able to retain these ratings.

All of our domestic operating insurance subsidiaries rated by A.M. Best have financial strength ratings of A (Excellent), which is the second highest of ten ratings categories and the highest within the category based on modifiers (i.e., A and A- are Excellent), or A- (Excellent), which is the second highest of ten ratings categories and the lowest within the category based on modifiers.

The Moody's financial strength rating is A2 (Good) for one of our domestic operating insurance subsidiaries, which is the third highest of nine ratings categories and mid-range within the category based on modifiers (i.e., A1, A2 and A3 are Good), and A3 (Good) for five of our domestic operating insurance subsidiaries, which is the third highest of nine ratings categories and the lowest within the category based on modifiers.

The S&P financial strength rating is A (Strong) for four of our domestic operating insurance subsidiaries, which is the third highest of nine ratings categories and mid-range within the category based on modifiers (i.e., A+, A and A- are Strong), and A- (Strong) for three of our domestic operating insurance subsidiaries, which is the third highest of nine ratings categories and the lowest within the category based on modifiers.

Rating agencies review their ratings periodically and our current ratings may not be maintained in the future. If our ratings are reduced from their current levels by A.M. Best, Moody's or S&P, or placed under surveillance or review with possible negative implications, our competitive position in the respective insurance industry segments could suffer and it could be more difficult for us to market our products. Rating agencies may take action to lower our ratings in the future due to, among other things:

the competitive environment in the insurance industry, which may adversely affect our revenues;

the inherent uncertainty in determining reserves for future claims, which may cause us to increase our reserves for claims;

the outcome of pending litigation and regulatory investigations, which may adversely affect our financial position and reputation; and

possible changes in the methodology or criteria applied by the rating agencies.

As customers and their advisors place importance on our financial strength ratings, we may lose customers and compete less successfully if we are downgraded. In addition, ratings impact our ability to attract investment capital on favorable terms. If our financial strength ratings are reduced from their current levels by A.M. Best, Moody's or S&P, our cost of borrowing would likely increase, our sales and earnings could decrease and our results of operations and financial condition could be materially adversely affected.

Contracts representing approximately 21% of Assurant Solutions' net earned premiums and fee income for the nine months ended September 30, 2004 contain provisions requiring the applicable subsidiaries to maintain minimum A.M. Best financial strength ratings ranging from A or better to B or better, depending on the contract. Our clients may terminate these contracts if the subsidiaries' ratings fall below these minimum acceptable levels. Under our ten-year marketing agreement with SCI, American Memorial Life Insurance Company (AMLIC), one of our subsidiaries in the Assurant PreNeed segment, is required to

**Table of Contents**

maintain an A.M. Best financial strength rating of B or better throughout the term of the agreement. If AMLIC fails to maintain this rating for a period of 180 days, SCI may terminate the agreement. In our Assurant Health and Assurant Employee Benefits segments, we do not have any material contracts that permit termination in the case of a ratings downgrade.

**The failure to effectively maintain and modernize our information systems could adversely affect our business.**

Our business is dependent upon our ability to keep up to date with technological advances. This is particularly important in Assurant Solutions, where our systems, including our ability to keep our systems fully integrated with those of our clients, are critical to the operation of our business. Our failure to update our systems to reflect technological advancements or to protect our systems may adversely affect our relationships and ability to do business with our clients.

During the nine months ended September 30, 2004, we have spent approximately \$89 million in Assurant Solutions, \$53 million in Assurant Health, \$48 million in Assurant Employee Benefits and \$4 million in Assurant PreNeed to maintain, upgrade and consolidate our information systems. In 2005, we plan to spend for these purposes approximately \$126 million in Assurant Solutions, \$89 million in Assurant Health, \$61 million in Assurant Employee Benefits and \$5 million in Assurant PreNeed.

In addition, our business depends significantly on effective information systems, and we have many different information systems for our various businesses. We must commit significant resources to maintain and enhance our existing information systems and develop new information systems in order to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. As a result of our acquisition activities, we have acquired additional information systems. Our failure to maintain effective and efficient information systems, or our failure to efficiently and effectively consolidate our information systems to eliminate redundant or obsolete applications, could have a material adverse effect on our results of operations and financial condition. If we do not maintain adequate systems we could experience adverse consequences, including:

inadequate information on which to base pricing, underwriting and reserving decisions;

the loss of existing customers;

difficulty in attracting new customers;

customer, provider and agent disputes;

regulatory problems, such as failure to meet prompt payment obligations;

litigation exposure; or

increases in administrative expenses.

Our management information, internal control and financial reporting systems may need further enhancements and development to satisfy the financial and other reporting requirements of being a public company.

**Efforts to comply with the Sarbanes-Oxley Act will entail significant expenditure; non-compliance with the Sarbanes-Oxley Act may adversely affect us.**

The Sarbanes-Oxley Act of 2002 that became law in July 2002 and rules subsequently implemented by the Securities and Exchange Commission and the New York Stock Exchange require changes to some of our accounting and corporate governance practices, including the requirement that we issue a report on our internal controls as required by Section 404 of the Sarbanes-Oxley Act. We are required to comply with Section 404 of the Sarbanes-Oxley Act by December 31, 2005. We expect these new rules and regulations to continue to increase our accounting, legal and other costs, and to make some activities more difficult, time consuming and/or costly. In the event that we are unable to maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, it may have a material adverse effect on us.

**Table of Contents**

**Failure to protect our clients' confidential information and privacy could result in the loss of customers, reduction to our profitability and/or subject us to fines and penalties.**

A number of our businesses are subject to privacy regulations and to confidentiality obligations. For example, the collection and use of patient data in our Assurant Health segment is the subject of national and state legislation, including the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and certain of the activities conducted by our Assurant Solutions segment are subject to the privacy regulations of the Gramm-Leach-Bliley Act. We also have contractual obligations to protect certain confidential information we obtain from our existing vendors and clients. These obligations generally include protecting such confidential information in the same manner and to the same extent as we protect our own confidential information. The actions we take to protect such confidential information vary by business segment and may include among other things:

training and educating our employees regarding our obligations relating to confidential information;

actively monitoring our record retention plans and any changes in state or federal privacy and compliance requirements;

drafting appropriate contractual provisions into any contract that raises proprietary and confidentiality issues;

maintaining secure storage facilities for tangible records; and

limiting access to electronic information and maintaining a clean desk policy aimed at safeguarding certain current information.

In addition, we must develop, implement and maintain a comprehensive written information security program with appropriate administrative, technical and physical safeguards to protect such confidential information. If we do not properly comply with privacy regulations and protect confidential information we could experience adverse consequences, including regulatory problems, loss of reputation and client litigation.

See Risks Related to Our Industry Cost of compliance with privacy laws could adversely affect our business and results of operations.

**We may not find suitable acquisition candidates or new insurance ventures and even if we do, we may not successfully integrate any such acquired companies or successfully invest in such ventures.**

From time to time, we evaluate possible acquisition transactions and the start-up of complementary businesses, and at any given time, we may be engaged in discussions with respect to possible acquisitions and new ventures. While our business model is not dependent upon acquisitions or new insurance ventures, the time frame for achieving or further improving upon our desired market positions can be significantly shortened through opportune acquisitions or new insurance ventures. Historically, acquisitions and new insurance ventures have played a significant role in achieving desired market positions in some, but not all, of our businesses. We cannot assure you that we will be able to identify suitable acquisition transactions or insurance ventures, that such transactions will be financed and completed on acceptable terms or that our future acquisitions or ventures will be successful. The process of integrating any companies we do acquire or investing in new ventures could have a material adverse effect on our results of operations and financial condition. In addition, implementation of an acquisition strategy entails a number of risks, including among other things:

inaccurate assessment of undisclosed liabilities;

difficulties in realizing projected efficiencies, synergies and cost savings;

failure to achieve anticipated revenues, earnings or cash flow; and

increase in our indebtedness and a limitation in our ability to access additional capital when needed.

Our failure to adequately address these acquisition risks could materially adversely affect our results of operations and financial condition. Although we believe that most of our acquisitions have been successful and

## **Table of Contents**

have not had a material adverse impact on our financial condition, we did recognize a goodwill impairment of \$1,261 million in 2002 related to an earlier acquisition.

### **The inability of our subsidiaries to pay dividends to us in sufficient amounts could harm our ability to meet our obligations and pay future stockholder dividends.**

As a holding company whose principal assets are the capital stock of our subsidiaries, we rely primarily on dividends and other statutorily permissible payments from our subsidiaries to meet our obligations for payment of interest and principal on outstanding debt obligations, dividends to stockholders (including any dividends on our common stock) and corporate expenses. The ability of our subsidiaries to pay dividends and to make such other payments in the future will depend on their statutory surplus, future statutory earnings and regulatory restrictions. Except to the extent that we are a creditor with recognized claims against our subsidiaries, claims of the subsidiaries' creditors, including policyholders, have priority with respect to the assets and earnings of the subsidiaries over the claims of our creditors. If any of our subsidiaries should become insolvent, liquidate or otherwise reorganize, our creditors and stockholders will have no right to proceed against the assets of that subsidiary or to cause the liquidation, bankruptcy or winding-up of the subsidiary under applicable liquidation, bankruptcy or winding-up laws. The applicable insurance laws of the jurisdiction where each of our insurance subsidiaries is domiciled would govern any proceedings relating to that subsidiary. The insurance authority of that jurisdiction would act as a liquidator or rehabilitator for the subsidiary. Both creditors and policyholders of the subsidiary would be entitled to payment in full from the subsidiary's assets before we, as a stockholder, would be entitled to receive any distribution from the subsidiary.

The payment of dividends to us by any of our operating subsidiaries in excess of a certain amount (i.e., extraordinary dividends) must be approved by the subsidiary's domiciliary state department of insurance. Ordinary dividends, for which no regulatory approval is generally required, are limited to amounts determined by formula, which varies by state. The formula for the majority of the states in which our subsidiaries are domiciled is the lesser of (i) 10% of the statutory surplus as of the end of the prior year or (ii) the prior year's statutory net income. In some states, the formula is the greater amount of clauses (i) and (ii). Some states, however, have an additional stipulation that dividends may only be paid out of earned surplus. If insurance regulators determine that payment of an ordinary dividend or any other payments by our insurance subsidiaries to us (such as payments under a tax sharing agreement or payments for employee or other services) would be adverse to policyholders or creditors, the regulators may block such payments that would otherwise be permitted without prior approval. No assurance can be given that there will not be further regulatory actions restricting the ability of our insurance subsidiaries to pay dividends. Based on the dividend restrictions under applicable laws and regulations, the maximum amount of dividends that our subsidiaries could pay to us in 2004 without regulatory approval was approximately \$302 million. Dividends paid by our subsidiaries totaled \$244 million through September 30, 2004. We may seek approval of regulators to pay dividends in excess of any amounts that would be permitted without such approval. However, there can be no assurance that we would seek such approval or would obtain such approval. If the ability of insurance subsidiaries to pay dividends or make other payments to us is materially restricted by regulatory requirements, it could adversely affect our ability to pay any dividends on our common stock and/or service our debt and pay our other corporate expenses.

Our credit facilities also contain limitations on our ability to pay dividends.

### ***Risks Related to Our Industry***

#### **Our business is subject to risks related to litigation and regulatory actions.**

In addition to the occasional employment-related litigation to which businesses are subject, we are a defendant in actions arising out of, and are involved in various regulatory investigations and examinations relating to, our insurance and other related business operations. We may from time to time be subject to a

**Table of Contents**

variety of legal and regulatory actions relating to our current and past business operations, including, but not limited to:

disputes over coverage or claims adjudication;

disputes regarding sales practices, disclosures, pricing, premium refunds, licensing, regulatory compliance and compensation arrangements;

disputes with our agents, producers or network providers over compensation and termination of contracts and related claims;

disputes regarding applicability of various state laws and regulations relating to association, trust and other out-of-state products;

disputes concerning past premiums charged by companies acquired by us for coverage that may have been based on factors such as race;

disputes relating to customers regarding the ratio of premiums to benefits in our various business segments;

disputes alleging packaging of credit insurance products with other products provided by financial institutions;

disputes relating to certain excess of loss programs in the London market;

disputes with taxing authorities regarding our tax liabilities; and

disputes relating to certain businesses acquired or disposed of by us.

The outcome of these actions cannot be predicted, and no assurances can be given that such actions or any litigation would not materially adversely affect our results of operations and financial condition. In addition, if we were to experience difficulties with our relationship with a regulatory body in a given jurisdiction, it could have a material adverse effect on our ability to do business in that jurisdiction.

In addition, plaintiffs continue to bring new types of legal claims against insurance and related companies. Current and future court decisions and legislative activity may increase our exposure to these types of claims. Multiparty or class action claims may present additional exposure to substantial economic, non-economic or punitive damage awards. The loss of even one of these claims, if it resulted in a significant damage award or a judicial ruling that was otherwise detrimental, could have a material adverse effect on our results of operations and financial condition. This risk of potential liability may make reasonable settlements of claims more difficult to obtain. We cannot determine with any certainty what new theories of recovery may evolve or what their impact may be on our businesses.

Recently, the insurance industry has experienced substantial volatility as a result of current litigation, investigations and regulatory activity by various insurance, governmental and enforcement authorities concerning certain practices within the insurance industry. These practices include the payment of contingent commissions by insurance companies to insurance brokers and agents and the extent to which such compensation has been disclosed, the solicitation and provision of fictitious or inflated quotes, the use of inducements to brokers or companies in the sale of group insurance products, and the accounting treatment for finite reinsurance or other non-traditional or loss mitigation insurance products. In accordance with a long-standing and widespread industry practice, we have paid and may continue to pay contingent commissions to insurance brokers and agents, primarily in our Assurant Employee Benefits segment. We purchase reinsurance, including but not limited to reinsurance agreements that share risks and profits with certain clients in our Assurant Solutions segment on business produced by these clients. These clients include mortgage lenders and servicers, financial institutions and retailers. We have received inquiries and informational requests from insurance departments in certain states in which our insurance subsidiaries operate. We are conducting an internal review under the supervision of outside counsel to confirm that our employees have not provided inflated or fictitious quotes or used improper inducements in the sale of group insurance products in our Assurant Employee Benefits segment. We cannot predict at this time the effect that current litigation,

**Table of Contents**

investigations and regulatory activity will have on the insurance industry or our business. Given our prominent position in the insurance industry, it is possible that we will become subject to further investigations and have lawsuits filed against us. Our involvement in any investigations and lawsuits would cause us to incur legal costs and, if we were found to have violated any laws, we could be required to pay fines and damages, perhaps in material amounts. In addition, we could be materially adversely affected by the negative publicity for the insurance industry related to these proceedings, and by any new industry-wide regulations or practices that may result from these proceedings.

**We face significant competitive pressures in our businesses, which may reduce premium rates and prevent us from pricing our products at rates that will allow us to be profitable.**

In each of our lines of business, we compete with other insurance companies or service providers, depending on the line and product, although we have no single competitor who competes against us in all of the business lines in which we operate. Assurant Solutions has numerous competitors in its product lines, but we believe no other company participates in all of the same lines or offers comprehensive capabilities. Competitors include insurance companies and financial institutions. In Assurant Health, we believe the market is characterized by many competitors, and our main competitors include health insurance companies, health maintenance organizations and the Blue Cross/ Blue Shield plans in the states in which we write business. In Assurant Employee Benefits, commercial competitors include benefits and life insurance companies as well as not-for-profit Delta Dental plans. In Assurant PreNeed, our main competitors are two pre-need life insurance companies with nationwide representation, Forethought Financial Services and Homesteaders Life Company, and several small regional insurers. While we are among the largest competitors in terms of market share in many of our business lines, in some cases there are one or more major market players in a particular line of business.

Competition in our businesses is based on many factors, including quality of service, product features, price, scope of distribution, scale, financial strength ratings and name recognition. We compete, and will continue to compete, for customers and distributors with many insurance companies and other financial services companies. We compete not only for business and individual customers, employer and other group customers, but also for agents and distribution relationships. Some of our competitors may offer a broader array of products than our specific subsidiaries with which they compete in particular markets, may have a greater diversity of distribution resources, may have better brand recognition, may from time to time have more competitive pricing, may have lower cost structures or, with respect to insurers, may have higher financial strength or claims paying ratings. Some may also have greater financial resources with which to compete. As a result of judicial developments and changes enacted by the Office of the Comptroller of the Currency, financial institutions are now able to offer a substitute product similar to credit insurance as part of their basic loan agreement with customers without being subject to insurance regulations. Credit insurance is insurance issued to cover the life, unemployment or disability of a debtor or borrower for an outstanding loan. Also, as a result of the Gramm-Leach-Bliley Act, which was enacted in November 1999, financial institutions are now able to affiliate with other insurance companies to offer services similar to our own. This has resulted in new competitors with significant financial resources entering some of our markets. Moreover, some of our competitors may have a lower target for returns on capital allocated to their business than we do, which may lead them to price their products and services lower than we do. In addition, from time to time, companies enter and exit the markets in which we operate, thereby increasing competition at times when there are new entrants. For example, several large insurance companies have recently entered the market for individual health insurance products. We may lose business to competitors offering competitive products at lower prices, or for other reasons, which could materially adversely affect our results of operations and financial condition.

In certain markets, we compete with organizations that have a substantial market share. In addition, with regard to Assurant Health, organizations with sizable market share or provider-owned plans may be able to obtain favorable financial arrangements from health care providers that are not available to us. Without our own similar arrangements, we may not be able to compete effectively in such markets.

New competition could also cause the supply of insurance to change, which could affect our ability to price our products at attractive rates and thereby adversely affect our underwriting results. Although there are

## **Table of Contents**

some impediments facing potential competitors who wish to enter the markets we serve, the entry of new competitors into our markets can occur, affording our customers significant flexibility in moving to other insurance providers.

### **The insurance industry is cyclical, which may impact our results.**

The insurance industry is cyclical. Although no two cycles are the same, insurance industry cycles have typically lasted for periods ranging from two to six years. The segments of the insurance markets in which we operate tend not to be correlated to each other, with each segment having its own cyclicity. Periods of intense price competition due to excessive underwriting capacity, periods when shortages of underwriting capacity permit more favorable rate levels, consequent fluctuations in underwriting results and the occurrence of other losses characterize the conditions in these markets. Historically, insurers have experienced significant fluctuations in operating results due to volatile and sometimes unpredictable developments, many of which are beyond the direct control of the insurer, including competition, frequency of occurrence or severity of catastrophic events, levels of capacity, general economic conditions and other factors. This may cause a decline in revenue at times in the cycle if we choose not to reduce our product prices in order to maintain our market position, because of the adverse effect on profitability of such a price reduction. We can be expected therefore to experience the effects of such cyclicity and changes in customer expectations of appropriate premium levels, the frequency or severity of claims or other loss events or other factors affecting the insurance industry that generally could have a material adverse effect on our results of operations and financial condition.

### **The insurance and related businesses in which we operate may be subject to periodic negative publicity, which may negatively impact our financial results.**

The nature of the market for the insurance and related products and services we provide is that we interface with and distribute our products and services ultimately to individual consumers. There may be a perception that these purchasers may be unsophisticated and in need of consumer protection. Accordingly, from time to time, consumer advocate groups or the media may focus attention on our products and services, thereby subjecting our industries to the possibility of periodic negative publicity. We may also be negatively impacted if another company in one of our industries or in a related industry engages in practices resulting in increased public attention to our businesses. Negative publicity may result in increased regulation and legislative scrutiny of industry practices as well as increased litigation, which may further increase our costs of doing business and adversely affect our profitability by impeding our ability to market our products and services, requiring us to change our products or services or increasing the regulatory burdens under which we operate.

### **We are subject to extensive governmental laws and regulations, which increase our costs and could restrict the conduct of our business.**

Our operating subsidiaries are subject to extensive regulation and supervision in the jurisdictions in which they do business. Such regulation is generally designed to protect the interests of policyholders, as opposed to stockholders and other investors. To that end, the laws of the various states establish insurance departments with broad powers with respect to such things as:

- licensing companies to transact business;
- authorizing lines of business;
- mandating capital and surplus requirements;
- regulating underwriting limitations;
- imposing dividend limitations;
- regulating changes in control;
- licensing agents and distributors of insurance products;
- placing limitations on the minimum and maximum size of life insurance contracts;
- restricting companies' ability to enter and exit markets;
- admitting statutory assets;



mandating certain insurance benefits;

restricting companies ability to terminate or cancel coverage;

**Table of Contents**

- requiring companies to provide certain types of coverage;
- regulating premium rates, including the ability to increase premium rates;
- approving policy forms;
- regulating trade, marketing, sales and claims practices;
- imposing privacy requirements;
- establishing reserve requirements and solvency standards;
- restricting certain transactions between affiliates;
- regulating the content of disclosures to debtors in the credit insurance area;
- regulating the type, amounts and valuation of investments;
- mandating assessments or other surcharges for guaranty funds, high risk and reinsurance pools;
- regulating market conduct and sales practices of insurers and agents; and

restricting contact with consumers, such as the recently created national do not call list, and imposing consumer protection measures.

Assurant Health is also required by some jurisdictions to provide coverage to persons who would not otherwise be considered eligible by insurers. Each of these jurisdictions dictates the types of insurance and the level of coverage that must be provided to such involuntary risks. Our share of these involuntary risks is mandatory and generally a function of our respective share of the voluntary market by line of insurance in each jurisdiction. Assurant Health is exposed to some risk of losses in connection with mandated participation in such schemes in those jurisdictions in which they are still effective. In addition, HIPAA imposed insurance reform provisions as well as requirements relating to the privacy of individuals. HIPAA requires certain guaranteed issuance and renewability of health insurance coverage for individuals and small groups (generally 50 or fewer employees) and limits exclusions based on pre-existing conditions. Most of the insurance reform provisions of HIPAA became effective for plan years beginning July 1, 1997. See also Costs of compliance with privacy laws could adversely affect our business and results of operations.

If regulatory requirements impede our ability to raise premium rates, utilize new policy forms or terminate, deny or cancel coverage in any of our businesses, our results of operations and financial condition could be materially adversely affected. The capacity for an insurance company's growth in premiums is in part a function of its statutory surplus. Maintaining appropriate levels of statutory surplus, as measured by statutory accounting practices and procedures, is considered important by insurance regulatory authorities and the private agencies that rate insurers' claims-paying abilities and financial strength. Failure to maintain certain levels of statutory surplus could result in increased regulatory scrutiny and enforcement, action by regulatory authorities or a downgrade by rating agencies.

We may be unable to maintain all required licenses and approvals and our business may not fully comply with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations. Also, some regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us. That type of action could materially adversely affect our results of operations and financial condition. See Regulation.

**Changes in regulation may reduce our profitability and limit our growth.**

Legislation or other regulatory reform that increases the regulatory requirements imposed on us or that changes the way we are able to do business may significantly harm our business or results of operations in the future. For example, some states have imposed new time limits for the payment of uncontested covered claims and require health care and dental service plans to pay interest on uncontested claims not paid promptly within the required time period. Some states have also granted their insurance regulatory agencies additional authority to impose monetary penalties and other sanctions on health and dental plans engaging in certain unfair payment practices. If we were to be unable for any reason to comply with these requirements, it could



**Table of Contents**

result in substantial costs to us and may materially adversely affect our results of operations and financial condition.

Legislative or regulatory changes that could significantly harm us and our subsidiaries include, but are not limited to:

legislation that holds insurance companies or managed care companies liable for adverse consequences of medical or dental decisions;

limitations on premium levels or the ability to raise premiums on existing policies;

increases in minimum capital, reserves and other financial viability requirements;

impositions of fines, taxes or other penalties for improper licensing, the failure to promptly pay claims, however defined, or other regulatory violations;

increased licensing requirements;

prohibitions or limitations on provider financial incentives and provider risk-sharing arrangements;

imposition of more stringent standards of review of our coverage determinations;

new benefit mandates;

increased regulation relating to the use of associations, trusts and other out-of-state plans in the sale of health insurance;

limitations on our ability to build appropriate provider networks and, as a result, manage health care and utilization due to any willing provider legislation, which requires us to take any provider willing to accept our reimbursement;

limitations on the ability to manage health care and utilization due to direct access laws that allow insureds to seek services directly from specialty medical providers without referral by a primary care provider; and

restriction of solicitation of pre-funded funeral insurance consumers by funeral board laws.

State legislatures regularly enact laws that alter and, in many cases, increase state authority to regulate insurance companies and insurance holding companies. Further, state insurance regulators regularly reinterpret existing laws and regulations and the National Association of Insurance Commissioners (NAIC) regularly undertakes regulatory projects, all of which can affect our operations. In recent years, the state insurance regulatory framework has come under increased federal scrutiny and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. Further, the NAIC and state insurance regulators are re-examining existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws.

Although the U.S. federal government does not directly regulate the insurance business, changes in federal legislation and administrative policies in several areas, including changes in the Gramm-Leach-Bliley Act, financial services regulation and federal taxation, could significantly impact the insurance industry and us. Federal legislation and administrative policies in areas such as employee benefit plan regulation, financial services regulation and federal taxation can reduce our profitability. In addition, state legislatures and the U.S. Congress continue to focus on health care issues. The U.S. Congress is considering Patients Bill of Rights legislation, which, if adopted, would permit health plans to be sued in state court for coverage determinations and could fundamentally alter the treatment of coverage decisions under Employee Retirement Income Security Act of 1974, as amended (ERISA). There recently have been legislative attempts to limit ERISA's preemptive effect on state laws. For example, the U.S. Congress has, from time to time, considered legislation relating to changes in ERISA to permit application of state law remedies, such as consequential and punitive damages, in lawsuits for wrongful denial of benefits, which, if adopted, could increase our liability for damages in future litigation. Additionally, there have been attempts by the NAIC and

**Table of Contents**

several states to limit the use of discretionary clauses in policy forms. The elimination of discretionary clauses could increase our liability under our health insurance policies. New interpretations of existing laws and the passage of new legislation may harm our ability to sell new policies and increase our claims exposure on policies we issued previously.

A number of legislative proposals have been made at the federal level over the past several years that could impose added burdens on Assurant Health. These proposals would, among other things, mandate benefits with respect to certain diseases or medical procedures, require plans to offer an independent external review of certain coverage decisions and establish a national health insurance program. Any of these proposals, if implemented, could adversely affect our results of operations or financial condition. Federal changes in Medicare and Medicaid that reduce provider reimbursements could have negative implications for the private sector due to cost shifting. When the government reduces reimbursement rates for Medicare and Medicaid, providers often try to recover shortfalls by raising the prices charged to privately insured customers. State small employer group and individual health insurance market reforms to increase access and affordability could also reduce profitability by precluding us from appropriately pricing for risk in our individual and small employer group health insurance policies.

In addition, the U.S. Congress and some federal agencies from time to time investigate the current condition of insurance regulation in the United States to determine whether to impose federal regulation or to allow an optional federal incorporation, similar to banks. Bills have been introduced in the U.S. Congress from time to time that would provide for a federal scheme of chartering insurance companies or an optional federal charter for insurance companies. Meanwhile, the federal government has granted charters in years past to insurance-like organizations that are not subject to state insurance regulations, such as risk retention groups. See Regulation United States Federal Regulation Legislative Developments. Thus, it is hard to predict the likelihood of a federal chartering scheme and its impact on the industry or on us.

We cannot predict with certainty the effect any proposed or future legislation, regulations or NAIC initiatives may have on the conduct of our business. In addition, the insurance laws or regulations adopted or amended from time to time may be more restrictive or may result in materially higher costs than current requirements. See Regulation.

It is difficult to predict the effect of the current investigations in connection with insurance industry practices. See Our business is subject to risks related to litigation and regulatory actions.

**Costs of compliance with privacy laws could adversely affect our business and results of operations.**

The privacy of individuals has been the subject of recent state and federal legislation. State privacy laws, particularly those with opt-in clauses, can affect the pre-funded funeral insurance business. These laws make it harder to share information for marketing purposes, such as generating new sales leads. Similarly, the recently created do not call list would restrict our ability to contact customers and, in Assurant Solutions, has lowered our expectations for growth in our direct-marketed consumer credit insurance products in the United States.

HIPAA and the implementing regulations that have thus far been adopted impose new obligations for issuers of health and dental insurance coverage and health and dental benefit plan sponsors. HIPAA also establishes new requirements for maintaining the confidentiality and security of individually identifiable health information and new standards for electronic health care transactions. The Department of Health and Human Services promulgated final HIPAA regulations in 2002. The privacy regulations required compliance by April 2003, the electronic transactions regulations by October 2003 and the security regulations by April 2005. As have other entities in the health care industry, we have incurred substantial costs in meeting the requirements of these HIPAA regulations and expect to continue to incur costs to achieve and to maintain compliance. However, there can be no assurances that we will achieve such compliance with all of the required transactions or that other entities with which we interact will take appropriate action to meet the compliance deadlines. Moreover, as a consequence of these new standards for electronic transactions, we may see an increase in the

## **Table of Contents**

number of health care transactions that are submitted to us in paper format, which could increase our costs to process medical claims.

HIPAA is far-reaching and complex and proper interpretation and practice under the law continue to evolve. Consequently, our efforts to measure, monitor and adjust our business practices to comply with HIPAA are ongoing. Failure to comply could result in regulatory fines and civil lawsuits. Knowing and intentional violations of these rules may also result in federal criminal penalties.

In addition, the Gramm-Leach-Bliley Act requires that we deliver a notice regarding our privacy policy both at the delivery of the insurance policy and annually thereafter. Certain exceptions are allowed for sharing of information under joint marketing agreements. However, certain state laws may require individuals to opt in to information sharing instead of being immediately included. This could significantly increase costs of doing business. Additionally, when final U.S. Treasury Department regulations are promulgated in connection with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), we will likely have to expend additional resources to tailor our existing anti-fraud efforts to the new rules.

### ***Risks Related to Our Relationship with Fortis***

**Fortis will continue to have representation on our board of directors and influence our affairs for as long as it remains a significant stockholder.**

After the completion of this offering, Fortis will own 22,999,130 shares, or approximately 16%, of our outstanding common stock. We have entered into a shareholders' agreement with Fortis pursuant to which Fortis has the right to nominate designees to our board of directors and, subject to limited exceptions, our board of directors will nominate those designees as follows: (i) so long as Fortis owns less than 50% but at least 10% of our outstanding shares of common stock, two designees (out of a maximum of 12 directors); and (ii) so long as Fortis owns less than 10% but at least 5% of our outstanding shares of common stock, one designee. Currently, Fortis has two designees on our board of directors. However, we have agreed with Fortis to terminate the shareholders' agreement effective upon the closing of this offering, at which time other corporate governance arrangements will come into effect. These arrangements include that, if at any time while there are no vacancies on our 12-member board of directors, our board of directors, or a committee thereof, adopts a resolution (i) recommending to our shareholders that a particular candidate be elected to our board of directors to replace one of the Fortis designees or (ii) appointing to our board of directors a new member, then Fortis will cause one of the Fortis designees to resign from our board of directors promptly following the adoption of such resolution. In addition, if at any time Fortis ceases to own more than 5% of our outstanding common stock, Fortis will promptly cause any remaining Fortis designees to resign from our board of directors.

See *Certain Relationships and Related Transactions* for additional information on related party transactions between our Company and Fortis.

In addition, our certificate of incorporation provides that for so long as Fortis continues to own less than 50% but at least 10% of our outstanding shares of common stock, our board of directors will consist of no more than 12 directors (including at least seven independent directors).

Pursuant to our shareholders' agreement with Fortis, Fortis has the right to nominate two designees to our board of directors (out of a maximum of 12 directors), and the shareholders' agreement and our by-laws provide that, subject to limited exceptions, our board of directors will nominate those designees. However, we have agreed with Fortis to terminate the shareholders' agreement effective upon the closing of this offering, at which time other corporate governance arrangements will come into effect. See *Certain Relationships and Related Transactions* *Corporate Governance Arrangements*.

Fortis' sale of the exchangeable bonds concurrently with the closing of this offering will not affect Fortis' board rights unless the exchangeable bonds are exchanged for shares of our common stock. The exchangeable bonds and the 22,999,130 shares of Assurant common stock into which they are exchangeable have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

## **Table of Contents**

**Because Fortis will continue to have a significant ownership interest in our company, conflicts of interest between Fortis and us could be resolved in a manner unfavorable to us.**

Various conflicts of interest between Fortis and us could arise which may be resolved in a manner that is unfavorable to us, including, but not limited to, the following areas:

*Stock Ownership.* Our shareholders' agreement provides that for as long as Fortis owns at least 10% of our outstanding shares of common stock, the following actions may only be taken with the approval of Fortis, as stockholder:

any recapitalization, reclassification, spin-off or combination of any of our securities or any of those of our principal subsidiaries; or

any liquidation, dissolution, winding up or commencement of voluntary bankruptcy, insolvency, liquidation or similar proceedings with respect to us or our subsidiaries.

However, under our new corporate governance arrangements with Fortis, which will become effective upon the closing of this offering, we will no longer be required to obtain Fortis' approval for such corporate actions, and Fortis will agree to vote its shares of our common stock in favor of any such corporate action if, at any time while at least one Fortis designee remains on our board of directors, our board of directors, including any Fortis designee, votes in favor of such corporate action. For more information regarding these matters, see "Certain Relationships and Related Transactions."

The exchangeable bonds and the shares of Assurant common stock into which they are exchangeable have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

*Cross-Directorships.* Michel Baise and Gilbert Mittler are directors of our Company who are also currently directors and/or officers of Fortis or the Fortis Group. Service as both a director of our Company and as a director or officer of Fortis or the Fortis Group or ownership interests of directors or officers of our Company in the stock of Fortis Group could create or appear to create potential conflicts of interest when directors and officers are faced with decisions that could have different implications for the two companies. Our directors who are also directors or officers of Fortis or the Fortis Group will have obligations to both companies and may have conflicts of interest with respect to matters potentially or actually involving or affecting us. For example, these decisions could relate to:

disagreement over the desirability of a potential acquisition or disposition opportunity; or

corporate finance decisions.

*Allocation of Business Opportunities.* Although we do not expect the Fortis Group to compete with us in the near term, there may be business opportunities that are suitable for both the Fortis Group and us. Fortis designees may direct such opportunities to Fortis and we may have no recourse against the Fortis designees, Fortis or the Fortis Group. We have no formal mechanisms for allocating business opportunities.

**Because Fortis Bank operates U.S. branch offices, we are subject to regulation and oversight by the Federal Reserve Board under the U.S. Bank Holding Company Act (BHCA).**

Fortis Bank S.A./ N.V. (Fortis Bank), which is a company in the Fortis Group, obtained approval in 2002 from state banking authorities and the Board of Governors of the Federal Reserve System (Federal Reserve) to establish branch offices in Connecticut and New York. By virtue of the opening of these offices, the Fortis Group's operations and investments (including the Fortis Group's investment in us) became subject to the nonbanking prohibitions of Section 4 of the BHCA. Except to the extent that a BHCA exemption or authority is available, Section 4 of the BHCA does not permit foreign banking organizations with U.S. branches to own more than 5% of any class of voting shares or otherwise to control any company that conducts commercial activities, such as manufacturing, distribution of goods or real estate development.

To broaden the scope of activities and investments permissible for the Fortis Group and us, the Fortis Group in 2002 notified the Federal Reserve of its election to be a financial holding company for purposes of the BHCA and the Federal Reserve's implementing regulations in Regulation Y. As a financial holding company, the Fortis Group may own shares of companies engaged in activities in the United States that are

**Table of Contents**

financial in nature, incidental to such financial activity or complementary to a financial activity. Activities that are financial in nature include, among other things:

insuring, guaranteeing or indemnifying against loss, harm, damage, illness, disability or death, or providing and issuing annuities; and acting as principal, agent or broker for purposes of the foregoing.

In connection with Fortis Bank's establishment of U.S. branches, staff of the Federal Reserve inquired as to whether certain of our activities are financial in nature under Section 4(k) of the BHCA. In light of the Fortis Group's contemplated divestiture of our shares, this inquiry was suspended at the Fortis Group's and our request. To the extent that any of our activities might be deemed not to be financial in nature under Section 4(k), the Fortis Group may rely on an exemption in Section 4(a)(2) of the BHCA that permits the Fortis Group to continue to hold interests in companies engaged in activities that are not financial in nature for an initial period of two years and, with Federal Reserve approval for each extension, for up to three additional one-year periods. The Federal Reserve also has the discretion to permit the Fortis Group to hold such interests after the five-year period under certain provisions other than Section 4(a)(2). The initial two-year period under Section 4(a)(2) expired on December 2, 2004. The Fortis Group has requested an initial one-year extension of the divestiture period.

If the Federal Reserve does not grant an extension of the exemption period for any one-year period or if Fortis holds more than 5% of any class of our voting shares after December 2, 2007, without the consent or acquiescence of the Federal Reserve, and the Federal Reserve determined that certain of our activities are nonfinancial, the Fortis Group may be required (i) to rely on another provision of the BHCA, (ii) to close the U.S. branches of Fortis Bank, or (iii) to divest any of our shares exceeding 5% of any class of our voting shares and to divest any control over us for purposes of the BHCA.

The Fortis Group will continue to qualify as a financial holding company so long as Fortis Bank remains well capitalized and well managed, as those terms are defined in Regulation Y. Generally, Fortis Bank will be considered well capitalized if it maintains tier 1 and total risk-based capital ratios of at least 6% and 10%, respectively. The Fortis Group will be considered well managed if it has received at least a satisfactory composite rating of its U.S. branch operations at its most recent examination. If the Fortis Group lost and were unable to regain its financial holding company status, the Fortis Group could be required (i) to close the U.S. branches of Fortis Bank or (ii) to divest any of our shares exceeding 5% of any class of our voting securities and to divest any control over us for purposes of the BHCA.

In addition, the Federal Reserve has jurisdiction under the BHCA over all of the Fortis Group's direct and indirect U.S. subsidiaries. We and our subsidiaries will be considered subsidiaries of the Fortis Group for purposes of the BHCA so long as the Fortis Group owns 25% or more of any class of our voting shares or otherwise controls or has been determined to have a controlling influence over us within the meaning of the BHCA. The Federal Reserve could take the position that the Fortis Group continues to control us until the Fortis Group reduces its ownership to less than 5% of our voting shares. So long as the Fortis Group controls us for purposes of the BHCA, the Federal Reserve could require us immediately to discontinue, restructure or divest any of our operations that are deemed to be impermissible under the BHCA, which could result in reduced revenues, increased costs or reduced profitability for us.

***Risks Related to Our Common Stock and This Offering***

**Applicable laws and our certificate of incorporation and by-laws may discourage takeovers and business combinations that our stockholders might consider in their best interests.**

State laws and our certificate of incorporation and by-laws may delay, defer, prevent or render more difficult a takeover attempt that our stockholders might consider in their best interests. For instance, they may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.



## **Table of Contents**

State laws and our certificate of incorporation and by-laws may also make it difficult for stockholders to replace or remove our directors. These provisions may facilitate directors entrenchment which may delay, defer or prevent a change in our control, which may not be in the best interests of our stockholders.

The following provisions in our certificate of incorporation and by-laws have anti-takeover effects and may delay, defer or prevent a takeover attempt that our stockholders might consider in their best interests. In particular, our certificate of incorporation and by-laws:

permit our board of directors to issue one or more series of preferred stock;

divide our board of directors into three classes;

limit the ability of stockholders to remove directors;

except for Fortis, prohibit stockholders from filling vacancies on our board of directors;

prohibit stockholders from calling special meetings of stockholders and from taking action by written consent;

impose advance notice requirements for stockholder proposals and nominations of directors to be considered at stockholder meetings;

subject to limited exceptions, require the approval of at least two-thirds of the voting power of our outstanding capital stock entitled to vote on the matter to approve mergers and consolidations or the sale of all or substantially all of our assets; and

require the approval by the holders of at least two-thirds of the voting power of our outstanding capital stock entitled to vote on the matter for the stockholders to amend the provisions of our by-laws and certificate of incorporation described in the second through seventh bullet points above and this supermajority provision.

In addition, Section 203 of the General Corporation Law of the State of Delaware may limit the ability of an interested stockholder to engage in business combinations with us. An interested stockholder is defined to include persons owning 15% or more of our outstanding voting stock. See [Description of Share Capital](#) for additional information on the anti-takeover measures applicable to us.

### **Applicable insurance laws may make it difficult to effect a change of control of our Company.**

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of the domestic insurer. However, the State of Florida, in which certain of our insurance subsidiaries are domiciled, defines control as 5% or more. Because a person acquiring 5% or more of our common stock would indirectly control the same percentage of the stock of our Florida subsidiaries, the insurance change of control laws of Florida would apply to such transaction and at 10%, the laws of many other states would likely apply to such a transaction. Prior to granting approval of an application to acquire control of a domestic insurer, a state insurance commissioner will typically consider such factors as the financial strength of the applicant, the integrity of the applicant's board of directors and executive officers, the applicant's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control.

### **Our stock and the stocks of other companies in the insurance industry are subject to stock price and trading volume volatility.**

From time to time, the stock price and the number of shares traded of companies in the insurance industry experience periods of significant volatility. Company-specific issues and developments generally in the insurance industry and in the regulatory environment may cause this volatility. Our stock price may fluctuate in response to a number of events and factors, including:

quarterly variations in operating results;

natural disasters and terrorist attacks;

**Table of Contents**

changes in financial estimates and recommendations by securities analysts;

operating and stock price performance of other companies that investors may deem comparable;

press releases or publicity relating to us or our competitors or relating to trends in our markets;

regulatory changes;

sales of stock by insiders; and

changes in our financial strength ratings.

You may be unable to resell your shares of our common stock at or above the public offering price.

In addition, broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

**Sales of a substantial number of shares of our common stock following this offering may adversely affect the market price of our common stock and the issuance of additional shares of common stock will dilute all other stockholdings.**

Sales of a substantial number of shares of our common stock in the public market or otherwise following this offering and short sales of a substantial number of shares of our common stock by purchasers of exchangeable bonds being sold by Fortis concurrently with the closing of this offering, or the perception that such sales could occur, could adversely affect the market price of our common stock. After completion of this offering, Fortis will own 22,999,130 shares, or approximately 16%, of our common stock. Fortis is selling exchangeable bonds concurrently with the closing of this offering. The bonds are mandatorily exchangeable into 22,999,130 shares of our common stock, or the cash value thereof, three years from issuance, although the date could be accelerated in some cases. Fortis will have the option to exchange the bonds into cash equivalent to the value of the shares which would be delivered at maturity. If the shares are delivered at maturity, such shares distributed by Fortis will be freely transferable. The exchangeable bonds and the shares of Assurant common stock into which they are exchangeable have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

After completion of this offering, there will be approximately 139,766,177 shares of our common stock outstanding. Of our outstanding shares, the shares of common stock sold in this offering will be freely tradable in the public market, except for any shares sold to our affiliates, as that term is defined in Rule 144 under the Securities Act which shares will be subject to 90-day lock-up agreements and certain National Association of Securities Dealers, Inc. (NASD) restrictions. In addition, our certificate of incorporation permits the issuance of up to 800,000,000 shares of common stock. After this offering, we will have an aggregate of approximately 657,731,894 shares of our common stock authorized but unissued. Thus, we have the ability to issue substantial amounts of common stock in the future, which would dilute the percentage ownership held by the investors who purchase shares of our common stock in this offering. See *Shares Eligible for Future Sale* for further information regarding circumstances under which additional shares of our common stock may be sold.

We, each of our directors and senior officers and Fortis have agreed, with limited exceptions, that we and they will not, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, during the period ending 90 days after the date of this prospectus, among other things, directly or indirectly, offer to sell, sell or otherwise dispose of any of shares of our common stock or file a registration statement with the Securities and Exchange Commission (SEC) relating to the offering of any shares of our common stock. However, in the event that either (1) during the last 17 days of the 90-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period, the lock-up restrictions, subject to certain exceptions, will continue to apply until the expiration of the 18-day period beginning on the earnings release or the occurrence of the material news or material event.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

Some of the statements under Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus may contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, potential, continues, may, will, should, seeks, approximately, pre-estimates, anticipates or the negative version of those words or other comparable words. Any forward-looking statements contained in this prospectus are based upon our historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us, the underwriters or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include but are not limited to those described under Risk Factors. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. You should specifically consider the factors identified in this prospectus that could cause actual results to differ before making an investment decision.

**Table of Contents****USE OF PROCEEDS**

We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder. The selling stockholder will receive all net proceeds from the sale of the shares of our common stock in this offering.

**PRICE RANGE OF COMMON STOCK**

Our common stock is listed on the New York Stock Exchange under the symbol AIZ . The following table sets forth the high and low intraday sales prices per share of our common stock as reported by the New York Stock Exchange since our initial public offering in February 2004 for the periods indicated.

	<b>High</b>	<b>Low</b>
Year ended December 31, 2004		
First Quarter (from February 5, 2004)	\$26.19	\$23.09
Second Quarter	26.59	23.48
Third Quarter	27.03	23.86
Fourth Quarter	31.29	24.92
Year ended December 31, 2005		
First Quarter (through January 20, 2005)	31.10	29.70

**Table of Contents**

**DIVIDEND POLICY**

We paid dividends of \$0.07 per share of common stock on June 8, 2004, September 7, 2004 and December 7, 2004. Any determination to pay future dividends will be at the discretion of our board of directors and will be dependent upon:

our subsidiaries' payment of dividends and/or other statutorily permissible payments to us;

our results of operations and cash flows;

our financial position and capital requirements;

general business conditions;

any legal, tax, regulatory and contractual restrictions on the payment of dividends; and

any other factors our board of directors deems relevant.

We are a holding company and, therefore, our ability to pay dividends, service our debt and meet our other obligations depends primarily on the ability of our insurance subsidiaries to pay dividends and make other statutorily permissible payments to us. Our insurance subsidiaries are subject to significant regulatory and contractual restrictions limiting their ability to declare and pay dividends. See **Risk Factors - Risks Relating to Our Company**. The inability of our subsidiaries to pay dividends to us in sufficient amounts could harm our ability to meet our obligations and pay future stockholder dividends. For the calendar year 2004, the maximum amount of dividends that our subsidiaries could pay to us under applicable laws and regulations without prior regulatory approval is approximately \$302 million. Dividends paid by our subsidiaries totaled \$244 million through September 30, 2004.

We may seek approval of regulators to pay dividends in excess of any amounts that would be permitted without such approval. However, there can be no assurance that we would seek such approval or would obtain such approval.

In addition, payments of dividends on the shares of common stock are subject to the preferential rights of preferred stock that our board of directors may create from time to time. For more information regarding restrictions on the payment of dividends by us and our insurance subsidiaries, including pursuant to the terms of our revolving credit facilities, see **Regulation - United States - State Regulation - Insurance - Regulation Concerning Dividends** and **Statutory Accounting Practices (SAP)**, **Description of Share Capital** and **Description of Indebtedness**.

In addition, our \$500 million senior revolving credit facility restricts payments of dividends in the event that an event of default under the facility has occurred or a proposed dividend payment would cause an event of default under the facility.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated capitalization as of September 30, 2004.

You should read this table in conjunction with Selected Consolidated Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes that are included elsewhere in this prospectus.

	<b>As of September 30, 2004</b>
	<b>(in thousands, except per share data)</b>
Cash and cash equivalents	\$ 692,373
<b>Debt Outstanding:</b>	
Long-term senior debt	971,593
<b>Mandatorily redeemable preferred stock, par value \$1.00 per share, (200,000,000 shares authorized and 24,160 outstanding)</b>	<b>24,160</b>
<b>Stockholders' Equity:</b>	
Common stock, par value \$0.01 per share (800,000,000 shares authorized, 142,268,106 shares issued, 140,821,350 shares outstanding)(1)	1,423
Additional paid-in capital	2,790,440
Retained earnings	493,266
Unamortized restricted stock compensation (59,430 shares)	(708)
Accumulated other comprehensive income	306,665
Treasury stock, at cost (1,387,326 shares)	(36,035)
Total stockholders' equity	3,555,051
<b>Total Capitalization</b>	<b>\$4,550,804</b>

- (1) Our shares outstanding represent our shares issued less our treasury shares and less 59,430 shares of restricted stock distributed to our officers that have not yet vested.

**Table of Contents**

**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The following table sets forth our selected historical consolidated financial information for the periods ended and as of the dates indicated.

The selected consolidated statement of operations data for each of the three years in the period ended December 31, 2003 are derived from the audited consolidated financial statements of Assurant, Inc. and its consolidated subsidiaries included elsewhere in this prospectus, which have been prepared in accordance with GAAP. The selected consolidated statement of operations data for the nine months ended September 30, 2004 and September 30, 2003 and the selected consolidated balance sheet data at September 30, 2004 and September 30, 2003 are derived from the unaudited interim financial statements of Assurant, Inc. and its consolidated subsidiaries included elsewhere in this prospectus. The unaudited interim financial statements have been prepared on the same basis as the audited consolidated financial statements of Assurant, Inc. and in our opinion, include all adjustments consisting only of normal recurring adjustments, that we consider necessary for a fair statement of our results of operations and financial condition for these periods and as of such dates. These historical results are not necessarily indicative of expected results for any future period. The results for the nine months ended September 30, 2004 are not necessarily indicative of results to be expected for the full year. You should read the following selected consolidated financial information together with the other information contained in this prospectus, including Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

**Table of Contents**

	At September 30,		At December 31,				
	2004	2003	2003	2002	2001	2000	1999
(in thousands, except share amounts and per share data)							
<b>Selected Consolidated Statement of Operations Data:</b>							
<b>Revenues</b>							
Net earned premiums and other considerations	\$ 4,844,259	\$ 4,533,503	\$ 6,156,772	\$ 5,681,596	\$ 5,242,185	\$ 5,144,375	\$ 4,508,795
Net investment income	471,486	456,608	607,313	631,828	711,782	690,732	590,487
Net realized gain (loss) on investments	22,447	14,808	1,868	(118,372)	(119,016)	(44,977)	13,616
Amortization of deferred gain on disposal of businesses	43,298	52,235	68,277	79,801	68,296	10,284	
Gain on disposal of businesses				10,672	61,688	11,994	
Fees and other income	154,511	172,764	231,983	246,675	221,939	399,571	357,878
<b>Total revenues</b>	<b>5,536,001</b>	<b>5,229,918</b>	<b>7,066,213</b>	<b>6,532,200</b>	<b>6,186,874</b>	<b>6,211,979</b>	<b>5,470,776</b>
<b>Benefits, losses and expenses</b>							
Policyholder benefits	2,888,948	2,656,325	3,657,763	3,435,175	3,240,091	3,208,054	3,061,488
Amortization of deferred acquisition costs and value of businesses acquired	651,178	640,642	863,647	732,010	648,918	486,284	576,978
Underwriting, general and administrative expenses	1,547,317	1,451,348	1,965,491	1,876,222	1,846,550	2,081,816	1,566,833
Amortization of goodwill					113,300	106,773	57,717
Interest expense	41,104		1,175		14,001	24,726	39,893
Loss on disposal of business	9,232						
Distributions on mandatorily redeemable preferred securities	2,163	87,854	112,958	118,396	118,370	110,142	53,824
Interest premiums on redemption of preferred securities			205,822				
<b>Total benefits, losses and expenses</b>	<b>5,139,942</b>	<b>4,836,169</b>	<b>6,806,856</b>	<b>6,161,803</b>	<b>5,981,230</b>	<b>6,017,795</b>	<b>5,356,733</b>
Income before income taxes and cumulative effect of change in accounting principle	396,059	393,749	259,357	370,397	205,644	194,184	114,043
Income taxes	131,627	130,464	73,705	110,657	107,591	104,500	57,657
<b>Net Income</b>	<b>264,432</b>	<b>263,285</b>	<b>185,652</b>	<b>259,740</b>	<b>98,053</b>	<b>89,684</b>	<b>56,386</b>
Net income before cumulative effect of change in accounting							



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principle							
Cumulative effect of change in accounting principle(1)				(1,260,939)			
Net income (loss)	\$ 264,432	\$ 263,285	\$ 185,652	\$ (1,001,199)	\$ 98,053	\$ 89,684	\$ 56,386

**Per Share Data:**

Basic and dilutive net income per share before cumulative effect of change in accounting principle	\$ 1.92	\$ 2.41	\$ 1.70	\$ 2.38	\$ 0.90	\$ 0.85	\$ 0.85
Basic and dilutive net income (loss) per share	\$ 1.92	\$ 2.41	\$ 1.70	\$ (9.17)	\$ 0.90	\$ 0.85	\$ 0.85
Weighted average of basic shares of common stock outstanding	137,818,397	109,222,276	109,222,276	109,222,276	109,222,276	104,915,373	66,122,451
Dividends per share:							
Common Stock	\$ 0.14	\$ 1.66	\$ 1.66	\$ 0.38	\$ 1.00	\$ 0.20	\$

**Table of Contents**

	At September 30,		At December 31,				
	2004	2003	2003	2002	2001	2000	1999
(in thousands, except share amounts and per share data)							
<b>Selected Consolidated Balance Sheet Data:</b>							
Cash and cash equivalents and investments	\$ 12,126,576	\$ 11,155,385	\$ 11,881,802	\$ 10,694,772	\$ 10,319,117	\$ 10,750,554	\$ 10,110,136
Total assets	23,619,537	22,853,763	23,707,977	22,257,699	24,431,412	24,095,760	22,215,111
Policy liabilities(2)	13,192,085	12,780,855	12,881,796	12,388,623	12,064,643	11,534,891	10,336,265
Debt	971,593		1,750,000			238,983	1,007,243
Mandatorily redeemable preferred securities		1,446,074	196,224	1,446,074	1,446,074	1,449,738	899,850
Mandatorily redeemable preferred stock	24,160	24,160	24,160	24,660	25,160	25,160	22,160
Total stockholders' equity	3,555,051	2,753,223	2,632,103	2,555,059	3,452,405	3,367,713	3,164,297
<b>Per Share Data:</b>							
Total book value per share(3)	\$ 25.25	\$ 25.21	\$ 24.10	\$ 23.39	\$ 31.61	\$ 30.83	\$ 37.95

- (1) On January 1, 2002 we adopted FAS 142. As a result, we recognized a non-cash goodwill impairment charge of \$1,261 million. See Management's Discussion and Analysis of Financial Condition and Results of Operation Significant Accounting Standard Affecting Our Business.
- (2) Policy liabilities include future policy benefits and expenses, unearned premiums and claims and benefits payable.
- (3) Total stockholders' equity divided by the basic shares of common stock outstanding. At September 30, 2004 and 2003, there were 140,821,350 and 109,222,276 shares of common stock outstanding, respectively. At December 31, 2003, 2002, 2001 and 2000, there were 109,222,276 shares of common stock outstanding. At December 31, 1999 there were 83,380,858 shares of common stock outstanding.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes which appear elsewhere in this prospectus. It contains forward-looking statements that involve risks and uncertainties. Please see *Forward-Looking Statements* for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the headings *Risk Factors* and *Forward-Looking Statements*.

**General**

We pursue a differentiated strategy of building leading positions in specialized market segments for insurance products and related services in North America and selected other markets. We provide:

- creditor-placed homeowners insurance;
- manufactured housing homeowners insurance;
- debt protection administration;
- credit insurance;
- warranties and extended service contracts;
- individual health and small employer group health insurance;
- group dental insurance;
- group disability insurance;
- group life insurance; and
- pre-funded funeral insurance.

The markets we target are generally complex, have a relatively limited number of competitors and, we believe, offer attractive profit opportunities.

We report our results through five segments: Assurant Solutions, Assurant Health, Assurant Employee Benefits, Assurant PreNeed and Corporate and Other. The Corporate and Other segment includes activities of the holding company, financing expenses, realized gains (losses) on investments, interest income earned from short-term investments held and, prior to 2004, interest income from excess surplus of insurance subsidiaries not allocated to other segments. The Corporate and Other segment also includes (i) the results of operations of FFG, a division we sold on April 2, 2001, and (ii) long-term care (LTC) operations, which we sold on March 1, 2000, for the periods prior to their disposition, and amortization of deferred gains associated with the portions of the sales of FFG and LTC sold through reinsurance agreements as described below.

**Critical Factors Affecting Results**

Our profitability depends on the adequacy of our product pricing, underwriting and the accuracy of our methodology for the establishment of reserves for future policyholder benefits and claims, returns on invested assets and our ability to manage our expenses. As such, factors affecting these items may have a material adverse effect on our results of operations or financial condition.

***Revenues***

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We derive our revenues primarily from the sale of our insurance policies and, to a lesser extent, fee income by providing administrative services to certain clients. Sales of insurance policies are recognized in revenue as earned premiums while sales of administrative services are recognized as fee income. In late 2000, the majority of our domestic credit insurance clients began a transition from the purchase of our credit insurance products from which we earned premium revenue to debt protection administration programs, from which we earn fee income. Debt protection administration programs include services for non-insurance products that cancel or defer the required monthly payment on outstanding loans when covered events occur.

Our premium and fee income is supplemented by income earned from our investment portfolio. We recognize revenue from interest payments, dividends and sales of investments. Our investment portfolio is

## **Table of Contents**

currently primarily invested in fixed maturity securities. Both investment income and realized capital gains on these investments can be significantly impacted by changes in interest rates.

Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Fluctuations in interest rates affect our returns on, and the market value of, fixed maturity and short-term investments.

The fair market value of the fixed maturity securities in our portfolio and the investment income from these securities fluctuate depending on general economic and market conditions. The fair market value generally increases or decreases in an inverse relationship with fluctuations in interest rates, while net investment income realized by us from future investments in fixed maturity securities will generally increase or decrease with interest rates. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities, commercial mortgage obligations and bonds in our investment portfolio are more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates, and we may be required to reinvest those funds in lower interest-bearing investments.

In addition, Assurant PreNeed generally writes whole life insurance policies with increasing death benefits and obtains much of its profits through interest rate spreads. Interest rate spreads refer to the difference between the death benefit growth rates on pre-funded funeral insurance policies and the investment returns generated on the assets we hold related to those policies. As of September 30, 2004, approximately 83% of Assurant PreNeed's in force insurance policy reserves related to policies that provide for death benefit growth, some of which provide for minimum death benefit growth pegged to changes in the Consumer Price Index. In extended periods of declining interest rates or high inflation, there may be compression in the spread between Assurant PreNeed's death benefit growth rates and its investment earnings or a negative spread. As a result, declining interest rates or high inflation rates may have a material adverse effect on our results of operations and our overall financial condition.

### ***Expenses***

Our expenses primarily consist of policyholder benefits, underwriting, general and administrative expenses, and distributions on preferred securities.

Selling, underwriting and general expenses consist primarily of commissions, premium taxes, licenses, fees, amortization of deferred acquisition costs (DAC) and value of businesses acquired (VOBA) and general operating expenses. For a description of DAC and VOBA, see Notes 2, 18 and 19 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

Our profitability depends in large part on accurately predicting benefits, claims and other costs, including medical and dental costs. It also depends on our ability to manage future benefit and other costs through product design, underwriting criteria, utilization review or claims management and, in health and dental insurance, negotiation of favorable provider contracts. Changes in the composition of the kinds of work available in the economy, market conditions and numerous other factors may also materially adversely affect our ability to manage claim costs. As a result of one or more of these factors or other factors, claims could substantially exceed our expectations, which could have a material adverse effect on our business, results of operations and financial condition.

In 2004, we granted approximately 3.9 million stock appreciation rights to our employees. For every dollar by which our stock price exceeds \$22.00, we will recognize an expense of approximately \$3 million.

At December 31, 2003, and September 30, 2004, we had \$1,970 million and \$996 million of debt and preferred stock, respectively. This has had an impact on our annual interest and dividend costs.

## **Table of Contents**

We will need to comply with certification requirements under Section 404 of the Sarbanes Oxley Act as of December 31, 2005, and we expect to incur increased expenses to comply with these requirements.

### ***Regulation***

Legislation or other regulatory reform that increases the regulatory requirements imposed on us or that changes the way we are able to do business may significantly harm our business or results of operations in the future. For example, some states have imposed new time limits for the payment of uncontested covered claims and require health care and dental service plans to pay interest on uncontested claims not paid promptly within the required time period. Some states have also granted their insurance regulatory agencies additional authority to impose monetary penalties and other sanctions on health and dental plans engaging in certain unfair payment practices. If we were to be unable for any reason to comply with these requirements, it could result in substantial costs to us and may materially adversely affect our results of operations and financial condition. In addition, in some of our businesses, such as individual medical products, our revenues and net income will be affected by our ability to get regulatory approval for rate increases. Where rate increases are unacceptable to us, we could withdraw from a state but may for a limited period of time be required to participate in state sponsored risk pools for our former insureds who cannot get replacement policies.

For other factors affecting our results of operations or financial condition, see Risk Factors.

### ***Acquisitions and Dispositions of Businesses***

Our results of operations were affected by the following acquisitions and dispositions, including:

On October 25, 2004, we sold the assets of our Dominion Automobile Association business. We recorded a pre-tax gain on the sale of \$1.0 million in the fourth quarter of 2004, which will be reflected in Assurant Solutions.

On July 1, 2004, we acquired Monumental Life Insurance Company of Puerto Rico. Total revenues of \$0.6 million and after-tax loss of \$0.3 million were generated by these operations for the three months ended September 30, 2004.

On May 3, 2004, we sold the assets of our WorkAbility division of CORE, Inc. (CORE). We recorded a pre-tax loss on the sale of \$9.2 million, which was included in the Corporate and Other segment.

On October 10, 2002, we sold the Peer Review and Analysis division (PRA) of CORE to MCMC, LLC, an independent provider of medical analysis services. No gain or loss was recognized on the sale of PRA.

On June 28, 2002, we sold our 50% ownership in Neighborhood Health Partnership (NHP) to NHP Holding LLC. We recorded pre-tax gains on sale of \$11 million, which was included in the Corporate and Other segment.

On December 31, 2001, we acquired Protective Life Corporation's Dental Benefits Division (DBD), including the acquisition through reinsurance of Protective's indemnity dental, life and disability business and its prepaid dental subsidiaries. Total revenues of \$305 million and income after tax of \$15 million were generated by the DBD operations for the year ended December 31, 2002. DBD is included in Assurant Employee Benefits.

On July 12, 2001, we acquired CORE, a national provider of employee absence management services. Total revenues of \$31 million and income after tax of \$0.2 million were generated by the CORE operations from July 12, 2001 through December 31, 2001, as compared to total revenues of \$66 million and income after tax of \$3 million in 2002. CORE is included in Assurant Employee Benefits.

On April 2, 2001, we sold our FFG division to The Hartford primarily through a reinsurance arrangement. Total revenues of \$146 million and income after tax of \$8 million were generated by the FFG division for the three months ended March 31, 2001, compared to total revenues of \$669 million and income after tax of \$65 million during 2000. FFG included certain individual life insurance policies, investment-type annuity contracts and mutual fund operations. The sale of the mutual fund operations resulted in \$62 million

## **Table of Contents**

of pre-tax gains. The sale via reinsurance of the individual life insurance policies and investment-type annuity contracts resulted in \$558 million of pre-tax gains, which were deferred upon closing and are being amortized over the remaining life of the contracts. All activities related to FFG are included in the Corporate and Other segment. See **Critical Accounting Estimates**.

Prior to April 2, 2001, FFG had issued variable insurance products that are required to be registered as securities under the Securities Act. Variable insurance refers to an investment-oriented life insurance policy that offers flexible premiums and a minimum death benefit as well as providing a return linked to an underlying portfolio of securities. These registered insurance contracts, which we no longer sell, have been 100% reinsured with The Hartford through modified coinsurance agreements. The Hartford administers this closed block of business pursuant to a third party administration agreement. Since this block of business was sold through modified coinsurance agreements, separate account assets and separate account liabilities associated with these products continue to be reflected in our financial statements. See the line items entitled **Assets held in separate accounts** and **Liabilities related to separate accounts** in our consolidated balance sheets. The liabilities created by these variable insurance policies are tied to the performance of underlying investments held in separate accounts of the insurance company that originally issued such policies. While we own the separate account assets, the laws governing separate accounts provide that the income, gains and losses from assets in the separate account are credited to or charged against the separate account without regard to other income, gains or losses of the insurer. Further, the laws provide that the separate account will not be charged with liabilities arising out of any other business the insurer may conduct. The result of this structure is that the assets held in the separate account correspond to and are equal to the liabilities created by the variable insurance contracts. At September 30, 2004, we had separate account assets and liabilities of \$3,541 million compared to \$4,809 million on April 2, 2001, the date of the FFG sale.

Comparing our results from period to period requires taking into account these acquisitions and dispositions. For a more detailed description of these acquisitions and dispositions, see Notes 3 and 4 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

## **Critical Accounting Estimates**

There are certain accounting policies that we consider to be critical due to the amount of judgment and uncertainty inherent in the application of those policies. In calculating financial statement estimates, the use of different assumptions could produce materially different estimates. In addition, if factors such as those described above or in **Risk Factors** cause actual events to differ from the assumptions used in applying the accounting policies and calculating financial estimates, there could be a material adverse effect on our results of operations, financial condition and liquidity.

We believe the following critical accounting policies require significant estimates which, if such estimates are not materially correct, could affect the preparation of our consolidated financial statements. Also, see **Reserves** for the sensitivity analysis of our significant critical accounting estimates.

### ***Premiums***

#### ***Short Duration Contracts***

Our short duration contracts are those on which we recognize revenue on a pro rata basis over the contract term. Our short duration contracts primarily include:

- group term life;
- group disability;
- medical and dental;
- property and warranty;

**Table of Contents**

credit life and disability; and

extended service contracts and individual medical contracts issued after 2002 in most jurisdictions.

*Long Duration Contracts*

Currently, our long duration contracts being sold are pre-funded funeral life insurance and investment-type annuities. For pre-funded funeral life insurance policies, any excess of the gross premium over the net premium is deferred and is recognized in income in a constant relationship with the insurance in force. For pre-funded funeral investment-type annuity contracts, revenues consist of charges assessed against policy balances.

For individual medical contracts sold prior to 2003 and currently in a limited number of jurisdictions and traditional life insurance contracts sold by Assurant PreNeed that are no longer offered, revenue is recognized when due from policyholders.

For universal life insurance and investment-type annuity contracts sold by Assurant Solutions that are no longer offered, revenues consist of charges assessed against policy balances.

Premiums for LTC insurance and traditional life insurance contracts within FFG are recognized as revenue when due from the policyholder. For universal life insurance and investment-type annuity contracts within FFG, revenues consist of charges assessed against policy balances. For the FFG and LTC businesses previously sold, all revenue is ceded to The Hartford and John Hancock, respectively.

*Reinsurance Assumed*

Reinsurance premiums assumed are calculated based upon payments received from ceding companies together with accrual estimates which are based on both payments received and in force policy information received from ceding companies. Any subsequent differences arising on such estimates are recorded in the period in which they are determined.

*Fee Income*

We primarily derive income from fees received from providing administration services. Fee income is earned when services are performed.

*Reserves*

Reserves are established according to generally accepted actuarial principles and are based on a number of factors. These factors include experience derived from historical claim payments and actuarial assumptions to arrive at loss development factors. Such assumptions and other factors include trends, the incidence of incurred claims, the extent to which all claims have been reported and internal claims processing charges. The process used in computing reserves cannot be exact, particularly for liability coverages, since actual claim costs are dependent upon such complex factors as inflation, changes in doctrines of legal liability and damage awards. The methods of making such estimates and establishing the related liabilities are periodically reviewed and updated.

Reserves, whether calculated under GAAP or SAP, do not represent an exact calculation of exposure, but instead represent our best estimates, generally involving actuarial projections at a given time, of what we expect the ultimate settlement and administration of a claim or group of claims will cost based on our assessment of facts and circumstances then known. The adequacy of reserves will be impacted by future trends in claims severity, frequency, judicial theories of liability and other factors. These variables are affected by both external and internal events, such as:

changes in the economic cycle;

changes in the social perception of the value of work;

emerging medical perceptions regarding physiological or psychological causes of disability;



**Table of Contents**

emerging health issues and new methods of treatment or accommodation;

inflation;

judicial trends;

legislative changes; and

claims handling procedures.

Many of these items are not directly quantifiable, particularly on a prospective basis. Reserve estimates are refined as experience develops. Adjustments to reserves, both positive and negative, are reflected in the statement of operations of the period in which such estimates are updated. Because establishment of reserves is an inherently uncertain process involving estimates of future losses, there can be no certainty that ultimate losses will not exceed existing claims reserves. Future loss development could require reserves to be increased, which could have a material adverse effect on our earnings in the periods in which such increases are made.

*Short Duration Contracts*

For short duration contracts, claims and benefits payable reserves are recorded when insured events occur. The liability is based on the expected ultimate cost of settling the claims. The claims and benefits payable reserves include (1) case base reserves for known but unpaid claims as of the balance sheet date; (2) incurred but not reported (IBNR) reserves for claims where the insured event has occurred but has not been reported to us as of the balance sheet date; and (3) loss adjustment expense reserves for the expected handling costs of settling the claims.

For group disability, the case base reserves and the IBNR are recorded at an amount equal to the net present value of the expected claims future payments. Group long-term disability reserves are discounted to the valuation date at the valuation interest rate. The valuation interest rate is reviewed quarterly by taking into consideration actual and expected earned rates on our asset portfolio, with adjustments for investment expenses and provisions for adverse deviation. Group long-term disability and group life waiver of premium reserves are discounted because the payment pattern and ultimate cost are fixed and determinable on an individual claim basis. Group long-term disability and group term life reserve adequacy studies are performed annually, and morbidity and mortality assumptions are adjusted where appropriate.

Unearned premium reserves are maintained for the portion of the premiums on short duration contracts that is related to the unexpired period of the policy.

We have exposure to asbestos, environmental and other general liability claims arising from our participation in various reinsurance pools from 1971 through 1983. This exposure arose from a short duration contract that we discontinued writing many years ago. We carried case reserves for these liabilities as recommended by the various pool managers and bulk reserves for IBNR of \$37 million (before reinsurance) and \$36 million (after reinsurance) in the aggregate at December 31, 2003. Any estimation of these liabilities is subject to greater than normal variation and uncertainty due to the general lack of sufficiently detailed data, reporting delays and absence of a generally accepted actuarial methodology for those exposures. There are significant unresolved industry legal issues, including such items as whether coverage exists and what constitutes an occurrence. In addition, the determination of ultimate damages and the final allocation of losses to financially responsible parties are highly uncertain. However, based on information currently available, and after consideration of the reserves reflected in the financial statements, we believe that any changes in reserve estimates for these claims are not reasonably likely to be material. Asbestos, environmental and other general liability claim payments, net of reinsurance recoveries, were \$2.9 million, \$1.4 million and \$2.2 million for the years ended December 31, 2003, 2002 and 2001, respectively.

One of our subsidiaries, American Reliable Insurance Company (ARIC), participated in certain excess of loss reinsurance programs in the London market and, as a result, reinsured certain personal accident, ransom and kidnap insurance risks from 1995 to 1997. ARIC and a foreign affiliate ceded a portion of these risks to other reinsurers (retrocessionaires). ARIC ceased reinsuring such business in 1997. However, certain risks continued beyond 1997 due to the nature of the reinsurance contracts written. ARIC and some of the

**Table of Contents**

other reinsurers involved in the programs are seeking to avoid certain treaties on various grounds, including material misrepresentation and non-disclosure by the ceding companies and intermediaries involved in the programs. Similarly, some of the retrocessionaires are seeking avoidance of certain treaties with ARIC and the other reinsurers and some reinsureds are seeking collection of disputed balances under some of the treaties. The disputes generally involve multiple layers of reinsurance, and allegations that the reinsurance programs involved interrelated claims spirals devised to disproportionately pass claims losses to higher-level reinsurance layers. Many of the companies involved in these programs, including ARIC, are currently involved in negotiations, arbitrations and/or litigation between multiple layers of retrocessionaires, reinsurers, ceding companies and intermediaries, including brokers, in an effort to resolve these disputes. Many of those disputes relating to the 1995 program year, including those involving ARIC, were settled on December 3, 2003. Loss accruals previously established relating to the 1995 program year were adequate. However, our exposure under the 1995 program year was less significant than the exposure remaining under the 1996 and 1997 program years. While the majority of the negotiations, arbitrations and/or litigations between the multiple layers of reinsurers, ceding companies and intermediaries are still ongoing, ARIC and an affiliated company, Bankers Insurance Company Limited (BICL) did resolve disputes with two of its reinsurers in the 1996 and 1997 program years by means of a commutation agreement. As a result of the settlement, the two affiliated reinsurers paid ARIC and BICL \$6 million and both parties agreed to release each other from any past, present or future obligations of any kind.

Based on information currently available, and after consideration of the reserves reflected in the financial statements, we believe that it is not reasonably likely that any liabilities we experience in connection with these programs would have a material adverse effect on our financial condition or results of operations. However, the inherent uncertainty of arbitrations and lawsuits, including the uncertainty of estimating whether any settlements we may enter into in the future would be on favorable terms, makes it difficult to predict the outcomes with certainty.

*Long Duration Contracts*

Future policy benefits and expense reserves on LTC, life insurance policies and annuity contracts that are no longer offered, individual medical and the traditional life insurance contracts within FFG are recorded at the present value of future benefits to be paid to policyholders and related expenses less the present value of the future net premiums. These amounts are estimated and include assumptions as to the expected investment yield, inflation, mortality, morbidity and withdrawal rates as well as other assumptions that are based on our experience. These assumptions reflect anticipated trends and include provisions for possible unfavorable deviations.

Future policy benefits and expense reserves for pre-funded funeral investment-type annuities, universal life insurance policies and investment-type annuity contracts that are no longer offered, and the variable life insurance and investment-type annuity contracts in FFG consist of policy account balances before applicable surrender charges and certain deferred policy initiation fees that are being recognized in income over the terms of the policies. Policy benefits charged to expense during the period include amounts paid in excess of policy account balances and interest credited to policy account balances.

Future policy benefits and expense reserves for pre-funded funeral life insurance contracts are recorded as the present value of future benefits to policyholders and related expenses less the present value of future net premiums. Reserve assumptions are selected using best estimates for expected investment yield, inflation, mortality and withdrawal rates. These assumptions reflect current trends, are based on Company experience and include provision for possible unfavorable deviation. An unearned revenue reserve is also recorded for these contracts which represents the balance of the excess of gross premiums over net premiums that is still to be recognized in future years income in a constant relationship to insurance in force.

*Deferred Acquisition Costs (DAC)*

The costs of acquiring new business that vary with and are primarily related to the production of new business have been deferred to the extent that such costs are deemed recoverable from future premiums or

## **Table of Contents**

gross profits. Acquisition costs primarily consist of commissions, marketing allowances, policy issuance expenses, premium tax and certain direct marketing expenses.

Loss recognition testing is performed annually and reviewed quarterly. Such testing involves the use of best estimate assumptions including the anticipation of interest income to determine if anticipated future policy premiums are adequate to recover all DAC and related claims, benefits and expenses. To the extent a premium deficiency exists, it is recognized immediately by a charge to the statement of operations and a corresponding reduction in DAC. If the premium deficiency is greater than unamortized DAC, a liability will be accrued for the excess deficiency.

### *Short Duration Contracts*

DAC relating to property contracts, warranty and extended service contracts and single premium credit insurance contracts are amortized over the term of the contracts in relation to premiums earned.

Acquisition costs relating to monthly pay credit insurance business consist mainly of direct marketing costs and are deferred and amortized over the estimated average terms of the underlying contracts.

Acquisition costs relating to group term life, group disability and group dental consist primarily of new business underwriting, field sales support, commissions to agents and brokers, and compensation to sales representatives. These acquisition costs are front-end loaded; thus they are deferred and amortized over the estimated terms of the underlying contracts.

Acquisition costs on individual medical contracts issued in most jurisdictions after 2002 and small group medical contracts consist primarily of commissions to agents and brokers, which are level, and compensation to representatives, which is spread out and is not front-end loaded. These costs do not vary with the production of new business. As a result, these costs are not deferred but rather are recorded in the statement of operations in the period in which they are incurred.

### *Long Duration Contracts*

Acquisition costs for pre-funded funeral life insurance policies and life insurance policies no longer offered are deferred and amortized in proportion to anticipated premiums over the premium-paying period.

For pre-funded funeral investment-type annuities and universal life insurance policies and investment-type annuity contracts that are no longer offered, DAC is amortized in proportion to the present value of estimated gross margins or profits from investment, mortality, expense margins and surrender charges over the estimated life of the policy or contract. The assumptions used for the estimates are consistent with those used in computing the policy or contract liabilities.

Acquisition costs relating to individual medical contracts issued prior to 2003 and currently issued in a limited number of jurisdictions are deferred and amortized over the estimated average terms of the underlying contracts. These acquisition costs relate to commissions and policy issuance expenses. Commissions represent the majority of deferred costs and result from commission schedules that pay significantly higher rates in the first year. The majority of deferred policy issuance expenses are the costs of separately underwriting each individual medical contract.

Acquisition costs on the FFG and LTC disposed businesses were written off when the businesses were sold.

### *Investments*

We regularly monitor our investment portfolio to ensure that investments that may be other than temporarily impaired are identified in a timely fashion and properly valued and that any impairments are charged against earnings in the proper period. Our methodology to identify potential impairments requires professional judgment.

## **Table of Contents**

Changes in individual security values are regularly monitored in order to identify potential credit problems. In addition, pursuant to our impairment process, each month the portfolio holdings are screened for securities whose market price is equal to 85% or less of their original purchase price. Management then makes their assessment as to which of these securities are other than temporarily impaired. Assessment factors include, but are not limited to, the financial condition and rating of the issuer, any collateral held and the length of time the market value of the security has been below cost. Each quarter the watchlist is discussed at a meeting attended by members of our investment, accounting and finance departments. At this meeting, any security whose price decrease is deemed to have been other than temporarily impaired is written down to its then current market level, with the amount of the writedown reflected in our statement of operations for that quarter. Previously impaired issues are also monitored monthly, with additional writedowns taken quarterly if necessary.

Inherently, there are risks and uncertainties involved in making these judgments. Changes in circumstances and critical assumptions such as a continued weak economy, a more pronounced economic downturn or unforeseen events which affect one or more companies, industry sectors or countries could result in additional writedowns in future periods for impairments that are deemed to be other-than-temporary. See also *Investments* in Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

### ***Reinsurance***

Reinsurance recoverables include amounts related to paid benefits and estimated amounts related to unpaid policy and contract claims, future policyholder benefits and policyholder contract deposits. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies. Amounts recoverable from reinsurers are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves and are reported in our consolidated balance sheets. The ceding of insurance does not discharge our primary liability to our insureds. An estimated allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions.

### ***Other Accounting Policies***

For a description of other accounting policies applicable to the periods covered by this prospectus, see Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

### ***Significant Accounting Standard Affecting Our Business***

On January 1, 2002, we adopted FAS 142. As of our adoption of FAS 142, we ceased amortizing goodwill. In addition, we were required to subject our goodwill to an initial impairment test. As a result of FAS 142, we are required to conduct impairment testing on an annual basis and between annual tests if an event occurs or circumstances change indicating a possible goodwill impairment. In the absence of an impairment event, our net income will be higher as a result of not having to amortize goodwill.

As a result of this initial impairment test, we recognized a non-cash goodwill impairment charge of \$1,261 million. The impairment charge was recorded as a cumulative effect of a change in accounting principle as of January 1, 2002. The impairment charge had no impact on cash flows or the statutory-basis capital and surplus of our insurance subsidiaries. We also performed a January 1, 2003 and 2004 impairment test during the six months ended June 30, 2003 and 2004 and concluded that goodwill was not further impaired.

See *Recent Accounting Pronouncements* in Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus for a description of additional recent accounting standards that are applicable to us.

**Table of Contents****Results of Operations****Consolidated Overview**

The table below presents information regarding our consolidated results of operations:

	<b>For the Nine Months Ended September 30,</b>		<b>For the Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	(in millions)				
<b>Revenues:</b>					
Net earned premiums and other considerations	\$ 4,844	\$ 4,534	\$ 6,157	\$ 5,681	\$ 5,242
Net investment income	471	457	607	632	712
Net realized gains (losses) on investments	22	15	2	(118)	(119)
Amortization of deferred gain on disposal of businesses	43	52	68	80	68
Gain on disposal of businesses				11	62
Fees and other income	156	172	232	246	222
	<u>5,536</u>	<u>5,230</u>	<u>7,066</u>	<u>6,532</u>	<u>6,187</u>
<b>Benefits, losses and expenses:</b>					
Policyholder benefits	(2,889)	(2,656)	(3,657)	(3,435)	(3,240)
Selling, underwriting and general expenses(1)	(2,199)	(2,093)	(2,829)	(2,609)	(2,496)
Amortization of goodwill					(113)
Interest expense	(41)		(1)		(14)
Loss on disposal of business	(9)				
Distributions on mandatorily redeemable preferred securities	(2)	(88)	(113)	(118)	(118)
Premium on redemption of preferred securities			(206)		
	<u>(5,140)</u>	<u>(4,837)</u>	<u>(6,806)</u>	<u>(6,162)</u>	<u>(5,981)</u>
<b>Income before income taxes</b>	<b>396</b>	<b>393</b>	<b>260</b>	<b>370</b>	<b>206</b>
Income taxes	(132)	(130)	(74)	(110)	(108)
	<u>264</u>	<u>263</u>	<u>186</u>	<u>260</u>	<u>98</u>
<b>Net income before cumulative effect of change in accounting principle</b>	<b>264</b>	<b>263</b>	<b>186</b>	<b>260</b>	<b>98</b>
<b>Cumulative effect of change in accounting principle</b>				(1,261)	
	<u>264</u>	<u>263</u>	<u>186</u>	<u>(1,001)</u>	<u>98</u>
<b>Net income (loss)</b>	<b>\$ 264</b>	<b>\$ 263</b>	<b>\$ 186</b>	<b>\$ (1,001)</b>	<b>\$ 98</b>

(1) Includes amortization of DAC and VOBA and underwriting, general and administrative expenses.

Note: The table above includes amortization of goodwill in 2001 and the cumulative effect of change in accounting principle in 2002. These items are only included in this Consolidated Overview. As a result, the tables presented under the segment discussions do not total to the same amounts shown on this consolidated overview table. See Note 20 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

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We anticipate that we will incur additional actual claims in the fourth quarter related to the Florida hurricanes that occurred at the end of the third quarter. We believe that these additional claims would bring total losses from hurricanes and other various catastrophes in 2004 to \$122 million before anticipated reinsurance recoveries of \$32 million.

**Table of Contents**

*Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003*

*Total Revenues*

Total revenues increased by \$306 million, or 6%, from \$5,230 million for the nine months ended September 30, 2003, to \$5,536 million for the nine months ended September 30, 2004.

Net earned premiums and other considerations increased by \$310 million, or 7%, from \$4,534 million for the nine months ended September 30, 2003, to \$4,844 million for the nine months ended September 30, 2004, primarily due to an increase of \$99 million and \$197 million in Assurant Solutions and Assurant Health, respectively. The increase in Assurant Solutions was primarily due to growth in their creditor-placed homeowners insurance product line along with growth in the extended service contract business and products sold internationally, offset by a decline in the domestic credit insurance business. The increase in Assurant Health was primarily due to increased sales, which partially reflect the success of HSAs, and increased rates.

Net investment income increased by \$14 million, or 3%, from \$457 million for the nine months ended September 30, 2003 to \$471 million for the nine months ended September 30, 2004. The average portfolio yield decreased 34 basis points from 5.81% for the nine months ended September 30, 2003 to 5.47% for the nine months ended September 30, 2004. The decrease in the average portfolio yield was due to the lower interest rate environment. The average invested assets increased by approximately 10% for the nine months ended September 30, 2004 compared to the nine months ended September 30, 2003.

Net realized gains on investments improved by \$7 million, or 47%, from net realized gains of \$15 million for the nine months ended September 30, 2003, to net realized gains of \$22 million for the nine months ended September 30, 2004. Net realized gains on investments are comprised of both other-than-temporary impairments and realized gains (losses) on sales of securities. For the nine months ended September 30, 2003 and 2004, we had other-than-temporary impairments of \$17 million and \$0.8 million, respectively. There were no individual impairments in excess of \$10 million for the nine months ended September 30, 2003 and for the nine months ended September 30, 2004.

Amortization of deferred gain on disposal of businesses decreased by \$9 million, or 17%, from \$52 million for the nine months ended September 30, 2003, to \$43 million for the nine months ended September 30, 2004. The decrease was consistent with the run-off of the business ceded to The Hartford in 2001 and John Hancock in 2000. See Reinsurance.

Fees and other income decreased by \$16 million, or 9%, from \$172 million for the nine months ended September 30, 2003, to \$156 million for the nine months ended September 30, 2004. The decrease was primarily due to an increase in Assurant Health of \$5 million offset by decreases of \$15 million and \$6 million in Assurant Employee Benefits and Corporate and Other, respectively. The increase in Assurant Health was primarily due to additional insurance policy fees and higher fee-based product sales in individual markets. The decrease in Assurant Employee Benefits was primarily driven by lower fee income resulting from the sale of the WorkAbility division.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses increased by \$303 million, or 6%, from \$4,837 million for the nine months ended September 30, 2003, to \$5,140 million for the nine months ended September 30, 2004.

Policyholder benefits increased by \$233 million, or 9%, from \$2,656 million for the nine months ended September 30, 2003, to \$2,889 million for the nine months ended September 30, 2004. The increase was primarily due to increases of \$92 million, \$100 million and \$29 million in Assurant Solutions, Assurant Health and Assurant Employee Benefits, respectively. The increase in Assurant Solutions was primarily due to higher catastrophe losses, net of reinsurance, in 2004 from Hurricanes Charley, Frances, Ivan and Jeanne. We incurred losses from catastrophes, net of expected reinsurance, of \$77 million and \$18 million for the nine months ended September 30, 2004 and 2003, respectively. The increase in total benefits, losses and expenses in Assurant Health was primarily due to both increased sales, which partially reflect the success of HSAs, and

**Table of Contents**

increased rates. The Assurant Health loss ratio improved primarily due to favorable loss experience predominantly on individual health insurance business. The increase in total benefits, losses and expenses in Assurant Employee Benefits was primarily due to a reserve reduction in 2003. During the third quarter of 2003, we completed actuarial reserve adequacy studies for the group disability, group life and group dental products, which reflected that, in the aggregate, these reserves were redundant by \$18 million. Therefore, we reduced reserves by \$18 million in the third quarter of 2003 to reflect these estimates.

Selling, underwriting and general expenses increased by \$106 million, or 5%, from \$2,093 million for the nine months ended September 30, 2003, to \$2,199 million for the nine months ended September 30, 2004. The increase was primarily due to increases of \$29 million, \$70 million, \$6 million and \$17 million in Assurant Solutions, Assurant Health, Assurant PreNeed and Corporate and Other, respectively, offset by a decrease in Assurant Employee Benefits of \$15 million. The increase in Assurant Solutions was primarily from increased business in the extended service contracts products and creditor-placed homeowners insurance product. The increase in Assurant Health was primarily due to increased commission expense associated with our individual health businesses. The decrease in Assurant Employee Benefits was primarily due to the sale of the WorkAbility division. The increase in Assurant PreNeed was primarily due to additional policy maintenance expenses on a larger in force block of business. The increase in Corporate and Other was primarily due to costs related to our initial public offering in February and increased costs as a result of being a public company.

Interest expense increased by \$41 million from zero for the nine months ended September 30, 2003 to \$41 million for the nine months ended September 30, 2004. The increase was the result of two senior notes that we issued in February 2004. See Liquidity and Capital Resources.

On May 3, 2004 we sold our WorkAbility division. We incurred a \$9 million loss on disposal of this business in the second quarter of 2004.

Distributions on mandatorily redeemable preferred securities decreased by \$86 million, or 98%, from \$88 million for the nine months ended September 30, 2003 to \$2 million for the nine months ended September 30, 2004. The decline was due to the early redemption of \$1,250 million of mandatorily redeemable preferred securities in December 2003 and \$196 million of mandatorily redeemable preferred securities in January 2004.

*Net Income*

Net income increased by \$1 million, or less than 1%, from \$263 million for the nine months ended September 30, 2003 to \$264 million for the nine months ended September 30, 2004.

Income taxes increased by \$2 million, or 2%, from \$130 million for the nine months ended September 30, 2003, to \$132 million for the nine months ended September 30, 2004. The effective tax rate for the nine months ended September 30, 2003 was 33.1% compared to 33.2% for the nine months ended September 30, 2004.

*Year Ended December 31, 2003 Compared to December 31, 2002**Total Revenues*

Total revenues increased by \$534 million, or 8%, from \$6,532 million for the year ended December 31, 2002, to \$7,066 million for the year ended December 31, 2003.

Net earned premiums and other considerations increased by \$476 million, or 8%, from \$5,681 million for the year ended December 31, 2002, to \$6,157 million for the year ended December 31, 2003. The increase in net earned premiums and other considerations was primarily due to increases of \$285 million, \$175 million, and \$23 million in Assurant Solutions, Assurant Health, and Assurant Employee Benefits, respectively, with an offsetting decrease of \$9 million in Assurant PreNeed. The increase in Assurant Solutions was due to growth in specialty property and consumer protection products. The increase in Assurant Health was primarily due to increases in individual health insurance business due to membership growth and premium rate increases.



**Table of Contents**

Net investment income decreased by \$25 million, or 4%, from \$632 million for the year ended December 31, 2002, to \$607 million for the year ended December 31, 2003. The decrease was primarily due to a decrease in investment yields driven by the lower interest rate environment. The yield on average invested assets was 5.61% for the year ended December 31, 2003, as compared to 6.27% for the year ended December 31, 2002.

Net realized gains (losses) on investments improved by \$120 million, or 102%, from net realized losses of \$118 million for the year ended December 31, 2002, to net realized gains of \$2 million for the year ended December 31, 2003. Net realized gains (losses) on investments are comprised of both other-than-temporary impairments and realized capital gains (losses) on sales of securities. For the year ended December 31, 2003, we had other-than-temporary impairments of \$20 million as compared to \$85 million for the year ended December 31, 2002. There were no individual impairments in excess of \$10 million for the year ended December 31, 2003. Impairments on available for sale securities in excess of \$10 million for the year ended December 31, 2002 consisted of an \$18 million writedown of fixed maturity investments in NRG Energy, a \$12 million writedown of fixed maturity investments in AT&T Canada and an \$11 million writedown of fixed maturity investments in MCI WorldCom. Excluding the effects of other-than-temporary impairments, we recorded an increase in net realized gains of \$55 million in the Corporate and Other segment.

Amortization of deferred gain on disposal of businesses decreased by \$12 million, or 15%, from \$80 million for the year ended December 31, 2002, to \$68 million for the year ended December 31, 2003. The decrease was consistent with the run-off of the businesses ceded to The Hartford and John Hancock. See Reinsurance.

Gain on disposal of businesses decreased by \$11 million, or 100%, from \$11 million for the year ended December 31, 2002 to zero for the year ended December 31, 2003. There were no disposals in 2003. On June 28, 2002, we sold our investment in NHP, which resulted in pre-tax gains of \$11 million.

Fees and other income decreased by \$14 million, or 6%, from \$246 million for the year ended December 31, 2002 to \$232 million for the year ended December 31, 2003. The decrease was primarily due to \$15 million of income recognized in Corporate and Other segment for the year ended December 31, 2002, associated with a settlement true-up of a 1999 sale of a small block of business to a third party and reversal of bad debt allowances due to successful collection of receivables that had been previously written off.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses increased by \$644 million, or 10%, from \$6,162 million for the year ended December 31, 2002 to \$6,806 million for the year ended December 31, 2003.

Policyholder benefits increased by \$222 million, or 6%, from \$3,435 million for the year ended December 31, 2002, to \$3,657 million for the year ended December 31, 2003. The increase was primarily due to increases of \$144 million, \$95 million and \$8 million in Assurant Solutions, Assurant Health and Assurant PreNeed, respectively, with an offsetting decrease of \$24 million in Assurant Employee Benefits. The increase in Assurant Solutions was primarily due to growth in specialty property products, primarily in creditor-placed and voluntary homeowners insurance lines of business. The increase in Assurant Health was primarily due to the increase in individual health insurance business, which was consistent with growth in this business.

Selling, underwriting and general expenses increased by \$220 million, or 8%, from \$2,609 million for the year ended December 31, 2002, to \$2,829 million for the year ended December 31, 2003. The increase was primarily due to increases of \$141 million, \$43 million and \$11 million in Assurant Solutions, Assurant Health and Assurant Employee Benefits, respectively. The increase in Assurant Solutions was consistent with growth in the specialty property and consumer protection products business. The increase in Assurant Health was primarily due to increases in commissions, amortization of deferred policy acquisition costs and general expenses, which was consistent with the growth in business.

Distributions on preferred securities decreased by \$5 million, or 4%, from \$118 million for the year ended December 31, 2002 to \$113 million for the year ended December 31, 2003. We redeemed \$1,250 million of the mandatorily redeemable preferred securities in mid-December 2003, resulting in lower expenses. We

**Table of Contents**

redeemed the remaining \$196 million of mandatorily redeemable preferred securities in early January 2004. As a result of the early extinguishment of all the mandatorily redeemable preferred securities, we incurred \$206 million in interest premiums on redemption for the year ended December 31, 2003 compared to zero in 2002.

*Net Income*

Net income increased by \$1,187 million, or 119%, from a loss of \$1,001 million for the year ended December 31, 2002, to a profit of \$186 million for the year ended December 31, 2003.

Net income before cumulative effect of change in accounting principle for the year ended December 31, 2002 was \$260 million. When we adopted FAS 142 in 2002, we recognized a cumulative effect of change in accounting principle which resulted in an expense of \$1,261 million in 2002 as compared to zero recognized in 2003.

Income taxes decreased by \$36 million, or 33%, from \$110 million for the year ended December 31, 2002, to \$74 million for the year ended December 31, 2003. The effective tax rate for 2003 was 28.5% compared to 29.7% in 2002.

*Year Ended December 31, 2002 Compared to December 31, 2001*

*Total Revenues*

Total revenues increased by \$345 million, or 6%, from \$6,187 million in 2001 to \$6,532 million in 2002.

Net earned premiums and other considerations increased by \$439 million, or 8%, from \$5,242 million in 2001 to \$5,681 million in 2002. Excluding the effect of the various acquisitions and dispositions described above, net earned premiums and other considerations increased mainly due to strong growth in Assurant Solutions primarily as a result of growth in new business and in Assurant PreNeed primarily due to an increase in the average size of policies sold by the AMLIC division.

Net investment income decreased by \$80 million, or 11%, from \$712 million in 2001 to \$632 million in 2002. The decrease was primarily due to a decrease in achieved investment yields, driven by the lower interest rate environment and a decrease in average invested assets of \$290 million. The yield on average invested assets was 6.27% for the year ended December 31, 2002 as compared to 6.86% for the year ended December 31, 2001. This reflected lower yields on fixed maturity securities and commercial mortgages.

Net realized losses on investments decreased by \$1 million, or 1%, from \$119 million in 2001 to \$118 million in 2002. In 2002, we had other-than-temporary impairments of \$85 million, as compared to \$78 million in 2001. Impairments of available for sale securities in excess of \$10 million in 2002 consisted of an \$18 million writedown of fixed maturity investments in NRG Energy, a \$12 million writedown of fixed maturity investments in AT&T Canada and an \$11 million writedown of fixed maturity investments in MCI WorldCom. Impairments of available for sale securities in excess of \$10 million in 2001 consisted of a \$22 million writedown of fixed maturity investments in Enron Corp. (Enron).

Amortization of deferred gain on disposal of businesses increased by \$12 million, or 18%, from \$68 million in 2001 to \$80 million in 2002. The increase was primarily due to a full year of amortization of the deferred gain on the sale of FFG as compared to nine months of amortization in 2001. This deferred gain on sale is discussed in more detail under Corporate and Other below.

Gain on disposal of businesses decreased by \$51 million, or 82%, from \$62 million in 2001 to \$11 million in 2002. The \$62 million reflects the gain on the sale of FFG's mutual fund operations. The \$11 million reflected the pre-tax gain on the sale of NHP.

Fees and other income increased by \$24 million, or 11%, from \$222 million in 2001 to \$246 million in 2002. The increase was primarily due to a full year of fee income from CORE and an increase in fee income from Assurant Solutions, mainly from their credit insurance business transitioning to debt protection administration. In late 2000, the majority of Assurant Solutions' credit insurance clients began a transition

**Table of Contents**

from use of our credit insurance products to debt protection administration programs, from which we earn fee income rather than net earned premiums and where margins are lower than in the traditional credit insurance programs. However, because debt protection administration is not an insurance product, certain costs such as regulatory costs and cost of capital are expected to be eliminated as the transition from credit insurance to debt protection administration services continues. The fees from debt protection administration did not fully compensate for the decrease in credit insurance premiums. See *Business Operating Business Segments Assurant Solutions Products and Services Consumer Protection Solutions*. The increases were partially offset by a \$42 million, or 63%, decrease from the Corporate and Other segment due to the sale of FFG (partially through reinsurance), which had \$65 million of fee income (generated from mutual fund operations included in such sale) in the first quarter of 2001.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses increased by \$181 million, or 3%, from \$5,981 million in 2001 to \$6,162 million in 2002.

Policyholder benefits increased by \$195 million, or 6%, from \$3,240 million in 2001 to \$3,435 million in 2002. The increase was primarily due to the effects of the acquisitions and dispositions described above. The increases were also partially offset by a \$84 million, or 6%, decrease from Assurant Health, primarily due to higher mix of individual health insurance business, which generally has a lower expected loss ratio relative to small employer group business, disciplined pricing and product design changes. Loss ratio refers to policyholder benefits divided by net earned premiums and other considerations; net earned premiums and other considerations include the amount of net premiums written allocable to the expired period of an insurance policy or policies, including fees earned on interest sensitive policies.

Selling, underwriting and general expenses increased by \$113 million, or 5%, from \$2,496 million in 2001 to \$2,609 million in 2002. Assurant Employee Benefits contributed \$106 million of this increase, primarily due to the DBD and CORE acquisitions. This increase was offset by a \$65 million decrease in the Corporate and Other segment due to the sale of FFG. Selling, underwriting and general expenses in Assurant Health increased by \$50 million, primarily due to an increase in the amortization of DAC and due to costs associated with higher employee compensation and investments in technology. Also, selling, underwriting and general expenses in Assurant PreNeed increased by \$17 million, primarily due to increase in amortization of DAC and VOBA as a result of an increase in sales of single-pay policies and increases in general expenses.

Amortization of goodwill was zero in 2002 compared to \$113 million in 2001, as a result of our adoption of FAS 142 as described above.

Interest expense decreased from \$14 million in 2001 to zero in 2002. In April 2001, we used a portion of the FFG sale proceeds to repay \$225 million of outstanding debt owed to Fortis Finance N.V. (Fortis Finance), a wholly owned subsidiary of Fortis.

Distributions on preferred securities in 2002 remained unchanged from 2001 at \$118 million.

*Net Income*

Net income decreased by \$1,099 million from a profit of \$98 million in 2001 to a loss of \$1,001 million in 2002.

Income taxes increased by \$2 million, or 2%, from \$108 million in 2001 to \$110 million in 2002. The effective tax rate for 2002 was 29.7% compared to 52.4% in 2001. The change in the effective tax rate primarily related to the elimination of amortization of goodwill in 2002.

When we adopted FAS 142 in 2002, we recognized a cumulative effect (expense) of change in accounting principle of \$1,261 million in 2002 as compared to zero recognized in 2001.

**Table of Contents***Assurant Solutions**Overview*

The table below presents information regarding Assurant Solutions segment's results of operations:

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2004	2003	2003	2002	2001
(in millions)					
<b>Revenues:</b>					
Net earned premiums and other considerations	\$ 1,836	\$ 1,737	\$ 2,362	\$ 2,077	\$ 1,906
Net investment income	138	142	187	205	218
Fees and other income	98	99	129	119	98
<b>Total revenues</b>	<b>2,072</b>	<b>1,978</b>	<b>2,678</b>	<b>2,401</b>	<b>2,222</b>
<b>Benefits, losses and expenses:</b>					
Policyholder benefits	(724)	(632)	(899)	(755)	(640)
Selling, underwriting and general expenses	(1,229)	(1,200)	(1,590)	(1,449)	(1,444)
<b>Total benefits, losses and expenses</b>	<b>(1,953)</b>	<b>(1,832)</b>	<b>(2,489)</b>	<b>(2,204)</b>	<b>(2,084)</b>
<b>Segment income before income tax</b>	<b>119</b>	<b>146</b>	<b>189</b>	<b>197</b>	<b>138</b>
Income taxes	(38)	(46)	(56)	(65)	(40)
<b>Segment income after tax</b>	<b>\$ 81</b>	<b>\$ 100</b>	<b>\$ 133</b>	<b>\$ 132</b>	<b>\$ 98</b>
<b>Net earned premiums and other considerations by major product groupings:</b>					
Specialty Property Solutions(1)	\$ 578	\$ 527	\$ 733	\$ 552	\$ 452
Consumer Protection Solutions(2)	1,258	1,210	1,629	1,525	1,454
<b>Total</b>	<b>\$ 1,836</b>	<b>\$ 1,737</b>	<b>\$ 2,362</b>	<b>\$ 2,077</b>	<b>\$ 1,906</b>